KERING

2021 Universal Registration Document

Annual Financial Report - Integrated Report

2021 UNIVERSAL REGISTRATION DOCUMENT

AUTORITÉ DES MARCHÉS FINANCIERS

This document is a non-certified translation into English of the Universal Registration Document issued in French, prepared in ESEF format (European Single Electronic Format) and filed on March 28, 2022 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.

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CHAPTER 1

Presentation of the Group and Integrated Report

1 - MESSAGE FROM THE CHAIRMAN AND CEO

François-Henri Pinault
Chairman and Chief Executive Officer

Kering is a global Luxury group, managing the development of a series of renowned Houses in fashion, leather goods and jewelry. By placing creativity at the heart of its strategy, Kering enables its Houses to push back the 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

" Kering realized excellent performances in 2021, further consolidating its prominent position in the Luxury of the future. Thanks to their ability to blend authenticity with bold creativity, all our Houses achieved sharp sales rebound, way beyond their 2019 levels, while reinforcing the exclusivity of their distribution and further enhancing their brand equity. We expanded our team of talented people around the world, and I am sincerely grateful for the remarkable accomplishments of all our colleagues. We are working assiduously to meet our ambitious sustainability commitments. All our Houses are stronger than ever before, and we are confident we will extend last year's momentum in 2022 and in coming years. "

2 – GROUP PROFILE

The Group 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 timber and building materials business, the 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, in which it established a coherent ensemble of complementary luxury brands. Since 2018, when it distributed 70% of PUMA's shares in kind to its shareholders, Kering has been a pure player in Luxury.

2.1 Group history

Origins

1963

François Pinault **establishes** the Pinault group, specializing in timber trading.

1988

Listing of Pinault SA on the Paris Stock Exchange.

Development of a leading distributor

1990

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

1991

Entry into the retail market with the acquisition of a controlling stake in Conforama.

1992

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

1994

Merger of La Redoute with Pinault-Printemps, which is renamed Pinault-Printemps-Redoute.

Takeover of Fnac, a retailer of books, music, films and consumer electronics.

Entry into the Luxury and Sport & Lifestyle industries

1999

Acquisition of a 42% stake in Gucci Group NV, marking the Group's entry into the luxury industry.

2000

Acquisition by Gucci Group of high jewelry House Boucheron.

2001

Gucci Group **acquires** Italian leather goods brand Bottega Veneta and 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.

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% through 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.

2007

Sale of the remaining 49% stake in Printemps.

Acquisition of a 27.1% controlling stake in PUMA, subsequently increased to 62.1% through a tender offer.

2008

Sale of YSL Beauté to L'Oréal.

Acquisition of a 23% stake in watchmaker Girard-Perregaux.

2009

IPO of Cfao, involving the sale of a controlling 58% stake.

Creation of the Kering Foundation to combat violence against women.

2011

Sale of Conforama.

Acquisition of Volcom.

The Group **raises** its stake in Sowind Group (Girard-Perregaux) to 50.1%.

2012

Acquisition of Italian men's tailor Brioni.

Sale of the remaining 42% stake in Cfao.

An integrated and reinforced group

2013

Acquisition of a majority stake in Chinese fine jewelry brand Qeelin.

Acquisition of a majority stake in France Croco, now named Tannerie de Périers.

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.

Admission to the Dow Jones Sustainability World and Europe Indices (DJSI).

2014

Sale of La Redoute.

Acquisition of watchmaker Ulysse Nardin.

2015

Launch of Kering Eyewear.

Sale of Italian shoemaker Sergio Rossi.

Publication of the 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.

Announcement of the Group's 2025 sustainability strategy.

2017

Strategic partnership 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.

Kering, a pure play in the Luxury industry

2018

Distribution in kind of PUMA shares to Kering shareholders, while maintaining a 15.85% stake in the company.

Kering announces its withdrawal from businesses including Stella McCartney and Volcom.

Publication of the first Integrated Report.

New developments in Kering's digital strategy, aimed at enhancing the Group's omni-channel capabilities and its Houses' digital activities.

2019

Sale of Volcom.

Issue of PUMA bonds exchangeable into existing ordinary shares maturing in 2022.

The Fashion Pact: François-Henri Pinault given a mission to bring together participants in the fashion and textile industries with the aim of setting practical objectives for reducing their environmental impact.

Extension of the **parental leave policy**, with 14 weeks of paid parental leave for all Group employees.

2020

Public health crisis arising from the **COVID-19** pandemic.

Disposal of a 5.83% stake in PUMA.

Kering **publishes** a dedicated **biodiversity** protection strategy with a series of new targets to achieve a "net positive impact"[(1)] on biodiversity by 2025.

(1) A business that has a "net positive" impact on biodiversity is one whose negative impacts on biodiversity are outweighed by its positive impacts. This is generally achieved by applying the following mitigation hierarchy: 1. Avoid; 2. Reduce; 3. Restore/Regenerate; 4. Transform (*Conservation hierarchy*).

2.2 Kering today, a global Luxury group

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.

The Group's Houses

GUCCI

SAINT LAURENT

BOTTEGA VENETA

Alexander McQUEEN

BALENCIAGA

Brioni

BOUCHERON
PARIS

Pomellato
MILANO 1967

DoDo
CHARMING JEWELRY

qeelin

GIRARD-PERREGAUX

ULYSSE NARDIN
SINCE 1846 LE LOCLE - SUISSE

KERING
EYEWEAR

2021 key figures

Revenue

€17,645 million

+34.7%
as reported versus 2020

+35.2%
on a comparable basis[1] versus 2020

+13.4%
on a comparable basis[1] versus 2019

Recurring operating income

€5,017 million

+60.0%
versus 2020

28.4%
recurring operating margin

Net income attributable to owners of the parent

€3,176 million

Dividend per share

€12.00[2]

Free cash flow from operations

€3,948 million

+87.6%
versus 2020

42,811
employees
as of December 31, 2021[3]

56%
women
managers

-41%
Environmental footprint
(EP&L intensity 2015-2021)

A List
CDP 2021 -
Climate and Water

(1) Comparable revenue is defined on page 91.
(2) Subject to the approval of the Annual General Meeting to be held on April 28, 2022.
(3) Average 38,836 FTE in 2021.

Key consolidated figures

(in € millions)	2021	2020	Change (reported)	2019
Revenue	**17,645.2**	**13,100.2**	**+34.7%**	**15,883.5**
EBITDA	**6,470.4**	**4,574.2**	**+41.5%**	**6,023.6**
EBITDA margin (% of revenue)	*36.7%*	*34.9%*	*+1.8 pts*	*37.9%*
Recurring operating income	**5,017.2**	**3,135.2**	**+60.0%**	**4,778.3**
Recurring operating margin (% of revenue)	*28.4%*	*23.9%*	*+4.5 pts*	*30.1%*
Net income attributable to owners of the parent	**3,175.7**	**2,150.4**	**+47.7%**	**2,308.6**
o/w continuing operations excluding non-recurring items	**3,361.3**	**1,972.2**	**+70.4%**	**3,211.5**
Gross operating investments(1)	**934.0**	**786.9**	**+18.7%**	**955.8**
Free cash flow from operations(2)	**3,947.8**	**2,104.6**	**+87.6%**	**1,520.7**
Net debt(3)	**168.4**	**2,148.7**	**-92.2%**	**2,812.2**

(1) Purchases of property, plant and equipment and intangible assets.
(2) Net cash received from operating activities less net acquisitions and disposals of property, plant and equipment and intangible assets.
(3) Net debt is defined on page 92.

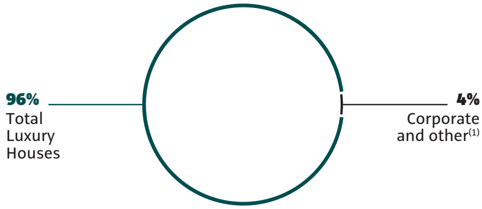
Per share data

(in €)	2021	2020	Change (reported)	2019
Earnings per share attributable to owners of the parent	**€25.49**	**€17.20**	**+48.2%**	**€18.40**
o/w continuing operations excluding non-recurring items	**€26.98**	**€15.78**	**+71.0%**	**€25.59**
Dividend per share	**€12.00**(1)	**€8.00**	**+50.0%**	**€8.00**

(1) Subject to the approval of the Annual General Meeting to be held on April 28, 2022.

Revenue

Revenue breakdown



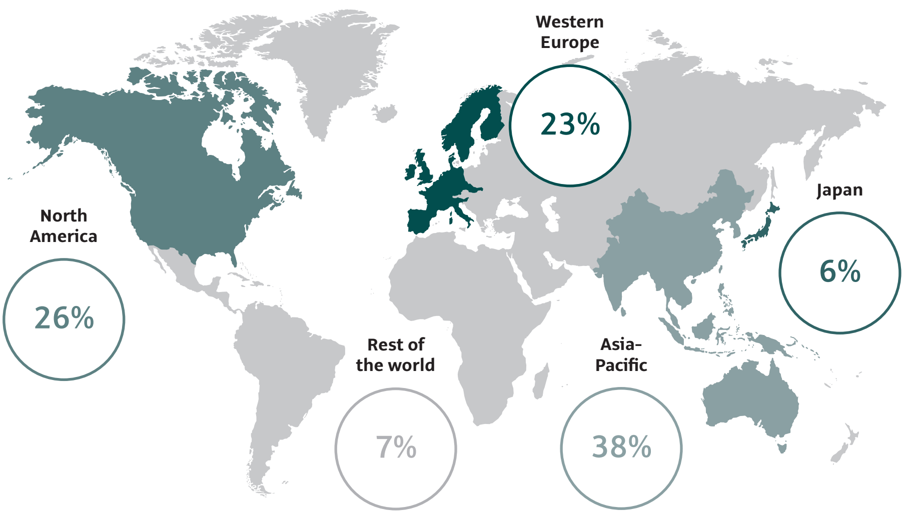
(1) The "Corporate and other" segment is defined on page 84.

(in € millions)	2021	2020	Change (reported)	2019
Luxury Houses	17,019.4	12,676.6	+34.3%	15,382.6
Corporate and other[(1)]	625.8	423.6	+47.7%	500.9
Group	17,645.2	13,100.2	+34.7%	15,883.5

(1) The "Corporate and other" segment is defined on page 84.

Revenue breakdown by region

(% of consolidated revenue)



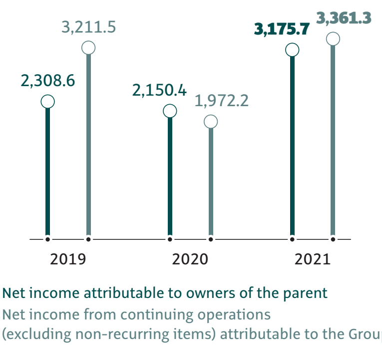
Recurring operating income

(in € millions)	2021	2020	Change (reported)	2019
Luxury Houses	**5,175.3**	**3,367.1**	**+53.7%**	**5,042.0**
Recurring operating margin	*30.4%*	*26.6%*	*+3.8 pts*	*32.8%*
Corporate and other[(1)]	**(158.1)**	**(231.9)**	**+31.8%**	**(263.7)**
Group	**5,017.2**	**3,135.2**	**+60.0%**	**4,778.3**
Recurring operating margin	*28.4%*	*23.9%*	*+4.5 pts*	*30.1%*

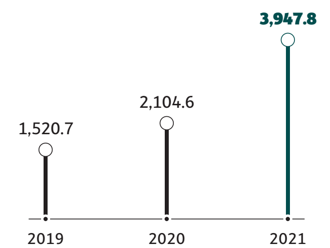
(1) The "Corporate and other" segment is defined on page 84.

Other financial indicators

Net income attributable to owners of the parent
(in € millions)

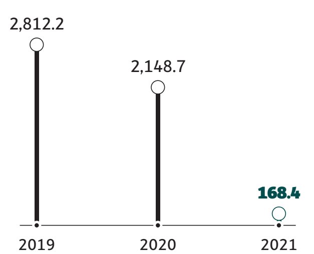


Free cash flow from operations[(1)]
(in € millions)



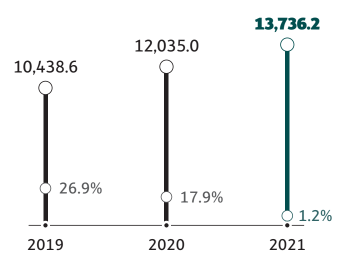
(1) Net cash flow from operating activities less net acquisitions of property, plant and equipment and intangible assets.

Net debt[(2)]
(in € millions)



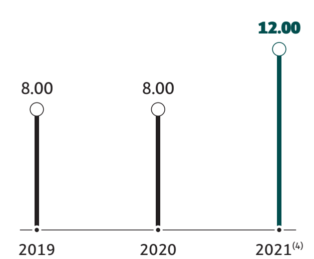
(2) Net debt is defined on page 92.

Equity and debt-to-equity ratio[(3)]
(in € millions and %)



(3) Net debt (defined on page 92)/equity.

Dividend per share
(in €)

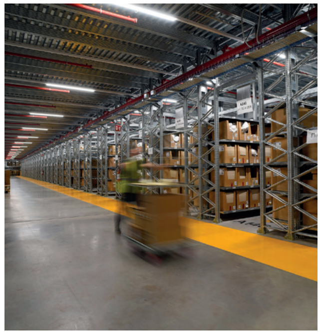


(4) Subject to the approval of the Annual General Meeting to be held on April 28, 2022.

Key highlights 2021

Strategy, activities and finance

Investment as part of a fundraising transaction by Vestiaire Collective, the leading global platform for desirable second-hand fashion, resulting in a stake of around 5%.

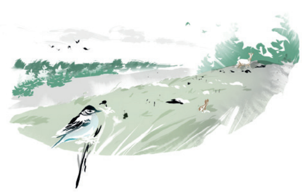


Inauguration of the Group's new logistics platform in Trecate (Italy), which covers more than 162,000 sq.m.

Sale of a 5.9% stake in PUMA, with Kering retaining an interest of around 4%.

Acquisition of 100% of the share capital of Danish luxury eyewear brand LINDBERG by Kering Eyewear.

Environmental, social and governance (ESG)



Launch of the Kering Regenerative Fund for Nature with Conservation International and announcement of the Fund's first seven grantees.

Publication of the Climate Strategy, commitment to align with a 1.5°C trajectory and new targets for reducing greenhouse gases by 2030.

Publication of the Group's Circularity Ambition.

Decision by Kering to stop the use of animal fur in all Group Houses starting with their Fall 2022 collections.

KERING GOES FUR FREE

Launch of the "Watch and Jewellery Initiative 2030" by Cartier and Kering in partnership with the Responsible Jewellery Council, with the aim of welcoming all watch and jewelry brands willing to commit to a set of ambitious and common objectives in three areas: building climate resilience, preserving resources, and fostering inclusiveness.

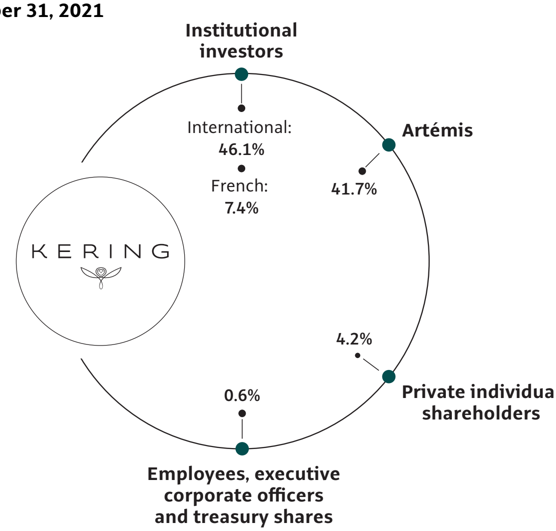
Extension of the EP&L to include an impact measurement relating to product use and end of life.

3 - OUR GOVERNANCE MODEL

3.1 Stable ownership structure

Breakdown of share capital as of December 31, 2021

Kering is the result of one family's entrepreneurial journey. It is 41.7%-owned by the Artémis holding company, which is controlled by the Group's founding Pinault family. Alongside this solid core shareholder, the Group's ownership structure has become increasingly international over a period of more than 10 years, reflecting the Group's worldwide growth and transformation. Institutional investors own 53.5% of its shares, with 7.4% held by French institutions and 46.1% by investors residing outside France.



% of the capital held as of December 31, 2021 (source: shareholders' identification).

3.2 A Board of Directors with a long-term vision for the Group

Our governance structure is aligned with best practice. As well as ensuring that strategic decisions are taken and implemented effectively, it ensures a genuine balance of powers.

Unified governance, well suited to Kering's specific features

Kering has opted to combine the roles of Chairman of the Board and Chief Executive Officer, taking the view that this governance arrangement is the one that best suits the Group's specific features, in which each of the Group's Houses have creative autonomy. It reflects 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. This governance arrangement guarantees an effective strategic decision-making process, allows the Group's economic and financial performance to be optimized, and ensures strong, consistent communication. The Chairman and CEO is supported by Jean-François Palus, Group Managing Director, who helps develop Kering's strategy, manages its implementation and focuses on enhancing the Group's operational efficiency.

The Lead Independent Director: ensuring the balance of powers within the governance structure and the smooth running of the Board

With a view to achieving and maintaining an appropriate balance of power on its Board, the Group strives to ensure that its membership is suitably balanced and diverse. Members of the Board have backgrounds in a variety of industries and are mainly independent.

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 running and balance of power, the Board of Directors decided in 2019, on the recommendation of the Appointments and Governance Committee, to create the role of Lead Independent Director.

The Lead Independent Director is consulted on the agenda and schedule of Board meetings and may propose additional agenda items to the Chairman. He/she liaises between the independent Directors, other Board members and Executive Management and prevents the occurrence of conflicts of interest concerning corporate officers. He/she monitors compliance with the Board's internal rules and takes part in the process of assessing the Board of Directors. The Lead Independent Director, in coordination with the Chairman of the Board, also represents the Board in its dealings with investors concerning ESG matters. He/she stays informed about shareholders' requests in relation to corporate governance and ensures that responses are provided. The duties of the Lead Independent Director are provided for and described in the internal rules of the Board of Directors.

Membership of the Board of Directors as of February 16, 2022

Sophie L'Hélias[1]
Lead Independent Director

Yseulys Costes
Chair of the Remuneration Committee

Jean Liu

Daniela Riccardi

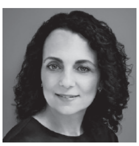
Tidjane Thiam
Chair of the Audit Committee

Emma Watson
Chair of the Sustainability Committee

6
independent Directors

François-Henri Pinault
Chairman and CEO

2
Directors representing employees



Concetta Battaglia

Claire Lacaze

4
non-independent Directors

Financière Pinault
Represented by
Héloïse Temple-Boyer
Chair of the Appointments and Governance Committee

Jean-Pierre Denis
Vice-Chair of the Audit Committee

Jean-François Palus
Group Managing Director

Baudouin Prot

(1) At the Board of Directors' meeting of March 4, 2022, Sophie L'Hélias announced her resignation from her position as Director on Kering's Board due to her recent appointment to chair the Board of Directors of a company outside the Group.

Key figures relating to the Board of Directors as of February 16, 2022

55%
Independent Directors[1]

55%
Women Directors[1]

54
Average age

5
Nationalities

86%
Average attendance rate[2]

8.4
Years' average seniority

Board Committees

BOARD OF DIRECTORS

Audit Committee

6 members
Degree of independence: 67%
Average attendance rate: 87%[2]

Remuneration Committee

6 members
Degree of independence: 60%[1]
Average attendance rate: 100%[2]

Appointments and Governance Committee

5 members
Degree of independence: 50%[1][3]
Average attendance rate: 100%[2]

Sustainability Committee

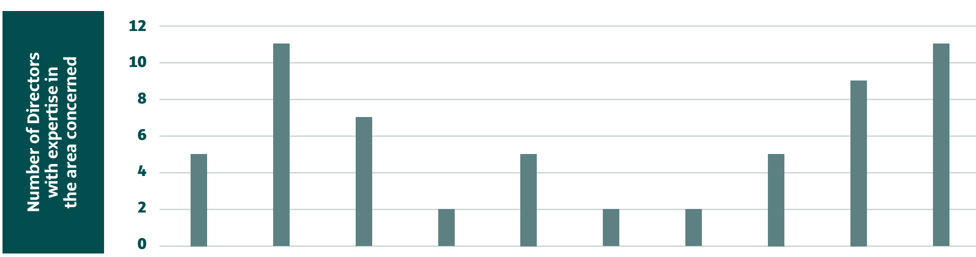
6 members
Degree of independence: 50%
Average attendance rate: 83%[2]

(1) Excluding the Directors representing employees in accordance with the AFEP-MEDEF code.
(2) Directors' average attendance rate for 2021.
(3) Following the resignation of Ginevra Elkann on April 27, 2021, the proportion of Appointments and Governance Committee members who are independent fell from 60% to 50%.

Board members' areas of expertise

Kering's Board of Directors is made up of members with a broad, diverse range of experience and expertise

	Corporate governance	Risk management	Corporate social and environmental responsibility (CSR)	Marketing	Industry	Technology, digital and cybersecurity	Innovation	Economics	Finance and accounting	Leadership
François-Henri Pinault	●	●	●		●				●	●
Jean-François Palus	●	●	●		●				●	●
Sophie L'Hélias	●	●	●						●	●
Tidjane Thiam		●						●	●	●
Yseulys Costes		●		●		●	●		●	●
Héloïse Temple-Boyer	●	●			●			●	●	●
Emma Watson			●		●					●
Jean-Pierre Denis		●						●	●	●
Concetta Battaglia	●	●	●							
Claire Lacaze			●							
Jean Liu		●		●		●	●	●	●	●
Baudouin Prot		●						●	●	●
Daniela Riccardi		●	●		●					●



For more details about Kering's governance, please refer to Chapter 3, "Report on corporate governance".

3.3 Group management

Group management is composed of the Executive Committee headed by François-Henri Pinault, Chairman and Chief Executive Officer, and Jean-François Palus, Group Managing Director.

The Executive Committee has 12 members, comprising the managers of the Group's activities and of the main Houses, along with Kering's main operating officers.

The Executive Committee is the Group's key operational body and, through its composition and the scope of its remit, reflects Kering's transformation into an integrated group and the increasingly international nature of its activities. Kering's Executive Management and the Chief Executive Officers of the major Houses hold regular meetings to assess business developments. In those meetings, discussions are based on operational and financial metrics.

Executive Committee members as of December 31, 2021

François-Henri Pinault

Chairman and Chief Executive Officer

Francesca Bellettini

President and Chief Executive Officer, Yves Saint Laurent

Marco Bizzarri

President and Chief Executive Officer, Gucci

Cédric Charbit

President and Chief Executive Officer, Balenciaga

Bartolomeo Rongone

Chief Executive Officer, Bottega Veneta

Roberto Vedovotto

President and Chief Executive Officer, Kering Eyewear

Jean-François Palus
Group Managing Director

Gregory Boutté
Chief Client and Digital Officer

Marie-Claire Daveu
Chief Sustainability and Institutional Affairs Officer

Jean-Marc Duplaix
Chief Financial Officer

Valérie Duport
Chief Communications and Image Officer

Béatrice Lazat
Chief People Officer

3.4 Remuneration aligned with value creation and stakeholder interests

The remuneration of the executive corporate officers includes a fixed portion and a variable portion. The Board of Directors establishes the rules for determining remuneration each year based on the recommendations of the Remuneration Committee and in accordance with the recommendations of the AFEP-MEDEF code, and they are submitted to shareholders for approval in 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 executive corporate officers' remuneration is subject to performance conditions (84% for the Chairman and Chief Executive Officer and 80% for the Group Managing Director for 2022), reflecting their obligation to create medium- and long-term value.

The variable portion of executive corporate officers' remuneration is subject to performance conditions relating to financial criteria as well as corporate social and environmental responsibility, reflecting the Group's ambitious objectives in these areas, and encouraging the executive corporate officers to base their decisions and actions on ensuring long-term return.

Components of executive corporate officers' remuneration

ANNUAL FIXED REMUNERATION
(cash)

- Consideration of the level and complexity of responsibilities and experience
- Alignment with market practices (peers in the CAC 40 and the international luxury market)

ANNUAL VARIABLE REMUNERATION
(cash)

Performance criteria

NON-FINANCIAL CRITERIA **30%**	FINANCIAL CRITERIA **70%**
Sustainability **10%**	Consolidated recurring operating income **35%**
Corporate social responsibility **10%**	Consolidated free cash flow from operations **35%**
Organization and talent management **10%**	

MULTI-ANNUAL VARIABLE REMUNERATION
(performance shares)

Performance criteria *(3 years)*

NON-FINANCIAL CRITERIA **20%**	FINANCIAL CRITERIA **80%**
Proportion of women in executive management roles **10%**	Consolidated recurring operating income **40%**
Biodiversity **10%**	Consolidated free cash flow from operations **40%**

Kering share performance: +/-50% impact

3.5 Simplified Group structure as of December 31, 2021

KERING

- **Luxury Houses**
  - Gucci
  - Yves Saint Laurent
  - Bottega Veneta
  - Balenciaga
  - Alexander McQueen
  - Brioni
  - Boucheron
  - Pomellato
  - Qeelin
  - Girard-Perregaux
  - Ulysse Nardin
- **Corporate and other**[(1)]
  - CORPORATE Headquarters & Regions
  - Kering Eyewear

(1) As defined on page 84.

4 - OUR VALUE CREATION MODEL

Leveraging RESOURCES of exceptional quality optimized by KERING…

HUMAN CAPITAL

- 42,811 employees with unique know-how and creativity
- A network of several thousand suppliers located mainly in Western Europe (90%) and particularly in Italy (84%)

FINANCIAL CAPITAL

- €3,948 million of free cash flow from operations and €168 million of net debt
- €934 million of gross operating investments to support the growth of the group's Houses, and in particular to develop their retail network comprising 1,565 stores as well as a global online presence
- A stable and increasingly international shareholder base, along with committed governance to support the Group's long-term development

INDUSTRIAL CAPITAL

- Creative and production work increasingly handled by in-house workshops
- Greater logistics capabilities with the construction of new logistics platforms and centers, which feature cutting-edge technology and meet demanding criteria in terms of environmental performance, in the United States (2019), Italy (2020-2021) and then in Asia

NATURAL CAPITAL

- Responsible use of natural resources and raw materials, on which the Group's business depends, guided by our 2025 sustainability targets
- Numerous initiatives to preserve and protect ecosystems, including the decision to stop using animal fur across all Houses

INTELLECTUAL CAPITAL

- Innovations in terms of production (materials and processes), products and client experiences, which are key distinguishing features and help the Group anticipate new consumption trends

SOCIAL CAPITAL

- A great sense of ethical responsibility, both within the Group and its Houses and when working with suppliers and other business partners, combined with strong values that inspire the Group's actions and business practices
- The Kering Foundation, whose mission is to combat violence against women

...the Group is helping to CRAFT tomorrow's Luxury...

A VISION
Embracing creativity for a vision of Luxury that combines heritage with boldness

A MULTI-BRAND MODEL
built on a long-term approach and creative autonomy for our Houses

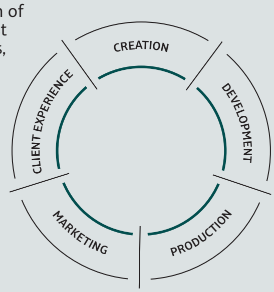
- Agility
- Balance
- Responsibility

A STRATEGY
to harness the full potential of Luxury and grow faster than our markets

- Promoting organic growth
- Enhancing synergies and developing growth platforms

A VALUE CHAIN
that brings key advantages

- Increasing integration of the value chain's most strategic components, combined with flexible production capacity
- Cross-business expertise, e.g., Kering Eyewear
- Shared support functions and platforms, framed by the highest environmental and social standards



FINANCIAL PRIORITIES
that are clearly established

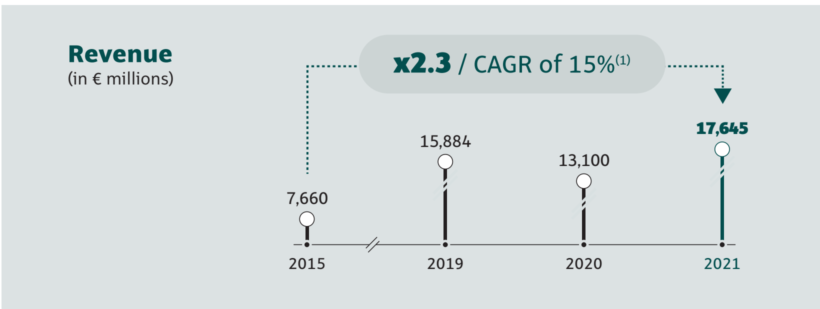
- Sustained organic growth
- Solid profitability
- Strong cash flow generation
- Balanced allocation of capital and resources

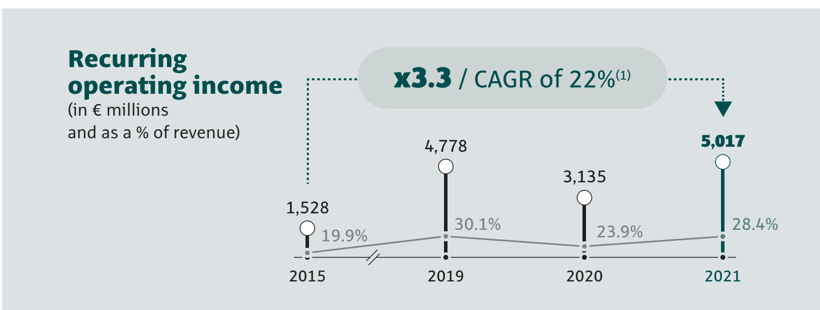
TO SUPPORT OUR AMBITION
To be the world's most influential Luxury group in terms of creativity, sustainability and long-term economic performance

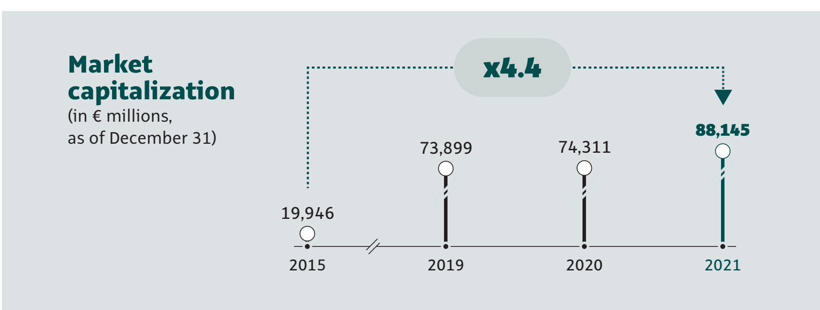
...and CREATES VALUE...

STRONG GROWTH SINCE 2015

and resilience to the COVID-19 public health crisis







(1) 2015 data adjusted for 2019 scope / CAGR: compound annual growth rate.

...that it **SHARES** with its **STAKEHOLDERS**

EMPLOYEES

- Personnel expenses of around €2.4 billion
- 82% engagement rate among Group employees in 2021 according to the Kering People Survey
- 577,504 hours of training
- 100% of employees covered by progressive policies including 14 weeks of parental leave

SUPPLIERS AND BUSINESS PARTNERS

- 3,420 supplier audits conducted in 2021 regarding social, environmental and sourcing matters. 90% of suppliers were audited in 2015-2021.
- Launch in 2020 of an online portal for suppliers to share information and best practices in relation to sustainability
- Measures to support suppliers in relation to the COVID-19 crisis and ecological transition

CREATIVE TALENT AND EXCELLENCE IN CRAFTSMANSHIP

- More than 1,500 experts trained at Kering's Houses since 2015 via around 15 programs aimed at supporting excellence in craftsmanship and preserving know-how
- Creation of in-house training schools: Gucci's École de l'Amour, the Institut Saint Laurent Couture, the Brioni Scuola di Alta Sartoria training center, the Scuola dei Maestri Pellettieri de Bottega Veneta, etc.
- 2020 launch of a training course as part of the French *Institut Français de la Mode* – Sustainability Chair

CLIENTS

- A highly desirable product offering
- Direct distribution channels guaranteeing a high quality of service and respect for the Houses' image, representing 81% of revenue and reflecting an increasingly exclusive distribution strategy
- An omnichannel digital experience. Online sales make up 15% of the Luxury Houses' retail revenue

INNOVATION DRIVERS

- More than 4,000 sustainable materials listed in the Materials Innovation Lab (MIL) and launch of the new Demetra material by Gucci
- Partner of the Fashion for Good accelerator that has worked with 115 promising start-ups since 2017
- Creation of Kering Ventures, whose purpose is to invest in innovative new technologies, brands and business models for the future of the luxury sector: financial investment in 2021 in Vestiaire Collective (worldwide second-hand fashion platform), Cocoon (luxury bag rental service), NTWRK (shopping livestream), etc.

PLANET

- 41% reduction in EP&L intensity between 2015 and 2021
- Launch of the Kering Regenerative Fund for Nature as part of the Group's strategy for protecting biodiversity
- Publication of the Group Ambitions, which favor a holistic approach to the circular economy
- 90% of key raw materials traced back to their country of origin
- New international coalitions bringing together industry players: Fashion Pact and Watch & Jewellery Initiative 2030

CIVIL SOCIETY, LOCAL COMMUNITIES AND NGOS

- Selection in 2021 of the first seven projects supported by the Kering Regenerative Fund for Nature, which represent 840,000 hectares that will eventually be converted into regenerative agricultural space and involve 60,000 people across the globe
- 1,685 Group employees, including the Group Executive Committee, trained by specialized associations since 2011 to understand, listen to and help women victims of domestic violence
- Launch of the Giving Back program: Group employees (initially in France, Italy and the United Kingdom) spend 21 working hours per year on volunteer work that supports local communities

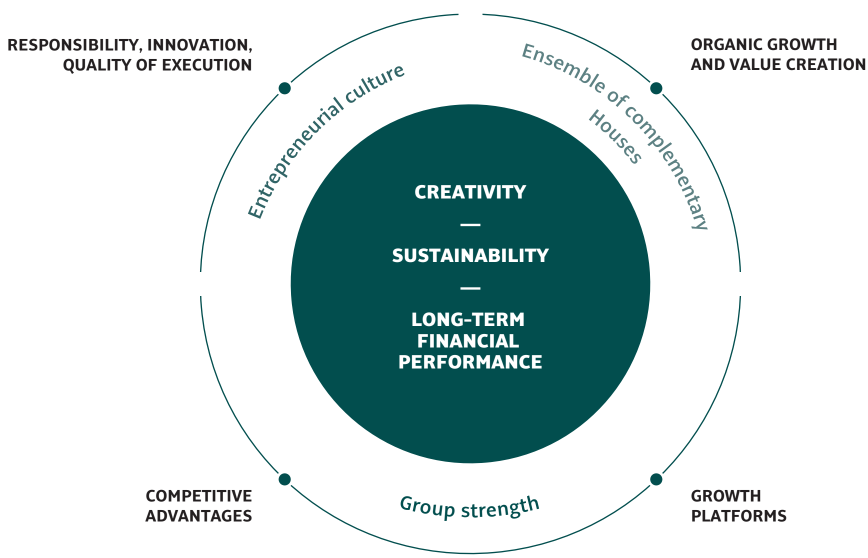
SHAREHOLDERS AND FINANCIAL COMMUNITY

- A balanced and attractive dividend distribution policy with an average dividend growth rate of 20% (2015-2021)

5 - OUR STRATEGY

The events of 2021, a year of renewed growth, demonstrated the relevance of the Group's approach, validating the decisions made over the previous years and the investment priorities adopted, which will enable Kering and its Houses to further reinforce their competitive advantage. The Group is ideally placed to benefit from the major trends that are shaping and driving growth in its markets, including:

- a shift in distribution toward an increasingly exclusive model;
- the digitalization of the luxury goods industry;
- the evolving expectations of clients, who are looking for creativity and an ever more personalized experience;
- the emergence of a new generation of consumers who are increasingly connected and conscious of social and environmental issues;
- sustained appetite and demanding requirements among traditional luxury goods consumers.



Vision

Embracing creativity for a vision of Luxury that combines heritage with boldness

Business model

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

AGILITY

BALANCE

RESPONSIBILITY

Strategy

Harness the full potential of Luxury and grow faster than our markets

PROMOTING ORGANIC GROWTH

ENHANCING SYNERGIES AND DEVELOPING GROWTH PLATFORMS

Our vision

Embracing creativity for a vision of Luxury that combines heritage with boldness

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 and a more sustainable approach. These changes are 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 and with the future, 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 economic performance.

Consumers have new expectations. Tradition and expertise 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, as well as allowing all clients to express their distinctive personality.

What Kering and its Houses propose is an experience. Our values are closely related to the powerful creative content of our products, which imbues them with modernity. Those values 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, engaged and inclusive 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.

Kering is pronounced "caring", which is much more than a simple allusion – it gives meaning to everything we do.

Our business model

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

Kering is a global Luxury group, managing the development of a series of renowned Houses in fashion, leather goods and jewelry: Gucci, Saint Laurent, Bottega Veneta, Alexander McQueen, Balenciaga, Brioni, Boucheron, Pomellato, DoDo, Qeelin, and 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 Artemis, 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 innovative logistics platforms, digital services and technological infrastructure, and common support functions. By encouraging imagination in all its forms, our organization fosters strict management while enabling our Houses to unleash the best of their talent and creativity. The Group ensures that the brands' success is aligned with their long-term visions and objectives. Thanks to our curiosity, capacity for self-reflection and big-picture thinking, we can achieve the clarity necessary to set a successful course for 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 industry's most prestigious Houses. Our brands complement each other well with their distinctive market positions, and each play a role in a coherent ensemble.

- **A 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. 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 the client experience, especially in digital channels. It also encourages the Houses to share best practice with a view to driving innovation.

- **An ensemble of complementary Houses**

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. 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. Kering's global reach proved crucial during the pandemic and the subsequent recovery from it, alleviating the impacts of store closures in certain regions and taking advantage of the rapid rebound in local demand in the Americas, China and Europe.

"Our economic model is built on exceptional Houses, complementary market positions and varying maturity profiles"

RESPONSIBILITY

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

- **Toward 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. This situation can also be viewed as an opportunity to grow, and is a source of inspiration and innovation. Methods, materials, resources and products are being reinvented, and client usage and expectations are changing. Kering is changing the way it designs luxury products by incorporating the criterion of sustainable value, for our clients as well as for society. The targets identified to improve the Group's social and environmental performance are set out in our 2025 sustainability 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 an 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 source of growth"

Our strategy

Harness the full potential of Luxury and 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 an industry set to deliver growth in the medium and long term**

The future of the luxury goods market is fundamentally bright. The growth of emerging economies, the cultural exposure of new populations to global brands and the increasing use of new technologies are major sources of value creation for Kering. The challenge for each of our Houses is to outperform its respective market.

- **Product innovation**

Energized by their creative teams, our Houses are setting trends. Backed by the Group, they are constantly coming up with 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 same-store sales performance is a key organic growth driver for Kering.

- **Client experience**

Improving the in-store client experience is central to driving sales performance. Support for clients before, during and after the sale – in stores or online – is what enables our Houses to create and sustain lasting connections. A personalized client experience and customization help make each client relationship unique. The decisions to bring client relations and e-commerce platforms back in-house, to speed up the development of distance selling tools and to increase the proportion of sales coming from retail stores we control were guided by the same aim.

- **Omni-channel approach**

Our clients are connected and mobile, constantly moving between distribution channels, from digital platforms to brick-and-mortar stores. Our client relations strategy is epitomized by continuity across all communication and distribution channels. This holistic omni-channel approach is supported by the selective extension of the directly operated store network, distribution agreements, travel retail, e-commerce, social media and digital communication. In 2021, we continued efforts that had begun in 2020 to migrate some of our Houses onto the e-commerce platform developed and managed internally. This migration has been a key phase of our strategy, especially in view of the rapid increase in online sales penetration. It gives us control over 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 thanks to a range of omni-channel services.

- **Digital expertise, CRM and innovation**

A number of projects have been set up to support Kering in its digital transformation and drive forward its e-commerce, CRM, data science and innovation activities. Our Digital and Client Relations team is developing One-to-Many, One-to-Few and One-to-One tools that are considerably improving the client experience and customer service. It uses available data to analyze and improve the performance of our Houses, and in particular uses artificial intelligence for planning purposes. The Group's Innovation team is continuing to fulfill its remit: 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, as well as 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). Relieved of this burden, our Houses can focus their energy on creativity.

- **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 since 2014 and in July 2021 was strengthened with the acquisition of Danish luxury eyewear brand LINDBERG. Our Houses benefit from having a dedicated specialist entity that ensures full control over the value chain of their frame and sunglasses businesses, comprising creation, development, supply chain, brand strategy, marketing and 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.

- **Growth platforms and operating efficiency**

Kering is constantly improving and adapting its operating model to ensure its structures are ever 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 to changing consumer trends and client expectations. With shared, state-of-the-art IT, 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 in order to optimize costs.

- **Talent excellence**

We pay particular attention to the professional development and fulfillment 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.

Our policy of promoting diversity, gender parity and inclusiveness is a source of collective intelligence and enrichment but also fundamental to our culture of equality, allowing each individual to realize their full potential. It also lies at the heart of talent management actions and initiatives taken by the Group and its Houses.

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 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"

6 – OUR MARKETS

6.1 Major market trends

The personal luxury goods market grew strongly in 2021, making up the ground it had lost during the COVID-19 crisis in 2020, with total sales of €283 billion. The recovery was driven by robust local demand, and came despite tourist numbers remaining weak. Certain previous trends were confirmed and even amplified in 2021, and so the transformation of the luxury market that was underway before the crisis accelerated during the year.

Strong rebound in 2021

- Return to growth in the global economy (estimate: 5.8%[1]) and rising real-estate and financial asset prices
- Purchases driven by pent-up demand among local consumers
- Strong appeal for new consumers
- Reallocation of spending from luxury services to luxury products since the start of the recovery
- Easing of restrictions and a gradual recovery in tourist numbers, although the number of Asian people visiting Europe remains low
- Ongoing growth in the online sales channel

2021 ESTIMATE

+1%/+4%

change in the personal luxury goods market between 2019 and 2021 (at reported and constant exchange rates)[2]

Confirmation of the recovery in 2022, but uncertainties remain

- Financial analysts and consultants are optimistic about the luxury industry's growth in 2022, which they expect to be between 6% and 10%. However, there are still some uncertainties, particularly about the upturn in international travel, the intensity of global economic growth and asset valuations. Those uncertainties are partly related to developments in the COVID-19 crisis and recent geopolitical events.

2022 FORECAST

+6% to +10%

expected growth in the luxury market in 2022[2]

2025 OUTLOOK

€360-380 billion

estimated size of the luxury consumer goods market[2]

(1) Source: Oxford Economics, World Economic Prospects, January 2022. Compound annual growth rate.
(2) Source: Bain-Altagamma Luxury Goods Worldwide Market Study published in November 2021, supplemented by a detailed report published in December 2021.

Solid medium- and long-term growth drivers

- Fast-growing middle classes in emerging countries
- Increase in average disposable income
- Trading up: appeal of the value proposition offered by luxury goods brands
- Larger number of wealthy individuals worldwide and an increase in their net worth
- Resilience and expansion of local client bases
- Generational transition
- Complementary nature of physical and digital distribution, effective omni-channel approach

Accelerated transformation

- Repatriation of demand to local markets
- Greater expectations for personalized client relations and experience
- Digital transformation and increasingly sophisticated CRM approach
- Demand for transparency and corporate social and environmental responsibility

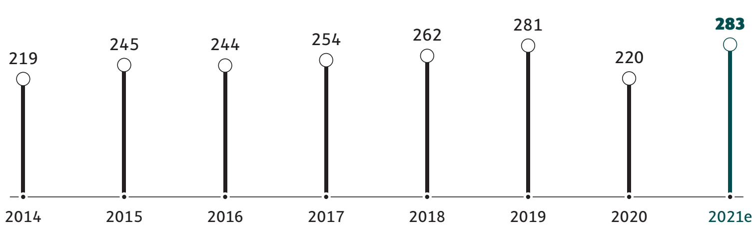
6.2 Personal luxury goods market overview

I. Size and trends

A. Size

The worldwide personal luxury goods market enjoyed solid growth of 5% per year from 2014 to 2019, while major listed groups typically outperformed, with growth of around 11%. %. In 2020, the industry was severely affected by the public health crisis resulting from the COVID-19 pandemic. The sector rebounded strongly in 2021, with sales rising above their pre-crisis level. Sector sales in 2021 totaled €283 billion, up 1% as reported and up 4% on a comparable basis compared to 2019 according to Bain & Altagamma.

Global luxury goods market *(in € billions)*



Annual change:								
reported	+3%	+12%	0%	+4%	+3%	+7%	-23%	+30%
comparable	+3%	+1%	0%	+5%	+7%	+4%	-22%	+31%

Source: Bain-Altagamma Luxury Goods Worldwide Market Study published in November 2021, supplemented by a detailed report published in December 2021.

B. 2021 trends

2021 brought a rapid rebound in the luxury market, even though the overall backdrop was still affected by the COVID-19 pandemic.

- There was a V-shaped recovery in global GDP, which rose 5.8% in 2021 after contracting by 3.5% in 2020, helped by large-scale fiscal stimulus policies and low interest rates in the main economic zones.
- Global tourist numbers and their spending remained under pressure. According to IATA, global air traffic, in terms of passenger numbers, was more than 50% lower in 2021 than in 2019.
- There was a rise domestic and intra-regional tourism.
- Spending was relocated, confirming the trend seen in 2020: in 2021, 95% of luxury goods purchases were by local clients, i.e. in their domestic markets.
- Prices rose and the product mix improved.
- Online shopping remained appealing, and its contribution to total personal luxury goods remained constant in 2021 after doubling in 2020.
- In 2021, the sector's profitability recovered to 2019 levels due to the rebound in demand and despite greater marketing and digital expenditure.
- Geopolitical and socio-economic tensions were persistent.
- Exchanges rates remained unfavorable until late in the year.

II. 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 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 the most prominent global groups in the personal luxury goods market: LVMH, Hermès, Richemont, Chanel, Prada and Burberry.

A phenomenon known as performance polarization has been observed over the past four to five years, and it became more pronounced in 2021. This phenomenon involves:

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

III. Regional overview

Worldwide personal luxury goods market: breakdown by region (2021e)

	Size *(in € billions)*	Reported YoY change	Reported change vs. 2019	Change at comparable exchange rates vs. 2019	Proportion *of total market*
Europe	71	+20%	-20%	-19%	25%
Americas	89	+41%	+6%	+13%	31%
Mainland China	60	+36%	+97%	+97%	21%
Japan	20	+10%	-17%	-12%	7%
Rest of Asia	32	+19%	-25%	-25%	11%
Rest of the world	12	+34%	+7%	+11%	4%
TOTAL	283	+29%	+1%	+4%	100%

Source: Bain-Altagamma Luxury Goods Worldwide Market Study published in November 2021, supplemented by a detailed report published in December 2021.

The Americas region was the largest market, ahead of Europe, with the United States accounting for the vast majority of revenue (around 88%). In 2021, business in the region grew sharply, rising 41% as reported compared to 2020, taking it above its 2019 level (up 13% at comparable exchange rates). The United States saw a sharp rebound, with European luxury brands achieving higher market shares. Secondary cities such as Atlanta, Detroit, Houston and Dallas and suburban areas continued to perform well, while large cities and regions (New York, Boston and Miami) regained impetus.

In 2021, sales in Europe rose by 20% as reported relative to 2020, but remained lower than their pre-crisis level (down 19% compared to 2019 at comparable exchange rates). Local consumption was firm across the region, and tourists returned to Europe from certain countries in the Americas and the Middle East during the summer, although those from Asia generally stayed away, which continued to harm sales in Europe. In some European countries, where a larger proportion of sales come from local clients, sales were more resilient (Germany) or even rose above pre-crisis levels (Russia).

Momentum remained good in Mainland China, with sales up 36% as reported relative to 2020. This market's proportion of global sales was almost double that seen in 2019. China now accounts for 21% of the global luxury market, up 10 percentage points relative to 2019. Chinese clients repatriated spending to their local market and, together with the market's underlying dynamics, this allowed prices to rise. Local lockdowns affected sales in the third quarter, although this did not adversely affect China's performance as a whole. Hong Kong continued its downward trend as its position as a leading tourist destination for luxury goods purchases suffered. Chinese tourists shifted their spending back to Mainland China, particularly to Hainan province. Because of lower tourist numbers, Chinese consumers were less of a growth driver than the domestic Chinese market.

Japan accounted for 7% of the global luxury market in 2021, with sales up 10% year-on-year as reported but 12% lower than in 2019 on a comparable basis. Local consumer spending was held back by a lower COVID-19 vaccination rate than in other major markets in the first nine months of 2021, and by a cautious approach to pandemic risks.

Among other Asian markets, South Korea saw sales rise back to 2019 levels, with repatriated spending by local clients offsetting the lack of tourists.

The rest of the world – including the Middle East, Africa and Australia – represented 4% of the worldwide personal luxury goods market in 2021 and saw significant growth, with sales up 34% as reported. Growth in these countries was driven mainly by the Middle East, led by Dubai and Saudi Arabia. Australia substantially underperformed because of its extended lockdowns.

IV. Product categories

All categories of Luxury saw rapid year-on-year growth in 2021, with sales up 29% on average and growth of over 20% in each category. However, 2020 had been a particularly difficult year for some of them, and so the base for comparison differed. Relative to 2019, Shoes, Leather Goods and Jewelry fared the best, while performance was weaker in Apparel (sharp correction in formalwear), Perfumes and Cosmetics (exposure to duty-free sales) and Watches (wholesale inventories and lower sell-out).

The worldwide personal luxury goods market is divided into seven main product categories, as shown below.

Worldwide personal luxury goods market: breakdown by category (2021e)

	Size *(in € billions)*	Reported change vs. 2019	Reported change vs. 2020	Proportion *of total market*
Apparel	57	-10%	+26%	20%
Leather Goods	62	+8%	+32%	22%
Shoes	23	+11%	+25%	8%
Watches	40	+0%	+32%	14%
Jewelry	22	+7%	+24%	8%
Perfumes and cosmetics	60	-1%	+26%	21%
Other (eyewear, textile accessories, etc.)	19	N/A	+46%	7%
TOTAL	283	+1%	+29%	100%

Source: Bain-Altagamma Luxury Goods Worldwide Market Study published in November 2021, supplemented by a detailed report published in December 2021.

Apparel

The apparel category represented 20% of the total personal luxury goods market in 2021 and was worth an estimated €57 billion. Despite a rebound in 2021, sales in this category remained 10% lower than in 2019.

All Kering soft luxury Houses operate in the apparel category, especially Gucci, Saint Laurent, Alexander McQueen, Balenciaga, and, to a lesser extent, Bottega Veneta, as well as Brioni for the menswear segment only.

Leather Goods

The revenue generated by leather goods in 2021 is estimated at €62 billion, or 22% of total personal luxury goods revenue, making it the sector's largest category. This category includes handbags, small leather goods (wallets, purses, etc.), and other leather products. Leather goods sales returned to growth and were 8% higher than in 2019, due to the appeal of iconic products and new launches, particularly among the younger generations.

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

Shoes

This category represented 8% of the luxury goods market in 2021, or €23 billion in revenue. It was the industry's most dynamic category, with sales up 11% as reported relative to 2019, driven by the trend towards less formal shoes such as sneakers, especially among men, and strong sales of occasion shoes among women.

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

Watches

This category generated revenue of €40 billion in 2021, representing 14% of the total personal luxury goods market. Sales recovered to 2019 levels as reported. Kering operates in this category across different price points with Gucci Timepieces, Boucheron and, until recently, Girard-Perregaux and Ulysse Nardin.

Jewelry

Jewelry sales rose 7% as reported in 2021 relative to 2019 to reach €22 billion, representing 8% of the personal luxury goods market. The category saw a firm upturn, partly driven by a rebound in High Jewelry, as clients valued its creativity and investment value. Unisex jewelry also proved very popular.

Kering operates in this category primarily through Boucheron, Pomellato, DoDo and Qeelin, but also Gucci, whose offering ranges from fashion jewelry to a high jewelry collection.

Perfumes and cosmetics

This category represented 21% of the total personal luxury goods market in 2021 and was worth an estimated €60 billion, down 1% relative to 2019.

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.

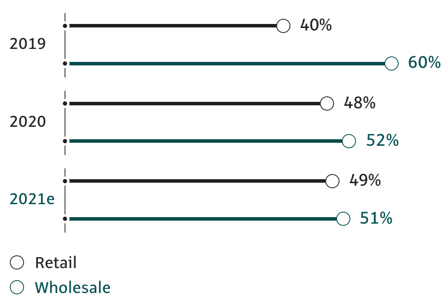
Other (eyewear, textile accessories, etc.)

Personal luxury goods that do not fit into the categories mentioned above represented 7% of the market in 2021, or €19 billion in revenue.

The global eyewear market is estimated to be worth over €100 billion (at retail prices) according to Mordor Intelligence and Euromonitor data. It comprises several product segments: spectacles, contact lenses, sunglasses and other products. The high-end (frames and sunglasses) sub-segment is estimated to be worth €7 billion at retail prices, based on unit prices starting from €190. Kering Eyewear is positioned as a leading player in the strategic luxury eyewear segment, with a comprehensive, balanced portfolio of 16 brands including luxury and lifestyle brands: Gucci, Cartier, Saint Laurent, Bottega Veneta, Balenciaga, Chloé, Alexander McQueen, Montblanc, Brioni, Dunhill, Boucheron, Pomellato, Alaïa, McQ and PUMA. Kering added to its eyewear brand portfolio in 2021 by acquiring Denmark's LINDBERG.

V. Distribution channels

Worldwide personal luxury goods market: breakdown by distribution channel (2019-2021e)



Source: Bain-Altagamma Luxury Goods Worldwide Market Study published in November 2021, supplemented by a detailed report published in December 2021.

Retail channel

In 2021, the retail channel accounted for 49% of in-person sales in the worldwide personal luxury goods market, as opposed to 40% in 2019. 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 mix, merchandising and customer service.

In the case of Kering's Houses, the share of retail sales is far higher (81%), 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 made via the brands' own websites.

It also reflects the importance of leather goods and accessories, which represent a higher share of the product mix for retail sales, in the Group's luxury ranges.

Wholesale channel

The wholesale channel typically includes department stores, independent high-end multi-brand stores and franchise stores, and accounted for approximately 51% of the total worldwide personal luxury goods market in 2021. This channel can thus be multi-brand or mono-brand. The share of wholesale sales is typically higher in ready-to-wear and watches, and is also more significant than retail in the channel mix for brands that stand at an earlier stage of maturity. For the Kering group, the wholesale channel (which also includes other revenues) accounts for 19% of the Luxury Houses' revenue. That proportion has fallen considerably, in line with the Group's increasing efforts to control its own distribution and focus on key partners.

E-commerce

After seeing the equivalent of five years of growth in 2020, online sales of luxury goods continued to grow at a rapid pace in 2021, rising by 27% year-on-year. This includes sales made through brand websites (retail channel) and via department store websites and e-tailers (wholesale).

Kering's Houses operate their own e-commerce sites. This has long been the case for Gucci, and since 2020 or 2021 for the Group's other brands. In 2021, the Group's brands also took greater control in terms of multibrand distribution, moving away from wholesale models and towards e-concession models. Online sales accounted for around 15% of the Luxury Houses' retail sales on average, a higher proportion than in either 2019 or 2020.

VI. Market outlook

Key trends for 2022 include:

- further growth in the global economy, continuing the post-2020 recovery, with Oxford Economics estimating that global GDP should grow by 3.4%[(1)] in 2022, having exceeded its 2019 level by the end of 2021;
- an upturn in global air traffic based on the number of passengers, depending on how well vaccination campaigns progress and on how governments ease cross-border travel restrictions. IATA estimates that total air passenger numbers could recover to 75% of their 2019 level, although with wide variations between domestic traffic (93% of their 2019 level) and international traffic (44%);
- a continuation of the repatriation of consumption back to local markets, particularly in China, and the ensuing impact on spending by Chinese tourists, depending on the pace at which international tourism recovers;
- a further increase in the penetration of e-commerce in the personal luxury goods market and constantly growing demand from consumers for increasingly sophisticated digital experiences;
- mixed performances across regions, with Europe remaining partly dependent on the recovery in tourist numbers, the United States potentially maintaining its good performance in 2021 and establishing itself as a new growth driver for the industry, and Asia (particularly Mainland China) continuing to drive the industry's expansion;
- possible pressure on supply chains and distribution arising from difficulties in logistics caused by the ongoing COVID-19 pandemic.

Global demand for luxury goods should grow by 6-10% year-on-year in 2022 according to Bain-Altagamma.

In the longer term, the personal luxury goods market is expected to grow at an annual rate of 6-8% between 2021 and 2025, and could be worth €360-380 billion by the end of that period. Our brands are ideally positioned to win market share in this buoyant industry.

The market's underlying growth drivers are:

- new consumer segments, driven by a booming upper-middle class (urbanization, higher standards of living and a tendency to devote a larger budget share to discretionary spending);
- generations Y and Z: these generations are expected to account for more than 70% of the market in 2025 as opposed to 57% in 2020 as they become older and as their appetite for the sector increases;
- countries or regions that are expected to make a greater contribution to the growth of the personal luxury goods market: Southeast Asian countries (Indonesia, Thailand, etc.), Brazil, Australia, Africa and India;
- an increase in high-spending consumer classes such as ultra high-net-worth individuals (UHNWIs), who have accumulated a great deal of wealth;
- the development of distribution channels, particularly e-commerce, which is expected to account for more than 30% of total personal luxury goods sales by 2025;
- the development of new high-end products and services;
- the use of new digital client engagement models that increase retention and the average value of each client;
- increasing interest in second-hand luxury goods. The second-hand market generated an estimated €33 billion in 2021, with growth driven by increased environmental awareness among consumers. Certain clients, particularly among the younger generations, also see the second-hand segment as a more accessible way to enter the luxury goods market;
- new technology-related markets (metaverse, NFTs etc.).

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

(1) N.B. This growth forecast, which has already been lowered since the start of 2022, takes into account the potential implications of the conflict between Russia and Ukraine, particularly in terms of world trade and inflation. However, there is still significant uncertainty arising from the current geopolitical instability.

7 - OUR HOUSES

2021 key figures for Luxury Houses

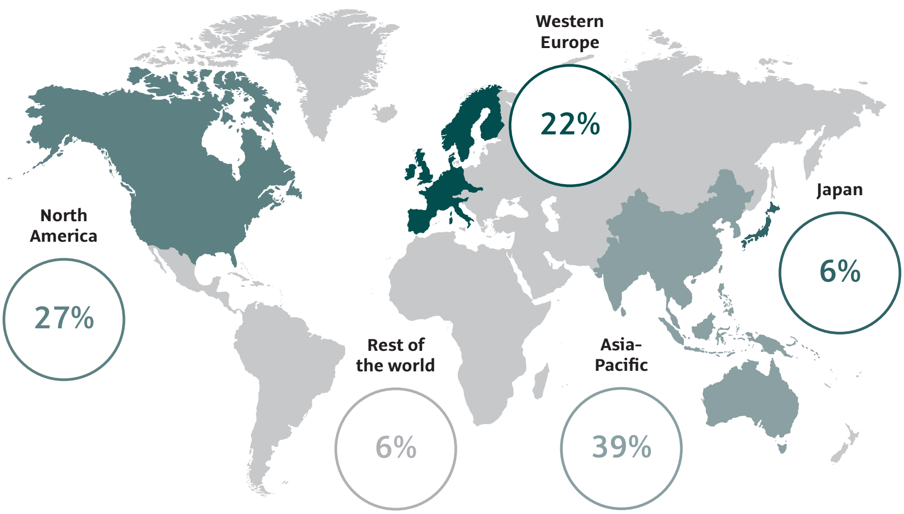
€17,019 million
revenue

+34.3%
as reported versus 2020

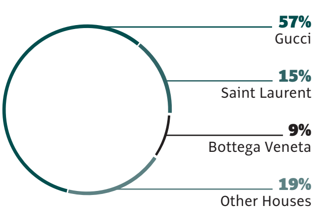
+34.9%
on a comparable basis versus 2020

+13.1%
on a comparable basis versus 2019

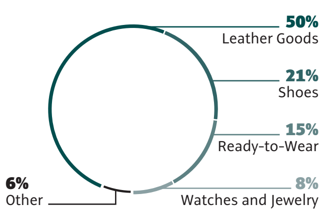
Revenue breakdown by region



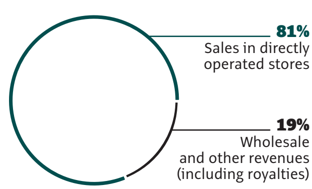
Breakdown of revenue by House



Breakdown of revenue by product category



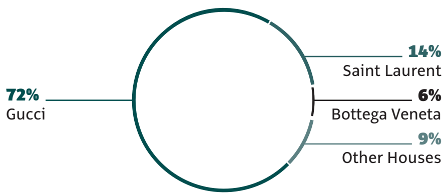
Breakdown of revenue by distribution channel



€5,175 million
recurring operating income

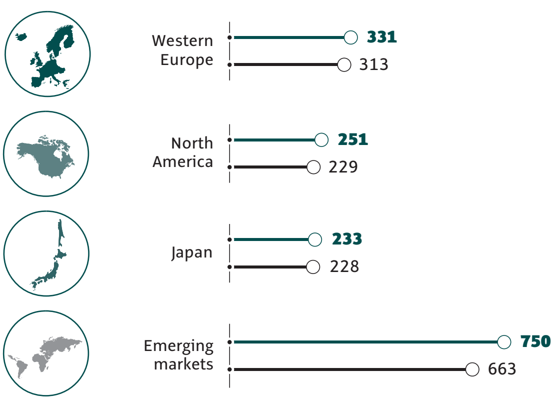
+53.7%
versus 2020

Breakdown of recurring operating income by House



34,567
average number of employees
(full time equivalent)

Number of directly operated stores by region



1,565
Total as of Dec. 31, 2021

1,433
Total as of Dec. 31, 2020

GUCCI

Founded in 1921

2021 key figures

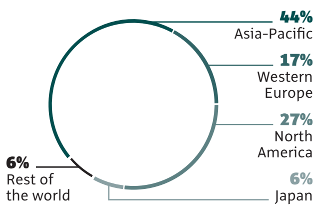
€9,731 million
revenue

€3,715 million
recurring operating income

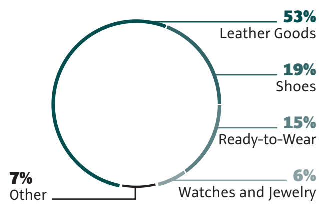
18,933
average number of employees (full time equivalent)

501
directly operated stores

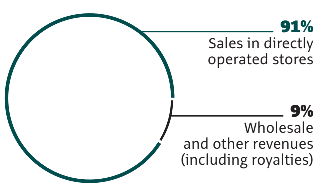
Breakdown of revenue by region



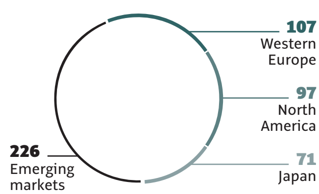
Breakdown of revenue by product category



Breakdown of revenue by distribution channel



Number of directly operated stores by region



Business concept and strategy

Founded in Florence in 1921, Gucci is one of the world's leading luxury fashion brands with worldwide operations, alongside Hermès, Chanel, Dior and Vuitton.

At the beginning of 2015, Gucci started a new chapter under the direction of a new management team led by President and CEO Marco Bizzarri and Creative Director Alessandro Michele. Over the last six years, Gucci has gained a leadership position within the industry thanks to its contemporary approach to luxury fashion driven by groundbreaking creativity and a distinctive company culture.

Gucci collections and products represent the pinnacle of Italian craftsmanship and savoir-faire. They are sold through 501 directly operated boutiques, a directly operated online store (active in 35 markets), a limited number of franchises, and selected department and specialty stores.

Over the last six years, Gucci has received numerous accolades for its business transformation and success founded upon its unique corporate culture that prioritizes creativity, authenticity, inclusivity, diversity, self-expression and sustainability. Building on these foundational values and leveraging its ability to renew and reinvent while remaining true to its DNA, the House has embraced the new world order brought on by the COVID-19 pandemic with bold decisions, marking the beginning of the next chapter in its business and brand evolution.

On one side, actions have been taken to further control and limit distribution as part of the ongoing strategy to increase the brand's equity. While on the other side, the Gucci Aria Fall Winter 2021 collection presented in April represented a significant aesthetic turning point, with its more refined and sophisticated sensibility reinforcing the codes of the brand through a constant blend between past, present and future. The new aesthetic has then been further consolidated with the Gucci Love Parade Spring Summer 2022 collection presented in an extraordinary fashion show on Hollywood's iconic Walk of Fame in November. Gucci also decided to adapt the timing and the cadence of its main collections transitioning to an "always on" calendar of product drops, capsules and collaborations providing for a continuous product narrative throughout the year.

In conclusion, the evolution of the business model started last year with a much stronger control of the distribution together with the elevation of the aesthetic brought by Aria first and Love Parade afterwards allowed the company to achieve in the last months of the year an improved trend, as a consequence of the actions taken reinforcing the brand for the long term.

Key highlights 2021

Although still partially impacted by disruption caused by the COVID-19 restrictions, Gucci showed strength in 2021 notably thanks to a much-enhanced focus on local clients.

For its 100th anniversary, Gucci planned a year-long program of diverse activities, starting in Florence with the unveiling of Gucci Garden Archetypes, an immersive multimedia experience that explores the House's creative vision, and the opening of the new Gucci Archive in the historic Palazzo Settimanni, celebrating the House's rich legacy and craftsmanship, then continuing with a series of events and launches that reinforced the brand's DNA.

From a product perspective, the House consolidated its permanent products spotlighting its Beloved handbag lines throughout the year with a full program of activations including the launch of the *Gucci Diana*, a refreshed version of a historical Gucci bag, which has been extremely well received in all markets and across generations. In addition to the strategic focus on the most renowned lines, exploiting the newly established "always on" rhythm, the House sustained engagement and built excitement through the introduction of new items and capsules, perfectly complementing the offer.

As part of the brand strategy, Gucci continued to expand its high-end offer, with the launch of high watches and the extension of high jewelry, also deploying successful special events and brand experiences, such as Gucci Spaces, Gucci Circolo and other dedicated presentations of the complete high-end offer including the Leather Goods category.

Gucci accelerated its fine fragrances business, managed in partnership with Coty Prestige, through the successful launch of Gucci Flora Gorgeous and the enrichment of The Alchemist's Garden luxury collection. In parallel, the distribution network for Gucci's highly successful make-up line was further expanded thanks to an intense physical and digital roll-out.

Gucci pursued its innovative approach. In 2021, the House launched Gucci Lifestyle, a new category including leisure items, games and stationery. With a view to exploring emerging business models, Gucci has established a dedicated unit that has been implementing an integrated gaming strategy and has launched Vault, an experimental online retail destination showcasing restored and customized Gucci vintage pieces and giving voice to young talented designers and trendsetting brands.

The retail network footprint remained almost stable, while being continuously enhanced through the ongoing roll-out of the store concept and innovative forms of experiences, including Gucci Namiki Tokyo, Gucci Gaok in Seoul and ephemeral "pop-up" spaces. Meanwhile, the online channel delivered another outstanding year. The e-commerce offer has been extended to the full product catalogue, facilitating seamless omni-channel experiences and establishing a retention and loyalty framework through MyGucci registration. The Gucci 9 global client service center played a strategic role in providing remote clienteling services, powered with new functionalities and extended to new countries. As for travel retail, the brand focused on reviewing its locations to account for the new traffic flows that have been accelerated by the pandemic.

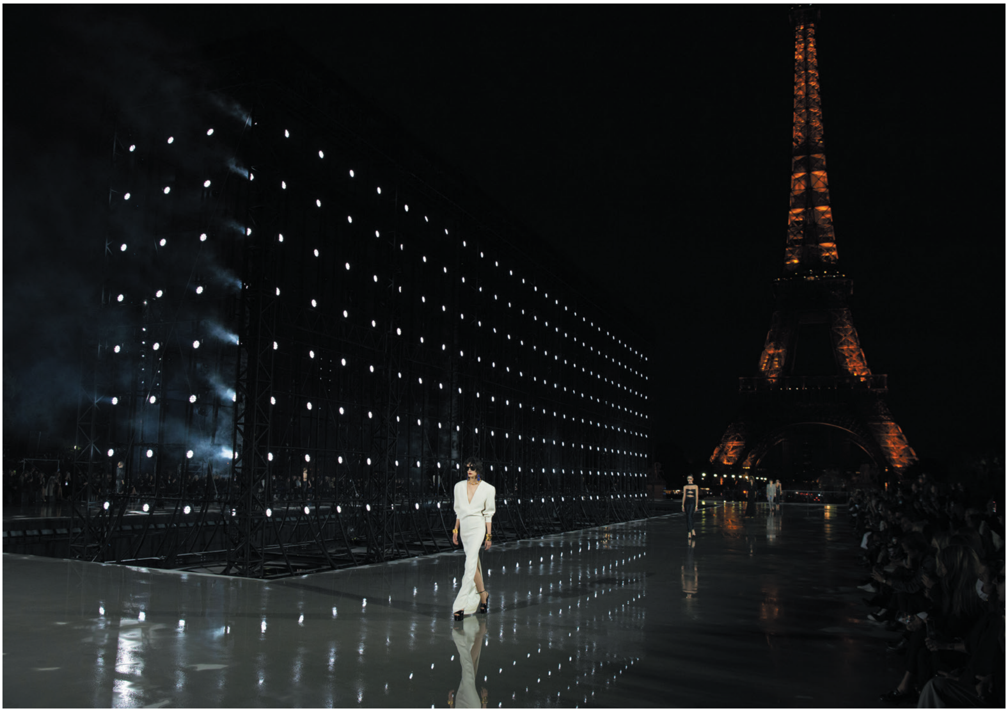
In the wholesale channel, Gucci progressed in reducing its footprint, while also moving forward with the conversion of strategically relevant accounts to a concession or retail model, both on- and offline, with the overall goal being to increase control over distribution.

Gucci continued its contribution to environmental and social sustainability. Alongside its reaffirmed commitment to be carbon neutral in all its operations, Gucci surpassed 2025 reduction target four years ahead of time. The House renewed its support to programs aimed at protecting and restoring nature, including investments in regenerative agriculture, and increased the use of recycled raw materials and organic fibers launching Demetra, a new revolutionary luxury material that combines efficient processes with animal free raw materials.

Gucci is confident in its business strategy and aims to further consolidate its leadership position within the luxury industry in 2022 returning to the Milan Fashion Week calendar, reinforcing its distinctive company culture and further enhancing its brand equity.

SAINT LAURENT

Founded in 1961



2021 key figures

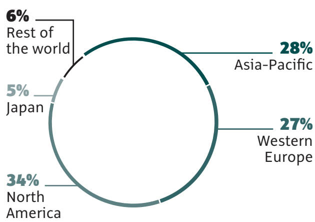
€2,521 million
revenue

€715 million
recurring operating income

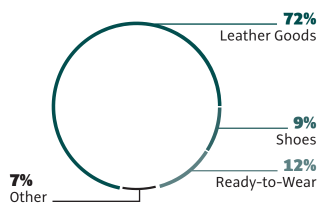
4,587
average number of employees (full time equivalent)

268
directly operated stores

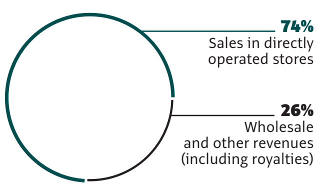
Breakdown of revenue by region



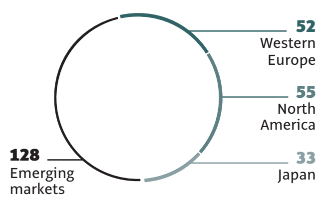
Breakdown of revenue by product category



Breakdown of revenue by distribution channel



Number of directly operated stores by region



Business concept and strategy

Founded in 1961, Saint Laurent is among the most prominent and respected fashion houses in the world. Originally a House of Haute Couture, the Maison revolutionized the way fashion and society merge and interact in 1966 with the introduction of high-end clothes produced on a larger scale than the exclusive collections.

Since then, Saint Laurent's offer has expanded to include women's and men's ready-to-wear, shoes, handbags, small leather goods, jewelry, scarves, ties and eyewear, defining a highly desirable and contemporary silhouette.

Under the creative vision of Anthony Vaccarello and the leadership of Francesca Bellettini, Saint Laurent has built very strong foundations for sustainable, long-term growth. Much of the brand's success stems from its uncompromising approach to creativity, quality and craftsmanship. With clear and distinctive codes expressed in continually compelling collections, Saint Laurent has become one of the most desired brands in luxury. This desirability will continue to grow as Saint Laurent offers more premium items in every category.

Through its network of 268 directly operated stores as of December 31, 2021, its digital platforms and carefully selected wholesale clients, Saint Laurent competes globally with the most exclusive luxury brands. Focus on retail excellence and the establishment of strong customer relationships have been strategic priorities for Saint Laurent for several years. Passion for excellence inspires everyone at Saint Laurent and the House has trained client advisors around the world to provide every customer with an exceptional experience. Saint Laurent will continue to invest in staff training, technology and channels optimization to further enhance the brand experience.

Behind the scenes, Saint Laurent is coordinating production and logistics more efficiently than ever before. The House is adding further production capacity for shoes and ready to wear to its atelier in Angers (France). It is also developing a new center of excellence for leather goods production in Italy which is expected to open in 2023. Saint Laurent will also leverage Kering's new logistics hub in Northern Italy next year. These investments in state-of-the-art facilities will keep Saint Laurent at the forefront of the industry.

Though the House achieved record results in 2021, there is still significant potential to expand sales and enhance business performance. Saint Laurent is confident in the opportunities for sustainable growth.

Key highlights 2021

2021 has proved to be another outstanding year for Saint Laurent. With revenues reaching €2.5 billion, the House surpassed its pre-pandemic performance. The House delivered significant growth in all categories.

Saint Laurent has achieved these results by remaining true to its DNA, communicating the unique codes of the House with relevance and authenticity.

For several years, Saint Laurent has focused on attracting, retaining and cultivating relationships with local clients in every store around the world. By treating every customer as if they were a local client, Saint Laurent personnel have enhanced the brand's desirability while improving sales performance.

This approach not only protected the brand when tourist travel was stopped by the pandemic, but it has also seen clients return enthusiastically to Saint Laurent stores when they could do so once again.

In 2021, Saint Laurent opened 29 stores worldwide, of which 9 stores in Greater China, significantly expanding its presence in this essential market for luxury. The House is well positioned for further growth in China, with its network of existing stores serving local clients in key cities and potential opportunities for new store openings.

Saint Laurent also opened new stores in Europe, the Americas and the Middle East, which all present excellent opportunities for business development, while having materially contributed to the 2021 performances.

In addition to improving client service and developing the boutique network, the brand increased its control over distribution in 2021. By reducing the number of wholesale doors and operating more in-store concessions, Saint Laurent reinforced the luxury positioning of the brand and fostered a consistent customer experience.

The House has extended its control to online sales as well. Saint Laurent significantly upgraded its own digital platform while also taking more direct control of sales through third party online retailers. This approach has allowed better management of inventory, pricing and merchandising online.

Saint Laurent continues to enhance its position as a high-luxury house through the introduction of more premium products in each category.

Saint Laurent is exceptionally proud of the commitment colleagues across the organization have shown throughout the year. The focus on fundamentals has delivered strong results and positioned the House for continued success.

BOTTEGA VENETA

Founded in 1966

2021 key figures

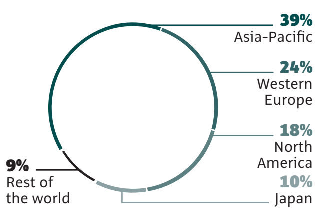
€1,503 million
revenue

€286 million
recurring operating income

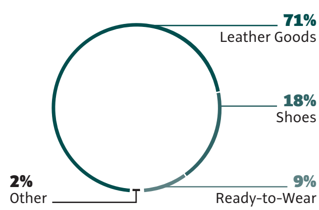
3,777
average number of employees (full time equivalent)

263
directly operated stores

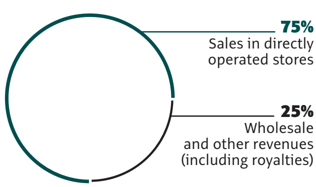
Breakdown of revenue by region



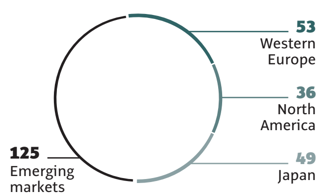
Breakdown of revenue by product category



Breakdown of revenue by distribution channel



Number of directly operated stores by region



Business concept and strategy

Signature craftsmanship and Italian heritage have established Bottega Veneta as a successful luxury fashion brand since its founding in Vicenza in 1966. Bottega Veneta is regarded as a legacy brand that has been globally recognized for its leather mastery and its signature *intrecciato*. The House aesthetic is highly regarded as celebrating bold discretion, timelessness, individuality, *joie de vivre* and cultural advocacy.

With the appointment of Bartolomeo Rongone as CEO in 2019, Bottega Veneta establishes itself as an ultra-high-end luxury fashion house that leverages a bold approach to distinctive creativity while highlighting superior craftsmanship. Matthieu Blazy, who has been the Ready-to-wear Director at Bottega Veneta since 2020, has been appointed as Creative Director in 2021. With a natural instinct aligned with the essence of Bottega Veneta, he has embraced Bottega Veneta's core values and will continue to enhance the modern relevance of the House.

One of the foundations of the brand success in recent years has been the evolution of Bottega Veneta from a leather house to a luxury fashion house, with collections highlighting a full silhouette and a wider range of products appealing to an international clientele of men and women. This strategy has propelled Bottega Veneta into new territories: while continuing to embrace discretion, the brand is engaging with a broader audience to unveil its full potential while continuing to maintain a very balanced mix of new client recruitment and existing client retention. In addition to the *intrecciato*, Bottega Veneta has been successful in establishing new highly recognizable codes and icons that are regarded as the pinnacle of creativity and craftsmanship and have become highly desirable globally.

The business and creative leadership duo are working hand in hand to increase brand desirability and awareness with a focus on long term organic growth. Additionally, a value strategy has been implemented, focusing on full price sales alongside a controlled and exclusive distribution strategy.

As of December 31, 2021, the Bottega Veneta retail network consists of 263 directly operated stores across all key geographies, e-commerce capabilities across 45 countries, complemented by select multi-brand boutiques, exclusive department and specialty stores worldwide. At the end of 2021, Bottega Veneta's product mix was very well balanced and further evolved to expand ready-to-wear and shoes, which continue to increase their share in the brand's revenue.

Key highlights 2021

Bottega Veneta achieved a record milestone, closing 2021 with the highest ever revenues in its history. Bottega Veneta's strong momentum was fueled by increased brand desirability, coveted collections and positive reception of the brand's creativity. This solid performance was achieved in a context where the COVID-19 crisis persevered and where the store network and key geographies continued to suffer from some closures and lack of tourism flow.

In the first quarter, Bottega Veneta, in line with its positioning, launched the digital journal "Issue", highlighting the work of highly acclaimed collaborators, in art forward formats including photography, film, illustrations and music, after opting out of Instagram.

In April, Bottega Veneta held the Salon 02 show in Berlin. The collection was disruptive in its modernity, emphasizing the tension between tradition and innovation, with new designs inspired from *intrecciato* continuing to emerge.

During the year, Bottega Veneta accelerated flagship openings (Tokyo Omotesando, Rome Via Condotti, New York Soho) and creative pop-up stores often in unexpected locations (New York's Williamsburg and London's Shoreditch). Additionally, the e-commerce channel was fully insourced to promote ownership of the end-to-end client journey, stock optimization, faster delivery options and digital growth.

In its quest to continuously promote creativity, Bottega Veneta developed highly unexpected media campaigns. The House showcased its campaigns on the Bund tower in Shanghai, over Los Angeles airport rooftops to be viewed from the sky and at the iconic Bondi Beach pool in Sydney (Australia).

In October, Bottega Veneta unveiled its Salon 03 show in Detroit to an audience of 300 influential individuals hailing from diverse walks of the entertainment world such as art, cinema, music, and sports. The show, inspired by American design and workwear, was livestreamed in a Times Square takeover and was accompanied by a pop-up store in a historic Detroit firehouse alongside local opinion leaders.

In the fourth quarter, Matthieu Blazy was appointed as Creative Director. Matthieu was the Ready-to-wear Designer for Bottega Veneta since 2020, and having designed under the helm of Raf Simons, Maison Martin Margiela and Céline, has an extraordinary creative background and wealth of experience.

In December, Bottega Veneta launched "Bottega for Bottegas" and passed on its global visibility assets (coveted advertising spaces, website, newsletters, and store windows) to twelve Italian artisan shops to propel their creativity on a global level.

For 2022, the House will continue to emphasize its ultra-high-end luxury positioning at the intersection of creativity and craftsmanship. The House will maintain its focus on value and exclusive distribution. Transformative brand moments will be prioritized, beginning with the first Matthieu Blazy collection presented in Italy in February. The retail experience will continue to be enhanced, with strategic new store openings and existing network enhancement. To support the remarkable success of the shoe category, Bottega Veneta will open a new Atelier specializing in shoes in Veneto, in line with the House's aesthetic characterized by extraordinary design, exceptional quality and expert craftsmanship.

Other Houses

COUTURE AND LEATHER GOODS

BALENCIAGA

Alexander McQUEEN

Brioni

JEWELRY

BOUCHERON PARIS

Pomellato MILANO 1967

DoDo CHARMING JEWELRY

qeelin

WATCHES

ULYSSE NARDIN SINCE 1846 LE LOCLE - SUISSE

GIRARD-PERREGAUX

2021 key figures

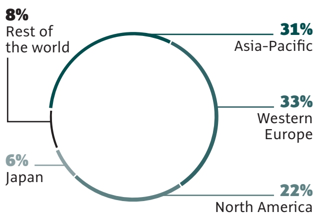
€3,264 million
revenue

€459 million
recurring operating income

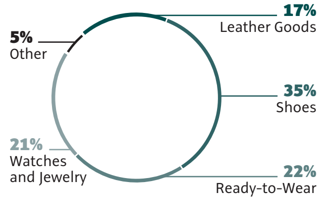
7,270
average number of employees (full time equivalent)

533
directly operated stores

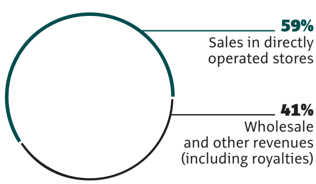
Breakdown of revenue by region



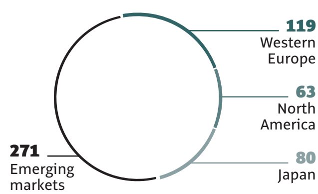
Breakdown of revenue by product category



Breakdown of revenue by distribution channel



Number of directly operated stores by region



BALENCIAGA

Founded in 1917

Business concept and strategy

Founded in 1917 by Cristóbal Balenciaga, the House of Balenciaga was established in Paris in 1937, where it defined many of the greatest trends in Fashion. Balenciaga's technique, masterful cut and constant innovation in its use of fabrics has helped it carve out a unique place in Fashion and Couture.

From the 1990s to the early 2000s, the brand experienced a re-birth, extending 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 was appointed Artistic Director of Balenciaga in October 2015. His innovative approach combined with mastery of techniques and use of volumes make him a powerful force in today's creative world. As Artistic Director, he has begun writing a new chapter in Balenciaga's history, embracing Balenciaga's values and developing them in a modern and relevant way.

The recent relaunch of Haute Couture after a 50-year hiatus further consolidated the positioning of the House's status as a fashion authority.

Demna's vision is also encompassed in various collaborations with artists, cultural and technological partners, and also with other brands.

Retail and e-commerce development has been the House's priority in recent years diminishing its wholesale presence. While the House pursued its retail expansion with new stores and renovation of existing ones, the Balenciaga online store was also migrated to a new and directly controlled platform. This internalization opened business development opportunities, through omnichannel abilities and time to market improvements.

Over the years, the House has increased its presence on social media, highlighting their importance in its development, for instance to present its collections online, impressing clients and boosting their engagement.

Key highlights 2021

In line with the brand's positioning and strategy, 2021 saw the expansion of Balenciaga's store network in both mature markets (Western Europe, the United States and Japan) as well as in Asia.

As of end-2021, the House had a network of 223 stores including in several new countries such as Austria, Netherlands, Switzerland and New Zealand.

Significant milestones were achieved in 2021, such as:

- The Hacker Project that presented conceptual interpretations of Gucci's recognizable signatures as Balenciaga products, merging both Houses' codes for a ground-breaking collaboration.
- The launch of a multi-pronged creative partnership with the award-winning online gaming platform Fortnite, proposing within the game via a virtual store skins, outfits, and iconic products.
- The Balenciaga's Summer 2022 presentation that included The Simpsons I Balenciaga products and pushed certain boundaries set up between fashion and other forms of entertainment, culture, and technology, shifting the brand away from an easily definable category.
- The relaunch of Haute Couture took place in July in Paris with a further exhibition in Shanghai in November. Additionally, the Balenciaga Couture Salon was established at the House's historical headquarters, 10 avenue George V, connecting the past with the present and further extending the heritage of the House.
- Demna's achievements with Balenciaga were further recognized by the Fashion Industry as he received several awards in 2021, such as the International Womens' Designer of the Year Award from the Council of Fashion Designers of America.
- In October 2021 and January 2022, the Lyst Index, a quarterly ranking of fashion's hottest brands and products, revealed that Balenciaga was the world's hottest brand.

2022 will see Balenciaga continue consolidating its retail presence worldwide and developing further significant projects with other artists and partners.

Alexander McQUEEN

Founded in 1992

Business concept and strategy

The house of Alexander McQueen is distinctive for its innovative expression of uncompromising creativity.

Founded by Lee Alexander McQueen in 1992, the House joined the Kering Group in 2001. Sarah Burton was appointed Head of Design for womenswear in 2000 and named Creative Director in 2010, supervising the creative direction and development of all the brand's product categories. Under her leadership, the House produces critically acclaimed collections driven by a highly personal vision and a respect for both experimentation and meticulous craftsmanship. Today, the house is synonymous with modern British couture.

A love of nature and understanding of British history are key inspirations for the House. Through a constant exploration of the natural world, Burton celebrates the values of English rural traditions, a sense of community and the touch of the hand, whilst simultaneously pushing at the boundaries of fashion. Since taking the helm, Sarah Burton has establishing herself as a thoroughly accomplished designer with both artisanal and technical expertise.

Integral to the Alexander McQueen culture is the juxtaposition between the feminine and the masculine, fragility and strength, man and machine.

Key highlights 2021

Throughout 2021, the house of Alexander McQueen has maintained a strong and directional momentum and pursued its growth strategy through increased investment in communications, further penetrations in some product categories (with the introduction of new product lines) and acceleration in the expansion of its retail network.

Standout moments include (i) First Light, the Spring/Summer 2021 collection launch film, shot by acclaimed British Director Jonathan Glazer, (ii) the Autumn/Winter 2021 campaign and look book shot by Paolo Roversi, and (iii) the Spring/Summer 2022 womenswear show – 'London Skies' – the first Alexander McQueen show to take place back in the British capital in many years.

Among key product highlights are the launch of the House's new signature Graffiti collection, a new bag family, The Curve, and fresh evolutions of the Tread and Tread Slick boots, which continue to feature prominently alongside the ready-to-wear collections.

During the year, the network was reinforced with openings focused on local customers in Europe, Greater China and South Korea. As of the end of 2021, the brand was sold in 18 countries worldwide, through a network of 102 directly operated stores.

The brand has also continued to enhance its online presence. After the successful internalization of its online operations in 2020, Alexander McQueen has been transitioning from a wholesale to a concession model with key etailers.

2021 was the first full year of the re-launch of MCQ. The focus for 2021 was to establish MCQ within the contemporary market through acceleration in wholesale growth with key partners. After one year, the brand is now sold in 36 countries worldwide via over 100 wholesale accounts. In addition, the brand expanded its online presence through the launch of a few concession stores. Creatively, the brand launched 6 seasonal icon collections in conjunction with 43 diverse and emerging collaborators from around the world.

During the year, Alexander McQueen also took part to a circular resale collaboration with Vestiaire Collective and continued to be committed to philanthropic endeavors, including a new student fabric donations scheme, sponsorship of the Tower Hamlets youth creative group 'A Team Arts Education' and an educational project with young people in the Welsh valleys. The House continues also to engage students and tutors with creative workshops on the second floor of the Bond Street store.

Brioni

Founded in 1945

Business concept and strategy

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

Over the years, Brioni strengthened its global reputation, obtaining significant recognition in the US, notably through its association with Hollywood actors.

Part of Kering since 2012, Brioni offers state-of-the-art bespoke service in addition to timeless unparalleled, all 100% made in Italy, ready-to-wear clothing, leather goods, shoes and accessories, both for formal – as for leisurewear. The foundation of the House's identity is its unique sartorial tradition combined with an effortless ideal of natural elegance and modernity. The Roman and the Italian identity are embodied by the notion of simplicity as the ultimate sophistication.

Products are meticulously handmade by expert artisans and the majority of the production is made in-house at Brioni's ateliers in Penne, opened in 1959 in a small town in the Abruzzo region in Italy.

Brioni's offering is available through a network of 33 directly operated stores as of the end of 2021, located in Western Europe, North America, Japan and Asia.

Wholesale represents an important distribution channel and, in recent years, Brioni has aimed to optimize and consolidate its distribution and franchise network.

Key highlights 2021

2021 was a year of acceleration towards a stronger business model for immediate results as well as establishing the pillars to ensure further growth.

The House is reinforcing its positioning as the most modern men's luxury brand, epitomizing relaxed urban elegance with a boost on media investment to leverage Brad Pitt ambassadorship and the new local ambassador in China, Wang Kai.

The new store concept was implemented to the relocated stores of Los Angeles, Washington and the Harrods corner in London. Frankfurt saw the opening of Brioni's first 'Atelier', a store conceived as an apartment, offering a unique private client experience. Three stores opened in China (Chengdu, Wuhan, Shenzhen) to pursue the positive development of the House in the country.

The website has been revamped, its online offering was extended and the user experience made more enticing. The e-commerce business model allows retail stock mutualization and avoids separate inventory build up.

Brioni enlarged its offer in leisurewear and accessories with a new assortment logic, in addition to a newly launched Made-to-Order service.

The successful licensing partnership with Lalique Beauty resulted in two fragrance launches providing higher brand visibility and new clients discovering the House.

In 2022, Brioni will continue to confirm its absolute luxury positioning as the go-to-House for sophisticated and easy urban elegance, with a strong commitment towards sustainability. In January, the House announced Jude Law and Raff Law as its new ambassadors making their Brioni debut with the Spring/ Summer 2022 campaign.

BOUCHERON
PARIS

Founded in 1858

Business concept and strategy

Frédéric Boucheron founded his eponymous House in 1858 and it was built up by four generations of his direct descendants. Boucheron is a visionary design House, the first major contemporary jeweler to open a store on Place Vendôme in Paris and an exponent of excellence in Jewelry, High Jewelry and Watchmaking.

Boucheron operates in a competitive but rapidly growing market, and has a distinctive place within it, having embodied French style in High Jewelry since 1858. The House is now headed by two women, Hélène Poulit-Duquesne (CEO) and Claire Choisne (Creative Director) who are taking a new approach to High Jewelry, pushing back its limits and challenging the definition of "precious" with highly creative and innovative collections. They favor a vivacious, genderless style of jewelry that allows wearers to express their own style and unique personality.

The House's expansion strategy is based on a high-quality retail network, which comprises 49 own stores (at end-2021), along with franchise stores and a limited number of authorized distributors. Boucheron already has an extensive presence in Western Europe and the Middle East, and in 2021 focused its efforts on Asia-Pacific, with several new openings including three stores in South Korea and three in Mainland China. Japan is also a major market for the House and it has great potential in the United States, where it does not yet have a direct presence. The customer experience lies at the heart of this expansion strategy.

Key highlights 2021

In January 2021, Boucheron presented a new High Jewelry collection called *"Histoire de style, Art Déco"*, in honor of the period that had such a great influence on artistic movements. In creating this new collection, Claire Choisne was inspired by Boucheron's vast archives, while adding a pure and contemporary spin that, once again, crosses gender boundaries.

The House went on the road to meet its customers, holding three *"La Maison"* events in 2021: Beijing in March, Tokyo in April and Riyadh in October. Visitors to these events were able to go on a "phygital" tour, based on their personal preferences, of Boucheron's four pillars: heritage, innovation, style and the French art of living.

In July, during Paris Haute Couture Week, the House presented a new High Jewelry collection called *Carte Blanche "Holographique"*, based around the theme of light. The collection attracted a great deal of attention in Cannes, and was developed in close collaboration with Saint Gobain using a method of processing rock crystal that is totally novel in the High Jewelry industry. After its launch in Paris, the collection traveled to Taiwan in September and Japan in October.

Boucheron continued to make progress in terms of digitalization in 2021, with the Boucheron.com website being transformed into an e-commerce platform and rolled out across 16 countries worldwide. The House also raised its profile on new social media platforms and launched on the Tmall Luxury Pavilion in China.

Pomellato MILANO 1967

Founded in 1967

Business concept and strategy

Pomellato was founded in 1967 as the jewelry brand for the independent woman. Renowned for creativity, a bold use of colored gems and Italian craftsmanship, each jewel is handcrafted by expert goldsmiths at Casa Pomellato in Milan. Pomellato's immediately recognizable collections range from the House signature Nudo, with its 'naked' colored stones, to the goldsmithing creations of Iconica and Catene. The brand has successfully evolved into High Jewelry, creating one-of-a-kind masterpieces for La Gioia. A social and environmental frontrunner, Pomellato has championed countless initiatives to support women empowerment and combat violence against women.

Key highlights 2021

In 2021, Pomellato celebrated the 20th anniversary of its icon Nudo with new designs, events and digital activations, and boosted its presence in China and Korea. Building upon the success of its High Jewelry, the House launched a new La Gioia collection inspired by sustainability. Thinking of the future, Pomellato further invested in training young artisans at the Galdus Goldsmith Academy, safeguarding its traditions. Pomellato has increased visibility in China and the House has invested in brand communications reaching out a wider audience of younger clients with digital media. At the end of 2021, Pomellato had a distribution network of 58 directly operated stores, 10 franchise boutiques and approximately 400 wholesale doors.

DoDo CHARMING JEWELRY

Founded in 1994

Business concept and strategy

DoDo, the 'charming Italian jewelry brand,' was founded in 1994 by the Milan-based fine jeweler Pomellato. Known for distinctive charms and jewels, environmental initiatives and a progressive soul, DoDo stands for sustainability, inclusivity and self-expression. DoDo has partnered with eco-charities since its inception, and Pomellato and DoDo were the first jewelers to use 100% responsible gold. Evolving DoDo's focus on charms to a broader jewelry positioning, it includes favorite collections such as Nodo, Bollicine, Granelli and Stellina. Urban-chic, delicate and inclusive, DoDo's playful jewels are meant to be stacked, layered and mixed and matched.

Key highlights 2021

In 2021, DoDo continued to build on its new brand positioning and wider approach to jewel creation with new designs in the Nodo and Bollicine collections, including precious versions with diamonds and a new collection launch inspired by the brand's iconic charm Stellina. DoDo fully refreshed its customer journey including a new store environment, website, and a 360° communications platform for sharing common values as 'DoDo Communities.' Launching the new 'DoDo Unites' advertising campaign, DoDo built upon digital communities and advocated for unity, diversity and acceptance. At the end of 2021, the DoDo distribution network included 22 directly operated stores, 28 franchise boutiques and approximately 500 wholesale doors.

qeelin

Founded in 2004

Business concept and strategy

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.

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.

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 whereas Bo Bo is inspired by the panda, China's national treasure.

Since the acquisition by Kering in 2013, Qeelin completed a brand realignment aiming at connecting with a wider audience of Chinese customers, especially the younger generation.

With a unique positioning in terms of average price point and product mix, Qeelin operates in the high potential segment of the luxury Jewelry category, competing with renowned Western brands, however with a very strong focus and sales mix on the Greater China Region.

At the end of 2021, Qeelin had a distribution network of 38 directly operated stores, of which 34 located in Greater China and 26 in Mainland China and 42 wholesale doors.

Key highlights 2021

The brand expanded its presence in Mainland China during the year, with the opening of 8 new direct operating stores such as Shenzhen MixC, Wuhan International Plaza, Shanghai Xintiandi, as well as new wholesale points of sale. Qeelin also expanded the network internationally, with the opening in Singapore Marina Bay and other points of sale in Europe.

In 2021, Qeelin's investment in marketing and communications was focused on digital and outdoor advertising to further increasebrand awareness and visibility.

In 2022, Qeelin will continue to accelerate the expansion of its footprint in Greater China, as well as develop new markets in Australia, Southeast Asia, EMEA and America. 2022 will mark the 18th anniversary of Qeelin with various dedicated activities such as the edition of Qeelin Brand Book by Assouline.

ULYSSE NARDIN

Founded in 1846

Business concept and strategy

Ulysse Nardin was founded in 1846 in Le Locle, Switzerland. The House is famous for its connections with the world of sailing: traditionally, its horological instruments used onboard ships were among the world's most reliable. It has pioneered the innovative use of materials, and is one of the few watchmakers capable of producing its own components and movements, with innovation central to its designs. Today, Ulysse Nardin has four collections: *Marine, Diver, Blast and Freak*. The House seeks to preserve the marine environments in which it made its name through a commitment to reducing plastic pollution and protecting the shark, which is its emblem.

Key highlights 2021

Ulysse Nardin celebrated its 175th anniversary in 2021. The year centered around two main launches: a range of high-tech horological objects featuring futuristic design, and a heritage capsule collection that pays tribute to the House's nautical past. At the same time, the Ulysse Nardin distribution network was strengthened with the closure of non-strategic partner stores, growth in key accounts and the opening of new single-brand stores, particularly in China. As a result, the Ulysse Nardin network had six own stores and six franchise stores at the end of 2021. In 2022, the House is preparing to launch a new cutting-edge timepiece: the ultimate version of its iconic FREAK watch.

GIRARD-PERREGAUX

Founded in 1791

Business concept and strategy

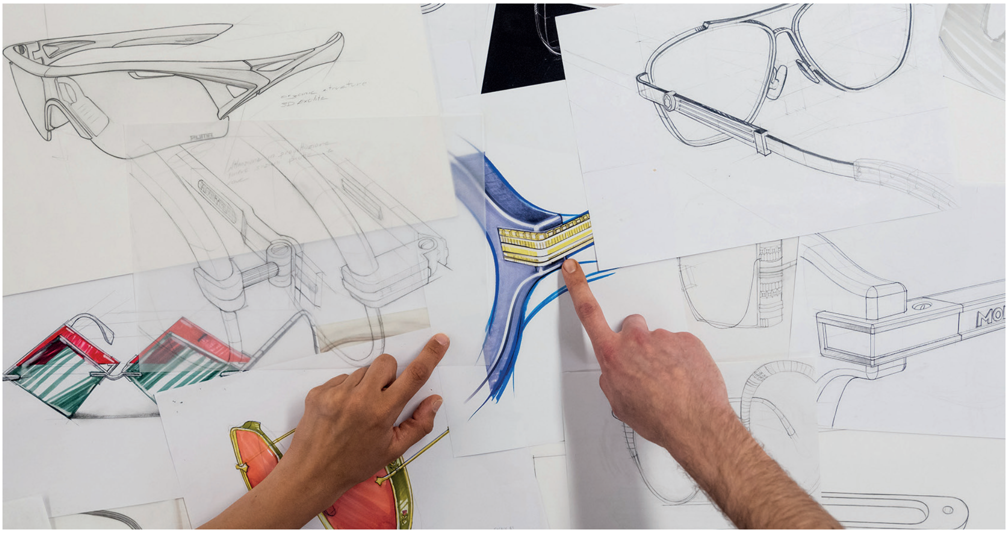
Girard-Perregaux is an Atelier of Haute Horlogerie based in the cradle of watchmaking La Chaux-de-Fonds, Switzerland. Founded in 1791, Girard-Perregaux is one of the oldest fine watchmaking manufactures still in operation and masters all the required horological skills in-house. The firm's history is dotted with exceptional creations that skillfully blend aesthetics and functionality. These models include the iconic Laureato, born in 1975, as well as the legendary Tourbillon with Three Gold Bridges. Appreciated by those in the know, the Maison is very exclusive in terms of production and distribution and does everything with unique expertise and true passion.

Key highlights 2021

In 2021, Girard-Perregaux celebrated its 230th anniversary, a fitting testament to the brand's watchmaking expertise. While Girard-Perregaux respects its heritage, it continues to look ahead, embracing new technologies such as rubber alloy, state-of-the-art materials such as enameling and fresh takes on iconic shapes. Moreover, the company has become the Official Watch Partner of Aston Martin, working together to create new expressions of horology. Among the initiatives to build customer loyalty, the Maison invites clients to visit the Manufacture to partake in an immersive experience and discover more about this historical watch company.

KERING EYEWEAR

Founded in 2014



Business concept and strategy

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

The first collection was unveiled in 2015 for 11 of Kering's Houses and, since then, more brands have been added to the portfolio. In 2017, a partnership agreement with Richemont was announced, resulting in new additions to Kering Eyewear's portfolio and Richemont becoming a shareholder of the company. Today, Kering Eyewear designs, develops and distributes a unique portfolio of 16 brands.

The innovative business model anticipates and embraces the industry's challenges, and creates long-lasting and valuable partnerships with brands, suppliers and clients. A fast and agile decision-making process and a close collaboration with the brands, from the design process to marketing and communications activities, create synergies when developing eyewear, while preserving the DNA of each House.

To ensure product excellence and the highest quality standards, Kering Eyewear relies on the best manufacturers worldwide and two production plants, Manufacture Kering Eyewear in France, and Trenti S.p.A. in Italy.

Through a qualitative commercial and distribution approach, the company serves around 20,000 customers and over 40,000 doors worldwide in 120 countries, providing the Houses with broad market coverage, in line with their positioning and desired visibility.

Key highlights 2021

In 2021, Kering Eyewear recovered strongly from the Covid-19 pandemic and returned to a very solid growth.

The company added the Chloé and Dunhill brands to its portfolio and successfully rolled out their first collections, further reinforcing the alliance with Richemont.

To present new collections and engage with clients, both digital and physical sales events were hosted worldwide, overcoming the cancellation of international eyewear trade fairs and the travel bans caused by Covid-19.

Taking a step forward in its quest for innovation, the company launched the "Blue & Beyond" project, realizing ready-to-wear blue light reduction and photochromic lenses in multiple colors for selected brands in the portfolio.

In September, Kering Eyewear completed the acquisition of the Danish luxury eyewear brand LINDBERG, renowned for its exceptional titanium optical frames, design, innovative technology and impeccable craftsmanship. Adding to the portfolio a complementary and proprietary brand with strong legitimacy, undisputed know-how and best-in-class customer service in optical frames, the acquisition further reinforces Kering Eyewear as the most relevant player in the luxury and high-end eyewear segment.

Kering Eyewear remains committed to exploiting the full potential of all its brands, both in the sun and optical segments, as well as to further establishing its presence in its channels, leveraging its expertise and unique positioning.

8 – OUR APPROACH TO SUSTAINABILITY

8.1 Our strategy for 2025

Sustainability has always played a central role in Kering's strategy. Many of Kering's activities rely on high-quality raw materials and exceptional expertise, and so depend directly on balanced, smooth-running ecosystems and respect for individuals. Protecting resources and the planet, and having a positive impact on its employees, partners, suppliers and their communities, is therefore vital for the Group to continue growing in a sustainable way. The focus on sustainability is also an opportunity to reinvent the Luxury industry as a whole, to devise a more sustainable and responsible form of Luxury.

Accordingly, Kering is implementing an ambitious sustainability strategy for the period until 2025, based on three inputs:

- the vision and ambition adopted by the Group's top management, i.e. to be the world's most influential Luxury group in terms of creativity, sustainability and long-term economic performance;
- a materiality analysis highlighting priority issues, consistent with the Group's own priorities and the expectations of stakeholders;
- an analysis of non-financial risks, pinpointing the main risks in all parts of the value chain.

The Group's objectives and actions are organized around three pillars and are aligned with the United Nations' Sustainable Development Goals (SDGs), and with 12 of them in particular.

CARE FOR THE PLANET

Taking action to reduce our environmental footprint, and to preserve the planet and its natural resources

REDUCE OUR ENVIRONMENTAL FOOTPRINT

- Reduce CO_2 emissions from Kering's business activities by 50% in Scopes 1, 2 and 3 of the Greenhouse Gas Protocol by 2025[(1)] vs. 2015
- Reduce our environmental profit and loss (EP&L) account by 40% across the whole of the Group's supply chain by 2025 vs. 2015

ENSURE RESPONSIBLE, CONTROLLED PROCUREMENT

- Have 100% of suppliers aligned with the Group's standards as regards environmental footprint reduction, traceability, animal welfare, use of chemicals and working conditions by 2025

PROTECT AND RESTORE BIODIVERSITY

- Achieve a positive net impact on biodiversity by 2025 by regenerating and protecting an area six times larger than the total ecological footprint of the whole supply chain from raw materials production onward

COLLABORATE WITH PEOPLE

Engaging for the well-being of our staff members, suppliers and clients

PRESERVE THE WEALTH OF OUR HERITAGE

- Support the continuation of craftsmanship traditions and the communities that support them, particularly via training programs focusing on those traditions and the sharing of best practice

PROMOTE EQUALITY AND DIVERSITY

- Ensure salary equity in all functions and achieve gender parity at all levels by 2025

BE AN EMPLOYER OF CHOICE

- Become the benchmark employer in the Luxury sector by helping our staff members fulfill their potential and express their creativity

CREATE NEW BUSINESS MODELS

Creating innovative solutions to put our Houses, our sector and our planet on the path to sustainable success

CREATE DISRUPTIVE INNOVATION

- 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
- Share our knowledge using an open-source approach

EXTEND THE LIFE OF PRODUCTS

- Maintain the quality of products and ensure that they last, by supporting the development of innovative models and offering new services to our clients, such as repair services

OUR CONTRIBUTION TO THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS

(1) Kering updated its Science Based Target (SBT) in 2021 to align it with the 1.5°C scenario. The Group's commitments have been supplemented by new targets to be achieved by 2030.

8.2 Our organization

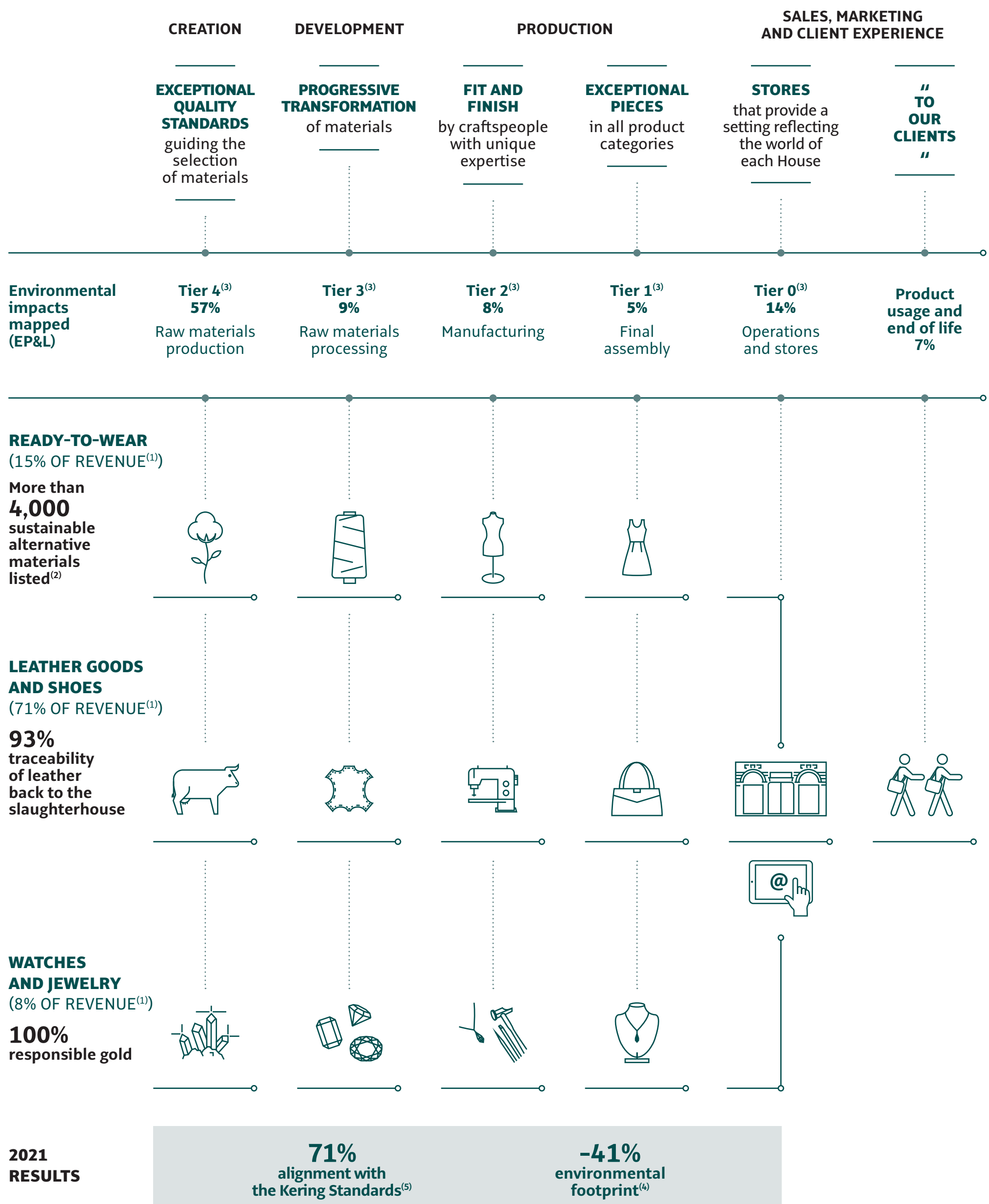
Kering's Sustainability Department defines the Group's sustainability strategy and policies. This strategy is being implemented within each of the Houses, which are translating the Group's objectives into practical action plans and reporting on the progress made with respect to each of the strategy's three pillars on a regular basis.

More than 20 specialists reporting to the Chief Sustainability and Institutional Affairs Officer – who is herself a member of the Executive Committee – assist the Houses with the implementation of the Group's strategy by systematically looking for potential synergies and continuous improvement. In addition, each House has at least one Sustainability Lead, while the larger Houses have entire Sustainability teams. As a result, Kering's Sustainability team numbers more than 90 people.

The Board of Directors has also had a Sustainability Committee since 2012. This committee's brief is to assist and support the Group in designing, implementing and monitoring its sustainability strategy, along with its principles and practices regarding social and ethical responsibility.

The Group has a particularly innovative approach to taking environmental issues into account. Since 2012, Kering has developed its environmental profit and loss (EP&L) account, which is a reporting tool to measure and quantify its environmental footprint across the whole value chain. The tool enables the Group to understand the risks and opportunities related to environmental challenges, focusing on six themes: greenhouse gas emissions, air pollution, water pollution, water consumption, waste production and land use. It therefore helps Kering identify the main ways in which it can reduce its environmental footprint. Kering has undertaken to reduce its EP&L intensity by 40% by 2025 compared with 2015. The Group's environmental approach is based on three complementary aspects: climate, biodiversity and circularity.

Kering has identified the environmental impacts in each stage of its value chain, as set out after.



(1) Revenue of the Luxury Houses in 2021.
(2) Listed in the Materials Innovation Lab.
(3) For more information about each Tier, see section 3.2.2.1. in chapter 4 of this Universal Registration Document.
(4) EP&L intensity 2015-2021.
(5) The Kering Standards lay down the Group's requirements regarding the traceability and sourcing of raw materials, and regarding production processes.

8.3 Climate risks fully integrated into the business strategy

Kering has made climate action a key part of its strategy. The Group's 2021 EP&L results show that 37% of Kering's environmental impacts relate to greenhouse gas emissions. Given the link between climate protection and the long-term viability of its business, the Group takes into account material climate-related risks (physical risks and transition risks) in order to achieve greater resilience. To address these risks, the Group has developed a climate strategy based on four main aspects:

- **Mitigating climate-related risks by reducing emissions**: Kering has designed its targets according to the reference framework defined by the Science Based Target Initiative (SBTi) and is committed to a 90% reduction in its absolute greenhouse gas emissions from its operations (scopes 1 and 2) by 2030, along with a 70% reduction per unit of value added in emissions connected to its supply chains (scope 3).
- **Achieving adaptation and resilience with nature-based solutions**: the Group favors sourcing materials from regenerative agriculture, which aims to protect and restore biodiversity and soil health.
- **Offsetting and achieving "net zero":** Kering has made a commitment to offsetting residual emissions from all of the Group's own activities and those of its supply chain, and has set a target of achieving net zero by 2050.
- **Industry transformation:** through partnerships and coalitions like OP2B and the Fashion Pact, Kering aims to develop a new, holistic approach to managing climate-related risks, mitigating their impact and contributing to global climate-related objectives.

Kering has been a member of the TCFD (Task Force on Climate-Related Financial Disclosures) since 2017. It monitors the work done by the TCFD and follows its recommendations. In 2021, the Group mapped 19 risks and opportunities related to climate change. An initial impact assessment covering a selection of those risks and opportunities was carried out, with the help of scenarios developed on the basis of two assumptions involving 1.5°C and 4°C trajectories. The details of this initial exercise are provided in Chapter 4, "Sustainability".

In line with the Group's commitments in terms of climate action, a decision was made in 2021 to appoint a member of the Board of Directors as climate change lead with effect from 2022 and to add the topic as an agenda point at Board meetings twice a year.

8.4 Our main achievements in 2021

CARE

- **41% reduction** in our environmental footprint (EP&L intensity 2015-21)
- Scope of our environmental footprint **extended to cover product use and end of life**
- Alignment of our Climate strategy with a **1.5°C trajectory**
- **Traceability achieved for 90%** of our key raw materials
- First seven projects receiving grants from the **Regenerative Fund for Nature**, which will support a transition to regenerative practices on more than 840,000 hectares of land and directly benefit 60,000 people
- Decision to **stop the use of animal fur** in all Group Houses

COLLABORATE

- **56%** women managers
- **13 Inclusion & Diversity committees** in each Group entity and sponsored by management committee members
- **82%** participation rate in the *Kering People Survey* in 2021
- Adoption of a **global policy on domestic violence**
- Publication of our **human rights policy**

CREATE

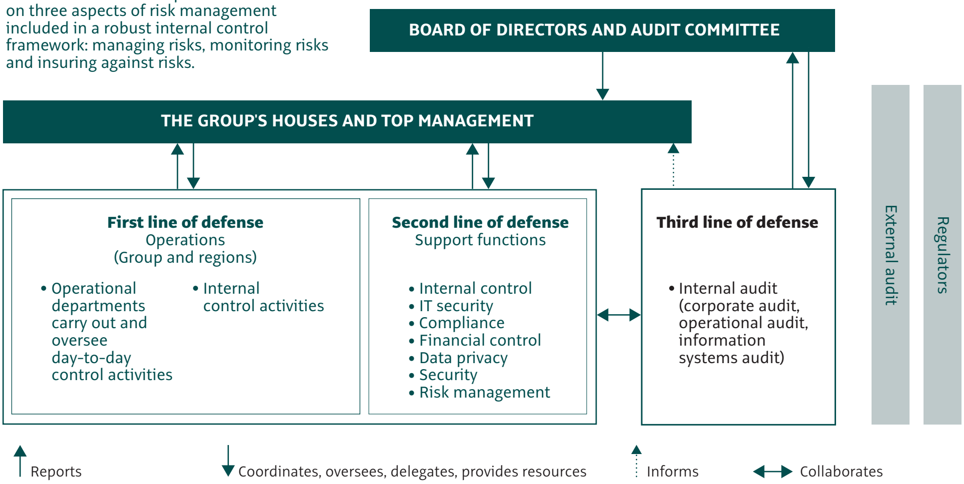
- Introduction of **innovative new materials:** Gucci Demetra
- Publication of "Coming Full Circle", a report that sets out our new ambitions for promoting a global **approach to the circular economy**
- **New business models** (e.g. AMQ/ Vestiaire Collective collaboration)

9 – OUR APPROACH TO RISK MANAGEMENT

Kering's business environment is constantly changing and it is intrinsically exposed to various risks that, if they materialized, could adversely affect the Group's activities, financial results or reputation. In order to manage, anticipate and mitigate its risk exposure, and to ensure that it can develop its business sustainably over the long term, the Group has set up a risk management system that involves three lines of defense.

THE THREE LINES OF DEFENSE

The "three lines of defense" model provides a clear definition of responsibilities based on three aspects of risk management included in a robust internal control framework: managing risks, monitoring risks and insuring against risks.



First line of defense: day-to-day risk management

The first line of defense involves managing risk. All Kering employees manage risk in their day-to-day work, overseen by operational managers who are responsible for internal control measures and who must ensure that those measures reduce risk to an acceptable level.

Accordingly, the first line of defense must:

- identify, assess, control and mitigate risks by defining and implementing internal rules and procedures;
- take remedial action to address process and control failures;
- oversee the way in which teams apply and formalize controls in the Group's accounts closing and compliance systems.

Second line of defense: day-to-day risk monitoring

The second line of defense consists of functions that measure and qualify risks, then ensure that they are properly covered.

Those functions must:

- develop risk management guidelines;
- identify known and emerging problems and deal with alerts relating to them, as well as changes in the way risks are regulated;
- issue directives and provide training in risk management procedures;
- facilitate monitoring regarding the implementation of effective risk procedures and controls devised by management;
- ensure that Group's risk assessment approach is implemented at the process level by regional internal control officers;
- test control activities through self-assessments and peer reviews, and monitor the effectiveness of internal control using tools.

Third line of defense: independent risk management

Internal audit is the third line of defense. It independently performs risk management operations. Internal audit periodically assesses the design and effectiveness of the first two lines of defense and helps improve the internal control system through its recommendations.

Accordingly, the third line of defense must:

- depending on the issue, check that the measures in place, including governance methods, comply with regulatory and statutory requirements;
- carry out audits by observing practices, speaking to staff members involved in audit activities and preparing audit reports;
- analyze and check the effectiveness of existing control and financial reporting procedures;
- define an annual internal audit plan with the Group's governance bodies (Board of Directors and Audit Committee).

CHAPTER 2
2021 Activity report

1 - INTRODUCTION – IMPACT OF THE COVID-19 PANDEMIC ON THE GROUP'S BUSINESS AND ITS CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

Strong economic recovery in 2021

The global economy was significantly impacted in 2020 by the COVID-19 pandemic, shrinking 3.5% according to the latest data from Oxford Economics (the source of information in this section unless otherwise specified). The scale of the recession varied, however, depending on the regions concerned. Globally, the crisis peaked in the second quarter of 2020, with lockdown measures and travel restrictions weighing very heavily on the world's main economies. But after the pandemic reached its early-2020 heights, and as restrictions began to ease, economic activity bounced back in the spring in Asia – particularly in China – and then during the summer for the world's mature economies. The recovery was more gradual during the second half of 2020 in countries where the virus was circulating rapidly, as new restrictions were put in place (such as regional lockdowns and curfews), especially in Western Europe.

In the first few months of 2021, although Europe – and, to a lesser extent, some Asian countries and North America – were subject to general or targeted restrictions on movement and business in the winter due to the public health situation, the economic rebound continued, and a V-shaped recovery seemed to be taking place. Developments in the pandemic in the second half of the year, particularly the rapid spread of the Omicron variant and an increase in COVID-19 cases in China during the summer and at the end of the year, do not seem to have affected global growth very materially. As a result, the world economy may have grown by 5.8%, boucing back above its pre-pandemic level (2019).

Asia was one of the main drivers of the recovery, and to a very large extent this was attributable to China, whose economy was one of a small number to achieve growth in 2020 (2.3%). In 2021, China's economy may have grown by a further 8.0%. That upturn would have been even stronger had it not been for the summer slowdown caused by measures to contain the resurgence of the COVID-19 pandemic, or the difficulties encountered by companies in the real-estate and construction sectors. Other than Japan, Asia's other large economies – and primarily South Korea – generated very robust growth, having also been less affected than Western countries by the crisis in 2020.

In North America and Western Europe, growth was driven by firm consumer spending. Households' real incomes were boosted by economic support measures, particularly furlough arrangements and financial aid for families based on their income levels. At the same time, large-scale recovery plans announced in the United States and the European Union should also help sustain the rebound in consumer spending and business activity. Looking at trends in the fourth quarter of 2021, the withdrawal of some types of support, particularly in North America, and growing inflationary pressure do not seem to be adversely affecting demand at this stage.

Firm consumer spending is partly the result of higher disposable incomes, caused by social transfers and pay rises in some sectors, but also by consumers spending savings built up in the previous months – with excess savings representing between 5% and 11% of GNP in Western economies since the start of 2020 depending on the data source concerned – while monetary policies have remained accommodative until recently.

In 2021 as a whole, therefore, developed countries are likely to have seen economic growth of 5.1%. The US economy is estimated to have grown by 5.6% following a rapid acceleration in the fourth quarter, taking GDP back above its 2019 level. Eurozone economies are recovering more strongly than expected, with overall growth of 5.1% estimated in 2021, although GDP remains around 1.7% below its pre-crisis figure. Japan, meanwhile, is likely to show a more modest rebound, with its economy growing by around 1.8%.

While the economic recovery has boosted the world trade in goods, the global services industry has been – and remains – severely weighed down by travel restrictions, affecting both international and domestic travel, especially in Asia. The transport, hospitality and tourism sectors have been heavily impacted by the slump in travel. The recovery is expected to be very gradual, as illustrated by the projections issued by ACI (Airports Council International) in November 2021, which forecast that overall (domestic and international) passenger traffic will not return to 2019 levels until 2024.

The luxury industry – overcoming the crisis of 2020

Domestic consumer spending was strong in 2021, while consumer confidence moved close to the level seen in 2019, at least before the Omicron variant emerged (source: OECD), and these factors clearly drove the luxury industry's growth in 2021. On the downside, the lack of tourism is adversely affecting the luxury industry, especially in markets where purchases by tourists were a significant revenue contributor until 2019. However, the weakness of tourist demand – which fell by 80-90% overall according to Bain & Company / Altagamma[1] (the source of information in this section unless otherwise mentioned) – did not prevent the luxury market from recovering.

Luxury brands' sales may have rebounded by 31% at constant exchange rates relative to 2020, when they fell by around 22%. The recovery was strongest in the first half of the year, and particularly in the second quarter, due to the extremely low base for comparison.

(1) Source: Bain-Altagamma Luxury Goods Worldwide Market Study, published in November and 2021 and supplemented by a detailed report published in December 2021.

However, given the highly atypical nature of 2020, the most meaningful comparison for luxury brands is with 2019, when the luxury market saw record sales. Forecasts seem to suggest that 2021 revenues outstripped those seen in 2019. Compared to 2019, the increase is expected to be 4% at constant exchange rates according to Bain & Company / Altagamma, but according to the most optimistic estimates – focusing on the industry's largest players – growth may have been close to 10%. The most positive scenarios could be borne out by figures for the fourth quarter of 2021, which seems to have been a particularly strong period for the luxury industry.

However, performances varied from one region to another in 2021. In Mainland China and the United States, the aforementioned macroeconomic factors spurred rapid revenue growth, while growth in other Asian markets was more mixed, depending partly on how badly consumer spending was affected by measures implemented to combat the pandemic. However, South Korea stood out: market volumes recovered to 2019 levels, which was a record year in terms of sales to Chinese customers. In Western Europe meanwhile, sales to domestic customers were good and improved throughout 2021, but were not sufficient to offset the region's low tourist numbers and the impact of store closures, primarily at the start of the year. Sales in Japan remained hampered by the ongoing effect of Chinese customers shifting their spending to Mainland China and by an uncertain economic and health environment that weighed on demand from local customers. The upturn seen in the last few months of 2021 resulted from the improved trend in consumer spending, but also partly from favorable base effects relative to two years previously, since the VAT increase on October 1, 2019 adversely affected demand.

Against this backdrop, a number of secular developments in the luxury industry – which were amplified by the COVID-19 crisis in 2020 – made their mark on the performance of the world's main luxury brands in 2021.

- E-commerce is expected once again to be the fastest-growing distribution channel in 2021 (+27% compared to 2020 but +89% versus 2019). The proportion of industry revenue generated by online sales – estimated at 12% in 2019 – may have reached 22% in 2021. In addition, websites directly managed by brands (Brand.com) and e-concessions (concessions within e-commerce sites) are likely to have seen particularly strong growth, as luxury houses seek to gain greater, or indeed exclusive, control over their distribution.
- In view of travel restrictions, demand for luxury products was still mainly domestic. One of the most obvious signs of this is the shift in Chinese customers' demand to Mainland China, and sales to those customers is likely to remain concentrated in Greater China for a long time to come.
- Looking at sales by nationality, however, we see that the largest increase in luxury brands' sales since 2019 has been with American customers. For Chinese customers, the surge in sales within China does not yet appear sufficient to offset the decline in sales generated from Chinese tourists in Asia and Western Europe until 2019.
- The combination of lower store footfall due to the expansion of e-commerce, extremely low tourist numbers, and the high proportion of domestic customers is affecting the organizational structure and management of distribution networks. Brands are highly focused on the customer experience, which requires heightened attention to the quantity and quality of interactions with customers as well as the invention of new forms of clienteling, underpinned by optimal use of customer data and CRM systems. Distribution is becoming increasingly exclusive, which means that the revenue contribution of the wholesale channel is gradually decreasing, in a context in which Travel Retail is also being heavily impacted by a steep decline in international air traffic. For example, the offline sales of multibrand retailers fell by 15-20% between 2019 and 2021, while Travel Retail sales slumped by around 60%.
- In the short and medium term, demand from Chinese customers and from Generations Y and Z will continue to be the main growth drivers for the global luxury market. For example, Chinese demand could account for about 40-45% of the global market as soon as 2025, and it is estimated that Generation Z will represent at least 70% of market demand by 2025 as opposed to a little over 60% in 2021. Because this new generation of customers has its own set of values, new imperatives have emerged for the industry's players. For instance, it has become essential to have a clear sustainability strategy that takes into account the whole value chain.
- Compared to 2020, all product categories posted relatively similar increases in sales (c.25-30%) in 2021. However, the comparison with 2019 shows very robust growth in shoes, leather goods and jewelry, whereas sales in the watches segment appear stable and ready-to-wear saw a decline.
- It is highly probable that the polarization that was already happening in the market will become greater in the coming years, accompanied by mergers and acquisitions. The greater complexity of developing and managing a brand in a market that is global, but at the same time more fragmented than before (given the focus on local customers), means that large multi-brand groups that can pool their resources and investments in many domains have a greater competitive advantage.

Limited impact of the pandemic on Kering's business and performance in 2021

In 2021, Kering, like all other players in the luxury industry, was positively impacted by the market rebound, and it saw its revenue exceed levels seen in 2019, both as reported and at constant exchange rates. Recurring operating income also rose compared to 2019 and although Group profitability did not return to its 2019 level, it was nevertheless very high. Consequently, cash flow generation was particularly solid and the Group reported a record-low debt-to-equity ratio.

Kering's performance clearly shows that it has come through the crisis even stronger than before. The Group is squarely focused on investing in its Houses to capitalize on their potential and return to a profitable growth trajectory.

However, the Group's operations were still directly and indirectly impacted by the pandemic and its effects in 2021.

Store footfall was adversely affected by partial or total closures resulting from lockdowns and curfews, mainly in the first half of the year. On average, 17% of the store network was closed during the first quarter of the year, 13% in the second, 4% in the third and 2% in the fourth. The collapse in global tourist numbers relative to 2019 also continued to drag down business levels in some markets, particularly Western Europe and Asia. However, again compared to 2019, footfall trends improved considerably during the year, driven by local customers. In addition, the main retail performance indicators – and primarily the conversion rate – rose sharply in 2021 as a result of numerous initiatives aimed at improving the in-store customer experience and strengthening clienteling activities. In addition, the Group's brands benefited from the omnichannel strategy that they have been implementing in recent years, and were able to take full advantage of growth in online retail, which was clearly boosted by the COVID-19 crisis.

Whereas in 2020 lockdown measures temporarily reduced the Group's ability to design, manufacture and distribute its products under normal conditions, in 2021 brands were able to adapt their organizational structures to public health measures and restrictions on movement and to manage their operations with maximum efficiency.

However, due to delays in developing collections in 2020, postponements of some product launches and projects, and brands' highly prudent inventory management throughout the year, the depth and breadth of the Group's in-store offering was temporarily reduced in some cases, not only in 2020 but also in the first half and to some extent the third quarter of 2021. Nevertheless, all of the measures put in place by brands to return to a more normal environment in terms of creating and making products, combined with the launch of their new collections, gradually paid off, enabling them to propose broader offerings and meet customer demand across all the Houses' points of sale, particularly in the fourth quarter.

As in 2020, home-working was widely used thanks to the quality of the Group's information systems. This meant that all of the main departments and units, both for the brands and the Group as a whole, could continue to manage major transformation projects effectively, in terms of both IT systems and logistics.

However, without calling into question the plan to expand the Houses' store network, some store openings or refurbishments had to be postponed due to difficulties in concluding negotiations with property owners and launching building works as a result of the ongoing COVID-19 situation in the first half.

Lastly, while keeping a tight rein on costs, the Group and its brands decided to allocate the necessary resources to make the most of the upswing in business in the first half of 2021. Accordingly, store operating costs as well as budgets for communications, upgrading IT systems and developing the brands' digital platforms (encompassing e-commerce) increased during the period for all of the Group's Houses.

Rebound in Group business levels in 2021 and excellent operational and financial management

The Group's consolidated revenue for 2021 amounted to €17,645 million, an increase of 34.7% as reported (up 35.2% at constant scope and exchange rates). Revenue was 13.4% higher than in 2019 on a comparable basis. The Group's sales for each quarter of the year were higher than in 2019 (on a comparable basis), and growth accelerated considerably in the fourth quarter. Relative to 2020, sales growth was naturally very strong in the first half (up 54.1%) but remained outstanding in the second half (up 22.6%), driven by an excellent fourth quarter.

Recurring operating income for 2021 came in at €5,017 million, 60.0% higher than in 2020 and 5.0% higher than in 2019. Recurring operating margin came to 28.4%, up 4.5 points year-on-year.

This improvement was due to a very favorable operating leverage effect, with sales growth exceeding the increase in the cost base. However, the Group's Houses and various businesses continued to invest during the period to support their development and expansion, notably by increasing budgets for store expenses, creation, development, communications and information systems in line with the industry's accelerating digital transformation. These initiatives were once again accompanied by strict cost-control measures for other expense items, including rent renegotiations with landlords due to the consequences of the COVID-19 pandemic.

In view of the rise in consolidated revenue in 2021 and the ensuing increase in recurring operating income for all of the Group's businesses, as well as the mid-term outlook for the luxury market, no impairment losses had to be recognized against non-current assets in addition to those recorded in 2020. Non-recurring items in 2021 mainly consisted of the estimated loss on the disposal of the watches brands, impairment of intangible assets relating to information systems, and litigation and restructuring costs, none of which had any direct or indirect connection with the pandemic. The sale of the watches brands resulted from a strategic review of the Group's business portfolio that began before the pandemic.

Impairment losses on current assets (inventories and trade receivables) were recognized as usual under recurring operating expenses. The Group's credit risk – which was deemed to be very moderate and under control in 2020 – decreased in 2021.

In 2020, the COVID-19 pandemic made it more difficult to calculate corporate income tax, as the overall decrease in profits seen by the vast majority of multinationals raised the question of how profits and losses should be allocated by country. This issue remains outstanding, as recovery trends are varying extremely widely from one region to another. However, as in 2020, Kering regarded it as reasonable to keep the main principles of its current transfer-pricing policy, in strict compliance with the rules issued by the OECD and the national tax authorities in each of the countries where the Group operates. The Group is confident that its estimates as of December 31, 2021 are fair and prudent.

Lastly, the Group's financial position as of December 31, 2021 was extremely solid, with almost zero debt[1] and good management of working capital. Cash generation reached a record level, with €3,948 million in free cash flow from operations. This was achieved despite the fact that the Group kept up a high level of operating investments, which were close to the 2019 figure (€934 million in 2021, equal to 5.3% of 2021 revenue). Operating investments were focused on store openings and refurbishments, as well as strategic logistics, e-commerce and IT programs managed by the Corporate entity on behalf of the Houses.

In light of the Group's strong cash flow generation in 2021, and also its effective cash management in 2020, liquidity risk was particularly low as of December 31, 2021.

The Group did not identify any significant events in 2021 resulting from the ongoing COVID-19 crisis, whereas that was not the case in 2020.

2 - SIGNIFICANT EVENTS OF 2021

Investment in Vestiaire Collective

On March 1, 2021, Kering announced that it had acquired a stake of around 5% in Vestiaire Collective, the leading global platform for desirable second-hand fashion, as part of a new €178 million financing round alongside a new shareholder, US investment firm Tiger Global Management. Existing shareholders including Vestiaire Collective's CEO Maximilian Bittner, Bpifrance, Condé Nast, the Eurazeo group, certain funds managed by Fidelity International, Korelya Capital, Luxury Tech Fund and Vitruvian Partners also reinvested.

Following a strong year in 2020 that saw the platform's transaction volume grow over 100% year-on-year, this financing round granted Vestiaire Collective unicorn status and ideally positioned it for its next cycle of accelerated growth.

By investing in Vestiaire Collective and by being represented on the platform's Board of Directors, Kering is illustrating its pioneering strategy within its sector, which consists of supporting innovative business models, embracing new market trends and exploring new services for fashion and luxury customers.

Kering enhances its global logistics capabilities with a new hub in Northern Italy

On April 8, 2021, Kering announced the completion of the first phase of its new global logistics hub in Trecate, in the Piemonte region of Northern Italy. The first part of the building has been operating since March 2020, and the second part (over 100,000 sq.m) has come into service gradually since the third quarter of 2021.

Built in record time, the Group's new global logistics hub covers more than 162,000 sq.m (equivalent to 20 rugby fields) and combines state-of-the-art technology with automation, scalability, innovative sustainability and features for the well-being of employees.

The hub will meet the demand from the Houses' regional warehouses, retail stores, wholesalers and e-commerce operations worldwide, and will significantly increase the Group's capabilities in terms of shipping (up to 80 million pieces per year) and storage (up to 20 million pieces). It will also reduce lead times by 50% by increasing the speed of deliveries and enhance collaboration with the Group's Houses.

More than 250 people are currently working in the facility, with the total number of staff planned to reach approximately 900 by the end of 2022. The site is operated by XPO Logistics, Kering's longstanding logistics partner, which employs the on-site workforce dedicated to warehouse operations.

(1) Net debt excluding IFRS 16 lease liabilities, as defined on page 92.

Sale of a 5.91% stake in PUMA

On May 27, 2021, Kering announced the completion of the sale, following an accelerated bookbuilding process to qualified investors only, of a 5.91% stake in PUMA SE for a total amount of approximately €805 million, corresponding to a sale price of €90.3 per PUMA share.

Following this transaction, Kering has a remaining 3.96% stake in PUMA. The net proceeds of the transaction have been allocated to Kering's general corporate purposes and have further strengthened its financial position.

Corporate governance at Kering

As a result of her changing roles within Exor, of which she is also a board member, and in order to avoid any potential conflict of interests, Ginevra Elkann resigned from her position as a member of Kering's Board of Directors as of April 27, 2021.

Kering Eyewear acquires the Danish luxury eyewear brand LINDBERG

On July 8, 2021, Kering Eyewear and the Lindberg family signed an agreement for Kering Eyewear to acquire 100% of LINDBERG's share capital. The acquisition was completed on September 30, 2021.

LINDBERG was founded in 1969 in Denmark by optician Poul-Jørn Lindberg and his wife as an optical store, and it was turned into a multinational company by their son Henrik. LINDBERG is now a high-end manufacturer of design-oriented, lightweight and customizable optical frames, and specializes in titanium frames. The company's reputation has been built on its made-to-order capabilities, offering customers the possibility to create their very own bespoke pair of LINDBERG glasses through an extended modular system which contains billions of combinations, in a wide array of materials from titanium to acetate, buffalo horn, wood and precious metals. LINDBERG has developed and patented manufacturing techniques and innovations such as hypoallergenic, multi-adjustable and screwless frames that are key differentiating factors in the high-end eyewear market. LINDBERG is a genuine pioneer in the luxury eyewear industry and holds a unique position within it, and is now a sizeable and very profitable company with strong growth potential.

This acquisition is an important milestone in the successful expansion of Kering Eyewear and fits perfectly with its development strategy. Since its launch in 2014, Kering Eyewear has built an innovative business model that has enabled the company to achieve critical size in its market, with revenue of around €700 million in 2021. The acquisition will further strengthen Kering Eyewear's position as the most relevant player in the luxury eyewear segment, adding to its portfolio a complementary and proprietary brand with strong legitimacy, undisputed know-how and best-in-class customer service in optical frames. Thanks to the good fit between their businesses, both companies are able to leverage their respective strengths across the value chain, with synergies in distribution and geographical reach particularly This is helping to accelerate the growth and enhance the profitability of Kering Eyewear.

LINDBERG's entities have been included in the Group's consolidated financial statements since September 30, 2021. The allocation of the purchase price will be completed in 2022.

Allocation of the first tranche of repurchased shares

The Group completed the first tranche of the stock repurchase program that it announced on August 25, 2021. The purchases took place under the authorization granted by shareholders in the July 6, 2021 Annual General Meeting.

Between August 25 and November 3, 2021, 650,000 shares were repurchased at an average price of €643.70 per share, i.e. for a total of €418.4 million. Of the shares repurchased in that first tranche, 325,000 were canceled on December 10, 2021.

The remaining repurchased shares were used to cover free share plans for the Group's employees.

In the first half of 2021, the Group also repurchased 204,211 of its shares under authorizations granted by shareholders in the June 16, 2020 and April 22, 2021 AGMs. All of those shares were allocated to covering free share plans and other long-term incentive plans under which employees receive Kering shares.

Change of Creative Director at Bottega Veneta

On November 10, 2021, Bottega Veneta and Daniel Lee announced their joint decision to end their collaboration. Daniel Lee had been at the creative helm of the House since July 1, 2018. He brought new energy to the House and greatly contributed to the new momentum that Bottega Veneta is enjoying today.

On November 15, 2021, Bottega Veneta announced the appointment of Matthieu Blazy as Creative Director. Born in Paris in 1984, Matthieu Blazy is a graduate of La Cambre in Brussels. He started his fashion career as Men's Designer for Raf Simons, before joining Maison Martin Margiela to design the Artisanal line and Women's ready-to-wear (RTW) shows. In 2014, he became Senior Designer at Céline, before working again with Raf Simons at Calvin Klein from 2016 to 2019. He was appointed RTW Design Director at Bottega Veneta in 2020. A French and Belgian national, he lives between Antwerp and Milan.

3 - 2021 BUSINESS REVIEW

Key figures

Condensed consolidated income statement

(in € millions)	2021	2020	Change	2019
Revenue	17,645.2	13,100.2	+34.7%	15,883.5
Recurring operating income	5,017.2	3,135.2	+60.0%	4,778.3
% of revenue	*28.4%*	*23.9%*	*+4.5 pts*	*30.1%*
EBITDA	6,470.4	4,574.2	+41.5%	6,023.6
% of revenue	*36.7%*	*34.9%*	*+1.8 pts*	*37.9%*
Other non-recurring operating income and expenses	(219.8)	163.0	-234.8%	(168.5)
Financial result	(273.2)	(341.7)	+20.0%	(309.5)
Income tax expense	(1,280.4)	(759.2)	-68.7%	(2,133.7)
Share in earnings (losses) of equity-accounted companies	1.0	(7.6)	+113.2%	41.8
Net income from continuing operations	3,244.8	2,189.7	+48.2%	2,208.4
o/w attributable to the Group	*3,164.6*	*2,160.2*	*+46.5%*	*2,166.9*
o/w attributable to minority interests	*80.2*	*29.5*	*+171.9%*	*41.5*
Net income (loss) from discontinued operations	11.1	(9.8)	+213.3%	125.4
Net income attributable to the Group	3,175.7	2,150.4	+47.7%	2,308.6
Net income from continuing operations (excluding non-recurring items) attributable to the Group	3,361.3	1,972.2	+70.4%	3,211.5

Earnings per share

(in €)	2021	2020	Change	2019
Basic earnings per share	25.49	17.20	+48.2%	18.40
Basic earnings per share from continuing operations excluding non-recurring items	26.98	15.78	+71.0%	25.59

Operating investments

(in € millions)	2021	2020	Change	2019
Acquisitions of property, plant and equipment and intangible assets	934.0	786.9	+18.7%	955.8

Free cash flow from operations

(in € millions)	2021	2020	Change	2019
Free cash flow from operations	3,947.8	2,104.6	+87.6%	1,520.7

Revenue

(in € millions)	2021	%	2020	%	Reported change	Comparable change(1)
Total Luxury Houses	17,019.4	96%	12,676.6	97%	+34.3%	+34.9%
Corporate and other	625.8	4%	423.6	3%	+47.7%	+49.1%
Total revenue	**17,645.2**	**100%**	**13,100.2**	**100%**	**+34.7%**	**+35.3%**

(1) On a comparable scope and exchange rate basis. Comparable revenue is defined on page 91.

Exchange rate fluctuations had a €63 million negative impact on revenue during the year, related mainly to the US dollar (€90 million) and the Japanese yen (€58 million). However, movements in the euro/Chinese yuan exchange rate had a positive impact of €83 million.

Revenue by region

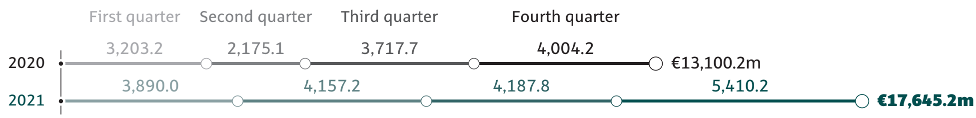
(in € millions)	**2021**	**%**	**2020**	**%**	**Reported change**	**Comparable change[1]**
Asia-Pacific (excluding Japan)	6,695.4	38%	4,975.7	38%	+34.6%	+32.7%
Western Europe	4,045.0	23%	3,657.1	28%	+10.6%	+9.6%
North America	4,685.3	26%	2,742.4	21%	+70.8%	+75.8%
Japan	1,059.4	6%	931.1	7%	+13.8%	+21.2%
Rest of the world	1,160.1	7%	793.9	6%	+46.1%	+48.2%
Total revenue	**17,645.2**	**100%**	**13,100.2**	**100%**	**+34.7%**	**+35.2%**

(1) On a comparable scope and exchange rate basis. Comparable revenue is defined on page 91.

Revenue generated outside the eurozone represented 85% of the consolidated total in 2021.

Quarterly revenue data

Consolidated revenue by quarter



Quarterly revenue by activity

(in € millions)	**First quarter**	**Second quarter**	**Third quarter**	**Fourth quarter**	**2021**
Gucci	2,167.7	2,311.6	2,181.8	3,069.8	9,730.9
Yves Saint Laurent	516.7	528.8	652.9	822.6	2,521.0
Bottega Veneta	328.2	379.4	363.4	431.8	1,502.8
Other Houses	714.3	761.3	843.7	945.4	3,264.7
Total Luxury Houses	**3,726.9**	**3,981.1**	**4,041.8**	**5,269.6**	**17,019.4**
Corporate and other	163.1	176.1	146.0	140.6	625.8
Total revenue	**3,890.0**	**4,157.2**	**4,187.8**	**5,410.2**	**17,645.2**

(in € millions)	**First quarter**	**Second quarter**	**Third quarter**	**Fourth quarter**	**2020**
Gucci	1,804.1	1,268.1	2,087.8	2,280.6	7,440.6
Yves Saint Laurent	434.6	246.5	510.7	552.6	1,744.4
Bottega Veneta	273.7	229.4	332.5	374.7	1,210.3
Other Houses	553.3	365.8	669.1	693.1	2,281.3
Total Luxury Houses	**3,065.7**	**2,109.8**	**3,600.1**	**3,901.0**	**12,676.6**
Corporate and other	137.5	65.3	117.6	103.2	423.6
Total revenue	**3,203.2**	**2,175.1**	**3,717.7**	**4,004.2**	**13,100.2**

(comparable change[1])	**Q1 2021/2020 change**	**Q2 2021/2020 change**	**Q3 2021/2020 change**	**Q4 2021/2020 change**	**2021/2020 change**
Gucci	+24.6%	+86.1%	+3.8%	+31.6%	+31.2%
Yves Saint Laurent	+23.4%	+118.5%	+28.1%	+46.8%	+45.6%
Bottega Veneta	+24.6%	+69.0%	+8.9%	+13.7%	+25.1%
Other Houses	+33.1%	+111.3%	+26.0%	+34.2%	+43.8%
Total Luxury Houses	**+26.0%**	**+92.5%**	**+11.8%**	**+32.5%**	**+34.9%**
Corporate and other	+22.9%	+176.5%	+24.1%	+13.8%	+43.0%
Total revenue	**+25.8%**	**+95.0%**	**+12.2%**	**+31.9%**	**+35.2%**

(1) On a comparable scope and exchange rate basis. Comparable revenue is defined on page 91.

(in € millions)	First quarter	Second quarter	Third quarter	Fourth quarter	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
Total revenue	**3,785.3**	**3,853.1**	**3,884.6**	**4,360.5**	**15,883.5**

(comparable change[1])	Q1 2021/2019 change	Q2 2021/2019 change	Q3 2021/2019 change	Q4 2021/2019 change	2021/2019 change
Gucci	-4.0%	+4.3%	-6.1%	+17.8%	+3.4%
Yves Saint Laurent	+6.6%	+14.9%	+31.8%	+46.7%	+26.0%
Bottega Veneta	+35.6%	+30.1%	+31.0%	+31.2%	+31.8%
Other Houses	+26.0%	+19.8%	+39.8%	+36.4%	+30.6%
Total Luxury Houses	**+4.9%**	**+10.5%**	**+9.2%**	**+25.8%**	**+13.1%**
Corporate and other	+22.0%	+32.3%	+39.4%	+2.6%	+23.0%
Total revenue	**+5.5%**	**+11.2%**	**+10.0%**	**+25.1%**	**+13.4%**

(1) On a comparable scope and exchange rate basis. Comparable revenue is defined on page 91.

Recurring operating income

The Group's gross margin for 2021 amounted to €13,068 million, up 37.4% on 2020. Gross margin as a proportion of revenue rose by 1.5 points to 74.1%. Recurring operating expenses increased by 26.3% year-on-year.

(in € millions)	2021	2020	Change	2019
Total Luxury Houses	5,175.3	3,367.1	+53.7%	5,042.0
Corporate and other	(158.1)	(231.9)	+31.8%	(263.7)
Recurring operating income[1]	**5,017.2**	**3,135.2**	**+60.0%**	**4,778.3**

(1) Recurring operating income is defined on page 91.

EBITDA

(in € millions)	2021	2020	Change	2019
Recurring operating income	**5,017.2**	**3,135.2**	**+60.0%**	**4,778.3**
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	1,453.2	1,439.0	+1.0%	1,245.3
o/w depreciation of lease right-of-use assets	*826.5*	*839.4*	*-1.5%*	*736.7*
EBITDA[1]	**6,470.4**	**4,574.2**	**+41.5%**	**6,023.6**

(1) EBITDA is defined on page 91.

(in € millions)	2021	2020	Change	2019
Total Luxury Houses	6,408.9	4,605.6	+39.2%	6,121.6
Corporate and other	61.5	(31.4)	+295.9%	(98.0)
EBITDA	**6,470.4**	**4,574.2**	**+41.5%**	**6,023.6**

EBITDA margin increased by 1.8 points compared to 2020, coming in at 36.7% (34.9% in 2020).

Other non-recurring operating income and expenses

(in € millions)	2021	2020	Change	2019
Estimated fair value of the disposal of Girard-Perregaux and Ulysse Nardin	(139.9)	-	N/A	-
Impairment of goodwill, brands and other non-current assets	(69.1)	(446.6)	+84.5%	(94.9)
Capital gain on PUMA shares	-	704.6	N/A	-
Other income and expenses	(10.8)	(95.0)	+88.6%	(73.6)
Other non-recurring operating income and expenses	**(219.8)**	**163.0**	**-234.8%**	**(168.5)**

(See consolidated financial statements, Note 8 – Other non-recurring operating income and expenses.)

Financial result

(in € millions)	2021	2020	Change	2019
Cost of net debt[(1)]	(38.2)	(43.3)	+11.8%	(52.3)
Other financial income and expenses	(128.9)	(185.5)	+30.5%	(147.6)
Financial result excluding leases	**(167.1)**	**(228.8)**	**+27.0%**	**(199.9)**
Interest expense on lease liabilities	(106.1)	(112.9)	+6.0%	(109.6)
Financial result	**(273.2)**	**(341.7)**	**+20.0%**	**(309.5)**

(1) Net debt is defined on page 92.

In 2021, the cost of net debt was €38 million (€43 million in 2020). The improvement mainly reflects the decrease in the average coupon paid on bond debt.

Other financial income and expense produced a net expense of €129 million in 2021, a significant decrease compared to the 2020 figure of €186 million due to the reduced financial cost of currency hedges and the non-recurrence of the negative exchange-rate effects seen in 2020.

(See consolidated financial statements, Note 9 – Financial result.)

Income tax

(in € millions)	2021	2020	Change	2019
Income before tax	**4,524.2**	**2,956.5**	**+53.0%**	**4,300.3**
Current tax expense	(1,458.5)	(657.0)	-122.0%	(2,597.9)
Deferred tax income (expense)	178.1	(102.2)	+274.3%	464.2
Income tax expense	**(1,280.4)**	**(759.2)**	**-68.7%**	**(2,133.7)**
Effective tax rate	**28.3%**	**25.7%**	**+2.6 pts**	**49.6%**

(in € millions)	2021	2020	Change	2019
Other non-recurring operating income and expenses	(219.8)	163.0	**-234.8%**	(168.5)
Recurring income before tax	**4,744.0**	**2,793.5**	**+69.8%**	**4,468.8**
Income tax on other non-recurring operating income and expenses	23.1	25.0	-7.6%	27.9
Tax expense on recurring income	**(1,303.5)**	**(784.2)**	**-66.2%**	**(1,257.6)**
Effective tax rate on recurring income[(1)]	**27.5%**	**28.1%**	**-0.6 pts**	**28.1%**

(1) The effective tax rate on recurring income is defined on page 92.

(See consolidated financial statements, Note 10 – Income taxes.)

4 – OPERATING PERFORMANCE

Luxury Houses

(in € millions)	**2021**	**2020**	**Change**	**2019**
Revenue	**17,019.4**	**12,676.6**	**+34.3%**	**15,382.6**
Recurring operating income	**5,175.3**	**3,367.1**	**+53.7%**	**5,042.0**
% of revenue	***30.4%***	***26.6%***	***+3.8 pts***	***32.8%***
EBITDA	6,408.9	4,605.6	+39.2%	6,121.6
% of revenue	*37.7%*	*36.3%*	*+1.4 pts*	*39.8%*
Acquisitions of property, plant and equipment and intangible assets	642.6	460.6	+39.5%	651.9
Average FTE headcount	34,567	32,507	+6.3%	30,956

The main trends affecting the worldwide personal luxury goods market and the operations of the Group's Houses are described in the introductory section above, which sets out the impacts of the COVID-19 pandemic on the Group's business and its financial statements.

The impact of exchange rates on the Group's performance was slightly negative in 2021, with reported year-on-year growth 0.6 points lower than growth at constant exchange rates. In the first half of the year, the impact was particularly significant (4.4 points), since the euro appreciated on average against the world's other major currencies, particularly the US dollar and the Japanese yen. In the second half, the trend reversed, and the weakening euro led to reported growth 1.4 points higher than growth at constant exchange rates.

Reported growth with respect to 2019 also reflects the fact that the euro was stronger on average over the period as a whole (despite more recent movements), and reported growth was approximately 2.5 points lower than growth at constant exchange rates.

Revenue

Total revenue generated by the Group's Luxury Houses came to €17,019 million in 2021, much higher than in 2020 (up 34.9% at comparable scope and exchange rates and up 34.3% as reported). Comparisons with 2019 are even more remarkable, with revenue 13.1% higher at constant exchange rates.

All Houses saw a very strong rebound in sales relative to 2020. Compared to 2019, revenue was higher in the vast majority of the Group's businesses, despite the major reorganization of the distribution network, which adversely affected wholesale sales.

Relative to 2020, after a very solid first quarter (revenue up 26.0%), sales growth was exceptional in the second quarter (up 92.5% on a comparable basis), since 2020 performance was considerably affected by strict lockdowns introduced in the Group's main markets. Growth was robust in the third quarter (up 11.8%) and particularly strong in the fourth (up 32.5%). In absolute terms, sales in the fourth quarter of 2021 hit a new all-time high.

Revenue growth compared to 2019 was positive in the first quarter of 2021 (up 4.9%), accelerated in the second (up 10.5%) and then stabilized in the third (up 9.2%), before accelerating sharply again in the fourth quarter (up 25.8%).

Revenue by distribution channel

In 2021, sales in directly operated stores, including online sales via Houses' websites and concessions, totaled €13,782 million, up 39.5% on a comparable basis relative to 2020 and up 17.7% versus 2019. The previous comments regarding quarterly performance also apply to the growth trajectory of revenue generated directly by Kering's brands.

Although in-store sales suffered from store closures resulting from COVID-19 restrictions and lockdowns, footfall recovered overall throughout the year and ended up higher than in 2020. E-commerce continued to do well: revenue advanced 54.9% on a comparable basis versus 2020 and revenues were over 2.5 times higher than in 2019. E-commerce directly operated by the Group represented around 15% of the retail channel's revenue on average, reaching 26% in Western Europe and 23% in North America. E-commerce penetration was 5% in Japan and 7% in Asia-Pacific, and so the potential for growth in those markets is particularly significant.

As a result of these trends, revenue from stores and e-commerce sites directly operated by the Group accounted for around 81% of total sales in 2021 compared to 78% in the previous two years. This increase stems partly from the long-term strategy implemented by all brands, which is aimed at controlling their distribution more effectively, including online, and making them more exclusive while prudently managing the expansion of the directly operated store network and related investments.

Wholesale sales rose 16.8% in 2021 on a comparable basis versus 2020. This was driven by the rebound seen in the second quarter, whereas growth slowed to 4.4% in the fourth quarter. These figures only partly reflect the reorganization of the wholesale distribution network that is currently underway, through which the Group is focusing more on using the highest-quality distributors. Compared to 2019, wholesale sales were 3.0% lower at constant exchange rates. The decrease relative to 2019 was a steep 39.4% at Gucci, which was the Group's first brand to embark on the process of radically streamlining its distribution network. Yves Saint Laurent also voluntarily limited its sales to key distributors, and saw its revenue with wholesalers rise by only 6.5% compared to 2019. Boosted by its new creative direction and the expansion of its ready-to-wear and shoes categories, Bottega Veneta won significant market share with its wholesalers and recorded a strong increase in wholesale sales.

Revenue by region

As during the whole of 2020, revenue trends by region varied widely in 2021 due to developments in the pandemic, which affected some regions for longer than others, and because of macroeconomic trends and a lack of tourism.

Revenue[(1)] in mature markets increased 34.9% overall on a comparable basis versus 2020, and was up 4.4% on 2019.

Sales in Western Europe rose 7.6% relative to 2020. Compared to 2019, sales in Western Europe retreated 23.8%, due to weak sales to non-European customers. In addition, because of lockdowns, over half of the Group's store network in Western Europe on average was closed in the first quarter of 2021, and 26% in the second quarter. However, sales to local customers grew at a very rapid pace and accelerated throughout the year. This enabled the Houses to deliver a 24.3% year-on-year increase in sales in the fourth quarter, considerably narrowing the gap compared to 2019 (down 11.9%).

In Japan, revenue rose 21.3% at constant exchange rates compared to 2020, but relative to 2019 sales were still adversely affected by the pandemic, very moderate economic growth and a lack of Chinese tourists. However, after a third quarter in which footfall was low because of rising COVID-19 case numbers and the Olympic Games, growth accelerated sharply in the fourth (up 33.3%), taking revenue above its fourth quarter 2019 level (up 16.2% at constant exchange rates).

In North America, the Group's Luxury Houses continued the very strong growth recorded post-lockdown in 2020 when stores were able to re-open, and revenue rose 76.8% year-on-year in 2021. The Houses' sales were even 62.1% higher than in 2019. As described in the introductory section above, the consumer environment was particularly dynamic in North America, which drove growth for all of the Houses' distribution channels. E-commerce was the star performer, with sales tripling compared to 2019. All product categories and price segments were boosted by North America's consumer recovery, which continued unabated in the fourth quarter.

Total revenue in emerging markets rose 34.9% versus 2020 and 26.0% relative to 2019. As a result, the Group's revenue is becoming increasingly balanced between mature and emerging markets, with emerging markets now making up around 45% of total sales.

In the Asia Pacific region – which accounts for the majority of the Group's sales in emerging markets – revenue growth was 33.0% compared to 2020 and 26.2% versus 2019. All major markets in the region saw strong year-on-year sales growth except in Oceania, where sales were badly affected by measures implemented to combat the pandemic. The comparison with 2019 shows a more mixed picture as customers in Mainland China repatriated some of their purchases to the detriment of other markets. Consequently, in 2021 sales generated in Mainland China almost doubled versus 2019. Again compared to 2019, growth in South Korea – one of the world's largest markets for luxury goods – was very solid, with excellent domestic sales more than offsetting the decrease in Chinese customers.

In other emerging-market countries (mainly in Latin America, the Middle East, Eastern Europe and Russia), the Houses posted excellent performance compared to both 2020 and 2019.

Revenue by product category

All of the main product categories registered sharp revenue rises compared to 2020. This rebound also propelled each category to higher sales levels than in 2019 in directly operated stores and online.

The quality of the Group's brand portfolio and the effective strategies put in place by the Houses resulted in relatively even growth across the different product categories.

Leather goods – probably one of the categories most exposed to fluctuations in tourism – posted weaker sales growth than the other categories. However, this performance should be analyzed in the view of the very high base for comparison in 2019, as well as the Houses' prudent inventory management in 2020, which led them to limit the number of product lines and amount of stock available in stores in 2020 and for part of 2021.

Thanks to the appeal of the Houses' offerings, the ready-to-wear and shoes categories felt the full benefit of the rebound in luxury spending that began in the second half of 2020 as well as the concentration of sales within domestic markets and clientele.

Jewelry saw one of the highest year-on-year revenue increases in 2021, compared to both 2020 and 2019. This strong momentum was experienced not only by the Group's Jewelry Houses but also by the jewelry offerings of the Couture and Leather Goods Houses. Sales of high jewelry pieces also rebounded in 2021. Overall, jewelry sales were mainly driven by demand in Asia but also rose sharply once again in Western Europe and the Middle East, although they have not yet returned to their 2019 levels.

Like the rest of the watch-making industry, Girard-Perregaux and Ulysse Nardin were very heavily affected by the impact of the COVID-19 pandemic in 2020. Logically, therefore, they recorded very strong sales growth in 2021, although sales still came in below 2019 figures.

Royalties and other revenues rose sharply in 2021, led by excellent performance from the licenses managed by Kering Eyewear. Royalties from the eyewear category outstripped the figure recorded for 2019, but those from fragrances and cosmetics licenses were not sufficient to offset the contraction recorded in 2020, despite a solid rebound in 2021.

(1) The analysis of the Luxury Houses' revenue by region relates to total revenue (sales from stores and e-commerce sites as well as wholesale).

Recurring operating income

Recurring operating income for the Group's Luxury Houses totaled €5,175 million in 2021, up €1,808 million on 2020 and up €133 million relative to 2019.

Recurring operating margin rose back above the 30% threshold, coming in up 3.8 points year-on-year at 30.4%. This increase naturally stems from a favorable operational leverage effect due to revenue growth during the period, but it also reflects carefully controlled operating expenses. Nevertheless, all brands – especially Gucci – continued to make the necessary investments during the period to support their development. In particular, they increased their store-related spending as well as their marketing, communications and IT expenditure, and they strengthened both their central and regional teams.

Profitability also improved between the first and second halves of the year, with recurring operating margin rising 1.1 points, similar to the improvement seen between the two halves in 2019.

The combined effect of exchange rate fluctuations and currency hedges was slightly negative in terms of recurring operating margin compared to 2020. However, it was marginally positive relative to 2019.

EBITDA for 2021 amounted to €6,409 million versus €4,605 million in 2020 and €6,122 million in 2019. EBITDA margin was historically high at 37.7% in 2021.

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 the Houses' benefit – totaled €643 million in 2021, up €182 million or 39.5% compared to 2020 and almost the same as in 2019 (€652 million). Operating investments represented 3.8% of revenue in 2021 compared to 4.2% in 2019 (3.6% in 2020).

Some projects were postponed in 2021, with construction and renovation programs having to be put on hold in some markets in the first quarter due to COVID-19 restrictions, and the Houses also decided to focus on the highest-priority and most strategic projects. As expected, therefore, there was a very marked difference in operating investments between the first and second halves of 2021, with a large majority (almost two thirds) incurred in the second half.

As of December 31, 2021, the Group's Luxury Houses had a network of 1,565 directly operated stores, including 815 (52%) in mature markets and 750 in emerging markets. Net store additions compared to December 31, 2020 totaled 132. A large majority (almost 60%) of the new store openings were in the Asia-Pacific region, but some brands also expanded their distribution networks with openings in Japan, North America and Western Europe. The year-on-year increase was also driven to a very large extent by the scheduled expansion of the Yves Saint Laurent, Balenciaga and Alexander McQueen networks.

Gucci

(in € millions)	2021	2020	Change	2019
Revenue	**9,730.9**	**7,440.6**	**+30.8%**	**9,628.4**
Recurring operating income	**3,714.6**	**2,614.5**	**+42.1%**	**3,946.9**
% of revenue	***38.2%***	***35.1%***	***+3.1 pts***	***41.0%***
EBITDA	4,310.6	3,224.9	+33.7%	4,463.6
% of revenue	*44.3%*	*43.3%*	*+1.0 pts*	*46.4%*
Acquisitions of property, plant and equipment and intangible assets	323.8	205.8	+57.3%	337.3
Average FTE headcount	18,933	17,953	+5.5%	17,157

Revenue

Gucci posted record revenue of €9,731 million in 2021, up 31.2% year-on-year at comparable exchange rates. The House's sales rose above their 2019 level in absolute terms. Growth versus 2019 was 3.4% on a comparable basis, with a marked acceleration in the fourth quarter (growth of 17.8%).

However, in view of the current reorganization of Gucci's distribution network, which has massively reduced its wholesale activity, retail sales in directly operated stores probably constitute the metric that gives the most meaningful measurement of the House's intrinsic performance.

Revenue by distribution channel

Although still partially affected by store closures arising from COVID-19 restrictions in the first half and to a lesser extent the third quarter of 2021, Gucci's in-store and online revenue advanced 36.7% versus 2020. Compared to 2019 – which was a record year following on from the brand's very strong growth since 2016 – the increase was 10.4%. Altogether, therefore, over the past five years, Gucci's retail sales have grown by around 20% per year on average and in 2021 they accounted for 91% of the brand's revenue.

As regards directly operated store revenue, growth recorded in recent years has been almost exclusively on a same-store basis. In addition, while store footfall considerably increased throughout the year, it remained lower than 2019 levels. However, the main performance indicators in the retail business showed a very sharp improvement. The House's e-commerce activity saw exceptional development in 2021 and it accounted for almost 16% of total retail revenue during the year. Online sales growth was therefore once again very buoyant, up 55.1% relative to 2020 and 163.0% compared to 2019.

Sales generated in the wholesale network fell 10.0% on a comparable basis relative to 2020. They were down 39.4% compared to 2019. This contraction is due to the strategy implemented in early 2020 to transform Gucci's distribution network with a view to making it more exclusive. However, wholesale revenue should stabilize in 2022.

Revenue by region

In view of the proportion of Gucci's sales generated by directly operated stores, the following revenue analysis by region only concerns retail and online sales.

In mature markets, year-on-year revenue growth was 41.5% at comparable exchange rates, although trends varied between regions. 2021 sales were higher than 2019 levels on a comparable basis.

Revenue in Western Europe rose 16.9% year-on-year, due in particular to very strong business levels in the last few months of the year. Compared to 2019, sales remained lower because of weak tourist numbers and a long period of store closures in the region's main markets at the start of 2021. However, the House's investments aimed at increasing market share in the main European markets paid off in 2021, with a gradual but continuous increase in sales to local customers. Gucci is playing the long game in Western Europe, and so is keeping its existing network of stores in that region pending the return of tourism.

In Japan, sales started rising again in 2021, with growth of 19.0%, although revenue remained below its 2019 level. Consumer trends in this market improved in the fourth quarter but the drop in tourist numbers remained a drag on business, although the impact was less than in Western Europe as local customers made up the vast majority of revenue generated in Japan in 2019.

In North America, revenue rebounded very strongly, with the House's retail sales surging almost 67% at constant exchange rates relative to both 2020 and 2019. This performance was achieved due to the factors explained in the introductory section of this Activity Report, as well as the fact that Gucci has a wide offering that meets customers' needs in all product categories and price segments, which enables it to meet all types of demand in the U.S. The House also has untapped growth potential in the region because its store network has been relatively unchanged in recent years and could be expanded in certain cities that are establishing themselves as promising new markets for the industry.

In emerging markets – which contributed just over half of Gucci's sales in 2021 – revenue rose by 32.5% at constant exchange rates year-on-year and by 20.0% versus 2019.

Growth in the Asia-Pacific region was 29.5% year-on-year and has remained extremely strong since spring 2020, when the region's strict lockdowns began easing. Regional growth was mainly driven by Mainland China, which saw firm increases in both online and in-store sales. Those trends are being supported by rising Chinese demand and by Chinese customers purchasing luxury products in their domestic market rather than abroad. In this respect, it is notable that growth in Chinese e-commerce sales are not having any significant adverse impact on in-store sales. Still in China, revenue picked up strongly in Macao and Hong Kong, although sales remained lower than in 2019. South Korea was once again a very dynamic market for Gucci due to the brand's popularity among local customers and despite the poor performance of the Duty-Free channel, which the brand includes in its network of directly operated stores and whose sales suffered from the lack of Chinese tourists. Sales in South Korea rose above 2019 levels in 2021. With the exception of Australia, which was hit by strict lockdown measures, the brand's other markets in the Asia-Pacific region posted very robust year-on-year growth, although compared to 2019 they remained affected on the whole by the fall in purchases by Chinese tourists.

In the other regions of the world where Gucci operates, sales growth was very firm compared to 2020, and also 2019 for most markets.

Revenue by product category

In 2021, all Gucci's main product categories registered very robust increases in sales from directly operated stores compared to 2020. The increase in average selling prices, resulting both from changes in the product mix and price hikes, made a significant contribution to that growth.

In the year it celebrated its 100th anniversary, Gucci continued to make subtle adjustments to its creative proposition, its esthetics and its product range, in order to meet the expectations of all customer profiles. With its Aria collection, the House has been able to leverage its unique heritage while remaining resolutely contemporary and modern. The brand's creative and merchandising teams work ceaselessly to achieve this balance, with an ongoing focus on maximizing the growth potential of each product category by constantly honing the overall offering to engage with the widest possible range of clients, and optimizing the mix between carryovers and new products. Sales growth in the fourth quarter of 2021 owed a lot to successful product launches and the regular introduction of new spins on iconic pieces, which also formed the basis of communication campaigns and in-store events.

Sales of leather goods were impacted for part of the year by the brand's prudent policy regarding the number of product lines available in stores in 2020. Over the year as a whole, however, leather goods revenue rebounded strongly relative to 2020, with a sharp acceleration in the fourth quarter. It was also higher than in 2019 in almost all major markets, although Western Europe remained affected by store closures at the start of the year and low tourist numbers.

The brand's other product categories – which are less sensitive to fluctuations in tourist flows and are driven by e-commerce – saw very robust sales growth compared to 2019.

Royalties were up sharply on 2020. In the eyewear category, royalties from the licenses managed by Kering Eyewear exceeded the 2019 figure, but royalties from the license granted to Coty for fragrances and cosmetics were still down on 2019.

Recurring operating income

Gucci's recurring operating income amounted to €3,715 million for 2021, up 42.1% on 2020.

Recurring operating margin rose by 3.1 points to 38.2%.

The improvement in recurring operating margin was attributable to a positive leverage effect driven by sales growth. However, during Gucci's centenary year, the brand continued to make the investments required to fully capitalize on the luxury industry's rebound, by allocating resources to clienteling activities, in-store events, communication campaigns and upgrades to digital platforms and information systems. Given this targeted increase in its cost base, particularly in the second half of the year, Gucci's recurring operating margin rose 0.7 points between the first and second halves of 2021.

Gucci's EBITDA for 2021 stood at €4,311 million, an increase of €1,086 million relative to 2020 and representing an EBITDA margin of 44.3%.

Store network and operating investments

As of December 31, 2021, Gucci operated 501 stores directly, including 226 in emerging markets. A net 18 new stores were opened during the year, mainly in Asia. Gucci's focus is on achieving organic growth by maximizing the productivity of the existing store network, but it is also continuing to identify opportunities that will enable it to enhance its distribution in certain regions or sales channels.

Gucci's operating investments amounted to €324 million in 2021, 57.3% higher than in 2020 but almost unchanged relative to 2019. Operating investments were split fairly evenly between refurbishments, openings and relocations on the one hand, and projects related to the supply chain, digital and support functions on the other.

Yves Saint Laurent

(in € millions)	2021	2020	Change	2019
Revenue	**2,521.0**	**1,744.4**	**+44.5%**	**2,049.1**
Recurring operating income	**714.6**	**400.0**	**+78.7%**	**562.2**
% of revenue	***28.3%***	***22.9%***	***+5.4 pts***	***27.4%***
EBITDA	914.5	589.9	+55.0%	733.7
% of revenue	*36.3%*	*33.8%*	*+2.5 pts*	*35.8%*
Acquisitions of property, plant and equipment and intangible assets	71.8	52.7	+36.2%	98.0
Average FTE headcount	4,587	3,810	+20.4%	3,606

Revenue

Yves Saint Laurent's sales amounted to €2,521 million in 2021, up 45.6% and 26.0% at constant exchange rates relative to 2020 and 2019 respectively. Compared to 2019, growth accelerated throughout the year, rising from 6.6% in the first quarter to 46.7% in the fourth.

It was another year of strong growth for the House, which has achieved average sales growth of around 22% per year in the last 10 years, despite a limited decrease in revenue in 2020. This means that the House's sales have been multiplied by seven since 2011.

Revenue by distribution channel

Revenue from directly operated stores, which accounted for 74% of the total, jumped 55.3% relative to 2020, driven mainly by same-store growth. Revenue was 35.0% higher than in 2019. Growth was the result of a material recovery in store footfall relative to 2020, although it varied from region to region, as well as a marked improvement in the various retail performance indicators and continued growth in online sales. The House's online business posted growth of 81.7% relative to 2020, despite a high base for comparison, and online sales tripled their 2019 level.

Sales generated in the wholesale network were 22.9% higher than in 2020. Compared to 2019, however, their growth was more modest at 6.5% on a comparable basis. Although the wholesale channel remains strategically important for Yves Saint Laurent, as it perfectly complements its retail business, the brand is continuing to pay particular attention to the quality and exclusivity of its distribution and is being careful to focus its wholesale business on a limited number of distributors.

Revenue by region

In view of the proportion of Yves Saint Laurent's sales generated by directly operated stores, the following revenue analysis by region only concerns retail and online sales.

Yves Saint Laurent notched up strong year-on-year revenue growth across all major regions in 2021. However, in line with the situation in the luxury industry as a whole, Yves Saint Laurent's performance was mixed across its different geographic regions.

Sales in the brand's heritage markets picked up, with growth of 65.7% relative to 2020 and 30.3% compared to 2019.

The brand's popularity with local customers and a further increase in store footfall throughout the year drove year-on-year revenue growth of 38.4% in Western Europe and 17.6% in Japan.

However, although Yves Saint Laurent is less exposed to tourism than other Houses, low tourist numbers remained a drag on both regions' sales compared to 2019. Revenue in those markets remained a little lower than 2019 levels, except in the fourth quarter when sales to European and Japanese customers accelerated sharply.

In North America, the House's penetration in the United States, the upturn in store footfall and buoyant online sales drove an exceptional performance over the period, with revenue up 109.6% on 2020 and 104.5% on 2019.

In emerging markets, sales generated in directly operated stores rose 41.5% compared to 2020 and 43.2% relative to 2019.

In the Asia-Pacific region, which accounts for the bulk of the brand's revenue in emerging markets, sales were up 36.0% versus 2020 and 38.5% relative to 2019. China is still the main growth driver in the region, and the brand's sales in Mainland China doubled relative to 2019. Sales in the region's other major countries increased sharply year-on-year. Compared to 2019 levels, growth was strongest in South Korea which, in its role as trendsetter, is a key market for the House.

Yves Saint Laurent's performance in the Middle East, which has historically been an important market for the brand, was also outstanding.

Revenue by product category

All product categories registered sharp revenue rises compared to 2020 and exceeded 2019 levels in the brand's directly operated stores and online channel.

Leather goods remained the brand's top category, with sales growth compared to both 2020 and 2019 closely aligned with the House's overall performance. This reflects the initiatives taken by Yves Saint Laurent over the last few years to constantly renew and refresh its leather goods offering with a specially dedicated creative team, which has helped it to both attract new customers and retain existing ones in all its markets.

Sales of ready-to-wear for both women and men rose very sharply, and growth accelerated throughout the year. This performance is the result of the brand's merchandising strategy implemented over the past quarters with the aim of making its offerings and price architecture more relevant in this category.

Revenue from the shoes category also bounced back and rose above its 2019 level, propelled primarily by the success of collections for women.

Royalties from the eyewear category were up on 2019 and even more so on 2020 thanks to sustained efforts from the teams at Kering Eyewear. Royalties from L'Oréal rose sharply year-on-year and were almost unchanged compared to 2019.

Recurring operating income

Yves Saint Laurent generated record recurring operating income of €715 million in 2021, an increase of 78.7% on 2020.

Recurring operating margin also hit an all-time high at 28.3%, up 5.4 points relative to 2020 and up 0.9 points versus 2019.

This further improvement is in line with the brand's goals and the growth trajectory it had set itself prior to the COVID-19 crisis. It also demonstrates that Yves Saint Laurent has achieved critical size, enabling it to capitalize on its operating leverage while also allocating all the resources necessary for its short- and medium-term development, ranging from creating, expanding and running its store network to leading communication campaigns around the brand.

EBITDA rose by €325 million to €915 million. EBITDA margin was 36.3%, versus 33.8% as reported in 2020 and 35.8% in 2019.

Store network and operating investments

As of December 31, 2021, Yves Saint Laurent had 268 directly operated stores, including nearly half (128) in emerging markets. There were 29 net store openings during 2021, reflecting the brand's store network expansion plan implemented over the past few years and taking into account the restrictions on construction work and store openings caused by lockdown measures in certain regions, particularly at the start of the year. Nearly all the openings were in Asia or North America, regions where business growth is very strong and where the brand's distribution network does not yet match its potential.

The House's operating investments amounted to €72 million, up €19 million relative to 2020 but lower than the figure for 2019, when Yves Saint Laurent implemented a large-scale investment program around store openings.

Bottega Veneta

(in € millions)	2021	2020	Change	2019
Revenue	**1,502.8**	**1,210.3**	**+24.2%**	**1,167.6**
Recurring operating income	**286.5**	**172.0**	**+66.6%**	**215.2**
% of revenue	***19.1%***	***14.2%***	***+4.9 pts***	***18.4%***
EBITDA	448.9	333.6	+34.6%	374.3
% of revenue	*29.9%*	*27.6%*	*+2.3 pts*	*32.1%*
Acquisitions of property, plant and equipment and intangible assets	67.0	48.4	+38.4%	57.8
Average FTE headcount	3,777	3,831	-1.4%	3,754

Revenue

Bottega Veneta's revenue hit an all-time high of €1,503 million in 2021, up 25.1% year-on-year on a comparable basis. Bottega Veneta had been particularly resilient in 2020, as one of the industry's few brands to post revenue growth that year. Compared to 2019, sales rose 31.8% at constant exchange rates in 2021. This performance reflects the House's successful implementation of its strategy, which aims to develop its offerings in all product categories, rejuvenate and broaden its customer base, raise brand awareness – especially in mature markets – and enhance customers' in-store experience.

Revenue by distribution channel

In line with its exclusive, high-end market position, Bottega Veneta's preferred distribution channel consists of its directly operated stores. However, for almost two years, the brand's growing appeal among wholesale buyers has enabled Bottega Veneta to regain market share with its wholesalers. As a result, the contribution of directly operated stores was stable at around 75% of the brand's total sales in 2021.

The House's sales in directly operated stores, including e-commerce, advanced by 28.5% versus 2020 and by 22.3% versus 2019. This growth was driven by healthy, controlled development in terms of both store sales (on a same-store basis) and online sales. The e-commerce business was boosted by the move to bring in-house operations that were previously managed under a joint venture with Yoox. Online sales were four times their 2019 level.

Wholesale sales were up 15.7% compared to 2020 and up 72.9% relative to 2019, testifying to the brand's renewed appeal with professional buyers. This excellent performance came against the background of actions taken to reorganize the wholesale channel, with a view to only working with a limited number of best-in-class partners. As a result of those actions, growth in wholesale sales slowed in the fourth quarter (relative to 2019) and is likely to further normalize in 2022.

Revenue by region

Given the proportion of Bottega Veneta's sales that are generated in directly operated stores, the following revenue analysis by region only concerns retail and online sales.

Trends that emerged in 2020 were confirmed in 2021: in Western Europe and North America – where local customers were the first to be won over by the House's new creative direction – sales were very strong throughout the year. Bottega Veneta's desirability also continued to increase in Asia.

In emerging markets, the brand's sales advanced 23.9% year-on-year on a comparable basis versus 2020 and by over 40% compared to 2019. In particular, growth was extremely strong in Mainland China and South Korea, its two main markets in the Asia-Pacific region, where the brand has more than doubled in size in two years.

In mature markets, the House's revenue rose above 2019 levels, increasing by 34.0% year-on-year.

In North America, Bottega Veneta recorded strong sales growth compared to 2020 (up 83.3%) and 2019 (up 67.0%). This is an outstanding performance given the House's market position and its offering, which is generally less aspirational than that of other Group brands.

In Japan, sales rebounded by 31.6% compared to 2020, taking them back to their 2019 level. Developments in Japanese sales throughout the year seem to show that the House's new aesthetic direction and broader product range are making it increasingly popular with local customers.

In Western Europe, revenue from local clients continued to increase significantly, but performance in this market (sales growth of 7.0% year-on-year) reflects a high base of comparison, since the House was one of the most resilient in the region in 2020.

Revenue by product category

All of the brand's main product categories registered higher sales than in 2020 and 2019.

Leather goods once again constituted the brand's core business, making up 71% of total sales, including wholesale. New lines met with great success among the House's customer base, while lines launched in previous years are clearly now established as carryovers. The House's strategy aims to maintain the exclusivity associated with this key category of leather goods, particularly by focusing on sales growth through higher prices and an improved product mix rather than volume growth alone.

Sales in other categories grew sharply, buoyed by the success of the Women's ready-to-wear and shoes collections as well as Men's collections following on from 2020, when actions taken to re-energize these collections started to pay off.

Recurring operating income

Bottega Veneta's recurring operating income for 2021 totaled €286 million, up 66.6% compared to 2020 and up €71 million relative to the reported figure for 2019.

Recurring operating margin came to 19.1%, up 4.9 points year-on-year and up 0.7 points relative to 2019. That increase was driven by positive operational leverage, even though the House invested heavily in 2021 to make its revamp a lasting success. The increase in the cost base is therefore being well managed and priorities are being set regarding the allocation of resources to focus them on the most effective types of expenditure. The brand's profitability is expected to continue improving gradually.

EBITDA amounted to €449 million, and EBITDA margin rose 2.3 points, taking it close to 30%.

Store network and operating investments

As of December 31, 2021, Bottega Veneta had 263 directly operated stores, including 125 in emerging markets. There were two net store openings during the year. As in 2020, the brand focused its investment efforts on relocating and refurbishing its existing stores, while pursuing its strategy of gradual and targeted openings as opportunities arose, notably with the establishment of new flagships.

Operating investments totaled €67 million in 2021, higher than in both 2020 and 2019 but broadly stable as a proportion of the House's sales (4 to 5%).

Other Houses

(in € millions)	**2021**	**2020**	**Change**	**2019**
Revenue	**3,264.7**	**2,281.3**	**+43.1%**	**2,537.5**
Recurring operating income	**459.6**	**180.6**	**+154.5%**	**317.7**
% of revenue	***14.1%***	***7.9%***	***+6.2 pts***	***12.5%***
EBITDA	734.9	457.2	+60.7%	550.0
% of revenue	*22.5%*	*20.0%*	*+2.5 pts*	*21.7%*
Acquisitions of property, plant and equipment and intangible assets	180.0	153.7	+17.1%	158.8
Average FTE headcount	7,270	6,913	+5.2%	6,439

Revenue

Overall revenue generated by the Other Houses rebounded sharply in 2021, rising 43.8% year-on-year on a comparable basis. This excellent momentum put the Other Houses firmly back on the growth trajectory, more than offsetting the drop in revenue seen in 2020. Compared to 2019, sales rose 30.6%.

These figures were not affected by changes in scope. Although it was announced that the watches brands would be sold in the first half of 2022, they remained fully consolidated in 2021.

Balenciaga and Alexander McQueen – two of the few brands in the luxury industry to achieve sales growth in 2020 – once again delivered excellent performances, particularly when compared against 2019.

Qeelin benefited fully from Mainland China's strong luxury market, although sales in the second half were partly affected by more moderate store footfall resulting from measures introduced to combat the COVID-19 pandemic. Qeelin is becoming a leading jewelry brand in China.

Boucheron's performance was exceptional in 2021, even though a large proportion of its sales has traditionally come from Western Europe and major customers, who traveled less in 2021 than in previous years. Its revenue in 2021 was much higher than in 2019, and the brand confirmed its extremely promising development in Asia.

Sales generated by Pomellato – which is still mainly distributed in Europe – increased compared to 2020 and even exceeded their 2019 level. The House celebrated the 20th anniversary of its Nudo collection, and also successfully developed a high jewelry range.

Brioni continued to implement its transformation and reorganization plan and saw an encouraging rebound in revenue relative to 2020, although sales remained lower than in 2019.

Girard Perregaux and Ulysse Nardin benefited from the recovery in the watch industry and saw very strong sales growth relative to 2020. However, the reorganization of their distribution operation, resulting in a smaller number of retailers, meant that sales remained below 2019 levels.

Revenue by distribution channel

Revenue from stores and e-commerce activities directly operated by the Other Houses rose 46.2% year-on-year and 39.7% versus 2019. The increase compared to 2019 was partly the result of new store openings carried out in line with the strategy of moving towards more exclusive distribution, but it was also propelled by rapid growth in online sales, mainly for Couture and Leather Goods brands.

Wholesale sales rose 39.5% year-on-year in 2021. Compared to 2019, they were up 21.4%. This growth reflects the measures taken by the Other Houses – primarily Balenciaga – to focus their wholesale activity on a select number of top-quality partners, and these efforts to achieve greater exclusivity are set to ramp up in 2022.

Revenue by region

The performances by region delivered by the Other Houses followed similar trends to those seen at Gucci, Yves Saint Laurent and Bottega Veneta. Sales were up on 2020 in all regions, but did not return to their 2019 levels in Western Europe or Japan.

In mature markets as a whole, revenue advanced 35.5% year-on-year at constant exchange rates and was 14.8% higher than the 2019 figure. In North America, growth was very robust compared with both 2020 (with revenue up 96.0%) and 2019 (up almost 100%). Western Europe and Japan saw their revenue rebound from 2020 levels, with increases of 14.5% and 24.0% respectively. The decline in sales relative to 2019 was very small, since the Other Houses' performance improved throughout the year in those markets.

In emerging markets, revenue was up 59.1% versus 2020 and up 67.0% relative to 2019. Greater China and South Korea were the main drivers of this performance. In Mainland China, the Other Houses enjoyed the full benefit of Chinese demand shifting back to the domestic market, with business also boosted by store openings, heightened brand awareness and the growing appeal of the brands' offerings. The Other Houses have more than tripled their sales in Mainland China since 2019.

Revenue by product category

In 2021, all product categories sold by the Couture and Leather Goods Houses posted very strong growth compared to both 2020 and 2019. This performance reflects the excellent response to the Houses' collections in those segments during a year in which sales recovered.

In particular, the leather goods offerings of Balenciaga and Alexander McQueen expanded and attracted new customers. As a result, sales in that category grew strongly.

The ready-to-wear category also delivered rapid sales growth, primarily driven by menswear collections.

Shoes once again saw particularly strong growth in 2021, driven by the appeal of the Balenciaga and Alexander McQueen collections.

Jewelry brands continued to implement their development plans successfully in 2021, and saw sales rise very substantially compared to both 2020 and 2019. As a result, the jewelry category, including the offerings of Couture Houses, posted one of the highest growth rates.

Lastly, after a sharp decrease in 2020, the watches brands' revenue rebounded in 2021.

Royalties increased relative to both 2020 and 2019, mainly due to the very strong performance of licenses managed by Kering Eyewear.

Recurring operating income

The Other Houses' recurring operating income was €459 million in 2021, more than double the 2020 figure and 44.7% higher than in 2019. Recurring operating margin came to 14.1%, up 6.2 points on 2020 and up 1.6 points on 2019.

The year-on-year improvement compared to 2020 – which concerned all of the Other Houses – was the natural result of positive operational leverage, and was achieved despite the additional expenditure incurred by the brands to fully capitalize on growth trends currently driving the luxury market. The comparison with 2019 shows that most of the Other Houses have now reached critical size enabling them to absorb higher operating expenses while still increasing their recurring operating margin. For the brands that are closer to breakeven or still implementing restructuring or reorganization plans, like Brioni, profitability levels in 2021 remained lower than or similar to those in 2019.

EBITDA increased €277 million year-on-year to €734 million. EBITDA margin rose back above the 20% threshold to 22.5%, 0.8 points higher than in 2019.

Store network and operating investments

The Other Houses directly operated 533 stores as of December 31, 2021, an increase of 83 year-on-year. This rise was mainly attributable to store openings by Balenciaga and Alexander McQueen in Asia, but also in North America. Another key development was the expansion of the Jewelry Houses' store network, with new openings again focused in Asia.

This is making the network more geographically balanced, with 262 stores in mature markets and 271 in emerging markets as of December 31, 2021.

These developments naturally led to an increase in the Other Houses' operating investments, which totaled €180 million. That represents an increase of €26 million relative to 2020, a year in which the Houses maintained their investment efforts.

Corporate and other

(in € millions)	2021	2020	Change	2019
Revenue	**625.8**	**423.6**	**+47.7%**	**500.9**
Recurring operating income (loss) (excluding corporate long-term incentive plans)	(131.7)	(184.6)	+28.7%	(195.5)
Cost of corporate long-term incentive plans	(26.4)	(47.3)	+44.2%	(68.2)
Recurring operating income (loss)	**(158.1)**	**(231.9)**	**+31.8%**	**(263.7)**
Acquisitions of property, plant and equipment and intangible assets	291.4	326.3	-10.7%	303.9
Average FTE headcount	4,269	4,139	+3.1%	3,946

The "Corporate and other" segment comprises (i) Kering's corporate departments and head office 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.

In 2021, Kering Eyewear's total revenue was €706 million, including three months of revenue from LINDBERG after its acquisition was completed on September 30, 2021. Kering Eyewear's sales rose by 45.0% (as reported) and by 40.8% at constant scope and exchange rates relative to 2020. They were 16.9% higher than in 2019 at constant scope and exchange rates. The increase in the number of licenses, with the addition of Chloe and Dunhill in the early part of the year, made only a marginal contribution to this growth, which stemmed mainly from Kering Eyewear's excellent management, its agility and its capacity for innovation.

Performance in the first and second halves of the year must be analyzed in view of seasonal variations in Kering Eyewear's business – with more sales taking place in the first six months – and the very low base for comparison in the first part of the year.

Excluding sales to major international distributors and stores operated by the Group's brands, EMEA was once again Kering Eyewear's main market, followed by the Americas. The proportion of revenue generated in the Asia-Pacific region (including Japan) again fell slightly in 2021 due to the strong weighting of *travel retail* in that region. In terms of distribution channels, local chains and the "three Os" (opticians, optometrists and ophthalmologists) constitute the main sales channel for Kering Eyewear (representing over 50% of total sales in both 2021 and 2020). This channel was the one that grew the most in 2021, having shown its resilience by keeping revenue stable in 2020, a performance that testifies to the effectiveness of Kering Eyewear's commercial set-up.

Kering Eyewear's contribution to consolidated revenue for 2020 totaled €599 million (after eliminating intra-group sales and royalties paid to the Group's brands), representing a 44.9% year-on-year increase at constant scope and exchange rates (up 24.1% compared to 2019).

On the back of this outstanding sales growth combined with good cost control, and now that the compensation paid to Safilo for the early termination of the Gucci license has been fully amortized, recurring operating income has increased sharply and is largely contributing to the decrease in the "Corporate and other" segment's net costs.

Overall, net costs recorded by the "Corporate and other" segment came to €158 million in 2021, €74 million lower than in 2020 and €106 million lower than in 2019.

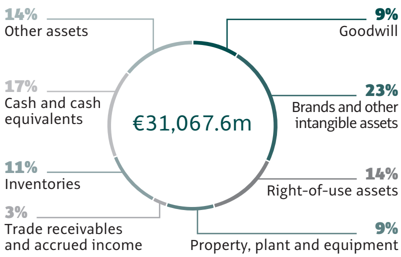
The cost of long-term incentive plans, including those of corporate officers, was €26 million, €21 million less than the cost recognized in 2020. Prudent provisions have been recorded for the cost of these plans in recent years, and the gradual substitution of Kering synthetic shares (KMUs) by free shares has had a positive accounting impact to date.

The increase in head office costs was very limited in 2021 compared to 2020 and 2019, and was largely due to the ramp-up of the Group's digital, innovation and information systems initiatives.

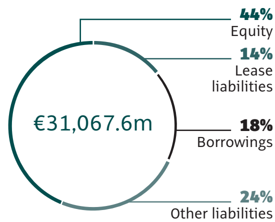
Operating investments totaled €291 million, down €35 million relative to 2020, when they reached an all-time high due to sustained strategic investments, such as the upgrade of all the Group's information systems and, above all, the logistics operations managed by the Corporate teams on behalf of the Group's brands. The bulk of the costs relating to the Trecate logistics platform in Northern Italy, which was officially opened in the first half of 2021, were recorded in 2020. As a result, the segment's operating investments returned to its 2019 level of around €300 million.

5 - BALANCE SHEET AS OF DECEMBER 31, 2021

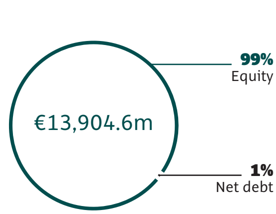
Assets



Equity and liabilities



Capital employed



Condensed balance sheet

(in € millions)	Dec. 31, 2021	Dec. 31, 2020	Change
Goodwill	2,891.2	2,452.2	+17.9%
Brands and other intangible assets	7,032.1	6,985.8	+0.7%
Lease right-of-use assets	4,301.5	3,956.8	+8.7%
Property, plant and equipment	2,966.9	2,670.2	+11.1%
Investments in equity-accounted companies	31.1	36.2	-14.1%
Other non-current assets	2,412.4	2,883.4	-16.3%
Non-current assets	**19,635.2**	**18,984.6**	**+3.4%**
Inventories	3,368.9	2,845.5	+18.4%
Trade receivables and accrued income	977.2	910.4	+7.3%
Cash and cash equivalents	5,248.7	3,442.8	+52.5%
Other current assets	1,818.6	1,821.4	-0.2%
Current assets	**11,413.4**	**9,020.1**	**+26.5%**
Assets held for sale	**19.0**	**0.7**	**N/A**
TOTAL ASSETS	31,067.6	28,005.4	+10.9%
Equity attributable to the Group	13,346.8	11,820.9	+12.9%
Equity attributable to minority interests	389.4	214.1	+81.9%
Total equity	**13,736.2**	**12,035.0**	**+14.1%**
Non-current borrowings	2,975.5	3,815.3	-22.0%
Non-current lease liabilities	3,825.8	3,545.8	+7.9%
Other non-current liabilities	1,756.1	1,874.6	-6.3%
Non-current liabilities	**8,557.4**	**9,235.7**	**-7.3%**
Current borrowings	2,441.6	1,776.2	+37.5%
Current lease liabilities	675.3	538.0	+25.5%
Other current liabilities	5,607.8	4,420.4	+26.9%
Current liabilities	**8,724.7**	**6,734.6**	**+29.6%**
Liabilities associated with assets held for sale	**49.3**	**0.1**	**N/A**
TOTAL EQUITY AND LIABILITIES	31,067.6	28,005.4	+10.9%

Net debt

(in € millions)	**Dec. 31, 2021**	**Dec. 31, 2020**	**Change**
Borrowings	5,417.1	5,591.5	-3.1%
Cash and cash equivalents	(5,248.7)	(3,442.8)	-52.5%
Net debt	**168.4**	**2,148.7**	**-92.2%**

Capital employed

(in € millions)	**Dec. 31, 2021**	**Dec. 31, 2020**	**Change**
Total equity	13,736.2	12,035.0	+14.1%
Net debt	168.4	2,148.7	-92.2%
Capital employed	**13,904.6**	**14,183.7**	**-2.0%**

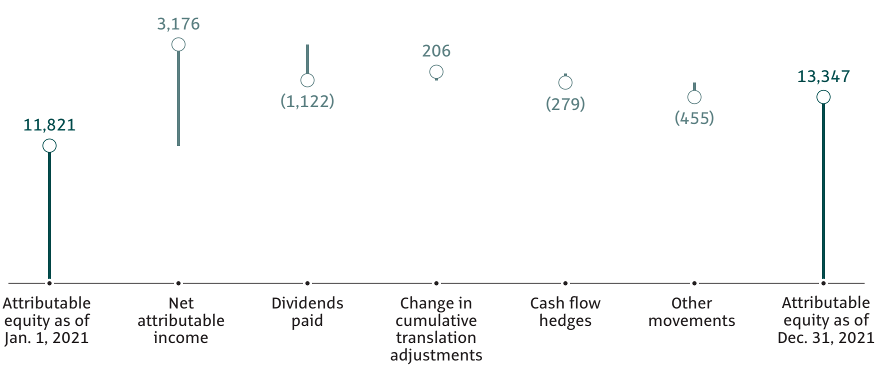
Goodwill and brands

As of December 31, 2021, brands net of deferred tax liabilities amounted to €4,985 million, compared to €4,947 million as of December 31, 2020.

Current operating assets and liabilities

(in € millions)	**Dec. 31, 2021**	**Dec. 31, 2020**	**Statement of cash flows**	**Foreign exchange differences**	**Other movements**
Inventories	3,368.9	2,845.5	429.4	98.4	(4.4)
Trade receivables and accrued income	977.2	910.4	12.5	32.4	21.9
Trade payables and accrued expenses	(1,741.9)	(1,489.6)	(173.2)	(34.2)	(44.9)
Other current assets (liabilities), net	(850.1)	(403.9)	(186.0)	(154.3)	(105.9)
Net current tax receivables (payables)	(326.4)	(300.8)	16.6	(15.8)	(26.4)
Current operating assets (liabilities), net	**1,427.7**	**1,561.6**	**99.3**	**(73.5)**	**(159.7)**

Change in equity attributable to the Group



As of December 31, 2021, the share capital amounted to €498,771,664. It comprised 124,692,916 fully paid-up shares with a par value of €4 each, a reduction of €1,300,000 further to the cancellation of 325,000 shares under the stock repurchase program (share capital of €500,071,664 comprising 125,017,916 shares as of December 31, 2020). Excluding the 624,211 Kering treasury shares, there were 124,068,705 shares issued and outstanding as of December 31, 2021.

(See consolidated financial statements, Note 20 – Equity.)

6 – COMMENTS ON MOVEMENTS IN NET DEBT

(in € millions)	Dec. 31, 2021	Dec. 31, 2020	Change
Bonds	3,370.2	3,836.8	-12.2%
Other bank borrowings	229.4	284.8	-19.5%
Commercial paper	702.6	552.2	+27.2%
Other borrowings	1,114.9	917.7	+21.5%
o/w Put options granted to minority interests	*326.1*	*411.3*	-20.7%
Total borrowings	**5,417.1**	**5,591.5**	**-3.1%**
Cash and cash equivalents	(5,248.7)	(3,442.8)	-52.5%
Net debt	**168.4**	**2,148.7**	**-92.2%**

Net debt is defined on page 92.

As a remindrer, lease liabilities, for their part, represented a total of €4,501 million as of December 31, 2021 (€4,084 million as of December 31, 2020).

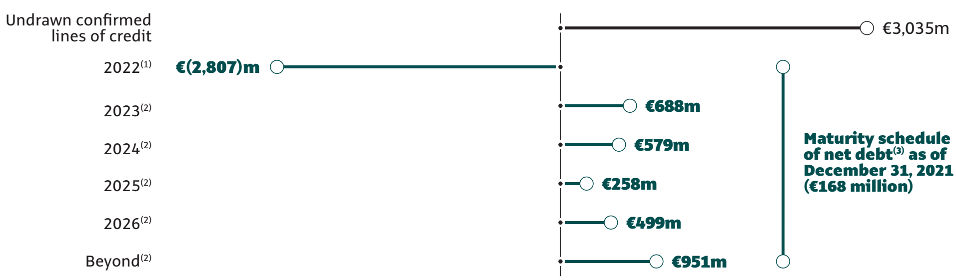
Solvency

The Group has a very sound financial position and since April 18, 2020 has had a long-term A- rating with a stable outlook from Standard & Poor's.

Liquidity

As of December 31, 2021, the Group had cash and cash equivalents totaling €5,249 million (€3,443 million as of December 31, 2020), as well as confirmed lines of credit amounting to €3,035 million (€4,365 million as of December 31, 2020). The balance of confirmed undrawn lines of credit was €3,035 million at the end of 2021, versus €4,365 million one year earlier.

Maturity schedule of net debt



(1) Borrowings less cash and cash equivalents.
(2) Borrowings.
(3) Net debt is defined on page 92.

The proportion of the Group's borrowings maturing within one year was 45.1% as of December 31, 2021 (31.8% as of December 31, 2020). 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 consolidated financial statements, Note 21 – Net debt.)

Changes in net debt

(in € millions)	2021	2020	Change
Net debt as of January 1	**2,148.7**	**2,812.2**	**-23.6%**
Free cash flow from operations	(3,947.8)	(2,104.6)	-87.6%
Dividends paid	1,025.0	1,009.4	+1.5%
Net interest paid and dividends received	78.4	167.2	-53.1%
Acquisitions of Kering shares	538.3	54.1	+895.0%
Repayment of lease liabilities(1)	881.6	900.2	-2.1%
Disposal of PUMA shares (5.91% in 2021 / 5.83% in 2020)	(802.6)	(655.6)	-22.4%
Other acquisitions and disposals	347.1	75.1	+362.2%
Other movements	(100.3)	(109.3)	+8.2%
Net debt as of December 31	**168.4**	**2,148.7**	**-92.2%**

(1) Comprising repayments of principal amounting to €775.5 million (€787.3 million in 2020) and interest payments of €106.1 million (€112.9 million in 2020) relating to capitalized fixed lease payments.

Free cash flow from operations

Cash flow received from operating activities

(in € millions)	2021	2020	Change
Cash flow received from operating activities before tax, dividends and interest	**6,386.4**	**4,280.3**	**+49.2%**
Change in working capital requirement	(38.0)	44.4	-185.6%
Income tax paid	(1,472.9)	(1,436.1)	-2.6%
Net cash received from operating activities	**4,875.5**	**2,888.6**	**+68.8%**

Operating investments

(in € millions)	2021	2020	Change
Net cash received from operating activities	**4,875.5**	**2,888.6**	**+68.8%**
Acquisitions of property, plant and equipment and intangible assets	(934.0)	(786.9)	-18.7%
Disposals of property, plant and equipment and intangible assets	6.3	2.9	+117.2%
Free cash flow from operations(1)	**3,947.8**	**2,104.6**	**+87.6%**

(1) Free cash flow from operations defined on page 91.

Gross operating investments by activity

(in € millions)	2021	2020	Change
Total Luxury Houses	642.6	460.6	+39.5%
Corporate and other	291.4	326.3	-10.7%
Acquisitions of property, plant and equipment and intangible assets	**934.0**	**786.9**	**+18.7%**

Dividends paid

The cash dividend paid by Kering SA to its own shareholders in 2021 amounted to €998 million (€1,000 million in 2020), including the €313 million interim dividend paid on January 21, 2021.

Dividends paid in 2021 also included €27 million paid to minority interests in consolidated subsidiaries (€9 million in 2020).

Available cash flow from operations and available cash flow

(in € millions)	2021	2020	Change
Free cash flow from operations	**3,947.8**	**2,104.6**	**+87.6%**
Repayment of lease liabilities	(775.5)	(787.3)	+1.5%
Interest paid on leases	(106.1)	(112.9)	+6.0%
Available cash flow from operations[1]	**3,066.2**	**1,204.4**	**+154.6%**
Interest and dividends received	37.3	6.9	+440.6%
Interest paid and equivalent (excluding leases)	(115.7)	(174.1)	+33.5%
Available cash flow[1]	**2,987.8**	**1,037.2**	**+188.1%**

(1) Available cash from operations and available cash flow are defined on page 91.

7 – PARENT COMPANY NET INCOME

The parent company ended 2021 with net income of €2,769 million, compared to €2,080 million in 2020. The 2021 figure includes €2,025 million in dividends received from subsidiaries (versus €1,631 million in 2020).

8 – TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties in 2021 are described in the notes to the consolidated financial statements (Note 32 – Transactions with related parties).

9 – SUBSEQUENT EVENTS

Sale of Girard-Perregaux and Ulysse Nardin to their management

On January 24, 2022, Kering announced the signature of an agreement to sell its entire stake (100%) in Sowind Group SA, which owns the Swiss watch manufacturers Girard-Perregaux and Ulysse Nardin, to its current management.

With a long tradition in watchmaking, Girard-Perregaux and Ulysse Nardin have continuously evolved since their acquisition by Kering, while preserving their identity. Combining an innovative approach to design and technical know-how, they have revamped their product universes, launched new iconic models and reorganized their distribution, with the opening of directly operated stores and stronger ties with the leading watch distributors.

The Group has supported the two Houses in their development, strengthened their market positions and ensured they have adequate resources to finance their growth. The Group is confident that their existing management will be able to continue their work successfully.

This transaction is in line with Kering's strategy, giving priority to Houses that have the potential to become sizable assets within the Group and to which it can provide decisive support over time.

It should be completed by the end of the first half of 2022 (see Consolidated financial statements, Note 8 – Other non-recurring operating income and expenses).

Events subsequent to the meeting of the Board of Directors which approved the Management Report

Launch of the second tranche of the stock repurchase program

Pursuant to the Stock Repurchase Program announced on August 25, 2021, covering up to 2.0% of its share capital over a 24-month period, Kering announced on February 22, 2022 that it has signed a new share buyback agreement with an investment service provider. This new agreement is related to the second tranche of the program. This new tranche will cover a maximum volume of 650,000 shares, i.e. approximately 0.5% of Kering's outstanding share capital as of February 15, 2022.

The purchase period provided in the agreement started on February 23, 2022 and will last until April 26, 2022 at the latest.

As of March 18, 2022, 504,827 shares were bought back.

The shares acquired under this second tranche are to be partly cancelled, thereby offsetting the non-significant dilutive impact of the envisaged implementation of an employee shareholding plan[1]. The remaining fraction of the repurchased shares is intended to cover free share grant programs to some employees. The respective volumes will be determined at the end of the buyback period.

Situation in Ukraine and Russia

In response to the escalation in the Russia-Ukraine crisis, which became an armed conflict on February 23, 2022, Kering announced on March 4, 2022 that it would temporarily close the stores operated by the Group's Houses in Russia. Kering's Houses do not operate any stores in Ukraine.

Given the severity of the situation, Kering and its Houses have lent their support to humanitarian efforts and to Ukrainian refugees by making several donations, mainly to the UN Refugee Agency UNHCR.

In 2021, around 1% of the Group's total revenue came from Ukraine and Russia, and the net value of its assets in those countries is not material.

It is currently difficult to assess accurately and with a reasonable degree of assurance how this conflict, depending on its duration and extent, could affect global economic growth and therefore the luxury market.

Kering Eyewear acquires the iconic U.S. eyewear brand Maui Jim

On March 14, 2022, Kering Eyewear announced the signature of an agreement to acquire Maui Jim, Inc.

Founded in 1987, Maui Jim is the world's largest independently owned high-end eyewear brand with a leading position in North America. Recognized for its outstanding technicity and distinctive Hawaiian heritage that embodies the "Aloha Spirit", Maui Jim is an authentic brand that offers a broad spectrum of high-quality sun and optical frames sold in more than 100 countries. Anchored in its culture of innovation, Maui Jim engineered the proprietary and patented revolutionary PolarizedPlus2® lens technology which protects from intense glare and harmful UV while enhancing color naturally perceived by the eye.

Since its inception in 2014, Kering Eyewear has built an innovative business model that enabled the company to reach more than €700m external revenues in FY2021. The acquisition of Maui Jim represents a major milestone in the successful expansion strategy of Kering Eyewear. Only a few months after the acquisition of LINDBERG, Kering Eyewear will own a second proprietary brand, reinforce its status on the high-end eyewear segment and broaden its offer to cover the full scope from functional to timeless and fashion luxury products.

Their complementary distribution networks and product offerings will contribute to amplify the growth potential through the expansion of Maui Jim's geographical footprint and the ability to gain new customers, more focused on innovation and functionalities. Through this combination, Kering Eyewear reaches new levels, with revenues materially ahead of the billion-euro mark on a full-year basis and profit margins further improving.

The transaction is subject to the clearance by the relevant competition authorities and is expected to be completed in the second half of 2022.

10 – OUTLOOK

A major player in a fast-growing market around the world, Kering enjoys solid fundamentals and a balanced portfolio of complementary brands with strong potential. Its strategic priorities are straightforward. The Group and its Houses seek to achieve same-store revenue growth while ensuring the targeted and selective expansion of their retail networks. Kering aims to grow its Houses in a sustainable manner, enhance the exclusivity of their distribution and secure their profitable growth trajectories. The Group is also investing proactively to develop cross-business growth platforms in the areas of e-commerce, omnichannel distribution, logistics and technological infrastructure, digital expertise and innovative tools.

The 2020 public health crisis and subsequent economic disruption have had major consequences on consumption trends, tourism flows and global economic growth. Together with the whole luxury sector, the Group was profoundly impacted by the effects of the pandemic in the first six months of 2020. More favorable trends, which emerged in the second half of 2020, were confirmed in 2021. Although these trends remain conditioned by developments in the health situation and associated restrictions across countries, the luxury market witnesses a significant rebound, driven by consumer appetite for premium goods.

Kering is perfectly positioned to fully benefit from this upturn. The Group pursues the implementation of its strategy with determination and will continue to manage and allocate its resources to best support its operating performance, continue generating significant cash flow, and optimize its return on capital employed.

Thanks to its strong business and organizational model, along with its robust financial position, Kering is confident in its growth potential for the medium and long term.

(1) Subject to the approval from the French financial markets authority (*Autorité des marchés financiers – AMF*) and the approval of the Annual General Meeting to be held on April 28, 2022.

11 – 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 2020 revenue adjusted as follows by:

- neutralizing the portion of revenue corresponding to entities divested in 2020;
- including the portion of revenue corresponding to entities acquired in 2021;
- remeasuring 2020 revenue at 2021 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 operating income includes all revenues and expenses directly related to its activities, whether these revenues and expenses are recurring or arise from non-recurring decisions or transactions.

Other non-recurring operating income and expenses consist of items that, by their nature, amount or frequency, could distort the assessment of the Group's operating performance as reflected in its recurring operating income. They include changes in Group structure, the impairment of goodwill and brands and, where material, of property, plant and equipment and intangible assets, capital gains and losses on disposals of non-current assets, restructuring costs and disputes.

"Recurring operating income" is therefore a major indicator for the Group, defined as the difference between operating income and other non-recurring operating income and expenses. This intermediate line item is intended to facilitate the understanding of the operating performance of the Group and its Houses and can therefore 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, available cash flow from operations and available cash flow

The Group 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 acquisitions and disposals of property, plant and equipment and intangible assets).

The Group has also defined a new indicator, "Available cash flow from operations", in order to take into account capitalized fixed lease payments (repayments of principal and interest) pursuant to IFRS 16, and thereby reflect all of its operating cash flows.

"Available cash flow" therefore corresponds to available cash flow from operations plus interest and dividends received, less interest paid and equivalent (excluding leases).

Net debt

Net debt is one of the Group's main financial indicators, and is defined as borrowings less cash and cash equivalents. Consequently, the cost of net debt corresponds to all financial income and expenses associated with these items, including the impact of derivative instruments used to hedge the fair value of borrowings.

Borrowings include put options granted to minority interests.

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.

12 - INVESTMENT POLICY

Kering's investment policy is designed to support and enhance the Group's growth potential in 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 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.

Financial investments

Financial investments represented net cash outflows of €465.8 million for 2021, relating mainly to the acquisition of LINDBERG (compared to €6.2 million of net cash inflows for 2020, mainly from consolidating the cash and cash equivalents of acquired entities).

The cash impact of selling discontinued businesses (mainly Volcom and Redcats) restated in accordance with IFRS 5 is shown in the "Net cash received from (used in) discontinued operations" item and represented a cash outflow of €2.4 million in 2021 (net cash outflow of €4.3 million in 2020).

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 €934 million in 2021, up 18.7% relative to 2020 and almost the same as the 2019 figure (€956 million). For Luxury activities, the €182 million increase in investments relative to 2020 reflects the continued focus on consolidating the existing store network and achieving organic growth, along with selective store openings.

Investments in the "Corporate and other" segment totaled €291 million, down €35 million relative to 2020, when they reached an all-time high due to sustained strategic investments, such as the upgrade of all the Group's information systems and, above all, the logistics operations managed by Corporate teams on behalf of the Group's brands. The bulk of the costs relating to the Trecate logistics platform in Northern Italy, which was officially opened in the first half of 2021, were recorded in 2020. As a result, the segment's operating investments returned to their 2019 level of around €300 million.

Luxury Houses

Gross operating investments in the Luxury Houses segment amounted to €643 million in 2021, up €182 million or 39.5% relative to 2020 and almost the same as the 2019 figure (€652 million). They represented 3.8% of revenue in 2021 compared to 4.2% in 2019 (3.6% in 2020).

Some projects were postponed in 2021, with construction and renovation programs having to be put on hold in some markets in the first quarter due to COVID-19 restrictions, and the Houses also decided to focus on the highest-priority and most strategic projects. As expected, therefore, there was a very marked difference in operating investments between the first and second halves of 2021, with a large majority (almost two thirds) incurred in the second half.

As of December 31, 2021, the Group's Luxury Houses had a network of 1,565 directly operated stores, including 815 (52%) in mature markets and 750 in emerging markets. Net store additions compared to December 31, 2020 totaled 132. A large majority (almost 60%) of the new store openings were in the Asia-Pacific region, but some brands also expanded their distribution networks with openings in Japan, North America and Western Europe. The year-on-year increase was also driven to a very large extent by the scheduled expansion of the Yves Saint Laurent, Balenciaga and Alexander McQueen networks.

Gucci

As of December 31, 2021, Gucci operated 501 stores directly, including 226 in emerging markets. A net 18 new stores were opened during the year, mainly in Asia. Gucci's focus is on achieving organic growth by maximizing the productivity of the existing store network, but it is also continuing to identify opportunities that will enable it to enhance its distribution in certain regions or sales channels.

Gucci's gross operating investments amounted to €324 million in 2021, 57.3% higher than in 2020 but almost unchanged relative to 2019. Those investments were split fairly evenly between refurbishments, openings and relocations on the one hand, and projects related to the supply chain, digital and support functions on the other.

Yves Saint Laurent

As of December 31, 2021, Yves Saint Laurent had 268 directly operated stores, including nearly half (128) in emerging markets. There were 29 net store openings during 2021, reflecting the brand's store network expansion plan implemented over the past few years and taking into account the restrictions on construction work and store openings caused by lockdown measures in certain regions, particularly at the start of the year. Nearly all the openings were in Asia or North America, regions where business growth is very strong and where the brand's distribution network does not yet match its potential.

The House's operating investments amounted to €72 million, up €19 million relative to 2020 but lower than the figure for 2019, when Yves Saint Laurent implemented a large-scale investment program around store openings.

Bottega Veneta

As of December 31, 2021, Bottega Veneta had 263 directly operated stores, including 125 in emerging markets. There were two net store openings during the year. As in 2020, the brand focused its investment efforts on relocating and refurbishing its existing stores, while pursuing its strategy of gradual and targeted openings as opportunities arose, notably with the establishment of new flagships.

Operating investments totaled €67 million in 2021, higher than in both 2020 and 2019 but broadly stable as a proportion of the House's sales (4-5%).

Other Houses

The Other Houses directly operated 533 stores as of December 31, 2021, an increase of 83 year-on-year. This rise was mainly attributable to store openings by Balenciaga and Alexander McQueen in Asia, but also in North America. Another key development was the expansion of the Jewelry Houses' store network, with new openings again focused in Asia.

This is making the network more geographically balanced, with 262 stores in mature markets and 271 in emerging markets as of December 31, 2021.

These developments naturally led to an increase in the Other Houses' operating investments, which totaled €180 million. That represents an increase of €26 million relative to 2020, a year in which the Houses maintained their investment efforts.

CHAPTER 3
Corporate governance

1 – KERING'S 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 of preparation and organization of the work of the Board, compliance with the recommendations of the Corporate Governance Code for listed companies to which the Company refers, and the remuneration policy for corporate officers, as laid down by the Board. In addition, this report indicates any potential limitations set by the Board on the powers of the Chief Executive Officer and Group Managing Director of the Company.

The Board of Directors approved the full report, including the remuneration policy for corporate officers, at its meeting on February 16, 2022 in accordance with the provisions of Articles L. 225-37 and L. 22-10-8 of the French Commercial Code (*Code de commerce*).

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 remuneration of executive corporate officers, the April 2010 recommendations on strengthening the representation of women on 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 remuneration of executive corporate officers, 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 executive 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.

Following discussions within the Appointments Committee, the Board elected 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, when the shareholders 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, operating procedures and activities. Following the Annual General Meeting of April 22, 2021, 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 particular position as controlling shareholder and his very active involvement in conducting the Group's business affairs, of which he has in-depth operational knowledge and extensive experience. The Board also underlined the benefits of combining executive management roles following the Group's transformation drive on the grounds that this makes for an effective strategic decision-making process, helps to optimize the Group's economic and financial performance, and provides strong, consistent communication.

This arrangement is also aligned with the Group's shareholder structure, which includes individual investors, 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 operating rules 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, as well as in the Board of Directors' Internal Rules.

1.3 Complementary nature of the duties of the Chairman and Chief Executive Officer and the Group Managing Director

Pursuant to a decision made on February 26, 2008, Jean-François Palus, at that time PPR's Chief Financial Officer, was appointed as a Director and Group Managing Director. At the Combined General Meetings of June 18, 2013, April 27, 2017 and April 22, 2021, the shareholders decided to reappoint him as a Director for four years. At their meetings held subsequent to each of the Combined General Meetings, the Board of Directors also 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 formulating 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 to represent and bind the Company vis-à-vis 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 effective balance of power on its Board, the Group takes steps 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 eleven Board members, not counting the directors representing employees, or 55%), including the Lead Independent Director. As of February 16, 2022, eight of the Board's 13 members are women (55% excluding the Directors representing employees). This demonstrates that women are well-represented on the Board of Directors, with a proportion in line with the requirements of the French Commercial Code, 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 Kering's Social and Economic Committee and the other by the European Works Council) and the minimum number of shares (50) 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 order to ensure a streamlined renewal process for membership of the Board of Directors, the shareholders decided at the Combined General Meeting of May 7, 2009 to stagger reappointments of Directors.

Directors are expected to attend meetings and be 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 move forward.

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 more generally of the Group, 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 Kering SA 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 rules and practices. The latest changes to date are presented in detail in section 2.2.1 of this chapter.

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 include rules for the approval of non-audit services that may be provided by Statutory Auditors or their networks.

All Directors are entitled to attend specific meetings of Committees of which they are not a member, if they so wish, but without voting rights.

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 operating rules. 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, social and governance (ESG) issues, the Company is holding more and more meetings with its shareholders. It held an ESG roadshow between December 6 and 9, 2021 attended by several investors accounting at those dates for around 46.1% of the Company's free float (or 26.6% of its total share capital). 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 Presentation of the Lead Independent Director

In light of 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 operating rules and balance of power.

Acting on the recommendation of the Appointments and Governance Committee, the Board of Directors created at its meeting of February 11, 2019 the position of Lead Independent Director and appointed Sophie L'Hélias to serve in that role.

At the Board of Directors' meeting of March 4, 2022, Sophie L'Hélias announced her resignation from her position as Director on Kering's Board owing to her recent appointment as Chairwoman of the Board of Directors of a company outside the Group.

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;
- liaises between the independent Directors, other Board members and Executive Management. This includes maintaining regular, open dialogue with each of the Directors, particularly with 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.

The Lead Independent Director's responsibilities are described in the internal regulations of the Board of Directors.

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, social and governance (ESG) matters. This includes meeting with certain shareholders and reporting their ESG-related questions back to the Board;
- familiarizes itself with shareholders' requests concerning corporate governance and ensures that responses are given.

Resources

The Lead Independent Director:

- has access to all documents and other information they deem necessary for the performance of their duties and may request that external technical studies be carried out, at the Company's expense;
- is kept informed about the Company's activities on a regular basis. They may also meet with operational or functional executives, at their request and after having informed the Chairman and the Chief Executive Officer;
- may request the assistance of the Board secretary to carry out their duties.

Reporting

The Lead Independent Director reports to the Board of Directors on the performance of its duties once a year. It may also be asked by the Chairman to report on its 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 2021

The Lead Independent Director, Sophie L'Hélias, met with all the Directors and Executive Committee members during the year. She also met with members of the legal, human resources, investor relations, finance and sustainability teams, as well as several operating teams.

During 2021, she notably:

- attended the Annual General Meeting of April 22, 2021, where she presented the activities of the Board of Directors to the shareholders;
- met 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;
- organized and chaired a meeting with Board members without the Chairman and Chief Executive Officer and the Group Managing Director dedicated to the Board's ESG responsibilities, the analysis of the potential impact of the November 2021 COP 26 climate change summit held in Glasgow on the Group's activities, the revitalization of the Board post-COVID-19 and the assessment of the Board of Directors' performance. Ten Directors attended the December 9, 2021 meeting;
- contributed to dialogue with the Company's main shareholders, by meeting during the ESG roadshow held in December 2021 with 13 key investors, representing around 46.1% of the free float (and 26.6% of total share capital) to promote constructive dialogue on strategic governance and sustainability issues (ESG);
- reported to Directors on discussions with investors;
- attended all the meetings of the Audit, Remuneration, Appointments and Governance Committee, as well as the Sustainability Committee.

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 Company's business affairs. The Board has the resources to freely discuss all matters that concern it, particularly issues relating to the Group's strategic direction, the implementation of that direction and its monitoring. The Directors are also provided in advance with all of the information they need to make free and 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 they so wish, 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 modus operandi guarantee it always acts in the best interests of the Group. It serves as a forum for reflection providing invaluable support for Executive Management and ensures the interests of all stakeholders are protected.

As part of the regular procedure for reviewing agreements, including those entered into in the ordinary course of business and at arm's length, as described in section 2.2.1 of this chapter, the Directors may consult the Legal Department and, where necessary, the Finance Department from time to time.

2 - MEMBERSHIP OF THE BOARD OF DIRECTORS AND INFORMATION ON CORPORATE OFFICERS

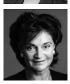
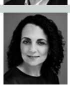
2.1 Membership of the Board of Directors as of February 16, 2022

The Board is composed of Directors with wide and diversified experience, relating in particular to corporate strategy, finance, governance, insurance, economics, corporate social 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, at the Combined General Meeting held on May 7, 2009 the shareholders adopted an amendment to Article 10 of the Company's Articles of Association staggering reappointments of Directors.

After reviewing the Board of Directors' report and the favorable opinion issued by the Company's Social and Economic Committee, the shareholders decided at the General Meetings of May 6, 2014 and June 16, 2020 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 of June 14, 2013 in relation to job security.

On February 16, 2022, the Board of Directors was composed of 13 members, six of whom are independent Directors (55%, excluding directors representing employees) according to the AFEP-MEDEF Code and the Board of Directors' criteria (see section 2.2.5 of this chapter), and two of whom were appointed to represent employees, one by Kering's Social and Economic Committee and the other by the European Works Council.

			Age	Gender	Nationality	Start of 1st term of office	End of current term of office	Seniority on the Board	Membership of a Committee: Audit	Remuneration	Appointments and Governance	Sustainability
Chairman and CEO	François-Henri Pinault		59	M	French	1993[2]	2025	28				●
Independent Directors[1]	Sophie L'Hélias[3] *Lead Independent Director*		58	W	French	2016	2024	5	●	●	●	●
	Yseulys Costes		49	W	French	2010	2022	11	●	C	●	
	Jean Liu		43	W	Chinese	2020	2024	1	●			
	Daniela Riccardi		61	W	Italian	2014	2022	7				●
	Tidjane Thiam		59	M	French and Ivorian	2020	2024	1	C	●		
	Emma Watson		31	W	British	2020	2024	1				C
Non-independent Directors	Jean-Pierre Denis[4]		61	M	French	2008	2024	13	VC	●		●
	Jean-François Palus *Group Managing Director*		60	M	French	2009	2025	12				●
	Financière Pinault represented by Héloïse Temple-Boyer		43	W	French	2018	2025	3	●	●	C	
	Baudouin Prot		70	M	French	1998[5]	2025	23			●	
Directors representing employees	Concetta Battaglia		53	W	Italian and British	2020	2024	1			●	
	Claire Lacaze		50	W	French	2018	2022	3		●		
						Degree of independence[6]			67%	60%	50%	50%

54 average age of Directors

55% independent Directors[6]

8.4 years' average seniority

● Committee member **C** Committee Chair **VC** Committee Vice-Chair

(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) At the Board of Directors' meeting of March 4, 2022, Sophie L'Hélias announced she is resigning from her position as Director on Kering's Board owing to her recent appointment as Chairwoman of the Board of Directors of a company outside the Group.
(4) Jean-Pierre Denis lost his status as an independent Director at the General Meeting of June 16, 2020, as he had been a Director for more than 12 years.
(5) Member of the Supervisory Board until 2005.
(6) In accordance with the provisions of the AFEP-MEDEF Code, Directors representing employees are not included in the calculation of the degree of independence.

Acting on the recommendation of the Appointments and Governance Committee, at its meeting of February 11, 2020, the Board of Directors decided to remove the role of non-voting Director as of the meeting date. At the same time, it noted that, depending on the topics addressed, inviting the House CEOs to attend certain Board meetings provides Directors with very useful insights from an operational perspective.

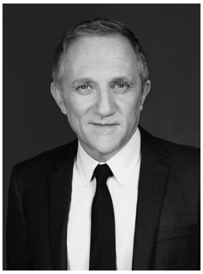
The Board has set up four Committees responsible for assisting it in performing its duties: the Audit Committee, the Remuneration Committee, the Appointments and Governance Committee, and the Sustainability Committee. They are described in section 2.3.3 of this chapter.

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 2021;
- directorships and positions held in the last five years, but now expired.

Among Kering's corporate officers holding directorships or positions in 2021, only François-Henri Pinault, Jean-François Palus and Héloïse Temple-Boyer, permanent representative of Financière Pinault, serve or have served as corporate officers at the Group's subsidiaries.



François-Henri Pinault
Chairman and Chief Executive Officer

CSR

Number of shares held: 36,201

Born on May 28, 1962 (59 years old)
French citizen

Kering
40 rue de Sèvres
75007 Paris
France

First appointed in 1993
Term of office last renewed on April 22, 2021
Term of office expires at the Annual General Meeting called to approve the financial statements for the year ended December 31, 2024

François-Henri Pinault joined the Pinault group in 1987. He held senior positions in the main subsidiaries of the Group before becoming a member of the Management Board of Pinault Printemps Redoute in 1993.

From 1997 to 2000, he served as Chairman and Chief Executive Officer of Fnac.

In 2000, François-Henri Pinault was appointed Deputy Chief Executive Officer of PPR (since renamed Kering) and in 2003, Chairman of the Artemis group, Kering's controlling shareholder.

After holding several key positions at PPR (Chairman of the Executive Board, Vice-Chairman of the Supervisory Board, member of the Supervisory Board and member of the Executive Board), François-Henri Pinault was appointed Chairman and Chief Executive Officer of Kering in 2005. He gradually transformed Kering into a global Luxury group, a pioneer in sustainability with a deep commitment to the advancement of women - two causes that are particularly close to his heart. He also chairs the Kering Foundation, which was founded in 2009 to combat violence against women.

A French citizen, François-Henri Pinault is a graduate of the *Ecole des hautes études commerciales* (HEC) business school.

Following the Annual General Meeting on April 22, 2021, 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 ended December 31, 2024.

François-Henri Pinault is also a member of the Sustainability Committee.

He attended nine of the ten Board meetings held in 2021 and the meeting of the Sustainability Committee, representing an attendance rate of 91%.

François-Henri Pinault is legal manager and managing partner of Financière Pinault, which directly and indirectly held 52,052,119 Kering shares as of December 31, 2021.

Director expertise

Leadership | Finance and accounting | Innovation | Economics | Technology/ Digital/ Cybersecurity | Industry | Marketing | CSR Corporate social and environmental responsibility | Risk management | Corporate governance

Directorships and positions held as of December 31, 2021:

Position	Company	Country	Start dates
at the level of the majority shareholder group:			
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	Pinault Collection SAS (formerly Collection Pinault-Paris)	France	May 2016
Chairman	Sonova Management (SAS)	France	July 2015
Representative of Sonova Management, legal manager	Sonova SCS	France	September 2015
Chairman	Artémis 28 (SAS)	France	January 2018
Representative of Artémis 80, director	I2PO (SAS)	France	June 2021
Chairman	RRW France (SAS)	France	May 2018
within the Kering group:			
Director	Kering International Ltd	United Kingdom	May 2013
Director	Kering UK Services Ltd	United Kingdom	May 2014
Director	Kering Eyewear SpA	Italy	November 2014
Director	Yves Saint Laurent SAS	France	June 2013
Chairman of the Strategy Committee	Boucheron SAS	France	August 2020

Directorships and positions held in the last five years, but now expired:

Position	Company	Country	End dates
Chairman of the Strategy Committee	Boucheron Holding SAS	France	July 2020
Director	Stella McCartney Ltd	United Kingdom	July 2019
Director	Manufacture et fabrique de montres et chronomètres Ulysse Nardin le Locle SA	Switzerland	November 2019
Manager	Volcom LLC	United States	April 2019
Director	Sapardis SE	France	2018
Vice-Chairman of the Supervisory Board	PUMA SE(1)	Germany	April 2017
Non-executive Director	Kering Holland NV	Netherlands	October 2016
Non-executive Director	Kering Netherlands BV	Netherlands	October 2016
Director	Bouygues(1)	France	April 2016
Director	Soft Computing(1)	France	September 2017
Chairman of the Board of Directors	Artémis SA	France	December 2017
Group Managing Director	Artémis SA	France	January 2018
Chairman and Chief Executive Officer	Artémis SA	France	July 2018

(1) Listed companies (as of the date the position was held).

Jean-François Palus

Director and Group Managing Director

CSR

Number of shares held: 70,129

Born on October 28, 1961 (60 years old)
French citizen

Kering
40 rue de Sèvres
75007 Paris
France

First appointed in 2009

Term of office last renewed on April 22, 2021

Term of office expires at the Annual General Meeting called to approve the financial statements for the year ended December 31, 2024

Jean-François Palus began his career in 1985 with Arthur Andersen as an Auditor and Financial Advisor.

He joined the Pinault group (which became PPR, then Kering) in 1991 where he successively held several executive management positions in various subsidiaries of the Group. In 2001, he joined Artemis as an executive and Director.

After being responsible for mergers and acquisitions at Kering, Jean-François Palus was appointed as the Group's Chief Financial Officer in 2005 and Managing Director in 2008. In this capacity, he contributed to the development of the Group's strategy, managed its implementation and focused on enhancing the Group's operational efficiency.

Jean-François Palus also headed Kering's Sport & Lifestyle activities until the exceptional stock dividend was paid out in the form of PUMA SE shares in May 2018. He continues to serve as Chairman of the Supervisory Board of PUMA SE.

A French citizen, Jean-François Palus is a graduate of the *Ecole des hautes études commerciales* (HEC) business school.

Jean-François Palus has been a Director of Kering since 2009. His term of office was renewed by the Combined General Meeting on April 22, 2021 and will expire at the end of the Annual General Meeting called to approve the financial statements for the year ended December 31, 2024.

Jean-François Palus is also a member of the Sustainability Committee.

At its meeting following the Combined General Meeting of April 22, 2021, the Board of Directors decided to reappoint him as Group Managing Director for a term of four years.

He attended all ten Board meetings held in 2021 and the meeting of the Sustainability Committee, representing an attendance rate of 100%.

Director expertise

Leadership | Finance and accounting | Innovation | Economics | Technology/ Digital/ Cybersecurity | Industry | Marketing | CSR Corporate social and environmental responsibility | Risk management | Corporate governance

Directorships and positions held as of December 31, 2021:

Position	Company	Country	Start dates
at the level of the majority shareholder group:			
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 Ltd	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 Pte Ltd	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
Chair	Boucheron SAS	France	July 2020
Member of the Strategy Committee	Boucheron SAS	France	August 2020
Director	Kering Canada Services Inc.	Canada	December 2021
Chairman	Kering Beauté SAS	France	December 2021
outside the Kering group:			
Chairman of the Supervisory Board	PUMA SE(1)	Germany	December 2012
Director	Vestiaire Collective SA	France	April 2021

(1) Listed companies (as of the date the position was held).

Directorships and positions held in the last five years, but now expired:

Position	Company	Country	End dates
Chairman	Boucheron Holding SAS	France	July 2020
Member of the Executive Committee	Boucheron Holding SAS	France	July 2020
Director	Tomas Maier Holding LLC	United States	March 2020
Director	Altuzarra LLC	United States	November 2020
Director	Tomas Maier Distribution LLC	United States	December 2019
Director	Pomellato SpA	Italy	May 2019
Chairman	Volcom LLC	United States	April 2019
Director	Christopher Kane Ltd	United Kingdom	February 2019
Director	Manufacture et fabrique de montres et chronomètres Ulysse Nardin le Locle SA	Switzerland	November 2019
Director	Tomas Maier LLC	United States	February 2019
Director	Stella McCartney Ltd	United Kingdom	July 2019
Chairman of the Board of Directors	LGI SA	Switzerland	June 2016

Sophie L'Hélias
Lead Independent Director

CSR

Number of shares held: 881

Born on December 30, 1963 (58 years old)
French citizen

56 avenue Paul Doumer
75016 Paris

First appointed in 2016

Term of office last renewed on June 16, 2020

Term of office expires at the Annual General Meeting called to approve the financial statements for the year ended December 31, 2023 (resignation tendered to the Board on March 4, 2022)

A qualified attorney, Sophie L'Hélias worked for US corporate 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 President of LeaderXXchange™, a purpose-driven organization that advises and promotes diversity and sustainability in governance, leadership, and investment.

She has sat on the High Committee on Corporate Governance (*Haut comité de Gouvernement d'entreprise*) since 2021, and is a director of the European Corporate Governance Institute (ECGI). In addition, she is 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 and is also a recipient of the ICGN Lifetime Achievement Award.

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 and a partner of the African Development Bank Group since 2018. She is also an independent member of the Board of Directors of the Echiquier Positive Impact Europe and Climate Impact Europe investment funds managed by *La Financière de l'Echiquier*. Since 2021, she has been an independent director of Herbalife Nutrition Ltd (NYSE) and of the *Agence France Locale* bank.

Sophie L'Hélias has been a Director of Kering since April 29, 2016. Her term of office was renewed at the Combined General Meeting on June 16, 2020 and will expire at the end of the Annual General Meeting called to approve the financial statements for the year ending December 31, 2023.

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.

Sophie L'Hélias is a member of the Audit, Remuneration, Appointments and Governance, and Sustainability Committees.

She attended all ten Board meetings in 2021, and all meetings of the Committees on which she sits (five Audit Committee meetings, two Remuneration Committee meetings, one meeting of the Appointments and Governance Committee and the meeting of the Sustainability Committee), representing an attendance rate of 100%.

At the Board of Directors' meeting of March 4, 2022, Sophie L'Hélias announced her resignation from her position as director on Kering's Board owing to her recent appointment as Chairwoman of the Board of Directors of a company outside the Group.

Director expertise

Leadership — Finance and accounting — Innovation — Economics — Technology/ Digital/ Cybersecurity — Industry — Marketing — CSR Corporate social and environmental responsibility — Risk management — Corporate governance

Directorships and positions held as of December 31, 2021:

Position	Company	Country	Start dates
Chair	LeaderXXchange LLC	United States	2015
Director	Africa50	Morocco	2018
Director	Echiquier Positive Impact Europe	France	2018
Director	Echiquier Climate Impact Europe	France	2020
Chair	LeaderXXchange	France	2020
Director	Herbalife Nutrition Ltd[1]	Cayman Islands	2021
Member	High Committee on Corporate Governance	France	2021
Director	European Corporate Governance Institute	Belgium	2021
Director	Agence France Local	France	2021

(1) Listed companies (as of the date the position was held).

Directorships and positions held in the last five years, but now expired:

Sophie L'Hélias has not held any other corporate office in the past five years.

Tidjane Thiam

Independent Director

Chair of the Audit Committee

Number of shares held: 60

Born on July 29, 1962 (59 years old)
French and Ivorian citizen

40 rue de Sèvres
75007 Paris
France

First appointed in 2020

Term of office expires at the Annual General Meeting called to approve the financial statements for the year ended December 31, 2023

Tidjane Thiam is the Executive Chairman of Freedom Acquisition Corporation I, a company he founded in 2021.

Tidjane Thiam served as Chief Executive Officer of Credit Suisse Group AG from 2015 to 2020.

Throughout his career, Tidjane Thiam has led organizations in both the private and public sectors and developed projects and programs that make a positive contribution to the economy and to society.

At Credit Suisse, he set up a three-year restructuring program recognized by Euromoney with the Banker of the Year Award in 2018 and in 2019. Under his leadership, Credit Suisse delivered in 2019 its highest profits since 2010.

His tenure as Group Chief Executive of Prudential plc from 2009 to 2015 saw the group's market capitalization treble to more than USD 60 billion. He was elected Chairman of the Board of the Association of British Insurers, a role he held from 2012 to 2014.

Prior to that, he held a variety of leadership roles at Aviva from 2002 to 2007 including CEO of Aviva Europe and Executive Director.

From 1994 to 1999, Tidjane Thiam returned to Cote d'Ivoire to serve as a Cabinet Secretary, CEO of the National Bureau for Technical Studies and Development, and represented Côte d'Ivoire vis-à-vis the World Bank/IMF. He led one of the largest and most successful emerging market privatizations and infrastructure development programs.

He featured among the Young Global Leaders of Tomorrow by the World Economic Forum in 1997 and was named in the WEF's Dream Cabinet in 1999.

Earlier in his career, Tidjane Thiam spent a decade with McKinsey and Company where he was a partner.

Tidjane Thiam has been a member of the Group of Thirty (G30) since 2014.

He was appointed Chairman of the Board of Directors of Rwanda Finance in November 2020, in charge of promoting Rwanda as an international financial center.

Since 2019, Tidjane Thiam has sat on the Global Board of Advisors of the Council on Foreign Relations (CFR).

Tidjane Thiam has also been awarded the title of Knight of the French Legion of Honor.

In 2019, he became a member of the International Olympic Committee (IOC), and joined the IOC Finance Commission in 2020.

Tidjane Thiam is a member of the Council on State Fragility chaired by former British Prime Minister David Cameron.

From 2014 to 2019 he served on the Board of Directors of 21st Century Fox.

He was named on the Time 100 list in 2010.

He is a graduate of the *École Polytechnique* and the *École Nationale Supérieure des Mines de Paris*, and holds an MBA from INSEAD.

A Director of Kering since June 16, 2020, Tidjane Thiam's 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, 2023.

Tidjane Thiam chairs the Audit Committee and is a member of the Remuneration Committee.

He attended eight of the ten Board meetings in 2021, and all meetings of the Committees on which he sits (five Audit Committee meetings, two Remuneration Committee meetings), representing an attendance rate of 88%.

Director expertise

Leadership | Finance and accounting | Innovation | Economics | Technology/Digital/Cybersecurity | Industry | Marketing | CSR Corporate social and environmental responsibility | Risk management | Corporate governance

Directorships and positions held as of December 31, 2021:

Position	Company	Country	Start dates
Executive Chairman	Freedom Acquisition Corporation I(1)	United States	March 2021
Chairman of the Board of Directors	Rwanda Finance	Rwanda	November 2020
Member	Council on State Fragility	United Kingdom	April 2020
Member/Guardian	Council for Inclusive Capitalism	United States	2019
Member	International Olympic Committee (IOC)	Switzerland	2019
Member	Group of Thirty (G30)	United States	2014

Directorships and positions held in the last five years, but now expired:

Position	Company	Country	End dates
Chief Executive Officer and Chairman of the Executive Board	Crédit Suisse(1)	Switzerland	February 2020
Member of the Board of Directors	21st Century Fox	United States	2019

(1) Listed companies (as of the date the position was held).

Yseulys Costes

Independent Director

Chair of the Remuneration Committee

Number of shares held: 500

Born on December 5, 1972 (49 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 ended 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 the Robert O. Anderson School (United States).

She has authored a number of books and articles on online marketing and databases and 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 Euronext Growth market 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 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 at the Annual 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 Chair of the Remuneration Committee and member of the Audit and Appointments and Governance Committees. She attended all ten Board meetings in 2021, and all meetings of the Committees on which she sits (five Audit Committee meetings, one meeting of the Appointments and Governance Committee, and two Remuneration Committee meetings), representing an attendance rate of 100%.

Yseulys Costes has decided she does not wish to seek the renewal of her term of office at the next Annual General Meeting because she no longer qualifies as an independent Director.

Directorships and positions held as of December 31, 2021:

Position	Company	Country	Start dates
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, but now expired:

Position	Company	Country	End dates
Member of the Supervisory Board	Vivendi(1)	France	2017

(1) Listed companies (as of the date the position was held).

Director expertise

Leaderships | Finance and accounting | Innovation | Economics | Technology/ Digital/ Cybersecurity | Industry | Marketing | Corporate social and environmental responsibility | Risk management | Corporate governance

Financière Pinault, represented by Héloïse Temple-Boyer

Director

Permanent representative of Financière Pinault

Chair of the Appointments and Governance Committee

Number of shares held by Financière Pinault: 500

Born on March 22, 1978 (43 years old)
French citizen

Financière Pinault
12, rue François-1er
75008 Paris
France

First appointed in 2018
Term of office last renewed on April 22, 2021
Term of office expires at the Annual General Meeting called to approve the financial statements for the year ended December 31, 2024

Financière Pinault is the Pinault family holding company. In addition to Luxury group Kering, Financière Pinault owns auction house Christie's, a number of prestigious vineyards including *Château Latour*, polar cruise specialist *Compagnie du Ponant*, the *Stade Rennais* Football Club, weekly magazine *Le Point*, a Franco-US technology investment fund, a vast collection of contemporary art, and numerous other assets in a variety of areas.

Héloïse Temple-Boyer has been Deputy Chief Executive Officer of Artémis since February 2018. She joined Artemis in 2013 as Chief Investment Officer. Prior to that, she held the positions of Executive Assistant to the CEO and then Director of International Purchasing at Casino group. 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.

Héloïse Temple-Boyer is a graduate of *Institut d'études politiques de Paris* and ESSEC, and holds an MBA from Harvard Business School.

Financière Pinault, represented by Héloïse Temple-Boyer, was appointed as a Director of Kering on December 14, 2018 (appointment ratified at the Annual General Meeting of April 24, 2019). Its term of office, which was renewed by the Combined General Meeting of April 22, 2021, expires at the end of the Annual General Meeting called to approve the financial statements for the year ended December 31, 2024.

Financière Pinault, represented by Héloïse Temple-Boyer, is Chair of the Appointments and Governance Committee and a member of the Audit and Remuneration Committees.

She attended all ten Board meetings held in 2021 and all meetings of the Audit Committee, Appointments and Governance Committee and Remuneration Committee, representing an attendance rate of 100%.

Director expertise

Leadership | Finance and accounting | Innovation | Economics | Technology/ Digital/ Cybersecurity | Industry | Marketing | CSR Corporate social and environmental responsibility | Risk management | Corporate governance

Directorships and positions held by Financière Pinault as of December 31, 2021:

Position	Company	Country	Start dates
Director	Garuda	France	October 1998

Directorships and positions held by Financière Pinault in the last five years, but now expired:

Financière Pinault has not held any other corporate office in the past five years.

Directorships and positions held by Héloïse Temple-Boyer as of December 31, 2021:

Position	Company	Country	Start dates
Deputy Chief Executive Officer	Artémis SAS	France	January 2018
Deputy Chief Executive Officer	Financière Pinault	France	March 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	Artémis 28	France	January 2018
Member of the Executive Board	Compagnie du Ponant	France	December 2015
Director	Giambattista Valli	France	June 2017
Director	Sebdo Le Point	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 vôtre Editions	France	July 2018
Director	ACHP	United Kingdom	September 2018
Member of the Strategy Committee	Pinault Collection (formerly Collection Pinault – Paris)	France	December 2020
Member of the Supervisory Board	Le Point Communication	France	November 2019
Member of the Supervisory Board	PUMA SE(1)	Germany	April 2019
Permanent representative of Artémis, Chair	Arvag	France	January 2018

Directorships and positions held by Héloïse Temple-Boyer in the last five years, but now expired:

Position	Company	Country	End dates
Representative of Artémis, director	Pinault Collection	France	December 2020
Director	Fnac Darty(1)	France	March 2017
Director	Groupe Courrèges	France	April 2017

(1) Listed companies (as of the date the position was held).

Emma Watson

Independent Director

Chair of the Sustainability Committee

CSR

Number of shares held: 50

Born on April 15, 1990 (31 years old)

British citizen

55 Loudoun Road London NW8 0DL
United Kingdom

First appointed in 2020

Term of office expires at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2023

Emma Watson is a British actor and activist. She first came to the public's attention playing Hermione Granger in the film adaptations of the *Harry Potter* book series, which enjoyed immense success worldwide. Over the past 20 years, she has become one of the world's most popular actors and best-known activists.

Between 2011 and 2014, Emma Watson's filmography included *My Week With Marilyn*, *The Perks of Being a Wallflower*, *The Bling Ring*, *Noah* and Disney's *Beauty and the Beast*.

She most recently starred in Greta Gerwig's *Little Women*.

In May 2014, she earned a degree in English Literature from Brown University.

Also in 2014, she was appointed a UN Women Global Goodwill Ambassador and launched the HeForShe initiative aimed at involving men in the promotion of gender equality. Her work on the HeForShe campaign earned her a place on the Time 100 list of the world's most influential people in 2015.

In 2016, she created Our Shared Shelf, a feminist book club.

Emma Watson is part of the Time's Up Entertainment Steering Committee and brought the movement to the United Kingdom, coordinating its launch at the UK Film BAFTAs in 2018 and building a network of hundreds of women from across the industry.

Her work with Time's Up led to the establishment of the new UK Justice and Equality Fund, which aims to fight the existing culture of harassment, abuse and impunity. The fund was kickstarted by Emma Watson's GBP 1 million donation and is hosted by Rosa, a UK non-profit foundation that aims to support initiatives for women, young women and girls in the United Kingdom.

Emma Watson has also helped launch new UK industry-wide guidelines on harassment and bullying with the British Film Institute (BFI), the British Academy of Film and TV Arts (BAFTA), and the Advisory, Conciliation and Arbitration Service (ACAS) and other leading bodies.

In 2019, French President Emmanuel Macron invited her to sit on the G7's advisory Gender Equality Council. Emma Watson is also a pioneer in advocating for sustainable fashion and is a supporter of Good On You, a mobile app that allows consumers to check the sustainability credentials of clothing brands. In 2018, she was invited to guest edit a *Vogue Australia* publication on sustainable development and responsible consumption.

A Director of Kering since June 16, 2020, Emma Watson's 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, 2023.

Emma Watson is Chair of the Sustainability Committee.

She attended two of the ten Board meetings held in 2021 and was unable to attend the Sustainability Committee meeting because of external commitments, representing an attendance rate of 18%.

Emma Watson did not hold any other directorships or positions as of December 31, 2021, and has not held any other corporate office over the past five years.

Director expertise

Leadership | Finance and accounting | Innovation | Economics | Technology/ Digital/ Cybersecurity | Industry | Marketing | CSR Corporate social and environmental responsibility | Risk management | Corporate governance

Jean-Pierre Denis

Director

Vice-Chair of the Audit Committee

Number of shares held: 500

Born on July 12, 1960 (61 years old)
French citizen

40 rue de Sèvres
75007 Paris
France

First appointed in 2008

Term of office last renewed on June 16, 2020

Term of office expires at the Annual General Meeting called to approve the financial statements for the year ended December 31, 2023

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 Office of the President of the Republic of France (1995 to 1997). Jean-Pierre Denis was Chairman of Crédit Mutuel Arkéa and of the *Fédération du Crédit Mutuel de Bretagne* until May 2021 and has been Vice-Chairman of the Paprec Group since October 2021.

Jean-Pierre Denis has been a Director of Kering since June 9, 2008. His term of office was renewed at the Combined General Meeting on April 29, 2016 and the Combined General Meeting on June 16, 2020 and will expire at the end of the Annual General Meeting called to approve the financial statements for the year ending December 31, 2023. With the renewal of Jean-Pierre Denis' term of office at the Annual General Meeting of June 16, 2020, he lost his independent director status because he had served for over 12 years.

Jean-Pierre Denis is Vice-Chair of the Audit Committee and a member of the Remuneration and Sustainability Committees.

He attended all ten Board meetings in 2021 and all meetings of the Committees on which he sits (five Audit Committee meetings, two Remuneration Committee meetings and the meeting of the Sustainability Committee), representing an attendance rate of 100%.

Director expertise

Leadership | Finance and accounting | Innovation | Economics | Technology/ Digital/ Cybersecurity | Industry | Marketing | CSR Corporate social and environmental responsibility | Risk management | Corporate governance

Directorships and positions held as of December 31, 2021:

Position	Company	Country	Start dates
Chairman	Les Terroirs de Suravenir SAS	France	September 2020
Vice-Chair	Paprec Group	France	October 2021
Director	Avril Gestion	France	December 2014
Director	Caisse de Crédit Mutuel du Cap Sizun	France	May 2008
Chairman	Château Calon-Ségur SAS	France	December 2012
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, but now expired:

Position	Company	Country	End dates
Chairman	Fédération du Crédit Mutuel de Bretagne	France	2021
Chairman	Crédit Mutuel Arkéa	France	2021
Director	Nexity(1)	France	2021
Director and General Treasurer	Ligue de Football Professionnel (association)	France	2016
Acting Chairman	Ligue de Football Professionnel (association)	France	2016
Director	Altrad Investment Authority	France	2018
Member of the Supervisory Board	Tikehau Capital(1)	France	2018

(1) Listed companies (as of the date the position was held).

Concetta Battaglia

Director representing employees

CSR

Number of shares held: 50

Born on January 28, 1969 (53 years old)
Italian and British citizen

Kering
40 rue de Sèvres
75007 Paris
France

First appointed on September 2, 2020
Term of office expires
on September 1, 2024

Concetta Battaglia is Head of Operations at Kering UK Services. After joining Gucci Group in 2005 as personal assistant to the Worldwide Store Planning Director, she moved into the facilities team before progressing to her current role. Among other responsibilities, she is in charge of the development and implementation of health and safety policies and procedures within Kering and its Houses in the United Kingdom.

Before joining Kering, Concetta Battaglia worked in sales and customer services.

An Italian and British citizen, Concetta Battaglia has lived in Switzerland and Italy and currently resides in London.

She graduated from Sapienza University of Rome, Italy, in 1996 with a degree in political science.

Concetta Battaglia was elected as the second Director representing employees by the Kering European Works Council on September 2, 2020 for a term of office of four years.

She attended the ten Board meetings held in 2021, representing an attendance rate of 100%.

Concetta Battaglia did not hold any other directorships or positions as of December 31, 2021, and has not held any other corporate office over the past five years.

Director expertise

Leadership | Finance and accounting | Innovation | Economics | Technology/ Digital/ Cybersecurity | Industry | Marketing | CSR Corporate social and environmental responsibility | Risk management | Corporate governance

Claire Lacaze

Director representing employees

CSR

Born on September 18, 1971 (50 years old)
French citizen

Kering
40 rue de Sèvres
75007 Paris
France

First appointment August 1, 2018
Term of office expires July 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 Pinault Printemps Redoute, before holding several positions at Kering.

Claire Lacaze was elected as a Director representing employees by the Kering SA Works Council on July 12, 2018 for a four-year term effective August 1, 2018.

She is a member of the Remuneration Committee and attended all ten Board meetings in 2021 and both meetings of the Remuneration Committee, representing an attendance rate of 100%.

Claire Lacaze did not hold any other directorships or positions as of December 31, 2021, and has not held any other corporate office over the past five years.

Director expertise

Leadership | Finance and accounting | Innovation | Economics | Technology/ Digital/ Cybersecurity | Industry | Marketing | CSR Corporate social and environmental responsibility | Risk management | Corporate governance

Jean Liu
Independent Director

Number of shares held: 50

Born on June 3, 1978 (43 years old)
Chinese citizen

Didi Chuxing, No. 1 Block B, Shangdong Digital Valley, No. 8 Dongbeiwang West Road, Haidian District, Beijing, 100193 China

First appointed in 2020

Term of office expires at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2023

Jean Liu is the President of *DiDi Chuxing*. Working with Cheng Wei, founder and CEO of *DiDi Chuxing*, she led *DiDi Chuxing* to become the world's largest multi-modal mobile transportation platform delivering over 10 billion orders a year to 550 million users across Asia-Pacific, Latin America and Russia. She champions a more collaborative approach for the new tech sector working with policymakers, the public sector and the automotive industry to address the world's urban services, environmental and employment challenges.

Jean Liu is also an advocate for women's empowerment in the tech and sharing economy sectors, in part through DiDi Women's Network, the first career development program for women in the Chinese internet sector.

Jean Liu was named on *Fortune*'s Most Powerful Women International List from 2016 to 2020 and in the 2019 *Finance Asia* rankings of Asia's Top Entrepreneurs. She also featured on the *Time 100* list of the world's most influential people and was honored by *Asia Society* as an Asia Game Changer in 2017. In 2016, she appeared on *Fast Company*'s World's Most Creative People in Business List.

Jean Liu received a Bachelor's degree from Peking University and a Master's degree from Harvard University, both in Computer Science, and was awarded an honorary doctorate in Commercial Science from New York University. She is a founding member of the Advisory Board of the Bloomberg New Economy Forum and a member of the Asia Society's Board of Trustees.

A Director of Kering since June 16, 2020, Jean Liu's 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, 2023.

Jean Liu is a member of the Audit Committee.

She attended four of the ten Board meetings held in 2021 and one of the five meetings of the Audit Committee, representing an attendance rate of 33%. Jean Liu's attendance rate in 2021 was affected by her other professional commitments.

Directorships and positions held as of December 31, 2021:

Position	Company	Country	Start dates
Chair	Didi Chuxing[(1)]	China	February 2015
Alternate Member	APEC Business Advisory Council	China	January 2020
Member of the Board of Trustees	Asia Society	United States	October 2019
Founding member of the Advisory Board	New Economy Forum	United States	November 2018

(1) Listed companies (as of the date the position was held).

Directorships and positions held in the last five years, but now expired:

Jean Liu has not held any other corporate office in the past five years.

Director expertise

Leadership | Finance and accounting | Innovation | Economics | Technology/ Digital/ Cybersecurity | Industry | Marketing | CSR Corporate social and environmental responsibility | Risk management | Corporate governance

Baudouin Prot
Director

Number of shares held: 600

Born on May 24, 1951 (70 years old)
French citizen

BNP Paribas
14 rue Bergère
75009 Paris France

First appointed in 1998

Term of office last renewed on April 22, 2021

Term of office expires at the Annual General Meeting called to approve the financial statements for the year ended December 31, 2024

After graduating from HEC in 1972 and from ENA in 1976, Baudouin Prot joined the Inspectorate-General for 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 was Non-Executive Chairman of BNP Paribas.

He is an Officer of the French 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 22, 2021 and will expire at the end of the Annual General Meeting called to approve the financial statements for the year ended December 31, 2024.

Baudouin Prot is a member of the Appointments and Governance Committee.

He attended eight of the ten Board meetings held in 2021 and the meeting of the Appointments and Governance Committee, representing an attendance rate of 82%.

Directorships and positions held as of December 31, 2021:

Position	Company	Country	Start dates
Chairman of the Board of Directors	Fraikin Groupe	France	September 2020
Chairman of the Board of Directors	Foncia	France	March 2017
Director	Finastra	France	November 2017
Director	Alstom(1)	France	July 2018

Directorships and positions held in the last five years, but now expired:

Position	Company	Country	End dates
Director	BGL BNP Paribas(1)	Luxembourg	April 2015
Director	Veolia Environnement SA(1)	France	April 2019
Director	Lafarge SA(1)	France	August 2016

(1) Listed companies (as of the date the position was held).

Director expertise

Leadership · Finance and accounting · Innovation · Economics · Technology/Digital/Cybersecurity · Industry · Marketing · CSR: Corporate social and environmental responsibility · Risk management · Corporate governance

Daniela Riccardi
Independent Director

CSR

Number of shares held: 500

Born on April 4, 1960 (61 years old)
Italian citizen

Moleskine Viale Piceno 17 Milan Italy

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 ended December 31, 2021

Daniela Riccardi was appointed Chief Executive Officer of iconic brand Moleskine in April 2020, bringing with her considerable international experience in business development and branding in consumer retail and distribution. She joined Moleskine, a company born from the heritage of a design object made for cultural and creative projects, after serving for seven years as Chief Executive Officer of Baccarat, the French luxury brand known globally for its exclusive crystal items. Prior to Baccarat, Daniela Riccardi was Chief Executive Officer of Diesel, the Italian fashion and lifestyle company.

Before joining Diesel, she also spent 25 years at Procter & Gamble in senior management roles around the world, including ten years in various Latin American markets, then as Vice President for Eastern Europe, based in Moscow, and finally as President of P&G in Greater China, based in Guangzhou.

Since the beginning of her career, Daniela Riccardi – who is a member of Kering's Sustainability Committee – has championed inclusion and diversity as a strategy for growth.

Daniela Riccardi studied political science and international relations at Sapienza University of Rome (Italy).

Daniela Riccardi has been a Director of Kering since May 6, 2014. Her term of office was renewed at the Annual 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 ten Board meetings held in 2021 and the meeting of the Sustainability Committee, representing an attendance rate of 100%.

Directorships and positions held as of December 31, 2021:

Position	Company	Country	Start dates
Chief Executive Officer	Moleskine	Italy	April 2020

Directorships and positions held in the last five years, but now expired:

Position	Company	Country	End dates
Chief Executive Officer	Baccarat[1]	France	March 2020
Director	WPP plc[1]	United Kingdom	June 2020

(1) Listed companies (as of the date the position was held).

Director expertise

Leadership | Finance and accounting | Innovation | Economics | Technology/Digital/Cybersecurity | Industry | Marketing | CSR Corporate social and environmental responsibility | Risk management | Corporate governance

Changes in the membership of the Board of Directors and the Committees in 2021

	Departure	Appointment	Reappointment
Board of Directors	*April 27, 2021:* Ginevra Elkann	-	*April 22, 2021:* François-Henri Pinault Jean-François Palus Financière Pinault, represented by Héloïse Temple-Boyer Baudouin Prot
Audit Committee	-	-	*April 22, 2021:* Financière Pinault, represented by Héloïse Temple-Boyer
Remuneration Committee	-	-	*April 22, 2021:* Financière Pinault, represented by Héloïse Temple-Boyer
Appointments and Governance Committee	*April 27, 2021:* Ginevra Elkann	*April 22, 2021:* Concetta Battaglia	*April 22, 2021:* Financière Pinault, represented by Héloïse Temple-Boyer Baudouin Prot
Sustainability Committee	-	-	*April 22, 2021:* François-Henri Pinault Jean-François Palus

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 strategic direction, 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 to ensure that agreements entered into in the ordinary course of business and at arm's length actually meet the required criteria, in accordance with Article L. 22-10-12 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 the 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.

Under its internal rules and by law, the Board of Directors meets at least four times a year. To allow Directors to prepare as effectively as possible 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. These documents are made available to the Directors on a collaborative platform specially set up for Board members so that documents can be shared securely.

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. To this end:

- 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 they decide to trade, no matter when this might occur outside the defined black–out periods;
- the same obligations apply to each Director insofar as they have 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 Board's operating rules and set the terms and conditions for allocating the annual remuneration for Directors' activities.

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 to 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 face any conflicts of interest.

To make its operating procedures more effective 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 procedures 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 invited to attend these Committee meetings.

The Internal Rules of the Board of Directors, which are published in full on the Company's website, were updated and approved at the Board meeting of February 16, 2021 to reflect the amendments to the Articles of Association approved by the Annual General Meeting of June 16, 2020 concerning: i) the remit and powers of the Board in view of social and environmental issues, ii) a new section concerning the Lead Independent Director, including their remit and powers, and special remuneration, iii) the reduction in the number of shares that Directors must hold; and iv) the removal of the role of non-voting director.

Gender diversity policy for the Group's senior management bodies

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, as of the date of this Report on corporate governance, the Executive Committee members included four women out of a total of 12 members, or a ratio of one third.

The appointment on October 1, 2019 of a Chief Diversity, Inclusion and Talent Officer, who reports to the Chief People Officer, marked a new milestone in Kering's commitment to accelerating and expanding its actions in support of diversity, equality and inclusion – in the broadest sense of the term. In addition, in line with the Group's 2025 sustainability strategy, a diversity in the workforce criterion, with a particular emphasis on achieving gender balance, is incorporated in the process of determining the annual and multi-annual variable remuneration of the Group's executive corporate officers. This criterion is described in section 4 of this chapter.

In addition to furthering its commitment to social responsibility, the Group believes that diversity and inclusion help to foster creativity and innovation, and as such economic performance. As part of its sustainability strategy, Kering has set a target of achieving a balanced gender mix and equal pay at all levels of the organization by 2025.

Kering has defined and put in place an action plan to achieve a balanced gender mix – especially within the Group's senior management (Top 450 roles) – by 2025. This will notably involve:

- measuring the representation of women in talent pools and succession plans;
- integrating gender equality in the recruitment process;
- monitoring promotions within the Group by gender and management level;
- measuring gender parity at each management level on a quarterly basis in all the Group's Houses using key indicators.

Efforts made to achieve these objectives include:

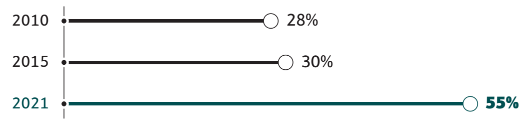
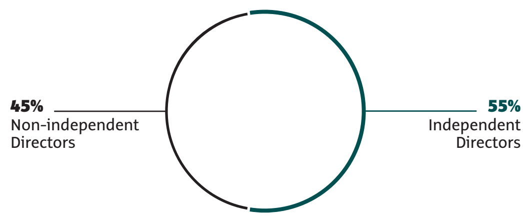
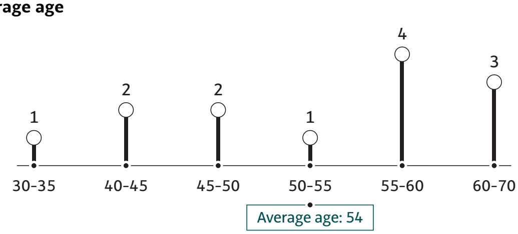
- encouraging participation in women's leadership programs;
- introducing a mentoring program for women at the international level;
- developing an employee training program;
- implementing a global parental policy;
- giving women a voice via the Diversity & Inclusion Committees put in place at all of the Group's Houses.

2.2.2 Principles relating to membership of the Board of Directors

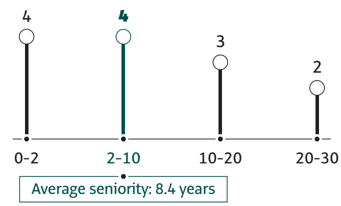
The Board of Directors regularly reflects upon the desirable balance of its membership and that of the specialized Committees, particularly in terms of diversity (gender representation, nationality, age, qualifications, professional experience, etc.).

Pursuant to Article L. 22-10-10 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 2021.

Diversity policy applied to the Board of Directors

Criteria	Objectives	Measures implemented and results achieved in 2021
Board membership	Balanced representation of women and men on the Board	**Proportion of women**[1] 
	Complementary and diverse profiles in terms of nationality, expertise and experience	**Experience:** Finance/Executive Management: Tidjane Thiam, Yseulys Costes, Jean-Pierre Denis, Financière Pinault represented by Héloïse Temple-Boyer, Baudouin Prot and Jean Liu Industry knowledge: Financière Pinault, represented by Héloïse Temple-Boyer, Emma Watson and Daniela Riccardi Technology, Digital and Cybersecurity: Yseulys Costes and Jean Liu Innovation: Yseulys Costes and Jean Liu Governance: Sophie L'Hélias and Financière Pinault represented by Héloïse Temple-Boyer Corporate social responsibility: Emma Watson, Claire Lacaze and Daniela Riccardi
	Appointment of two Directors representing employees	Inclusion of a Director representing employees since 2014 In 2020, appointment of a second Director representing employees by the European Works Council, in compliance with the Company's Articles of Association and the requirements of France's PACTE law
Director independence	At least one-third independent members, in line with the AFEP-MEDEF Code's recommendations for controlled listed companies	**Degree of independence**[1] **of the Board of Directors**  
Age profile of the Board of Directors	No more than one-third of members over 70	**Average age**  

(1) In accordance with the recommendations of the AFEP-MEDEF Code, these percentages do not include the Directors representing employees.

Criteria	Objectives	Measures implemented and results achieved in 2021
Average seniority on the Board of Directors		
Nationality	Broadest possible representation of the Group's geographic mix and largest number of nationalities	The Board of Directors includes members from France, Italy, the United Kingdom, China and Côte d'Ivoire. In addition, the Directors have significant international experience and exposure, as they hold, or have held, positions or directorships in international companies or key positions outside France.

Selection process for Directors

The Board of Directors pays particular attention to the selection of its members. In addition to their ability to act in the interest of all shareholders, the Directors are also chosen for their expertise, experience and understanding of the strategic challenges in the market in which the Group operates. The membership of the Board of Directors must be as diverse as possible, with a wide range of technical skills.

The Board of Directors first considers how it wishes its membership to evolve in the short and medium term, particularly by assessing the skills it wishes to bring to the Board, and by taking into account the findings of the external assessment of the Board's work carried out every three years by an external consultant responsible for mapping expertise and identifying possible needs.

Accordingly, with the support of Executive Management and the Appointments and Governance Committee, the Board defines diversity objectives for its members in terms of nationality, independence, representation between men and women, cultural origin, expertise and seniority, with the aim of achieving a balanced representation of Directors with complementary backgrounds.

For this purpose, the Appointments and Governance Committee has established a procedure for selecting future members of the Board of Directors. The procedure reflects the Board of Directors' focus on its membership and particularly on the diversity of its members, which helps to foster creativity and unlock performance gains.

Accordingly, when considering potential profiles for appointment as Director, the Appointments and Governance Committee should discuss the experience, expertise, special skills and talents of each candidate in relation to the objectives and characteristics of the diversity policy for members of the Board of Directors, particularly in terms of nationality, representation between men and women, cultural origin, expertise and seniority.

When a seat falls vacant or, more generally, when the Board has expressed its intention to appoint additional members or change its membership, this information is reviewed again.

2.2.3 Executive Management

After the Combined General Meeting on May 19, 2005, when the shareholders adopted the new Articles of Association of Kering SA (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 effective governance in light of the organization of the Kering group, within which François-Henri Pinault is the Chairman and Chief Executive Officer of Kering SA, the Group's parent company. He is related to the controlling shareholder, is heavily involved in conducting the Group's business, and has specific operational knowledge and in-depth experience of this business. At 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 22, 2021 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 at the Combined General Meeting on May 7, 2009 for a four-year term, renewed on April 22, 2021 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, 55% of whose members are independent Directors. The Board operates effectively 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.

2.2.4 Limitations set 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 strategic direction 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 sales 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 Group's strategy, 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 effected by the Company or by any entity controlled by the Group, insofar as they each exceed an amount set annually by the Board of Directors (€500 million in 2021):
- 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 Director independence

In order to assess whether a Director can be classified as independent 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 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 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 2021, 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 and Tidjane Thiam, none of the 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 between Numberly - 1000mercis Group and Kering in 2021. 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 on either side, and sees value in continuing to benefit from her renowned expertise.

In addition, the Board of Directors analyzed Tidjane Thiam's situation when he established Freedom Acquisition Corporation I, a special purpose acquisition company in which Artémis has invested. Prior to this investment, Tidjane Thiam consulted the Chairman of the Board to ensure there was no conflict of interest. The analysis by the Appointments and Governance Committee to confirm the independence and establish whether there was any conflict of interest was carried out and the results shared with the Lead Independent Director. This analysis found that Tidjane Thiam maintains this business relationship with Artémis; the co-investment has no influence over his term of office as a director. This point will be reviewed at regular intervals by the Appointments and Governance Committee and by the Lead Independent Director.

Accordingly, the Board of Directors considers Tidjane Thiam to be an independent director.

Lastly, the Board of Directors conducted a quantitative and qualitative review of Emma Watson's status. As a result of a partnership entered into between Emma Watson and the Group, and acting further to a review by the Appointments and Governance Committee on July 24, 2020, the Board had deemed it inappropriate to consider this Director as independent. Since the partnership did not ultimately go ahead, the Board of Directors decided on February 16, 2021, acting on a proposal from the Appointments and Governance Committee to consider Emma Watson as an independent director as there are no material business relationships between the Kering group and this Director.

Accordingly, six of the eleven[1] Directors (serving on the Board as of February 16, 2022) were therefore classified as independent: Yseulys Costes, Daniela Riccardi, Sophie L'Hélias, Jean Liu, Emma Watson and Tidjane Thiam. 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.

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 current or prospective members of its Executive Committee. This allows 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).

Collaboration between the Appointments and Governance Committee and the Company's management team ensures the overall coherence of the succession plan and monitoring of key positions. The effectiveness of the approach has been demonstrated, when the arrival of executives or Creative Directors of certain of the Group's 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 senior management continued the process of drawing up a management succession plan, which was examined by the Appointments and Governance Committee at its meeting on February 4, 2022. 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 the Group's House teams. This serves 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 tailored to their specific needs within the Board, should they deem it necessary. Meetings are organized with the Lead Independent Director, the Group Managing Director and with the Group's executives 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 arrangements for their training within the Company, the Board of Directors decided (i) to give Directors representing employees sufficient time to prepare for each Board meeting and (ii) to provide them with a minimum of 40 hours' training 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. Concetta Battaglia, the second Director representing employees, had several meetings with the Group Managing Director, the Lead Independent Director and the Board secretary to continue her internal training program, which began when she first took office in 2020, concerning the specific features of Kering's Board, ahead of external training.

In addition, the Board's work is assessed regularly, 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 2021 and up to February 16, 2022

Activity of the Board of Directors in 2021

During 2021, the Board met ten times (including videoconference and conference calls).

(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 11 rather than 13 Directors.

Agenda and attendance rate of Board of Directors' meetings

The work by the Board of Directors focused on:

Financial statements and financial management	• Review and approval of the 2020 financial statements • Proposed appropriation of net income/dividend amount/payment date • Review and approval of the 2021 interim financial statements • Review of quarterly activities • Review of the 2021 budget • Regular monitoring of the impacts of COVID-19 • Stock repurchase program • Interim dividend • Sale of a block of PUMA shares • Endorsements, suretyships and guarantees in favor of third parties and authorizations to carry out certain transactions • Related-party agreements • Renewal of the EMTN program • Review of the Statutory Auditors' reports and analysis of the work and approval of the Audit Committee's recommendations
Corporate governance	• Adoption of the Board of Directors' management report and the report on corporate governance • Review of the Universal Registration Document • Consideration of the membership of the Board of Directors and its Committees, in particular following the renewal of the terms of office of the Chairman and Chief Executive Officer and the Group Managing Director, and Ginevra Elkann's resignation • Assessment of the Directors' independence • Assessment of the organization and operating rules of the Board and of each of its Committees • Notice of the Combined General Meeting of April 22, 2021 and the Ordinary General Meeting of July 6, 2021 concerning a single resolution (review of the resolutions submitted to a shareholder vote) • Update of the Board's internal rules • Review of the work and recommendations submitted by the Appointments and Governance Committee
Remuneration	• Review of the allocation of the remuneration awarded to members of the Board of Directors • Review of the remuneration policy for executive corporate officers and the remuneration policy for directors to be put to a vote at the Annual General Meeting • Review of the variable remuneration for 2020 of the executive corporate officers, after establishing the achievement rate of the performance targets based on the Group's 2020 results • Fairness ratio • Adoption of a free performance share plan • Review of the work and recommendations submitted by the Remuneration Committee
Activity of the Group and strategy	• Regular updates on business trends • Regular monitoring of the impacts of COVID-19 on the Group's activities • Review of the ESG impacts • Human rights policy • Anti-slavery declaration (*Modern Slavery Act*) • Review of the work and recommendations submitted by the Sustainability Committee Every year, one Board meeting is set aside for a presentation on strategic issues by operational and functional teams, in addition to matters presented regularly during the year at other Board meetings. In 2021, the strategic meeting was held at Kering's Trecate logistics center (Italy), then at the Milan office, and considered the following matters: • Analysis of the supply chain • Questions about the role of China in the luxury goods industry and in particular within the Group • The timeless element of luxury goods • The impact of sustainability on operational aspects at Gucci • Annual review of the risks This annual session provides an ideal opportunity for meetings and discussions between Directors and the management teams of the Group and its Houses.
Session arranged by the Lead Independent Director without executive corporate officers	• Board of Directors' ESG responsibilities • Impact of the COP 26 conference on climate change held in Glasgow on the Group's activities • Revitalization of the Board post-COVID to re-establish relationships between Board members • Assessment of the Board of Directors This meeting was held on December 9, 2021 and attended by ten Directors, but not by the Chairman and Chief Executive Officer or the Group Managing Director.

The Board of Directors met ten times in 2021 with an average attendance rate of 86%, breaking down by meeting as follows:

Date	Attendance rate
February 16, 2021	86%
March 11, 2021	93%
April 22, 2021 (pre-Annual General Meeting)	79%
April 22, 2021 (post-Annual General Meeting)	77%
May 26, 2021	100%
July 6, 2021	77%
July 27, 2021	85%
October 1, 2021	77%
October 20 and 21, 2021	92%
December 9, 2021	92%

The following persons attended Board meetings:

- Directors;
- the Board secretary (the General Counsel);
- the Social and Economic Committee representative;
- at some meetings and depending on the topics addressed, the Statutory Auditors, the Chief Financial Officer, the Chief Strategy Officer, the Internal Audit Director, the Chief Sustainability Officer, the Chief People Officer, the Houses' CEOs and external speakers.

In the context of the COVID-19 crisis, the Directors closely monitored its impact on the health of the Group's employees and stakeholders, as well as on the Group's operations.

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 express 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 on December 9, 2021 to consider the agenda set forth in the above table, without the Company's executive corporate officers (the Chairman and Chief Executive Officer and the Group Managing Director). The Lead Independent Director also met individually with the Directors during the year.

To maintain ongoing dialogue with its investors, the Company continued to organize meetings with its shareholders and other members of the financial community in 2021.

At the initiative of its Board of Directors, the Company has forged a stronger dialogue with investors since 2018, particularly on governance issues. Given the approach was unanimously applauded by the investors involved, it was continued in subsequent years, broadening the scope to include environmental, social and governance (ESG) issues. A roadshow program dedicated to ESG 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, the Investor Relations Department and the Chief Financial Officer. The program is described in section 1.4 of chapter 4.

Activity of the Board of Directors in 2022, up to February 16

Since the beginning of 2022, the Board of Directors has met once, on February 16, 2022, to approve the 2021 annual financial statements and reports to be submitted to the Annual General Meeting and to approve this report on corporate governance. It also heard a report on the Group's financial position. The Board then granted and allocated the Directors' remuneration for 2021 in accordance with the criteria adopted in March 2014 and amended on February 11, 2020, taking into account the decisions made by the Board of Directors at its meeting on April 21, 2020.

In addition, the formal assessment of the Board of Directors by external firm Egon Zehnder laid out below, was presented to the Board at this meeting.

2.3.2 Assessment of the Board of Directors' operating rules

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 operating rules Every three years, this discussion is backed up by a formal assessment of the Board's operating rules by an independent member or a third-party expert.

The previous assessment conducted by a third-party expert with recognized experience in the governance of boards of directors of listed companies, was carried out in 2019.

Following the internal assessment of the Board's operating rules conducted in 2020 by the Lead Independent Director, another external assessment was entrusted in 2021 to management and recruitment firm Egon Zehnder, which specializes in this area. The assessment consisted of a questionnaire and individual meetings with each Director. In addition to an assessment of the individual contribution made by each Director, the assessment also covered the following points:

- the membership and role of the Board of Directors;
- induction arrangements for new Directors;
- the contribution by the Board to the Group's strategy;
- the role of the Board on ESG issues.

This assessment revealed a very positive view of the Board's operating rules, with freedom of self-expression, the driving force provided by the Chairman of the Board and the Group Managing Director, and the in-depth analysis of issues were identified as strengths. At the initiative of the Chairman and Chief Executive Officer, the Board of Directors is very mindful of ESG issues and has incorporated them in its enterprise performance metrics. The quality of the work performed by the four Committees was also unanimously applauded.

The strategic sessions and presentations were greatly appreciated, backing up the decision to involve the entire Board in these issues. That said, the Directors express the desire for certain strategic points to be examined in greater depth.

Areas of improvement were identified in terms of Board membership to reflect the forthcoming expiration of certain terms of office.

2.3.3 Specialized Committees

Audit Committee

Membership as of February 16, 2022

Tidjane Thiam	Chair
Jean-Pierre Denis	Vice-Chair
Yseulys Costes	Independent Director
Financière Pinault, represented by Héloïse Temple-Boyer	Director
Sophie L'Hélias	Independent Director
Jean Liu	Independent Director

67 % of independent Directors

87 % attendance rate in 2021

5 meetings in 2021

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, consistency and reliability of accounting methods applied in the Company and at the Group's 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 from and put questions to 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 are recorded in a written and approved report.

In exercising its role, the Committee is supported, in addition to the external auditors, by the Chief Financial Officer and the Group's Internal Audit Director, plus the General Counsel, who are brought in to present their work and answer the Committee's questions. The Committee can also retain external specialists and hear from any other individuals.

Each year, it reviews the fees charged by the Company's Statutory Auditors and assesses their independence. The Audit Committee also considers potential Statutory Auditors for appointment.

In addition, the Committee issues recommendations to the Board of Directors in relation to the regular assessment of the terms of the Group's related-party and ordinary agreements. In this context, it reviews payments made under the agreement entered into between Kering and Artémis (described in Note 32 to the consolidated financial statements, included in this document), as well as any changes in such payments, on an annual basis.

The 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). Tidjane Thiam, Chair of the Audit Committee and notably Executive Chairman of SPAC Freedom Acquisition Corporation I and former Chief Executive Officer of Crédit Suisse, brings to this Committee his renowned expertise and financial skills. Jean-Pierre Denis, Vice-Chair of the Committee, was previously Chairman of Crédit Mutuel Arkéa and a Finance Inspector, and has gained considerable executive management experience. Yseulys Costes, Chair and Chief Executive Officer of the Numberly - 1000 mercis group, Héloïse Temple-Boyer, Deputy Chief Executive Officer of Artémis, and Jean Liu, Chair of Didi Chuwing, also possess respected executive management experience. Given their professional experience (presented in section 2.1: "List of terms of office and positions held by members of the Board of Directors") and their first-class knowledge of the accounting and financial procedures applicable to groups of companies, all the Audit Committee members have the requisite skills for their roles.

In accordance with the AFEP-MEDEF Code, two-thirds of the members of the Audit Committee are independent Directors, and no member is an executive corporate officer.

Tender process for the reappointment of the Statutory Auditors

At the Annual General Meeting of April 16, 2016, the shareholders decided to reappoint KPMG SA as principal Statutory Auditor for a term of six years, namely until the end of the Ordinary General Meeting called to approve the financial statements for the year ending December 31, 2021. At this Annual General Meeting, which will be held in 2022, it will not be possible to propose the reappointment of KPMG SA, as the firm has reached the maximum engagement period for Statutory Auditors according to the transitional arrangements of the EU Audit Regulation (the first appointment of KPMG SA dating back to 1992).

For the purpose of effectively managing the transition between KPMG and a new audit firm, as well as avoiding the risk that a firm accepts an engagement that is incompatible with the performance of its duties prior to its appointment, a decision was made in 2020 to launch a tender to identify the firm that would replace KPMG as from 2022, subject to shareholder approval at the Ordinary General Meeting called to approve the financial statements for the year ending December 31, 2021.

On February 6, 2020, the methodology and timetable for the tender were presented to the Audit Committee, which approved the main principles.

The tender took place from May to October 2020 in compliance with the specifications reviewed by the Audit Committee on June 4, 2020 and sent to four major audit firms (EY, Grant Thornton, Mazars and PwC). Meetings were organized with Kering's senior managers to give these firms a better grasp of the Group's main financial matters as well as its IT and internal control environment. Following this process, the firms were invited to formally submit their bids.

A Selection Committee, comprising the Internal Audit Director, the General Counsel, the Financial Control Director and the Chief Financial Officer, met to assess the quality of the responses received based on 12 criteria, only one of which concerned the amount of fees.

The Selection Committee recommended that the two highest rated firms meet with the Group Managing Director and the Audit Committee Chair.

After these meetings held in November 2020, a consensus was reached to propose PricewaterhouseCoopers as the Group's Statutory Auditor at the Annual General Meeting on April 28, 2022.

The Chair of the Audit Committee submitted the conclusions of the tender to each member of the Audit Committee in December 2020. The topic was then included as an item on the agenda of the Audit Committee's meeting of February 11, 2021 to confirm the choice of PricewaterhouseCoopers and enable the Finance Department to organize the transition year.

Work by the Audit Committee in 2021 and up to February 16, 2022

The Committee met five times in 2021, with an average attendance rate of 87%.

During 2021, the Chief Financial Officer and Group Internal Audit Director were regularly invited to present their work and answer questions at meetings of the Committee.

The Audit Committee discussed the following:

The process of preparing accounting and financial information	• Review of the accounting options for annual and interim financial statements, off-balance sheet commitments, and the activity report, with an analysis of the COVID-19 impact on the Group's activities • Presentation of the progress made on transforming the Finance function and its impact on the control environment • Review of the services performed by Artémis in 2020 • Update on the Group's financing and cash management • Review of the Company's share price performance
Internal audit	• Review of the internal audit activities (audit engagements and follow-up on action plans) during 2021 and early 2022 • Review of the update to the supply chain • Presentation and approval of the audit plan
Internal control and risk management	• Review of the internal control activities • Review of the risk management system including the approach to preparing the Group's risk map and presentation of the risk hierarchy (including CSR priorities) • Review of the Group's cybersecurity (mapping of cyber risks, action plans and related training) • Review of the Group's compliance program – presentation of the 2021 compliance risk map
Statutory Auditors	• Review of the scope of the Statutory Auditors' engagement, the independence of the Statutory Auditors, and their general program for audit work • Supervision of the process and conditions for the reappointment of the Statutory Auditors upon expiration of their terms of office
Other	• Review of disputes • Review of the Group's intellectual property policy – examination of the protection of the brand portfolio • Review of data protection • Examination of the policies and procedures introduced with respect to the duty of care and upholding human rights.

The Audit Committee reported to the Board of Directors on its work and issued its recommendations.

Remuneration Committee

Membership as of February 16, 2022

Yseulys Costes	Chair
Jean-Pierre Denis	Director
Financière Pinault, represented by Héloïse Temple-Boyer	Director
Sophie L'Hélias	Independent Director
Claire Lacaze	Director representing employees
Tidjane Thiam	Independent Director

60 % of independent Directors

100 % attendance rate in 2021

2 meetings in 2021

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 of allocating remuneration awarded to members of 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 benefits in kind, granted to members of the Group's Executive Committee.

Accordingly, with regard to the criteria of the AFEP-MEDEF Code, independent Directors represent the majority of the Remuneration Committee's members.

Work by the Remuneration Committee in 2021 and up to February 16, 2022

The Committee met twice in 2021, with an attendance rate of 100%.

During 2021, the Chief People Officer and the Head of Remuneration and Employee Benefits were regularly invited to present their work and answer questions at meetings of the Committee.

The Remuneration Committee discussed the following:

Remuneration of executive corporate officers and the Group's key executives	• Review of the variable remuneration for 2020 of the executive corporate officers, after establishing the achievement rate of the performance targets based on the Group's 2020 results • Review of the 2021 remuneration policy for executive corporate officers • Review of the variable remuneration for 2020 and the principles of the Executive Committee members' remuneration for 2021, as well as the remuneration applicable to the Chief Compliance Officer • Review of the 2021 fairness ratio • Presentation and analysis of the points raised by investors during the December 2021 ESG roadshow
Remuneration awarded to the Directors	• 2021 remuneration policy for the Directors
Employee share ownership	• Review of the employee share ownership plan

The Remuneration Committee reported to the Board of Directors on its work and issued its recommendations.

Appointments and Governance Committee

Membership as of February 16, 2022

Financière Pinault, represented by Héloïse Temple-Boyer	Chair
Concetta Battaglia	Director representing employees
Yseulys Costes	Independent Director
Sophie L'Hélias	Independent Director
Baudouin Prot	Director

50 % of independent Directors

100 % attendance rate in 2021

1 meeting in 2021

Duties

The role of the Appointments and Governance Committee, which was established in March 2003, is to review the proposed appointment of Directors, as well as their status 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. This Committee is also responsible for preparing a succession plan for executive corporate officers and members of the Group Executive Committee, which it reviews regularly, in order to be able to propose succession solutions at any time in the event of an unforeseen vacancy.

Of the Appointments and Governance Committee's members, 50% are independent Directors. This does not represent a majority of its members, as recommended by the AFEP-MEDEF Code (see explanation provided in section 2.5).

Work by the Appointments and Governance Committee in 2021 and up to February 16, 2022

The Appointments and Governance Committee met once in 2021, with an attendance rate of 100%.

During 2021, the management and recruitment firm Egon Zehnder was invited to present its method of analysis, then its report on the assessment of the Board and the Specialized Committees, as well as to answer questions from the Appointments and Governance Committee.

The Appointments and Governance Committee discussed the following:

Appointment	• Changes in and membership structure of the Board and its Committees
Assessment	• Work and report on the assessment of the operating rules of the Board and its Committees, prepared by the external firm • Review of the independence criteria applicable to Directors
Succession planning	• Review of the process for implementing succession plans for the Group's senior executives

The Appointments and Governance Committee reported to the Board of Directors on its work and issued its recommendations.

Sustainability Committee

Membership as of February 16, 2022

Emma Watson	Chair
François-Henri Pinault	Chairman and Chief Executive Officer
Jean-Pierre Denis	Director
Sophie L'Hélias	Independent Director
Jean-François Palus	Director
Daniela Riccardi	Independent Director

50 % of independent Directors

83 % attendance rate in 2021

1 meeting in 2021

Duties

The Sustainability Committee's role is to support the Company and the Group in establishing, implementing and monitoring good corporate governance policies and sustainability and corporate citizenship practices.

Work by the Sustainability Committee in 2021 and up to February 16, 2022

The Committee met once in 2021, with an attendance rate of 83%.

The Committee reviewed the sustainability projects implemented in 2021 and discussed the Group's policies and performance in the areas of climate, biodiversity, animal welfare and the circular economy. Committee members also discussed the Group's ESG performance, and the initiatives needed to strengthen the mechanisms for taking climate change risks into account throughout the value chain together with the Group's suppliers. In addition, a decision was made at the meeting to appoint a member of the Board of Directors as climate change lead with effect from 2022 and to add the topic as an agenda point at Board meetings twice a year.

Owing to the external commitments of which the Board was aware in advance, Emma Watson, Chair of the Sustainability Committee, was unable to attend this meeting. However, Emma Watson contributed to the work of the Board and the Sustainability Committee throughout 2021 through various discussions with the Chairman of the Board, the Lead Independent Director and the Chief Sustainability Officer.

The Chief Sustainability Officer attended the meeting.

The Sustainability Committee did not meet in early 2022.

Attendance rate of Directors at Board and Committee meetings in 2021

	Attendance at Board of Directors' meetings	Attendance at Audit Committee meetings	Attendance at Remuneration Committee meetings	Attendance at Appointments and Governance Committee meetings	Attendance at Sustainability Committee meetings	Overall attendance rate
François-Henri Pinault	90%	n.m.	n.m.	n.m.	100%	91%
Jean-François Palus	100%	n.m.	n.m.	n.m.	100%	100%
Sophie L'Hélias	100%	100%	100%	100%	100%	100%
Tidjane Thiam	80%	100%	100%	n.m.	n.m.	88%
Yseulys Costes	100%	100%	100%	100%	n.m.	100%
Financière Pinault, represented by Héloïse Temple-Boyer	100%	100%	100%	100%	n.m.	100%
Emma Watson	20%	n.m.	n.m.	n.m.	0%	18%
Jean-Pierre Denis	100%	100%	100%	n.m.	100%	100%
Concetta Battaglia	100%	n.m.	n.m.	n.m.	n.m.	100%
Claire Lacaze	100%	n.m.	100%	n.m.	n.m.	100%
Jean Liu(1)	40%	20%	n.m.	n.m.	n.m.	33%
Baudouin Prot	80%	n.m.	n.m.	100%	n.m.	82%
Daniela Riccardi	100%	n.m.	n.m.	n.m.	100%	100%
Ginevra Elkann(2)	100%	n.m.	n.m.	100%	n.m.	100%

(1) Jean Liu's attendance rate was affected in 2021 by her professional commitments.
(2) Term of office as a member of the Board ended on April 27, 2021.
n.m.: Not a member

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 2021.

2.5 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 to strengthen 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 January 2020 application guide. These principles were notably applied for the preparation of this report on corporate governance. The AFEP-MEDEF Code is available in English on the AFEP website at www.afep.com and the MEDEF website at www.medef.com.

In accordance with Article L. 22-10-10, paragraph 4 of the French Commercial Code, Kering refers to the AFEP-MEDEF Code, and complies with its recommendations, except for the following recommendation:

AFEP-MEDEF recommendation	Kering's practice / Explanations
Proportion of independent members in the Nominations Committee (section 17.1 of the Code) The Code recommends that the Nominations Committee must mostly consist of independent directors.	Following Ginevra Elkann's departure on April 27, 2021, the Appointments and Governance Committee has five members, 50% of whom are independent Directors. As announced on March 4, 2022, following the proposals to appoint three new Directors, the Board of Directors entrusted the Appointments and Governance Committee with the task of reshaping membership of the Committees after the April 28, 2022 Annual General Meeting. However, pending these changes to its membership, the Board of Directors believes this does not impair the effectiveness of the Committee's work. The Committee's members are five non-executive Directors, two of whom are independent and one Director representing employees, ensuring members can speak freely. In addition, the work, recommendations and opinions of the Committee are reported in detail and discussed at Board meetings by all the Directors.

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 their attendance are specified in the provisions of Article 19 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) Kering's current shareholding structure (Artémis being the majority shareholder, with 41.74% of the share capital and 58.44% of the theoretical voting rights of Kering as of December 31, 2021), (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 share capital, as expressly described in this Universal Registration Document, is liable to have an impact in the event of a public tender offer for the Company's shares or could have the effect of delaying, deferring or preventing a change of control of the Company.

To the best of the Company's knowledge, there are no agreements between the Company's shareholders that could restrict the transfer of Kering shares or the exercise of the corresponding voting rights.

3 - REGULATORY INFORMATION ON CORPORATE OFFICERS

To the best of 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 being involved 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 of the Company 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 their 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 they were designated as Director or corporate officer.

Moreover, no service contract providing for the granting of benefits binds the Directors to the Group.

No assets belonging directly or indirectly to the Company's senior executives are used in Group operations.

To the best of the Company's knowledge, none of the Directors or corporate officers faces a 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 2021 by senior 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*), is summarized below:

	Type of transaction	Transaction date	Average price
Artémis	Sale of 50,000 shares (put options)	February 18, 2021	€42.67(1)
Artémis	Purchase of 20,000 shares	February 18, 2021	€530.40
Artémis	Sale of 50,000 shares (put options)	February 19, 2021	€43.77(1)
Concetta Battaglia, member of the Board of Directors	Purchase of 43 shares	February 23, 2021	€520.44
Concetta Battaglia, member of the Board of Directors	Purchase of 7 shares	February 24, 2021	€530.30
Artémis	Sale of 25,000 shares (put options)	February 24, 2021	€42.27(1)
Artémis	Purchase of 15,000 shares	April 23, 2021	€648.79
Artémis	Sale of 50,000 shares (put options)	April 27, 2021	€22.05(1)
Artémis	Sale of 50,000 shares (put options)	May 5, 2021	€24.90(1)
Artémis	Purchase of 20,000 shares	May 7, 2021	€692.95
Artémis	Purchase of 5,000 shares	May 10, 2021	€698.96
Artémis	Purchase of 20,000 shares	May 11, 2021	€691.85
Artémis	Purchase of 20,000 shares	May 12, 2021	€694.92
Artémis	Purchase of 4,023 shares	May 13, 2021	€687.03
Artémis	Purchase of 2,500 shares	May 14, 2021	€704.20
Artémis	Purchase of 10,000 shares	May 18, 2021	€710.73
Artémis	Purchase of 15,000 shares	May 19, 2021	€702.18
Artémis	Purchase of 14,873 shares	May 20, 2021	€710.10
Artémis	Purchase of 3,927 shares	May 21, 2021	€717.46
Artémis	Purchase of 1,356 shares	May 24, 2021	€720.49
Artémis	Purchase of 15,000 shares	May 25, 2021	€726.29
Artémis	Purchase of 10,000 shares	May 27, 2021	€737.55
Artémis	Purchase of 10,000 shares	May 28, 2021	€745.09
Artémis	Purchase of 10,000 shares	May 31, 2021	€749.72
Artémis	Purchase of 7,500 shares	June 1, 2021	€746.27
Artémis	Sale of 25,000 shares (put options)	June 2, 2021	€25.92(1)
Artémis	Purchase of 1,424 shares	June 2, 2021	€742.97
Artémis	Sale of 25,000 shares (put options)	June 3, 2021	€27.73(1)
Artémis	Purchase of 2,074 shares	June 4, 2021	€734.93
Artémis	Purchase of 5,500 shares	June 9, 2021	€744.65
Artémis	Sale of 50,000 shares (put options)	June 10, 2021	€27.71(1)
Artémis	Purchase of 3,000 shares	June 10, 2021	€739.73
Artémis	Purchase of 5,000 shares	June 16, 2021	€748.64
Artémis	Sale of 25,000 shares (put options)	June 16, 2021	€19.11(1)
Artémis	Purchase of 10,000 shares	June 18, 2021	€751.75
Artémis	Purchase of 10,000 shares	June 23, 2021	€739.37
Artémis	Purchase of 218 shares	June 24, 2021	€746.37
Artémis	Sale of 25,000 shares (put options)	June 24, 2021	€17.19(1)
Artémis	Sale of 25,000 shares (put options)	August 23, 2021	€17.71(1)
Artémis	Sale of 50,000 shares (put options)	August 24, 2021	€27.20(1)
Artémis	Purchase of 32,000 shares	August 30, 2021	€759.64
Artémis	Sale of 50,000 shares (put options)	September 29, 2021	€31.17(1)

(1) Refers to the price of the sold options.

Related-party agreement

The support agreement between Kering and Artémis, which was approved in a previous fiscal year, remained in force in 2021. This agreement is described in the Statutory Auditors' report in Chapter 5 of this Universal Registration Document.

4 – REMUNERATION OF 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 in January 2020, as well as the guide to developing universal registration documents published by the French financial markets authority (*Autorité des marchés financiers* – AMF) on January 5, 2022 and the reports on corporate governance and executive remuneration in listed companies issued by the AMF and 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 2022, subject to approval by the Annual General Meeting of April 28, 2022 (*ex-ante* vote)

Acting on a recommendation of the Remuneration Committee, on February 16, 2022, the Board of Directors approved the remuneration policy applicable to the Chairman and Chief Executive Officer and the Group Managing Director for 2022.

In compliance with the provisions of Articles L. 22-10-8 and R. 22-10-14 of the French Commercial Code, the 2022 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 for the approval of the shareholders at Kering's Annual General Meeting, to be held on April 28, 2022.

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 set 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 (84% for the Chairman and Chief Executive Officer and 80% for the Group Managing Director), reflecting their obligation to create medium- and long-term value.

The variable portion of executive corporate officers' remuneration is subject to performance conditions relating to financial criteria as well as corporate, social and environmental responsibility, reflecting the Group's ambitious objectives in these areas, and encouraging the executive corporate officers to base their decisions and actions on ensuring long-term profitability.

The decision approved at the Annual General Meeting of June 16, 2020 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) and free cash flow from operations (FCF) – 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 first assessed by the Remuneration Committee, which reports thereupon to the Board of Directors. This assessment is based on information provided by the Legal, Sustainability and Human Resources Departments, members of 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 predicated, in turn, on analyses and recommendations provided by the Group's Sustainability, 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. Where appropriate, it may be supported by an assignment conducted by external consultants. 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 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 the shareholders at the Annual General Meeting, in compliance with Article L. 22-10-8 of the French Commercial Code.

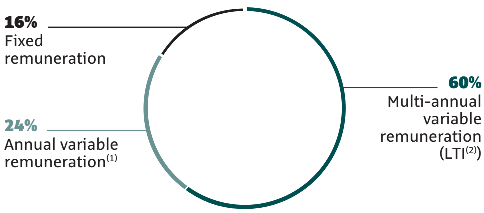
The Chairman and Chief Executive Officer and the Group Managing Director do not participate in either the discussion or the vote during Remuneration Committee or Board meetings on these topics.

4.1.2 Components of the remuneration policy for the Chairman and Chief Executive Officer and the Group Managing Director

For 2022, the remuneration structure for executive corporate officers will comprise three components: fixed remuneration, annual variable remuneration and multi-annual variable remuneration.

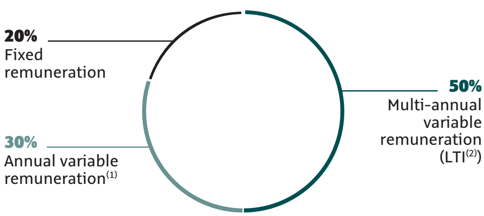
The relative weight of each component will be as follows:

Chairman and Chief Executive Officer



(1) Annual variable remuneration: 150% of fixed remuneration.
(2) LTI: 150% of the fixed remuneration for year Y + annual variable remuneration due for year Y-1.

Group Managing Director



(1) Annual variable remuneration: 150% of fixed remuneration.
(2) LTI: 100% of the fixed remuneration for year Y + annual variable remuneration due for year Y-1.

Fixed remuneration

The fixed remuneration of the Chairman and Chief Executive Officer and the Group Managing Director is determined by taking into account various factors, including:

- the level and complexity of the tasks and responsibilities associated with the roles of Chairman and Chief Executive Officer and of Group Managing Director in a group of Kering's size;
- 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.

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 leave the annual fixed remuneration of the Chairman and Chief Executive Officer and the Group Managing Director at €1,200,000 each, a level it had been at for the last five years[1].

Annual variable remuneration

Variable remuneration is designed to align the reward accruing to executive corporate officers with the Group's annual financial performance and its strategic long-term environmental, social and governance (ESG) objectives. It is stated as a percentage of annual fixed remuneration.

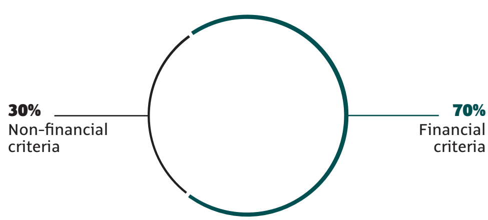
On February 16, 2022, acting on a proposal made by the Remuneration Committee, the Board of Directors decided to adjust the target amounts for the annual variable remuneration of executive corporate officers. When targets are met, annual variable remuneration will now be equal to 150% of fixed remuneration for the Chairman and Chief Executive Officer and the Group Managing Director (vs. 120% of fixed remuneration for the Chairman and Chief Executive Officer and 100% of fixed remuneration for the Group Managing Director in the remuneration policy approved by shareholders at the Annual General Meeting of April 22, 2021).

When targets are exceeded, annual variable remuneration may amount to 203% of fixed remuneration for the Chairman and Chief Executive Officer and the Group Managing Director, provided that the achievement of the financial targets exceeds 125% of the thresholds set and that all non-financial targets are met.

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 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 annual variable remuneration of the Chairman and Chief Executive Officer and of the Group Managing Director is determined as follows:

Distribution of the annual variable remuneration criteria



(1) In light of the COVID-19 pandemic and its impact on business activity, and following the decision made by the Chairman and Chief Executive Officer, at its meeting of April 21, 2020, the Board of Directors decided, as an exceptional measure, to reduce the amount of the fixed remuneration proposed for the Chairman and Chief Executive Officer for 2020 to an amount of €960,000.

Financial criteria	Weighting
Consolidated recurring operating income	35%
Consolidated free cash flow from operations	35%
SUB-TOTAL	70%

Non-financial criteria	2022 targets	Weighting
Sustainability	**Objective: Sustainability and, more particularly, a reduction in Kering's environmental impact, in line with the strategy for 2025** • continue to embed an active sustainability culture across all Group entities and supply chains; • eliminate single-use plastics from BtoC packaging; • step up and run sustainability partnerships and initiatives in conjunction with universities; • add more ESG indicators to the existing list; • lead the Fashion Pact, positioning Kering at the vanguard of the international industry and attracting new members; • establish and lead the Watches and Jewellery Initiative 2030 coalition. **Objective: Ethics** • strengthen the culture of ethics within the Group; • conduct internal communication initiatives to promote this culture; • increase the number of employees who have completed the new Code of Ethics e-learning module.	10%
Corporate social responsibility	**Involvement of executive corporate officers through regular communication about compliance issues, to provide real leadership:** The Chairman and Chief Executive Officer and the Group Managing Director must issue at least one compliance-related message every year, emphasizing the importance to the Group of having a Culture of Integrity. This message must be supported by an equivalent message from the Houses' CEOs.	10%
Organization and talent management	**Commitment by the executive corporate officers demonstrating by championing, supporting and leading initiatives to**: • 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; • entrench Kering's culture and values and to enhance organizational efficiency and ensure the Group remains in step with new business priorities 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.

Criteria for the non-financial targets defined for 2022 are listed above. For confidentiality reasons, the targets associated with financial criteria are not disclosed at the time they are set but disclosed *ex-post* for assessing the achievement rate of these targets.

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.

The above-described principles for the determination of annual variable remuneration of the executive corporate officers will be pursued in 2022 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Total variable remuneration due for 2022 will be paid in 2023, following the Annual General Meeting's approval of the financial statements. Payment is also subject to the Annual General Meeting's approval of the 2022 remuneration policy.

Factors determining the payment of annual variable remuneration

The factors determining payment of annual variable remuneration are the same as for 2021 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.

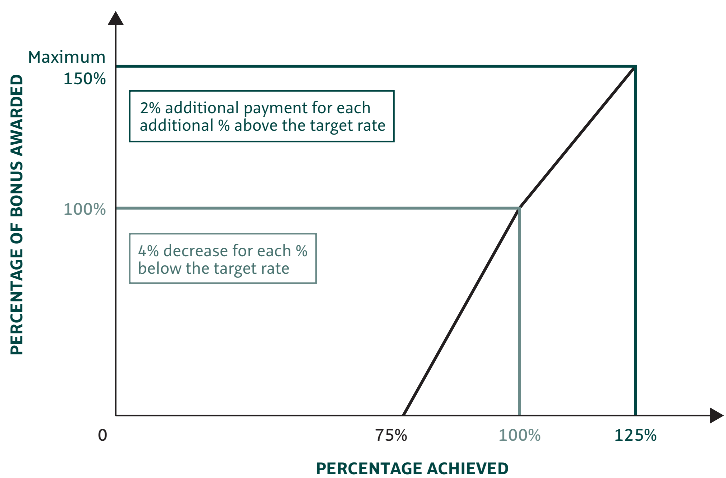
For the financial targets (70% of annual variable remuneration), the achievement rate must be at least 75% for each target for variable remuneration to be paid. If targets are met exactly, the variable remuneration awarded corresponds to 100% of the target amount. If the achievement rate reaches or exceeds 125%, 150% of the target amount is paid out.

For the non-financial targets (30% of annual variable remuneration), the percentage of the bonus awarded depends on the achievement of each of the three criteria: if none of the criteria are met, no bonus will be paid; if one criterion is met, one-third of the bonus will be paid; if two criteria are met, two-thirds of the bonus will be paid; and if all the criteria are met, the bonus will be paid in full.

		As a % of fixed remuneration
	% of bonus awarded	**Chairman-CEO and GMD (150% of fixed remuneration)**
Achievement rate of financial targets (70% of the bonus)(1)		
≤ 75%	0%	0%
100%	100%	105%
≥ 125%	150%	158%
Achievement rate of non-financial targets (30% of the bonus)		
0 criteria	0%	0%
1 of 3 criteria	1/3	15%
2 of 3 criteria	2/3	30%
3 of 3 criteria	100%	45%
Maximum bonus (for achieving 125% of the financial targets and 100% of the non-financial targets)		**203%**

(1) See graph below illustrating the rate of payment of the bonus depending on the achievement of financial targets.

Share of the bonus relating to financial targets



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, for 90% achievement of the target, an executive corporate officer would receive 60% of the annual variable remuneration; or for 110% achievement of the target, 120% of the annual variable remuneration.

Multi-annual variable remuneration

Long-term incentive

Acting on the recommendation of the Board of Directors and following the approval of the shareholders at the Annual General Meeting of June 16, 2020, the executive corporate officers' long-term remuneration was modified, effective from 2020, by replacing Kering Monetary Units (KMUs) with performance share awards.

This system serves to tighten the link between the remuneration of executive corporate officers and their direct contribution to long-term performance, 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.

On February 16, 2022, acting on a proposal made by the Remuneration Committee, the Board of Directors decided to adjust the target amounts for the multi-annual variable remuneration of executive corporate officers. Subject to shareholders' approval at the forthcoming Annual General Meeting, the value of the multi-annual remuneration will now be equal to 150% and 100% respectively of the total annual remuneration in cash for the Chairman and Chief Executive Officer and the Group Managing Director paid in year Y, i.e. total annual cash-based remuneration is determined by adding together annual fixed remuneration and variable remuneration due for year Y-1 (vs. 100% for the Chairman and Chief Executive Officer and 80% for the Group Managing Director in the remuneration policy approved by shareholders at the Annual General Meeting of April 22, 2021), it being stipulated that the value of this multi-annual remuneration will be calculated without taking into account any remuneration that may be paid on a deferred basis.

Performance conditions

Acting on the recommendation of the Board of Directors and following the approval of the shareholders at the Annual General Meeting of April 22, 2021, the performance conditions governing the multi-annual remuneration of the two executive corporate officers changed to:

- make the number of shares actually obtained following the three-year vesting period conditional upon an overall performance not limited to the achievement of financial targets, with an additional focus on the Group's strategic commitment to ESG issues;
- introduce stricter requirements for the financial criteria;
- maintain the predominant impact of the performance of the Kering share relative to that of a reference index of luxury goods companies.

These criteria will again be implemented for 2022.

Accordingly, the number of performance shares awarded to executive corporate officers that ultimately vest is now subject to the criteria and weightings indicated in the table below:

Criteria	Relative weighting	Performance assessment method
Consolidated recurring operating income	40%	Increase observed between the average amount over the three-year vesting period and the amount observed for the year preceding the year of the grant • No increase: 0 shares • Increase < 5%: 50% of the shares relating to the criterion • Increase ≥ 5%: 100% of the shares relating to the criterion
Consolidated free cash flow from operations	40%	Increase observed between the average amount over the three-year vesting period and the amount observed for the year preceding the year of the grant • No increase: 0 shares • Increase < 5%: 50% of the shares relating to the criterion • Increase ≥ 5%: 100% of the shares relating to the criterion
Proportion of women in executive management roles	10%	Lift the proportion of women in Top 450 roles to 48% by 2024 • Proportion < 40%: 0 shares • Proportion between 40% and 48%: 50% of the shares relating to the criterion • Proportion ≥ 48%: 100% of the shares relating to the criterion
Biodiversity	10%	Switchover to regenerative agriculture practices by 2024 on 400,000 hectares of land linked to Kering's supply chain and protection of 500,000 hectares in key areas that are not part of the supply chain • No targets met: 0 shares • One target met: 50% of the shares relating to the criterion • Both targets met: 100% of the shares relating to the criterion
Sub-total	**100%**	
Kering share performance	+/-50% impact	• < target: up to -50% • Equal to target: 0% • > target: up to +50% See below for details
TOTAL	50% TO 150%	

The number of performance shares that ultimately vest subject to the fulfillment of the financial and non-financial performance conditions described above and the service condition described below will be adjusted upward or downward by a maximum proportion of 50%, depending on the performance of the Kering share price (difference in price between the award date of the performance shares and the end of the vesting period) relative to the performance of a reference index (followed in the same way) over the same period. The reference index comprises the shares of the following eight listed companies: Burberry, Ferragamo, Hermès, LVMH, Moncler, Prada, Richemont and Swatch.

It follows that the number of vested shares based on financial and non-financial criteria may be reduced by half if the Kering share underperforms the reference index by more than 50%. Conversely, if the Kering share outperforms, the number of vested shares based on financial and non-financial criteria may be increased in proportion to this outperformance by up to 50%.

Service condition

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 on February 11, 2020, 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 2022.

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 will also receive remuneration for some of the offices he holds within the Group, as specified in Table 2 on page 146.

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 benefits from an international health insurance and a company car with a driver.

The Group Managing Director benefits from international health insurance, life and disability insurance and a company car with a driver.

Draft resolution regarding remuneration of executive corporate officers

Eleventh 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. 22-10-8 of the French Commercial Code, approves the remuneration policy for executive corporate officers as described in the aforementioned report, which is included in the 2021 Universal Registration Document, Chapter 3 "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 2022, subject to approval by the Annual General Meeting of April 28, 2022 (*ex-ante* vote)".

4.2 Remuneration policy applicable to the members of the Board of Directors for 2022, subject to approval by the Annual General Meeting of April 28, 2022 (*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 the Directors provides that variable remuneration should account for 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 the Directors is notably based on their actual presence at meetings of the Board and its specialized Committees and on the time and efforts 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 the 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 within the Group (including as a Director of Kering SA) or as a member of the specialized Board Committees.

Claire Lacaze and Concetta Battaglia, the Directors representing employees, both have a permanent employment contract with the Company or a Group company.

4.2.2 Components of the remuneration policy for members of the Board of Directors

Acting on the recommendation of the Board of Directors and following shareholders' approval at the Annual General Meeting on April 22, 2021, the total remuneration allocated to the Directors was lifted from €877,000, its level since 2017, to €1,400,000. The higher figure reflects the increased number of Board members, the additional remuneration allocated to the Lead Independent Director, and the special portion allocated to the Sustainability Committee Chair.

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 and other than in the special circumstances created by the COVID-19 pandemic, 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 2022), 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 set in advance by the Board of Directors. The Lead Independent Director's objectives for 2022 will be the following:

- promote and maintain a good relationship between the Board and its shareholders and investors;
- coordinate the assessment of the Board and its members;
- facilitate and build relationships within the Board, as permitted by the health situation, including by holding meetings without executive corporate officers;
- ensure the effective implementation of mechanisms to prevent and resolve potential conflicts of interest;
- report, on a quarterly basis, to the Chairman of the Board on the performance of her duties.

Draft resolution regarding remuneration of corporate officers

Twelfth 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. 22-10-8 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 2021 Universal Registration Document, Chapter 3 "Report on corporate governance", section 4.2 "Remuneration policy applicable to the members of the Board of Directors for 2022, subject to approval by the Annual General Meeting of April 28, 2022 (*ex-ante* vote)" (non-executive corporate officers).

4.3 Report on the remuneration paid during or awarded for 2021 to corporate officers in respect of their duties (*ex-post* vote)

4.3.1 Remuneration paid during or awarded for 2021 to the Chairman and Chief Executive Officer and the Group Managing Director (executive corporate officers) in respect of their duties

The remuneration of the executive corporate officers for 2021 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 22, 2021 (11th resolution).

In light of the COVID-19 pandemic and its impact on business activity, and at the request of the Chairman and Chief Executive Officer and the Group Managing Director, at its meeting of April 21, 2020 the Board of Directors had decided to amend the remuneration policy applicable to executive corporate officers for 2020, by reducing the proposed fixed remuneration for the Chairman and Chief Executive Officer to an amount of €960,000 and eliminating the annual variable remuneration for executive corporate officers. The shareholders approved the 2020 remuneration policy at the Annual General Meeting of June 16, 2020.

Summary of remuneration, options and performance shares awarded to each executive corporate officer

(Table no. 1 pursuant to the recommendations of the AFEP-MEDEF Code and AMF position-recommendation no. 2009-16)

François-Henri Pinault ***Chairman and Chief Executive Officer*** **Gross amounts** *(in €)*	**Amounts awarded for 2021**	**Amounts awarded for 2020**
Remuneration awarded(1)	3,185,636	1,032,192
Value of performance shares granted during the year (see details in Table 6)	2,501,205(2)	2,288,637(3)
Value of other long-term remuneration plans	N/A	N/A
TOTAL	5,686,841	3,320,829

(1) The amounts awarded 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 not therefore included in this section. KMUs that are still vesting are included in the table summarizing KMUs on page 157.
In light of the COVID-19 pandemic and its impact on business activity, and following the decision made by the Chairman and Chief Executive Officer, at its meeting of April 21, 2020 the Board of Directors had decided (i) to reduce the proposed fixed remuneration for the Chairman and Chief Executive Officer for 2020 to an amount of €960,000 and (ii) to remove his annual variable remuneration for 2020.
(2) This amount is based on the number of performance shares awarded in 2021, at their fair value at the grant date. In the consolidated financial statements, this amount is spread over the KMU vesting period, in accordance with IFRS 2.
(3) This amount is based on the number of performance shares awarded in 2020, at their fair value at the grant date. 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*** **Gross amounts** *(in €)*	**Amounts awarded for 2021**	**Amounts awarded for 2020**
Remuneration awarded(1)	3,007,643	1,426,844
Value of performance shares granted during the year (see details in Table 6)	1,818,945(2)	1,719,521(3)
Value of other long-term remuneration plans	N/A	N/A
TOTAL	4,826,588	3,146,365

(1) The amounts awarded 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 not therefore included in this section. KMUs that are still vesting are included in the table summarizing KMUs on page 157.
In light of the COVID-19 pandemic and its impact on business activity, and following the decisions made by the Chairman and Chief Executive Officer and the Group Managing Director, at its meeting of April 21, 2020 the Board of Directors had decided to remove the annual variable remuneration for executive corporate officers for 2020.
(2) This amount is based on the number of performance shares awarded in 2021, at their fair value at the grant date. In the consolidated financial statements, this amount is spread over the KMU vesting period, in accordance with IFRS 2.
(3) This amount is based on the number of performance shares awarded in 2020, at their fair value at the grant date. In the consolidated financial statements, this amount is spread over the KMU vesting period, in accordance with IFRS 2.

Table summarizing the remuneration of the Chairman and Chief Executive Officer
(Table no. 2 pursuant to the recommendations of the AFEP-MEDEF Code and AMF position-recommendation no. 2009-16)

François-Henri Pinault *Chairman and Chief Executive Officer* **Gross amounts** *(in €)*	2021 Amounts awarded for the year	2021 Amounts paid during the year	2020 Amounts awarded for the year	2020 Amounts paid during the year
Fixed remuneration	1,200,000	1,200,000	960,000	960,000(1)
Annual variable remuneration	1,844,208	–(1)	–(1)	947,088(6)
Multi-annual variable remuneration:				
2017 Plan:		6,230,128(2)	-	6,000,000(2)
2018 Plan:		–(3)	-	-
Exceptional remuneration				
2018 Plan:		–(4)	-	-
Remuneration paid in respect of duties as a Director *(Kering)*	91,527	62,100(5)	62,100	67,006(6)
Benefits in kind(7)	49,901	49,901	10,092	10,092
TOTAL	3,185,636	7,542,129	1,032,192	7,984,186

(1) In light of the COVID-19 pandemic and its impact on business activity, and following the decision made by the Chairman and Chief Executive Officer, at its meeting of April 21, 2020 the Board of Directors had decided (i) to reduce the proposed fixed remuneration for the Chairman and Chief Executive Officer for 2020 to an amount of €960,000 and (ii) to remove his annual variable remuneration for 2020.

(2) 10,471 KMUs were awarded under the 2017 plan to the Chairman and Chief Executive Officer at €249 per KMU, corresponding to an amount of €2,607,279 at the award date and exercised in April 2020 based on a value of €1,168 per unit as of December 31, 2019, corresponding to an amount of €12,230,128. Following the decision made by the Board of Directors of February 16, 2020, a sum of €6,000,000 was paid in 2020 to the Chairman and Chief Executive Officer. The stated amount of €6,230,128 corresponds to the deferred amount resulting from the exercise of these KMUs.

(3) 5,411 KMUs were awarded under the 2018 plan to the Chairman and Chief Executive Officer at €581 per KMU, corresponding to an amount of €3,143,791 at the award date. No cashing-in request was received in 2021, and the KMUs may be cashed in either in April 2022 based on a value of €1,387 per unit as of December 31, 2021, corresponding to an amount of €7,505,057, or in October 2022, based on a KMU value as of June 30, 2022.

(4) 5,000 KMUs were awarded in 2018 to the Chairman and Chief Executive Officer at €581 per KMU, without any performance condition, following the major transformation of the Group, corresponding to an amount of €2,905,000 at the award date and exercised in April 2020 based on a value of €1,168 per unit as of December 31, 2019, corresponding to an amount of €5,840,000. Following the decisions made by the Board of Directors of February 16, 2022, payment of this amount was deferred in full.

(5) For 2020.

(6) For 2019.

(7) The Chairman and Chief Executive Officer benefits from a company car with a driver and an international health insurance.

Table summarizing the remuneration of the Group Managing Director

(Table no. 2 pursuant to the recommendations of the AFEP-MEDEF Code and AMF position-recommendation no. 2009-16)

Jean-François Palus *Group Managing Director* **Gross amounts** *(in €)*	**2021** Amounts awarded for the year	**2021** Amounts paid during the year	**2020** Amounts awarded for the year	**2020** Amounts paid during the year
Fixed remuneration	1,200,000	1,200,000	1,200,000	1,200,000
Annual variable remuneration	1,536,840	-(1)	-(1)	816,699(7)
Multi-annual variable remuneration:				
2017 Plan:		2,004,928(2)	-	6,400,000(2)
2018 Plan:		-(3)	-	-
Exceptional remuneration:				
2017 Plan:		5,840,000(4)	-	-
2018 Plan:		3,504,000(5)	-	-
Remuneration paid in respect of duties as a Director *(Kering)*	98,301	62,100(6)	62,100	71,901(7)
Remuneration paid in respect of duties as a Director *(subsidiaries)*	60,000	60,000(6)	60,000	60,000(7)
Benefits in kind(8)	112,502	112,502	104,744	104,744
TOTAL	3,007,643	12,783,530	1,426,844	8,653,344

(1) In light of the COVID-19 pandemic and its impact on business activity, and following the decisions made by the Chairman and Chief Executive Officer and the Group Managing Director, at its meeting of April 21, 2020 the Board of Directors decided to remove the annual variable remuneration for executive corporate officers for 2020.
(2) 7,196 KMUs were awarded under the 2017 plan to the Group Managing Director at €249 per KMU, corresponding to an amount of €1,791,804 at the award date and exercised in April 2020 based on a value of €1,168 per unit as of December 31, 2019, corresponding to an amount of €8,404,928. Following the decision made by the Board of Directors of February 16, 2020, a sum of €6,400,000 was paid in 2020 to the Group Managing Director. The stated amount of €2,004,928 corresponds to the deferred amount resulting from the exercise of these KMUs.
(3) 3,809 KMUs were awarded under the 2018 plan to the Group Managing Director at €581 per KMU, corresponding to an amount of €2,213,029 at the award date and exercised in October 2021 based on value per unit of €1,525 as of June 30, 2021, corresponding to an amount of €5,808,725. Following the decision made by the Board of Directors of February 16, 2022, payment of this amount in respect of 2021 was deferred in full.
(4) 5,000 KMUs were awarded under the 2017 plan to the Group Managing Director at €249 per KMU, without any performance condition, in connection with the drive to build the Group into a business exclusively dedicated to Luxury activities, corresponding to an amount of €1,245,000 at the award date and exercised in April 2020 based on a value per unit of €1,168 as of December 31, 2019, corresponding to an amount of €5,840,000. Following the decision made by the Board of Directors of February 16, 2020 to defer payment, the sum was paid out in full in 2021.
(5) 3,000 KMUs were awarded in 2018 to the Group Managing Director at €581 per KMU, without any performance condition, following the Group's major transformation, corresponding to an amount of €1,743,000 at the award date and exercised in April 2020 based on a value per unit of €1,168 as of December 31, 2019, corresponding to an amount of €3,504,000. Following the decision made by the Board of Directors of February 16, 2020 to defer payment, the sum was paid out in full in 2021.
(6) For 2020.
(7) For 2019.
(8) The Group Managing Director receives the benefit of a company car with a driver, as well as international health, disability and life insurance.

Annual remuneration due in respect of their duties as members of the Board of Directors of Kering for 2020 was paid in February 2021 and that payable for 2021 was paid in February 2022.

Details relating to annual variable remuneration awarded for 2021

Achievement rate of targets in 2021 – François-Henri Pinault, Chairman and Chief Executive Officer

Indicator	Target weighting	Targets and objectives *(in € millions)*	Thresholds: Minimum achievement rate *the target*	Thresholds: Payment *as a % of the index*	Thresholds: Target *as a % of the target*	Thresholds: Payment *as a % of the index*	Thresholds: Maximum achievement rate *as a % of the target*	Thresholds: Payment *as a % of the index*	Achieved *as a % of the target*	Rate of payment	Corresponding amount in €
Financial criteria											
Consolidated recurring operating income	35%	4,358	75%	0%	100%	100%	125%	150%	115.1%(1)	130.2%	656,208
Consolidated free cash flow from operations	35%	3,094	75%	0%	100%	100%	125%	150%	145.3%(2)	150.0%	756,000
TOTAL FINANCIAL CRITERIA	70%								130.2%	140.1%	1,412,208
Non-financial criteria											
Sustainability	10%	See description on pages 149 to 151			100%	100%	100%	100%	100.0%	100.0%	144,000
Corporate social responsibility	10%				100%	100%	100%	100%	100.0%	100.0%	144,000
Organization and talent management	10%				100%	100%	100%	100%	100.0%	100.0%	144,000
TOTAL NON-FINANCIAL CRITERIA	30%								100.0%	100.0%	432,000
TOTAL VARIABLE REMUNERATION PAID											1,844,208
Variable remuneration achieved *(in €)*										1,844,208	
Variable remuneration achieved *(as % of fixed remuneration)*										153.7%	
Target variable remuneration *(in €)*										1,440,000	
Target variable remuneration *(as % of fixed remuneration)*										120.0%	

(1) Target achieved for the consolidated recurring operating income: €5,017 million.
(2) Target achieved for the consolidated free cash flow from operations: €3,948 million.

Rate of achievement of targets in 2021 – Jean-François Palus, Group Managing Director

Indicator	Target weighting	Targets and objectives *(in € millions)*	Thresholds						Achieved *as a % of the target*	Rate of payment	Corresponding amount in €
			Minimum achievement rate *the target*	Payment *as a % of the index*	Target *as a % of the target*	Payment *as a % of the index*	Maximum achievement rate *as a % of the target*	Payment *as a % of the index*			
Financial criteria											
Consolidated recurring operating income	35%	4,358	75%	0%	100%	100%	125%	150%	115.1%[(1)]	130.2%	546,840
Consolidated free cash flow from operations	35%	3,094	75%	0%	100%	100%	125%	150%	145.3%[(2)]	150.0%	630,000
TOTAL FINANCIAL CRITERIA	70%								130.2%	140.1%	1,176,840
Non-financial criteria											
Sustainability	10%				100%	100%	100%	100%	100.0%	100.0%	120,000
Corporate social responsibility	10%	See description on pages 149 to 151			100%	100%	100%	100%	100.0%	100.0%	120,000
Organization and talent management	10%				100%	100%	100%	100%	100.0%	100.0%	120,000
TOTAL NON-FINANCIAL CRITERIA	30%								100.0%	100.0%	360,000
TOTAL VARIABLE REMUNERATION PAID											1,536,840
Variable remuneration achieved *(in €)*										1,536,840	
Variable remuneration achieved *(as % of fixed remuneration)*										128.1%	
Target variable remuneration *(in €)*										1,200,000	
Target variable remuneration *(as % of fixed remuneration)*										100.0%	

(1) Target achieved for the consolidated recurring operating income: €5,017 million.
(2) Target achieved for the consolidated free cash flow from operations: €3,948 million.

Achievement of non-financial targets in 2021

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	2021 targets	Review of achievements	Weighting
Organization and talent management	Promote, support and implement actions to: • increase diversity in the workforce, with a particular emphasis on achieving gender balance	Within the Group, women account for 63% of the total workforce, 56% of managers, 33% of Executive Committee members and 55% of its Directors (excluding Directors representing employees) Refinitiv index: 9th in the global rankings, top French group Bloomberg GEI index: included in the rankings for the 5th year in a row At the initiative of the two executive corporate officers: • Coordination of 13 inclusion & diversity committees, with more than 100 standing members; • Launch of a Diverse Mentoring program for the Executive Corporate Officers and Executive Committee members; • Employee survey dedicated to Inclusion & Diversity (10 questions, 87% participation rate).	10%
	• ensure succession plans are in place for Executive Committee members and key positions, as well as talent development overall	1,800 employees were identified as talented individuals during Group talent reviews (via the Houses and the support functions). Critical positions were reviewed in the succession plans.	
	• enhance organizational efficiency and ensure the Group remains in step with new business priorities and changing external conditions	• Breakthroughs achieved in 2021 by three of the Group's major transformation programs (e-commerce, logistics, finance) • Deployment of Kering's leadership model: inclusion, care, boldness and tenacity • Efforts to bolster the "We Care & We Dare" employer brand.	
Corporate social responsibility	• organize training by the Compliance Department for at least 300 employees worldwide to continue raising awareness of compliance issues	In 2021, at the initiative of the Chairman and Chief Executive Officer and the Group Managing Director, the Compliance Department trained over 2,000 employees worldwide in the Group's compliance program. Specific compliance programs were also delivered for over 650 employees of the Houses' stores in China on the back of a compliance audit carried out in 2019.	10%
	• update the anti-corruption risk assessment compiled in 2019	The corruption and influence peddling risk map was also updated during 2021.	
	• implement the anti-corruption action plan for the Middle East	The action plan prepared following the audit of the Group's activities in the Middle East during 2020 was rolled out in 2021.	
	• continue due diligence for existing third parties	The Group's Compliance team continued its controls on existing and potential partners, in accordance with the Procedure on third-party due diligence. In 2021, checks were performed on almost 25,000 third parties using the compliance database put in place by the Group.	

Non-financial *criteria (qualitative)* used to calculate annual variable remuneration	2021 targets	Review of achievements	Weighting
Corporate social responsibility (continued)	• maintain the engagement of the House CEOs through regular communication on compliance issues	In October 2021, the Chairman and Chief Executive Officer released a communication concerning the Group's culture of integrity, restating the Group's commitment to show zero tolerance to corruption, on Workplace (Group's social media platform) to coincide with the launch of the new Ethics & Compliance e-learning program. The CEOs of each House also issued a statement to mark the same occasion.	
	• adopt and roll out the Group anti-money-laundering policy (AML)	At the initiative of the Chairman and Chief Executive Officer and the Group Managing Director, the Group Compliance Department adopted and rolled out in 2021 a Group policy on preventing money-laundering risks ("AML Policy") to tighten up its safeguards in this area. This AML Policy lays down the rules for conducting checks associated with the Houses' sales activities. The AML Policy outlines the rules applicable to certain transactions deemed to be high-risk, as well as specific rules for each country in which the Houses have sales activities. The Group Compliance Department trained over 2,000 employees worldwide on how to apply this AML Policy.	
	• adopt and roll out the Group human rights policy	The Human Rights Policy was outlined in March 2021 via a message posted by the Chairman and Chief Executive Officer on Workplace and the Group's website. The policy clarifies and restates the Group's commitments to upholding human rights and protecting the environment. It also sets out how Kering and its Houses embrace these commitments in their corporate culture. All employees were reminded of the requirements arising from this policy via the Ethics & Compliance e-learning module, and these and will also feature in the training sessions delivered by the Group Compliance Department in 2022.	
	• implement an e-learning program dedicated to ethics and anti-corruption measures	At the initiative of the Chairman and Chief Executive Officer and the Group Managing Director, the Group Compliance Department participated with the Human Resources and Sustainability Departments in designing the Ethics & Compliance training program, by incorporating the anti-corruption module. The training session had been delivered to 96.4% of Kering employees worldwide by year-end 2021, up from 95.1% in 2020 and 94.4% in 2019.	
	• perform an in-depth compliance audit in Southeast Asia	At the initiative of the Chairman and Chief Executive Officer and Group Managing Director, the Group Compliance Department completed in February-March 2021 an in-depth audit of the Group's activities in Southeast Asia and Oceania. The purpose of the audit was to assess compliance by these activities with the applicable anti-corruption and money-laundering regulations, sanctions and embargoes, human rights and the duty of care. A report was prepared and it listed recommendations on how to tighten up existing controls.	

Non-financial *criteria (qualitative)* used to calculate annual variable remuneration	2021 targets	Review of achievements	Weighting
Sustainability Objective: Sustainability and, more particularly, a reduction in Kering's environmental impact, with the aim of being on track to meet the target of a 40% reduction (EP&L intensity 2015-2025)	• continue to instill an active sustainability culture across all Group entities and supply chains	Implementation of a collaborative portal providing suppliers with easy access to training and key Kering documents – including on human rights – and also greater transparency on supply chains. Via this portal, suppliers fill out three questionnaires every year covering implementation of the Kering Standards across the supply chain, environmental performance and social performance, and their practices in these areas are then assessed.	10%
	• create a Kering biodiversity fund: launch a call for regenerative agriculture projects and approve the first projects	François-Henri Pinault and Jean-François Palus oversaw implementation of the target set in 2020 of supporting the adoption by 2025 of regenerative agriculture practices on one million hectares of land within industry cotton, wool, cashmere and leather supply chains. Kering and Conservation International launched the Regenerative Fund for Nature and the first seven beneficiaries of the Fund were selected. These beneficiaries will support a transition to regenerative practices on more than 840,000 hectares of land. This initiative will directly benefit 60,000 people involved in small and larger-scale agricultural projects.	
	• step up and support the implementation of measures in favor of sustainability	François-Henri Pinault and Jean-François Palus announced Kering's decision to halt the use of animal fur Group-wide. Starting from the Fall 2022 collections, none of the Group's Houses will use animal fur. In addition, François-Henri Pinault and Jean-François Palus decided to accelerate the Group's commitment to the circular economy and drew up plans for a more circular approach in a bid to end the "take – make – consume – throw away" culture. This goal, which goes beyond mere recycling, involves a total rethink, in conjunction with the Houses, of the way in which the Group manufactures and manages resources and how it can extend the life cycle of products. Lastly, with the publication of the Group's climate strategy, François-Henri Pinault and Jean-François Palus have strengthened Kering's climate ambitions, leading to the SBTi's approval of a 1.5°C trajectory.	
	• lead the Fashion Pact, by positioning Kering as the international leader in its industry and attracting new members	The Fashion Pact currently represents over 250 brands, or one-third of the textile industry's production volumes. The results achieved internationally and the success of the collective approach pursued since 2019 under the aegis of the Fashion Pact have prompted Kering, working together with Cartier (delegated by Richemont) and the Responsible Jewellery Council to launch the Watch & Jewellery Initiative 2030 to extend and tighten up sustainability criteria right across the supply chain.	
Objective: Ethics	• strengthen the culture of ethics within the Group and conduct internal communication initiatives to promote this culture	Impetus and internal communication by François-Henri Pinault and Jean-François Palus to further strengthen the culture of ethics within the Group.	
	• further to the COVID-19 crisis, raise awareness and track implementation of best practices at our strategic suppliers	Suppliers were sent a message in 2021 informing them about the introduction of the ethics hotline.	
	• increase the number of employees who have completed the new Code of Ethics e-learning module	In 2021, 96.4% of the Group's employees were trained in best ethical practices.	
Sub-total			**30%**

History of annual variable remuneration payments

Chairman and Chief Executive Officer – François-Henri Pinault

(in €)	2017 (for 2016)	2018 (for 2017)	2019 (for 2018)	2020 (for 2019)	2021 (for 2020)
	1,407,318	1,944,000	1,944,000	947,088	0

Group Managing Director – Jean-François Palus

(in €)	2017 (for 2016)(1)	2018 (for 2017)(1)	2019 (for 2018)(1)	2020 (for 2019)	2021 (for 2020)
	1,078,355	1,607,864	1,696,783	816,699	0

(1) Data restated to reflect the exchange rate as of December 31, 2021 (0.84028) in order to provide information at comparable exchange rates.

Details relating to multi-annual variable remuneration for 2021

Acting on the recommendation of the Board of Directors and following the approval of the shareholders at the Annual General Meeting of June 16, 2020, the executive corporate officers' long-term remuneration was modified, effective from 2020, by replacing Kering Monetary Units (KMUs) with performance share awards.

Accordingly, as part of the 2021 share award plan, at its meeting of October 1, 2021, acting pursuant to the authorization granted at the Annual General Meeting of June 16, 2020, the Board of Directors decided to award 4,018 shares to the Chairman and Chief Executive Officer and 2,922 shares to the Group Managing Director, subject in both cases to a three-year vesting period.

The award value of this multi-annual variable remuneration at the award date is equal, for the Chairman and Chief Executive Officer and for 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 due for year Y-1).

Performance shares awarded during 2021 to each executive corporate officer
(Table no. 6 pursuant to the recommendations of the AFEP-MEDEF Code and AMF position-recommendation no. 2009-16)

	Plan number and date	Number of shares awarded during the year	Value of shares based on the method used in the consolidated financial statements(1)	Vesting date	Availability date	Performance conditions
François-Henri Pinault	2021 Plan					
Chairman and Chief Executive Officer	Of October 1, 2021	4,018	€2,501,205	October 1, 2024	October 2, 2024	100%(2)
Jean-François Palus	2021 Plan					
Group Managing Director	of October 1, 2021	2,922	€1,818,945	October 1, 2024	October 2, 2024	100%(2)

(1) The unit value of the performance shares awarded is assessed by an independent expert applying the Black & Scholes and Monte Carlo methods. It amounts to €622.5.
(2) The performance condition is based on four indicators and the following methods of assessment:

Criteria	Relative weighting	Performance assessment method
Consolidated recurring operating income	40%	Increase observed between the average amount over the three-year vesting period and the amount observed for the year preceding the year of the grant • No increase: 0 shares • Increase < 5%: 50% of the shares relating to the criterion • Increase ≥ 5%: 100% of the shares relating to the criterion
Consolidated free cash flow from operations	40%	Increase observed between the average amount over the three-year vesting period and the amount shown for the year preceding the year of the grant • No increase: 0 shares • Increase < 5%: 50% of the shares relating to the criterion • Increase ≥ 5%: 100% of the shares relating to the criterion
Proportion of women in executive management roles	10%	Lift the proportion of women in Top 450 roles to 45% by 2023 • Proportion < 40%: 0 shares • Proportion between 40% and 45%: 50% of the shares relating to the criterion • Proportion ≥ 45%: 100% of the shares relating to the criterion
Biodiversity	10%	Switchover to regenerative agriculture practices by 2023 on 200,000 hectares of land linked to Kering's supply chain and protection of 500,000 hectares in key areas that are not part of the supply chain • No targets met: 0 shares • One target met: 50% of the shares relating to the criterion • Both targets met: 100% of the shares relating to the criterion
Sub-total	**100%**	
Kering share performance	+/-50% impact	• < target: up to -50% • Equal to target: 0% • > target: up to +50% See below for details
TOTAL	50% TO 150%	

Provided that the above-described performance conditions and the service condition have been met, the number of vested performance shares will be adjusted upward or downward by a maximum proportion of 50%, depending on the performance of the Kering share price (difference in price between the award date of the plan and the end of the vesting period) relative to the performance of a reference index (followed in the same way) over the same period. The reference index comprises the shares of the following eight listed companies: Burberry, Ferragamo, Hermès, LVMH, Moncler, Prada, Richemont and Swatch.

It follows that the number of vested shares based on financial performance may be reduced by half if the Kering share underperforms the reference index by more than 50%. Conversely, if the Kering share outperforms, the number of vested shares based on financial performance may be increased in proportion to this outperformance by up to 50%.

The performance shares awarded to the Chairman and Chief Executive Officer and to the Group Managing Director in 2021, represent 0.003% and 0.002% of the Company's share capital, respectively.

Performance shares that became available during the year

None of the performance shares awarded to the executive corporate officers became available during 2021.

Past awards of performance shares to the executive corporate officers
(Table no. 9 pursuant to the recommendations of the AFEP-MEDEF Code and AMF position-recommendation no. 2009-16)

	2020 Plan	2021 Plan
Date of Annual General Meeting	June 16, 2020	June 16, 2020
Date of Board meeting	October 1, 2020	October 1, 2021
Total number of shares granted, o/w to:	46,596	42,752
François-Henri Pinault, Chairman and CEO	3,760	4,018
Jean-François Palus, Group Managing Director	2,825	2,922
o/w to the top ten employee beneficiaries (not corporate officers)	13,415	11,402
Vesting date of the shares	October 1, 2023	October 1, 2024
End date of the lock-in period	N/A(1)	N/A(1)
Performance conditions	100%(2)	100%(3)
Number of shares vested as of February 16, 2022	N/A	N/A
Aggregate number of shares canceled or forfeited	2,872	456
Performance shares remaining at the end of the reporting period	43,724	42,296

(1) 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 on February 11, 2020, which is two years of their annual fixed and variable remuneration at the date of delivery of the shares.

(2) The performance condition is based on the achievement of recurring operating income, free cash flow from operations and recurring operating margin targets, 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 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. The number of performance shares that ultimately vest will be adjusted upward or downward by a maximum proportion of 50%, depending on the performance of the Kering share price (difference in price between the award date of the performance shares and the end of the vesting period) relative to the performance of a reference index (followed in the same way) over the same period. The reference index comprises the shares of the following eight listed companies: Burberry, Ferragamo, Hermès, LVMH, Moncler, Prada, Richemont and Swatch.

(3) Performance conditions and adjustment ratio shown in Table 6 above.

Past awards of Kering Monetary Units (KMU)

In addition, the KMUs awarded in 2019 may be cashed in from April 2022. The previous long-term incentive system (which applied from 2013 to 2019) was based on Kering Monetary Units (KMUs). The value of these 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 page 157.

To align the multi-annual variable remuneration system with the Group's long-term performance, vesting of the KMUs awarded to the Chairman and Chief Executive Officer and the Group Managing Director is subject to the fulfillment of performance criteria based on three financial indicators assessed at Group level:

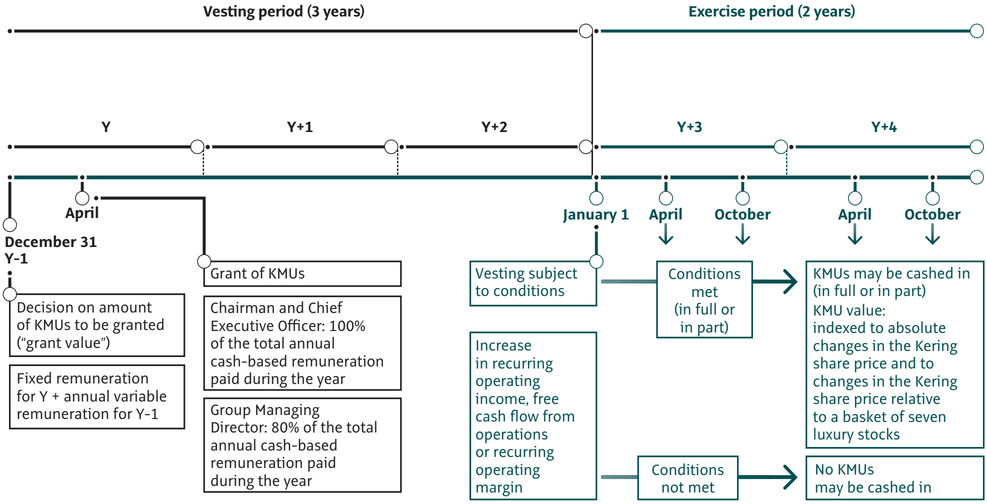
- recurring operating income;
- free cash flow from operations;
- recurring operating margin.

Under this system put in place in 2017, 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 has applied:

- 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 per se a performance condition but influences the amount actually paid at the exercise date.



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 (as of 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 benchmark stocks.

At the end of each six-month period, the value of a KMU is calculated as follows:

UVs+1 = UVs x ([1+VKs+1] + ([1+VKs+1] x [1+VKs+1] / [1+VPVs+1])) / 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, the value of the KMUs has fluctuated 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
June 30, 2020	€1,095
December 31, 2020	€1,219
June 30, 2021	€1,525
December 31, 2021	€1,387

(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% (Kering) vs -15% (basket)	15% decrease in KMU value
-10% (Kering) vs +5% (basket)	16.4% decrease in KMU value
+10% (Kering) vs -5% (basket)	18.7% increase in KMU value
+15% (Kering) 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

Number granted	KMUs granted(1)	Unit value *(in €)*(2)	Grant value *(in €)*	Vesting date(3)	Target/ Threshold(4)	Value as of Dec. 31, 2021 *(€1,387)*	Thresholds
2018	5,411	581(5)	3,143,791	January 2021	Increase in the following three criteria: ROI, FCF or ROM	7,505,057	achieved
2019	4,175	753(6)	3,143,775	January 2022	Increase in the following three criteria: ROI, FCF or ROM	5,790,725 see comment below	1 criterion met (ROI), 50% of KMUs vest

5,411 KMUs related to the 2018 plan fell due in April 2021 (first cash-in window) and may be cashed up until October 2022 (final cash-in window), as the performance condition has been met. Based on a value of €1,387 per KMU as of December 31, 2021 (versus €581 at the award date), the value of this award is €7,505,057.

4,175 KMUs were awarded under the 2019 plan. Just one of the three performance criteria was met (recurring operating income, ROI), and thus 50% or 2,088 KMUs and may be cashed in from April 2022 (first cash-in window). These units may be cashed in up until October 2023 (final cash-in window). Based on a value of €1,387 per KMU as of December 31, 2021 (versus €753 at the award date), the value of this award is €2,896,056.

Jean-François Palus, Group Managing Director

KMUs

Number granted	KMUs granted(1)	Unit value *(in €)*(2)	Grant value *(in €)*	Vesting date(3)	Target/ Threshold(4)	Value as of Dec. 31, 2021 *(€1,387)*	Thresholds
2019	3,047	753(6)	2,294,391	January 2022	Increase in the following three criteria: ROI, FCF or ROM	4,226,189 see comment below	1 criterion met (ROI), 50% of KMUs vest

3,047 KMUs were awarded under the 2019 plan. Just one of the three performance criteria was met (recurring operating income, ROI), leading to cashing-in of 50% or 1,524 KMUs and will be available from April 2022 (first cash-in window). They may be cashed in up until October 2023 (final cash-in window). Based on a value of €1,387 per KMU as of December 31, 2021 (versus €753 at the award date), the value of this award is €2,113,788.

(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 Kering's 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 2018, 100% of the KMUs may be cashed in since an increase was observed for recurring operating income, free cash flow from operations and recurring operating margin 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, the KMUs could not have been cashed in.
For 2019, these performance criteria become progressive and cumulative, applying as follows: all 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 as of December 31, 2017.
(6) Unit value as of December 31, 2018.

Exceptional remuneration

No exceptional remuneration was paid to the Chairman and Chief Executive Officer in 2021. For details of the exceptional remuneration paid to the Group Managing Director in 2021, please refer to table no. 2 on page 146).

Summary of the benefits awarded to executive corporate officers

(Table no. 11 pursuant to the recommendations of the AFEP-MEDEF Code and AMF position-recommendation no. 2009-16)

	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	
Executive corporate officer	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
François-Henri Pinault Chairman and Chief Executive Officer Start of term of office: May 19, 2005 Expiry of term of office: 2025 AGM		X		X		X		X
Jean-François Palus Group Managing Director Start of term of office: February 26, 2008 Expiry of term of office: 2025 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 2021, 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.

Fairness ratio between the level of remuneration of the Chairman and Chief Executive Officer and the Group Managing Director and the average and median remuneration of Company employees

In accordance with Article L. 22-10-9 of the French Commercial Code, the following table presents the ratios between the level of remuneration of the Chairman and Chief Executive Officer and the Group Managing Director and the average and median remuneration of Company employees on a full-time equivalent basis over the past five years.

These ratios were established based on the AFEP-MEDEF guidelines on remuneration multiples published on January 28, 2020.

For the executive corporate officers, the components of remuneration taken into account are:

- fixed remuneration;
- annual variable remuneration paid in year Y for year Y-1;
- the value of performance shares granted during the year at their IFRS value;
- remuneration paid in respect of duties as a Director (formerly known as Directors' fees);
- exceptional remuneration (where applicable);
- benefits in kind.

For the employees (on a full-time equivalent basis), the components of remuneration taken into account are:

- fixed remuneration;
- annual variable remuneration paid in year Y for year Y-1;
- individual bonuses;
- profit-sharing and incentives paid in year Y;
- the value of performance shares granted during the year at their IFRS value;
- the value of any other long-term incentives awarded;
- benefits in kind.

The ratios are calculated on the basis of remuneration paid and awarded during the year.

To make them more representative, these fairness ratios have been calculated for two different scopes of analysis:

- employees of the economic and social unit (ESU) comprising the Kering group holding companies (Kering SA and Kering Finance), or 615 employees;
- the Kering ESU employees and the French employees of Saint Laurent, Balenciaga and Gucci, or 2,986 employees, representing 77% of the Group's employees based in France.

Data for the larger scope of analysis are available only from 2019, when the joint payroll system that can provide such consolidated figures was introduced.

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.

François-Henri Pinault Chairman and Chief Executive Officer	2017	2018	2019	2020	2021
Kering ESU scope of analysis (France)					
Ratio versus average remuneration	43.3	96.2	53.6	36.5	39.2
Ratio versus median remuneration	78.0	168.9	88.4	54.2	52.3
Expanded scope of analysis (Kering ESU, Saint Laurent, Balenciaga, Gucci – France)					
Ratio versus average remuneration			85.2	57.9	54.6
Ratio versus median remuneration			135.2	84.9	79.2

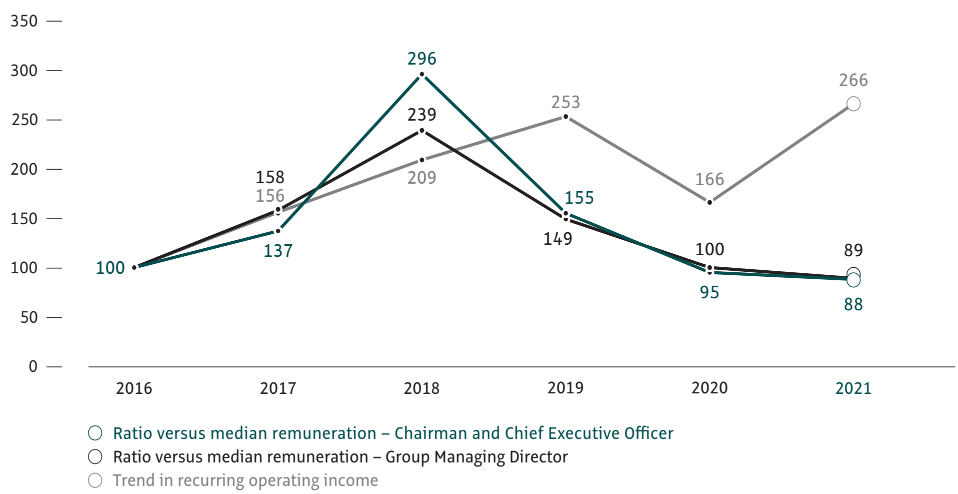
Jean-François Palus Group Managing Director	2017	2018	2019	2020	2021
Kering ESU scope of analysis (France)					
Ratio versus average remuneration	44.1	68.3	45.5	34.0	33.5
Ratio versus median remuneration	79.3	120.0	75.0	50.4	44.7
Expanded scope of analysis (Kering ESU, Saint Laurent, Balenciaga, Gucci – France)					
Ratio versus average remuneration			72.4	53.9	46.6
Ratio versus median remuneration			114.8	78.9	67.6

(in € millions)	2017	2018	2019	2020	2021
Recurring operating income (loss)	2,948	3,944	4,778	3,135	5,017

The following chart shows trends in fairness ratios for the Chairman and Chief Executive Officer and the Group Managing Director (ratio with employees' median salaries) based on the Kering group's holding companies together with trends in the Group's recurring operating income.

The levels shown for each year indicate the change versus 2016, which has been converted to a baseline figure of 100.

Comparative trends in the fairness ratio for the Chairman and CEO and the Group Managing Director and Recurring Operating Income rebased 100 in 2016 (scope of analysis: Kering ESU - France)



The significant increase in the ratios for 2018 reflects the exceptional bonus awarded to the two executive corporate officers in the form of KMUs in recognition of the achievement of the final stage in the creation of a fully integrated Luxury group.

The significant decline in the ratios for 2020 and 2021 is due respectively to:

- the decrease in the variable remuneration paid to the two executive corporate officers in respect of the 2019 results, due to a below-target performance in the available cash flow criterion and decisions made by the Board of Directors on April 20, 2020 in the context of the COVID-19 pandemic;
- the absence of any annual variable remuneration being paid in 2021 to executive corporate officers in respect of 2020.

Draft resolutions regarding the remuneration paid during or awarded for 2021 to executive corporate officers in respect of their duties (*ex-post* vote)

Ninth 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, 2021 to François-Henri Pinault, Chairman and Chief Executive Officer

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings, in application of the provisions of Article L. 22-10-34, II of the French Commercial Code, 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, 2021. These components are presented in the 2021 Universal Registration Document in Chapter 3, "Report on corporate governance", section 4.3.1, "Remuneration paid during or awarded for 2021 to the Chairman and Chief Executive Officer and the Group Managing Director (executive corporate officers) in respect of their duties".

Tenth 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, 2021 to Jean-François Palus, Group Managing Director

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings, in application of the provisions of Article L. 22-10-34, II of the French Commercial Code, 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, 2021. These components are presented in the 2021 Universal Registration Document in Chapter 3, "Report on corporate governance", section 4.3.1, "Remuneration paid during or awarded for 2021 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 2021 to the members of the Board of Directors in respect of their duties

The table below breaks down the remuneration paid to Directors (formerly known as Directors' fees) in 2020 and 2021 for fiscal years 2019 and 2020.

Member of the Board of Directors		Allocation of remuneration	Amounts paid during the year *(in €)* 2021	2020
François-Henri Pinault	Remuneration		62,100	67,006
		Committee Chair		-
		Fixed portion	19,031	25,400
		Variable portion	43,070	41,606
Jean-François Palus	Remuneration		62,100	71,901
		Committee Chair		-
		Fixed portion	19,031	25,400
		Variable portion	43,070	46,501
Sophie L'Hélias	Remuneration		155,485	127,842
		Committee Chair and Lead Independent Director	62,545	23,000
		Fixed portion	34,890	33,867
		Variable portion	58,051	70,976
Tidjane Thiam(1)	Remuneration		43,741	-
		Committee Chair	10,455	-
		Fixed portion	12,687	-
		Variable portion	20,599	-
Yseulys Costes	Remuneration		102,096	115,757
		Committee Chair	10,455	-
		Fixed portion	31,718	42,333
		Variable portion	59,923	73,423
Emma Watson(1)	Remuneration		26,369	-
		Committee Chair		-
		Fixed portion	9,515	-
		Variable portion	16,853	-
Jean-Pierre Denis	Remuneration		97,269	127,842
		Committee Chair	12,545	23,000
		Fixed portion	28,546	33,867
		Variable portion	56,178	70,976
Concetta Battaglia(2)	Remuneration		11,719	-
		Committee Chair		-
		Fixed portion	4,229	-
		Variable portion	7,490	-
Claire Lacaze	Remuneration		65,846	84,140
		Committee Chair		-
		Fixed portion	19,031	25,400
		Variable portion	46,815	58,740
Jean Liu(1)	Remuneration		28,241	-
		Committee Chair		-
		Fixed portion	9,515	-
		Variable portion	18,726	-
Baudouin Prot	Remuneration		65,846	59,664
		Committee Chair		-
		Fixed portion	19,031	25,400
		Variable portion	46,815	34,264
Daniela Riccardi	Remuneration		62,100	71,901
		Committee Chair		-
		Fixed portion	19,031	25,400
		Variable portion	43,070	46,501
Ginevra Elkann	Remuneration		65,846	73,026
		Committee Chair		-
		Fixed portion	19,031	33,867
		Variable portion	46,815	39,159
Sapna Sood(3)	Remuneration		28,241	77,921
		Committee Chair		-
		Fixed portion	9,515	33,867
		Variable portion	18,726	44,054
TOTAL			877,000	877,000

(1) The terms of office of Tidjane Thiam, Jean Liu and Emma Watson began on June 16, 2020.
(2) Concetta Battaglia's term of office began on October 22, 2020.
(3) The term of office of Sapna Sood expired on June 16, 2020.

Neither the Company, nor any company that it controls, has made any commitment to its corporate officers on account of the commencement, termination or change of duties or subsequent thereto.

No non-executive corporate officer or Director has been granted any particular benefit or specific pension plan. They are not entitled to any conditional or deferred remuneration.

At its meeting on February 16, 2022, the Board of Directors decided, upon the recommendation of the Remuneration Committee, to allocate remuneration to Directors in respect of their duties on the basis of the actual presence of members at meetings of the Board and of its specialized Committees during the year.

Following shareholders' approval at the Annual General Meeting on April 22, 2021, the total remuneration allocated to the Directors was lifted from €877,000, unchanged since 2017, to €1,400,000. The increase reflects the larger number of Board members, the additional remuneration allocated to the Lead Independent Director, and the special portion allocated to the Sustainability Committee Chair.

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 remuneration awarded to Directors is to divide the total amount into a 40% fixed portion and a 60% variable portion. The remuneration is thus allocated in the following manner (Financière Pinault has waived all remuneration in respect of its duties as a Director):

- 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 her role on the Board (€75,000 for 2021), 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 2021, a total amount of €1,400,000 will be paid to the Directors, allocated as follows:

- €560,000 for the fixed portion, of which €80,500 for the special portion for the Chairs of the Audit, Remuneration and Sustainability Committees and for the Vice-Chair of the Audit Committee, and €75,000 for the special portion allocated to the Lead Independent Director (40% of the total remuneration awarded to Directors);
- €840,000 for the variable portion (60% of the total remuneration awarded to Directors).

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.

Draft resolution regarding the remuneration paid during or awarded for 2021 to corporate officers

Eighth resolution: Approval of the information referred to in Article L. 22-10-9, I of the French Commercial Code relating to remuneration paid during or awarded for the year ended December 31, 2021 to corporate officers

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and in application of the provisions of Article L. 22-10-34, I 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. 22-10-9, I of the French Commercial Code relating to the remuneration and benefits in kind paid during or awarded for the year ended December 31, 2021 to corporate officers in respect of their duties as Directors, as described in the aforementioned report, which is included in the 2021 Universal Registration Document, Chapter 3 "Report on corporate governance", section 4.3 "Report on the remuneration paid during or awarded for 2021 to corporate officers in respect of their duties (*ex-post* vote)".

The Board of Directors.

CHAPTER 4
Sustainability

This chapter – including references to other parts of the Universal Registration Document – constitutes the Kering group's Non-Financial Information Statement (NFIS) for 2021, 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 presented in Chapter 5. Risk management and internal control of this document.

1 – INTRODUCTION: 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 **SolidarCité**, an association promoting education and integration initiatives among employees.

2003

Establishment of a **Group Sustainability Department** and an environmental reporting platform.

2005

Deployment of the **Code of Business Practice** and creation of the Ethics and Corporate Social Responsibility Committee (ECSRC).

2006

Definition of the Group's Corporate Social Responsibility (CSR) **commitments**.

2007

Creation of a Group Corporate Social Responsibility Department, represented on the Executive Committee and reporting directly to the Chairman.

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***, financed primarily by PPR.

2010

Sustainability criteria included in performance evaluations of PPR group leaders.

Launch of PPR's **Innovation and Sustainability Awards**.

2011

Publication of the very first **Environmental Profit & Loss** (EP&L) account by PUMA.

2012

Publication of sustainability **targets** to be achieved by 2016.

Creation of a **Sustainability Committee** within the Board of Directors.

2013

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.".

2014

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.

2015

Kering for the first time publishes the **results** of its Group EP&L and shares its methodology.

2016

Final report on Kering's 2012-2016 sustainability targets.

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**.

Publication of the Kering Standards for raw materials and manufacturing processes.

Promotion of high standards of integrity, responsibility and respect towards people through the **Fashion Models Charter**.

2018

Release of the Group's first **Integrated Report**.

2019

Creation of the **Fashion Pact** by Kering and over 250 global fashion brands, committing them to take action to halt climate change, restore biodiversity and protect the oceans.

Publication of Kering's **Animal Welfare Standards**, the first set of such standards for the luxury and fashion industry.

Adoption of **Baby Leave**, offering 14 weeks' paid leave for every parent worldwide welcoming a new child from January 1, 2020.

Launch of Kering project on **gender equality** in the supply chain in Italy with the Camera Nazionale della Moda Italiana.

2020

Introduction of support **measures protocols** for Group employees and suppliers in response to the COVID-19 pandemic.

Creation of dedicated **Inclusion and Diversity Committees** within each of the Group's Houses.

Development and publication by the Foundation of a global **policy on domestic violence** to support victims of domestic violence within the Group.

Publication of the **Biodiversity Strategy** and creation of the Kering Regenerative Fund for Nature from 2021.

2021

The sustainability highlights of 2021 are described and explained in the following pages of this NFIS, in each of the relevant sections.

Key highlights 2021	Publication of the Group **Climate Strategy** and adoption of more ambitious climate targets, approved by SBTi, **for a 1.5°C pathway**	Renewal of the **biennial Employee Opinion Survey**, with the introduction of an inclusivity indicator and key findings shared with all Group employees
Publication of Kering **Human Rights Policy,** built around four pillars and applicable to all of Kering's operations and its supply chain	**Ending the use of fur** across the Group from the Fall 2022 collections as part of the Group's commitment to animal welfare	Publication of the **"Coming Full Circle"** report setting out the Group's new ambitions and achievements in promoting a global approach to the circular economy
Launch of a worldwide **cybersecurity training program** for all Group employees and **strengthening of personal data protection**	Launch of the **Regenerative Fund for Nature** to help drive the transition of a million hectares of land to regenerative agriculture and announcement of first seven grantees	**Kering Foundation:** Providing €5 million over five years to help finance, along with the government, the opening of 15 "*Maisons des femmes*" centers in France to provide shelter, care and support to women who are **victims of violence**
Launch by Kering and Cartier of the "**Watch and Jewellery Initiative 2030**" in partnership with the Responsible Jewellery Council	**Extension of the Clean by Design program** to encourage suppliers to adopt more sustainable environmental practices, with the introduction of a dedicated platform for Italian textile manufacturers in partnership with the Apparel Impact Institute, Burberry and Stella McCartney	Second edition of the **Kering Generation Award** with the global innovation platform Plug and Play China on the topic of protecting biodiversity

2021 key figures

- 42,811 employees as of December 31, 2021
- 63.2% women(1)
- 94.5% of employees on permanent contracts(1)
- 56.2% of Group managers are women(1)
- 5.5% of permanent employees work part time(1)
- 37 years is the average age of permanent employees(1)
- 5.7 years is the average length of service of permanent employees(1)
- 531 workers with disabilities(1)
- 577,504 hours of training (excluding safety training), or 43,695 employees trained (including leavers)(1)
- 13,052 permanent employees hired(1)
- 301,509 metric tons of CO_2 emitted by the Group (17% energy consumption, 83% transportation
- 92% of electricity consumed is generated using renewable resources
- 14% reduction of the intensity of the Group's environmental impacts compared with 2020 and 41% compared with 2015 (€EP&L per €1,000 in revenue) on a comparable basis, with an EP&L impact of €562 million in 2021
- 3,420 social audits carried out among the Group's suppliers
- 1,685 Group employees, including the Group Executive Committee, trained by specialized associations since 2011 to understand, listen to and help women who are victims of domestic violence

1.2 Our vision and business model

Kering's vision – Creativity for a vision of Luxury that combines heritage and boldness –, its ambition, and the Group's value creation model and strategy, are presented in Chapter 1 of this Universal Registration Document.

(1) Due to its recent acquisition, LINDBERG is not included in the scope of social reporting for 2021 but will be included from 2022. LINDBERG accounts for around 1.8% of the Group's workforce.

1.3 Analysis of materiality and non-financial risks: our priorities

Kering is rolling out an ambitious 2025 Sustainability Strategy building on three components: its vision and ambition carried at the highest level of the Group, the materiality assessment, and the non-financial risk assessment, serving to accurately identify key challenges and risks throughout the value chain.

Vision and ambition

Embracing creativity for a vision of Luxury that combines heritage and boldness
To be the world's most influential Luxury group in terms of creativity, sustainability and economic performance

Materiality assessment

Highlighting priority topics issues, consistent with the Group's priorities and stakeholder expectations

Non-financial risk assessment

Identification of the main non-financial risks in relation to sustainability

2025 Sustainability Strategy

Crafting tomorrow's Luxury

Three pillars:
- Care
- Collaborate
- Create

1.3.1 Materiality assessment: targeting main priorities

Materiality is at the core of Kering's sustainability approach. Since 2013, this approach has allowed Kering to identify the key challenges matching its vision and its activities (based on their economic, environmental and social impacts), and also to grasp the related governance issues and the assessment made by the Group's key stakeholders.

1.3.1.1 Materiality assessment methodology and stakeholder consultation procedure

Kering consulted its stakeholders around the world in 2020 in order to update its materiality assessment, first published in 2014. This three-step materiality assessment drew on the various existing guidelines for stakeholder engagement (GRI, AA1000, ISO 26000). A steering committee made up of members from the Group's main functional departments was mobilized throughout the project, which was carried out with the support of a team of independent consultants.

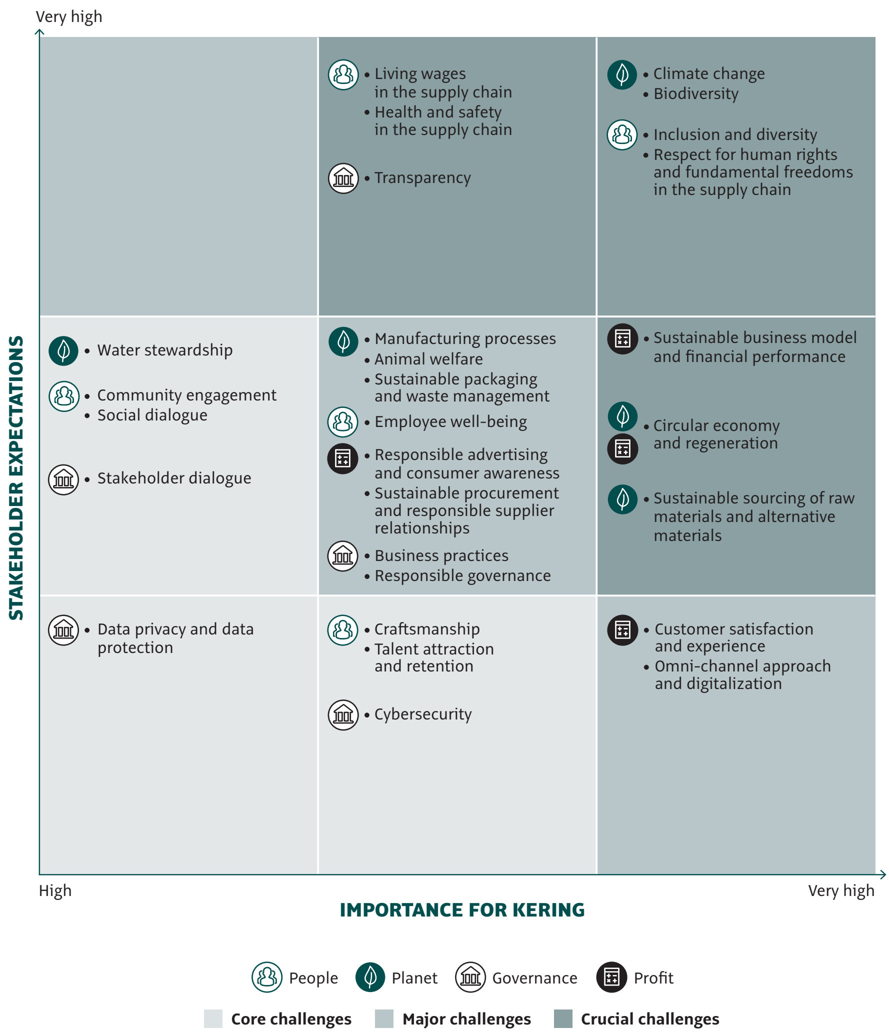
1. Identification of topics	2. Stakeholder consultation and assessment of topics	3. Ranking and consolidation of results
• Updating of the mapping of topics – CSR, strategic, economic and operational – on the basis of an in-depth documentary review: international benchmarks (GRI, TCFD, SASB, IIRC, UN SDGs, UN GC, etc.), rating agencies assessments, investor questions, Group news and press releases, major trends, internal surveys and studies • List of 28 topics on which stakeholders were consulted	• Quantitative international study and strategic interviews of nearly 70 external stakeholders (investors, suppliers and business partners, distributors and clients, civil society, local communities and NGOs, academics, public authorities and regulators, peers, professional organizations and innovators) and internal stakeholders (management, top management at Kering and its Houses, functional departments) • Dual assessment of each topic: by external stakeholders and by internal stakeholders • Dynamic assessment of developments affecting the various topics (i) with regard to the COVID-19 pandemic and (ii) after a period of ten years	• Consolidation and analysis of results: equal weighting given to topics and responses from different groups of stakeholders • Enrichment of quantitative results with data from strategic interviews: confirmation of the preponderance of certain challenges – and notably their importance for Kering, allowing weak signals and emerging topics to be examined in greater depth • Shedding light on the perceived impact of the COVID-19 pandemic on the topics and major trends in the short, medium and long term • Sharing results

1.3.1.2 Graphical representation and analysis of results

Kering's materiality matrix includes 28 topics with high overall importance, broken down into four categories: planet, people (labor relations and societal topics profit (business) and governance. Arranging these topics in a three-level hierarchy provides useful information allowing the Group to better understand, manage and prioritize its actions in the short and medium term.

The results of the assessment confirm that Kering's strategic pillars defined in the 2025 strategy and its business model, as well as the commitments made since 2020, are consistent with the expectations of external stakeholders. Providing insight into the perceived impact of the COVID-19 pandemic, the 2020 stakeholder consultation indicates that the pandemic was an accelerating factor, bringing to the forefront topics that have emerged as important in recent years, especially biodiversity and climate change, and driving the need for faster action. Employee well-being also stands out as a strong focus for businesses in the context of the pandemic and the development of new ways of working. On a longer-term perspective, stakeholders identified four topics that are gaining traction: biodiversity, sustainable procurement and responsible supplier relations, employee well-being, and cybersecurity.

The results are also closely linked to trends impacting the luxury goods market. Generations Y and Z, with their demand for innovative products and heightened awareness of social and environmental issues, are driving the Group to accelerate its transformation and increase transparency.



1.3.2 Non-financial risk assessment

Each year, 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 5 of this Universal Registration Document.

Risks relating to the categories included in the Non-Financial Information Statement (NFIS) 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 5 of this document. The Sustainability Department is involved in the process of identifying and classifying the risks that fall within its scope.

This risk assessment extends beyond Kering's operations and covers the entire value chain from the sourcing of raw materials to the use of products made by the Group's Houses, fully consistent with the materiality matrix, the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and other analytical work conducted by Kering, including the EP&L. As a result, nine principal risks out of the NFIS categories have been identified.

This convergent double approach – the analysis of risks that could challenge the Group's ability to maintain its performance, and the materiality analysis to identify the main issues in driving value creation and meeting the expectations of internal and external stakeholders – allows the clear identification of the Group's sustainability priorities.

The policies and actions implemented within the Group, the outcomes obtained and the related performance indicators are detailed in this NFIS.

Risk	NFIS paragraphs detailing policies and projects implemented, outcomes and performance indicators	Main matrix issues
People	2.5 Protection of human rights 3.1 Supporting our employees 5.3.1 Community impact and preservation of know-how	• Inclusion and diversity • Talent attraction and retention • Employee well-being • Social dialogue
Climate change	3.2 Respecting and protecting the environment in our operations 3.2.1 Kering's environmental strategy 3.2.2. Management of our environmental impact and the EP&L, the cornerstone of our approach 3.2.4 Adapting our business model to climate issues: Kering's alignment with TCFD principles 3.2.5 Environmental impact of our operations (Tier 0) 4.1.4 Actions to reduce our direct suppliers' environmental impact	• Climate change
Supply Chain	3.2.1 Kering's environmental strategy 3.2.2. Management of our environmental impact and the EP&L, the cornerstone of our approach 4.2.1 Responsible land use and protection of biodiversity 4.2.2 Sustainable sourcing and use of raw materials (Tier 3 and Tier 4)	• Sustainable sourcing of raw materials and alternative materials • Sustainable procurement and responsible supplier relationships • Biodiversity • Animal welfare • Circular economy and regeneration • Community engagement
Production and manufacturing	3.2 Respecting and protecting the environment in our operations 4. Building together environmentally and socially responsible supply chains 5.2.4 Product quality control, and consumer health and safety 5.3.1 Community impact and preservation of know-how	• Manufacturing processes • Sustainable packaging and waste management • Water stewardship • Craftsmanship
Ethics and Global Governance	2. Ethics, the cornerstone of our business 4.2.3 Animal welfare: the Kering Animal Welfare Standards 5.1 A dialogue built in cooperation with our stakeholders	• Responsible governance • Business practices • Stakeholder dialogue • Responsible advertising and consumer awareness • Transparency
Human rights and fundamental freedoms	2. Ethics, the cornerstone of our business, of which 2.5 Protection of human rights 3.1 Supporting our employees 4.1.3 Act to improve working conditions in our supply chains See also the Duty of Care Plan in Chapter 5 of this document	• Respect for human rights and fundamental freedoms in the supply chain • Living wages in the supply chain • Health & safety in the supply chain
Fraud and corruption risks	2. Ethics, the cornerstone of our business	• Business practices
Compliance with national tax laws and international standards	See Chapter 5 of this document	• Business practices • Sustainable business model and financial performance
Inventory Management	5.2.1 Promote circularity and the re-use of our products	• Circular economy and regeneration

1.4 Our Sustainability Strategy and progress made

1.4.1 Kering's 2025 Sustainability Strategy and targets

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(2).
- 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(3), and go further still in driving improvements in water consumption, 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 source tool to assess products based on Kering's standards.
- Establish a **Materials Innovation Lab** (MIL) focused on Watches and Jewelry(4), following on from the success of Kering's MIL for fabrics and textiles in offering access to sustainable alternatives.
- Expand **offsetting** commitments to include "insetting", ensuring that actions across the supply chain contribute toward protecting biodiversity and developing local communities.

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 system** that will measure achievement of the UN Sustainable Development Goals (SDGs).
- 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.
- Ensure salary **equity** in all functions and achieve gender parity at all levels by 2025.
- Establish sponsorship and mentoring programs, and develop innovative **career paths** for all employees.
- Become the **preferred employer** in the luxury industry.

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.

(1) Emissions from transportation and distribution, business air travel and upstream fuel- and energy-related emissions.
(2) Kering published its Science Based Targets (SBT) in 2021 to meet the +1.5°C scenario, and updated its target for CO_2 emission reduction by 2030, compared with 2015.
(3) All Scope 3 emissions from purchased goods and services all the way back to raw materials at Tier 4, compared with 2015.
(4) Created in 2020 under the name Sustainable Innovation Lab (SIL).

1.4.2 Dashboard for Kering's 2025 Sustainability Strategy – Progress at end-2021

Kering's 2025 Strategy is being implemented within each of its Houses, which are translating the Group's objectives into practical action plans and reporting regularly on the progress made with respect to each of the strategy's three pillars, on top of monthly discussion meetings dedicated to brainstorming and sharing the best practices and initiatives adopted by each entity.

The Group's objectives and actions are also aligned with the United Nations' Sustainable Development Goals (SDGs). More specifically, while Kering can contribute directly or indirectly in variable proportions to each of the 17 SDGs, there are 12 SDGs for which it can have a more significant impact. Kering published its first-ever Sustainability Progress Report in early 2020, providing a detailed update on the progress made. The table below shows the progress made to the end of 2021 within each of the Strategy's pillars.

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

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.

Care for the planet	SDG	2021 results	Performance[1]	Main achievements since 2015
50% reduction in CO_2 emissions and planetary boundaries	13 Climate action; 14 Life below water; 17 Partnerships for the goals	**CDP Climate A-List** Our carbon intensity reached **23.1 tCO_2/€m** in gross margin **92%** of our **electricity is green**	↗	+68 pts of green electricity since 2015 **SBT 1.5°C** trajectory approved Definition of the Biodiversity Strategy, launch of the **Regenerative Fund for Nature** in early 2021 and announcement of the first seven grantees (840,000 hectares) Definition of the **Climate Strategy** Launch of the **Fashion Pact** in 2019
-40% EP&L	6 Clean water and sanitation; 12 Responsible consumption and production; 13 Climate action; 15 Life on land	Our **EP&L intensity**[2] reached **30 €EP&L per €1,000** in revenue	↗	**-41%** since 2015 Extension of the EP&L scope in 2020 to include the **product use and end-of-life phases** Results shared on a dedicated open source website since 2018
Introduction of the Kering Standards	6 Clean water and sanitation; 12 Responsible consumption and production; 13 Climate action; 15 Life on land; 16 Peace, justice and strong institutions	**71%** of our key raw materials are aligned with our Kering Standards	→	**+4 pts alignment** with the Kering Standards since 2017 Publication of the Kering **Animal Welfare Standards in 2019** Creation of a **vendor portal** for the evaluation of supplier performance
Sustainable design and traceability	12 Responsible consumption and production; 15 Life on land	Traceability is achieved for **90%** of our key raw materials[2]	↗	**+4 pts** in traceability since 2017 **6,500+** employees trained on the Kering Standards via e-learning Growing number of **responsible products and collections,** integrating sustainability from the design stage Verification of the Green Fashion Shows guidelines
Innovation Labs	12 Responsible consumption and production	**4,000+** sustainable materials in our Materials Innovation Lab	↗	Launch in 2020 of the Sustainable Innovation Lab (SIL) dedicated to **Watches** and **Jewelry** **150+** projects implemented for our products since 2015 thanks to the MIL, and 13 collaborative projects launched via the SIL **620+ suppliers** listed in the MIL database
Carbon offsetting	13 Climate action; 15 Life on land	**1,779,888 tCO_2e offset** in 2021 for 2020	→	**Offsetting of 100% of the Group's total 2020 carbon footprint** (scope 1,2,3 calculated via the EP&L tool – excluding product use and end-of-life) in 2021 Gucci's Nature-Positive Plan, based on a portfolio of solutions towards full carbon neutrality and regenerative agriculture

(1) Evaluation of performance to date with respect to the objective defined for 2025.
(2) Based on our Kering Standards.

Collaborate with people	SDG	2021 results	Performance(1)	Main achievements since 2015
Preserve know-how	4 QUALITY EDUCATION 8 DECENT WORK AND ECONOMIC GROWTH	Nearly **700** experts trained through some 15 craftsmanship excellence programs in haute couture and watches and jewelry running in 2021	→	**1,500+ people** trained in excellence programs in our Houses: *École de l'Amour Gucci, Institut Saint Laurent Couture*, Pomellato Virtuosi with Galdus University, and more
Local communities	1 NO POVERTY 8 DECENT WORK AND ECONOMIC GROWTH	More than **17** active international programs focusing on our key raw materials Gucci's *Sviluppo Filiere* program, in partnership with *Intesa SanPaolo* bank seeks to support the Made in Italy production chain	↗	**Reforestation** of gold-mining sites in French Guiana, The Golden Line in Ghana, Gobi Desert Cashmere, and more
Assessment and SDGs	8 DECENT WORK AND ECONOMIC GROWTH 17 PARTNERSHIPS FOR THE GOALS	**3,420 supplier audits** performed, representing **64%** of our **suppliers**	→	**90% of suppliers audited** over the 2015–2021 period Update of materiality assessment in 2020 SDG mapping against the pillars of our 2025 strategy and our value chain: 12 key SDGs identified as most material for the Group
Partnerships with schools and universities	4 QUALITY EDUCATION 17 PARTNERSHIPS FOR THE GOALS	Sustainable Innovation Challenge in partnership with HEC	↗	More than 1,500 students educated in sustainability concepts and values by IFM - Certified training as part of the **IFM – Kering Sustainability Chair** Key partnerships with leading universities since 2015: IFM, Tsinghua, LCF, HEC, Bocconi Nearly 70,000 participants in 191 countries since the launch of the Sustainability and Luxury Fashion MOOC in 2018
Progressive policies	3 GOOD HEALTH AND WELL-BEING 5 GENDER EQUALITY	Adoption of measures to mitigate the impact of the COVID-19 pandemic to protect all employees in all host countries	→	**Baby Leave policy** effective since January 1, 2020, providing 14 weeks of paid leave to all new parents Global health & safety policy launched in 2019 Global policy on domestic violence implemented in 2021
Gender equality, diversity & inclusion	5 GENDER EQUALITY	Women represent **63.2%** of employees, **56.2%** of managers, and **55%** of Board members **96.4%** of Group employees worldwide have completed the annual Ethics & Compliance training Gucci rejoined the Generation Equality Forum organized by UN Women to mobilize a global community behind gender equality	↗	Board-level parity up from 10% to **55%** in 10 years First action plans from the **13 Inclusion & Diversity committees** Creation of an inclusivity index in the global internal opinion survey
Career paths	4 QUALITY EDUCATION	An average of 13.2 hours of training delivered per employee Development of a Group cybersecurity and data protection training module Development of craft academies for all Group Houses	↗	Overhaul in 2020 with the **Kering Learning** digital platform Internal mobility campaign to promote talent development at Kering
Preferred employer	4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH	Score of 100% in the Corporate Equality Index for Kering Americas (Human Rights Campaign) Kering ranked 9th in the **2021 Refinitiv Diversity & Inclusion Index** (gender equality) and was included in the **2022 Bloomberg GEI** for the 5th consecutive year	↗	**87% participation rate** in the global employee survey, with an engagement rate of 82% in 2021; introduction of inclusion index at 83% Launch of Kering China Cross-Brand Retail Excellence Management Trainee Program in the Asia-Pacific region and Kering Horizon Program in Italy in 2021

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

Create new business models	SDG	2021 results	Performance(1)	Main achievements since 2015
Disruptive innovations	12 Responsible consumption and production	**42.6%** of purchased leather is metal-free 2nd edition of the **Kering Generation Award** in China with Plug and Play China dedicated to biodiversity Creation of Kering Ventures, whose purpose is to invest in innovative new technologies, brands and business models for the future of the luxury sector	→	Support for 115 high-potential startups through the Fashion for Good accelerator, 18 of 83 pilot projects were coordinated with Kering Houses through the MIL **Idea Labs,** internal workshops on innovation (e-commerce, eco-design for improved recyclability, traceability, biomaterials)
Circular economy	12 Responsible consumption and production	Definition of Kering's circular economy ambition, "**Coming full circle**" Launch of **Demetra,** a new material from Gucci	↗	Acquisition by Kering of a stake in Vestiaire Collective, specializing in the resale of luxury products
Purchasing and coordination platforms	12 Responsible consumption and production	**100%** of watches and Jewelry Houses' gold purchased through the Kering Ethical Gold Platform	→	Dedicated internal sourcing platforms and coordination for gold, cotton, cashmere, silk, and more
Transform through strong governance	12 Responsible consumption and production	**165+** sustainability and business experts gathered for the Group's annual Sustainability Network Conference in 2021 **Climate governance** strengthened	↗	Dedicated Group-level Innovation Department led by an Executive Committee member since 2016, and creation of an Innovation Committee in 2018 Kering is a co-founder of the Fashion for Good accelerator
Young Leaders Advisory Group	17 Partnerships for the goals	In development	↘	Pilot within a House

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

1.5 Sustainability governance and organization

Governance and organization

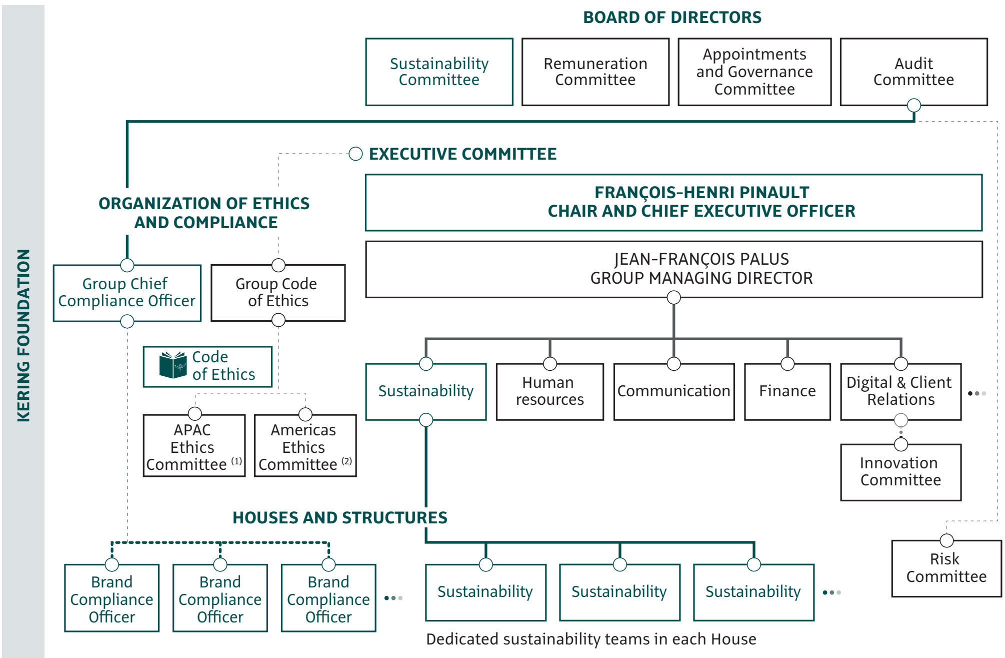
Kering's Sustainability Department defines the Group's sustainability strategy and policies, supported and guided by the Sustainability Committee of the Board of Directors. The department implements this strategy and supports the Houses by acting as a sounding board. More than 90 individuals throughout the Group have a dedicated sustainability role, working for the Kering Sustainability Department at the Corporate level, the Houses' Sustainability teams, and in dedicated structures such as the Materials Innovation Lab (MIL) and the Sustainable Innovation Lab (SIL). This organization encourages permanent cooperation between the Group and its Houses, with support for operational functions and for the creation of working parties and cross-business committees on the Group's commitments and flagship projects.

In terms of corporate governance, the Sustainability Committee of the Board of Directors consisted of six Directors as of February 16, 2022 (Emma Watson, Committee Chair; Sophie L'Hélias; Daniela Riccardi; Jean-Pierre Denis; François-Henri Pinault, Chairman and Chief Executive Officer; and Jean-François Palus, Group Managing Director). It met on December 21, 2021 to review the 2025 objectives and discussed the Group's policies and outcomes in the areas of climate, biodiversity, human rights, animal welfare and the circular economy. Members also discussed the Group's ESG performance, and the initiatives needed to strengthen the mechanisms for taking climate change risks into account throughout the value chain, particularly with the Group's suppliers. A progress report on the Kering Foundation's actions to combat violence against women was also presented. Lastly, a decision was taken in 2021 that will come into effect in 2022 to appoint a member of the Board of Directors as climate change lead, and for the topic to be on the Board's agenda twice a year.

For the third consecutive year, Kering held an ESG roadshow in 2021 to present the Group's approach to key investors. Held online in view of the health crisis, it was organized with the assistance and presence of the Lead Independent Director.

The Group's internal sustainability network remained particularly active in 2021:

- the Sustainability Network Meeting (SNM) took place online every six weeks, bringing together the sustainability teams from the Group, the Houses, and dedicated entities to present the Group's developments in the field, share best practices and spur thinking on new issues, sometimes with the help of external professionals and experts. In 2021, SNM meetings put particular emphasis on new business models, eliminating single-use plastics, sustainable finance, biodiversity, climate change and stakeholder involvement;
- the two-day Sustainability Network Conference (SNC), open to attendees beyond sustainability teams, was held online in 2021 due to the COVID-19 pandemic. It brought together more than 165 participants from all the Houses' sectors of activity, and heard talks by Paul Polman, Chairman of Fashion Pact, Federica Marchionni, Chair and CEO of Global Fashion Agenda, and Cara Smyth from the Responsible Business Coalition. The work and discussions at SNC 2021 focused mainly on the definition of sustainable Luxury and the need to engage consumers in the transition of the fashion and luxury industries.



Informing and raising awareness among employees

Kering and its Houses are developing a suite of trainings and awareness-building actions on sustainability issues and regularly share news and updates on sustainability projects internally:

- awareness-building during the induction process for all new employees at Kering and its Houses;
- sharing updates and news on the Group's and Houses' sustainability projects via the Group's corporate social networks, which are available to all employees and on all devices (computers, tablets, smartphones, etc.);
- quarterly challenges on The Kering Planet, the dedicated digital platform for employees;
- involvement in targeted events organized by the Group and the Houses;
- training for salespeople and employees with key roles, such as design, retail and merchandising, to inform them about the Group's sustainability actions, sustainable collections and to share best practice to ensure efficient store management;
- inclusion of sustainability topics in the compulsory annual Ethics & Compliance training for all Group employees around the world.

Separate to the remuneration of executive corporate officers (see Chapter 3 of this Universal Registration Document), but in parallel, a growing number of Kering's subsidiaries incorporate sustainability in the pay-related objectives for their employees and managers. This is notably the case at Brioni, which introduced such a scheme in 2021. At Bottega Veneta all employees were involved in a participative approach to setting sustainability targets for their activities in 2021. Employees at Kering Eyewear also have sustainability-related objectives.

Fashion Pact

Following publication of its first progress report in October 2020, the Fashion Pact continued to structure its orgaization in 2021 and by the end of the year was supervising a total of 14 projects (already launched or in the launch process). Bringing together more than 250 brands representing more than one-third of production volumes in the fashion and textile industry, the Fashion Pact now has considerable European and international influence, establishing itself as the leading CEO-led coalition for the sustainable transition of the fashion sector. Its actions, split between the three key areas of Climate, Oceans and Biodiversity, represent concrete vectors for positive impacts for the Pact's signatories. They cover a range of subjects including renewable energy, microplastics and microfibers leakage, regenerative agricultural practice in sourcing raw materials, and tools for calculating biodiversity footprints.

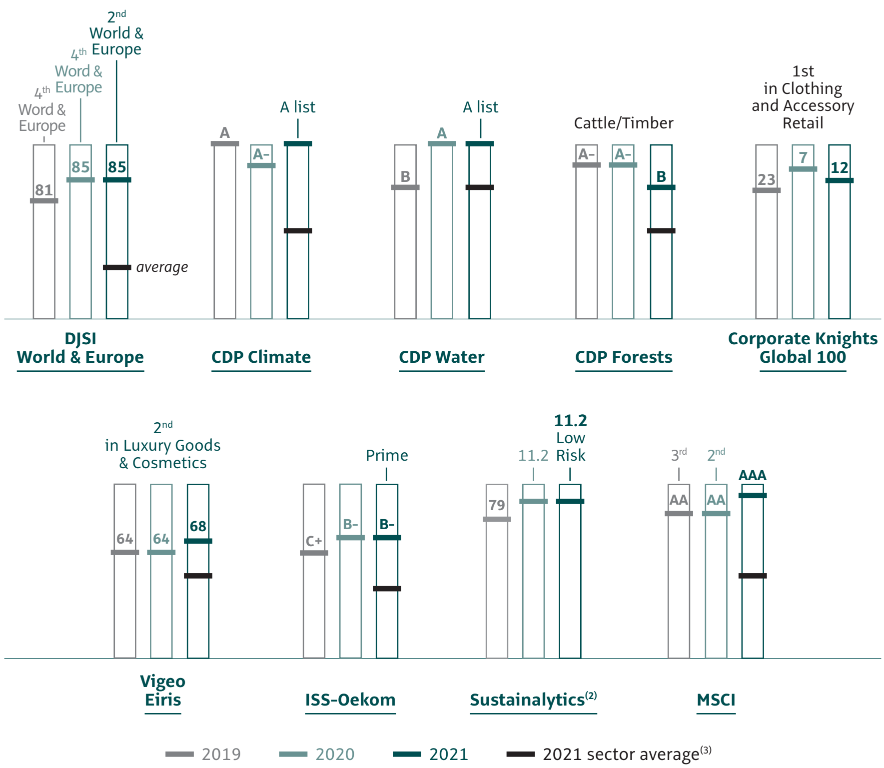
1.6 Recognition and inclusion in SRI– ESG indices

As an extension of its commitment to transparency, each year Kering responds to or is included in more than 60 solicitations, questionnaires and requests from rating agencies, NGOs and non-financial assessment bodies on its ESG performance(1) or on specific issues (Good on You, CHRB, WDI, etc.). In 2021, Kering was once again recognized as a leader in its sector by the principal non-financial rating agencies and rankings.

Main non-financial indices: DJSI World and DJSI Europe (Dow Jones Sustainability Index) for the 9th consecutive year, Euronext Vigeo Eurozone 120, Ethibel Sustainability Index Excellence, MSCI Global Sustainability Indexes, Oekom Prime Index, FTSE4Good, Euronext CAC 40 ESG.

In 2021, Kering's performance was also recognized through places in the following rankings: *Indice d'Engagement Sociétal* – BrightHouse and BCG GAMMA (1/40) for the second consecutive year, *Institut de l'Économie Positive CAC 40* Positivity Barometer (1st), Climate Champions 2021 from the Statista Institute and Challenges.fr (2nd).

Kering's performance in terms of diversity and inclusion continues to be recognized in key benchmarks: Equileap, Refinitiv Diversity & Inclusion Index and Bloomberg Gender Equality Index.



(1) Socially Responsible Investing, Environmental, Social, Governance.
(2) The Sustainalytics methodology changed in 2020.
(3) Where available.

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 clients, 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 dedicated organization tasked with developing and overseeing implementation, 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 issues. It also enables employees to confidentially report any potential violations, and ensures the prompt and fair treatment of any such reports. 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, Kering's Chairman and Chief Executive Officer, see section 1.5.

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). This dovetails with the Group's policy of delegating responsibility bodies exist to 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 (nationality, gender, position occupied). In 2021, women accounted for 60% of the members of these committees. These Committees focus on three main areas:

- to ensure that the Code of Ethics is up to date and that it effectively reaches all Group employees;
- to generate proposals on appropriate updates to the Code and on the implementation of appropriate behavior and practices;
- to 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 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.

The Compliance structure, which was put in place in 2015, is coordinated by a Group Chief Compliance Officer (CCO), responsible for implementing the Group Compliance Program as approved by the Board of Directors. Appointed in 2015 by Kering's Chairman and Chief Executive Officer, the Group Chief Compliance Officer reports to the Audit Committee, an important factor given the independence required of this function, and 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.

To ensure the day-to-day monitoring and effectiveness of the Compliance Program, the Group Chief Compliance Officer is supported by (i) a team of five compliance law experts working out of Paris, Hong Kong, Shanghai and Tokyo, (ii) a network of Brand Compliance Officers appointed by the House CEOs, and (iii) a network of Regional and Local Compliance Officers. In some Houses, there are compliance managers in addition to the Brand and Local 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.

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 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 with 9 up until 2018. The latest update focused chiefly on strengthening commitments regarding 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 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 and influence-peddling

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 influence-peddling, and encourages employees to report any instance of corruption. It stipulates the 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 meeting held on June 7, 2017.

As detailed in the section on "Fraud and corruption risks" in Chapter 5, a new in-depth assessment of corruption and influence-peddling risks was undertaken across the Group and each of its Houses worldwide in 2019. To ensure that the risk assessment was comprehensive, each potential corruption and influence-peddling scenario relevant to the Group was identified and assessed after analyzing existing first-, second- and third-level controls. The resulting corruption and influence-peddling risks with these scenarios were rated and ranked in a risk map. Implementation of the action plan adopted following the risk mapping exercise took place in 2021. The update to the corruption and influence-peddling risk map was completed during 2021. Second-level compliance audits to ensure the proper implementation of the compliance program and detect corruption and influence-peddling risks are carried out on and off site by the Group Compliance Department, with the support of an international law firm to reinforce the independence and expertise of the analysis in the most at-risk jurisdictions identified in 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. This policy, which was updated in October 2019 under an action plan drawn up as a result of the 2019 risk map , identifies prohibited behavior and sets out guidelines enabling employees to detect instances of corruption and report them to management. The Group Chief Compliance Officer, who reports directly to the Audit Committee, independently of the Houses and support functions, is responsible for implementing the anti-corruption policy under the Group's overall Compliance Program. The deployment of the anti-corruption policy is monitored closely by the Audit Committee and Executive Management.

The policy extends to specific procedures on the following subjects:

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

The procedure on gifts, hospitality and entertainment sets out rules on giving and receiving gifts and invitations to Group events.

Prior written authorization from the relevant 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**

This procedure, introduced in October 2015 and updated in October 2019, sets out the principles and rules applicable to the due diligence required with regard to third parties with which the Group is considering entering into a business relationship (distributors, direct and indirect suppliers, joint venture partners, etc.). The degree of due diligence required depends on the objective risk profile of the third party in question and any specific risks that may have been identified during the assessment. In certain cases, compliance questionnaires are sent to the third parties concerned requesting additional information for the purpose of closer diligence.

To assist the Compliance Officers and other Group employees called upon to assess third parties under this procedure, Kering works with a service provider specializing in third-party due diligence.

- **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 a prior evaluation of the third parties concerned by the transaction. As is the case for the procedure on third-party due diligence, this procedure specifies different degrees of diligence, matched to the compliance risks identified.

- **Procedure on donations and sponsorship**

Under a specific Group procedure, all donations and sponsorships granted by the Group to third-party persons or organizations require prior written approval from the relevant Compliance Officer. The procedure was updated in October 2019.

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 on the matter.

- **Procedure on conflicts of interest**

In 2016, Kering brought in a specific procedure on conflicts of interest, which requires employees to report any connections, relationships or other situations giving rise or that may potentially give rise to a conflict of interest by signing a specific declaration and discussing the situation with their managers. A campaign is launched each year to collect declarations of conflicts of interests across a target population of employees.

Several procedures, including that on the involvement of suppliers in the production chain, refer to this procedure and invite employees involved in decision-making processes with regard to third parties to report any potential conflicts of interest.

Guidelines

In addition to the anti-corruption policy and related procedures, the Group Compliance Department also provides additional advice to Compliance Officers and Group employees through the regular issue of guidelines on specific compliance matters.

Specific guidelines issued so far cover: interaction with public officials, third-party due diligence, discounts granted to certain business partners, discounts granted to employees, real estate transactions, consignment, human resources, and analysis of gifts, hospitality, donations and sponsorship, etc.

System for detecting and preventing money laundering

In accordance with its targets in Social Responsibility, in 2021 Kering adopted and implemented a Group Policy (the "AML Policy") to reduce money-laundering risks and strengthen its systems in this area. This policy sets rules of conduct for checks relating to sales by the Houses, on-line and in store. To do so, the AML Policy establishes rules for transactions considered as at-risk, together with specific rules in each country where Houses have sales activities. These have been listed in dedicated country data sheets in order to assist their implementation by Group sales employees. The Kering Compliance Department has already trained more than 2,000 employees worldwide in the application of the AML Policy.

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:

- a criminal offense;
- a serious violation of a law or regulation;
- conduct or a situation contrary to the Group's Code of Ethics;
- a 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 every effort will be made to investigate the issue 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

Fostering 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 in 15 languages, it sets out the ethical ground rules in place at Kering, and presents case studies and ethical dilemmas that help employees ask themselves the right questions. It is updated annually, and covers all the principles upheld by the Group's Code of Ethics by alternating between practical examples that allow a variety of subjects to be covered over time (conflicts of interest, inclusion and diversity, respect for human rights, harassment, environmental protection, fraud, etc.) with tackling corruption being an obligatory topic each year. In 2020, the training was enhanced for the first time by the inclusion of a module on the impact of domestic violence in the workplace, to raise awareness on the best ways to react and support victims of such violence. As in previous years, employees were reminded of the existence and operation of the Group's whistleblowing system and its key features (notably the respect for confidentiality in the treatment of cases and the ban on any reprisals against whistleblowers).

Lastly, each year the launch of the annual training campaign is headed by Kering's Chairman and Chief Executive Officer in the form of a direct video address to all Group employees, highlighting the importance to the Group of a culture of integrity in the conduct of its business and in the day-to-day roles and responsibilities of all employees.

In 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, decision was made in 2019 to merge the Ethics and Compliance modules in order to offer all employees a unified Ethics & Compliance training module. The Ethics & Compliance training program reached 96.4% of Kering employees worldwide in 2021, compared with 95.1% in 2020 and 94.4% in 2019.

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 on corruption risks. The Kering Compliance Department trained more than 1,700 employees worldwide in 2021.

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 working for 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.

Following the French Sapin II law, the Group's whistleblowing system was also opened to employees of the suppliers and service providers with which Kering and its Houses have direct business relationships. All suppliers and service providers were informed accordingly. In 2020, Kering decided to go a step further, by organizing a Group-wide communication campaign to reach the employees concerned directly.

A plan for reaching the employees of direct suppliers to Kering and its Houses was therefore drawn up and rolled out in 2020. Translated into 15 languages, the campaign took two forms: a poster to be displayed in relevant locations at supplier and service provider sites, in order to gain the greatest visibility (cafeteria, locker rooms, site entrance, etc.), and a flyer to be given directly to employees. Both the poster and the flyer listed the six key ethical principles: compliance with laws and regulations; prohibition of any form of corruption, fraud, money laundering or conflict of interest; respect for human rights and fundamental freedoms; protection of the health and safety of all; respect for the integrity and dignity of all; and protection of the environment. The level of detail used in the communication was adapted depending on the recipients to give specific examples of what was expected in each case (including in particular the refusal of forced labor, the refusal of recruitment fees paid by employees, special attention paid to vulnerable persons, access to suitable washroom facilities and to decent dormitory conditions, where applicable, the availability of pay and personal documentation, respect for privacy, access to appropriate personal protective equipment, etc.).

As well as setting out the key points requiring compliance at all locations, both documents also reminded employees of the whistleblowing system and how to use it.

Lastly, to provide all employees, depending on their locations and profiles, with access to documentation in their own language(s), an internet platform was developed allowing them to download documents in any of the 15 languages available. An email information campaign targeting the employees was also organized by the Group Ethics Committee, with full backing from the CEOs of all the Group's Houses. This information and communication campaign will be renewed each year, to cover all new suppliers and service providers of the Group and its Houses. This information and communication campaign will be renewed each year, to cover all new suppliers and service providers of the Group and its Houses. Thus in 2021, a second campaign was conducted covering all suppliers enlisted since the first campaign, along with suppliers of the Group's indirect purchases. The supplier social audits conducted each year include checks on the effective circulation of this information to all employees (awareness of the system, display and issue of the documentation, etc.).

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 section 4 "Building together environmentally and socially responsible supply chains" for details of the Group Suppliers' Charter and the conditions for the application of Sustainability principles in supply chains, and the findings of audits and assessments carried out in 2021.

2.4 Impact of policies and initiatives

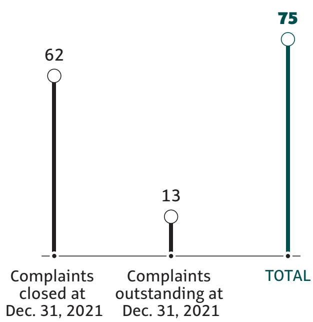
Claims addressed to the Ethics Committees

In 2021, Kering's three Ethics Committees handled a total of 82 requests, including 75 complaints and 7 inquiries (questions, requests for clarification). Out of the 75 complaints, 46 (61%) were submitted to Committees directly (by email) and 29 (39%) via the Group's ethics hotline; 28 were submitted anonymously.

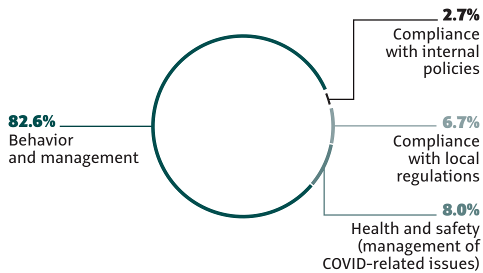
Out of the 75 complaints, 57 (76%) gave rise to an investigation by the Committee contacted. The remaining 18 cases were not investigated, either because the reported allegations could not be audited, because the complainants wished to remain anonymous despite the fact that the reported allegations concerned their personal situations, or because a lack of response or follow-up by the complainant made it impossible to proceed with investigation of their personal situation. 62 of the cases had been closed by December 31, 2021 and the remaining 13 (mostly those reported late in the year) were still under investigation.

Key figures on complaints received in 2021

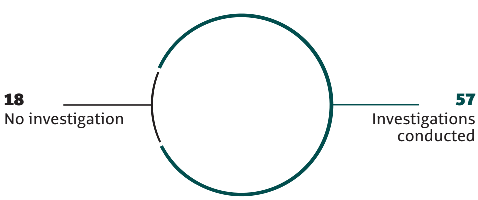
Complaints received in 2021



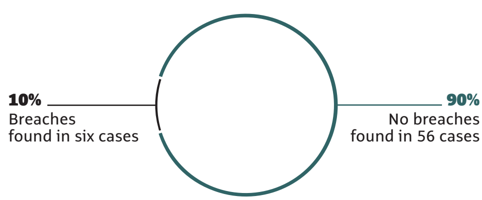
Reasons behind the 75 complaints received in 2021



Investigations into the 75 complaints received in 2021



Code of Ethics breaches in the 62 cases closed in 2021



Of the 62 cases closed in 2021, 6 breaches of the Code of Ethics were found, and appropriate corrective action taken in each instance. Investigations into the other 56 cases did not reveal an infringement of the Code of Ethics but highlighted areas for improvement in management or communication for example. As a result, 32% of cases considered resulted in recommendations for operational improvements being issued by the investigating Committee.

Lastly, it should be noted that ethics reporting and key figures are shared with the Group's Top Management and the Sustainability Committee of the Board of Directors, all information having previously been anonymized and stripped of personal information.

2.5 Protection of human rights

Focus on: Kering's Human Rights Policy

The publication in 2021 of a Human Rights Policy, covering all of Kering's operations as well as its supply chain, not only allowed the expression of certain undertakings formalized in the Code of Ethics and Suppliers' Charter, but also resulted in the updating of a key document for our suppliers, the Sustainability Principles. This process was accompanied by revisions to the social questionnaire on the vendor portal for suppliers, in order to clarify items or add new elements (for example reporting structures, the refusal of recruitment fees paid by employees, and community benefit initiatives) enabling them to conduct a self-assessment in the area.

2.5.1 An approach rooted in the Group's values: founding principles and general framework

Respect for and protection of human rights, for all Group employees and all employees in the supply chains of its various Houses, is central to Kering's ethical commitments at all times.

The global health crisis confirmed the importance of putting into place solid measures and processes to ensure respect for human rights in our operations and our supply chain. During this period, we have worked with our business partners to ensure among other things that their employees are provided with appropriate means of protection and to mitigate the negative impact of the health crisis on their economic activity to the greatest extent possible.

The Group's ethical approach to business and overall behavior forms a consistent and central component of its identity and development. This includes the principles set out in the Universal Declaration of Human Rights, the fundamental conventions of the International Labour Organization, and the United Nations Guiding Principles on Business and Human Rights.

This commitment to respect human rights throughout the Group and its supply chains is reflected in and expanded upon in its key reference documents as shown below.

Code of Ethics and Suppliers' Charter
Sections 2.2 and 4.1

Human rights policy *Section 2.5*	Sustainability Principles applicable to suppliers *Section 4.1*	Kering Standards for raw materials and processes *Section 4.1*	Health & safety policy *Section 3.1.2.4*	Anti-corruption policy *Section 2.2*
Fashion models charter *Section 5.2*	Compliance manual *Chapter 5*	Human resources policy *Section 3.1*	Additional policies and structures implemented by the Houses	MRSL and PRSL lists *Section 4.2*

These policies and documents work together to define the Group's human rights strategy. More specifically, the Code of Ethics draws on the Group's key founding principles in the area of ethics, which are then expressed in greater detail in other policies and documents. The contents of these policies and systems are set out in the relevant sections of this NFIS; they may be complemented by each House's individual or sector-specific initiatives, as set out in section 2.5.2.6 below.

Kering's approach to the protection of human rights may be accessed on the Kering website, which also carries its declarations under the California Transparency in Supply Chains Act of 2010, the UK Modern Slavery Act 2015, the Australian Modern Slavery Act 2018 and Regulation (EU) 2017/821 of May 17, 2017 on metals and ores from conflict-affected and high-risk areas. In addition, Kering's Duty of Care plan, drawn up in compliance with French Law no. 2017-399 of March 27, 2017 on the Duty of Care, is outlined in the "Duty of care plan" section Chapter 5 of this document.

2.5.2 Implementation within the Group: objectives and actions

2.5.2.1 A continuous improvement approach

Aware of the need for constant vigilance on the matter of respect for human rights, the Ethics Charter adopted by Kering in 1996 consolidated key principles to guide employees both in their day-to-day activities and in their business relationships. These principles, now set out in Kering's Code of Ethics, are regularly updated to bring clarifications and explanations resulting from the continuous improvement process.

In the same vein, the due diligence procedure aimed at identifying, assessing and preventing the impact that Group operations have or might have on human rights in the supply chain is seen as a continuous process with a need for constant adaptation. This procedure is included in the Hercules system, which is described in section 4.1.3.

As outlined in the "Duty of care plan", in 2017 the Group carried out a risk mapping procedure covering Kering's operations and its supply chains. In 2021, Kering conducted a new, more in-depth evaluation of risks pertaining to severe impacts on human rights and fundamental freedoms, health and safety, and the environment resulting from its operations and its supply chains.

Following on from these initiatives, additional work has been carried out to identify areas for improvement, with a particular focus on respect for human rights throughout the supply chain. A gap analysis was performed in 2017 to pinpoint differences between the Group's internal practices and the UNGP. The findings of this analysis provided input for the 2019 update to Kering's Code of Ethics and for a dedicated communication plan targeting employees of the Group's direct suppliers with specific details on how to use the whistleblowing system. The first phase of this communication campaign took place in 2020, followed by a campaign of updates in 2021. It will continue to be monitored on a regular basis to ensure it reaches all new direct suppliers.

A detailed description of the communication plan for suppliers is given in section 2.3.

Keen to refine its understanding of human rights issues throughout the supply chain, and to learn from good practices on the matter, in 2020 Kering carried out a new study focusing on the governance and management of human rights within the supply chain, at Group and House level. Carried out with GoodCorporation, an independent organization specializing in business ethics, this study included consultations with various internal stakeholders in order to gather their feedback. To identify new avenues for progress, the findings from the study were analyzed in the light of the recommendations given in the UNGP and the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector. Kering also conducted a study aiming to identify and assess human rights risks linked to the supply of certain key raw materials. This analysis factored in aspects regarding the countries from which suppliers operate. The findings from these various studies enabled the Group to identify a number of key points and subjects, and the resulting recommendations were shared with members of the Executive Committee.

This analysis has enabled Kering to update the list of risks that the Group considers salient with regard to human rights (notably forced labor, child labor in raw materials sourcing, discrimination, health and safety, living wages for suppliers' employees, harassment).

The importance of respect for human rights was confirmed by the materiality assessment carried out by the Group that identified respect for human rights as a strategic challenge of particular importance and hence central to discussions on preparation of its 2025 Strategy, consistent with the United Nations Sustainable Development Goals. The consultation conducted in 2020 confirmed that respect for human rights is among the crucial challenges facing the Group, as set out in section 1.4.

The non-financial risk "Human rights and fundamental freedoms" was identified in the Group's overall risk analysis, as presented in Chapter 5 of this document.

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.

2.5.2.2 Ambitions incorporated into the Group's 2025 Sustainability Strategy

In 2017, Kering published its 2025 Sustainability Strategy. The strategy rests on three pillars, two of which include human rights objectives. The Care pillar commits Kering to achieving 100% implementation by suppliers of the strict requirements set in the Kering Standards for raw materials and manufacturing 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 related 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, ensure salary equity in all functions and achieve gender parity at all levels;
- develop innovative career paths for all;
- aim to be the preferred employer in the luxury sector.

2.5.2.3 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 governance structure for sustainability, as set out in section 1.5. Specifically, human rights governance spans various departments, starting with Compliance, Human Resources (and its Diversity, Inclusion and Talent Department), Sustainability, Internal Audit and Security. It also extends to employee 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 clients, 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 responsible for gender equality and combatting discrimination.

Human rights considerations are also included in the annual performance evaluations of Group executives. 30% of the variable remuneration of the Chairman and Chief Executive Officer and of the Group Managing Director is linked to the fulfillment of non–financial criteria, including the operational roll-out of the 2025 Sustainability Strategy.

Lastly, a vendor portal has been created to help optimize communication between Kering and its suppliers. It provides suppliers with ready access to training and key Kering documents – including on human rights – but also to allow for greater transparency on supply chains. Via this portal, suppliers are required to complete three annual questionnaires (on the implementation of the Kering Standards, environmental management, and labor relations management), the input from which will be used for evaluating their practices. The labor relations questionnaire, which will contain 97 questions in 2022, seeks increased transparency on the composition of the supplier's workforce (gender balance, for example), on specific initiatives taken on the matter, and on their management of health and safety (risk assessment, incident rate, etc.), and on measures for mitigating risks concerning forced labor and child labor. Introduced in 2020, this platform allowed initial assessment of suppliers in 2021. For more detail on this system and the results, please see section 4.2.2.

2.5.2.4 Employee training and education

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

- All Group employees take a compulsory annual Ethics & Compliance course based on the principles set out in Kering's Code of Ethics. The course is available in the 15 most widely spoken languages within the Group. The situations and subjects covered vary from year to year, with the common objective of ensuring that employees will adopt appropriate behavior when faced with the ethics dilemmas they might come across in their everyday working experience. In 2021 the course covered biodiversity and animal welfare, with a sharp focus on the importance and impact of responsible supply chains. This e-learning module also provided the opportunity to remind all employees of the new human rights policy adopted in 2021. A detailed description of the training program is provided in section 2.3.
- Training on the Kering Standards, for employees of Kering and its Houses, and their suppliers, was published via the Group's internal website in 2018. This seeks to explain Kering's minimum requirements on sourcing and processes whilst providing illustrations and details, notably social, that provide context for why the standards are necessary. See section 4.2.1.4.
- In 2021, the topic of human rights and their integration in sustainability strategy was discussed at the Sustainability Network Conference (SNC), a one-day meeting of dedicated sustainability teams alongside representatives from other departments.
- Several times a year, the Kering Foundation 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. In 2020, a dedicated module was also included in the Ethics and Compliance training course. A detailed description of the Foundation's work is given in section 5.4.

2.5.2.5 Stakeholder involvement

Human rights initiatives figure among the many cross-cutting programs in Kering's committed stakeholder approach (see section 5.1).

2.5.2.6 Initiatives by the Houses

Gucci and Bottega Veneta, in 2007 and 2009 respectively, began the process of obtaining SA8000 (Social Accountability 8000) certification. This social certification, based on internationally recognized employment standards, is designed to demonstrate companies' adherence to the highest employment standards. Gucci is also actively involved with Social Accountability International (SAI), which developed the SA8000 standard, and is a member of SAI's Advisory Board.

Several of 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. Pomellato and DoDo, Boucheron and Gucci (also RJC CoC-certified) are RJC–certified. The certification processes at Ulysse Nardin and Girard-Perregaux were suspended in 2021 due to the health crisis, and are due to be restarted in 2022.

In addition to certification, the Houses also develop many of their own programs on respect for human rights. 2021 provided several Houses the opportunity to continue their commitment to and involvement in several projects including:

- Kering gender equality project (Gucci, Saint Laurent, Bottega Veneta, Pomellato and Kering Eyewear): following research into the role of women in supply chains for the Italian luxury sector, training addressing questions such as increasing women's autonomy at work and the work-life balance continued to be provided to Houses' suppliers in 2021. See section 4.2.2;
- I was a Sari: a collaboration between Gucci and the Indian social enterprise I was a Sari, whose mission is to encourage the autonomy of underprivileged Indian women through the production of upcycled products made from used saris, continued to evolve and develop. 176 craftswomen took part in the project in 2021. An embroidery training program entitled "Now I Can", sponsored by Gucci's Chime for Change initiative, was launched on an open source platform in 2021;
- research into working conditions and wages in the Italian luxury sector: conducted by the Fair Wage Network and commissioned by the Social Sustainability committee of the *Camera Nationale della Moda Italiana* of which Gucci is a member, this study helped develop stakeholder understanding of pay practice and draw up a route map towards equal pay;
- action for refugees: Gucci continued its involvement with Tent Partnership for Refugees, which mobilizes the private sector to improve the quality of life and resources available to people displaced from their homelands by force, working with NGOs Breaking Barriers in the UK and Jobs 4 Refugees in Germany;
- Charity: water: Saint Laurent continues to support this NGO, which works with local associations around the world to provide safe drinking water to people who do not have access to it and has developed innovative technologies for identifying and repairing faulty pumps.

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

Section 3.1 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. Section 2.4 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 2021 are presented in section 4.1.3.3.

A cross-reference table between Kering's human rights approach and the United Nations Guiding Principles Reporting Framework is available on the Sustainability/Reporting and Indicators section of Kering's website.

3 - RESPONSIBLE MANAGEMENT OF OUR OPERATIONS

3.1 Supporting our employees

The employees of the Kering group and its Houses are central to our vision, business and inspiration. Kering's principal 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. To achieve this, the Group provides its Houses with the support necessary for their growth, promoting the sharing of and access to best practice, and encouraging the identification and development of talent for the benefit of all the Houses. Kering encourages internal mobility, the pooling of expertise and the creation of synergies.

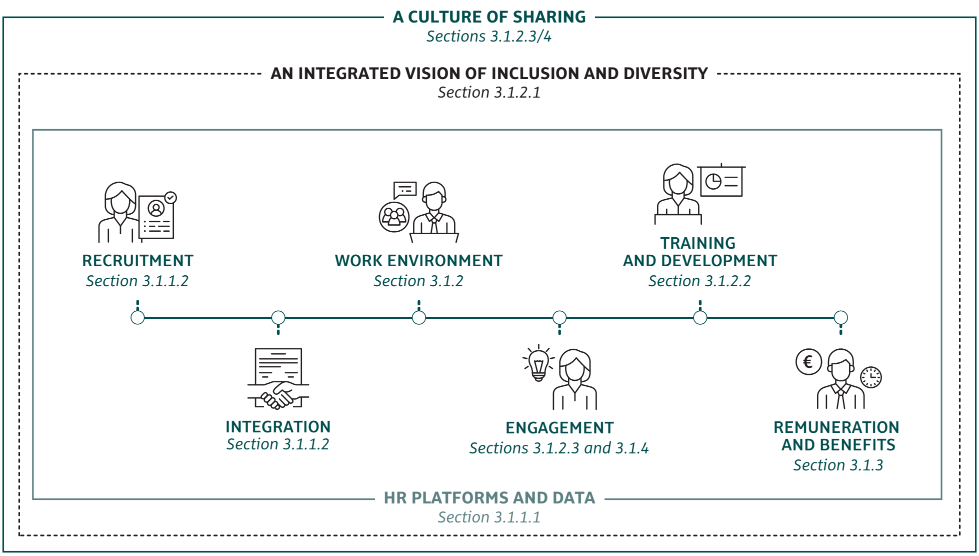
In today's world of fast-changing markets, competition and customer needs, identifying, developing and retaining the best talent is a strategic priority.

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 continue building a respected Group, that brings together strong Houses united by a shared culture and sense of motivation and in which every employee feels appreciated and committed.

Kering continued in 2021 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. As a result, the dynamic initiated in 2020 with the launch of the Baby Leave policy and the implementation of the Inclusion & Diversity (I&D) action plan continued during 2021.

Kering places the employee experience at the hearts of its Human Resources Strategy. The sections of this chapter correspond to key milestones in the career of each employee.



3.1.1 The Group's human resources profile

3.1.1.1 Breakdown of the workforce[(1)]

The Group had 42,811 employees as of December 31, 2021.

There were 42,014 total employees within the reporting scope as of December 31, 2021.

Due to its recent acquisition, LINDBERG is not included in the scope of social reporting for 2021 but will be included from 2022. LINDBERG accounts for around 1.8% of the Group's workforce.

Breakdown of the workforce as of December 31, 2021 (men/women managers & men/women non-managers) by region[(2)]

	Managers		Non-managers	
2021	**Women**	**Men**	**Women**	**Men**
Africa/Middle East	50	71	376	388
Asia	1,451	865	8,239	3,502
Eastern Europe	28	17	1,270	370
France	468	361	1,845	1,039
North America	485	339	2,006	1,632
Oceania	58	27	281	95
South America	63	32	284	298
Western Europe (excluding France)	1,260	1,302	8,384	5,128
TOTAL	3,863	3,014	22,685	12,452

(1) The rate of coverage calculated as a percentage of the Group's workforce as of December 31, 2021 is 100% for all indicators, with the exception of the number of workers with disabilities, which is 86.8% (excluding the United Kingdom and the United States). Due to its recent acquisition, LINDBERG, which accounts for 1.8% of total employees, will be included in the scope of reporting from 2022. For other companies recently acquired or sold, representing 1.3% of the Group's workforce, the only data collected were for the workforce, training and industrial relations indicators.

(2) The table showing the breakdown by region includes the following countries and territories: **Africa/Middle East**: Bahrain, Kuwait, Qatar, South Africa, Turkey, United Arab Emirates; **Asia**: Bangladesh, China, Guam, Hong Kong, Korea, Japan, India, Macao, Malaysia, Pakistan, Singapore, Thailand, Taiwan, Vietnam; **Eastern Europe**: Croatia, Czech Republic, Hungary, Romania, Russia, Serbia; **France**; **North America**: Canada, United States; **Oceania**: Australia, New Zealand; **South America**: Aruba, Brazil, Chile, Mexico, Panama; **Western Europe**: Austria, Belgium, Germany, Greece, Ireland, Italy, Luxembourg, Monaco, Netherlands, Portugal, Spain, Switzerland, United Kingdom.

Breakdown of the workforce as of December 31, 2020 (men/women managers & men/women non-managers) by region[(2)]

	Managers		Non-managers	
2020	**Women**	**Men**	**Women**	**Men**
Africa/Middle East	50	58	331	349
Asia	1,274	801	7,529	3,091
Eastern Europe	31	19	1,233	339
France	407	330	1,709	1,023
North America	472	306	1,676	1,362
Oceania	51	26	250	90
South America	63	32	247	277
Western Europe (excluding France)	1,118	1,216	7,870	4,923
TOTAL	3,466	2,788	20,845	11,454

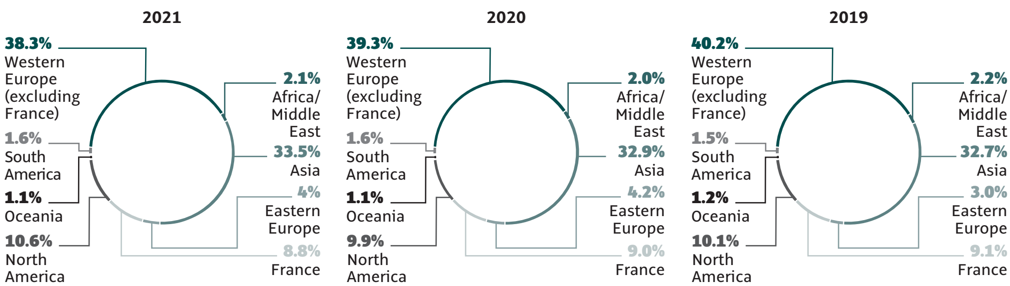
All figures are presented pro forma and at constant scope of consolidation.

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

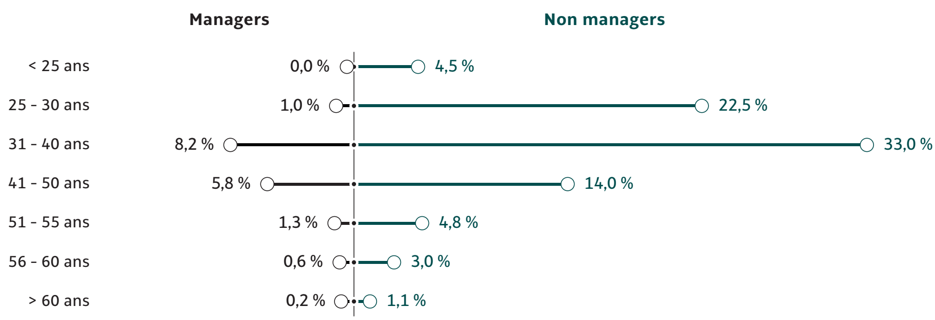
	Managers		Non-managers	
2019	**Women**	**Men**	**Women**	**Men**
Africa/Middle East	39	58	365	370
Asia	1,182	747	7,439	3,078
Eastern Europe	24	19	831	270
France	354	291	1,749	1,056
North America	381	238	1,809	1,413
Oceania	35	18	308	109
South America	53	27	241	269
Western Europe (excluding France)	1,095	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.

Change in the regional breakdown of the workforce as of December 31, 2021, December 31, 2020 and December 31, 2019



Age structure of the permanent workforce: managers (17.1%) & non-managers (82.9%) in 2021



3.1.1.2 Establishing a long-term hiring policy through international partnerships and with the help of employee 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 ambition of forging international partnerships with prestigious business and design schools worldwide.

Strategic partnerships were slowed in 2020 due to the COVID-19 pandemic. Kering renewed its ties with the Centre for Sustainable Fashion (CSF) at the London College of Fashion (LCF). Launched in 2014 for a five-year period and then renewed in 2019, this international partnership allows Kering to affirm its commitment to the people who will make the fashion of the future, and to share its beliefs through the "Empowering Imagination" curriculum. Open to students from the various disciplines at the LCF, this four-month course combines theoretical and practical teaching and is updated each year in order to integrate the latest scientific and technical advances to explore the issues of sustainability in the world of fashion.

Kering and the LCF also launched the first Massive Open Online Course (MOOC) on luxury fashion and sustainability in 2018. Entitled "Fashion & Sustainability: Understanding Luxury Fashion in a Changing World", the six-week course combines films, podcasts, activities and discussions. More sessions will be held in 2022. In 2021, the Sustainability Chair jointly created by Kering and *Institut Français de la Mode* continued to expand its scientific research on a wide range of topics related to fashion and sustainability, from traceability to impact assessment to eco-responsible business models. This year, the Chair produced its first major works, with the publication of a research article on textile recycling techniques, but also provided education in sustainability to more than 1,500 students via a compulsory 30-hour course. A diploma course was also created, combining 60 hours of lessons (with contributions from experts) and practical projects in an educational approach that combines theory and practice.

Renewed in 2020, the Group's partnership with HEC allows it to support high-performing young people from a variety of backgrounds and to identify potential hires for the Group and its Houses. The Kering Certificate of Influential Luxury aims to help future leaders learn how best to handle luxury brand management challenges through Kering's vision and values. A team challenge on a topic set by one of the Houses – this year it was Saint Laurent – culminates in a presentation to a panel consisting of the Chair's academic co-directors and Kering managers.

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

The Group's Houses have also established local partnerships and developed craft training at centers of excellence in order to ensure the promotion and protection of the Group's expertise. These are presented in section 5.3.1.

In 2021, Kering successfully launched two leadership programs to identify and support emerging young talent: Kering China Cross-Brand Retail Excellence Management Trainee Program in the Asia-Pacific region and Kering Horizon Program in Italy.

The Kering China Cross-Brand Retail Excellence Management Trainee program in the Asia-Pacific region seeks to promote Kering's image amongst young people in China, where the Group's businesses are growing strongly. It also serves to create a fast-track development stream for talented individuals at an early stage of their careers, to build a pool of potential candidates for the Houses, and to develop the potential of apprentices. This 21-month program offers participants an ambitious development pathway. They undertake a series of internships in different Houses to learn about the operation of Retail Management and HR. To publicize the program, Kering China presented it live on WeChat, with leading managers answering questions from students and potential candidates. The program has been a big success, with more than 2,800 applications and recruitment sessions held in Shanghai, Beijing, Shenzhen and Wuxi. 35 interns were selected and began their training in mid-January 2022 with a 2-month intensive in-store placement.

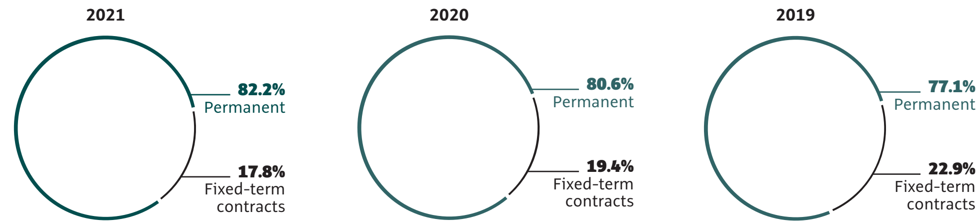
The need to cultivate talent in the constantly-evolving supply chain and logistics areas led Kering to develop the Kering Horizon Program. Through experience in a variety of roles, mentoring, and intensive training modules, this two-year program seeks to accelerate the leadership potential of graduate engineers and prepare them for the supply chain and logistics roles of the future. The best candidates were recruited as full-time employees at Kering and began the program in December 2021.

Recruit the best talents

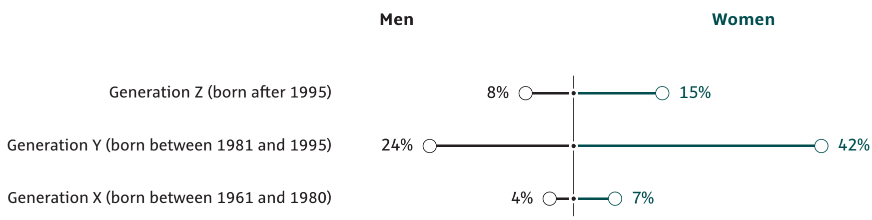
In addition to partnerships with schools, Kering uses highly effective social media and other tools to recruit the best profiles available. Kering's Houses are constantly investing in order to offer the best possible experience to applicants through innovative and inclusive solutions. In 2020, Gucci launched an online assessment process that uses augmented reality to give applicants experience while evaluating them for the essential skills required to be a sales associate in one of Gucci's many stores worldwide.

A training program on inclusive recruitment was introduced for the entire Kering group in 2020, to help recruiters and hiring managers identify common biases in the recruitment process and minimize their impact. The program, which has already been taken by 387 HR employees, covers all stages in the recruitment process, including the issues to be considered when the vacancy is created, the applicant selection and interview processes, and the new hire's integration into the company. From 2022, recruitment managers will also be trained in inclusive recruitment. In addition to this program, several Houses have implemented fully-fledged inclusive recruitment strategies, such as Balenciaga's Hiring Pact, which takes a 360° approach to drive real-world progress in the area of inclusion and diversity.

Breakdown of fixed-term and permanent contracts among new hires in 2021, 2020 and 2019

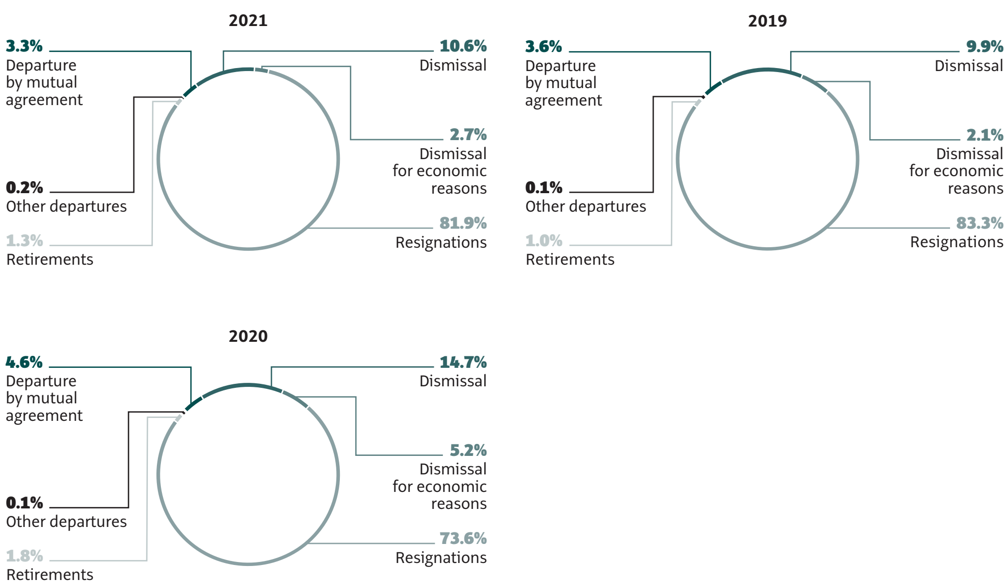


In 2021, 13,052 people were hired on permanent contracts. Out of the total number of new hires, including fixed-term contracts, 63.1% were women and 92.5% were non-managers. Of total new hires in the year (including fixed-term contracts and apprentices) 23% came from Generation Z, 66% from Generation Y, 11% from Generation X, fewer than 1% were born before 1945.



Kering also had a monthly average of 1,713 temporary employees across all its Houses in 2021.

Breakdown of permanent employee departures by category in 2021, 2020 and 2019



Departures of permanent employees, on all grounds, totaled 10,166 in 2021, of which 8,323 were on the employee's initiative (81.9% of departures) and 1,082 on the employer's initiative (10.6% of departures).

3.1.1.3 Supporting organizational changes in a responsible manner

In 2021, 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 group, 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.

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.

The European Works Council is also apprised of the Group's plans and the associated organizational changes during its two annual plenary meetings, extraordinary committees as necessary, and the meetings of its Select Committee. The French Works Council is also informed annually of the Group's plans for organizational change.

3.1.2 Furthering employee development in a stimulating and inclusive work environment

3.1.2.1 Promoting inclusion and diversity

- Going further than its commitment to social responsibility, the Group believes that inclusion and diversity 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. Kering pays close attention to diversity in employee profiles (gender, culture, origin, sexual orientation, identity or disability), which it recognizes as a rewarding source of collective intelligence.
- As part of its 2025 Sustainability Strategy, Kering is promoting diversity and gender equality through a series of concrete commitments, which include ensuring salary equity in all functions and achieving gender parity at all levels, and introducing a mentoring program for women at the international level.

In early 2015, the Executive Management of Kering and the European Works Council signed their first European Empowering Talent agreement.

In June 2019, Kering announced its support for the Standards of Conduct published by the UN to help businesses tackle discrimination against the LGBTQI+ community. In September 2019, Kering joined the "Open To All" coalition, which combats all forms of discrimination against employees, visitors and customers, including discrimination based on ethnicity, nationality, sex, gender identity, sexual orientation, religion and disability.

Ranked ninth among nearly 11,000 companies from around the world in Refinitiv's most recent Diversity & Inclusion Index (2021), Kering intends to build on these results to form an increasingly representative and high-performing team.

Each House set up an Inclusion and Diversity Committee in 2020, sponsored by a member of its management team. These committees are made up of representatives from the various departments and regions. Their role is to transpose the Group's inclusion and diversity strategy within their respective Houses, while adapting it to their specific cultures and environments. The initiative is sponsored by Kering's Chairman and Chief Executive Officer, and the sponsor for the Kering Corporate Inclusion and Diversity Committee is the Group's Chief Financial Officer.

Kering sensitizes its employees to the issues of inclusion and diversity. The theme of inclusion and diversity was addressed through case studies on accepting cultural differences and invisible disabilities in the workplace as one of the four modules in the Ethics & Compliance mandatory annual training program in 2021.

In addition to the Inclusion and Diversity teams reporting to the Group HR department, Balenciaga, Kering Corporate, Kering Eyewear and Gucci have resources fully dedicated to the issue of inclusion and diversity.

Since 2019, Gucci has operated a full inclusion and diversity program, including (i) an inclusion and diversity development program for all employees, (ii) a global design scholarship for talented young people in all regions of the world, and (iii) an in-house international exchange program. Gucci is also a signatory to the UN Charter on LGBTQI+ rights. In 2019, Gucci launched its Global Equity Board in order to define priorities and monitor progress in the areas of diversity, equality and inclusion, in line with Kering's policies.

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 inclusion and diversity focuses on three 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.)	2. Fostering work-life balance via a Group-wide policy for all employees that promotes well-being at work and equality for all	3. Developing an inclusive and exemplary parental policy
To mark International Women's Day, Kering once again demonstrated its commitment to gender equality with the launch of the Pass It On campaign. This new initiative invited each employee to share a written or video statement on Workplace and Lexiang about the women they have helped in their life and the benefits that he or she saw.	Many other initiatives have also been adopted by Kering's various Houses, including remote working, flextime 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.	Kering has been committed to a wide-reaching parental policy since 2017, supporting parents and helping to create a culture of equality in the Group. Baby Leave, launched in January 2020, allows all parents – mothers, fathers or partners – to take 14 weeks of fully-paid leave to care for their child. It contributes to gender equality in a practical way by guaranteeing the same parental leave rights to both men and women, ensuring equality for all Kering employees. This makes an effective contribution to tackling 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

The mentoring program for talented women launched in 2013 having been acclaimed by mentees and mentors alike, it forms 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. Mentors are mainly women who benefited themselves from a development program and want to share their experience.

For the past five years, Kering has also partnered the EVE program, which enables 15 employees from various Group Houses and countries to participate in seminars in Europe and Asia. Created in 2010 by Danone, this innovative management program aims to nurture strong and inspiring individuals, in sufficient numbers to enable them to bring about corporate change.

Lastly, in 2021 Kering published its France 2020 Gender Equality Index for its Corporate entities and Houses in France, with a score of 95 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 2021, women accounted for 56.2% of the Group's managers, 63.2% of the total workforce (63.1% in 2020, 62.9% in 2019), 33% of its Executive Committee members and 55% of its Directors (excluding Directors representing employees), 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.

Kering came ninth in the 2021 Equileap ranking, which recognizes companies that lead the way in achieving gender equality globally.

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 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), 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, the National Network to End Domestic Violence (NNEDV), *Fondo Semilias* 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. The campaign reached more than 900,000 people in five countries via social and print media (see section 5.4.1);
- the Group firmly believes that businesses have a decisive role to play in combating violence against women. In line with International Labour Organization (ILO) Convention 190 on violence and harassment in the workplace, the Kering Foundation worked with the Group Human Resources Department in 2020 to draft a global policy on domestic violence. The internal program developed by its teams aims to provide appropriate support for survivors and victims of domestic violence and came into effect on January 1, 2021;
- 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 study on women's roles in the luxury segment supply chain, conducted by Kering and its Italian Houses in collaboration with the *Camera Nazionale della Moda Italiana* (CNMI) (see section 4.1.2).

Promoting the integration of people with disabilities

As of December 31, 2021, the Kering group employed 531 workers with disabilities (coverage rate of 86.8% excluding the United Kingdom and the United States).

Kering confirmed its commitment to the integration of people with disabilities with 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 forge partnerships and deploy awareness campaigns to ensure that employees are onboard. For example, Ulysse Nardin and Girard-Perregaux have initiated a project with Swiss foundation Alfaset and are currently discussing various options for integrating people with disabilities into their workshops, as interns or on contracts relating to specific projects. In 2021, Kering Corporate offered employees two awareness-raising programs: thanks to the DuoDay platform, a number of people with disabilities from outside the Group took part in a "live-my-life" day with Kering employees, whilst several teams took part in a "musical blind test", involving disabled artists. The game is a fun, interactive way to raise awareness about disability diversity and the importance of fostering a culture of inclusion.

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 (see section 5.3.1).

Kering is working with charities Télémaque and *Energie Jeunes* to make concrete progress in equality of opportunity, by making it easier for all employees to volunteer during working hours (see Giving Back).

In 2021, Gucci built on its commitment to the integration of refugees through a process of inclusion at its Italian offices and production facilities; this employment and training program is called #forRefugees. This commitment was recognized for the second consecutive year by the "Welcome. Working for Refugee Integration" prize from the United Nations High Commission on Refugees (UNHCR). In 2021, the House took part in the latest edition of the prize.

3.1.2.2 Development of talent and skills

Developing skills and talents is at the heart of Kering's HR policy. In 2021, Kering consolidated the community and initiatives launched following the pandemic. This community has worked in three main areas:

- reviewing the fundamentals of our internal mobility policy;
- maintaining training despite uncertainty and the difficulties in getting employees together;
- strengthening the use of our internal platform to support employee development.

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.

1. Developing a shared culture of performance

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

In 2021, the Group introduced the People Performance and Development Annual Review, between employees and their managers, to assess performance relative to jointly-set targets and the employee's development needs. This appraisal and the associated form strengthen the dynamic evaluation approach introduced in 2019 and combined with regular check-in conversations. Interviews will take place between January and late March 2022, in accordance with a detailed timetable drawn up by each House. User guides and other materials are made available by the Houses to help employees and managers prepare for, conduct and follow up on the interview. Meanwhile, dedicated training sessions for HR teams at all the Houses were delivered by the Group in January 2022.

To ensure that employees receive appropriate support, the Group provides training to Human Resources teams via the HR Academy. Comprehensively reviewed in 2021, this has the fundamental aim of helping all HR teams around the world develop their professional skills, access an internal expert network, ensure their personal development and prepare for future changes in the world of work. Nearly 500 people accessed these sessions in 2021.

Once talented individuals have been identified, the aim is to gain a clearer picture of their profile, define the support initiatives needed in terms of organization and talent development, and prepare succession plans for key positions. In 2021, the process of identifying talent within the Group was expanded to include more roles in order to support the creation of talent development plans and the ability to anticipate the organization's needs.

2. 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.

A review was started in 2021 with all Houses to define a new basis for easier internal mobility. As the shared objective is to accelerate the number of internal openings, it was agreed that there should be greater transparency on available roles, giving employees greater control over their careers and supporting internal applications in order to enhance the culture of professional development within the Group.

Employees can now apply for a position after 18 months of service. They can also register as internal candidates and have confidential contact with internal recruiters before applying. Regular meetings of the HR community have been organized to enable on-going dialogue on recruitment needs and available people. The whole HR community has received the appropriate training and support materials have been made available to all. The introduction of this new policy was backed by a communication campaign.

Lastly, Kering is nurturing future talent. The HR departments at the Houses participated in a 3-day seminar on HR and retail trends in order to anticipate changes in business needs through changes in the skills base within their House.

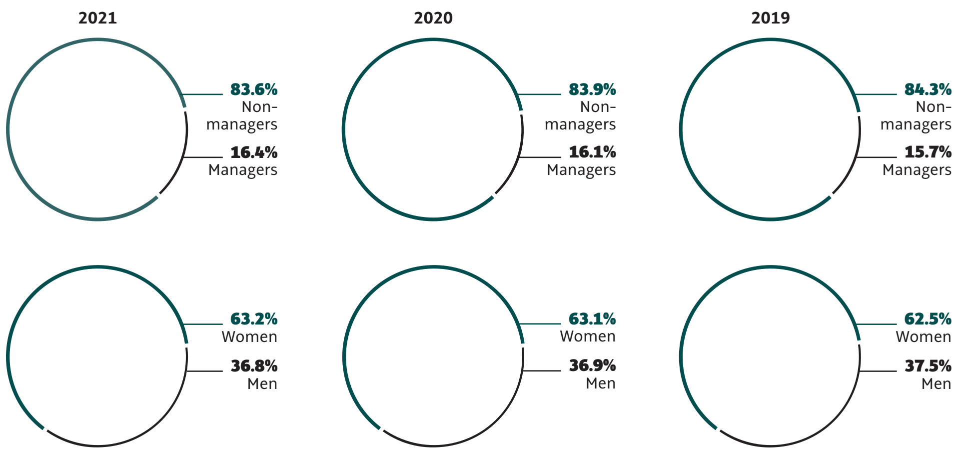
Developing a structured training policy for all employees

In 2021, the Kering group devoted a budget of €28 million to employee training, corresponding to 1.15% of the total Group payroll. On this basis, 577,504 hours of training (excluding safety training) were provided across Kering's Houses during the year, an increase of 6.6% on 2020; 43,695 employees (including leavers) took at least one training course.

Women accounted for 63.2% of the workforce trained in 2021 (excluding safety training). Furthermore, 83.6% of employees trained 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 in 2021, 2020 and 2019



1. Developing digital training pathways with the introduction of a new platform integrated into the HR information system: Kering Learning

In 2021, Kering Learning reached more than 33,000 users and provided more than 50,000 hours of training (60,000 content items). A specific effort was made to support all employees in the development of their foreign language skills, which resulted in a 75% increase in platform users and more than 20,000 hours of training completed (up 132%).

After a period of development in 2020, the goal for 2021 was to improve the visibility and access to training around three pillars:

1. communication: a number of campaigns to increase employee engagement with Kering Learning;
2. employee voice: giving all employees an opportunity to express their interest in Group programs;
3. personalization: offering targeted pathways depending on skills and/or position.

The digital channel also allowed broader dissemination of our commitments to inclusion and diversity. Balenciaga continued its Masterclass series, focusing on the "stand against racism" pillar. Bottega Veneta has developed several video modules on the same topics and on stereotypes. Brioni launched a weekly communication campaign to inform employees on vocabulary related to this topic and the lived experiences of their colleagues, in order to encourage inclusive behavior. Gucci launched a program open to all employees to train them in diversity, unconscious bias and an inclusive client approach.

Digital training is a key lever for supporting employees and enhancing their skill levels, with links to the topics of the future. It forms part of the Group's forward-looking job and skills planning, which is implemented at all levels of the organization, from the Human Resources department (Learning Expeditions on future trends) to in-store teams (training in distance selling), to anticipate and support businesses' transformation.

2. Developing and maintaining a regional offer for managers and employees from all Group Houses

In 2021, Kering continued its management development programs (People Management Essentials, People Management Advanced, Career Conversations) and introduced a new program, PME Booster, based on shared intelligence and peer-to-peer transmission of concrete experience in six-person groups. The success of the pilot, in French and Italian, in summer 2021, resulted in the introduction of this booster format as a follow-up to more traditional training programs.

The circumstances of the COVID-19 pandemic meant that training on management of remote teams continued: management of virtual meetings (in terms of impact and participant engagement), initiation into intercultural matters in the professional world, and notably the development of a new program centered on our way of working and co-operating with China, which represents a significant challenge in the luxury industry.

In total,

- in Europe, 35 virtual training courses were offered (including a face-to-face workshop), with 380 employees receiving training;
- in Asia, excluding managerial programs, which are offered in face-to-face format, 275 employees were trained in 2021 thanks to the 14 virtual programs offered.

3. Digitalization of the Group's talent programs

In 2021 many of the practices created during the COVID-19 pandemic in 2020 were retained, with technological resources allowing the continued training of our employees when they were unable to travel outside their home country.

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 class of 2021 consisted of participants from our three regions and eleven different Houses and Group entities. The program ran in a hybrid format, with some participants traveling and a small number of people following the program remotely.

Kering Navigate

The Group implemented a new, international and 100% virtual program called Kering Navigate. Targeting the Group's young leaders, the program brought together 51 people from the Group's various businesses, covering 10 different nationalities. It gave participants the opportunity to reflect on the complexity of the situation and to find resources to manage the crisis and the associated changes in work practices as effectively as possible. Participants benefited, over a six-month period, from internal conferences, training with external service providers, participation in working groups and individual support.

Kering Vision

The program was adapted into a digital format in 2021. For three half-days per week over a three-week period, 34 participants from Europe and Asia collaborate on a strategic Group project. 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 program, they present their projects to a jury of senior executives from Kering and its Houses.

Kering Mentoring

In the autumn, Kering rolled out its mentoring program, designed to develop talent by drawing on the experience of senior managers and providing the opportunity to live a shared experience within the Group. In Europe, 50 people, or 25 mentor-mentee pairings, from nine different Houses and four different countries (France, Italy, the United Arab Emirates and the United Kingdom) came together to start a six-month development program. In Asia, 30 people from ten different Houses took part in the program.

3.1.2.3 Employee commitment: putting employees at the center of all initiatives

Kering has identified the development of employee commitment as one of its strategic priorities. Over the years, Kering has fostered employee commitment through shared experiences, helped to create a common culture, strengthening the feeling of belonging to an integrated Luxury Group.

Through our integrated communication platforms launched in 2018, 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 Group employees and executives is regularly enhanced by live chats on the corporate social networks between employees and one or more of the executives, on key topics as diverse as sustainability, financial results and the company's strategy.

Global communication campaigns about the Group's values and policies

The 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:

- For the sixth consecutive year, a five-week communication campaign was conducted via the two corporate social networks to inform all employees about Kering's culture of integrity and the ethical principles applicable across the Group. This campaign accompanied the on-line training program "Code of Ethics – Do the right thing!", which is mandatory for all employees in all Houses and in 2021 focused on four themes – human rights, corruption, biodiversity, and inclusion and diversity at work. Once again this year the uptake rate of 96% reflects the commitment to this subject of all Group employees worldwide.
- Internal mobility is key in ensuring the retention of talent. This is why, yet again this year, the Group launched a promotional campaign for managers on the one hand and employees on the other, in order to emphasize the benefits for all stakeholders.

Focus on: Kering People Survey #NoFilter, the Kering employee opinion barometer

In 2021 Kering ran the fourth edition of its employee opinion barometer – Kering People Survey #NoFilter – to measure the level of engagement of employees at the Group and the Houses around the world. In addition to the standard questions, this year's survey included ten new questions on the theme of Inclusion & Diversity. This campaign recorded an excellent score, with 87% responding (up 5 points on 2019; 87% for women, 87.3% for men) and an engagement rate of 82% despite the difficult circumstances. The Group Executive Committee and the CEO of the Houses have collated the results of this survey and shared detailed action plans with their employees, committing them to responding to the expectations expressed.

- Amongst the lessons from Kering People Survey, the quest for meaning at work was shown to be a strong requirement for employees. This is why, this year, Kering proposed a new initiative called Giving Back. Giving Back is a volunteering program for employees at certain Houses who want to contribute to creating a better world. Through partnerships with non-profit organizations selected by the Group, employees have 21 hours per year (around 3 working days) to volunteer and support their local communities. This program operates in France and Italy and will be rolled out to the UK in early 2022 and then to the rest of the world.

  This program forms part of the same process as Gucci's "Gucci Changemakers" volunteer program, created in 2019 to encourage all Gucci employees worldwide to support their local communities. The program allows employees to spend up to four days of their working time helping non-profit organizations in four key areas: the environment, education, social justice, and health and well-being. More than 2,400 applications to take part were received and 270 activities were added around these four areas of impact, with 1,600 employees worldwide becoming involved through 130 collaborations with non-profit organizations.
- In order to build employee awareness of on-line security, this year Kering launched a new training module on topics of privacy and cybersecurity. This mandatory training for all employees across the Group and its Houses was entitled Privacy & Cybersecurity e-learning, and was split into two modules, the first on protection of employees' personal data, the second on the protection of client data. This new training program had an excellent participation rate with 90% uptake.
- Every two years, Kering brings together its 250 Top Managers for a week entitled Imagine. In 2021, the 100%-digital edition welcomed external and internal contributors, notably including François-Henri Pinault, addressing a variety of themes: Inclusion & Diversity, the industry outlook, etc.
- 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, 1,685 employees, including the Group Executive Committee, have received training to help them understand the impact of domestic violence and promote a supportive work environment for women who are victims of domestic violence. The Kering Foundation has also developed a 30-minute e-learning session, available in English, French and Italian. The Kering Foundation encourages Group employees to use both their professional and personal skills to support partner NGOs and social enterprises. Since 2014, the International Volunteering Program has allocated between two and four days to employees joining a two-week international solidarity mission. The COVID-19 pandemic meant that the program was put on hold in 2021. This year, volunteering opportunities offered by the Kering Foundation have been brought under the umbrella of Giving Back.

Certain internal events designed to bring employees together, foster cohesion and enhance employee engagement had to be canceled in 2021 because of the pandemic.

3.1.2.4 Quality of life at work

As early as 2010, Kering signed a "Charter of commitments on the quality of life at work and the prevention of work-related stress" with the Group's European Works Council. This charter has enabled the Houses to develop and implement action plans based on three key principles:

1. identifying and assessing the causes of stress in the workplace;
2. deploying preventive measures to improve quality of life at work and reduce workplace stress factors;
3. keeping employees informed and giving them the opportunity to provide anonymous feedback so that the Houses' action plans can be adapted, adjusted or enhanced.

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.

The quality of working life is part of the day-to-day experience of employees who were given the opportunity to express themselves through the Group's biannual opinion barometer that allows employees to be heard and helps prevent psychosocial risks. The most recent Kering People Survey #Nofilter in 2021 included questions on the quality of life at work, morale, stress, the work-life balance, health and safety and mental health.

The health crisis affected both 2020 and 2021. The Group sought to ensure transparency and empowerment by communicating on the corporate social networks. The Group focused its efforts on providing a single, constant stream of information for all employees worldwide, regardless of how the pandemic was evolving in each country. Maintaining ties with employees both during and after lockdown periods contributed to the quality of working life.

Promotion of workplace safety and management of psychosocial risks

In 2020 and 2021, two years dominated by the COVID-19 pandemic, the management structures within each House or country organization ensured that health and safety measures were implemented at all levels of the organization worldwide. National, regional and local procedures were developed by the entities to put into practice Kering's global health and safety policies. A continuous consultation process was initiated with employees on the topics of health, safety and well-being to enable everyone at Kering to play a role in the prevention and protection measures. Employee-support resources were made available (including 24-hour hotlines in China and France, and individualized support in Japan), backed up by innovative applications (such as Joyable in the USA). Pilot well-being at work programs were launched, including #takecare at Kering Corporate and Be well at Alexander McQueen.

The Group made all of its HR platforms available to maintain constant ties with employees, regardless of the national health situation in their country of location.

In addition, Kering and its Houses implemented numerous protective measures at Group sites worldwide to ensure the health and safety of employees and clients, in line with the government's recommendations in each country and any changes to such recommendations.

In 2021, 233 lost-time accidents were recorded across all of the Group's Houses, compared with 2019 in 2020.

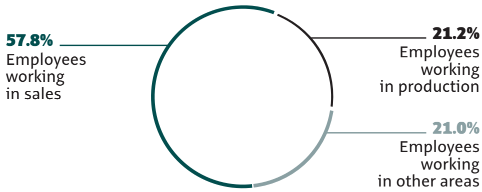
Frequency and severity rate of accidents in 2021, 2020 and 2019

	2021	2020	2019
Frequency of work-related accidents (Number of accidents per million hours worked)	3.46	3.50	5.07
Severity rate of work-related accidents (Number of days lost per thousand hours worked)	0.10	0.09	0.11

Across all of the Group's Houses, 28 employees were recognized as suffering from a work-related illness in 2021.

The Kering's comprehensive health and safety policy is based on best practice from across the organization. It aims to ensure that a clear governance structure is in place and that 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, 2021 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 the preservation of occupational health and safety involving multiple stakeholders, including the Social and Economic Committee's Health, Safety & Working Conditions team, ergonomists, occupational physicians and external prevention specialists. In terms of risk prevention, 53,101 hours of safety training were provided to 7,282 Group employees in 2021.

Overall lost time and sick leave *(in %)* in 2021, 2020 and 2019

	2021	2020	2019
Overall absenteeism rate	5.3%	5.6%	4.9%
Absenteeism rate due to illness	2.8%	2.9%	2.5%

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 ISO 45001 (formerly OHSAS 18001) certification);
- preventing psychosocial risks and stress by bringing in healthcare professionals, such as physiotherapists, osteopaths, sophrologists, and teachers of yoga, Pilates, and meditation (at the Kering and Saint Laurent head-quarters, etc.), 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 remote working program, flextime, 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.

The Group maintained its Kering People Survey #Nofilter 2021 opinion survey, including questions on the quality of life at work and creating an opportunity to listen to employees, analyze their responses and prepare action plans, such as for the prevention of psychosocial risks. See section 3.1.2.4.

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 2021, 37,052 overtime hours were logged in France, a decrease on 2020.

In 2021, 2,138 employees logged overtime hours. Staff working part time accounted for 5.5% 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 remains a topic addressed by the Group's Houses and varies according to the countries, sites and employees concerned (in stores, production and workshops or support functions). Kering Corporate and the Houses make every effort to organize the work of employees in strict compliance with local health, safety and environment guidelines, including those relating to the health crisis.

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 flextime.

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: flextime for several Houses, the introduction of a smart working pilot plan at the Bottega Veneta and Gucci headquarters in Italy, continued remote working at the Kering headquarters in Paris, leave to care for sick children at Boucheron and part-time work at Pomellato.

Against the backdrop of the global pandemic, 2020 and 2021 saw the launch of a project on new, flexible work methods, with the creation of a multi-brand working group that meets in each country. Houses in the pilot countries meet regularly to share best practice and talk about flexible work methods. Discussions are also held with managers and employee representatives in order to find the most appropriate solutions while also ensuring employee well-being and a healthy work-life balance.

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 and based around three pillars.

1. Operating 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, namely 14 weeks' paid leave.

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. Encouraging, where possible, more flexible work methods that enable employees to better organize their lives

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 and 2021 in all host countries. The measures deployed by the Group and its Houses as part of their action plans address this desire for more flexible work methods.

The deployment of company-wide platforms for HR, information, communication, training and dialogue has also contributed to improving quality of life at work. All Group employees now have access to the same resources, regardless of their location, profession or position, representing a key factor in employee well-being.

The Houses were also able to capitalize on measures relating to well-being at work, such as the organization of workplaces in line with the highest standards, as well as flexible work times, work-life balance and health and well-being.

The accelerated deployment of these new practices in 2021 was supported by all teams, particularly the HR, IT and Security teams, and was facilitated by the digitalization of the Group's communication platforms, to protect the performance, engagement and well-being of employees.

3. Creating 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. Kering has been a member, since 2016, of a discussion platform initiated by the International Labour Organization (ILO), known as the Global Business Network, the French-speaking branch of which brings together French-speaking companies that are committed to developing joint international social security programs.

Kering continues to contribute to the work of the French-speaking ILO network and has been involved in the production of three guides to best practice. The most recent of these, "Adopting a strategy of parental support and measuring its impact" was published in 2021.

3.1.3 Remuneration and employee benefits

Around €2.4 billion in Group personnel expenses in 2021 (see note 6 to the consolidated financial statements in Chapter 6 of this document).

3.1.3.1 Remuneration policy

Remuneration is a key component that managers can use to reward the commitment and the individual and collective performance of their teams.

Performance-related remuneration

The various components of the pay structure and their management are based on principles defined by the Group, such as the close alignment between remuneration, individual contribution and collective performance.

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.

The individual share of variable pay is determined and managed as part of the performance management process. Each employee's contribution to the team's results is assessed by their direct manager in accordance with the level of achievement of the targets set and their behavior throughout the year.

In a similar spirit of recognizing and rewarding team performance and the contribution of all employees to Kering's growth and success, the Group is eager to introduce incentive plans in countries where this is encouraged by the local legislation. In France, nearly all employees benefit from a profit-sharing mechanism.

Competitive and fair remuneration

Efforts are made to ensure that the amount of fixed salary received by each employee is both fair internally and competitive within the market. Fixed salary 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 time and the potential for development.

The existence of a framework for all jobs within the Group and shared by all Houses (known as the "Job Catalogue") enables their accurate definition based on both area of expertise and level of responsibility. This is particularly helpful during the internal and external competitiveness analyses that are regularly conducted by the Group, and for the fair allocation of variable pay and certain benefits in kind.

Management of individual careers within the Group and of impacts on individual remuneration is conducted without consideration of gender or age.

In 2021, the Group developed the Kering Parity Index, to allow Houses to evaluate and monitor their parity performance over time. This index consists of four individually-weighted indicators: indicator of parity in the 300 executive positions with the greatest level of responsibility, gender pay gap by level of responsibility, comparative opportunities for men and women to benefit from a promotion or job development, and comparative opportunities for men and women to receive a pay rise. It will be calculated annually for each House and at a consolidated level for the Group in order to identify areas of weakness requiring specific corrective measures and allow the monitoring of changes in these various metrics over time.

Gucci has begun an analysis of gender pay equality on a global level, focusing on more than 45 countries. Gucci is in the process of preparing its first Gender Gap report, an innovative tool for the private sector that will help formulate and implement actions designed to promote an inclusive culture and identify opportunities to engage in a process of change and improve gender equality within the company. As a pilot project, the first report will concentrate on employees in Italy, covering corporate, in-store and production populations.

Remuneration and social commitment

Upstream of the principles of fairness and competitiveness adopted and applied by Kering, the Group has a strong commitment to guaranteeing a decent standard of living to all employees and their families.

In 2021, Kering carried out a global study to define, for each of the countries in which it is active, the Kering standards that provide this guarantee of a decent standard of living to all employees and their families. The factors taken into account when defining this standard of living include food, water, housing, education, healthcare and other essentials.

In order to ensure that these thresholds are reliable and legitimate, the Group has drawn on the Fair Wage Network methodology, which collects and analyzes information for different countries on a standardized basis. New research that becomes available in each country is systematically integrated by the organization. Thus, over time, this process adopted by Kering will lend its commitments greater accuracy and power.

3.1.3.2 Executive pay

Within Kering's senior management (Top 450), the remuneration of 300 people in particular 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 (recurring operating income) and assessing the quality of the free cash flow of the Group and the Houses.

The long-term profit-sharing policy, meanwhile, meets two objectives, rewarding executive teams for their performance over time and for their loyalty to the Group.

Since 2020, all executives have had performance shares, which now represent the main element of Kering's long-term profit-sharing structure. The number of shares granted to each executive varies with their level of responsibility. The number of shares delivered at the end of the vesting period depends (for +/-50% of the shares granted) on Kering's share price performance compared to a reference index of luxury industry stocks.

For executives working within a Group House, the Kering performance shares are accompanied by monetary units in the same proportion, linked to the valuation of the House for which they work. These monetary units were launched in 2013 and their unit value evolves over time in line with the increase in the House's value. 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.

3.1.3.3 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 cover and pension benefits, as well as ensuring their well-being more generally. In addition to the coverage provided by law, virtually all employees therefore enjoy supplementary insurance through the various schemes in operation in the Group's Houses.

For some years, the Houses have offered more comprehensive benefit plans in line with best practice in each country. Such plans often include benefits relating to well-being, sports, education, recreation, transportation or family support. As far as possible, these benefits are available flexibly and can be selected to meet the needs of each individual. This was the guiding spirit behind the introduction in 2020 of the ambitious Flex Benefits program for Gucci's employees in China. These popular plans are constantly changing to better meet employees' expectations.

Kering promotes its employees' work-life balance, given its close relationship with well-being. Kering has reviewed and improved its annual leave policies around the world. All employees now receive a minimum of two weeks of paid leave per year, notably in Asia and the USA, where paid leave is not covered by local labor law. The paid leave policy allows employees to 'recharge their batteries' so as to better engage with and contribute to a positive and balanced work environment.

3.1.4 Social dialogue

The Kering group strives to ensure ongoing social dialogue specific to each of its bodies.

2021 saw the renewal of the membership of the European Works Council, and marked the Council's 20th anniversary. The Council members newly appointed in each country met in Paris on December 1, 2 and 3, 2021 and were able to attend the cultural events organized by the management team to celebrate the anniversary and recognize social dialogue at Kering.

Another 2021 highlight was the economic and social training of the French Works Council members appointed in 2019. This training took place, face to face, in Paris and fed through into Kering's social dialogue at a national level.

Despite the health crisis, the two plenary sessions of the European Works Council and the annual meeting of the French Works Council were held in 2020, either totally or partially as physical meetings with all of the necessary protective measures. In addition to scheduled meetings, regular updates were organized with the offices of the Group's two employee representative bodies, throughout 2020 and 2021, in order to discuss such issues as the COVID-19 situation and the measures taken to protect the health and safety of employees.

3.1.4.1 Listening to and engaging with employees

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.

Each House adopts these commitments and Kering's policies. Through its innovative employment policies the Group provides 100% coverage of its employees, notably through the provision of 14-week paid Baby Leave, preventative measures in health and safety and in the field of human rights.

In 2020, social dialogue provided a key opportunity to discuss health and social developments in France, Europe and worldwide. Scheduled meetings and preparatory meetings were maintained, with the help of an expert, ensuring the continued success of the Group's employee representative bodies and its social dialogue process.

Social dialogue was also enhanced by direct messages to employees from Group and House executives via Workplace, the corporate social network accessible to all employees, regardless of the local health situation. Communication with employees was constant, candid and open to comments.

The number of informal meetings between the secretariats of the European Works Council and the Group's French Works Council was increased in 2021.

The number of working hours of industrial action totaled 1,673 in 2021, compared with 150 in 2020 and 632 in 2019, in light of a recovery in global activity and solidarity movements towards external causes.

3.1.4.2 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.

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 2021, membership of the EWC was renewed for a four-year term. The EWC met on two occasions, one of which was attended by François-Henri Pinault, the Group's Chairman and Chief Executive Officer, and the Select Committee met four times. Regular meetings are also held with the EWC secretariat.

The French 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. Each plenary session is preceded by two preparatory meetings of members that allow them to seek expert advice and ask questions of the Board prior to the annual plenary session.

On February 27, 2020, an agreement renewing the powers and resources attributed to the French Works Council was signed unanimously by the unions for an indefinite period. In application of this agreement, two days of economic and social training was provided to the members of the Council on September 29 and 30, 2021. The topics addressed during the physical meetings of the French Works Council in April and May and on June 4 included an update on the social, economic and financial situation of the Group and its Houses, a presentation on the 2021 ethics and compliance training, and a discussion relating to questions submitted in advance by French Works Council members.

Kering also took advantage of the two days' training of the French Works Council members to incorporate training on issues of social dialogue.

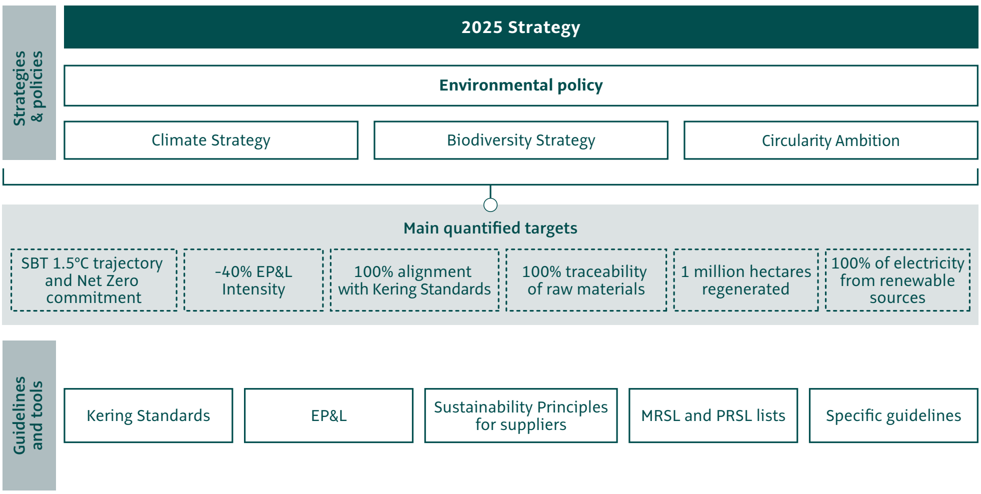
3.2 Respecting and protecting the environment in our operations

3.2.1 Kering's environmental strategy

As the Care pillar of the Group's Sustainability Strategy, Kering's environmental approach is based on five key goals:

1. aim for the highest level of environmental protection;
2. make environmental concerns central to the Houses' activity by involving all stakeholders along the entire value chain;
3. go beyond mere compliance with legal environmental obligations, through a macro-environment approach such as that of the EP&L;
4. drive the Group's sustainability leadership, through a collaborative approach that favors the sharing of best practices, progress and results with competitors and stakeholders;
5. 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.

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. The Climate Strategy, the Biodiversity Strategy and the Circularity Ambition jointly define Kering's framework for action in environmental protection.



3.2.1.1 Climate Strategy

Kering is targeting a Net Zero trajectory aligned with the goals of the Paris Agreement.

In 2016, Kering was the first luxury goods group verified and approved by the Science Based Targets initiative (SBTi) for its carbon footprint reduction targets. The Group revised its SBTs, approved by the SBTi in early 2021, to adopt the 1.5°C scenario, and has made the following commitments through 2030, based on its 2015 emissions:

- 90% reduction in absolute greenhouse gas emissions from Kering operations (whole of Greenhouse Gas Protocol Scopes 1 and 2);
- 70% reduction in the intensity of supply chain-related greenhouse gas emissions (Greenhouse Gas Protocol Scope 3), consistent with the EP&L objectives.

It aims to achieve this by:

- reducing emissions;
- offsetting emissions that cannot be reduced;
- taking into account material climate-related risks (physical risks and transition risks) for greater resilience.

To meet these targets, Kering has developed a Climate Strategy based on four main areas:

1. Mitigation of climate-related risks through emissions reduction	**2. Adaptation and resilience thanks to nature-based solutions**
3. Offsetting and achieving Net Zero	**4. Industry transformation**

As part of the Fashion Pact, Kering and the other participating companies have committed, amongst other things, to take action to achieve the objective of net-zero greenhouse gas emissions by 2050, in order to keep global warming below 1.5°C between now and 2100.

The Group's Climate Strategy is available on-line on the Kering.com website. It defines the Group's ambitions and provides details of all targets in the area as well as the means of action and measurement.

3.2.1.2 Biodiversity Strategy

The Group's Houses primarily use natural materials to manufacture their products. These raw materials come from farms, rangelands, forests and mines. With supply chains spread around the world (wool in New Zealand, cashmere in Mongolia, organic cotton in India, etc.), Kering is particularly attentive to the preservation and health of natural ecosystems.

In 2020, the Group published its corporate biodiversity strategy, which aims to stem the loss of biodiversity, re-build ecosystems, and rehabilitate species as well as to drive systemic change throughout the supply chain and beyond. Kering is committed to having a net positive impact on biodiversity by 2025:

- Kering has structured its activities around four phases: avoidance, reduction, restoration/regeneration and transformation. Kering is applying this conservation hierarchy as recommended by the Science Based Targets Network (SBTN), which brings together leading scientists and environmental NGOs from around the world to create a trajectory for nature and to develop scientific methods for ensuring that human activities respect planetary limits;
- Kering has made quantitative commitments:
  - by 2025, Kering will drive the transition to regenerative agricultural practices on an additional million hectares in areas where raw materials entering Kering's supply chain, such as leather, cotton, wool or cashmere, are extracted. To achieve this, Kering has partnered with Conservation International to create the Regenerative Fund for Nature, which will support projects for the transformation of farming and breeding practices in areas that supply raw materials to the fashion industry;
  - by 2025, Kering will protect one million hectares of essential and irreplaceable habitats outside of its supply chain, primarily through programs that will be beneficial on multiple levels, in terms of biodiversity protection, carbon sequestration and improved livelihoods for local people.

  These two million hectares represent nearly six times the global footprint of Kering's direct and indirect (supply chain) operations, which has been calculated by the EP&L as 350,000 hectares. Kering has therefore included a significant security margin in its efforts to have a net positive impact on biodiversity.

The initiatives under way are presented in detail in section 4.2.1.

3.2.1.3 Circularity Ambition "Coming Full Circle"

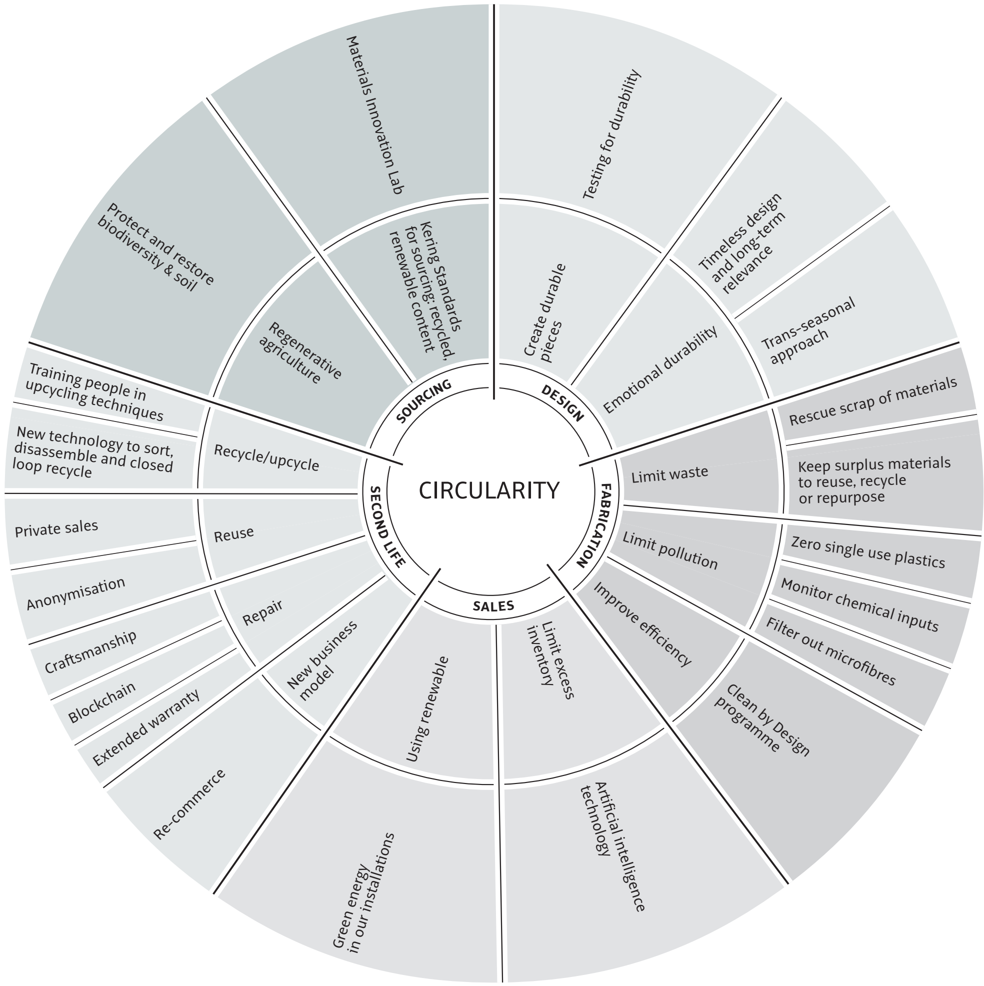
Exiting from the "take, make, waste" culture goes well-beyond the issue of recycling. Moving to a truly circular economy will require a profound re-imagining of production, resource use and the lifespan of products.

The circular economy offers Kering an opportunity not only to evolve to have a positive impact on resources, but also to innovate to better serve its customers and its sustainability goals. Kering sees the circular economy as a real opportunity to shape the industry and adapt it to the needs of future generations. The "Coming Full Circle" approach, published in May 2021, has three central pillars:

1. Luxury that lasts;
2. regenerative supply and clean production;
3. more efficient production processes.

Kering has set several targets: zero destruction of unsold goods, 100% renewable energy by 2022, zero single-use plastic by 2025, 100% of raw materials in compliance with Kering standards by 2025, and zero microfiber waste by 2030. Such a paradigm shift will require investment, innovation and a pro-active approach.

But we need to go further. In particular, it is essential that Kering acts collectively, with its Houses and its value chain, whilst introducing open-source solutions to allow its ecosystem to evolve. Launched in 2019, the Fashion Pact represents the first stage of the industry as a whole taking responsibility for its environmental impact. In February 2021, Kering announced the launch of the Made in Italy project, conducted by the Apparel Impact Institute, which works with various brands in order to improve efficiency, waste management and energy use of our suppliers. Kering also works closely with several experts including The Microfibre Consortium, The Apparel Impact Institute and The Ellen MacArthur Foundation.



3.2.2 Management of our environmental impact and the EP&L, the cornerstone of our approach

3.2.2.1 The EP&L, Kering's Environmental Profit & Loss account

Methodology

Since 2012, Kering has measured and quantified its progress toward becoming a more sustainable Group through its EP&L. The Group has committed to reduce its EP&L intensity by 40% by 2025 compared with 2015.

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. Going further than traditional environmental reporting, the EP&L covers six categories of environmental impact: greenhouse gas emissions, air pollution, water pollution, water consumption, waste production and land use. It allows Kering and its Houses to measure their impacts on natural capital throughout their value chains and assign a monetary value to them. Kering uses the EP&L results, expressed in monetary terms, to:

- translate its environmental impacts into a common business language;
- compare environmental impacts between separate units;
- compare, for any given environmental indicator, the magnitude of an impact for different locations;
- facilitate comparisons between its Houses and business units;
- ultimately, to choose between and prioritize actions.

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, by taking account of local contexts and the impacts on local populations. The construction of the EP&L draws on databases containing a level of uncertainty inherent in the principle of evaluating environmental impacts using LCA methods (Life Cycle Analysis) and economic modeling tools.

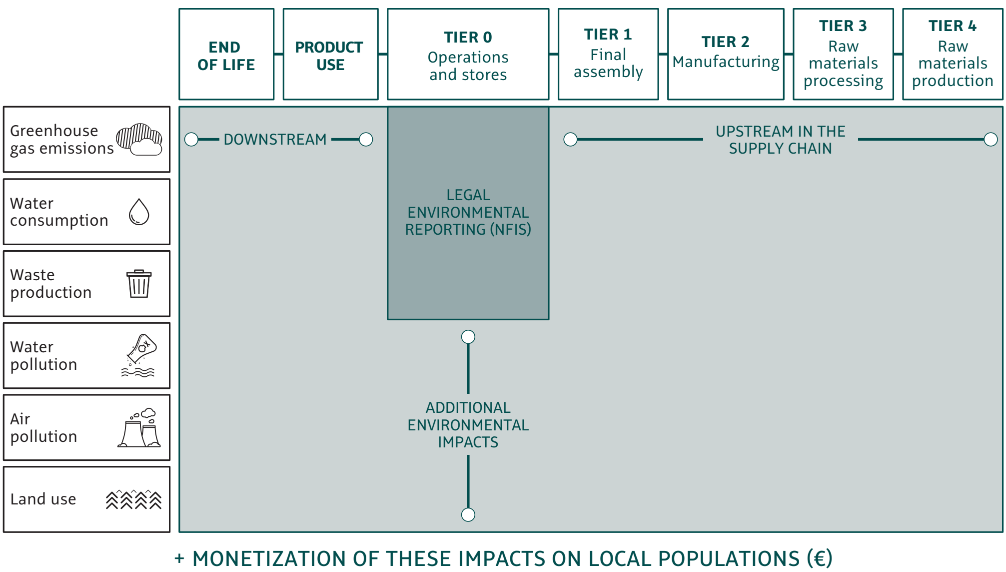
In 2021, Kering continued its work, seeking to:

- align the production of EP&L results with the Group's reporting year, to end the one-year timing difference that had previously existed. Thus the 2021 EP&L results are included in this 2021 Universal Registration Document;
- increase the reliability of the data used in the EP&L, notably by automating the reporting of a certain number of items and by adding control and verification processes. In order to strengthen this approach and provide stakeholders with greater confidence, the Group voluntarily submitted its 2021 EP&L for verification by an independent third-party organization, whose report is included at the end of this NFIS;
- expand the scope of coverage by integrating product use and end-of-life impacts covering activities "from cradle to grave". Use and end-of-life impacts have thus been included in EP&L results for 2020 and 2021 (excluding jewelry and watches).

In keeping with its commitment to transparency, Kering shares all 2021 results and an analysis of the progress made, together with the coefficients used in the calculations (multipliers and coefficient values for conversion to monetary terms) on the open source platform kering-group.opendatasoft.com. In addition, a methodological note specific to the EP&L is available on the kering.com website, which sets out the framework used by the group and highlights the key methodological elements that shape the process and the calculations, including the monetary aspects developed with the help of PwC.

A final noteworthy initiative is the My EP&L app, which gives all users the keys to understanding the environmental impact of luxury products and aims to reinforce information and transparency around natural capital accounting.

Scope covered by the EP&L approach



Optimization Strategy

The cornerstone of its environmental approach, the EP&L also serves as a management tool by which Kering lays out its roadmap in terms of sourcing strategy, choice of materials, and production and transformation processes. Each year, the results and lessons learned from the EP&L are reviewed by the top management of each House. They then share with Kering their action plans and the main benefits expected in terms of reducing their EP&L footprint.

The Group has prioritized its actions, in particular around:

- implementation of the Kering Standards: applicable to all of the Group's Houses and their various suppliers, the Standards provide guidelines geared towards reducing the Group's environmental footprint;
- the roll-out of targeted projects, notably:
  - the choice of materials, as regards both the actual materials and the way they are used (location, production processes, etc.), or concerning production processes such as chrome-free tanning technology and improvements in suppliers' environmental performance;
  - through the cooperation of the Houses and their different departments: 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 learnings from the EP&L is provided below:

END OF LIFE | PRODUCT USE | TIER 0 | TIER 1 | TIER 2 | TIER 3 | TIER 4

Idea Labs
Inter-House working groups on specific topics. *See section 3.2*

Circularity

Durability by design
Design excellent products that are made to last and offer repair and renovation services to ensure a long life.
See sections 5.2.1, 5.2.2

Give products a second lease of life
Development of new business models such as selling second-hand products.
See section 5.2.1

Reuse, upcycle, recycle
Management of unused materials and unsold or damaged goods.
Development of AI to optimize production and on-line distribution using sales forecasts.
See section 5.2.1

Eliminate single-use plastics
See section 3.2.5

Smart Operations

Guidelines for sites
Guides for stores, offices, warehouses and events.
See section 3.2.5

Group purchasing of renewable electricity
A renewable electricity monitoring and purchasing program available to all Houses.
See section 3.2.5

Site certification and equipment efficiency
Recommendations regarding certifications (LEED, HQE, BREEAM).
Improving energy efficiency through renovation and maintenance.
Consideration of sustainability performance in new store concepts.
See section 3.2.5

Improving the energy efficiency of transport
See section 3.2.5

Smart Suppliers

Clean by Design
Program to support suppliers in their environmental efficiency.
See section 4.1.4

Chemicals management
Product integrity (PRSL), upstream protection of workers and the environment (MRSL), heavy-metal-free tanning.
See section 4.1.4

Circular economy
Recycling production offcuts, adapting processes to use more recycled materials.
See sections 3.2.1 and 5.2.1

Innovation
Supporting start-ups offering solutions in dyeing, production, etc.
See section 5.2.2

Smart Sourcing

Materials Innovation Lab (MIL) and Sustainable Innovation Lab (SIL)
Supporting Houses in the integration of more sustainable raw materials into their collections.
See section 5.2.2

Identifying and securing sources of sustainable supplies
Leather
Precious skins
Organic cotton
Wool and cashmere
Synthetic fibers
Cellulosic fibers
Gold and precious metals
Diamonds and precious stones, etc.
See section 4.2.2

Animal welfare
Steering Kering Animal Welfare Standards for all species used by the Group.
See section 4.2.3

R&D investment
In alternative materials (mushroom leather, etc.) or circular materials (recycled fabrics, etc.).
See sections 4.2.2 and 5.2.2

Platforms for dialogue and exchange

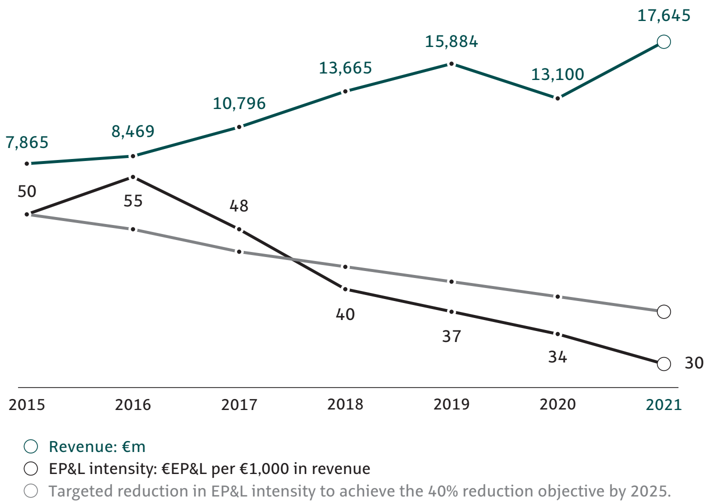
Lastly, in addition to sharing its EP&L methodology, its findings and its data within organizations such as the Value Balancing Alliance (VBA), the Capitals Coalition, the World Business Council for Sustainable Development (WBCSD), and the EU Business Biodiversity Platform, Kering held numerous bilateral meetings with the signatories of the Fashion Pact and the members of the Watch & Jewellery Initiative 2030, to share its experience of natural capital accounting.

3.2.2.2 2021 EP&L results

In 2021, Kering demonstrated the effectiveness of its environmental strategy through a 14% reduction in its EP&L intensity (€EP&L/€k in revenue) compared with 2020[(1)]. In more general terms, 2021 brought a turning point for Kering's progress in reducing its environmental footprint, with a 41% reduction in EP&L intensity compared with 2015[(1)]. The 2025 target was thus achieved four years early.

The Group's environmental impact amounted to €562 million in 2021 on published figures (that is including impacts in use and at end of life). Although this represented a 16% improvement on 2020, it is more relevant to compare it to 2019, a year in which business activity was not directly affected by the COVID-19 pandemic. Compared with 2019, the 2021 EP&L showed an 11% reduction in absolute terms (comparable basis), thus reflecting the progress made by the Houses both in the optimization of materials use in production and in the integration of lower-impact materials in their collections.

Change in Group EP&L intensity 2015 to 2021, comparable basis *(€EP&L/€1,000 in revenue)*



Main changes in comparable basis EP&L between 2020 and 2021

After a year in 2020 that saw a fall in procution and sales as a result of the global health crisis, 2021 brought a return to normal, and an increase in sales on 2019.

Against this background, the volumes of materials purchased rose strongly, compared with 2020, resulting in increased environmental impacts due to the production and processing of those materials. This is particularly true for leather and metals. However, this increase in volumes has been offset to a degree by the Houses' progress in their efforts to integrate into their operations an increasing proportion of recycled materials or innovative, lower-impact alternatives.

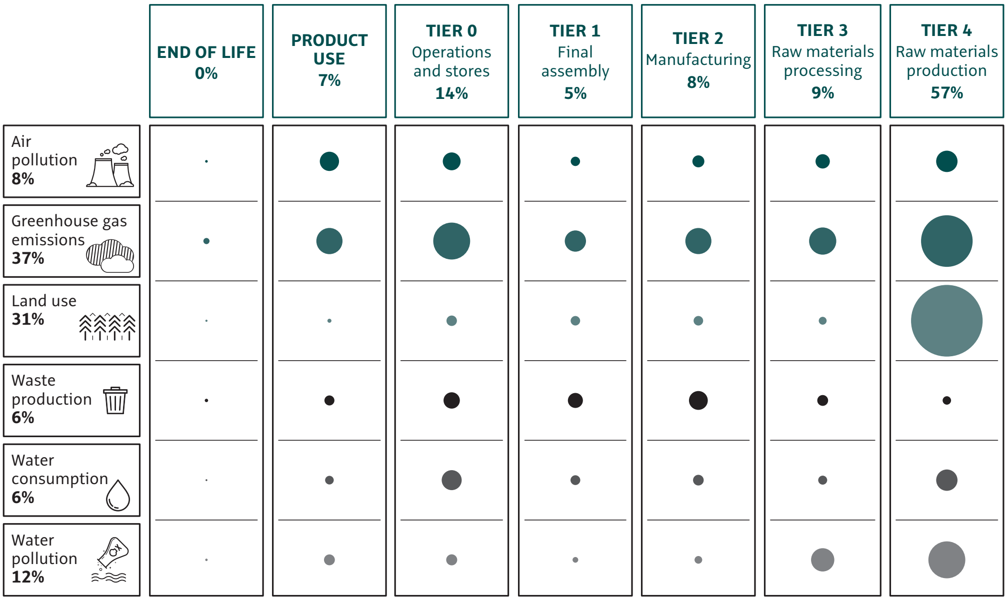
EP&L impact *(in € millions)*

A detailed analysis of the Group's environmental profile shows that the supply chain accounts for 79% of impacts, with 66% attributable to the production of raw materials (Tier 4) and their initial processing (Tier 3). The weight of use and end-of-life impacts is relatively limited, accounting for only 7% of the total impact and concentrated mainly on use, with end-of-life representing only 0.2% of the total.

Greenhouse gas (GHG) emissions, land use and water pollution remain the predominant impact indicators, accounting for around 80% of the total impact. This confirms the strategic thrust of Kering's environmental policy.

(1) Comparable basis: excluding use and end-of-life phases, which were added to the scope of the EP&L in 2020.

Mapping of 2021 impacts



Kering's 2021 EP&L report is available on the kering.com website and presents details of the results, changes and lessons from the year.

3.2.2.3 Internal organization and management

Internal organization and managing the network

In addition to the organization and governance of Sustainability within the Group (see section 1.5), the management of the Group's environmental objectives and their operational application draws on multi-disciplinary committees, bringing together other key functions at Kering and its Houses to ensure the implementation and application of sustainability projects.

In 2019 and 2021, 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 50 employees met at each session of the Idea Labs to workshop the following issues:

- the Kering Standards for raw materials and manufacturing processes;
- energy management and purchases of green energy;
- gender parity in our supply chains;
- supplier assessment based on sustainability criteria;
- traceability in operations and supply chains;
- circularity;
- animal welfare;
- key raw materials: leather, precious skins, cashmere, fur alternatives, cotton and precious metals (gold, silver, palladium) for jewelry and the galvanization of metal parts;
- best practice in client communication on sustainability;
- a focus on the specific issues in jewelry.

Training on reporting tools, indicators and processes

Kering develops systems such as the environmental reporting system, or EP&L, along with standards for raw materials and production processes to help the Houses manage their environmental impact.

Produced each year since 2003, the Group's environmental reporting draws on around one hundred indicators. 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.

To ensure consistent, standardized reporting practices are used across the Group, specific training is provided every year on these tools, complemented by annual updates to guides and handbooks in three languages, and supported by internal communication through the Group's social network.

A methodological note provides all necessary information regarding the environmental reporting protocol, emission factors and rules and calculation methods for estimated or extrapolated pro forma data to enable comparisons over a three-year period. It is available on Kering's website, under Sustainability (Methodological Note Environmental Reporting, 2021).

Certification procedures

The number of Group sites for which certification is relevant is limited due to the nature of the Group's activities. Certifications related to the implementation of environmental management systems, such as ISO 14001, are sought primarily for the sites with the greatest environmental impact, such as large logistics centers and tanneries. By end-2021, all of the Group's tanneries had received ISO 14001 certification. Some brands are upgrading their environmental certification to include ISO 14064, which is specific to the quantification and reduction of greenhouse gas (GHG) emissions.

Some sites have also received certification for health & safety (ISO 45001), social accountability (SA8000) and quality management (ISO 9001). Thus all Gucci's Italian stores and outlets have both SA 8000 and ISO 45001 certification. In 2019, Gucci also attained ISO 20121 Sustainable Events certification for its Guccio Gucci business.

The list of the Group's certifications is provided in the methodological note on environmental reporting for 2021, which is available on the Group's website.

3.2.3 Identification of Group economic activities covered by European "Green Taxonomy" regulation

3.2.3.1 The principles and key performance indicators of the "Green Taxonomy"

This section has been prepared by the Kering Group in application of European Regulation 2020/852 of June 18, 2020 (the "Green Taxonomy" Regulation) on the establishment of a framework to support environmentally sustainable investments.

The "Green Taxonomy" seeks to identify economic activities that meet at least one of the following six environmental objectives:

- climate change mitigation;
- climate change adaptation;
- the sustainable use and protection of water and marine resources;
- the transition to a circular economy;
- pollution prevention and control;
- the protection and restoration of biodiversity and ecosystems.

The application of the "Green Taxonomy" regulation will be phased in over three years, starting from the end of 2021. At present, economic activities 'eligible' for the "Green Taxonomy" are defined only in terms of the first two objectives of climate change mitigation and adaptation (Annexes I and II to the Climate Delegated Act). In respect of these first two objectives, the European Commission has prioritized those sectors of activity that emit the most greenhouse gases or those that contribute substantially to climate change mitigation or adaptation within the European Union.

As of December 31, 2021, the "Green Taxonomy" regulation required the publication of three key performance indicators (KPIs) identifying the share of activities eligible for the "Green Taxonomy" by virtue of the two climate objectives:

Indicator	Revenue	Capital expenditure (Capex)	Operating expenses (Opex)
Denominator as defined by the regulation	"Total Taxonomy revenue" Total revenue as shown in the Group's consolidated financial statements	"Total Taxonomy Capex" Increase in gross balance sheet value of leases right-of-use assets (IFRS 16), property, plant and equipment (IAS 16), and intangible assets (IAS 38)	"Total Taxonomy Opex" Direct non-capitalized expenses relating to the maintenance and repair of property, plant and equipment, the renovation of buildings, research and development, and short term rentals
Numerator (eligible share)	Share of revenue associated with economic activities covered by the "Green Taxonomy"	Share of Capex or Opex: **1.** Associated with activities generating eligible revenue **2.** Associated with a Capex plan that seeks to increase the eligible share of revenue **3.** Associated with assets or expenditure eligible for the Taxonomy on an individual basis	

It should be noted that the definitions of "Taxonomy Capex" and "Taxonomy Opex" are different to the financial aggregates used by the Group. In particular, total "Taxonomy Opex", as defined in the Regulation, corresponds to a very limited part of the Group's operating expenses.

3.2.3.2 Kering Group's application of the Taxonomy

Under the first two objectives, luxury industry revenue (including, in particular, the following product categories: leather goods, shoes, ready-to-wear, watches and jewelry) is not eligible for the "Green Taxonomy". The "Green Taxonomy" nevertheless requires reporting of Capex and Opex as defined by the regulation. At this stage, therefore, the Kering Group is affected by the "Green Taxonomy" primarily with regard to capital expenditure on buildings (construction and renovation of buildings and installation of equipment to increase energy efficiency in buildings) and leases right-of-use assets. The "Green Taxonomy" is likely to become more representative of the environmental issues specific to the Group's activities once it is extended to include the other four environmental objectives by 2023. The Group will review its reporting methodology and the figures produced in accordance with developments in the regulations and most notably following the publication in 2022 of the Delegated Acts relating to the other four environmental objectives.

It should be noted that, for Kering, the GHG emissions targeted by the Taxonomy regulation under the first two climate objectives only concern buildings and, as a result, account for less than 20% of Kering's total GHG emissions (scopes 1, 2 and 3 of the Group's operations). The Group is acting more broadly to reduce its carbon footprint across all sources of emissions (scopes 1, 2 and 3). Over and above the "Taxonomy Capex" and "Taxonomy Opex" categories, as defined in the climate objectives of the European regulation, Kering seeks to optimize the energy efficiency of its own operations and, going further, to minimize its environmental footprint through investment meeting best practice and the most demanding standards and certification requirements. The main actions taken by the Group within its own operations and in its supply chains are described in the following sections (particularly sections 3.2.5 and 4.1.4).

Revenue

Total "Taxonomy revenue" for 2021 corresponds to the amount shown in the Group's consolidated financial statements as presented on page 336 of the 2021 Universal Registration Document, and is thus €17,645 million.

The Kering Group's revenue does not fall within the scope of activities eligible under the first two climate objectives. Eligible revenue is therefore nil for 2021.

Capital expenditure

Investment category	Increase in gross value 2021 *(in € millions)*
Lease right-of-use assets (IFRS 16)(1)	1,219
Property, plant and equipment (IAS 16)(2)	733
Property, plant and equipment (IAS 38)(3)	268
TOTAL TAXONOMY CAPEX (DENOMINATOR)	2,220

(1) Note 15 to the consolidated financial statements "Leases".
(2) Note 16 to the consolidated financial statements "Property, plant and equipment".
(3) Note 13 to the consolidated financial statements "Brands and other intangible assets".

Eligible "Taxonomy Capex" (numerator) represents 61% of Kering's Total "Taxonomy Capex" (denominator). Eligible items related mainly to the increase in rights-of-use assets under store leases. The Taxonomy requires the inclusion of all lease right-of-use assets both in the denominator (Total Capex) and the numerator (Eligible Capex) of the Capex indicator. These rights-of-use assets correspond to the present value of future rent payments that the Group undertook when signing a real estate lease. As a result, the values presented do not represent a tangible investment by the Group in an underlying real estate asset as this remains entirely the property of the lessor.

In addition, eligible "Taxonomy Capex" includes, under the heading of property, plant and equipment, other investment expenditure relating to the energy efficiency of our stores, warehouses and offices.

Analysis of the Group's intangible assets, notably investment in software, did not identify any investment eligible for the Taxonomy.

Operating expenses (Opex)

In 2021, Total "Taxonomy Opex" was less than 5% of the Group's total operating expenses (cost of sales, personnel expenses and other recurring operating expenses[1]). Given this limited amount and the nature of the expenses covered, which do not represent the core business of Kering or its Houses, the work carried out concluded that this indicator was not material for the Group. The numerator is therefore considered to be zero. In accordance with the regulations, analysis of eligible "Taxonomy Opex" was not therefore conducted.

(1) Paragraph 1.1 – Consolidated income statement Chapter 6 – Consolidated financial statements.

3.2.4 Adapting our business model to climate issues: Kering's alignment with TCFD principles

A signatory since 2017, Kering has committed to implementing recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD), the benchmark framework for reporting on physical and transitional climate risks.

3.2.4.1 Governance

The Group's governance of climate-related risks and opportunities is fully integrated into its governance of sustainability, described in detail in the section entitled "Governance and organization":

- at the Board level: the Board of Directors determines annually the Group's strategic direction, which includes climate change matters and sustainability issues more generally. The Sustainability Committee supervises the Group's Climate Strategy. In addition to considering progress by the Group, the Committee examines subjects such as the Group's carbon offsetting, as well as the physical and transitional risks relating to climate change. A Lead Director was nominated in 2019, with the role, in coordination with the Chairman, of representing the Board in its dealings with investors concerning environmental, social and governance (ESG) matters. The meeting of Independent Directors in November 2021, called by the Lead Director, focused on the impacts of COP26 for Kering and the ESG responsibilities, most particularly those related to climate change, of the Board of Directors. A decision was taken in 2021 that will come into effect in 2022 to appoint a member of the Board of Directors as climate change lead and for the topic to be on the Board's agenda twice a year;
- at the Executive Committee level: the Chief Sustainability and Institutional Affairs Officer is a member of the Executive Committee and reports directly to the Chairman and Chief Executive Officer. She is responsible for the definition and implementation of the sustainability strategy. She evaluates and manages the risks and opportunities relating to climate change at a Group level, through the implementation of sustainability action plans and projects;
- incorporation into executive pay: the variable elements of the remuneration of the Chairman and Chief Executive Officer and Group Managing Director are in part linked to non-financial criteria (in 2021, sustainability represented 10% of the criteria for annual variable remuneration and biodiversity 10% of those for multi-annual variable remuneration).

A cross-business working group made up of key functions (finance, financial communication, risk management) was created in 2020, under the leadership of the Sustainability Department and with the support of internal and external experts. In 2021, its work covered the development of climate scenarios and an initial exercise to evaluate the potential financial impacts of certain risks and opportunities. Progress made was presented to Executive Management and the Sustainability Committee of the Board of Directors.

The Group's strategy for tackling climate change is set out in detail in its Climate Strategy, published in 2021, which frames and defines the Group's ambitions in the area together with resources for action and measurement.

3.2.4.2 Strategy and scenarios

As the first stage of its assessment of impacts, Kering has drawn up two climate scenarios, based in part on the effects of climate change on the economy on the one hand and the political, economic, social, technological, environmental and legal (PESTEL) effects on the other hand:

- an "accelerated transition" scenario, based on warming of less than 1.5°C by 2100. Aligned with the Group's Climate Strategy and SBT 1.5°C objectives, this scenario is based on a strong response from governments and international institutions, high carbon prices, significant awareness-raising amongst consumers on climate change and its consequences, and, more generally, actions to anticipate and mitigate climate change.
- a "business as usual" scenario, based on warming of around 4°C by 2100. This scenario is based on limited intervention from governments and international institutions, low carbon prices, increasing pressure on trade, economic stagnation or contraction and, more generally, a primarily reactive adaptation to climate change.

Two time horizons were considered: 2035 (short term) and 2055 (long term).

For both scenarios, assumptions were based on scientific research, most notably the RCP2.6, RCP4.5 and RCP8.5 Representative Concentration Pathways from the Intergovernmental Panel on Climate Change (IPCC) and modeling from experts including the International Energy Agency (IEA), World Bank and World Resource Institute. These scenarios also took account of recommendations from ISO 14090/91, the TCFD and the Institute 4 Climate Economics (I4CE).

Also drawing on the results of Kering's EP&L, the whole value chain was included in the analysis framework for Kering's scenarios.

These scenarios fed into the assessment of risks for the Group (see Chapter 5 of this document).

3.2.4.3 Risks and opportunities identified

Drawing on these two scenarios, Kering has mapped climate-related risks and opportunities, identifying 12 main risks and 7 main opportunities with potential consequences for its business and the development of its strategy. This mapping also included interviews with contributing departments and internal experts and took account of practice at our peers. A variety of risks, from the impacts of climate change on the supply of key raw materials, to carbon pricing, to the effects of extreme climatic events on the Group's infrastructure, alongside those linked to consumer expectations, were identified. This mapping gave rise to differentiated assessment approaches for the impact of risks and opportunities, which fed into the review of policies and strategic directions. Forming part of a process of continuous improvement, this research also identified additional action areas for strengthening the Group's management of climate risks and prioritizing the action plans adopted.

In order to carry out an in-depth analysis and initial estimates of their potential financial impacts, work in 2021 focused on three risks and three opportunities, published in detail in Kering's 2021 response to the CDP Climate questionnaire:

Category of risks and opportunities	Heading	Probability of occurrence by 2035	Scale of potential financial impact 2035
Transition risks	Effect of carbon pricing on direct operating costs	Likely	Medium-high
Physical risks	Impact of thermal stress on availability of bovine leather	Likely	Medium-high
	Extreme events affecting Group infrastructure	Likely	Medium-high
Opportunities	Reduction in electricity expenses by using renewable electricity resources	Likely	Medium-high
	Increased resilience from regenerative grazing practices	Likely	Medium-high
	Carbon credits from regenerative agriculture projects	Likely	Medium-high

Kering plans to manage climate-related risks and opportunities, anticipating their effects and ensuring its resilience by adapting its business model, governance and decision-making processes and its supply chain. The evaluation of climate risk is today an integral part of Group risk management (see section 1.4.2 and Chapter 5 of this document).

3.2.4.4 Indicators and reporting

The table below summarizes Kering's reporting in response to the TCFD recommendations. The Group's climate strategy is also described in Kering's Climate Change 2021 CDP response (Kering received an A grade and is included on the Climate A-list), which is publicly accessible via the website www.cdp.net.

Thematic area	TCFD recommendations	Source of information in Kering reporting	Progress made	Workstream in 2022
GOVERNANCE				
Disclose the organization's governance around climate-related risks and opportunities.	**a)** Describe the board's oversight of climate-related risks and opportunities.	URD 3-1.2, 3-2.3.3, 3-3.1, CDP C1.1		The Sustainability Committee of the Board of Directors meets regularly to address risks and opportunities related to climate, biodiversity and other key issues. The Group has elected to include these thematic areas on the agenda of the Board's plenary meetings twice yearly.
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	URD 3-1.2, 3-2.3.3, 3-3.1, CDP C1.1		
STRATEGY				
Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	**a)** Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	URD 5-2.3 CDP 2.2 and C2.2a		In 2021, Kering developed two climate scenarios and identified 12 risks and 7 opportunities, in order to assess – for a selection of these – the impacts that they could have on the company. A focus of work in 2022 will be extending this assessment. This initial work contributes to a process of continuous improvement and may be reviewed in line with future scientific and methodological developments.
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	URD 5-2.3 CDP 2.3a, C2.4, C3.3 and C3.4		
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	URD 4-3.2.1, 4-3.2.4, 4-4.1.4, 5-2.3 CDP C3.2a		
RISK MANAGEMENT				
Disclose how the organization identifies, assesses, and manages climate-related risks.	**a)** Describe the organization's processes for identifying and assessing climate-related risks.	URD 5-1 CDP C2.1a, C2.1b and C2.2		Kering has conducted an initial assessment of the financial impact of specific climate risks. Kering intends to refine this initial work as part of a process of continuous improvement and to take account of future developments in methodology. The evaluation of climate risk is an integral part of Group risk management.
	b) Describe the organization's processes for managing climate-related risks.	URD 5-1, 5-2.3 CDP C2.1b, C2.2, C2.3a and C2.4a		
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	URD 5-1 CDP C2.3a and C2.4a		
METRICS AND TARGETS				
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	**a)** Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	URD 4-3.2., 4-4.1 CDP C6, C10		Kering has precise metrics and targets concerning its greenhouse gas emissions. Continuing the work undertaken in 2021, the Group is working on its metrics and targets related to physical risks, as well as their financial impacts.
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	URD 4-3.2.2, 4-4.1 CDP C6, C10		
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	DEU 4.1.4 (Dashboard) CDP C4.1, C4.2		

In progress -------- Completed

3.2.5 Environmental impact of our operations (Tier 0)

3.2.5.1 Measurement and reduction of the carbon footprint of our operations

Kering's Climate Strategy goes beyond the measurement of its carbon footprint across the legal scope of its operations to include an annual analysis of the entire value chain, from cradle to gate, via the EP&L approach (see section 3.2.2).

Even though the majority of its EP&L impact lies in its supply chains (79%), Kering focuses a large chunk of its efforts on reducing the impact of the various sites over which it has direct control (Tier 0), which are its operations and represent 14% of its EP&L.

In addition, at the level of the Group's operations (Tier 0 in the EP&L), the Group's carbon intensity (€EP&L/k€ in revenue) declined by 35.5% between 2015 and 2021. 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.

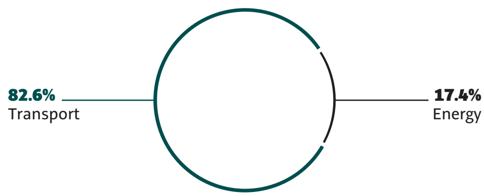
The transportation and energy emission factors taken for carbon reporting on the Group's operations (as set out hereafter) include Scope 3 items for upstream phases (extraction, refining, transportation, electricity line losses, etc.).

Carbon footprint of Group operations

Energy consumption and the transportation of goods and people are the two main sources of CO_2 emissions from the Group's operations. In 2021, total emissions amounted to 301,509 tons of CO_2. This represents 14% of the 2,143,465 tons of CO_2 relating to the Group's entire value chain (EP&L scope).

Details of the emission factors used are set out in the methodological note on environmental reporting for 2021, which is available on the kering.com website.

Breakdown of total transportation and energy-related CO_2 emissions from Group operations in 2021



The proportion of transportation-related as opposed to energy-related emissions was relatively stable between 2020 and 2021. 2021 saw a significant increase in activity relative to 2020. This is reflected in a sharp increase in the transportation of goods and a growth in the use of renewable energy.

Energy consumption and related CO_2 emissions

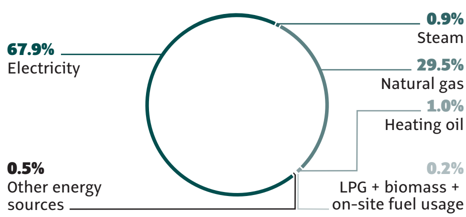
Energy-related emissions

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). The rest of Scope 3 is presented in the EP&L section (see section 4.4.3).

Energy consumption and related CO_2 emissions in 2021

	Energy consumption *(MWh)*	Related CO_2 emissions *(metric tons of CO_2)*
Electricity	254,325	35,622
Natural gas	63,403	15,460
Heating oil	1,834	594
Steam, heating, cooling	4,486	484
LPG	72	20
Fuel for transportation and on-site handling	190	61
Biomass	860	-
Other energy sources	638	250
TOTAL ENERGY	325,808	52,491

Breakdown of energy-related CO_2 emissions in 2021



The Group's energy consumption relates mainly to the heating, lighting and air conditioning of stores, warehouses and offices. Electricity is still the Group's main source of power, accounting for 67.9% of the CO_2 emissions related to total energy consumption.

Pro forma year-on-year change in energy consumption *(MWh)* and related CO_2 emissions *(in metric tons)*

	2019-2021 pro forma scope			
	2021	**2020**	**2019**	**Change vs. 2019**
Electricity *(MWh)*	211,893	193,791	216,971	-2.3%
of which electricity from renewable sources	*195,067*	*175,359*	*183,720*	*6.2%*
Natural gas *(MWh)*	54,754	43,501	48,212	13.6%
Heating oil *(MWh)*	1,038	844	848	22.4%
Steam, heating, cooling *(MWh)*	4,333	3,957	3,857	12.3%
LPG *(MWh)*	72	72	83	-13.3%
Fuel for transportation and on-site handling	190	133	220	-13.6%
Biomass *(MWh)*	860	618	1,038	-17.1%
Other energy sources	/	/	/	/
Total energy *(MWh)*	**273,140**	**242,916**	**271,229**	**0.7%**
of which energy from renewable sources	***195,927***	***175,977***	***184,758***	***6.0%***
Direct emissions (Scope 1) *(metric tons of CO_2)*	11,562	9,188	9,879	17.0%
Indirect emissions (Scopes 2 and 3) *(metric tons of CO_2)*	32,665	24,261	32,548	0.4%
TOTAL ENERGY-RELATED EMISSIONS *(METRIC TONS OF CO_2)*	44,227	33,449	42,427	4.2%

In 2021, with the ease of health restrictions and in particular lockdown measures, on-site energy consumption levels returned to a similar level to 2019.

However, carbon dioxide emissions relating to energy consumption rose by 4.2% between 2019 and 2021 due to greater use of higher-carbon energy sources such as natural gas and diesel despite a 6.2% increase in use of electricity from renewable sources.

Measures to improve the energy efficiency of Kering's operations

Managing stores' energy performance centrally

The Group-wide partnership with NUS Consulting since 2011 has enabled Kering and all of the Houses to carefully manage their energy consumption. All invoices, documents and data from sites where a Kering entity has signed an energy agreement are put up on an easy-to-access platform. The system covers Europe, the United States and Asia, and allows for:

- streamlining the energy procurement process by pooling and consolidating energy consumption;
- increasing the use of renewable energy;
- centralizing energy procurement management;
- improving analysis of energy consumption data;
- more effective communication with energy companies and the authorities.

The project has resulted in tangible energy savings and lower costs for the Houses and the Group. The system has gradually evolved, including data from smart meters for a growing number of sites and extending the scope of application to not just electricity and gas but also, since 2021, to urban heating, urban cooling and water.

Minimizing energy use and measuring energy efficiency improvements

The Group takes two main types of measures to optimize the energy efficiency of its sites:

1. Systematically obtaining recognized, high-level certification for new sites renovated by Kering.

   Kering and its Houses are increasingly implementing certification for their sites and stores. Certification is sought for new sites targeted by Kering's Real Estate teams from 2019. US-based LEED (Gold and Platinum level) is the preferred certification system selected by the Group, but other certifications, like HQE (France) and BREEAM (UK), 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. In 2020, Kering also launched its first projects to obtain WELL certification, which is based on the well-being of building users.

More than 120 LEED certifications have been obtained by Kering and its Houses for their sites and stores, equal to more than 97% of certifications obtained in 2021 and previously. Around 50 further certifications are in the process of being obtained, almost exclusively LEED again.

- In 2021, 60 Gucci stores were LEED certified, a sharp increase relative to 2020. Alexander McQueen is actively seeking to obtain LEED v4 Gold or Platinum certification for its new concept stores, while Saint Laurent is continuing work to reduce the environmental impact of its stores on the basis of its Golden Rules to make its stores more energy efficient. The House also has 15 LEED Platinum-certified stores, including its main flagship stores, and its Paris headquarters has BREEAM "excellent" and HQE "exceptional" certification. In 2021, eight new Balenciaga stores obtained LEED certification, including four LEED Platinum certifications in Asia.
- Balenciaga has set up a specialist leather goods production site in Cerreto Guidi, Italy, which is currently undergoing renovation. This process falls within the framework of LEED certification for production facilities, meeting the same requirements as LEED certification for stores. The Sustainability team is involved in monitoring this certification process, in particular by trying to incorporate into the building materials obtained from recycling its own scraps or unsold items. Meanwhile, Brioni has commissioned an energy audit of its production sites, while Bottega Veneta's Montebello workshop obtained LEED Platinum certification back in 2014, a first for the time.
- Kering's US operations center in Wayne, New Jersey, opened in 2020, holds LEED gold certification, while the warehouses and offices at the Trecate logistics hub in Italy have already obtained LEED platinum pre-certification, with the offices also aiming for WELL certification.

2. Establishing a Group-wide standard for stores.

Kering has been working 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. After a test phase at the Group's stores, the standard was officially published in 2020 to serve as a reference for new stores and store renovations where the use of LEED or equivalent certifications is not possible. In 2021, particular effort was made to verify alignment with these standards for 22 stores in France and 12 in the United Kingdom.

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. All sites use green electricity and are continuing to replace 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. In 2020 and 2021, efforts were focused on introducing LED lighting into store backrooms, offices, warehouses and production plants. This practice is part of the Kering Standards and also a criterion for obtaining environmental certifications such as LEED, BREEAM and HQE. Some Houses are also gradually rolling out site energy consumption management tools (Building Management System for 45 Gucci stores, dedicated digital system at Saint Laurent) at their stores in order to make them more energy efficient (heating and air conditioning, ventilation, lighting, etc.).

Favoring renewable energy by producing it on site or purchasing renewable energy certificates

In 2020, the Group jointed the RE100 initiative led by the Climate Group and the Carbon Disclosure Project (CDP). As part of this initiative, Kering has pledged to use 100% renewable electricity by 2022.

Each year, the proportion of electricity from renewable sources used by the Group increases, reaching 92% in 2021 thanks to increased on-site production of renewable energy and the numerous green energy contracts implemented by the brands with the Group's support.

For many years, Kering has encouraged the signing 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 purchases Energy Attribute Certificates. In addition, to speed up the energy transition in its host countries, the Group only purchases certificates from solar or wind power production facilities that are new or relatively recent (less than ten years old). Since 2019, the Group has purchased green certificates for various countries in order to cover 100% of its energy consumption in those areas. The geographical breakdown of certificates is presented in the methodological note available on the Group's website.

Electricity consumption is 100% renewable in 43 countries and regions (Europe, Americas, South Africa and a large part of Asia). At Group level, this represents 92.1% (an increase of 1.5 points relative to 2020).

As regards the Houses, Brioni, Qeelin and Girard-Perregaux now use 100% renewable electricity. For all Gucci sites, the share of renewable electricity reached 93% in 2021. It was 83.7% for Bottega Veneta, 86.7% for Balenciaga, 92.6% for Saint Laurent, 95.5% for Alexander McQueen, 95.6% for Boucheron and 99.3% for Kering Eyewear.

On top of external purchases, the brands have been boosting their reliance on renewable energy generated and used on site, for example by installing solar panels. Some Houses have already installed solar equipment on the roofs of their buildings, whether stores or workshops, such as Saint Laurent, Brioni and three Bottega Veneta sites in Italy. The solar panels supply between 2% and 4% of each site's power needs. In 2020, Gucci installed solar panels at two of its Italian headquarters, in Milan and Florence, enabling them use to green electricity on site. 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 15 kW of power. In 2021, the photovoltaic power system was completed at the Group's main logistics hub in Trecate, Italy. The system has nominal capacity of 12.5 MW and is the biggest rooftop solar power system in Italy and one of the biggest in Europe. Tests are being conducted and it will be connected to the grid in early 2022, increasing the proportion of energy generated within the Group from 4% to 15%. A further three logistics warehouses also have panels in Switzerland, the United States and Dubai.

Since 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 2015, using green energy has significantly reduced the site's carbon footprint. In Paris, Saint Laurent's flagship stores and its new headquarters 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 CO_2 emissions compared to conventional air conditioning systems.

Offsetting residual greenhouse gas emissions via carbon offset projects

Carbon offset projects

As part of its Net Zero commitment, Kering has been supporting offsetting programs since 2012 via REDD+ projects. The carbon offsetting (in 2021 in respect of 2020 CO_2 emissions) of all of the Group's activities (Scopes 1 and 2 and part of Scope 3) and its supply chain (Scope 3), representing a total of 1,779,888 TCO_2 via REDD+ certified projects, protects and restores sensitive ecosystems (forests, wetlands, coastal areas) as well as supporting green energy generation projects.

In addition, Kering is continuing to diversity its carbon offsetting approach to include other natural climate solutions, such as regenerative farming practices that enhance carbon sequestration and mangrove restoration.

Since 2020, Kering has also invested in Low Carbon Label projects, in partnership with IDELE *(Institut de l'Élevage)*, which support French cattle breeders in developing more carbon-efficient practices.

In 2021, Gucci continued with its efforts to achieve its carbon neutrality commitment within its operations and its supply chain, primarily through its Natural Climate Solutions Portfolio. The House maintained its support programs to protect and restore nature through REDD+ offsetting projects. These projects help to combat climate change while also having a positive economic and social impact on local communities, as well as protecting flora and fauna. This includes protecting undisturbed land by means of "green carbon" offsetting projects and restoring forests and wetlands (mainly mangroves) through "blue carbon" REDD+ projects, which are particularly effective for carbon sequestration and storage. Gucci has also continued to roll out the regenerative agriculture project for managing agricultural land in its own supply chains and beyond.

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 Carbon Neutral Challenge, companies must avoid, reduce, restore 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.

Thanks to its ISO 14064 certification, Bottega Veneta has been measuring and offsetting the CO_2 emissions generated by its offices in Milan since 2011, and its *Montebello Vicentino* workshop since 2015. These certifications were renewed in 2021 for 2019 and 2020.

Transportation-related emissions

Methodology

Transportation-related data collected under the reporting system is divided into three main categories:

- BtoB transportation: this includes all transportation of goods paid for by the brands between suppliers and logistics platforms or industrial sites, between central logistics platforms and local distribution centers and to points of sale for Europe. The transportation of goods between logistics centers also falls into this category. BtoB transportation includes road, rail, sea and air freight. Express transportation includes goods delivered by express transportation service providers via road and air freight;
- BtoC 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. For the first time in 2021, to take account of the materiality of its environmental impact, Kering worked specifically on measuring the carbon impact of its e-commerce activities. Transportation flows relating to these activities, similar to those for the Group's BtoB operations, are presented separately in the following tables and comprise both air and road transport. They are also excluded from pro forma calculations for 2021, 2020 and 2019 as they were only measured for the first time in 2021;
- business travel: this covers business air travel and the use of company cars.

Details of the emission factors used are set out in the environmental reporting methodological note, which is available on the kering.com website.

Emissions related to transportation and travel

Transportation- and business travel-related CO_2 emissions in 2021 *(in metric tons of CO_2)*

	2021
BtoB transportation	163,188
BtoB transportation	73,103
Business travel	12,727
TOTAL	249,018

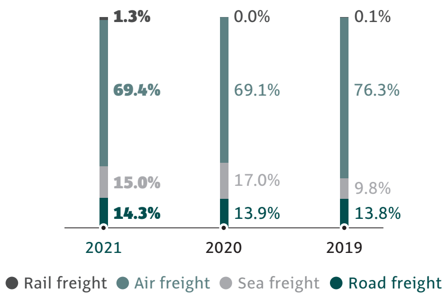
BtoB transportation accounted for 66% of the Group's transportation-related emissions.

BtoB transportation volumes in 2021 and related CO_2 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 2021 *(in t/km)*	**Related CO_2 emissions** *(metric tons of CO_2)*
Road freight	42,669,052	7,690
Sea freight	44,857,389	1,018
Air freight	207,308,579	130,985
Rail freight	3,928,588	75
Express delivery (air + road)	26,733,844	23,420
TOTAL EMISSIONS		163,188

Change in t/km of BtoB transportation by type between 2019 and 2021 (excluding express delivery)



The figures show a significant increase between 2019 and 2021 in the use of sea and rail freight, which has a lower impact in terms of CO_2 emissions. Emissions from air freight therefore remained at a similar level to 2019 despite an increase of nearly 10% in air transportation over the same period.

Change vs. 2019 in CO_2 emissions from BtoB transportation *(in metric tons of CO_2)*

	2019-2021 pro forma scope			
	2021	**2020**	**2019**	**Change vs. 2019**
Road freight	7,690	5,181	6,641	15.8%
Sea freight	1,018	300	205	397.1%
Air freight	130,985	99,550	129,278	1.3%
Rail freight	75	6	8	837.5%
Express delivery (air + road)	23,420	15,113	17,257	35.7%
TOTAL EMISSIONS	163,188	120,150	153,389	6.4%

These changes seen in the carbon impact of transportation is due to the return to a higher level of activity than that seen before the COVID-19 pandemic. However, the increase in lower carbon modes of transport between 2019 and 2021 – in particular sea and rail freight – limited the increase in total emissions related to BtoB transportation to +6.4% over the period.

BtoC transportation-related CO_2 emissions in 2021 and pro forma change vs. 2019 *(in metric tons of CO_2)*

	Related CO_2 emissions in 2021 *(metric tons of CO_2)*	**2019-2021 *pro forma* scope**			
		2021	**2020**	**2019**	**Change vs. 2019**
BtoC – owned vehicle fleets and subcontractors' vehicles	30	30	27	27	11%
E-commerce	73,073	/	/	/	/
TOTAL	73,103	30	27	27	11%

For the first time in 2021, Kering worked specifically on collecting information about transportation flows relating to its e-commerce activities. These flows represented 73,073 tCO_2 in 2021. E-commerce transportation flows taken into account in the carbon impact of transportation in 2021 cover 99% of the Group's e-commerce activities.

Furthermore, in 2021, a steering committee was set up under the aegis of the Group Managing Director to identify ways of improving the environmental impact of e-commerce transportation flows.

Business travel-related CO_2 emissions in 2021 and pro forma change vs. 2019 *(in metric tons of CO_2)*

	Related CO_2 emissions in 2021 *(metric tons of CO_2)*	2019-2021 *pro forma* scope			
		2021	2020	2019	Change vs. 2019
Business air travel	5,881	5,881	6,781	32,181	-82%
Company cars	6,846	6,462	4,569	7,288	-11%
TOTAL	12,727	12,343	11,350	39,469	-69%

New practices and ways of working were introduced due to the health restrictions in 2020. Working from home and widespread use of digital events are the main resources for the reduction in business travel. 2021 was also affected by the many restrictions in place, which impacted international flights in particular. The carbon footprint relating to business travel therefore decreased by 69% between 2019 and 2021.

To limit the impact of travel by the employees of Kering and its Houses on the Group's carbon footprint, the Group has incorporated environmental criteria into the selection of company cars and is gradually increasing the number of electric vehicles in its fleet. As a result, electric and hybrid vehicles account for more than 50% of Gucci's corporate fleet, and charging points are provided at all sites. Bottega Veneta is also pursuing the renewal of its fleet with the inclusion of hybrid and electric vehicles, which made up 46% of the fleet at the end of 2021 (77 vehicles). Pomellato, Dodo and Kering Eyewear are also including hybrid and electric vehicles in their fleets. Kering Corporate offers rechargeable hybrid vehicles and fully electric vehicles in each car category.

The Group's Houses are also developing alternatives to reduce work-related travel and encouraging employees to use public transport and green modes of transport, as well as car pooling:

- In 2019, a joint carpooling initiative was launched in Italy between certain Houses' and Group's sites. The aim is to reduce transportation-related emissions by encouraging employees to share their daily commute and the associated costs. Ulysse Nardin and Girard-Perregaux also encourage car pooling. In 2021, Gucci set up a car pooling service at some of its sites in Italy, including outside working hours, while Bottega Veneta joined an initiative to facilitate car pooling among its Milan and Montebello office employees. The Novara production site in Italy has for several years offered a fleet of shared vehicles.
- Free shuttles have been made available to employees between certain areas, for example between the Milan and Montebello sites, and there are public transport networks serving Bottega Venetta, as well as between Saint Laurent's Paris stores and at Pomellato.
- Use of bicycles is also encouraged, whether by creating bicycle parking facilities (Boucheron, Balenciaga and Kering Corporate), through subscription schemes (Girard-Perregaux, Ulysse Nardin), or by setting up a fleet of electric bicycles for Saint Laurent employees to use free of charge, as well as for logistics teams.

Optimizing logistics flows and switching to alternative means of transportation

Goods transportation represents a significant part of the Group's CO_2 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 and aircraft load factors and the environmental and technical performance of truck fleets, and to develop alternative means of transportation aimed at reducing the Group's CO_2 footprint.

Since 2019, Kering's Logistics Division has focused 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. Projects to adapt Kering's logistics organization have enabled it to put environmental concerns at the heart of what it does. For example, it gives preference to the most efficient vehicles and aircraft, with very ambitious CO_2 emissions standards (maximum of 600 g CO_2 ton/km for air freight, the EURO 6 standard for road freight) and is making increasing use of alternative modes of transport for last-mile logistics. Renewing contracts with freight operators has also provided the opportunity to share Kering's high reporting standards. Each month, Kering will collect the carbon footprint of freight activities operated for the Group in accordance with the EN 16258 global standard. Finally, in line with its 1.5°C target for reducing carbon emissions by 2030, Kering plans to define carbon reduction trajectories in collaboration with its main freight operators compatible with its SBT target.

- The following concrete measures were taken by the Houses in 2021: Balenciaga has set up a warehouse close to its production and delivery regions to avoid sending its products by air over long distances. The House also gives priority to sea freight, which has a lower environmental impact than air freight, for orders that do not require urgent delivery. Pomellato and Dodo also give preference to this mode of transport over air freight. Saint Laurent's logistics fleet is made up exclusively of electric vehicles. Gucci has also introduced measures to optimize its BtoB transportation (itineraries, loads, functional design) and various stages of the supply chain, through to stores.
- Kering Eyewear has developed an approach of reverse logistics between its main hub in Italy and its Manufacture Kering Eyewear production plant. Each box delivered in one direction is reused for a return delivery, thereby limiting the number of empty journeys.
- Finally, optimizing packaging is another way of improving the environmental impact of logistics. Kering's logistics teams are therefore working actively in this area in partnership with the Houses.

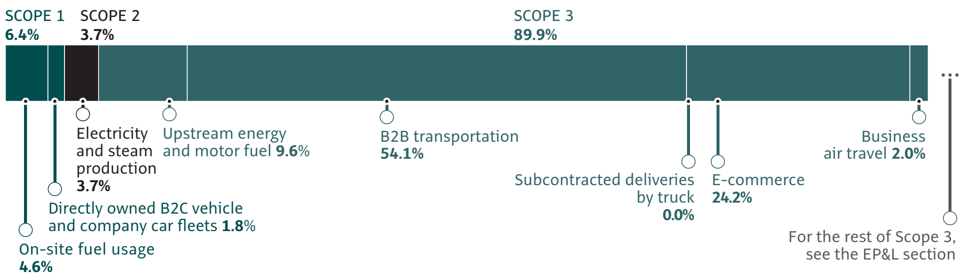
Emissions breakdown in accordance with Scopes 1, 2 and 3

CO_2 emissions by Scope as per the GHG Protocol in 2021 *(in metric tons of CO_2)*

	2021
Scope 1	19,281
Scope 2	11,227
Scope 3	271,001
TOTAL	301,509

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 BtoC 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 BtoB deliveries and nearly all BtoC deliveries) and from air travel, the production of energy fuels (upstream energy and petrol) and line losses. The rest of Scope 3, particularly supply chain emissions, is recognized in the EP&L (see section 3.2.2).



Breakdown of CO_2 emissions in 2021 by GHG Protocol Scope

In 2021, 6.4% of the Group's CO_2 emissions were under its direct control. Scope 2 emissions relating to electricity and steam consumption were further reduced relative to 2020, representing 3.7%. This attests to the progress made by the Group in purchasing green electricity (with guarantee of origin) and use of renewables at its production plants and logistics sites. The increase in the largest portion of emissions, which are those not under the Group's control (Scope 3), reflects the post-pandemic upturn in activity as well the updating of carbon emission factors, with Scope 3 emissions at a higher level than in previous years.

Pro forma change vs. 2019 in CO_2 emissions *(in metric tons)*

	2019-2021 *pro forma* scope			
	2021	2020	2019	Change vs. 2019
Scope 1	16,760	12,856	15,731	6.5%
Scope 2	9,438	10,266	16,533	-42.9%
Scope 3	193,591	141,855	203,047	-4.7%
TOTAL	219,789	164,977	235,311	-6.6%

On a pro forma basis over three years, the Group's total emissions decreased by 6.6% thanks to greater use of electricity from renewable sources. This resulted in a reduction in Scope 2 emissions and, because there was less business travel by air, in Scope 3 emissions.

3.2.5.2 Water consumption and wastewater discharges

Kering's water consumption

Across the Group, 65% of water consumed is used for domestic purposes (store cleaning, sanitary facilities, etc.) and 35% 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 and extraction of precious metals is a serious environmental concern.

Water consumption in 2021 and pro forma change vs. 2019 *(in cu.m)*

	Consumption in 2021	2019-2021 *pro forma* scope			
		2021	2020	2019	Change vs. 2019
Industrial water	335,010	286,619	223,617	339,760	-15.6%
Non-industrial water	618,083	542,223	446,290	517,836	4.7%
TOTAL WATER	953,093	828,842	669,907	857,596	-3.4%

The lower level of industrial water consumption is mainly due to the significant reduction in consumption at one of the Group's sites.

Total water consumption therefore decreased by 3.4% on a like-for-like basis between 2019 and 2021.

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 26.8% between 2019 and 2021. For example, Gucci's Scrap-less initiative enables the House to only treat the leather needed for product fabrication, thereby reducing use of chemicals and water consumption (see section 4.2.2).

Balenciaga gives priority to tanneries and denim suppliers that are making a genuine effort to reduce energy and water use in their treatment and finishing processes.

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. At all of the Group's tanneries, wastewater is pre-treated on site before continuing the wastewater treatment process. The Group's two Italian tanneries pre-treat their wastewater containing chromium, which is then sent to a special treatment plant used by several other tanneries, which purifies the water and recovers the chromium. 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.

A total of 86% of water is discharged.

Water management is an integral part of the Kering Standards, which set out guidelines for the Group's main manufacturing processes (tanning, textile processing and leather goods manufacturing).

Kering and its Houses are also implementing measures to reduce non-industrial water consumption, particularly at their headquarters and offices. Measures being rolled out at Gucci, Balenciaga, Saint Laurent and Kering include water fountains, filters, water-saving devices and rainwater harvesting systems at logistics sites.

3.2.5.3 More sustainable packaging

Packaging challenges in the luxury industry

Paper, cardboard or plastic packaging is used to protect products throughout the logistics chain from the risks of humidity and the associated physical alterations, to prevent the products from being damaged and to facilitate their transportation to distribution centers and stores or delivery destinations. The use of this packaging relates directly to the Group's operations. To limit the environmental impact of its packaging, Kering and its Houses make every effort to opt for the most sustainable solutions available made from recycled or certified bio-sourced materials. They also carry out initiatives aimed at reducing the use of packaging while guaranteeing an optimal level of protection for the goods manufactured. The multi-brand logistics hub aims to reduce packaging volumes used for product delivery worldwide. It works with the Houses to optimize their capacity and track the performance of packaging used for BtoB 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 more 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 type of packaging to optimize volume.

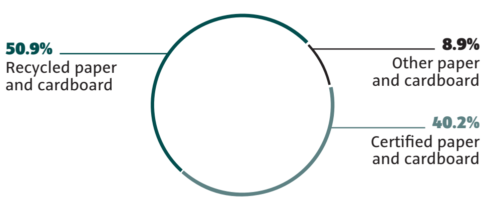
Packaging consumption in 2021 and change vs. 2019 (in metric tons)

	2021	2020	2019	Change vs. 2019
Paper and cardboard packaging	29,849	22,570	24,981	19.5%
Textiles	2,552	2,961	2,733	-6.6%
Plastics	1,136	747	1,065	6.7%
Metals	683	517	552	23.7%
Wood	219	31	57	284.2%
Leather	2	1	1	100%
Other materials	63	-	-	/
TOTAL PACKAGING	34,504	26,827	29,389	17.4%

The increase between 2019 and 2021 was due to the upturn in activity and higher sales volumes. The blockchain technology used by one House in particular has allowed for more detailed reporting, which explains the increase in reported leather and metal consumption. Finally, the increase in wood volumes is due to the higher level of watch and jewelry production, for which boxes are made primarily from wood.

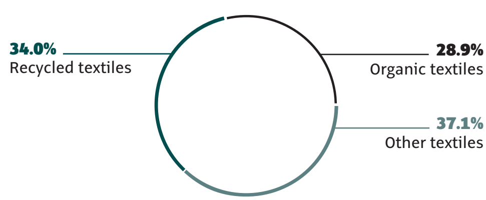
Paper and cardboard packaging

In 2021, the proportion of certified or recycled packaging was over 91% for paper and cardboard packaging.



Textile packaging

In 2021, the proportion of organic or recycled textiles was close to 63%.



In 2021, 37% of plastic packaging was recycled or bio-based.

Measures to promote more sustainable packaging

A Kering Standard dedicated to packaging was developed in 2020, setting out the eco-design principles that should be applied to packaging in order to improve its environmental impact. The principles revolve around the following areas: reduction (of weight and volume), reuse, recycling and incorporation of responsible materials (recycled, bio-sourced and certified). The standard notably aims to eliminate single-use plastics and problem plastics like PVC. To facilitate employee understanding and buy-in, the Packaging Standard was presented to employees of Kering and its Houses during webinars on topics like bio-based plastics and e-commerce packaging.

Most of the Houses favor FSC certification for their paper and cardboard packaging, as well as recycled paper:

- Gucci has been an FSC member since 2017. All printed packaging and materials it uses for BtoB and BtoC have been FSC-certified since 2010. In 2020, Gucci launched its new Gucci Green Packaging range for products bought in stores and online. All paper and cardboard in this range has obtained the FSC Mix label. Production of this paper and cardboard packaging requires less ink and it can also be recycled as there is no coating.
- Saint Laurent also uses only FSC-certified paper and has implemented recycling systems at all of its offices and stores for recycling paper and cardboard.
- All of Alexander McQueen's and Brioni's BtoC paper and cardboard packaging is also FSC-certified, as well as the majority of Brioni's BtoB packaging.
- At Balenciaga, all primary and secondary paper packaging is made from 40% post-consumer recycled paper.

Organic or recycled textiles are also favored by the Houses. For example, the ribbons on Alexander McQueen shopping bags are made from GOTS-certified linen, and its protective apparel bags are made from GOTS-certified organic cotton. At Gucci, the handles of shopping bags in the Gucci Green Packaging range are made from 100% recycled polyester and can be removed, which makes them easier to recycle. Dust bags are made from regenerated cotton and recycled polyester, and ribbons are made from 100% organic cotton.

Lastly, the Houses pay special attention to the packaging used for e-commerce. This is the case for Alexander McQueen, which in 2021 conducted a joint study with the Trecate logistics warehouse into reducing e-commerce packaging volumes. At Balenciaga, shipping boxes have been adapted to perfectly fit the House's packaging, thereby limiting the use of raw materials and reducing shipping volumes. In 2019, Saint Laurent developed new packaging for its e-commerce site that can be transported folded, thereby reducing the space used and in turn CO_2 emissions during transportation. At Gucci, the e-commerce range consists of reusable cotton packaging and filling made from FSC Mix certified paper.

Single-use plastics

In 2019, within the framework of the Fashion Pact, Kering made a commitment to stop using single-use plastics in its client packaging (BtoC) by 2025 and its logistics packaging (BtoB) by 2030. Kering believes that getting rid of single-use plastics across the industry as a whole is a priority and has set even more ambitious internal targets. In 2021, the purchasing and sustainability departments led a taskforce involving all of the Houses on working towards this goal. The project consisted of sharing joint definitions for BtoC and BtoB packaging, identifying single-use plastics within business lines and implementing alternatives through pilot schemes. As use of plastic has already been significantly reduced in BtoC packaging, the Group's teams have focused in particular on ready-to-wear BtoB packaging, identifying the various movements in the supply chain (from plant to distribution center to store) and BtoB packaging corresponding to these movements. A number of Group divisions are trialling alternatives such as reusable packaging, alternative materials such as paper, and even packaging containing recycled material that is itself 100% recyclable.

All of the Houses are involved in this drive, in collaboration with the Group, in order to find solutions for their BtoB packaging. Gucci, for example, no longer uses plastic in its e-commerce and retail packaging but waterproof cardboard, paper ribbons and even cotton tote bags. For its e-commerce activities, the House has replaced all plastics with paper and external packaging has also been optimized. The proportion of bio-based or recycled plastics used within the Group rose from 21% to 37% between 2019 and 2021. For example, in 2021, Gucci hangers were made from recycled polystyrene, while those at Bottega Veneta were made from recycled plastic. In addition, Kering Eyewear is also trialing alternatives to the packaging used to protect eyewear during storage and shipping, in particular packaging made from paper.

Gucci is also stepping up what it demands of its suppliers. With its Take Back program for plastic protective boxes for its accessories, Gucci has avoided producing an additional 336,000 boxes, equal to 40 tons of plastic avoided for BtoB packaging.

Saint Laurent is also working on incorporating 100% recycled and reusable polybags into the supply chain, which will apply to the brand's clothing as of the Spring 2022 collections.

Balenciaga's polybags now contain 66% recycled plastic, while its apparel bags are made from 100% recycled PET.

3.2.5.4 Paper consumption: printed publications and office paper

Paper consumed by Kering 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 2021

A breakdown of Kering's paper consumption by category is presented below.

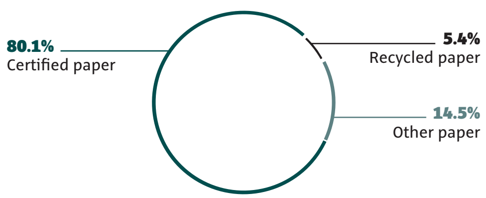
Paper consumption in 2021 and pro forma change vs. 2019 *(in metric tons)*

	Consumption in 2021	2019-2021 *pro forma* scope			
		2021	2020	2019	Change vs. 2019
Paper – indirect purchases	713	713	771	924	-22.8%
Office paper	521	465	403	601	-22.6%
TOTAL PAPER	1,234	1,178	1,174	1,525	-22.8%

Between 2019 and 2021, paper consumption decreased by 22.8%. This was primarily thanks to the Houses' efforts to reduce paper use and promote paperless alternatives, as well as the shift towards more generalized working from home, encouraging the use of digital documents.

In 2021, the proportion of certified (PEFC or FSC) or recycled paper was 85% for the Group.

Types of paper used in 2021 *(%)*



3.2.5.5 Hazardous and non-hazardous waste

Hazardous and non-hazardous waste

As is the case for the 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 made available 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 chromium 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 2021 and pro forma change vs. 2019 *(in metric tons)*

	Production in 2021	2019-2021 *pro forma* scope			
		2021	2020	2019	Change vs. 2019
Non-hazardous waste	20,452	16,549	14,140	19,333	-14.4%
Of which recycled and recovered	*77.1%*	*75.6%*	*70.5%*	*66.7%*	
Hazardous waste(1)	645	455	457	611	-25.5%
Of which recycled and recovered	*46.2%*	*38.2%*	*26.0%*	*24.9%*	
TOTAL WASTE	21,097	17,004	14,597	19,944	-14.7%
Of which recycled and recovered	*76.2%*	*74.6%*	*69.1%*	*65.4%*	

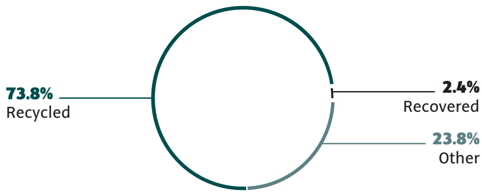
(1) Hazardous waste includes batteries, neon lights, waste electrical and electronic equipment, used oil, paint, aerosols, soiled packaging and ink cartridges.

In 2021, 97% of the waste generated by the Group was non-hazardous waste. On a pro forma basis over three years, waste production is still down relative to 2019.

Waste recycling

Kering is constantly looking for ways of recycling the waste generated by its operations. Paper and packaging has been collected and recycled at its offices for a number of years.

Waste recycling rate in 2021 *(%)*



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 (such as scraps from the brand's studio and workshops).

In 2021, Saint Laurent continued to roll out a comprehensive recycling program across its industrial sites, headquarters, stores and showroom. In line with each country's regulations, Gucci also ensures the appropriate management of waste from its stores, giving priority to the separation and recycling of key components such as paper, cardboard and plastic. Pomellato also pays particular attention to waste recycling, while Girard-Perregaux and Ulysse Nardin provide special waste-sorting bins (for cups, paper, cardboard, etc.). Recycling points have also been provided at the *La Chaux de Fonds* and *Le Locle* industrial sites.

All these initiatives are carried out with the help of local recycling companies. Saint Laurent continued work during the year on a comprehensive recycling program at its industrial sites, headquarters, stores and showrooms. The House also maintained 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. The House equips its sites – particularly its headquarters – using recycled materials, such as insulation panels made using fabrics from old collections. 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: 60% of them sort recyclable materials.

On the basis of a circular economy-led approach, a number of other partnerships have been established in order to find sustainable solutions for recycling waste relating to production activities, in particular textiles (see section 5.2.1.3).

The Houses pay special attention to decorative items and point-of-sale (POS) materials during store cleaning or closure programs, for example. The teams at Alexander McQueen, for instance, choose service providers that can comply with the new Kering Standards. Furniture from its relocated stores will be taken to a recycling center for conversion and reuse. A similar approach is taken at Brioni. During an inventory cleanup program, the House developed a plan with all regions to donate or recycle decorative items and POS materials. As a result, all items were recycled in Japan and pieces of furniture were donated to a local school in Hong Kong. Boucheron has a set up a recycling project known as Vendorama in collaboration with non-profit organization ArtStock, which recycles stage set and decorative elements for reuse on the arts circuit. In 2021, Ulysse Nardin took part in the Matériuum upcycling project, giving a second life to the House's furniture and POS materials.

Boucheron and Alexander McQueen, as well as Kering Eyewear, have distributed reusable cups and bottles to employees at a number of sites and regions to limit use of plastic bottles and cups. Kering Eyewear has also introduced microfiltered water fountains to its offices in Italy and works with a specialized service provider to organize the collection of all production waste containing its flagship material acetate. New initiatives were also trialed and rolled out in 2020 and 2021 at the Group's headquarters and at the Balenciaga headquarters in Paris and at Saint Laurent, such as collection of single-use face masks for recycling, reusable returnable packaging at the company canteen with *La Consigne Greengo*, and the introduction of Auum, an innovative machine that cleans and disinfects cups in 10 seconds without chemicals. These measures will help to achieve the target of zero waste at the Group's offices.

Measures are also being taken on a local level to combat food waste, such as Saint Laurent's and Balenciaga's partnerships with waste and compost recovery specialists Linkee and *Les Alchimistes*, particularly during the showroom period. Gucci's has been involved in the Siticibo initiative in collaboration with *Banco Alimentare* since 2011, which also partners with Pomellato and DoDo, and Bottega Veneta is involved in the Food for People project.

4 – BUILDING TOGETHER ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE SUPPLY CHAINS

Focus on: our vision of responsible sourcing

Managing our impacts beyond our own operations: an approach based on transparency and traceability

Kering believes that sustainability can only exist within a strict 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, the main keys documented in the Group's Code of Ethics and human rights policy.

The result is a need for transparency and traceability within its supply chains of its key raw materials – and therefore to identify, understand and map those chains – with a view to developing synergies and priority programs wherever significant impacts are found. In operating terms, this vision is expressed in the two strategic management tools implemented by Kering: 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 lay down the Group's requirements in terms of traceability for the key raw materials used by the Houses (see section 4.1.1). 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 including certification (such as ICEC for leather) and verification by the Houses. In addition to audits, the Houses use various technologies to trace the path from the extraction of raw materials to the intermediate production stages and then into their own operations and finally into stores. These technologies include RFID and NFC chips, blockchain, mechanical marking of hides, and forensic technology.

The Group's responsible sourcing policy is also based on key principles defined in its Code of Ethics and Suppliers' Charter, as well as the Sustainability Principles to be respected by suppliers. Furthermore, in 2021, Kering set up its online "supplier portal" in order to involve suppliers in the Group's targets and requirements with regard to sustainability (see section 4.1.2).

4.1 Relations with our direct suppliers and subcontractors (Tier 1 and Tier 2)

4.1.1 Responsible purchasing policy: principles and key documents

4.1.1.1 Suppliers' Charter

Since 2013, the Group's Code of Ethics has included the Suppliers' Charter, which sets out, in detail, Kering's specific expectations of its commercial partners in respect of social and environmental issues. For any supplier wanting to work with 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 in section 4.1.3.

The Suppliers' Charter, as an integral part of the Code of Ethics, was revised in 2018 and circulated in 2019. A plan for reaching the employees of Kering's and its Houses' direct suppliers was also rolled out in 2020 and updated in 2021 (see section 2.3).

4.1.1.2 Sustainability Principles applicable to suppliers

In addition, the Sustainability Principles are divided into three areas:

- 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;
- environmental aspects, such as compliance with laws as well as restrictive lists of chemicals defined by Kering, environmental management, and waste water treatment;
- 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).

This document provides details of these mandatory principles imposed by international and national laws, as well as those embodying Kering's additional expectations and best practices. 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, in addition to the Suppliers' Charter. 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. In 2021, these principles were updated to reflect Kering's increasing requirements, in parallel with changes to the Kering Standards.

4.1.1.3 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 "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.

4.1.1.4 Kering Standards for Raw Materials and Manufacturing Processes and their distribution

In 2012, Kering set out basic principles and guidelines on responsible sourcing, known as the Kering Standards. A first in the luxury industry, the Standards were published in 2018 and can be downloaded in English, Italian and French from the Group's website.

The Standards set out the criteria imposed on the Group and its suppliers in five key areas: traceability, use of chemicals, social impact, environmental impact and animal welfare, describing the minimum requirements for Group suppliers in each of these five areas, as well as the more demanding requirements that suppliers will have 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 use of GMOs, no nano-materials, etc.).

The Kering Standards cover:

- the key raw materials used by the Group, representing more than 95% of purchasing volumes, namely leather and precious skins, fur alternatives, wool, cashmere, cotton, silk, synthetic fibers, paper, wood, plastic, feathers and down, cellulosic fibers, gold, diamonds, colored gemstones and silver;
- the Group's main production processes, namely tanning, the various stages of textile manufacture, leather work and shoes;
- since 2020: packaging, visual tools and innovation for sustainable production;
- since 2021: logistics (warehousing and transportation) and rules for managing products at the end of their lifecycle.

The Group's objective of 100% alignment with the Kering Standards by 2025 is reflected by concrete targets for each of its key raw materials, in particular:

<table>
<tr><th>Key raw materials</th><th colspan="3">2025 targets</th></tr>
<tr><td>For all materials</td><td colspan="3">• Traceability across the entire value chain
• Zero deforestation
• Zero supplies from sensitive natural ecosystems
• Promotion of regenerative rearing and farming practices
• Support for local communities and cultural practices
• Use of recycled or regenerated raw materials wherever possible
• Observance of the MRSL and PRSL lists: no hazardous or potentially hazardous substances used in the production process or in the finished product</td></tr>
<tr><td>Leather</td><td colspan="2">• Tanning without heavy metals
• From authorized countries</td><td rowspan="4">• Animal welfare</td></tr>
<tr><td>Precious skins</td><td>• Observance of CITES procedures (international conventions for endangered species, flora and fauna)
• No sourcing of species threatened with extinction
• Supplies from countries and industries that are certified or approved by Kering</td><td>• Preventing any impact that may adversely affect wildlife and their habitat</td></tr>
<tr><td>Wool</td><td>• Use of 100% certified or recycled wool</td><td rowspan="2">• Rearing practices restoring natural ecosystems and soils</td></tr>
<tr><td>Cashmere</td><td>• Use of 100% certified or recycled cashmere</td></tr>
<tr><td>Cotton</td><td colspan="3">• Use of 100% certified organic, regenerative or recycled cotton</td></tr>
<tr><td>Silk</td><td colspan="3">• Use of 100% certified organic, regenerative or recycled silk</td></tr>
<tr><td>Cellulosic fibers</td><td colspan="3">• Use of 100% recycled fibers or from sustainably managed forests (FSC – Forest Stewardship Council)</td></tr>
<tr><td>Gold</td><td colspan="3">• Use of 100% RJC CoC certified or recycled gold, or from Fairmined or Fairtrade certified mines or approved by Kering</td></tr>
<tr><td>Paper/Cardboard</td><td colspan="3">• Use of 100% recycled or FSC-certified paper or wood</td></tr>
</table>

In 2019, Kering added to its Standards, publishing the Animal Welfare Standards with the aim of ensuring the best treatment for animals throughout the supply chain. These Standards are the first ever set of full animal welfare standards for luxury and fashion and aim to drive positive change in industry practices, and beyond. They cover all the species that are a part in the Group's supply chains around the world, namely cattle and calves, sheep, goats, ostriches, crocodiles and alligators and pythons. For each 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 2021, these Standards were updated to reflect changes in practices and experience from visits and audits within our value chains. NGOs such as CIWF, Welfarm and OABA took part in the public consultation and contributed to this update.

The Kering Standards are circulated within the Houses by means of dedicated training programs provided for suppliers by the Houses and Materials Innovation Lab. They also serve as a reference framework for assessing suppliers with regard to sustainability aspects via the Vendor Portal.

Internal e-learning	• An e-learning module about the Standards is available in five languages (English, French, Italian, Chinese and Japanese) and 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 issues, and then sets out the measures to be taken to ensure responsible sourcing. • The course has been completed by more than 6,500 Group employees.
Dedicated training programs and tools within the Houses	• Training of salespeople and employees with key roles, such as design, retail and merchandising, as well as at Balenciaga, for example, store planning teams, designers and external architects. • Balenciaga published internal sustainability guidelines in 2020, accompanied by six training modules based on the various raw material categories. It held 13 virtual training sessions over the year, bringing together 490 participants and training 178 employees since 2020. It has launched a Materials Innovation Unit dedicated to sustainable innovation for designers and developers. • Saint Laurent has integrated the e-learning module into its training platform, e-university, to ensure that its teams are aware of the fundamentals of sustainable procurement and manufacturing processes.

4.1.2 Helping our suppliers to adopt more sustainable practices

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. 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, rolling out training and awareness programs as well as assessment mechanisms.

4.1.2.1 Monitoring and assessing suppliers' CSR performance (Vendor Portal)

In line with the objective of creating a "Supplier Sustainability Index" and ensuring its Standards are implemented by all suppliers by 2025, Kering designed and implemented a new supplier portal in 2020, which can be accessed online. It serves as a Vendor Rating System and a means of sharing information and best practices in terms of sustainability. This portal allows for the ongoing assessment, by means of dedicated, comprehensive questionnaires of up to 300 questions (see also section 2.5), of implementation of the Kering Standards across the supply chain, environmental performance and social performance. This information is used to calculate CSR performance indicators for suppliers and to define the scope of new projects.

In 2021, 11 training sessions were provided for 650 suppliers. Following an initial pilot project in 2020, Kering has stepped up its process for collecting environmental and employee information from its suppliers. The various indicators analyzed include:

- to date, more than 500 suppliers representing around 70% of purchasing in the ready-to-wear, leather goods and shoes categories have completed the three questionnaires, making a self-assessment of their performance via the portal;
- all respondents acknowledge that they know the Group's requirements (Code of Ethics and Suppliers' Charter, MRSL and PRSL, Kering Standards);
- the percentage of women in the workforce is 56.6% (based on replies from 535 suppliers);
- manufacturing sites state that they mainly buy energy from renewable sources; around one quarter generate energy on site.

In addition to rolling out the portal to a growing number of suppliers, the Houses are also committed to helping their suppliers, for example:

- Following on from the measures taken with tanneries in 2019 and 2020, Bottega Veneta has conducted eight audits of their slaughterhouses' practices. Saint Laurent has developed a set of specific Key Performance Indicators (KPIs) for its supplier evaluation system in its leather tanneries (see section 4.2.2).
- In 2021, Saint Laurent also launched a project with Balenciaga for their denim suppliers in Japan to assess the environmental performance of the various members of the supply chain (Tier 1, Tier 2 and Tier 3) and help them to improve their practices with regard to water and energy consumption, waste management, wastewater treatment and management of chemical products (application of Kering's MRSL and PRSL). The project will continue in 2022 with site visits, analysis, operational recommendations and a follow-up.
- Gucci also assesses its suppliers of all its business units through dedicated questionnaires covering the various aspects of their CSR approach: certifications and management systems in place, understanding of the Kering Standards, water and energy consumption, carbon footprint, waste and chemical product management, gender equality and employee well-being. The KPIs have been defined in line with the Kering Standards, traceability requirements and the MRSL, as well as with suppliers' maturity in terms of sustainability. The Gucci Sustainability Principles set out the Houses' requirements on top of the Kering Group's Suppliers' Charter and its Sustainability Principles (see section 4.1.1).
- Ulysse Nardin and Girard-Perregaux have mapped out the proportion of recycled materials used by their key suppliers (steel, brass, titanium). Two dedicated workshops were then held with these suppliers to share the lessons learned.

The Group and its Houses also encourage – wherever relevant, particularly with respect to the size of suppliers – the use of certifications in internationally recognized standards for environmental management systems (e.g. ISO 14001), labor relations (SA8000), and health and safety (ISO 45001).

4.1.2.2 Awareness and capacity building

The Materials Innovation Lab interacts daily with ready-to-wear and accessories suppliers to explain and promote compliance with the Kering Standards. In 2021, with the restrictions related to the COVID-19 pandemic, most supplier training programs were held virtually.

Alexander McQueen held a Sustainability Summit with its suppliers in July 2021. It included a presentation of the House's Sustainability strategy and the Kering Standards, looking to support suppliers in the adoption of more sustainable practices. It has also introduced incentive mechanisms to develop long-term partnerships and offers dedicated training programs for its buyers and R&D staff on sustainability and the Kering Standards.

In addition to meetings devoted to exchanges and collective development, Kering also supports its suppliers in the practical implementation of projects aimed at reducing its environmental footprint, such as the Clean By Design project, described in section 4.1.4, actions implemented by logistics teams to reduce the carbon footprint of their activities, and programs developed specifically in cooperation with stakeholders in the various key raw materials industries, as described in section 4.2.2.

Kering continued its partnership with the Zero Discharge of Hazardous Chemicals (ZDHC) program and other luxury brands to unite textile and leather suppliers around the notion of proactive management of chemicals and the application of the Manufacturing Restricted Substance List (MRSL). In 2021, Kering was actively involved in promoting the ZDHC Supplier To Zero program within its supply chain in Italy. A total of 89 Italian companies supplying Kering, representing 46% of raw materials purchasing (leather and fabrics) and 57% of finished products bought for the Group's ready-to-wear items and accessories, took part in the ZDHC Supplier To Zero webinar. Furthermore, since 2014, Kering has provided active support for its key suppliers in the leather (tanneries and suppliers in charge of production), textiles and finished product categories in ready-to-wear and accessories to encourage them to comply with the MRSL, offering implementation tools and training.

The Group and its Houses, including Balenciaga, Boucheron and Saint Laurent, are also committed to working with organizations in the social and solidarity economy (SSE), particularly through contracts for on-site services or pilot projects. Brioni has also formed a partnership with Colori Vivi Sartoria, a positive social impact tailoring workshop that helps refugee women and mothers obtain professional qualifications, for the production of certain items. Bottega Veneta is also working on obtaining suppliers from cooperative organizations through seven projects with a significant social impact, including two pilot projects launched in 2021, for example concerning the removal and reuse of leather from unsold bags.

Focus on: Kering's project on gender equality in the supply chain in Italy with the *Camera Nazionale della Moda Italiana*

With the goal of working towards gender equality within their supply chains, Kering and its Houses – Gucci, Kering Eyewear, Pomellato and Saint Laurent, under the leadership of Bottega Veneta – in collaboration with the *Camera Nazionale della Moda Italiana* (CNMI), get their suppliers to make a commitment to supporting diversity and gender equality. This project has resulted in:

- the publication in 2019 of the first ever study into the role of women in the supply chains of the Italian luxury industry. Compiled with three specialist associations (BSR, Valore D and Wise Growth), the study highlighted the challenges faced by women working in the industry and issued practical recommendations for improving gender equality. It identified four priority focuses: working conditions and economic opportunities, leadership and career advancement, motherhood, and workplace conduct and harassment;
- introduction of a phygital event for suppliers organized during Milan Fashion Week in September 2020. The event brought together 200 suppliers to discuss the theme of gender equality, showing how the issue is an asset in terms of resilience and innovation in the current crisis, and offering the chance for more in-depth training;
- a series of 10 trainings sessions for key suppliers of the Houses (covering all job roles) between late 2020 and 2021. These sessions looked at the issues of women's empowerment at work, work-life balance and self-awareness;
- in fall 2021, an assessment of the effects of this training showed a 15% reduction in prejudices about the role of women in the workplace and a 25% improvement in participants' wellbeing at work. Kering intends to continue these trainings in 2022.

4.1.3 Actions to improve 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 and the Group's human rights approach, as presented in section 2 "Ethics, the cornerstone of our business" and elsewhere in this NFIS, and duty of care as presented in chapter 5 "Risk management and internal control".

Focus on: supporting our suppliers during the health crisis

Against the backdrop of the health crisis linked to the COVID-19 pandemic since 2020, and fully aware of their role as responsible players and committed corporate citizens in their areas of operation, Kering and its Houses paid particular attention to their suppliers and subcontractors, remaining at their side to provide them with support and assistance. The following initiatives in particular are worth noting:

- careful monitoring of the financial impact of the crisis on the Group's suppliers;
- strict compliance by the Group with all contract terms and conditions, particularly payment terms, with prepayment or reverse factoring solutions implemented for some suppliers;
- establishment of local initiatives, in Italy for instance, in association with public authorities and professional bodies, to provide advice and support, and ensure that suppliers were properly informed about what protective and emergency measures to adopt, particularly for the health and safety of their employees, but also about government assistance measures in place.

In 2021, Gucci continued its partnership with bank Intesa Sanpaolo, which was renewed and extended in 2020 to smaller companies in its supply chain in Italy, to provide quick access to loans on attractive terms. Gucci's support allowed these companies, which supply the Italian House with leather, textiles, jewelry and accessories, and between them represent more than 20,000 jobs, to benefit from conditions reserved for large groups, at reasonable interest rates. Gucci and Intesa SanPaolo see the program, known as *Sviluppo filiere*, as a means of providing support to "Made in Italy" production chains by enabling these SMEs to survive the emergency stemming from the COVID-19 pandemic and to finance their growth, international development and the resumption of work at production sites. More than 175 of Gucci's suppliers have been able to benefit from loans under this partnership, representing a total of more than €286 million.

At the same time, the social audits conducted include new questions related to the pandemic in the assessment and on-site verification questionnaires, particularly on health and safety measures implemented to protect suppliers' employees.

Lastly, in November 2020, Kering teams tasked with centralizing the management and assessment of suppliers for the brands carried out a study focusing exclusively on the health crisis among more than 1,500 of the brands' direct suppliers. Over 80% of suppliers contacted responded to the study, conducted anonymously online, thereby providing the Group with precise data on the extent and repercussions of the COVID-19 pandemic and the measures taken by suppliers to deal with it. The results were shared with each House to give each of them a vision of the overall health of their suppliers and enable them to be vigilant and provide support where necessary. The study was repeated in April 2021 on over 1,500 suppliers, with a participation rate of around 80%. Covering the period from November 2020 to April 2021, the results of the study show that the second and third waves had a less significant impact on suppliers, which may be related to changes in restrictions set by governments in the different countries in which suppliers are located.

4.1.3.1 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.

Since 2016, the Group has had a single central body allowing Kering to control the compliance of Group suppliers, combining audit and risk assessment practices. The new organization, the Hercules system, is based on six key pillars:

1. the Sustainability Principles established for all the Luxury Houses in 2015, which are divided into three areas: social aspects related to human rights, labor rights, and health and safety; environmental aspects; and aspects related to raw materials sourcing and packaging (see section 4.1.1 for details);
2. Kering provides central management through a team of 27 people (one Director, one Manager, 13 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. audit plans are regularly updated to take into account new suppliers and exclude those that have become inactive Risk assessments and audit plans are constructed on the basis of a set of predefined criteria. Audit plans are regularly updated to take into account new suppliers and exclude those that have become inactive;

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 97 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 findings are consolidated 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 worker 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 results 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)** zero tolerance breaches (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, counterfeiting, etc.).
   - **b)** serious compliance breaches:

     The supplier is given one month to resolve the serious compliance breach, and a follow-up audit is scheduled to confirm that the issue has been resolved.

     Identification of a zero tolerance breach or serious compliance breach triggers the immediate establishment of a committee 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 House is the ultimate decision-maker on the most appropriate response.
   - **c)** moderate compliance breach:

     The supplier is given three months to resolve the moderate compliance breach, 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 or moderate compliance breaches and observations has been prepared. For example, in the health and safety category, any situation liable to endanger the lives of workers is a zero tolerance breach; the absence of mandatory documentation on aspects liable to endanger the health or safety of employees is a serious compliance breach; the absence of mandatory documentation other than that addressing the health or safety of workers is a moderate compliance breach; and a deviation from existing procedures results in an observation. In the social category, the falsification of the certificate proving payment of social security contributions is a zero tolerance breach; any issue relating to the minimum wage is a serious compliance breach; a failure to comply with updates to collective bargaining agreements is a moderate compliance breach; and a failure to implement laws to promote the professional integration of vulnerable people results in an observation.

Depending on the results of audits, suppliers are classified as:

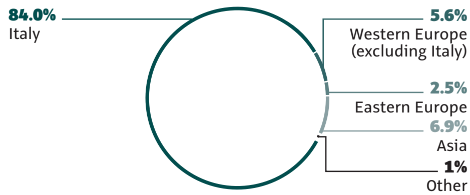
- compliant (no zero tolerance breaches, no compliance breaches, whether serious or moderate, fewer than five observations);
- partially compliant (no zero tolerance breaches, no serious compliance breaches, fewer than five moderate breaches);
- progress expected (no zero tolerance breaches, more than 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 into both Kering's Houses and their suppliers.

4.1.3.2 Supply chain map

As a Group of leading global Houses, Kering operates in the luxury market, with supply chains that are structured in a very specific way, as evidenced by the location of the suppliers in the centrally managed database in 2021.

<table>
<tr><th>Supplier portfolio</th><th>Size of suppliers</th><th>Geographical location of Kering's suppliers in 2021</th></tr>
<tr><td>Thousands of mostly small suppliers, highly fragmented market, high level of craftsmanship.</td><td>Average number of employees by supplier: approximately 55.
Average number of employees by supplier in Italy: 36.
Taking all Kering suppliers into account, this represents an estimated workforce of 40,000 dedicated to Kering.</td><td>More than 92% in Europe, predominantly in Italy (84 %)[1]:



Western Europe (89.6%): strong government presence, comprehensive and mature labor law, highly developed social dialogue.</td></tr>
</table>

(1) Geographical breakdown in 2021 of direct suppliers and contractors, managed within the centralized system introduced by Kering in 2016.

4.1.3.3 2021 results of supplier audits 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, but it does now include all production suppliers, the main suppliers of raw materials (leather, fabrics, ribbons, precious stones, etc.), Kering Eyewear suppliers and suppliers deemed strategic;
- to date, it covers 4,107 suppliers, with the following breakdown:
  - 20% direct suppliers (a supplier is deemed direct when it has a direct business relationship with the Houses rather than working via a subcontractor);
  - 18% contractors (direct suppliers working for one or more Houses and which subcontract part of their production);
  - 62% subcontractors (working for contractors and having no direct business relationship with the Houses).

Direct suppliers with or without subcontracting are T1 suppliers (38% in 2021).

Subcontractors are T2 suppliers (62% in 2021).

10% of suppliers were deemed strategic in 2021. Strategic suppliers are those needed to ensure business continuity due to the volume of production involved and/or their specific know-how. In addition, 5.5% of suppliers are deemed "at risk" because they are located in countries considered by the Group to be "at risk". A country is deemed to be “at risk” when the indicators contained in various external databases imply that human rights risks are high or very high.

15.3% of suppliers were deemed critical in 2021. Suppliers are deemed critical when they are strategic and/or at risk. If they meet both criteria, they are only counted once. They are given special attention in view of their importance to the business and their location.

Subcontracting without prior authorization is not permitted.

Among its suppliers, Kering also singles out raw material suppliers. Raw materials suppliers identified as key to the Group represent roughly 20% of all such suppliers, corresponding to approximately 80% of purchases.

Lastly, for a limited portion of its activities (fragrances and cosmetics), Kering also works with licensed suppliers, i.e. those that are under license to the Houses.

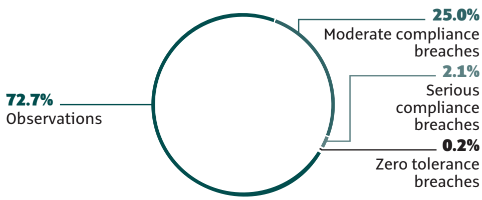
Within this portfolio of suppliers, 3,420 audits were conducted in 2021 despite the health crisis (compared with 3,441 in 2019 and 2,399 in 2020), breaking down as 1,727 comprehensive audits and 1,693 follow-up audits. A total of 39% of these audits were carried out by Kering's Internal Audit team, and 61% by external auditors, with the Group audit protocol applied in the same way for all audits conducted. This means that 64% of suppliers were audited in 2021. 90% of suppliers were audited in 2015–2021. Some of these audits concern suppliers that have become inactive: 275 of the audits carried out in 2021 covered suppliers that were inactive at the end of the year, and 53% of the suppliers in the system that are now inactive have been audited since 2015.

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.

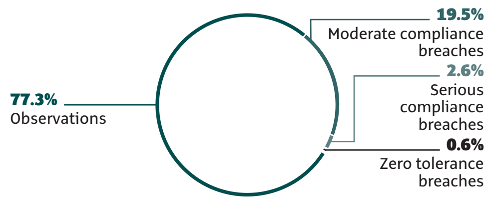
In addition to auditing activities, the team is involved in support activities on special projects in partnership with the Houses and other Kering departments. The COVID-19 pandemic has affected audit planning all over the world and made it more complicated on a variety of levels depending on the country.

The 3,420 audits conducted in 2021 revealed 10,220 anomalies, breaking down as follows:

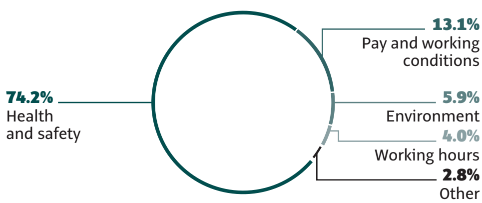
Breakdown by severity of anomalies recorded during social audits carried out by the Kering group as of December 31, 2021



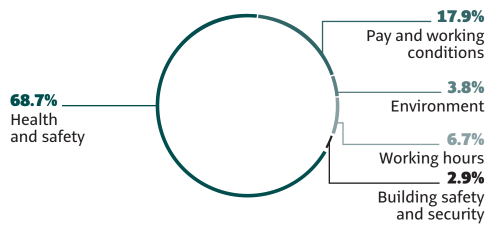
Breakdown by severity of anomalies recorded during social audits carried out by the Kering group among critical T1 suppliers as of December 31, 2021



Breakdown by theme of the top five anomalies (excluding observations) recorded during social audits carried out by the Kering group as of December 31, 2021



Breakdown by theme of the top five anomalies (excluding observations) recorded during social audits carried out by the Kering group among critical T1 suppliers as of December 31, 2021



Following these audits, 65.1% of suppliers were rated compliant, 29.1% partially compliant, 5.2% progress expected and 0.6% zero tolerance. A total of 28 suppliers saw their business relationship terminated in 2021 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 341 committee meetings with the Houses.

For example, one case identified in 2021 concerned a situation in which employment contracts contained clauses relating to maternity/paternity and childcare leave that did not comply with local legislation. This resulted in a corrective action plan being drawn up within the framework of which the clauses were revised.

4.1.3.4 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 and Textile Exchange (see section 5.1);
- training programs, capacity building programs and initiatives specifically designed by Kering for its suppliers and subcontractors (see section 4.1.2);
- House-led initiatives on specific challenges, such as the project developed by Gucci for the integration of refugees in Italy with the Adecco Foundation and the UNHCR.

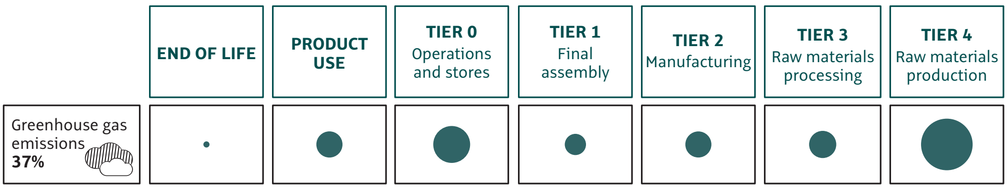
This dialogue and its social impact on the Group's activities and beyond its operations are described in section 2.5. It is part of Kering's global approach to stakeholder dialogue on sustainability issues, as presented in section 5.1.

4.1.4 Actions to reduce our direct suppliers' environmental impact

4.1.4.1 Measuring and regulating the carbon footprint outside our operations

Main impacts and 2021 EP&L results

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 can generate 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 ecosystem services.



The Group's 2021 EP&L results show that 37% 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.

Kering's Climate Strategy is set out in section 3.2.1. The rollout of the Kering Standards across all of its activities helps 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 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 aiming to reduce the environmental footprint of its suppliers, as shown by the Clean By Design program. 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.

Clean by Design has been implemented at the premises of 37 Tier 1 and Tier 2 suppliers located in Italy (dyeing, printing and finishing factories, spinning and weaving mills, denim laundries), and has also been extended to other activities further up supply chains through three wool cleaning factories and three silk mills. The factories involved in the program received an assessment of their energy efficiency, and water and chemicals use from Kering, and subsequently agreed to put in place certain measures to improve their performance. The average energy savings obtained are 19% per site, mainly in the range of 10% to 20%, with highs of 40%. The program has compelling economic appeal, since the return on investment of efficiency initiatives for suppliers is less than 2.5 years in Italy and less than one year in China.

Focus on: the extension of Clean by Design in Italy

In February 2021, Kering announced the extension of Clean by Design in Italy with the Apparel Impact Institute (Aii), in partnership with Stella McCartney and Burberry. Aii has taken lead of the program and is developing it on a larger scale. The local partner managing the program in Italy is *Legambiente*, the country's largest environmental NGO. With this new multi-brand and multi-stakeholder organization, Kering aims to develop the program on a much larger scale involving many more suppliers and other brands in order to steer developments in the textile supply chain towards increasingly ambitious sustainability objectives. Eight of Brioni's suppliers and three of its production plants joined the program in 2021.

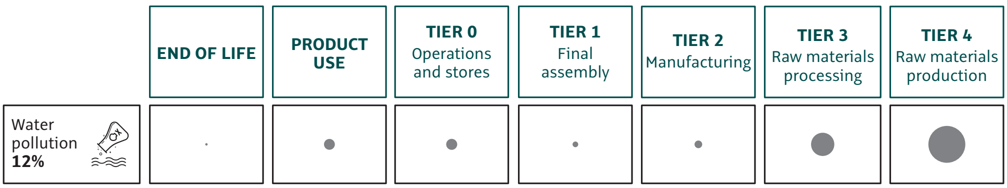
Kering's logistics hub runs trainings and awareness-raising meetings with suppliers and in particular with its logistics partners on (i) Kering's Climate Strategy, with most freight operators now providing the Group with CO_2 reports in accordance with the EN 16258 standard; (ii) expectations in terms of environmental performance in line with the Group's ambitions (reporting, circularity, single-use plastics, carbon footprint). ISO 14001 certification is also one of the contractual requirements of BtoB transportation providers.

Some Houses such as Gucci have also made a commitment to their suppliers to implement energy efficiency measures and use green energy. Use of energy from renewable sources amounted to 25% in Gucci's supply chain, and up to 50% in certain categories (leather and shoes production process).

4.1.4.2 Management of chemicals and wastewater discharges

Main impacts and 2021 EP&L results

The use of chemicals has 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 poor water quality or toxic products in the air and the food chain), and can also result in reduced agricultural or fishing yields and other serious disruptions of ecosystem services.



The Group's 2021 EP&L results show that 12% of Kering's environmental impacts relate to wastewater discharges, and that they are mostly in Tier 4 (production of raw materials) of its supply chains.

Hundreds of 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 chemical 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.

As well as complying with fundamental local and international regulations, Kering has set itself the target of eliminating all hazardous chemicals from all its Houses' products and production processes. To do so, the Group has established two types of lists of substances subject to restrictions:

- the Manufacturing Restricted Substance List (MRSL) for production processes;
- the Product Restricted Substance List (PRSL) for products.

Commitment and sector initiatives

Focus on: Kering's commitments and objectives concerning chemicals management

- Contractual requirements for all suppliers include the implementation of a chemicals management system within businesses and the rollout of these requirements among their suppliers during the early stages.
- Kering has set itself the target of eliminating all hazardous chemicals from all its Houses' production.
- By 2025:
  - 100% of eligible suppliers evaluated in the Vendor Portal on chemicals management and compliance with the MRSL;
  - 100% of strategic suppliers covered by the MRSL compliance control process, which comprises audit or certification;
  - Testing of wastewater for all strategic suppliers.

Kering has been a signatory member of ZDHC (Zero Discharge of Hazardous Chemicals Group) since 2016. The ZDHC Programme is supported by roughly 30 major international brands and upwards of 100 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 textiles, leather and footwear industry supply chains. Kering plays an active role in the work of the ZDHC Programme and, in 2021, continued to help it expand its activity in Italy by promoting contact with key players and suppliers.

In 2021, Kering continued to participate in the ZDHC Brands to Zero Programme, 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. 2021 was also the year of the official launch of the new ZDHC Suppliers to Zero Programme in Europe. Kering's operations teams were closely involved in defining this program and the evaluation criteria, as well as its rollout across its supply chain.

Rollout of MRSL in the supply chain

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.

1) Contractual requirements

Contractually since January 1, 2020, the requirements of the MRSL signed with suppliers since 2015 have become mandatory. This means that no substance listed in Kering's MRSL can be intentionally used in the manufacturing processes of the Houses' supply chains. Version 2.0 of Kering's MRSL, released in 2020 and became effective in April 2021, corresponds to the Zero Discharge of Hazardous Chemicals (ZDHC) MRSL V2.0 rounded out by a ban on certain perfluorochemicals (PFCs). Contractual requirements for all suppliers also include the implementation of a chemicals management system within businesses and the rollout of these requirements among suppliers upstream.

2) Supplier evaluation

Kering has developed a "chemicals management/MRSL compliance" indicator in the Vendor Portal. To do this, Kering evaluated more than 1,200 suppliers (representing 95% of purchasing) in different product categories by means of detailed annual self-assessment questionnaires combining all data to be aligned with Kering's contractual requirements, in addition to detailed evaluations or audits of strategic suppliers. 75% (by value) of suppliers evaluated obtained a good or excellent score. Kering's aim is for all eligible suppliers to be evaluated using this indicator by 2025. The results are reviewed biannually with the Houses' operations departments. These committee meetings provide the opportunity to discuss suppliers' level of compliance and define measures to be taken for the suppliers concerned, such as help to improve their performance, implementation of corrective measures or even breaking off business relations with suppliers that fail to comply. In addition, on-site audits are conducted on strategic suppliers to check whether they meet requirements relating to chemicals management. In 2021, 79 audits were carried out, relating to 67% of purchasing of raw materials (leather and fabrics) and 73% of purchasing of finished products for Kering's ready-to-wear and accessories products either covered by a Kering audit or certified by a third party with regard to chemicals management. In terms of chemicals management, Kering has set itself the target that the process for checking compliance with the MRSL – comprising audit or certification – covers all strategic suppliers by 2025.

Kering acknowledges that with the current level of technology and knowledge, despite good chemicals management at the outset, some contamination by hazardous chemicals in production processes could still be possible and affect the quality of water discharged by facilities. In order to promote ongoing improvement in chemicals management, Kering intends to step up its checks of compliance with the MRSL by also performing tests on wastewater for all strategic suppliers by 2025. This approach is recommended by ZDHC and will make it possible to identify compliance failings and potential contamination by analyzing the root causes and improving the quality and safety of effluents.

3) Ongoing training

Kering has continued to step up its capacity internally and with its suppliers with regard to these issues by means of various training sessions on MRSL management. In 2021, two training sessions were organized for leather, textiles and finished products suppliers, and three training sessions for 30 employees of Kering and its Houses (purchasing, sustainability, R&D and product development). These sessions were held with the support of a ZDHC training provider to ensure a consistent approach.

In 2018, Bottega Veneta was the first House to roll out the MRSL to a group of leather goods and shoe manufacturers. Between 2018 and 2021, the brand continued its work to bring an ever-greater proportion of leather goods and shoe production workshops in line with its MRSL approach. Since 2019, a total of 12 new suppliers have received training in the MRSL and its tools, either at the House's headquarters or by videoconference. To date, more than 95% of the leather used in leather goods and shoes comes from tanneries involved in the brand's Chemical Management Voluntary Project.

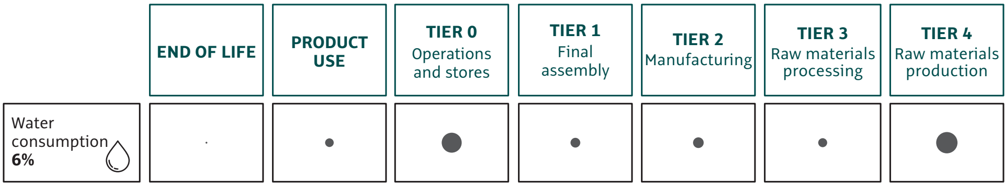
Gucci, as Chair of the Sustainability Committee of the *Camera Nazionale Della Moda* (CNMI), was particularly active in the debate on the negative impact of dangerous chemicals in the luxury industry, and contributed to the preparation and circulation of Industry Guidelines on eco-toxicological requirements for apparel, leather goods, footwear and accessories. The House has completed the implementation of the MRSL with major raw material, shoes, leather goods and ready-to-wear suppliers.

There have also been a number of initiatives at the level of the Houses to ensure the quality of their products and the safety of their consumers in line with regulatory requirements (see section 5.2.4).

4.1.4.3 Water management

Main impacts and 2021 EP&L results

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 ecosystem services.



The Group's 2021 EP&L results show that 6% 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, particularly in leather, metals, plant fibers and precious skins.

Commitment and initiatives

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 PRSL, 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 section 4.2.2 (Leather, Metals, Fibers, etc.).

Kering's water management strategy is detailed in the Group's public response to the 2021 CDP Water Security Questionnaire (Kering obtained a score of A and is included in the Water A list), which can be accessed on www.cdp.net. It sets out the Group's governance with respect to water management, risk management and the Group's objectives and performance.

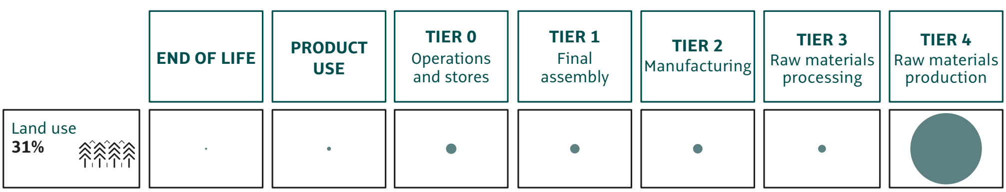
4.2 Preserving natural capital across our entire supply chain (up to Tier 4)

4.2.1 Responsible 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 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. 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.

This is the spirit of the Group's biodiversity strategy published in 2020 (see section 3.2.1.1).

4.2.1.1 Measurement of ecosystem services and biodiversity



The Group's 2021 EP&L results show that 31% 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.

Kering is committed to improving the allowance made for biodiversity and ecosystem services in its EP&L and to improving the data and knowledge underlying these evaluations. Work in 2021 focused on 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 ecosystem 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.

4.2.1.2 Focus on key geographic regions

The results of the EP&L have given Kering a better understanding of the priority regions in which to focus its action. In 2021, Kering selected seven projects that will be supported as part of its new Regenerative Fund for Nature (see below), located in priority regions identified in collaboration with Conservation International. Key data from Kering's supply chain has been superimposed onto geographic information system analysis to identify the Earth's "biodiversity hotspots" – specifically identifying locations that are critical for biodiversity, as well as for carbon sequestration.

The Group has been supporting nature conservation, restoration and regeneration programs in some of these "biodiversity hotspots" for several years. Examples include the program for the complete reforestation of mining sites in the Amazonian forest run in partnership with Solicaz and ReforestFinance, the program for soil regeneration and species protection in the Gobi Desert in partnership with Wildlife Conservation International, and support for the Karoo Lamb Consortium's efforts to preserve the rich heritage of biodiversity in the Karoo region of South Africa.

4.2.1.3 Implementation of biodiversity targets

The objectives set by the new Biodiversity Strategy are clear and measurable, insofar as they are related to the Group's core business. In line with this, Kering joined the new corporate engagement program of the Science Based Targets Network (SBTN) in 2020 and has played an active role in developing a shared strategy for all stakeholders and the implementation of actions between now and 2022. The program will provide the SBTN with strategic insights into cutting-edge science and approaches, as well as providing an open forum for sharing best practices and experience with other groups and coalitions. In turn, this will allow Kering to continue to refine its objectives based on the best available scientific data.

4.2.1.4 Implementation of actions guided by the conservation hierarchy

In accordance with the SBTN hierarchy, Kering has structured its existing and future work on protecting biodiversity on the basis of the concept of Avoid, Reduce, Restore & Regenerate, Transform.

1. Avoid

As a priority, the Houses avoid sourcing materials with known material negative impacts on the environment, particularly in areas of critical ecological importance. As specified in the Kering Standards, this includes ensuring that supplies are all sourced from materials that do not cause deforestation, as well as ensuring that materials adhere closely to the guidelines as published within the framework of CITES.

2. Reduce

As a second priority, when impacts are inevitable, Kering and its Houses strive to reduce negative impacts on the environment by sourcing materials from preferred sources as defined in the Kering Standards, which list recommended third-party certifications in the Group's supply chains that guarantee low-impact agricultural practices, such as organic farming for instance. In 2021, 71% of raw materials were aligned with the Kering Standards. The goal is to reach 100% by 2025.

3. Restore & Regenerate

In addition to avoiding negative impacts, Kering aims to bring about a paradigm shift by restoring and regenerating ecosystems.

Following the launch in 2020 of the Regenerative Fund for Nature, which aims to convert one million hectares of farms and rangelands producing materials for its supply chain to regenerative agricultural practices by 2025, a rigorous process for identifying and selecting projects was carried out in 2021. Kering and its partner Conservation International selected seven projects out of more than 75 put forward around the world relating to cotton, leather, wool and cashmere supply chains. These projects represent a total of 840,000 hectares that will eventually be converted into regenerative agricultural space and involve 60,000 people across the globe.

Kering is also still a founder member of the Savory Institute's Frontier Founder initiative, which aims to encourage regenerative grazing practices around the world by promoting the identification of farms that produce such key raw materials as wool, shearling and leather. In addition, thanks to the Savory Institute's Ecological Outcome Verification (EOV) program, Kering has 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 2021, the collaboration with the Savory Institute focused on establishing and supporting wool and leather supply chains around the world (New Zealand, United Kingdom, Spain, etc.).

4. Transform

In support of the net positive impact goal, Kering continued to back initiatives outside the Group's direct supply chains.

1) Linking carbon footprint and biodiversity

- As part of its biodiversity strategy, Kering will protect an additional one million hectares of essential and irreplaceable habitats outside of its supply chain, through programs that will be beneficial on multiple levels, in terms of biodiversity protection, carbon sequestration and improved livelihoods for local people.
- Carbon credits have been obtained to offset all its direct and indirect emissions (scopes 1, 2 and 3) through 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. The Group is also working on shifting its carbon credits towards more innovative projects that are integrated into its supply chain. Since 2020, Kering has invested in Low Carbon Label projects, in partnership with IDELE *(Institut de l'Élevage)*, which support French cattle breeders in developing more carbon-efficient practices.

2) Biodiversity awareness

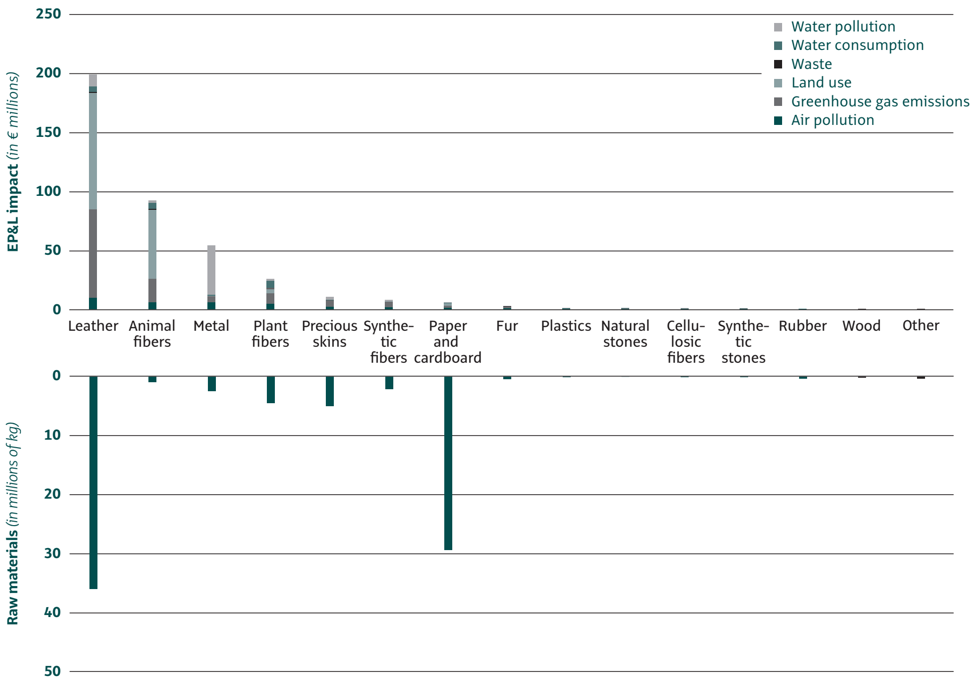
- Kering joined forces with the University of Cambridge and NGO Biodiversify in 2020 to publish a primer to raise awareness of this issue among companies in the fashion sector: "Developing a Corporate Biodiversity Strategy: A Primer for the Fashion Industry". Intended as a guide for other companies on how to build a biodiversity strategy and transform their relationship with nature, the primer sets out eight practical steps to assess a company's impact on nature, guide decisions about how a company interacts with nature and develop strategic responses to climate and biodiversity challenges.
- In 2021, Kering was involved in co-financing a Textile Exchange study to assess programs, standards and certifications relating to regenerative agriculture. The purpose of this study was to make the concept of regenerative agriculture more accessible and operational in order to step up the pace of adoption within the fashion industry. The initial findings were presented at Textile Exchange's 2021 conference. The final report will be published in the first quarter of 2022.
- Kering has contributed to a variety of conferences, including the World Conservation Congress, the China International Import Expo, the European Business & Nature Summit and many others. Kering representatives also spoke at events organized by the Savory Institute, Fashion for Good and *Institut Français de la Mode*. These conferences offer the opportunity to share expertise on how the private sector can act on biodiversity challenges by adopting responsible and sustainable supply chain management practices, and how to communicate on the contributions of Kering's EP&L measurement methodology in targeting priorities for action on the various links in the supply chain and on matters relating to raw materials.
- 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. Renamed "act4nature international" in 2020, the coalition involves international groups based in France in protecting, enhancing and restoring biodiversity by signing shared commitments and setting individual targets to incorporate protecting biodiversity into the heart of what they do.
- Kering is also a member company of the One Planet for Biodiversity Business (OP2B) coalition, launched in 2019 on the sidelines of the UN 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, reintroducing cultivated biodiversity in supply chains, and protecting high-value natural ecosystems, notably by eliminating deforestation. Kering continued to play a major role within OP2B in 2021, particularly on topics related to regenerative agriculture.
- In addition, since 2019, Kering has had a partnership with the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES). This is the first partnership 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.
- Finally, Kering is an active member of the Fashion Pact working group on biodiversity, of which it is a founding member.

As detailed in the next section, the Houses are involved in promoting the development of regenerative agriculture and animal rearing practices within their supply chains (see section 4.2.2), as well as in conservation initiatives under their brand (see section 5.4). In addition, the Group's watch and jewelry Houses, by sourcing gold through the Kering Ethical Gold Platform, are also acting in favor of conservation by supporting gold production that does not pollute natural environments with mercury and cyanide. In 2021, Kering continued its reforestation program in French Guiana.

4.2.2 Sustainable sourcing and use of raw materials (Tier 3 and Tier 4)

The Group's EP&L clearly shows that most environmental impacts (79%) are caused upstream of its supply chains (Tier 1 to Tier 4) by the production of raw materials and their initial transformation (Tiers 3 and 4, 66%). 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 (such as gold and brass).

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.



Kering has committed to reducing its environmental footprint in the pre-operations phases, 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 relies on close collaboration between the Group and its Houses, bringing together the Materials Innovation Lab, supply chain, R&D and Sustainability teams, with the aim of adapting new responsible sourcing solutions to the specific needs of each House.

In 2021, Kering traced 90% of its key materials back to the country of origin at least, and even further for animal-based materials (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, in 2021 Kering achieved the following levels of traceability and alignment with the Kering Standards:

Key raw materials	Traceability rate	Level of traceability	Rate of alignment with the Kering Standards
TOTAL	90%		71%
Leather	93% *(bovine = 93%, sheep = 95%)*	Back to the slaughterhouse	68% *(bovine = 72%, sheep = 56%)*
Wool	96%	Back to the country of origin	37%
Cashmere	99%	Back to the country of origin	43%
Cotton	96%	Back to the country of origin	66%
Silk	94%	Back to the country of origin	25%
Cellulosic fibers	65%	From approved suppliers (FSC or Canopy)	78%
Gold	100% for jewelry 92% for all product categories including plating	Sourced through Kering's responsible gold sourcing platform or internal recycling	92%
Precious skins	96%	Back to the farm (farmed species) or slaughterhouse (harvested species)	95%

4.2.2.1 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 (35% of the total impact in 2021).

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, tanning using chrome-free processes and soil regeneration. In terms of traceability, in 2021 Kering expanded its work on the investigation and traceability of hides, most of which come from Europe, by adding to the in-depth map of its supply chain, making it possible to identify 389 slaughterhouses in some 40 countries worldwide. Purchases in 2021 showed that 93% of skins are traceable back to the slaughterhouse (93% for cattle skins, and 95% 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. Kering and its Houses are testing and developing several technologies to trace leather at each stage of production, in particular to avoid losing track at the slaughterhouse, which is the most sensitive link in the chain.

In terms of animal welfare, Kering published its Standards for all animal species present in its supply chains in 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 section 4.2.3). In 2021, when updating its Standards, Kering updated its map of food labels that meet a level equivalent to its Standards in terms of animal welfare and environmental protection, both at the farm and in the slaughterhouse. The chosen approach draws on existing standards in the food industry and creates links between the leather and meat supply chains. To date, 25 standards corresponding to the requirements set out in the Kering Standards have been identified in close to 40 countries around the world.

In 2021, a dozen physical audits were performed to check compliance with the Kering Standards at slaughterhouses, notably in Italy, Serbia and Turkey.

An internal working group dedicated to responsible leather brings together representatives from all the Group's leather-using Houses to join forces and make progress in this area. In 2021, work focused on transparency and traceability, as well as regenerative agriculture and how to facilitate its adoption within leather supply chains. A dedicated Idea Lab on leather, involving most of Kering's Houses, has met regularly over the last five years.

The Houses are also involved, as demonstrated by Balenciaga, which has launched the Spin 360 traceability project with its Italian tanneries in order to improve information collected about their supplies (countries, slaughterhouses, breeding regions) and their practices, in particular use of certification or independent third party evaluations.

Kering also continued its collaborations with players in the food industry – and especially the meat industry – in 2021. As supply chains are shared, this will make for faster verification procedures and, where necessary, improved practices. Kering is jointly steering a working group on animal welfare alongside the National Leather Council, as part of the collective Paris Good Fashion initiative. A study has been launched into the link between the quality of skins and animal welfare, which will be made public in 2022.

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. Kering is a member of Textile Exchange, and sits on its Board of Directors. This organization is committed to promoting the production and use of more sustainable textiles throughout the clothing industry. It is also particularly active in several working groups including the Responsible Leather Roundtable. Since 2017, Kering has been involved in developing a benchmark for certifications in leather supply chains and implementing a mechanism for rewarding the most virtuous players in terms of animal welfare and respect for the environment. A number of tanneries that work on a regular basis in Italy with the Houses such as Balenciaga are LWG or ICEC *(Istituto di Certificazione della Qualità per l'Industria Conciaria)* certified. In collaboration with the ICEC, Bottega Veneta encourages certification procedures with its key tanneries.

Metal-free tanning

Metal-free tanning techniques are also a major focus of Kering's work on leather. For four 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 2021, Kering advanced on the following pillars, continuing actions taken in 2020:

1. Development of chrome- and metal-free tanning in all of the Group's tanneries by means of R&D activities in tanneries, with the aim of testing articles made from leather tanned without metals and then putting them into production.
2. Close collaboration with tanneries to new metal-free tanned items, to gradually increase the metal-free quotas in their products. Significant progress has been made, and a growing number of tanneries have started to convert their facilities to fully metal-free production. 80% of tanneries that took part in collecting information via the supplier portal stated that they provide products to the Group's Houses (leather goods and shoes) that have been tanned without metals or chrome, and 61% have at least LWG or ICEC certification.

   In addition, private exhibitions organized by tanneries to present their products to the Houses included metal-free sections.
3. Increase in the proportion of metal-free tanning in the collections of the Houses: in 2021, 42.6% of the Group's leather goods purchases were metal or chrome-free. This percentage was 60.6% for leather goods at Gucci and 32% at Saint Laurent in 2021.

These efforts on traceability, the optimization of materials and animal welfare in the leather industry have paid off for the Houses, in keeping with the Group's circularity policy (details of other initiatives are also provided in section 5.2.1):

- Gucci 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 2021, supplier data show that 93% of leather was traced back to the slaughterhouse. In 2021, Gucci improved its data collection processes and continued to carry out traceability audits at tanneries. The House has developed a best practice guide known as the "Suppliers' Good Practices Guide for Sustainable Leather" and describing 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. It has also continued the rollout of metal-free tanning for its iconic handbag models, customizable small leather items and shoes. In 2016, Kering extended metal-free tanning to crocodile skins, notably those used for watchbands designed by its France Croco tannery.
- In 2021, Alexander McQueen completed the pilot project launched with Oritain and its suppliers and tanneries to trace the supply of leather used in its leather goods and shoes. This project will continue in order to enhance database coverage.
- Bottega Veneta has also adopted a robust approach to traceability. At the end of 2021, 100% of Bottega Veneta's leather was traceable to the country of origin, and 77% of the leather used by the House came from countries aligned with the Kering Standards. 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 2014, with coverage progressively increasing 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. Bottega Veneta also accompanied the luxury tannery in its TS412 certification process for tanning lambskin from Spain, obtained in September 2018 and renewed in October 2019.
- Brioni introduced into its Spring/Summer 2022 and Fall/Winter 2022 collections a selection of shoe models made using metal-free leathers.
- Saint Laurent has developed a set of specific Key Performance Indicators (KPIs) for its supplier evaluation system in its leather tanneries. Drawing on the extensive collection of data across all product categories, levels of traceability, percentages of Kering Standards-compliant leather purchases and tannery EP&L performances were calculated and monitored on a monthly basis since 2019. The results feed into the supplier evaluation process. The House uses laser technology to guarantee the traceability of its leather.
- Several Houses have also set up systems with their suppliers for collecting and recycling scrap leather. Balenciaga's internal cutting center in Scandicci and two of its manufacturers have recycled and recovered several tons of scrap leather as part of a project with partner Ledertech. A pilot test has also been launched on the recycling of leather scraps with Authentic Materials for reuse as lining, etc. Since 2013, Bottega Veneta has installed a leather scrap management system at its sites, the aim being to reuse them as fertilizer while ensuring the processing of chrome residues. In 2021, over 210 metric tons (92%) of leather scraps were collected and processed thanks to this project, carried out in cooperation with ILSA and Waste Recycling, two companies specializing in the collection and treatment of production scraps.

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 CDP Forests 2021 Questionnaire, available at www.cdp.net. It sets out the Group's governance with respect to cattle, risk management, objectives and performance.

4.2.2.2 Plant textile fibers

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, in line with the Kering Standards. Kering takes a multi-level approach to responsible cotton:

1. Define and maintain high standards of sourcing

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) certifications. 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

In 2021, the Houses continued with their efforts to use organic cotton, as shown below by the growing share of organic cotton in their collections. This has been made possible by the help the experts at the MIL (see section 5.2.2), which have been working closely with the Houses and Kering's Sustainability Department, as well as the commitment of strategic suppliers in order to identify and integrate new, more sustainable textiles into the supply chains.

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. 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. More recently, it has also started holding two regional meetings and four virtual meetings annually.

Lastly, Kering is an active member of a working group on regenerative agriculture in connection with cotton growing, as part of the collective Paris Good Fashion initiative. Following the publication of a charter clearly setting out what makes up regenerative agriculture, work is now focused on establishing clear ties between agricultural practices and measurable positive impacts.

4. Support projects in the field

Through its partnership with the Organic Cotton Accelerator (OCA), Kering provides concrete support for projects in the field in India with the aim of stepping up the pace of introduction of organic farming practices by helping farmers making the transition. Furthermore, through the Regenerative Fund for Nature, Kering also enables OCA to encourage farmers already involved in organic farming to adopt additional measures to achieve quantifiable regeneration of the land and biodiversity in general. This project was launched in November 2021 and will continue for three years.

5. Innovate for greater traceability of cotton

- The MIL has worked since 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. In 2021, the MIL continued its work with Oritain for the large-scale rollout of a program to verify the origins of cotton declared by suppliers to Kering brands. This program allows the Houses to verify their suppliers' claims and thereby ensure compliance with the rules restricting the origin of cotton in accordance with the Kering Standards. The Houses are thereby continuing to increase use of organic cotton in their main product categories, as well as in their packaging. In total, organic cotton now accounts for 51% of cotton used across the Group.
- GOTS-certified organic cotton makes up 80% of the total volume of cotton purchased by Saint Laurent, as well as by Balenciaga for their production and packaging (flannel bags). Saint Laurent is collaborating with the MIL to increase the use of organic cotton in its collections, particularly in its denim and jersey product lines (shirts, jeans, t-shirts, etc.).
- Organic cotton also accounts for 82% of cotton used by Bottega Veneta for its ready-to-wear collections and for the flannel bags protecting leather goods, jewelry and shoes. In 2021, it also began using recycled cotton for certain leather goods items.
- Brioni offers a selection of GOTS-certified products, including in particular shirts, denim and knitwear.

- After testing the use of organic cotton in various product lines, Gucci continued to increase the quantities used in its collections, which include its new denim line, most of its T-shirts and sweatshirts and the linings of its ties.
- Balenciaga is also developing pilot projects to include other natural fibers such as banana fiber, mixed with organic cotton, to reduce overall cotton consumption.
- Jewelry Houses such as Boucheron and Dodo are also developing alternatives to conventional cotton (recycled, upcycled) in their packaging.

4.2.2.3 Cellulosic fibers

Kering's sustainable supply strategy for cellulosic fibers such as viscose is also attracting great attention, in so far as they are made from wood pulp and as such carry significant risks in terms of deforestation. These materials were added to the Kering Standards in 2018, and 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 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. The Group and its Houses source primarily from suppliers that have achieved the "green" level (score above 20) under the Canopy Hot Button Ranking methodology, as well as FSC-certified cellulosic fiber.

In 2021, viscose accounted for approximately 5% of ready-to-wear raw materials, and in total less than 1% of the Group's raw material purchases, obtained primarily from suppliers Enka, Lenzing, Eastman, Aditya Birla and Jilin.

Another major challenge for the textile sector is the large-scale recycling of mixed fibers, especially those containing cotton and cellulose. Kering is looking into a number of recycling technologies and, in September 2020, joined forces with Fashion For Good for the "Full Circle Textiles Project: Scaling Innovations in Cellulosic Recycling" to research economically viable and scalable solutions for chemical recycling of cellulose to enable a closed-loop system to convert textile waste – cotton and cotton blends – into new man-made cellulosic fibers.

- Houses such as Alexander McQueen and Saint Laurent are continuing to gradually incorporate sustainable cellulosic fibers into their collections.
- Balenciaga's teams are giving preference to sourcing FSC-certified viscose and lyocell, working primarily with suppliers such as Enka and Lenzing (Tencel, EcoVero, etc.).
- 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. Certified or recycled viscose accounted for 70% in 2021.
- Brioni uses GRS-certified cupro for its linings.
- Gucci continues to increase the proportion of viscose from CanopyStyle certified suppliers (FSC, GRS). The House is developing alternatives, such as recycled materials (around 30%) or using cellulosic fibers from sustainably managed forests (52%), representing a total of 82% of viscose from certified or recycled sources.
- FSC-certified products are also the preferred option for packaging and paper (see section 3.2.4).

Kering'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 CDP Forests 2021 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.

4.2.2.4 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 standards, especially as regards farming practices and animal welfare.

Teams from Kering and the Houses have carried out numerous farm visits in recent years, notably to farms raising sheep for their wool in Australia and Italy, but they could not be sustained at this level in 2021 due to the global health crisis. As in 2020, Kering focused on active engagement with the various potential and existing suppliers to assess and assist them in improving their sustainable environmental, biodiversity, and animal welfare management practices. Kering also provides expertise for various wool sector initiatives aimed at developing certifications and sustainable wool production methods, such as the Responsible Wool Standard, the Responsible Mohair Standard and the Responsible Alpaca Standard, and also continues to work with experts in farming and sustainable land management practices, such as the Savory Institute, 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 Ömnögovi 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. Kering is also a member of the Market Sector Advisory Group formed on the initiative of the United Nations Development Program (UNDP), which works with other stakeholders in Mongolia to promote harmonization and facilitate collaboration between various existing programs there 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 25 metric tons of responsible cashmere have therefore been integrated into the supply chains of the Group's Houses since 2015.

In terms of cashmere from farms in China (Inner Mongolia), in 2021, Kering joined the Good Cashmere Standard, which promotes farming practices that meet demanding animal welfare requirements.

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 scraps 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, has continued to use it.

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.

- Gucci is continuing to increase the proportion of fibers aligned with the Kering Standards by means of a number of responsible supply sources: GOTS-certified silk (20%), SFA-certified cashmere (22%), GRS-certified recycled materials (22%) or from regenerative agricultural practices via Gobi Desert Cashmere (4%). It is also continuing to introduce GOTS-certified organic wool (22%), GRS-certified recycled wool and certified wools guaranteeing regenerative agricultural practices and the consideration of animal welfare via ZQ (2%), RWS (7%) and SustainaWOOL (4%) certification.
- In 2021, Balenciaga continued to introduce small quantities of organic wool (GOTS or RWS-certified) and recycled wool (GRS-certified), ZQ-certified merino wool (guaranteeing regenerative agricultural practices and the consideration of animal welfare), regenerated cashmere and organic silk (GOTS-certified) into its collections. It has also launched trials into replacing the synthetic materials usually used in tailoring for shoulders and panels with a 100% natural material, Cloudwool, developed by startup Doppelhaus. The wool comes from UK regenerative farming that respects animal welfare; it is then processed and transformed into a non-woven material suitable for padding using a completely eco-friendly, more energy efficiency process that does not require water or chemical products.
- Likewise, Alexander McQueen is increasing the share of organic wool, ZQ-certified wool and organic silk in its collections, while MCQ uses regenerated wool and cashmere. The House is also working with its suppliers to give preference to sourcing certified cashmere (SFA, GCS), as is Brioni, whose collections include a selection of items in RWS, ZQ and Nativa WOOL-certified wool. Bottega Veneta has also introduced organic wool since its pre-spring 2020 collection.
- Saint Laurent is also continuing to source more and more wool from farms that protect the environment through management systems that ensure the regeneration of rangelands and follow best practices in terms of animal welfare. In particular, the House promotes RWS certification, the most advanced animal welfare standard in the wool industry. For example, some of Saint Laurent's iconic jackets are made from wool bearing this certification. In 2020, it began to introduce responsible cashmere into its collections, with 40% of silk and wool coming from certified sources (GOTS, ZW or RWS) in 2020. In 2021, cashmere from sustainable certified sources accounted for 48% of the House's total volume, mainly as a result of the collaboration with Kering within the framework of the Gobi Desert Cashmere project. In South Africa, Saint Laurent has set up a sustainable impact platform aiming to encourage supply chain partners to adopt regenerative agriculture and responsible breeding practices. This project is based primarily on laser technology to ensure the traceability of lambskins from farm to finished product.

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. Rolled out since 2020 across nearly all of its mohair supplies, the method is based on three pillars: mohair certification (CSM or RMS), secure data traceability thanks to blockchain; and data verification with Oritain, using "fingerprints" that are specific to each farm.

4.2.2.5 Precious skins

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 seven 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. In 2021, the Group was forced to suspend its verification activities in the field because of the public health situation, particularly in Southeast Asia, but continued to help species-specific international associations working on the ongoing improvement of sustainable trade and use of exotic leather. In particular, Kering continues to actively support the development of industry standards for all exotic species, such as crocodilians, ostriches and reptiles from Asia:

- In 2021, 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 2021, SARCA's work included finalizing a common standard for responsible trade of various species of snakes and lizards used in luxury sector supply chains (Responsible Reptile Sourcing Standard – RRSS) covering four modules: commercial integrity, animal welfare, and social and environmental responsibility. To ensure that the RRSS is robust and exhaustive, SARCA implemented a multiparty consultation process in 2021 to provide information and make the standard more credible, in accordance with the guidelines of the ISEAL Alliance. SARCA has also identified and mapped out a representative group of stakeholders to take part in the consultation process, based on a sample of types of stakeholder (science/university, regulators, industry, NGOs, international development organizations) and areas of expertise (for example, human rights and labor rights, animal welfare, conservation, politics/economics).
- Kering's exotic tanneries are members of the ICFA (International Crocodilians Farmers Association), a non-profit organization created to develop and improve crocodile breeding practices that respect animal welfare, the environment, and local people and communities. The ICFA has established itself as the leading name in developing a culture of ongoing improvement in animal welfare and supporting scientific research. One of the results of this approach is the development, implementation and certification of an international standard (ICFA 1001: 2019 Crocodilian Farming - Requirements) focusing on sustainable breeding and animal welfare at all stages of production. In accordance with this, Kering's exotic tanneries only obtain supplies from ICFA certified farms.

Lastly, Kering contributed to the drafting of animal welfare standards for the South African Ostrich Business Chamber (SAOBC), which were made public in 2020 and gradually implemented in 2021. 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.

4.2.2.6 Furs

In September 2021, Kering made the decision to stop using animal fur. Starting from the Fall 2022 collections, none of the Group's Houses will be using fur. Following Gucci in 2017, all the Group's Houses – in particular Balenciaga, Bottega Veneta, Alexander McQueen, Brioni and Saint Laurent – have gradually decided to take this step.

4.2.2.7 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 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.

To encourage its Houses to source responsible gold (RJC Chain of Custody recycled gold, or Fairtrade and Fairmined-certified artisanal gold with verified and traced provenance) from selected partner refiners, Kering adopted a dedicated buying strategy, the Kering Responsible Gold Framework (KRGF), in 2015. 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 via the KRGF, 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 2.5 metric tons in 2021, bringing the volume of responsible gold purchased to more than 8.5 metric tons since the platform was launched.

- In 2021, Gucci, Bottega Veneta, Alexander McQueen, Pomellato, DoDo, Qeelin and Boucheron used responsible gold for all of their Jewelry, as did Girard-Perregaux and Ulysse Nardin for their Watches. Kering Eyewear obtains its gold from a certified (RJC CoC, CoP) recycled gold supplier.
- Pomellato also made a commitment in 2021 to buy 10 kg of Fairmined gold from the Cruz Pata mining organization to support it after obtaining certification.
- Saint Laurent, Bottega Veneta, Gucci and Balenciaga also demand that their gold suppliers for leather goods are part of the KRGF. All gold used by Gucci for plating its accessories is RJC CoC certified.

In 2021, 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 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 also includes the establishment of a microfinance fund.

Following this successful experience with gold, Kering worked in 2021 on adopting similar programs for silver with the pre-qualification of RJC CoC recycled certified metals.

The Group's recommendations also cover the use of palladium for plating metallic items in leather goods, accessories and shoes. This metal is used primarily by Gucci, Balenciaga, Bottega Veneta and Alexander McQueen. Furthermore, since 2018, Gucci has developed an innovative partnership enabling it to use palladium recycled from catalytic converters used in medical applications. This recycled palladium is produced at an RJC CoC-certified plant in Italy, ensuring full traceability of this precious metal. Recycled palladium covers 100% of Gucci's needs.

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 best practices on the traceability and sustainable sourcing of diamonds. Pomellato and Boucheron, for example, update the information provided on their diamond suppliers annually.

To go further, the Group's main Jewelry Houses, like Ulysse Nardin and Girard-Perregaux, 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 ensures supply chain transparency for diamonds, gold, platinum and colored gemstones, 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. Pomellato and DoDo, Boucheron and Gucci (which is also RJC CoC-certified) are RJC–certified. Boucheron's RJC CoP certification was renewed in 2020. Ulysse Nardin and Girard-Perregaux are in the process of obtaining certification. For example, the emeralds and rubies used by Pomellato are sourced from a responsible gemstone producer, and since July 2021 it has sourced only RJC CoC certified recycled silver. Lastly, Boucheron is also involved in mother-of-pearl supply projects with suppliers certified by the Marine Stewardship Council.

The Houses also make use of other lower-impact processes: Saint Laurent has been using physical vapor disposition (PVD) coating on stainless steel for several years now, for certain metal parts on its leather goods. 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.

Kering was one of the founding members in 2015 of the Coloured Gemstones Working Group (CGWG), an initiative bringing together prestigious Jewelry Houses with the aim of fostering greater transparency and positive social and environmental impact in the colored gemstone industry. Boucheron also supports and is part of this working group. The CGWG develops resources and tools that are made available free of charge to all players in the sector, enabling them to identify, avoid and manage the risks and impacts inherent to their activities. In 2020, the CGWG posted a common vision online and the first round of the new tools on the community platform. Kering and its Houses worked actively on pilot projects for the tools developed by the CGWG and encourage suppliers to use the platform.

Finally, in 2021, Kering and Cartier – mandated by Richemont – launched the "Watch and Jewellery Initiative 2030" in partnership with the Responsible Jewellery Council, to bring together watch and jewelry companies from around the world on the basis of a shared set of key sustainability targets, while also focusing on three main priorities: building climate resilience, preserving resources, and fostering inclusiveness. The initiative is firmly committed to supporting transparency with the requirement of regular reporting on progress made. It will also help members to respond to the growing expectations of stakeholders, in particular customers, civil society and regulators, with regard to exemplary environmental, social and ethical practices.

4.2.2.8 Plastics

The use of plastics in the Houses' products is governed by the Kering Standards. In particular, Kering has had a zero-PVC product policy in place since 2012. In addition, the Houses must favor plastics with recycled content or, failing that, certified bio-based content, and ensure that the chemicals used comply with the Group's MRSL and PRSL. For the product end-of-life phase, the Kering Standards emphasize recyclability.

Because of the very many alternatives to plastic available, it is not easy to compare environmental performances or understand supplier claims. This is why Kering regularly organizes working sessions on these subjects. In 2021, particular effort was made to review existing standards and certifications concerning the recycled and bio-based content of plastics and their end-of-life phase (recyclability, biodegradability and compostability).

BtoB packaging nevertheless remains the main use of plastic for the Group. Based on a map of plastic consumption plotted in 2017 for ready-to-wear packaging and logistics to determine its level of compliance with the Kering Standards, the Group has implemented several substitution projects for recycled plastics since 2018. At the end of 2019, Kering joined 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. In 2020, the centralized logistics teams worked to remove any plastic that could be replaced with certified cardboard from e-commerce shipments. The impact of microfiber pollution on human health and the environment is a major concern for the textile industry. These impacts have not yet been fully quantified but it is clear that a high percentage of microfiber pollution in the oceans and in the air comes from clothing, not just synthetic fibers but also natural fibers. Kering is aware of these impacts and is working on eliminating use of toxic chemical products and removing microfibers and microplastics from its production processes.

To do this, Kering joined forces in 2021 with The Microfibre Consortium as part of a collaborative approach between manufacturers and brands to highlight the growing need for better understanding of microfiber pollution and its adverse effect on aquatic environments and air quality. The consortium is calling for the sector to measure, map, guide and reduce levels of microfiber release.

The Materials Innovation Lab (MIL) launched a pilot project in 2021 to trial an industrial-scale microfiber filtration system in Kering's supply chain. The results and feedback from this pilot project will be used to optimize and further refine the filtering process and validate the effectiveness of microfiber capture. The results will also be made available to the rest of the industry.

The Group firmly believes that the best solution is to prevent microfiber leakage as early on as possible in the product lifecycle, first of all by working on eco-design, for example using the best quality material and more sustainable long-term fibers, with specific fabric structures, materials compositions, fibers, threads and dyeing processes to create more sustainable products, as well as limiting microfiber release.

The approach to eliminating microfibers needs to be open and collective. Kering also requires its suppliers to comply with its Sustainability Principles, including implementing mitigation measures to reduce microfiber leakage during the manufacturing phases, such as:

- prefer continuous and/or reinforced fibers;
- use dyeing, finishing and cutting process that preserve fiber yarn strength and reduce fiber irregularities;
- choose washing processes that reduce microfiber leakage (closed-loop or microfiber filters);
- increase pre-washing and filtering of the finished product at the manufacturing plant.

The MIL also offers a range of plastic materials compliant with the Kering Standards to enable the Houses to incorporate more responsible plastic into their collections. The Houses are continuing to reduce the proportion of synthetic materials used and gradually incorporate new alternative materials as well as more responsible synthetic fibers into their collections, made from biomaterials or recycled:

- Gucci, Alexander McQueen, Brioni and Balenciaga collections are using a growing proportion of ECONYL®. In 2021, 26% of nylon used by Gucci was recycled. Gucci was the first of the Group's Houses to use ECONYL® regenerated nylon in its ready-to-wear collections. In support of a continuous loop approach, ECONYL® scraps have been recovered from the production processes of Gucci's Off the Grid products and recycled to create new ECONYL® materials as part of the Gucci-ECONYL® Pre-Consumer Fabric Take Back Program since 2018. Since its Spring 2022 collection, Saint Laurent has also used ECONYL® for its carryover backpacks, while Balenciaga uses it in its men's ready-to-wear collections and, like Alexander McQueen, in certain accessories such as umbrellas.
- Meanwhile, Balenciaga is stepping up the development and incorporation of recycled polyester into its ready-to-wear and leather goods collections.
- Since 2015, Gucci has been gradually replacing the plastic used on the heels of its shoes with recycled ABS plastic. In 2021, it made 558,000 pairs of shoes with soles made of 30% bio-based TPU. The House is involved in a number of projects to allow for the large-scale production of recycled or bio-based sustainable components in its shoe collections. These are found primarily in the Gucci Tennis 1977 and Ace sneakers, or in the heels of Marmont sandals.

4.2.3 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 2019, with the aim of ensuring the highest standards of animal welfare across the Group's supply chain. 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 (decision made in 2021 to end this practice). 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. In 2021, these Standards were updated to reflect changes in practices and experience from visits and audits within our value chains.

Developed 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, and Welfarm and *Oeuvre d'Assistance aux Bêtes d'Abattoirs* (OABA) in 2021.

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 best practices put in place by the European Union are 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 antimicrobial resistance that is threatening human health.

Specific audit protocols describing how Kering and its Houses can measure their suppliers' compliance with each of the Standards have been developed. 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.

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 2021, the monitoring and verification of compliance with animal welfare standards in the Group's various supply chains focused particularly on the leather sector. This led to the establishment of a case-by-case action plan reflecting the risk presented by the countries of operation and with regard to existing animal welfare certifications for slaughterhouses. In 2021, a dozen audits were carried out to verify that Kering's animal welfare requirements were being met, primarily in Italy, Serbia and Turkey.

In the absence of field visits, a bibliographical evaluation was carried out of a number of standards and suppliers with regard to their approaches to animal welfare, particularly for the wool and leather supply chains.

Kering is also working with the sector to improve respect for animal welfare and the alignment of sector standards. In 2021, 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 ostrich leather;
- Textile Exchange with regard to materials from cattle, sheep and goats;
- Paris Good Fashion, within which Kering has since 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 2021, work concerned primarily research into assessing the link between animal welfare and skin quality.

In addition, in view of the fact that supply chains for many raw materials, including leather, intersect for the luxury and food industries, Kering continued its partnerships with players in the meat industry in 2021, with a view ultimately to pooling verification efforts and, if necessary, improving practices.

In the fragrances and cosmetics category, Kering engages through licensing agreements between its main brands and leading industry players such as L'Oréal, Coty and Interparfums to develop and sell fragrances and cosmetics. It follows that Kering and its Houses do not directly manufacture products or conduct animal testing in this segment. The players with which Kering and its Houses have signed licensing agreements have developed strict policies on animal testing, compliant with internationally recognized standards and best practices. Their approaches and requirements are set out in their respective reporting documents. In particular, Kering has laid down specific requirements for fragrances and cosmetics in its Sustainability Principles, available on its website.

5 - COMMITMENTS TO OUR CUSTOMERS, OUR STAKEHOLDERS AND SOCIETY AS A WHOLE

5.1 A dialogue built in cooperation with our stakeholders

In an increasingly interconnected world, players in the private sector need to pay attention to and maintain close relationships with their partners and stakeholders. For Kering, the goal is to establish quality relationships built on trust with all its partners, regardless of their 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 entails 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 level.

5.1.1 Approach at Group level and value chain

The Group's value chain, which is structured around five key stages, from creation to the customer experience, reflects Kering's work with all of its stakeholders.

	Employees	Investors	Suppliers	Civil society	Creative talent	Businesses and professional organizations	Clients	Innovation players	Public authorities
Creation									
Research & innovation	●	●	●		●	●	●	●	●
Design	●	●		●	●		●	●	
Merchandising	●	●					●		
Development									
Raw materials sourcing	●	●	●	●		●	●	●	●
Product development	●	●	●		●			●	●
Planning	●	●						●	
Production									
Manufacturing	●	●	●	●	●	●		●	●
Logistics	●	●	●			●			●
Sales and marketing									
Marketing and advertising	●	●		●			●		●
In store distribution and e-commerce	●	●		●	●		●	●	●
Customer experience									
CRM	●	●		●	●		●	●	●
Innovation	●	●		●	●	●	●	●	

5.1.2 Stakeholder interaction with the Group and its Houses

To stay closely attuned to its stakeholders' priority challenges and contribute to the movement toward more sustainable luxury, Kering takes action at a local, national and international level and participates in many initiatives in association with its stakeholders or as part of multi-party coalitions. The table below gives a non-exhaustive overview of the main expectations identified and the ways in which the Group interacts with each stakeholder category:

Category	Expectations and value proposals	Avenues for interaction (examples – not exhaustive)
Employees and their representatives Employees Employee representative bodies Trade unions Directors representing employees Employees on work-study programs Interns	**Expectations** • Training and skills development programs and appealing career paths (in a talent war context) • Empowering work organization, with attractive remuneration and benefits • Respect for work-life balance • Quality labor relations dialogue and respect for fundamental rights • Inclusion and diversity policy **Kering's proposal** • Become the preferred employer in the luxury sector • Share a common vision on Group values and policies • Promote an inclusive work environment and achieve gender parity at all levels	• Internal charters and policies (Code of Ethics, HR policy, Parental policy, Policy on domestic violence) • Collective agreements (Empowering Talent, Remote working, etc.) • Ongoing and regular dialogue with employee representative bodies and trade unions – Kering European Works Council – French Works Council, economic and social training of members for two days – Employee representatives on the Board of Directors • Inclusion and Diversity Committees at House and corporate level, with executive management sponsors • #NoFilter opinion survey • Internal communications – Ask Me Anything campaign to enhance dialogue between managers and employees – Intranet site and employee newsletters via Workplace • Whistleblowing system (ethics committees and ethics hotline) • Annual reviews (check-in) and HR conversations • Training and e-learning platforms – Kering Standards, Kering Planet, Ethics & Compliance training – Houses: Gucci Retail Academy, Saint Laurent e-University – Development of craft academies • Launch of the Giving Back volunteering program in 2021 • Gucci Changemakers Scholarship program and Gucci Changemakers X CFDA Scholars by Design Award program • Internal sustainability events – Awareness-raising days organised by Kering and/or the Houses (Caring Day, Alexander McQueen Earth Day, MCQ Sustainability Training, Balenciaga Sustainability Days and masterclasses) – Dedicated Workplace exchange spaces at Alexander McQueen and Bottega Veneta, Sustainability Week at Boucheron, monthly Sustainability Breakfast Talks at Pomellato, etc. – Teambuilding – Actions led by the Foundation to raise awareness about violence against women – Health and safety training (use of defibrillators, etc.) – Bee Club

Category	Expectations and value proposals	Avenues for interaction (examples – not exhaustive)
Shareholders and financial community Institutional investors (portfolio manager s, shares/bonds/ SRI, governance teams, etc.) Financial analysts Market authorities (AMF, Euronext, etc.) Private individual shareholders Financial and non-financial rating agencies	**Expectations** • Relevance and consistency of strategy • Financial performance and value creation • Return on investment (stock market performance, dividends, share buybacks, etc.) • Equal access to information; precise, reliable and accurate financial reporting • Heightened expectations on ESG aspects **Kering's value proposal** • Business model rooted in exceptional Houses • Strategy aimed at seizing the full potential of the luxury industry • Clearly established financial priorities • Best-in-class corporate governance standards and ambitious sustainability strategy	• Regular exchanges with investors and analysts – Conference calls upon the release of quarterly revenue and half-year and annual results – Organization of roadshows and participation in several sector-specific conferences in 2021 – Roadshow on ESG matters with the Lead Independent Director • Ongoing and periodic regulatory information in French and English – Website financial section regularly updated and expanded • Dialogue with shareholders, notably at the Annual General Meeting and via regular communications – Financial notices in the press – Twice-yearly Letter to Shareholders, Shareholder's Guide, hotline for private individual shareholders, annual site visit • Lead Independent Director, Board spokesperson to investors on ESG matters • Answers to non-financial assessment questionnaires – Strong presence in major non-financial indices (DJSI World and Europe, FTSE4Good, CAC 40 ESG, etc.) – External recognitions of our CSR performance (Corporate Knights – Global 100, WSJ, Champions du Climat, etc.)
Clients, consumers and distributors Customers Consumer associations Influencers Distributors	**Expectations** • Personalized customer experience adjusted to individual expectations • Quality and responsibility standards consistent with the luxury sector • Privileged interaction with world-renowned Houses • Reliable, transparent and constructive information **Kering's value proposal** • Raise client and consumer awareness on sustainability issues • Offer a unique customer experience • Offer a complementary omni-channel distribution network compliant with Group standards	• Worldwide network of boutiques and points of sale offering customer relationships unique to each House – House client satisfaction surveys • Group publications, and Group, House and Kering Foundation websites – Email address dedicated to sustainability for interacting with Group and Houses' experts – Gucci Equilibrium website and impact report, Brioni newsletter, etc. • Social media – Fashion shows replayed online • Customer newsletters • Mobile applications and digital platforms • Collaborations with certain distributors and marketplaces – Alexander McQueen x Vestiaire Collective collaboration on circular fashion – Events, dedicated communication and awareness-raising operations run by Houses and/or in partnership with distributors to educate consumers on sustainability issues
Suppliers and business partners Group and House direct suppliers and their subcontractors Suppliers of key raw materials Craftspeople and guilds Service providers Fashion models	**Expectations** • Support • Compliance with agreed payment terms and fair commercial terms and conditions **Kering's value proposal** • Support the continuation of craftsmanship traditions and the communities that support them • Roll out the Kering Standards to ensure excellence in production chains and promote the take-up of more responsible practices • Federate its ecosystem around industry best practices	• Suppliers' Charter, Sustainability Principles, Human Rights Policy • Kering Standards for key raw materials, manufacturing processes and animal welfare – Ending use of fur – Kering Ethical Gold platform for responsible gold sourcing • Fashion models charter • Suppliers' portal, questionnaires, audits and duty of care plan – 3,420 social audits in 2021 • Support and incentives for performance improvement – Clean by Design program – Capacity-building programs for Gucci and Bottega Veneta suppliers under the SA8000 certification process – Gucci Supply Chain Academy – Initiative on the role of women in the supply chain in Italy with the Camera Nazionale della Moda – Exceptional economic support measures to alleviate the impact of the COVID-19 pandemic crisis, including: Gucci's *Sviluppo Filiere* program, in partnership with Intesa SanPaolo bank • Whistleblowing system (ethics committees and ethics hotline) – Communication plan on the whistleblowing system, in 15 languages, reaching more than 1,500 direct suppliers in 2020 and more than 1,000 in 2021

Category	Expectations and value proposals	Avenues for interaction (examples – not exhaustive)
Creative talent and excellence in craftsmanship, schools and universities Internal training centers Specialist training in fashion, design and craftsmanship Universities	**Expectations** • Support on for the preservation of exceptional craftsmanship • Professional integration • Mentoring, coaching, feedback, etc. **Kering's value proposal** • Develop talent and skills, and offer appealing career paths • Recruit the best talent • Forge partnerships with schools and universities • Step up collaborative efforts to identify more sustainable solutions • Educate tomorrow's designers on sustainability	• Craftsmanship excellence programs in haute couture, leather goods, watchmaking and jewelry – *Pomellato Virtuosi Academy,* in partnership with Galdus – Gucci's *École de l'Amour*, including the *scuola dei maestri,* the *scuola di fabbrica* and a technical academy – Bottega Veneta's *Scuola dei Maestri Pellettieri* – Brioni's Montebello workshops, and integration of the *Arazzeria Pennese* tapestry workshops (in 2018) – Girard-Perregaux's Academy School, training apprentice watchmakers • Academic partnerships – IFM – Kering Sustainability Chair at IFM: creation of a training course in 2020 – Partnership with the London College of Fashion: classes, talks, MOOC, etc. – Saint Laurent Couture Institute, in partnership with IFM – Bottega Veneta's partnership with *Instituto Professionale Montagna* – Saint Laurent's partnership with *Accademia Costume & Moda,* with the creation of a dedicated module on upcycling – Sponsorships, training program development and apprenticeship support from the Houses (Balenciaga with PRATT Institute, Gucci Changemakers X CFDA Scholars by Design Award, Gucci support for MITA) • Talks and participation in vocational training and university programs – "Sustainable operations" course at the Polimoda fashion school in Florence, as part of the Sustainable Fashion MA • Forums in schools and exchange days
Civil society, local communities and NGOs Local authorities (public officials, local government, etc.) Charities and NGOs Media and social media networks Opinion leaders Public interest foundations	**Expectations** • Local, grassroots action; participation in local economy • Positive impact on individuals and society • Reduction in environmental footprint • Reliable, transparent information **Kering's value proposal** • Maintain dialogue and transparent communication • Support grassroots projects and maintain long-term partnerships • Draw on expertise from civil society • Provide support for local communities across our supply chains and support livelihoods • Take action to reduce our environmental footprint at all stages in our supply chains	• Support for grassroots projects and organizations – South Gobi Cashmere Project – Kering Foundation and its initiatives in combating violence against women (support for national organizations and networks, and partnerships with certain Houses): *La Maison des Femmes de Saint-Denis*, France; D.i.Re (Italian National Women's Network against Violence) with Gucci; National Alliance to End Sexual Violence, HER Fund, 16 Days 16 Films campaign, etc. – Kering and/or House partnerships with organizations: Surfrider, Charity: water, Panthera, Solidaridad, Fauna and Flora International, World Animal Protection, IUCN, Canopy, Promundo, etc.; Gucci: Chime for Change, Changemakers Volunteering, and partnerships with NGOs • Commitment from executive management, public relations – Signatory to the Pledge against Forced Labour in Uzbekistan Cotton and the Pledge against Forced Labour in the Cotton Sector of Turkmenistan – B4iG Statement on Just Transition – Gucci has joined the Generation Equality Forum organized by UN Women • Skills sponsorship, financial sponsorship and product donations – Exceptional donations and support during the COVID-19 pandemic • Group support for volunteer initiatives – Giving Back program • Group publications, and Group, House and Kering Foundation websites • Talks by François-Henri Pinault and members of Kering and House Sustainability teams at various events, to share the Group's vision and details of its actions (G7, Climate Week, Copenhagen Fashion Summit, Ocean Summit, UN, etc.)

Category	Expectations and value proposals	Avenues for interaction (examples – not exhaustive)
Peers and professional associations Business federations Multi-party coalitions Professional and industry organizations and associations	**Expectations** • Maintain constructive dialogue with all players, and encourage cooperation on matters of public interest • Raise awareness across the private sector on matters such as biodiversity and climate • Drive change toward better practices across the fashion industry **Kering's value proposal** • Federate an ecosystem around industry best practices • Take part in exchanges and debates, and build constructive dialogue to drive progress in terms of standards and regulations, and take-up of responsible practices	• Wide-reaching open source approach – EP&L, sourcing standards, etc. • Participation in international and/or multi-stakeholder initiatives – Founding member of the Fashion Pact – Member of the Science Based Targets Network (SBTN) and RE100, an initiative for the transition to 100% renewable electricity – Signatory member of ZDHC (Zero Discharge of Hazardous Chemicals) – Member of Textile Exchange, Wildlife Friendly Enterprise Network, the IPI (International Platform for Insetting) initiative, BSR (Business for Social Responsibility), the "Make Fashion Circular" initiative of the Ellen MacArthur Foundation and B4iG (Business For Inclusive Growth) – Member of FCLT (Focusing Capital on the Long Term) • Involvement in specialist working groups, consultation and dialogue – Member of the Sustainable Apparel Coalition (SAC), the One Planet for Biodiversity Business (OP2B) coalition, the global Natural Capital Impact Group (NCIG) network, the Paris Good Fashion initiative, *Entreprises Pour l'Environnement* (EPE), the textile and apparel working group of the Value Change Programme, and the Mekong Club, working to combat modern slavery, the *Fédération de la Haute Couture et de la Mode*'s sustainable development commission, consultative board member of Capitals Coalition and the EU Business @ Biodiversity Platform – Houses' involvement in organizations representing their respective industries: *Unione Nazionale Industria Conciaria* (UNIC) in Italy, *Fédération Horlogère Suisse, Fondation de la Haute Horlogerie, Association Suisse pour la Recherche Horlogère* (ASRH), as well as professional associations: Gucci leads the Sustainability Working Group of the *Camera Nazionale Della Moda Italiana* and is a member of Valore D, Boucheron is involved in the *Union Française de la Bijouterie, Joaillerie, Orfèvrerie, des Pierres & des Perles* (UFBJOP) think tank; and industry initiatives for sustainability: Kering and Boucheron take part in the Colored Gemstones Working Group (CGWG) Dragonfly Initiative, while Gucci is involved with the Fur Free Alliance's Fur Free Retailer program and with Social Accountability International (SAI) • Talks and feedback presentations at conferences, forums and workshops spotlighting the role of businesses in society – Gucci CEO Marco Bizzarri and the CEO Carbon Neutral Challenge
Innovation drivers Academic partnerships Think tanks Incubators	**Expectations** • Transparent participation in public debate • Support for the innovation ecosystem and startups • Sharing of best practices **Kering's value proposal** • Develop new and sustainable solutions for sourcing raw materials, including through the exploration of biotech and promotion of a circular economy • Invest in disruptive innovations capable of transforming conventional luxury practices and influencing the industry	• Accelerator and incubator program; mentoring for startups – Fashion For Good accelerator – Kering Ventures • Calls for innovation projects, events and award ceremonies – K Generation Award in China in 2021 – First seven projects benefiting from the Kering Regenerative Fund for Nature • Wide-reaching open source approach (EP&L, Kering Standards, etc.) • Research and disruptive innovation in raw materials and production processes; academic partnerships – Materials Innovation Lab (MIL) and Sustainable Innovation Lab (SIL) – Gucci ArtLab, Bocconi Research Lab and Balenciaga Materials Innovation Unit – *Syndicale de la Couture Parisienne* (ECSCP) – *Institut de Couture Saint Laurent* x IFM x ECSCP partnership – Internal workshops on responsible innovation (Idea Labs)

Category	Expectations and value proposals	Avenues for interaction (examples – not exhaustive)
Public authorities and regulators Regulators and standard setters Government bodies International organizations (UN, ILO, etc.)	**Expectations** • Compliance and observance of regulations • Transparent participation in public debate **Kering's value proposal** • Meet regulatory requirements • Federate its ecosystem around industry best practices • Share experience	• Publication of regulatory information and communications • Dialogue and experience sharing with governmental and supranational bodies (UN, ILO, OECD, European Union, etc.) – Participation in public consultations and think tanks • Participation in international and/or multi-stakeholder initiatives, and specialist working groups – Task Force on Climate-related Financial Disclosures (TCFD) signatory member – Member of the World Business Council for Sustainable Development (WBCSD), the Value Reporting Foundation (VRF), and the *Association française des entreprises privées* (AFEP) – Involvement in the United Nations Economic Commission for Europe (UNECE) project "Enhancing Traceability and Transparency for Sustainable Value Chains in the Garment and Footwear Sector" – Involvement in work by the European Cultural and Creative Industries Alliances (ECCIA) • Registration in lobbying registers (HATVP register, European Commission Transparency Register) • Contribution, via the Houses, to the work of major fashion and luxury sector organizations, in France *(Comité Colbert, Fédération de la haute couture et de la Mode)*, Italy *(Camera Nazionale della Moda Italiana, Altagamma, Unione Nazionale Industria Conciaria)*, and the UK (Walpole), and representation via Cotance (organization representing the European leather industry)

5.1.3 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- and sector-specific associations. Kering's contributions to these associations are determined according to a set budget.

The Group allocated €1,503,318 to institutional affairs in 2021. 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;
- €18,333 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 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 2021 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.

5.2 Crafting tomorrow's Luxury

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 and subsequently at every step of the value chain (processing, production), from creation to design through to the customer, as part of a circularity approach.

5.2.1 Promote circularity and the reuse of our products

Published in 2021, the Group's circularity ambition plan aims to demonstrate that rejecting the linear "take – make - consume - throw away" model, involves more than the simple use of recycled materials or the design of recyclable products: it requires real change in practices at each stage of the production cycle (see section 3.2.1).

5.2.1.1 Durability by design

The primary focus of circular fashion is to create products that last and retain their value over time and to produce the right number of products so as to avoid unsold products.

The Group's luxury products combine strategic know-how with excellent craftsmanship in processing, cutting and assembly. They are designed and created from unique materials, and are subject to rigorous quality controls to ensure their longevity and durability. Some of the Houses offer their clients repair services to maintain the quality of their products and ensure their longevity. For example, Brioni offers its clients a reconditioning service, which it promotes via its e-commerce site.

As part of its commitment, Kering has created specialist repair centers for its customers in China (one in Shanghai and another in Hong Kong) and in the United States (near its headquarters in Wayne, New Jersey). The aim is to provide a local service and an immediate solution for its customers, offering the same services as those provided by brands at their workshops, thanks to qualified craftspeople who consider repairs to be part of the art of creating and are specially trained by qualified Italian technicians to carry out these repairs. During training courses run by Italian brand workshops, they learn the techniques needed to make a bag or a pair of shoes. The workshops are also fully equipped with ultramodern machinery. The Group plans to open other repair centers in Dubai and Europe, where its qualified craftspeople will work, with additional support given to suppliers by means of the Trecate logistics hub in Italy. Kering already offers a resoling service for trainers, and several Houses have launched pilot programs for shoe cleaning and repairs. Kering's after-sales service helps to build brand loyalty and forms part of a system designed to extent the lifespan of shoes.

In addition, the ready-to-wear and leather goods Houses offer a legal warranty as well as a repair service in the event of defects (a refund or credit note may be offered in some countries).

5.2.1.2 Build a business model that gives products a second lease of life

Extending the useful life of products also means looking for new business models that preserve the value of the product and keep it in the economy. As such, the sale of second-hand products is growing in importance and is a strategic focus for the Group:

- creation of Kering Ventures whose purpose is to invest in innovative new technologies, brands and business models for the future of the luxury sector: financial investment in 2021 in Vestiaire Collective (worldwide pre-owned fashion platform), Cocoon (luxury bag rental service), etc.;
- Gucci has set up a dedicated department for creating new business models and rolling them out on a large scale, particularly in connection with gaming, vintage and pre-owned fashion as well as rentals (subscription service), as part of a circular economy approach;
- in 2021, Balenciaga prepared to step up its partnership launched in 2020 with pre-owned fashion specialist Reflaunt to enhance its impact and offers its reselling service to more customers as of 2022;
- Alexander McQueen launched a circularity-based collaboration with Vestiaire Collective in 2021 to extend the lifespan of its products by making a commitment with its customers.

5.2.1.3 *Reuse, upcycle, recycle*

The Group's products stand the test of time both physically and emotionally, as a result of which they have a long lifespan and sometimes several users, as demonstrated by Kering's 2020 study, "Capturing the impacts of consumer use and product end of life in luxury". This survey of 3,000 customers in a number of regions (United Kingdom, Italy, Japan, United States) shows that products from the Group's Houses are usually resold or given to charity or friends.

The Group has also accelerated its movement to collect products that are no longer used by customers, collectively via Extended Producer Responsibility if the organizational structure is in place locally, as is the case in France with Refashion, or through partnerships such as AMQ x Vestiaire Collective, which offer a practical solution for collecting products that are no longer used, while increasing products' active lifespan.

To limit the quantity of unsold products at the end of each season, the Group is investing in artificial intelligence technologies to improve sales forecasts and therefore optimize production and distribution. The machine learning models put in place to better anticipate seasonal demand and current trends, thereby reducing possible prediction errors. Particular attention is paid to items likely to generate excess stocks, in line with the Group's circular economy approach.

In 2021, an "End of life" chapter dedicated to management of unused materials and unsold or damaged products was added to the Kering Standards. In accordance with the hierarchy of waste treatment methods, this chapter states that products that are not sold in stores, particularly for quality returns, are then offered for sale through channels dedicated to past collections, such as outlets or friends and family sales for employees and their families, or are donated. If products still remain unsold, pilot projects are implemented to develop upcycling or recycling of those items, together with any damaged products. As the destruction of products or unsold items is prohibited throughout the Group, Kering is actively working to develop operational recycling and upcycling solutions. A procedure and a dedicated committee for managing unsold items were set up at Bottega Veneta in 2019. These practices enabled the Group to anticipate France's new anti-waste law, published in 2020, whose Article 35 prohibits the destruction of unsold non-food items from 2022 onwards.

To support and accelerate the development of industrial recycling infrastructure, Kering has joined Fashion for Good's "Full Circle Textiles Project: Scaling Innovations in Cellulosic Recycling" initiative, which aims to test and eventually scale up promising chemical recycling technologies.

Kering and its Houses have also launched numerous initiatives and entered into multiple partnerships with schools, associations and recycling organizations to collect waste and scraps from production processes and fashion shows with a view to recycling or reusing them:

- Three years ago, Kering set up a Group-level partnership with *La Réserve des Arts*, an association that supports the cultural and creative sector in the development of the circular and solidarity economy. It collects and reuses materials from companies and cultural institutions in the Greater Paris region and, since September 2020, in Marseille, and to make them available to its members, all of whom are professionals in the cultural and creative fields. In 2021, *La Réserve des Arts* made 18 collections for the Group's Houses and ensured a reuse rate of 87%. While supporting the cultural and creative sector, the association extends the lifespan of the materials through their reuse and helps reduce waste from the sector. Balenciaga has also continued with its partnership, particularly within the framework of the relocation of a warehouse.
- Saint Laurent – for shoes – and Alexander McQueen have developed pilot projects with Revalorem, which offers solutions for reusing, repurposing and recycling unsold items for the luxury industry. The British House has also launched a pilot project with FastFeet Grinded to take apart and evaluate the recyclability of 400 pairs of unsellable trainers. Most of the materials obtained from this process can be reused as raw materials.
- Alexander McQueen, Balenciaga, Bottega Veneta and Saint Laurent also made several donations to NGOs and fashion schools during the year, and organized private sales for employees to give a second life to stocks of fabrics from previous collections, visual merchandising tools and benches used during fashion shows. Balenciaga is continuing its partnership with *Le Relais*, a member of the Emmaüs network that works to promote reintegration through the employment of vulnerable people, for collecting and recycling textiles. More than 20 tons of textiles have been recycled since 2018 and transformed into ecological building insulation known as *Métisse*. Brioni also 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 scraps from previous collections. Saint Laurent has developed a recycling project for some of its damaged handbags through a project with Vestisolidale, a social cooperative specializing in recycling. The House has also launched a training module on eco-design and upcycling in partnership with the *Accademia Costume & Moda* in Italy, to raise students' awareness about circularity and offer a second life to damaged products.
- 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 reused in the production of Gucci ready-to-wear collections.
- The Scrap-less project initiated by Gucci and involving 13 tanneries, consists of cutting off parts of hides or skins that cannot be used in finished products due to their size or quality before tanning actually takes place. The outcome over the period from 2018 to 2021 was a greatly reduced environmental impact, achieved by reducing the surface needing to be tanned (50% reduction in scrap leather), which in turn meant lower carbon emissions (17,187 tCO_2 avoided), as well as reduced use of water (reduction of 26 million liters of water), chemicals (reduction of 359 tons, including 67 tons of chrome) and energy (2.1 million kW), and a lower impact from transportation. In 2021, this proportion amounted to 25% for bovine leather.
- In a similar vein, Gucci-Up is a circular economy initiative aimed at promoting the upcycling of leather and textile offcuts generated during the production process, developed in collaboration with social NGOs and cooperatives. The project began in 2018 and saw 41 metric tons processed between 2018 and 2021. Within this framework, Gucci has also set up a textile scraps recycling program with Green Line, an Italian company that specializes in the collection and recycling of fabric scraps. Between 2018 and 2021, 445 metric tons of scraps were recycled under this project, in which Brioni also participates.
- Several Houses have also established leather scrap management systems (see section 4.2.2).

5.2.1.4 Responsible sourcing and regeneration of materials

The final aspect of the vision for circular fashion focuses on the sound management of chemicals, the maximum use of recycled or renewable materials, and recycling at every stage of production (see sections 3.2.4, 4.1.4 and 4.2).

As regards the management of chemicals, the Group's products are designed in accordance with the Kering Manufacturing Substance Restricted List (MRSL) and the Product Restricted Substance List (PRSL) in order to prevent the use of hazardous chemicals in the manufacturing process, ensure that workers are not exposed to hazardous substances, and reduce toxic discharges into water (see section 4.1.4.2).

In regards to materials, the Kering Standards allow the Group's Houses to identify sourcing preferences – recycled, bio-sourced or certified – by material. In addition, the MIL provides House design teams with a pool of sustainable and innovative materials and assists them in the selection of circular materials. However, brands sometimes face technological challenges, largely due to the physical properties of recycled materials, which can be less efficient than virgin materials. For example, recycled cotton fibers are shorter and therefore more likely to fray, creating a conflict between product durability and integration of recycled material.

Moreover, when virgin materials are required to ensure product quality, Kering devises projects to promote a supply of materials obtained through regenerative production practices that have no environmental impact and guarantee the renewal of resources.

5.2.1.5 Partnerships for the circular economy in fashion

In the firm belief that the transition to a circular economy requires extensive intra- and inter-sector cooperation, Kering continued its involvement in 2021 in the following three initiatives, which it joined in 2017:

- The Global Fashion Agenda: in 2021, 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 2017, and in 2018 published operational guidelines for achieving circular fashion. In 2020, the Global Fashion Agenda coordinated the brands' work in favor of new European laws for more circular fashion;
- The Ellen MacArthur Foundation: in 2017, Kering contributed to the Ellen MacArthur Foundation's Circular Fibres Initiative, whose major report, A New Textiles Economy: Redesigning Fashion's Future, was published in November 2017. In 2021, Kering continued to participate by lending its expertise and resources to promote and co-construct a new vision of the textile industry.

5.2.2 Sustainable innovation

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 drivers of the Group's sustainability approach. Kering is driving the sustainable innovation strategy and setting up internal workshops and structures, while the Houses are developing innovative initiatives specific to their businesses and priorities. In addition, the Group is also committed to an ecosystem of organizations spearheading innovation.

5.2.2.1 Supporting innovation within the Group

Partnership with Fashion for Good

Kering became a founding partner of the Fashion for Good accelerator in 2017. The aim of this platform is to accelerate innovation in the luxury and fashion industries by factoring in sustainability criteria and supporting the development of startups through an intensive accelerator program. This comprehensive industry-wide innovation ecosystem is expanding: in 2021, Fashion for Good accounts for 20 corporate partners, including fashion groups and brands such as *Galeries Lafayette*, Target, PVH Corp. and Adidas, suppliers and financial institutions, which take part in pilot programs, publish industry reports and provide support for more than 115 innovators.

The program helps partners identify the most compelling innovative startups in the sector and support them in their development. Candidate startups must take a 360° approach to innovation, focusing on three priority areas: the supply of raw materials, the manufacture of fabrics, garments (dyeing, processing, sewing) and accessories, 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, alternatives to fossil fuels, and help improve their working methods.

Of the 83 pilot projects launched via the accelerator, 18 were coordinated with Kering Houses through the MIL and at Group level. In 2021, these included:

- the D®ye Factory Project to trial innovations in the pretreatment and dyeing of cotton fibers and more specifically denim, wool, polyester and wool-cotton blends, in order to reduce water, energy and chemicals consumption during the dyeing process;
- the Full Circle Textile Project, launched in 2020 and continued in 2021, involving a consortium of brands, suppliers and innovators working together on textile recycling technologies;

- a pilot project for all Group brands on certified viscose traceability using the innovative TextileGenesis platform and building on the results of an initial Fashion for Good pilot operation on cotton traceability, in which Kering was already involved;
- a hydroponic cotton project, aiming to grow cotton in conditions similar to those of a greenhouse, with considerable reductions in the use of water, chemical pesticides and synthetic fertilizers; and a project to grow cotton in the laboratory, developing the concept of cellular agriculture;

The partnership is also a powerful force in building commitment across Group and House teams and startups at the accelerator.

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. It consists of a team of experts and a materials laboratory, with three main missions:

1. Development of sustainable textiles	2. Responsible supply chain management	3. Leading responsible innovation
One of the MIL's main activities is launching the development of sustainable special textiles to replace conventional raw materials with alternatives that meet the Kering Standards. To do this, the MIL provides operational mediation between the Houses and suppliers. The MIL also supports research into sustainable fabrics and provides technical support. Lastly, consolidation is carried out for each collection in collaboration with the Houses to monitor progress made in meeting the Kering Standards.	The MIL assists the Houses with sourcing sustainable raw materials (certified silk, organic cotton, wool, cashmere, viscose, etc.) by creating a link between raw materials suppliers (Tier 3 or 4 of the EP&L) and Tier 1 and 2 suppliers of the Group's Houses, mainly located in Italy. To do this, the MIL maps out the supply chains of suppliers and sub-suppliers going back to the primary raw materials, and sets up sustainable raw materials pre-reservation platforms in collaboration with Kering's purchasing teams. Finally, in order to ensure as much traceability as possible for its supply chains, the MIL supports the Houses with tracking certification at each stage of the supply chain.	The MIL detects, monitors and encourages the incorporation of sustainable textiles innovations by meeting with innovators and assessing their technologies with a view to their being applied by the Group's Houses. Operational pilot projects have been launched concerning new processes and materials in partnership with strategic suppliers to validate, implement and extend innovations within the Houses' supply chains and/or collections. The MIL also supports pilot projects from the Fashion for Good accelerator, of which Kering is an active member.

The main MIL advances in 2021 were:

- involvement of 70 yarn and fabric suppliers using sustainable materials in the launch and follow-up of 260 specific developments concerning various materials (cashmere, wool, silk, cotton, mohair, nylon, polyester, viscose, and acetate);
- dedicated financial support and technical training for 45 key suppliers to support the introduction of sustainable materials into the Houses' collections and obtain certification (GOTS, RWS, GRS, etc.);
- ongoing updates to the library of fabrics and other sustainable solutions for ready-to-wear and accessories (textiles, trims, non-woven fabrics, technologies, etc.), and their assessment in light of internal and external standards. More than 300 textile manufacturers are monitored;
- verification and monitoring of 210 supply chains (for some back to the farm for organic cotton) related to products ordered (yarn, fabrics) in line with the Kering Standards;
- organization of training programs for employees and suppliers of the Group's Houses. For suppliers, emphasis has been placed on traceability, monitoring certifications and certifications aligned with the Kering Standards. For the Houses, workshops were held on fur alternatives, sustainable denim and 3D knitting with the development of ad hoc samples;
- the launch of five main research priorities concerning sustainable denim, fur alternatives, finishes without fluorinated chemicals, alternative fibers to cotton and bioplastics;
- leading innovation technologies in six areas: recycling and upcycling, materials and substances, finishes and coatings, dyes and printing, production and transformation, global solutions. A total of 41 pilot projects were under way in 2021, and another 53 being studied and nine finalized.

Sustainable Innovation Lab (SIL) for watches and jewelry

The roadmap for the Sustainable Innovation Lab (SIL), set up in Switzerland in early 2020, is centered around themes for which innovation is a way of reducing the environmental impact associated with watchmarking and jewelry activities: a high proportion of recycled materials, partly bio-based materials, more ecological transformation processes, and materials and processes allowing for longer product use. The SIL also promotes the creativity generated by these new materials and processes as a result of both their possibilities and their constraints.

A collective approach, bringing together several brands around the same topic and involving academic and industrial partners at the cutting edge in their field, is essential for the SIL. This is an effective way of achieving ambitions such as replacing certain metals with composite materials made from natural fibers, making hard materials using less energy-intensive processes, and developing new metal alloys. Research contracts have been entered into with organizations such as Politecnico di Milano and The CNRS Institutes.

By working as closely as possible with brands, with creatives, technicians and manufacturers, the SIL ensures that the specifics of each House are taken into account in this collective approach in order to facilitate the incorporation of these technologies into their products.

K Generation Award

Kering teamed up with startup incubator Plug and Play China to launch the Kering Generation Award in China. As well as identifying innovators in sustainable fashion in China, this award program also seeks to educate the Chinese fashion ecosystem on the importance of more responsible fashion. Following the first program in 2019, the second in 2021 concerned specifically innovation related to biodiversity for fashion, covering four sub-themes concerning water, land, animal welfare and raising public awareness. The selection process included the evaluation of around 100 innovative projects by panels of experts, an entrepreneurial capability improvement workshop jointly organized with China Europe International Business School (CEIBS) for the 10 most promising innovations, and then the selection of three winners by a qualified jury. The award ceremony was held during Shanghai Fashion Week on December 6, 2021, and the winners were: Peelsphere, which has developed an innovative bio-based and biodegradable material, Otex, which has developed an organic silk, and Zeno Tech, which applies biotechnologies to innovative dyes for fashion. Peelsphere has access to a €100,000 grant and the three winners benefit from mentoring and the networks of the teams at Kering and its Houses, investors, production plants, experts, and steering with the MIL.

5.2.2.2 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.

Balenciaga's Design and Development teams work with a number of startups 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 Materials 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 and sharing of best practices in 2021, or circular design in 2020.

Similarly, Gucci has set up a dedicated department for creating new business models and rolling them out on a large scale, particularly in connection with gaming, vintage and pre-owned fashion as well as rentals (subscription service), as part of a circular economy approach; 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 jewelry, Boucheron initiates highly supportive working relationships across its supplier network, forging partnerships with new suppliers with innovative know-how and providing historic suppliers with effective support for developing innovative new capabilities. Pomellato is involved in a research project with Politecnico di Milano into 3D printing using powdered gold.

Lastly, Kering Eyewear's innovation approach comprises a number of aspects including the Virtus project, a data exchange platform using blockchain technology developed to measure the environmental impact of its production chain and check that each link in the chain meets Kering Eyewear's quality standards and environmental, social and ethical practices. Kering Eyewear also took part in the financing of a prototype laboratory initiated by Certottica, the Italian certification institute for optical products, and the Treviso Belluno Dolomiti Chamber of Commerce.

5.2.3 The Houses' Collections

5.2.3.1 Making sustainable materials and processes integral to the product range

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 (see section 4.4.3). Raw materials aligned with the Kering Standards are traced via the EP&L and now account for most of the materials used in products and collections sold by the Houses.

Certain Houses are taking this approach further, developing sustainable collections and capsule collections, increasing the positive impact of their flagship products and thereby raising client awareness of the issues at hand, meeting growing demand for responsible products, and involving clients in the endeavor.

Focus on: Demetra

In 2021, after two years of in-house R&D, Gucci launched a new non-animal material as an alternative to leather, produced in Italy. This imitation leather is made mainly from sustainable, renewable and biosourced raw materials of which 77% are derived from plants, such as viscose, cellulose and biosourced polyurethane, all from sustainably managed forests. Demetra production scraps will be recycled and reused by the House as part of its Gucci-Up program. In line with the Group's commitment, Demetra is open-source. Gucci launched three new sneakers featuring this material in 2021: Gucci Basket, Gucci New Ace and Gucci Rhyton.

- In 2021, Gucci added new products to the Off the Grid collection it launched in 2020. Off the Grid is the first Gucci Circular Lines collection, and uses recycled materials and textiles with the aim of combating waste and minimizing the use of new resources. It comprises five product lines covering accessories, ready-to-wear and travel bags, all made from recycled, regenerated, organic and biosourced materials from sustainable sources. The lead material in the collection is ECONYL® regenerated nylon, a 100%-recycled polyamide material made from fishing nets, carpets and other plastic waste. Other materials are also used (organic cotton, recycled polyester, regenerated leather, recycled and RJC CoC-certified gold and palladium, recycled plastic for accessories and certified cellulose fibers). Leather scraps from the collection are also recovered and recycled under the Gucci-Up program. In 2021, the House also presented a growing number of collections that feature sustainable products: The North Face x Gucci, Gucci Aria Collection, Gucci 100 and Epilogue Collection.
- Since its Spring 2022 collection, Saint Laurent has also been making all of its carryover backpacks from ECONYL®-based nylon.
- At Alexander McQueen, around 30% of ready-to-wear pieces and 56% of accessories feature responsibly sourced materials such as organic wool, silk and cotton, modal and ECONYL®. The House has also launched a product range based on Frumat, a material produced from apples in Italy.
- Balenciaga is continuing to strengthen its sustainable design approach. For example, the House is introducing an increasing number of recycled synthetic fibers, such as ECONYL® and the cactus-based Desserto, into its collections. 93.5% of the plain materials used in its Summer 2021 collection were certified as sustainably sourced or upcycled, and 100% of printed materials were certified as sustainably sourced. The impact of this work on recycled fibers can be seen in all product categories, and especially key lines such as sneakers: at the start of 2020, Balenciaga released its first 92%-recycled SPEED sneaker. The mesh in its best-selling Triple S and Track sneakers is made from 100%-recycled polyester. The EXPLORER range is fully sustainable. Certain obsolete stock items were also used to make reusable tote bags as part of the House's annual Friends & Family Sales and in the trims of some coats in the Fall 2022 collection. Balenciaga regularly produces capsule collections with non-profit associations and organizations, like the WFP collection and the collection for the Trevor Project in 2021.
- Following the successful 2020 launch of its Puddle rain boots, made from a biodegradable polymer, Bottega Veneta continued to integrate sustainable materials into its shoes, such as Lug and Tire. The Wardrobe 03 collection also features recycled buttons and fasteners.
- Brioni inaugurated an upcycled capsule collection for Spring/Summer and Fall/Winter 2022, covering several product categories (Formal, Leisure, Lounge, knitwear and accessories). The House also launched a range in Japanese selvedge denim made from GOTS-certified organic cotton and produced using artisanal methods, along with several shoes, tennis shoes and espadrilles made from sustainable materials. Brioni continued to use GRS recycled fibers in outerwear garments in its 2022 collections, for example introducing LUXEPAD upcycled padding made from cashmere scraps, which has a smaller environmental footprint in terms of water and energy consumption, and CO_2 and waste production. Information about sustainability is now provided on separate labels for the products concerned.
- DoDo sells a bracelet in recycled plastic as part of its partnership with Tenaka, along with a turtle charm as part of a partnership with the WWF. The House also uses ethical silk produced by local communities in its Dodo Bazaar line.
- Pomellato launched several responsible collections: the Kintsugi upcycled collection, the La Gioia re-loved collection, which focuses on circularity, and the Nuvola ring, crafted from ethical Fairmined gold and set with a fully traceable Greenland ruby to mark Earth Day 2021.
- Since 2020, Ulysse Nardin has been selling two innovative products designed to have a limited environmental impact and to promote the House's commitment to the marine circular economy: the R-STRAP made from recycled fishing nets, which are one of the main sources of ocean plastic pollution, and DIVER NET, an upcycled concept watch in which each element has been designed to be as environmentally friendly as possible.

Kering's Houses are increasingly intent on measuring and monitoring the performance of their collections in terms of sustainability. 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 development teams.

5.2.3.2 Raising awareness among our salesforce and informing our clients

In addition to product design and development, and the sourcing of raw materials, it is also essential to take action and raise awareness of sustainability issues concerning our products at all stages in the value chain. With this in mind, the Group and its Houses are stepping up training and awareness-raising operations for their sales and merchandising teams, and in their interactions with clients and consumers.

Examples include the training provided by Alexander McQueen, Boucheron and Bottega Veneta regarding their sustainability strategies, the Group's actions and their sustainable product ranges; by Brioni around its Spring/Summer and Fall/Winter 2021 collections and its upcycled capsule collections; and by the Gucci Retail Academy, the House's internal training platform through which it provides specific training modules for its sales personnel worldwide. Gucci Retail Academy modules have been taken by over 90% of the staff members concerned. In particular, these modules explain the environmental benefits of products that feature sustainable materials, along with the brand's People & Planet commitments. Over 100 modules were developed to cover the products in the 2021 Ouverture and Aria collections. Brioni introduced an online training module in 2021, as well as providing training to its showroom personnel and launching a competition for its sales teams on the theme of sustainability, called the Sustainability Retail Contest. Some Houses also organized Kering Standards training sessions for their sales teams in association with Corporate.

In 2021, Bottega Veneta developed Green Atelier, an integrated system for monitoring the sustainability performance of its materials and suppliers, and therefore of its products. The system allows the House to assess all ready-to-wear, leather goods and shoes collections across five criteria: traceability of materials, compliance with sustainability standards, environmental impact, social performance and the quality of suppliers' chemical management processes. Green Atelier uses a number of interfaces that allow results to be shared widely in-house, including an app installed on the phones of Bottega Veneta's employees, which shows each product's performance and strengths.

A specific EP&L module enables the Houses' design and development teams to visualize the environmental impact of alternative design options (choice of materials, sourcing countries, production processes, etc.), along with the most environmentally friendly options in order to guide design choices towards optimizing the EP&L footprint.

Kering's spirit of sharing and its desire to encourage the world of fashion to adopt more sustainable practices permeate all the Group's Houses, and is expressed through initiatives targeting their clients and the general public, as well as through their websites and social media accounts.

- Since 2020, Gucci has posted sustainability data for 400 products on its e-commerce website and Gucci App. Saint Laurent has also been providing this information through product descriptions on its e-commerce website since the Fall/Winter 2021 collection.
- Kering Eyewear, Ulysse Nardin, Girard-Perregaux and Pomellato all communicate to the general public on sustainability via dedicated pages on their websites, while Brioni communicates via client newsletters. In 2021, Brioni and Saint Laurent also added dedicated sections on this topic on their websites, while Balenciaga and Saint Laurent developed dedicated content for their in-house retail apps. In 2021, Gucci published its first Gucci Equilibrium impact report and its Gender Report, complementing the enhanced content available on its dedicated website and Instagram profile. The aim was to highlight its ongoing commitment to instigating positive change for people and the planet, and to sharing, engaging and uniting its community around these initiatives.

Kering also takes part in work and methodological discussions regarding environmental reporting to consumers, particularly via work done by the *Fédération de la Haute Couture et de la Mode* as part of its European PEF (Product Environmental Footprint) project.

The charter on working relations with fashion models and their well-being, published in 2017 by Kering and LVMH and applied to all of their brands, promotes high standards of integrity, responsibility and respect towards the people concerned. As well as paying particular attention to models' working conditions, this charter forms part of the Group's responsible communication efforts, aiming to promote respect for the dignity of all people and to convey a positive image to the audiences of the Group's various Houses, particularly among vulnerable groups.

5.2.3.3 Sustainable fashion shows: rethinking fashion shows and managing event footprints

Fashion shows are an essential part of the operations of Kering's Houses, enabling them to share their creative vision and present new collections. They also provide a unique opportunity to raise awareness about sustainability, and to mobilize all the parties involved (brands, model agencies, event organizers, media, etc.) around this important quest.

In 2019, all of the Houses took up the Green Fashion Shows internal guidelines on minimizing the environmental impact of fashion shows, while allowing the creative directors to express their artistic potential. The topics covered by the guidelines include governance, stakeholder relations, energy management, waste management, elimination of single-use plastics, food and transportation. The procedure for verifying compliance with the guidelines was finalized in 2020.

- Saint Laurent, for example, favors materials and equipment that is rented or made from reused materials in its shows. This was particularly the case for the House's Spring 2022 menswear show, which featured Green Lens, an installation by the artist Doug Aitken in Venice, Italy. For that show, plants used in the installation and more besides were replanted on the Isola della Certosa as part of the restoration project supported by the House. Saint Laurent also has a partnership with *La Réserve des Arts*, a French non-profit organization that collects various types of materials from events and shows and offers them to its affiliates, artists and art students, in accordance with circularity principles. The House also joined forces with Ecoact in 2021 to measure the CO_2 footprint of its media campaigns, creating a dedicated tool that helps it to identify areas for improvement.
- 2021 marked Balenciaga's return to Haute Couture. Its efforts to minimize the overall impact of its Summer 2022 fashion show 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 (wood, steel, synthetic materials, carpets, seating, etc.); the reduction and optimization of transportation for materials, merchandise and employees; and carbon offsetting for the entire show via support for a reforestation project. Balenciaga has been working with specialist NGO Up2Green Reforestation and supporting a project based in the Indian province of Gujarat to offset the carbon emissions of its shows. More than 4,000 fruit trees have been planted with a local NGO, VIKALP, which seeks to improve living conditions for local communities and women in particular.

- Gucci obtained ISO 20121 certification for its advertising campaigns and its fashion shows, both physical (such as Gucci Love Parade) and virtual. The ISO 20121 standard examines environmental, social and economic factors to determine whether an event can qualify as sustainable, and Gucci's compliance was verified by Bureau Veritas. As well as the Group's charter for fashion shows, Gucci applies its own standards – the Gucci Guidelines for Sustainable Events – to all its events. In line with Gucci's approach to carbon neutrality, all CO_2 emissions generated by its shows and their digital broadcasts have been measured and offset as part of the Natural Climate Solutions Portfolio. For example, most of the equipment is rented or can be reused, and Gucci has also formed a partnership with EcoSet to distribute some of the equipment and left-over food and drink to local communities.
- The Alexander McQueen Spring/Summer 2022 show, which took place in London in October 2021, was designed with the aim of limiting its environmental impact. It involved a local network of subcontractors all based in London and the surrounding region, waste was sorted for recycling on-site, equipment was rented or will be reused in subsequent shows, and power came from generators running on biofuel. Carbon emissions related to the show were measured and offset.

Kering also takes part in working groups on this topic, set up by fashion industry associations and non-profit organization Paris Good Fashion. In particular, Kering and its Houses have worked with the *Fédération de la Haute Couture et de la Mode* and all the parties involved in putting on a fashion show to develop a tool for measuring the various environmental, social and economic impacts of such events. This tool, a beta version of which was available in late 2020, is now in operation for all Houses holding shows in Paris. It factors in all the operations involved, including digital and media impact.

5.2.4 Product quality control, and consumer health and safety

Kering is committed to helping raise awareness of sustainability issues among consumers, while ensuring that its products respect both their health and the environment.

To enable clients 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 GB Standards and Japan Industrial Standards (JIS). The Natural Climate Solutions Portfolio department aims to pool services, for the purpose of advising and supporting the Houses on product development and the various stages of production, including product testing protocols to ensure that products comply with the local characteristics of each market. The Department relies primarily on the Product Restricted Substance List (PRSL) and Product Safety Requirements, an internal document listing substances to be removed and thresholds not to be exceeded, as well as requirements in terms of product safety. To take into account the pace of technological development and progress in chemical research, the PRSL is updated at least once a year. In particular, it has specific modules for products intended for children in terms of managing chemical substances and safety. Specific training courses have been developed and will be provided in 2022.

Focus on: the Test & Innovation Lab (TIL)

In 2021, Kering strengthened its product testing system by opening its Test & Innovation Lab (TIL) in Italy, an in-house facility that can carry out all regulatory and other testing of products made by Kering's Houses. The TIL has ISO/IEC 17025 accreditation, awarded by Accredia, for more than 170 testing methods covering both raw materials and finished products. As well as quality control, the TIL also tests innovative materials and identifies solutions to potential problems that the Houses may encounter in the various stages of production.

In 2021, the Product Compliance Advisory Department continued its activities in the following areas:

1. Strengthen compliance controls: regular audits of product compliance were conducted at the warehouse level together with the Houses to detect potential non-compliance. Relations with laboratories accredited to carry out tests and measurements were maintained to cover the growing number of material and product categories, including non-core products (food contact materials, toys, electrical/electronic devices). Since March 2021, the TIL has been carrying out testing activities and providing support for Houses to ensure product compliance.
2. 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 2020, some 20 training sessions were held (online, due to the health crisis), involving more than 400 employees. They addressed the key issues of production processes, compliance requirements and the related controls. Due to the increasing complexity of the Houses' products and new environmental regulations on packaging, there is a joint effort 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.
3. Support the Houses' product development teams: in collaboration with the Chinese authorities, company-specific product standards have been established for Kering's Houses. These standards already existed for handbags, wallets, shoes and belts. They make it possible to develop pieces that meet all requirements in terms of health, safety and compliance, while leaving the Houses' creative teams significant scope to follow their inspiration. In 2021, Kering took the initiative to develop a draft standard for unregulated product categories in China.

Kering's Customs & Trade Compliance Department is also tasked with optimizing the Houses' global distribution flows from the regulatory and procedural perspective around the world. This activity consists mainly of analyzing requirements and laws relating to customs and compliance in destination countries for new products and projects, working with local logistics teams and external experts as required. By working with the Customs & Trade Compliance Department from the early stages of development, Houses can prevent risks, penalties and delays, and ensure that the distribution chain is fully compliant. Once requirements have been defined, the Customs & Trade Compliance Department is tasked with pulling together and sharing product-related information and documents with regional logistics teams, brokers and clients, checking the consistency of product Master Data managed by the Houses' production departments and taking steps to correct potential errors, managing product certifications and supplier audits by following the standards established by international certification authorities, and implementing appropriate compliance procedures, often by directing other Group entities. In 2021, the department dealt with almost 30,000 internal requests.

The Group also has a Multi Brand After Sales Department, dealing with quality assurance for products after they have been sold, in accordance with House standards as regards value-added services (VASs). Activities include repair management, product checks, on-demand audits, re-labeling and the hallmarking process for jewelry. The department is a single point of contact for the Houses, regardless of where the product is located in the world.

Some Houses also carry out specific work related to regulatory compliance in respect of hazardous substances and the implementation of the PRSL and MRSL (see section 4.1.4.2). In the same vein, Girard-Perregaux and Ulysse Nardin continued to work with 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, with the aim of creating a certification label. Lastly, Kering Eyewear uses accredited laboratories with specific expertise in eyewear for its compliance checks.

5.3 Involving our ecosystem in creating tomorrow's Luxury

5.3.1 Community impact and preservation of know-how

Conscious of its responsibility to future generations, Kering is continuing its policy of academic partnerships with design schools, business schools and universities worldwide. The aims of this policy include raising awareness among designers and future fashion industry leaders regarding the major social and environmental challenges in store. Details of the main partnerships are provided in section 3.1.1.2.

In addition, and in order to ensure that top-level expertise is maintained and promoted within their business activities, certain Houses are developing dedicated training centers and local partnerships. These professional organizations help to ensure the survival of some very demanding and unique skills, and support long-term employment in the regions where these crafts originated. To date, more than 1,500 people have taken part in these programs and training courses delivered by the Group and its Houses.

- In 2006, Bottega Veneta created the *Scuola dei Maestri Pellettieri* with the aim of training a new generation of leather 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 2021, sessions related to materials, working techniques, team management and individual coaching. They were provided both virtually and in-person for technical teams. Because of constraints related to the COVID-19 pandemic, only 15 people were able to enroll in the program. Major efforts have taken place to develop the *Scuola dei Maestri Pellettieri*, and Bottega Veneta intends to offer more in-person technical sessions in 2022.
- In order to preserve and pass on Saint Laurent's unique expertise and generate new ideas for the future, the House continued the Saint Laurent Couture Institute program, in partnership with the *Institut Français de la Mode* (IFM). This 6-month high-end training program consists of several modules in the ready-to-wear category, combining academic learning, a core syllabus exploring the House's iconic pieces, and on-the-job learning with the focus on creativity and craftsmanship. It gives around 10 students the chance to develop their skills and learn about fashion. Saint Laurent staff members also take part in this program, in which innovation and sustainability play a central role. Overall, more than 350 people have received training through the program since 2018.
- The Gucci ArtLab center of excellence, which opened in 2018, brings together Gucci's leather goods and shoes operations at an ultra-modern site in Italy. The center's purpose is to preserve the unique know-how developed by Gucci and to instill technological innovation in order to optimize production, a key factor underpinning the House's growth. The Gucci ArtLab also now houses the *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 the Artlab academy and factory *(Accademia Artlab e Fabbriche)*, an ongoing in-house training program that aims to meet the specific training needs of people in various roles and working in various production units within Gucci.

- In March 2021, a group of 11 young design students were selected by the Gucci Design Fellowship and enrolled in a program based in Rome, home to Gucci's Creative Director Alessandro Michele, consisting of 12 months of cultural discovery and exchange. Inclusivity, diversity, education and cultural enrichment lie at the heart of this multicultural program, which was launched in 2019. It forms part of the Gucci's Diversity & Inclusion initiative, aiming to develop opportunities for under-represented groups by helping budding designers in their quest to gain professional experience, raise their profile within the world of Luxury design and secure their career pathway.
- Since 2017, Pomellato in partnership with the Galdus Goldsmith Academy has offered a program named Virtuosi, offering a full professional training curriculum over three to seven years. Pomellato's support takes the form of program sponsorship, the involvement of its experts in classes and seminars, and apprenticeships and in some cases internships at Pomellato. The House is also in contact with a new school for goldsmiths in Gallarate, Milan province.
- Between 1985 and 2020, Brioni supported the *Scuola di Alta Sartoria*, offering a three-year course followed by a one-year apprenticeship at its workshops to teach the Brioni method. More than a hundred tailors graduated from this school and are now working for Brioni, either in its workshops or its boutiques. The House has also formed a partnership with the *Istituto Istruzione Superiore Vincenzo Moretti di Roseto degli Abruzzi* as part of Altagamma's Adopt a School program, of which Brioni is a member, and supported by the Italian ministry for education, in order to encourage technical teaching related to the luxury and fashion industry among secondary-school students.
- The Ulysse Nardin and Girard-Perregaux academic center opened in 2002 and trains apprentices, who can gain qualifications such as (CFC watchmaking or watch repair diplomas) and immerse themselves in the universe and craftsmanship of the two Houses.

The Group's Houses also support craft guilds and undertake local initiatives. Finally, in 2018, Brioni integrated the *Arazzeria Pennese* historic tapestry production site – one of Italy's most important tapestry centers – with its Montebello workshops in order to preserve this highly specific form of craftsmanship.

5.3.2 Conveying our vision for future generations to our international and external stakeholders

Kering and its Houses organize communication campaigns around the year's main announcements and commitments: in 2021, they included the decision to stop using fur, the K Generation Award, the presentation of Kering's Circularity Ambition during the changeNOW summit, the creation of the Watch & Jewellery Initiative 2030 with the RJC, and the launch of the Regenerative Fund for Nature followed by the announcement of the first grant recipients during the IUCN World Conservation Congress in Marseille. Kering and its Houses also actively support and take part in numerous events and forums focused on sustainability. Through its actions and words in this area, the Group shares its vision of Kering for future generations, helps to raise public awareness about sustainability issues and aims to mobilize the whole of civil society to address these themes.

- **Earth Day**

To mark Earth Day on April 22, 2021, Kering launched a unique digital campaign putting the spotlight on the work and projects of its Materials Innovation Lab (MIL). The Group worked with WeTransfer to design an interactive screen background based on the idea of a memory game. The game was adapted for WeChat, whose users were invited to play it in order to learn more about the MIL. A social media campaign was also devised to tell the story of the Group's various materials.

- **World Environment Day**

On June 5, 2021, to mark World Environment Day, Kering initiated a social media campaign to raise public awareness about responsible gold, sharing a documentary filmed in Guyana about Kering's responsible gold program, which addresses both human and environmental issues.

- **Prospect 100**

Kering supported Prospect 100, a platform that organizes competitions for project leaders aged under 25 throughout the world. In 2021, Kering supported the sustainable design challenge, which took place between September 7 and 14. Marie-Claire Daveu, Chief Sustainability and Institutional Affairs Officer, was part of the expert jury tasked with assessing the projects and innovations put forward. To promote the challenge, a live conversation took place on Instagram with Amber Valletta, model, actor and sustainability activist.

- **Kering: partner-founder of *La Caserne***

La Caserne opened its doors after two years of building work in September 2021. It is intended to become Europe's largest accelerator of ecological transition focused on the fashion and luxury industry. Since collective efforts by all industry players are vital if real change is to take place within the sector, the Group decided to support this innovative center as partner-founder. In particular, it will help organize events to raise awareness of key industry issues among fashion professionals and the general public.

- **Conscious Festival, a fun and educational environmental event**

On September 24-26, *La Caserne* hosted Europe's first Conscious Festival, organized by Green Is The New Black. The line-up featured talks about ecoresponsibility and the planet, workshops about how to live more responsibly, art and music. Two experts from Kering's sustainability team spoke about fashion and biodiversity in round-table discussions, the Group had a Materials Innovation Lab stand at the entrance to the festival, and an exhibition developed with The Sustainable Angle shed light on materials that have a positive impact on nature.

- **Biodiversity event in Japan**

An exhibition about fashion and biodiversity took place at Kering's premises in Japan on November 26-28, 2021. 769 people visited the exhibition, finding out about the environmental issues facing the fashion industry and Kering's solutions across the whole supply chain, from collecting raw materials to finished products in stores.

- **Circular Fashion Summit**

Kering joined forces with Circular Fashion Summit, the world's first virtual-reality fashion summit. As part of the summit's 2021 innovation hub, the Group presented a selection of startups working on new circular and sustainable materials via the MIL. Marie-Claire Daveu opened the summit with a conversation with Lorenzo Albrighi, co-CEO and founder of Lablaco.

- **Kering Circularity Challenge**

In December 2021, Kering organized a competition to raise public awareness about circular economy issues. For two weeks, the Group invited people to visit craftingtomorrows luxurychallenge.com for a chance to win Gucci and DoDo prizes. For this first challenge, which related to circularity, Kering helped participants learn more about the life cycle of a product and how to make it part of a circular economy: from producing raw materials to giving products a second life, via employing sustainable design and using green energy.

- **Revamped sustainability section on kering.com**

To increase transparency and to align Kering's words with its actions regarding sustainability, the Group completely overhauled the sustainability section of its website, focusing on the key issues on which its strategy and efforts are based, including limiting climate change, preserving the planet, putting people at the heart of the value chain, and innovating for tomorrow.

- **Talking about sustainability**

Throughout the year, François-Henri Pinault and the Kering sustainability team, led by the Group Chief Sustainability and Institutional Affairs Officer, shared the Group's vision, 2025 strategy and initiatives with various audiences, mainly at virtual events owing to the global health context.

The main venues for this were the One Planet Summit, the World Economic Forum, the Vogue Business Sustainability Summit, ChangeNOW, the World Conservation Congress in Marseille, the Circular Fashion Summit, the Ocean Summit and the Women's Forum. François-Henri Pinault also took part in a Clubhouse conversation alongside Marie-Claire Daveu and hosted by a journalist from BFM Business. The year ended with a discussion on Brut Live between Marie-Claire Daveu and Antonella Centra, EVP General Counsel, Corporate Affairs & Sustainability at Gucci.

Marco Bizzarri, Gucci's CEO, also took part in the World Economic Forum in Davos and spoke to students at Bocconi University in Milan about the House's carbon commitment and sustainability initiatives. Emmanuel Gintzburger, CEO of Alexander McQueen, spoke at the British Fashion Council's Institute of Positive Fashion Forum, presenting his House's approach.

The Houses also adopted numerous initiatives to raise awareness among employees and get them on board with implementing the various aspects of the Group's Sustainability Strategy:

Involvement in targeted events	• The Group's Caring Day has taken place on June 5 for the past six years to celebrate World Environment Day. The event raises employee awareness and is supplemented by various actions within the Houses. • Communication initiatives (videos, training resources and quizzes) took place around Earth Day in April to raise awareness among **Alexander McQueen** staff members about issues related to biodiversity and the circular economy. • **Balenciaga**'s Sustainability Days and masterclasses feature high-level guest speakers, with a flexible format. A digital masterclass taken by more than 600 employees was organized with Surfrider in 2021, on the topic of ocean pollution. • In-house sustainability weeks organized twice per year by **Boucheron**. • To mark International Volunteer Day, the Group focused on the **Gucci** Changemakers volunteering program. • **Gucci** Fireside Chats were a series of four live events on social media dealing with the topics of gender equality, the partnership with UNICEF to distribute vaccines among vulnerable groups, upcycling in relation to the launch of Demetra, and the Gucci Changemakers program. • In-house events took place to announce Group news, with three webinars in 2021 at **Bottega Veneta**, **Pomellato** and **DoDo**, and during awareness-raising days such as the day dedicated to combating violence against women. • Several beehives were installed at Group headquarters and at certain Houses such as **Girard-Perregaux**. The Novara production site also has four beehives on its rooftop. • A partnership was established with the Noé association regarding participatory science initiatives to protect butterflies at the Laennec site.
In-house awareness-raising and training at the Group's Houses	• Gucci Education is an e-learning platform launched by **Gucci** for its corporate employees, covering topics such as diversity, inclusion and the environment. • **Saint Laurent** offers all its employees sustainability training comprising three modules on its in-house E-University platform. A training challenge took place in 2021, to which 1,200 people signed up. A new module to address the most common sustainability questions is currently being prepared. Reusable water bottles are distributed to all staff members in partnership with the Charity: water NGO. • Salespeople and employees with key roles (design, retail and merchandising) receive training to inform them about the Group's sustainability actions, the sustainable products and collections it sells and the Kering Standards, and to share best practice to ensure efficient store management (Alexander McQueen, Balenciaga Brioni, Boucheron, Saint Laurent and Gucci).

5.4 Initiatives carried out by the Kering Foundation and sponsorship programs

5.4.1 The Kering Corporate Foundation is increasing its commitment to combating violence against women through ambitious projects in France and abroad

Formed in 2008, the Kering Foundation combats violence against women, across all cultures and all social classes. Worldwide, one in three woman is or will be a victim of violence in her life. The Foundation operates according to a five-year program, with Kering providing funding of €10 million (€2 million per year).

Combating violence against women is a key issue for Kering, consistent with the operations and customer base of its Houses. Alongside public authorities and NGOs, Kering has a vital role to play here, and its commitment to this cause is channeled through the Kering Foundation. The Foundation has put together an impact-focused strategy, working closely with local partners in six specific countries: China, the United States, France, Italy, Mexico and the United Kingdom.

In each country, the Foundation supports a limited number of local organizations helping women who are victims of violence and working on ways to change behavior and mindsets in order to promote equality between men and women. Support is provided at three levels:

- to specialist associations providing support and accommodation for women who have suffered domestic violence, at a national level;
- to pilot initiatives run by non-profit organizations and social enterprises that address otherwise unmet needs and test the impact of new models with a view to rolling them out;
- to grassroots associations, via funds for women, to increase awareness among young women and to help women who are the victims of violence find work or develop their careers.

The Foundation also aims to create a working environment in which women who have suffered violence feel safe, and to encourage other companies to make efforts in this area.

5.4.1.1 Comprehensive, appropriate support for women who are victims of violence

The Kering Foundation has always worked with local and national organizations, helping them broaden and improve the impact of their actions to support women who are victims of violence.

In the United States, France, Italy and the United Kingdom, the Foundation continues to work hand in hand with a number of specialist organizations: the National Network to End Domestic Violence (NNEDV), the *Fédération Nationale Solidarité Femmes* (FNSF), *Donne in Rete contro la violenza* (D.i.Re), 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 addition, 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 back 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 the medical, psychological, emotional and material needs of victims. In 2021, 4,174 women benefited from shelter and support, and 15,041 consultations took place.

This innovative model has a proven track record in terms of impact and value added. The Kering Foundation is taking action, alongside the public authorities and other relevant partners, to roll out similar structures across the whole of France.

In March 2021, the *Maison des Femmes de Saint-Denis* announced the creation of the Collective Re#start, which brings together organizations that care for and support women who are victims of violence in France, Belgium and Mexico. The collective's patrons are Élisabeth Moreno, French Minister Delegate for Gender Equality, Diversity and Equal Opportunities, and François-Henri Pinault, Chairman and Chief Executive Officer of Kering and Chairman of the Kering Foundation. An initial group of sponsors – Axa, L'Oréal, Raja, Sanofi-Espoir and Superga-Beauté – was set up alongside the Kering Foundation to provide financial support to new organizations eligible for funding from the French Health Ministry's general interest mission focusing on violence.

In June 2021, Kering, via the Foundation, took part in the Generation Equality Forum co-organized by UN Women, Mexico and France. As a Champion of the gender-based violence action coalition, and on behalf of the One in Three Women network that the Foundation co-founded in 2018, Kering was invited to speak at the Forum's opening ceremony in late June 2021, in the presence of President Emmanuel Macron. François-Henri Pinault announced that the Group would provide total funding of €5 million over five years to fund, alongside the French government, the opening of 15 centers in France modeled on the *Maison des Femmes de Saint-Denis.*

Since it was set up, and in line with its support for pilot projects, the Kering Foundation has been working with innovative social entrepreneurs to combat violence against women.

For example, it has set up the International Social Entrepreneur Community, which aims to develop synergies between these entrepreneurs and encourage the adoption of innovative alternative models in new sectors and countries, in order to increase their impact. Members of the Community receive financial support from the Kering Foundation, follow an incubation program and take part in annual workshops. The Community currently has 10 members, including *Colori Vivi, Chayn, Gendes, Las Panas* and *du Pain & des Roses*.

In Italy, the Kering Foundation partnered the social enterprise Colori Vivi – which supports female refugees and provides them with training in its Made in Italy creative workshop – for the fourth year running. The women receive guidance from qualified volunteer tailors and stylists, who show them the basics behind making quality clothes and accessories. Colori Vivi has so far provided jobs to four vulnerable women as well as seven on-the-job training courses.

In the United Kingdom, social enterprise Chayn – a Foundation partner since 2018 – supports women who are victims of violence by providing easy-to-access interactive online resources in several languages. In the last eight years, 500,000 women and users have accessed Chayn's resources, with 1.5 million page views.

Financial support was given to new initiatives by the following members of the Community:

- *Las Panas,* where underprivileged women in Mexico City meet as part of bread-baking workshops and receive support to escape from violent situations. The new grant will help Las Panas open a social bakery to sell what the women make;
- *Du Pain & des Roses* (DPDR), which trains vulnerable women in the practice of floristry through professional courses, helping them develop their skills and create social connections. The Foundation's new grant will help DPDR extend its operations to Nantes.

Other pilot projects got underway in 2021 in Italy and the UK. In November, the Foundation joined forces with La Casa di Accoglienza delle Donne Maltrattate (CADMI) in Milan, to support its Work and Freedom project over the next three years. When CADMI opened in 1986, it was Italy's first anti-violence center. It supports women who are victims of domestic violence through various services: psychological consultations, emergency accommodation, free legal support, and help accessing training and getting jobs. The aim of the project is to help 1,000 women who have suffered violence to return to work and develop their careers, in order to help them recover more quickly and become self-sufficient, both economically and personally.

The Foundation also started a new partnership with the London Black Women's Project (LBWP) to set up The Safe Haven Project. This initiative aims firstly to understand and document more effectively the impact of sexual harassment in the workplace on women from ethnic minorities and migrant women, and secondly to give them better support. The project will share best practice in this area, improve the women's access to legal and administrative advice, and ensure that they are closely involved in making use of the services available to them.

The Kering Foundation also supports grassroots associations, working with funds for women.

In 2021, the Foundation continued four other partnerships with such funds: Rosa Fund in the United Kingdom, the Mediterranean Women's Fund in France and Italy, Fondo Semillas in Mexico, and the Women Foundation of California in the United States.

Via the Women's Foundation of California, the Kering Foundation supports FreeFrom, a non-profit based in Los Angeles that focuses on the financial security and long-term protection of victims of domestic violence. In the United States, 99% of domestic violence survivors are also victims of financial abuse, which prevents them from leaving their partners.

In particular, thanks to the support provided by the Foundation since 2016, HER Fund in Hong Kong is bolstering the financial resources and capacity of three small grassroots non-profits led by marginalized women who have suffered violence: two of these organizations work to prevent and raise awareness of cyberbullying among young girls and boys, and the other, The Corner, focuses on the LGBTQI+ community, working with lesbian women who have suffered 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, and has been able to establish a dialogue with local authorities and the police on procedures in tackling matters that affect this community in particular.

5.4.1.2 Changing behaviors and mindsets by engaging with young people to promote gender equality

As well as providing support for victims, it is essential to address the origins of violence with a view to preventing it occurring in the first place. In 2021, the Kering Foundation stepped up its support for young people, and young boys in particular, in order to break the cycle of violence.

In New York, the Foundation has renewed its commitment for the next three years to the New York City Alliance Against Sexual Assault (NYCAASA) and its Project Dream-Own-Tell (DOT), an innovative program that helps young people from underprivileged communities defend themselves against sexual violence. Project DOT offers these young people, who are often overlooked by traditional sex education campaigns, a platform for creating and sharing positive messages with their communities. In the last three years, 373 young people have taken part in the program. In 2021, its workshops attracted 64 young participants including young women of color, people from the LGBTQI+ community, immigrants, people whose mothers have been or are incarcerated, and people in difficult socio-economic circumstances.

At the same time, between 2018 and 2021, the Foundation supported the US non-profit Promundo and its Manhood 2.0 program. The program aims to change mindsets among young men aged between 15 and 24, 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 consequences for their physical and mental health and relationships. Over the course of the project, 45 facilitators received training, and the results were positive, since 90% of them said they felt more capable of supporting the young men taking part in the Manhood 2.0 program.

In 2021, the Kering Foundation and Promundo continued the Global Boyhood Initiative to provide younger boys aged 4-13 (and the adults around them) with educational tools to help them grow up with a view of masculinity that is healthy and respectful of gender equality. Drawing input from interviews with boys and their parents, this initiative focuses on four fundamental ways of developing positive masculinity: share emotions in healthy ways, accept and connect with others, break free from stereotypes, and stand up and speak out against bullying and inequality. After initiating this project in the United States in 2020, the Foundation and Promundo in 2021 carried out quantitative and qualitative research into the subject in the United Kingdom and France among boys aged 4-13 and their parents, asking them about education, violence, ethnic disparities, youth justice, and attitudes to gender and sexuality.

Gendes is a non-profit in Mexico that runs weekly men's group sessions to encourage a shift in mindsets with regard to the definition of masculinity. Since it was founded, it has helped 700 men to explore how every person is responsible for their actions. Three out of four women whose partners have taken part in *Gendes'* programs have reported a reduction in violence and feel increasingly safe in their relationships. Given the problems raised by the health crisis in 2020, *Gendes* opened a hotline to offer individual support to men about to commit violence. In 2020, 610 men contacted the hotline, and in 2021, 1,208 men were able to receive telephone-based assistance.

In 2021, the Kering Foundation continued its commitment to work on breaking the intergenerational cycle of violence and the climate of silence that surrounds the subject of incest. According to the World Health Organization, 20% of women and between 5% and 10% of men say that they suffered sexual abuse during childhood, with incest cited in 80% of these cases.

To help address this unacceptable situation, in 2019 the Foundation supported a campaign to support victims of incest by providing consultations at *La Maison des Femmes de Saint-Denis*. In 2021, 57 women who had suffered incest received support, and 229 consultations took place.

The Foundation also supported Make.org and the *Grande Cause pour la Protection de l'Enfance*, in partnership with the French Secretary of State for Children and Families, Adrien Taquet, in taking action alongside a network of specialist associations to put an end to this violence. In September 2021, Make.org unveiled an action plan in the presence of Edouard Durand, the judge in charge of France's Committee on Sexual Violence and Incest. The plan focuses on four key areas: awareness-raising and prevention; detection and reporting; judicial procedures and punishments; and care.

5.4.1.3 Working together for a greater impact

Through the efforts of its networks and collective action, the Kering Foundation wants to achieve a lasting shift in behavior patterns and greater awareness of violence against women.

In January 2021, for its internal purposes, the Kering Foundation published a global policy on domestic violence in coordination with the Group's Human Resources Department. The policy guarantees confidential and appropriate support to any person employed by Kering or its brands who has suffered violence. Support measures include flexible working hours, special leave and financial help, and victims are also put in touch with specialist associations.

Kering's global policy on domestic violence forms part of a broader program developed by the Foundation since 2011, intended to create a caring and safe working environment for all victims of violence. The Kering Foundation trains employees from the Group and its Houses on understanding, listening to and helping victims of domestic violence, in partnership with leading associations in this area: the *Fédération Nationale Solidarité Femmes* (FNSF, France), *Donne in Rete contro la violenza* (D.i.Re, Italy), Women's Aid (United Kingdom) and the National Network to End Domestic Violence (NNEDV, United States). A total of 1,685 employees have received this training, including all members of the Executive Committee. Since 2021, all Group staff members have been able to access a 30-minute e-learning session made available by the Foundation, available in English, French and Italian.

Externally, the Foundation strives to encourage others to join this fight. In 2018, the Kering Foundation and FACE jointly founded One In Three Women, the first European network of companies committed to combating violence against women. The network currently has 10 members alongside FACE and the Kering Foundation: L'Oréal, Korian, BNP Paribas, Carrefour, *le Fonds de solidarité OuiCare*, SNCF, Publicis, PwC, Epnak and *Agence Française de Développement* (AFD). In 2021, to mark International Day for the Elimination of Violence against Women, the One In Three Women network released its second podcast, highlighting the key role that business can play in combating domestic violence. To date, the podcast has had more than 1,200 plays.

The Foundation also supported the "*H24, 24H dans la vie d'une femme*" series broadcast on European cultural TV network Arte. *H24* highlights the various forms of abuse that women can suffer at any time of the day or night, through a collection of 24 shorts inspired by real-life events and starring 24 internationally renowned female actors. The Foundation's support included compiling a list of associations that help survivors, which is available on the websites of Arte and the Foundation itself. Also in connection with International Day for the Elimination of Violence against Women, the Foundation organized two Instagram Live events featuring the women who directed *H24* and the women taking action against this everyday abuse via the Kering Foundation's partner associations *En Avant Toute(s)* and the *Maison des Femmes de Saint-Denis.*

To shed light on the stories of women who have survived abuse, and the professionals who help them, a series of videos entitled "Kering Foundation's portraits" was launched in 2021. Nine episodes are available on the Kering Foundation's website and on the Group's YouTube channel.

The Kering Foundation encourages Group employees to use their professional and personal skills to support partner associations and social enterprises. The COVID-19 pandemic meant that the Foundation's International Volunteering Program was put on hold in 2020 and 2021. However, at a more local level, Kering started offering volunteering opportunities on the new Giving Back platform launched by its HR department in 2021. Staff members in France, Italy and the United Kingdom can spend one hour per week, a half-day every three months or a full day every six months helping local associations, depending on their needs.

5.4.2 Philanthropic actions by Kering's Houses

Alongside the initiatives undertaken by the Kering Foundation, each House supports causes of its own choice by donating products, running special sales, taking part in charity dinners, seconding personnel, or forming partnerships with non-profit organizations. In 2021, support from Kering's Houses for various causes such as integration and the fight against discrimination, healthcare and disease prevention, and environmental protection – for which the House's initiatives are detailed below – totaled more than €8,330,000. There were also many other initiatives in the fields of education and the preservation of cultural, artistic and historical heritage.

Several of these – in fields such as healthcare and the environment – are specifically for the benefit of women, consistent with the Group's priorities, and children. In 2021, of the aforementioned support figure of €8,330,000, they accounted for more than €2,170,000.

Support for women and children

In 2021, the Houses backed several programs and organizations working on various aspects of support for women and children, providing overall funding of around €2,170,000.

In Italy, Brioni continued to run a psychological support and hotline service set up in 2017. The project is managed by the women's rights organization *Unione Donne Italiane* (UDI) in Pescara. It supports employees with a specific focus on women, and provides them with the tools they need to manage and defuse conflicts and stressful situations. In 2020, assistance was extended to cover all production sites, including Curno, in addition to Penne, Civitella and Montebello, and this arrangement was maintained in 2021.

Again in Italy, the Houses maintained their commitment to associations focusing on combating domestic violence. Examples are Pomellato, which continued to support the *Casa di Accoglienza delle Donne Maltrattate di Milano* (CADMI) in Milan, and Kering Eyewear, which made a donation to the *Centro Veneto Progetti Donna* in the Veneto region. Both of these associations are members of D.i.Re, the nationwide network of organizations offering psychological, emotional and legal assistance to women who have suffered violence.

The Houses also showed their commitment by donating products and taking part in fundraising events. For example, Bottega Veneta, Boucheron and Saint Laurent supported Un *Avenir pour les Enfants du Monde* (AEM) and its "dinner in Rwanda" event, raising €28,900.

Boucheron gave €49,000 of support to the *Partage* association and its *Cantines du Monde* project, funding a school canteen for around 1,100 children at the *École des Salines* in Madagascar for one year.

Saint Laurent donated 10% of the proceeds from a special sales event to *Solidarité Femmes* (FNSF) and *SOS Femmes* 49, associations that specialize in providing help and accommodation to women who are victims of violence, raising a total of €160,000.

Saint Laurent also renewed its support for the Charity: water non-profit, which works with local associations worldwide to bring safe supplies of drinking water to people who lack it. In particular, this project gives greater freedom to the women and girls who are usually responsible for collecting water every day, giving them more time to pursue their education and work. Over the last four years, projects financed by Saint Laurent in Ethiopia, Rwanda, Malawi and India have brought drinking water to more than 8,000 people.

In England, Alexander McQueen donated more than €150,000 to A Team Arts Education, a community arts education organization that works with young people, encouraging their aspirations to pursue arts and design careers.

With its Chime for Change campaign, Gucci continued supporting organizations such as UNHCR, Women for Afghan Women, BEAWARENOW, Promundo and D.i.Re, with total funding of €820,000. These associations work to ensure that the safety, health and rights of women are respected – regardless of whether they are transgender, indigenous or of color, or whether they belong to ethnic minorities or have disabilities – all around the world. Among its partnerships, Gucci increased its commitment to Mothers to Mothers by donating €175,000 to support health services for women and children in Ghana, and particularly to give HIV-positive women the knowledge and tools needed to eliminate mother-child transmission of HIV.

Promoting integration and combating discrimination

In 2021, Kering spent around €2,150,000 on initiatives to promote integration and combat discrimination.

Balenciaga made a commitment to Share Africa – a non-profit that is a forum for young people, creativity, innovation and resilience – to have Executive Committee members mentor five creative young Africans, as well as providing financial support of €50,000.

Brioni supported *Colori Vivi Sartoria*, a creative workshop in which female refugees learn the principles of garment production, allowing them to gain qualifications but also obtain a stable income and become financially independent. It did so by donating material and establishing an ongoing collaboration around the launch of the Intensee fragrance. Gucci was also involved in several initiatives to promote integration and combat discrimination. Through its "Gucci-up" circular economy program, the House continued to help deprived women by donating over €80,000 of fabric to NGO and social cooperatives in Italy such as Progetto Quid, Colori Vivi Sartoria and WeWorld. These associations, which recycle and upcycle donated fabrics, work with marginalized groups, and particularly women, by offering them training programs to help them reintegrate return to the workforce.

Pomellato supported the San Patrignano Onlus non-profit, which works with dependent, marginalized groups, with a donation of €10,000.

Still in Italy, Bottega Veneta provided support to the Adecco Foundation in 2021 by employing refugees in its production facilities in the Veneto region. Two people have been hired so far, one on a permanent contract and the other on an internship.

In the United Kingdom, Bottega Veneta made a commitment to the Metallic Fund, a non-profit that provides grants and mentoring, aiming to elevate talents and ideas, addressing inequality in the creative industries and inspiring others to rise.

Healthcare and disease prevention

Healthcare and disease prevention are also priorities for Kering's Houses, and they provided funding of over €1,000,000 in this area in 2021.

Girard-Perregaux worked with Only Watch, donating products to be auctioned to raise money for projects such as finding a cure for muscular dystrophy. Ulysse Nardin donated almost €10,000 to healthcare and disease-prevention projects, supporting non-profits such as *Les Petits Doudous*, Cansearch, Association Intervall and Leman Hope. Boucheron donated almost €20,000 to associations like *Stars Solidaires*, to help fund research into rare genetic neuromuscular diseases, and Rotary Club to support the Hopital Lariboisière in France. Saint Laurent, meanwhile, donated more than €36,000 to Fashion for Sidaction, amfAR and AIDES. Alexander McQueen also gave €45,000 to amfAR to help fund medical research into AIDS. Balenciaga made commitments to several non-profits aiming to raise awareness of and fund research into breast cancer, such as Korea Breast Cancer Fund and Hudson Valley Making Strides.

Bottega Veneta continued to support scientific research in Italy, making grants for researchers at the University of Padua, along with grants for the virology laboratory at the Lazzaro Spallanzani National Institute for Infectious Diseases in Rome and the microbiology and virology laboratory at the Domenico Cotugno Hospital in Naples. Its second round of grants amounted to €150,000 in 2021, making a total of €300,000 over two years.

Gucci made significant contributions to various healthcare and disease prevention initiatives by supporting non-profits such as Susan G. Komen in the United States, the AIRC Foundation for Cancer Research and the European Institute of Oncology in Italy, Great Ormond Street Hospital and the National AIDS Trust in the United Kingdom. Gucci also continued working with UNICEF to support the fair distribution of COVID-19 vaccines.

Protecting the environment and ecosystems

In 2021 and in line with the Group's strategy, the various Houses contributed around €660,000 to sustainability and environment initiatives.

Balenciaga continued its reforestation project in the Gujarat province of India, in partnership with NGO Up2Green Reforestation, providing more than €35,000 of financial support. The project aims to improve community resilience, with a particular focus on women.

In China, Qeelin continued its support for the World Wildlife Fund (WWF) with donations of more than €60,000 to restore and protect ravaged bamboo forests, which constitute the natural habitat of pandas.

Gucci continued its three-year partnership with the Lion's Share, a United Nations Development Programme Multi-Partner Trust Fund launched in 2020 whose aims are wildlife conservation and animal welfare. Gucci donated more than €127,000 to this fund in 2021.

Boucheron, meanwhile, provided more than €24,000 of support to environmental protection initiatives, donating products to Birdlife International Tokyo and money to *Cœur de Forêt* in Madagascar, which is fighting deforestation alongside local communities.

Finally, Ulysse Nardin made a commitment to ocean conservation by supporting Water Family and The Ocean Race Summits.

6 – CROSS-REFERENCE TABLE

Pursuant to Articles L.225-102-1 and R.225-105 of the French Commercial Code/Green Taxonomy Regulation/ Global Compact/Global Reporting Initiative (GRI)

This chapter, entitled "Sustainability", constitutes the Kering group's Non-Financial Information Statement (NFIS) for 2021, 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 and by Article R. 225-105 of the French Commercial Code (*Code de commerce*), where relevant taking into account the principal non-financial risks identified, as well as information required by European Regulation 2020/ 852 (the "Green Taxonomy" Regulation). In accordance with Article R. 225-105, Kering also presents additional information, where that information offers further insight into Group operations.

In addition, the Group presents the following cross-reference tables in accordance with the main international reporting frameworks:

- with the Sustainability Accounting Standards Board (SASB) Apparel, Accessories & Footwear Standard. The table is available on the Sustainability page of Kering's website, under Reporting and Indicators;
- with the United Nations Guiding Principles on Business and Human Rights (UNGP). The table is available on the Sustainability page of Kering's website, under Reporting and Indicators;
- with the Task Force on Climate-related Financial Disclosures (TCFD) framework. The table is available in chapter 3, section 3.2.4 of this NFIS and on Kering's website.

A glossary of the main documents relating to the Group's Sustainability approach is available on the Sustainability page of Kering's website, under Reporting and Indicators, providing details of the contents of each key document.

	GRI	Section of this Universal Registration Document
The Group's vision and business model	102-1 to 102-8, 102-10	Chapter 4, section 1.2
		Chapter 1
Information on the value chain	102-9	Chapter 4, sections 4.1, 4.2 and 5.1
Materiality and main priorities, principal non-financial risks linked to NFIS categories	102-11, 102-15, 102-46 & 102-47, 103-1 and 103-2	Chapter 4, section 1.3
		Chapter 5
Sustainability strategy	103-1 and 103-2	Chapter 4, section 1.4
Governance and organization of sustainability within the Group	102-18	Chapter 4, section 1.5
Methodology for reporting non-financial information, Assurance Report	102-45 to 56	Chapter 4, sections 3.1, 3.2 and 4.2
		Chapter 4, sections 6 and 7
Taxonomy:		
Proportion of eligible revenue, capital expenditure and operating expenditure resulting from products and/or services associated with economic activities defined as sustainable in Annexes I & II of the Climate Delegated Act		Chapter 4, section 3.2

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 4, section 3.1
Hires and redundancies	401-1		Chapter 4, section 3.1
Remuneration and changes in remuneration			Chapter 4, section 3.1
Work organization:		**#3 to 6**	
Organization of working time			Chapter 4, section 3.1
Absenteeism	403-10		Chapter 4, section 3.1
Health and safety:		**#1 to 6**	
Occupational health and safety	403-1 to 403-8		Chapter 4, sections 3.1 and 4.1
Work-related accidents, in particular frequency and severity, and work-related illnesses	403-9		Chapter 4, section 3.1
Labor relations:		**#3 to 6**	
Organization of social dialogue, procedures for informing, consulting and negotiating with employees	402-1		Chapter 4, 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 4, section 3.1
Training:		**#3 to 6**	
Training policies, especially in terms of environmental protection	404-2		Chapter 4, sections 3.1, 3.2 and 4.1
Total number of training hours	404-1		Chapter 4, section 3.1
Fair treatment:		**#1 to 6**	
Measures taken to promote gender equality	405-1		Chapter 4, sections 2, 3.1 and 5.4
Measures taken to promote the employment and integration of people with disabilities	405-1		Chapter 4, section 3.1
Anti-discrimination policy	405-1		Chapter 4, sections 2, 3.1 and 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 4, sections 3.1, 4.1 and 5.2
Impact of the Group's operations on neighboring or local populations	203-1, 203-2		Chapter 4, section 5.2
Relationships and dialogue with Group stakeholders			Chapter 4, section 5.1
Partnership and sponsorship initiatives			Chapter 4, section 5.4
Subcontracting and suppliers:		**#1 to 10**	
Incorporating social and environmental issues into the purchasing policy	413-1 to 414-2		Chapter 4, sections 4.1 and 4.2 Chapter 5 (duty of care plan)
Steps taken to raise awareness among suppliers and subcontractors with respect to corporate social responsibility	413-1 to 414-2		Chapter 4, sections 4.1 and 4.2 Chapter 5 (duty of care plan)
Fair practices: measures taken to promote consumer health and safety	**416-1 and 2**		**Chapter 4, section 4.1**
Information on the fight against corruption: anti-corruption measures	**102-16205-1 to 205-3**	**#10**	**Chapter 4, section 2**

Non-financial information	GRI	Global Compact	Section of this Universal Registration Document
Information on steps taken for the protection of human rights	**406-1 to 412-3**	**#1 to 6**	**Chapter 4, sections 2, 3.1, 4.1, 5.1, 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 4, section 4.2**
ENVIRONMENTAL CONSEQUENCES			
General environmental policy		**#7 to 9**	**Chapter 4, section 3.2**
Organization of steps taken to address environmental issues and any environmental assessment or certification procedures			Chapter 4, sections 1, 3.2, 4.1 and 4.2
Resources allocated to the prevention of environmental risks and pollution			Chapter 4, sections 3.2 and 4.2
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 4, sections 3.2 and 4.2
Steps taken to address noise, light and any other form of pollution relating to a specific activity			Chapter 4, sections 3.2 and 4.2
Circular economy	**301-3**		**Chapter 4, sections 3.2 and 4.2**
Waste prevention and management:			Chapter 4, sections 3.2 and 4.2
Measures taken to prevent, recycle and reuse waste, and other means of waste recovery and elimination	306-2		Chapter 4, sections 3.2 and 4.2
Steps taken to prevent food insecurity and waste; Respect for responsible, fair and sustainable food			Not applicable
Sustainable use of resources:			Chapter 4, sections 3.2 and 4.2
Water consumption and supply of water in accordance with local regulations	303-1, 303-3 and 303-5		Chapter 4, sections 3.2 and 4.2
Raw materials consumption and measures taken to promote more efficient use	301-1, 301-2		Chapter 4, sections 3.2 and 4.2
Energy consumption and measures taken to improve energy efficiency and use of renewable energy	302-1 to 5		Chapter 4, sections 3.2 and 4.2
Land use			Chapter 4, sections 3.2 and 4.2
Climate change	**201-2, 305-1 to 305-5**	**#7 to 9**	**Chapter 4, sections 1, 3.2 and 4.2**
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		Chapter 4, sections 3.2 and 4.2
Measures taken to adapt to the consequences of climate change			Chapter 4, sections 3.2 and 4.2
Medium- and long-term targets set voluntarily to reduce greenhouse gas emissions and the measures put in place to achieve this			Chapter 4, sections 1.3, 3.2 and 4.2
Protection of biodiversity: measures taken to protect and restore biodiversity	**304-1 to 4**	**#7 to 9**	**Chapter 4, sections 3.1, 3.2 and 4.2**

7 - REPORT OF ONE OF THE STATUTORY AUDITORS, APPOINTED AS INDEPENDENT THIRD PARTY, ON THE VERIFICATION OF THE CONSOLIDATED NON-FINANCIAL PERFORMANCE STATEMENT

Year ended December 31, 2021

This is a free English translation of the report by one of the Statutory Auditors 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' Meeting,

In our capacity as Statutory Auditor of Kering SA (hereinafter the "Company"), appointed as independent third party ("third party") and accredited by the French Accreditation Committee (Cofrac), under number 3-1048 (Cofrac Inspection Accreditation, no. 3-1048, scope available at www.cofrac.fr) and currently adapting our management system as required by the Cofrac for this accreditation (from ISO17020 to ISO 17029), we have conducted procedures to express a limited assurance conclusion on the historical information (observed or extrapolated) in the consolidated non-financial performance statement, prepared in accordance with the Company's procedures (hereinafter the "Guidelines"), for the year ended December 31, 2021 (hereinafter the "Information" and the "Statement", respectively), 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)*.

It is also our responsibility to express, at the request of the Company and outside the scope of our accreditation, a reasonable assurance conclusion on the fact that some information selected by the Company and presented in the Statement has been prepared, in all material aspects, fairly in accordance with the Guidelines. These information are the following: energy consumption and associated CO2 emissions, Renewable electricity proportion at Group level, Emissions associated with "B to B" transport, tons of CO2 offset.

Conclusion of limited assurance on the consolidated non-financial performance statement in accordance with Article L.225-102-1 of the French Commercial Code *(ode de commerce)*

Based on our procedures as described in the section "Nature and scope of procedures" and the evidence we have obtained, no material misstatements have come to our attention that cause us to believe that the non-financial performance 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.

Conclusion of reasonable assurance on selected information included in the Statement

In our opinion, the information selected by the Company has been prepared fairly, in all material aspects, in accordance with the Guidelines.

Preparation of the consolidated non-financial performance statement

The absence of a generally accepted and commonly used reference framework or established practices on which to base the assessment and measurement of the Information enables the use of different but acceptable measurement techniques that may impact comparability between entities and over time.

Accordingly, the Information must be read and interpreted with reference to the Guidelines, summarised in the Statement and available on the Company's website.

Limits inherent in the preparation of the information relating to the Statement

The Information may be subject to uncertainty inherent to the state of scientific and economic knowledge and the quality of external data used. Some information is sensitive to the choice of methodology and the assumptions or estimates used for its preparation and presented in the Statement.

Responsibility of the Company

The Board of Directors is responsible for:

- selecting or determining the appropriate criteria for the preparation of the Information;
- 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 outcomes of these policies, including key performance indicators and the information set-out in Article 8 of Regulation (EU) 2020/852 (Green taxonomy);
- implementing such internal control as it determines is necessary to enable the preparation of Information that is free from material misstatement, whether due to fraud or error.

The Statement has been prepared by applying the Company's Guidelines as referred to above.

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."

As it is our responsibility to issue an independent conclusion on the Information prepared by management, we are not authorised to participate in the preparation of the Information, as this could compromise our independence.

It is not our responsibility to provide a conclusion on:

- the Company's compliance with other applicable legal and regulatory provisions (particularly with regard to the information set-out in Article 8 of Regulation (EU) 2020/852 (Green taxonomy), the duty of vigilance and the fight against corruption and tax evasion);
- the fairness of information set-out in Article 8 of Regulation (EU) 2020/852 (Green taxonomy);
- the compliance of products and services with the applicable regulations.

Applicable regulatory provisions and professional guidance

We performed the work described below in accordance with Articles A. 225-1 *et seq.* of the French Commercial Code, the professional guidance issued by the French Institute of Statutory Auditors *(Compagnie Nationale des Commissaires aux Comptes)* relating to this engagement and acting as the verification programme and with the international standard ISAE 3000 (revised).

Independence and quality control

Our independence is defined by Article L. 822-11-3 of the French Commercial Code and 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 aimed at ensuring compliance with applicable legal and regulatory requirements, ethical requirements and the professional guidance issued by the French Institute of Statutory Auditors *(Compagnie Nationale des Commissaires aux Comptes)* relating to this engagement.

Means and resources

Our work engaged the skills of six people between october 2021 and march 2022.

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, representing the human resources and sustainable development departments of Kering and its houses.

Nature and scope of procedures

We planned and performed our work taking account of the risk of material misstatement of the Information.

We consider that the procedures conducted in exercising our professional judgement enable us to express a limited assurance conclusion:

- We familiarized ourselves with the activities of all companies in the consolidation scope and the description of the principal risks;
- 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 the principal risks associated with the activities of all the consolidated entities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their 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);
- 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 implemented by the Company and assessed the data collection process aimed at ensuring the completeness and fairness of the Information;
- For the key performance indicators and other quantitative outcomes(2) that we considered to be the most important, we implemented:
  - analytical procedures that consisted in verifying the correct consolidation of collected data as well as the consistency of changes thereto;
  - substantive tests, on a sample basis and using other selection methods, 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 contributing entities(3) and covered between 41% and 96% of the consolidated data selected for these tests.
- We assessed the overall consistency of the Statement in relation to our knowledge of the entire Company.

The procedures conducted in a limited assurance review are substantially less in scope than those required to issue a reasonable assurance opinion in accordance with the professional guidelines of the French National Institute of Statutory Auditors *(Compagnie Nationale des Commissaires aux Comptes)*; a higher level of assurance would have required us to carry out more extensive procedures.

Pursuant to the request of the Company, we performed additional work with the aim of providing a reasonable assurance conclusion on the following Information: energy consumption and associated CO2 emissions, Renewable electricity proportion at Group level, Emissions associated with “B to B” transport, tons of CO2 offset.

The work carried out was of the same nature as that described in the section on limited assurance above, but more in-depth, particularly regarding:

- analytical procedures that consisted in verifying the correct consolidation of collected data as well as the consistency of changes thereto;
- substantive tests, on a sample basis that consisted in verifying the proper application of definitions and procedures and reconciling data with supporting documents.

The selected sample represents between 66% and 96% of the information concerned.

Paris-La Défense, march 04, 2022

One of the Statutory Auditors,

Deloitte & Associés

Bénédicte Margerin	Julien Rivals
Partner, Audit	Partner, Sustainable Development

Appendix:

Indicators and quantitative results selected:

- Social: Workforce and breakdown, Permanent/fixed - term contract hirings, Permanent departures, Training hours (including safety training), Employees that participated in at least one training session (excluding safety training), Frequency rate and severity rate of work - related accidents, Overall rate of absenteeism, 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, Industrial water consumption.

(1) Qualitative information selected: Highlights of 2021, implementation of the Kering Standards and of alignment and traceability monitoring systems.
(2) See Appendix.
(3) Houses or entities selected for the social and environmental indicators: Gucci, Bottega Veneta, Alexander McQueen. Entities (additional) selected for environmental indicators: Blutonic Tannery (for industrial water), and Kering Group Operations (LGI for CO2 emissions associated with “B to B” transport).

8 – LIMITED ASSURANCE REPORT OF ONE OF THE STATUTORY AUDITORS ON SELECTED INFORMATION CONCERNING THE ENVIRONMENTAL PROFIT & LOSS ACCOUNT ("EP&L")

Year ended December 31, 2021

This is a free English translation of the report by one of the Statutory Auditors 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 Executive Management,

Pursuant to your request and in our capacity as Statutory Auditor of Kering SA (hereinafter the "Company"), we performed a review with the aim of providing limited assurance on information concerning the Environmental Profit & Loss Account ("EP&L") selected by the Company (hereinafter "the Information[(1)]") prepared in conformity with procedures used by the Company (hereinafter the "Guidelines") and presented within section 3.2.2.2 of the Universal Reference Document for financial year ended December 31, 2021.

Conclusion

Based on the procedures we have performed as described under the paragraph "Nature and scope of procedures", and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Information is not prepared, in all material respects, in accordance with the Guidelines.

Preparation of the Information

The absence of a generally accepted and commonly used reference framework or established practices on which to base the assessment and measurement of the Information enables the use of different but acceptable measurement techniques that may impact comparability between entities and over time.

Accordingly, the Information must be read and interpreted with reference to the Guidelines, summarised in the Universal Reference Document and available on the Company's website or on request from its headquarters.

Limits inherent in the preparation of the Information

The Information may be subject to uncertainty inherent to the state of scientific and economic knowledge and the quality of external data used, notably regarding environmental impact factors ("multipliers") and monetisation factors used. Some information is sensitive to the choices of methodologies and the assumptions and/or estimates used for its preparation.

Responsibility of the Company

The Company is responsible for:

- Selecting or establishing suitable criteria and procedures for preparing the Guidelines;
- Preparing the Information in accordance with the Guidelines;
- Implementing internal control relevant to the preparation of the Information that is free from material misstatement, whether due to fraud or error.

Responsibility of the Statutory Auditor

The conclusion presented in this assurance report only covers the Information and does not extend to other information and data concerning the environmental profit & loss account (EP&L) included in the Universal Reference Document.

(1) Total amount for environmental impact estimated in € for 2021, Intensity (€EP&L/1,000€ of revenue) for 2021, % change in total amount and intensity in relation to 2020 (comparable scope), Mapping of 2021 impacts per environmental impact (6 impacts for Tiers 0 to 4 and for the use and end of life phases), Distribution of impacts per raw material (Tiers 3 & 4) for 2021.

Based on our work, we are responsible for:

- Expressing limited assurance on the fact that the Information has been prepared, in all material respects, in accordance with the Guidelines and are free from material misstatement, whether due to fraud or error;
- Forming an independent opinion, based on the evidence collected; and
- Reporting our opinion to the management of the Company.

As it is our responsibility to issue an independent conclusion on the Information prepared by the Sustainability Department of the Company, we are not authorised to participate in the preparation of the Information, as this could compromise our independence.

Applicable regulatory provisions and professional guidance

The work described below was performed in accordance with the professional guidance issued by the French Institute of Statutory Auditors *(Compagnie nationale des commissaires aux comptes)* relating to this engagement and with the international standard ISAE 3000 (revised).

Independence and quality control

Our independence is defined by regulatory texts (article L.822-11 of the French C*ode de commerce*), 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 aimed at ensuring compliance with applicable legal and regulatory requirements, professional ethical requirements, and French professional standards applicable for this assignment.

Nature and scope of procedures

We planned and performed our work in order to express a reasonable assurance regarding the following Information:

- Total amount for environmental impact estimated in € for 2021;
- Intensity (€EP&L/1,000€ of revenue) for 2021;
- % change in total amount and intensity in relation to 2020 (comparable scope);
- Mapping of 2021 impacts per environmental impact (6 impacts for Tiers 0 to 4 and for the use and end of life phases);
- Distribution of impacts per raw material (Tiers 3 & 4) for 2021.

The nature, timing and extent of procedures selected depend on professional judgment, including the assessment of risks of material misstatement, whether due to fraud or error, in the Information. We took into account relevant internal controls for the preparation of the Information by the Company during our risk assessment.

We also:

- assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability;
- verified the set-up of a process to collect, compile, process, and check the completeness and consistency of the Information;
- interviewed the relevant staff from the Company's Departments at its headquarters and for a selection of contributing entities in order to analyse the deployment and application of the Guidelines;
- performed analytical procedures on the Information and verified, the calculations as well as the consolidation of the data and the consistency of its evolution;
- carried out substantive tests using sampling techniques, for a representative selection of entities that we selected[1] to verify the correct application of the definitions and procedures and reconcile data with supporting evidence.

We consider that the sampling techniques and sample sizes we have used in exercising our professional judgement enable us to express our conclusion. The procedures conducted in a limited assurance review are substantially less in scope than those required to issue a reasonable assurance opinion in accordance with the professional guidelines of the French National Institute of Statutory Auditors *(Compagnie nationale des commissaires aux comptes)*; a higher level of assurance would have required us to carry out more extensive procedures.

Paris-La Défense, March 4, 2022

One of the Statutory Auditors,

Deloitte & Associés

Bénédicte Margerin	Julien Rivals
Partner, Audit	Partner, Sustainability

(1) Information concerning Tiers 0 to 2 of the E P&L: Alexander McQueen, Bottega Veneta, Gucci (Energy consumption and associated CO2 emissions) and Kering Group Operations (LGI for CO2 emissions from "BtoB" transport).
Information concerning Tiers 3 & 4 of the E P&L: Bottega Veneta (leather, cashmere), Boucheron (diamonds, gold), Gucci (leather, cashmere, wool, brass, gold) and Saint Laurent (leather, brass).

CHAPTER 5

Risk management and internal control

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 and ESMA guidance on risk factors provided under European Regulation (EU) No. 2017/1129 of June 14, 2017 (the "Prospectus Regulation") supplemented by Commission Delegated Regulation (EU) No. 2019/980 of March 14, 2019. 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 best 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 2021 in Chapter 4 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 over 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 AMF definition, 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 to:

- create and preserve the value, assets and reputation of the Company;
- tighten up the security of the Company's decision-making and other processes 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 2021, the Group pressed ahead with the changes to its risk management methodology initiated in 2011 and to the resources 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 lays down 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 enter information about risks;
- planned reporting of risk information to stakeholders identified within the Group, as well as an annual presentation to the Board of Directors.

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. It comprises the Group Managing Director, the Chief Financial Officer, the General Counsel, the Chief Audit Executive, the Head of the Security Department, the Chief Information Security Officer 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 latest developments and relevance of analysis 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 more robust 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 the COSO internal control frameworks in particular, the Group implemented a risk management policy that was sent to the Executive Management teams of the activities and Houses. 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:** in this step, the main risks are identified and centralized. A risk is characterized by an event, one or more internal or external sources, and one or more consequences. Within the Group, the identification of risks is part of an ongoing process that takes the Houses' perspective into account, as well as the Group's broader vision. During this stage, interviews with the main stakeholders (the recommended and most widely used technique) are conducted to identify the risks liable to affect the Group's ability to achieve its objectives. Kering relies on the prior year's risk registers, as well as various sources, both external (e.g., surveys) and internal (e.g., reporting of information);
- **assessing risks**: this step involves evaluating the main risks identified on the basis of three criteria: their impact, their probability of occurrence and their level of control. This is also a continuous effort, and assessments are conducted once a year during work sessions with key managers from the Houses, Kering's divisions in the Americas and Asia-Pacific, and the Group. The risk management policy describes in detail the criteria and procedures for these assessments;
- **prioritizing risks:** during this last step, risks are ranked by priority and the most appropriate action plan(s) for the Company is(are) identified.

Since 2011, a consolidated risk map has been submitted to the Risk Committee for comment before being presented to the Audit Committee and the Board of Directors. In addition, risk information is also shared with each of the Houses during feedback meetings.

2011 **First consolidated risk map** presented to the Risk Committee

2013 The Group deployed dedicated software for the management of risk identification and analysis exercises that **guarantees a common methodology** across all activities and extends the responsibilities of the managers included in these work sessions

2014 **The Group extended its risk identification process** through work sessions with the holding company's main managers

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

2019 **The Group introduced a top-down approach** in addition to its bottom-up approach at the risk identification stage. **Feedback meetings** were organized with participants in the risk identification and assessment exercises

2020 In light of the pandemic, **the Group adjusted its approach** (e.g., by holding meetings remotely)

2021 **The risk factors were pared down and assigned to the Group's fundamentals.** The Group's risk map reflects the updated risk assessment carried out to fulfill its **Duty of care**, as well as the initial climate risk assessments in line with **TCFD recommendations**.

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 Risk Committee met three times in 2021, and the Audit Committee and Board of Directors were apprised of its work at their meetings held in June and October 2021, respectively.

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 interaction between and the combined balance of the two systems depend on the control environment, which provides a common underpinning, 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 set of 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 absolute assurance that the goals falling within the following categories will be met:

- 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 Limitations of internal control

The probability of meeting these objectives is subject to the limitations 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 in 2005 and then 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 regarding 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 extends to the commitments of 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's 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 revitalized 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 Houses and Kering staff. This entire structure is managed by Kering's Chief Sustainability and Institutional Affairs Officer.

The Ethics Committees have three main functions:

- supervising the circulation and application of the Code of Ethics and the principles that it establishes;
- 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 complaint submitted to the Committee due to alleged non-compliance with one of the Group's ethical principles, a procedure now open to third parties in certain circumstances;
- 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 section 2 "Ethics, the cornerstone of our business" of Chapter 4 "Sustainability" of this 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 limitations of internal control, which cannot under any circumstances provide absolute assurance that the Company's objectives will be achieved. The Charter specifies that the holding company acts as the fulcrum point coordinating the various entities. It also sets out the responsibilities of each of the activities and Houses in implementing an internal control system that fits their operations.

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

The quality of Human resources and management cohesiveness are key success factors for the Group.

Kering makes sure that the various Houses apply human resources policies aligned with their situation and challenges, and meeting the highest local standards.

The Houses lead and engage in dialogue and employee involvement at local level concerning labor policy, while the Group manages dialogue within the Group's employee representative bodies namely the Group Works Council and the European Works Council.

The Group also supports the Houses with spotting talent for key positions and succession planning, while keeping a close eye on the market to enrich the pool of internal applicants.

Kering supports the Houses by handling transactional HR activities (payroll, absence management, employee benefit management) and provides a shared framework for developing Group-wide projects: digital platforms, HRIS and internal social media network, talent and performance management, internal communication for key issues linked to Kering's values, global remuneration and employee benefits policies, etc. This framework is constantly evolving so the Houses can meet the new challenges they are faced with.

1.6.2 Organization and resources

The organization of internal control depends on persons involved at every level in 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 Committee, the Internal Audit and Risk Management Department, and the Statutory Auditors.

Executive Committee

The Kering group Executive Committee, which is an Executive Management body, comprises 12 members, as described in section 3 of Chapter 1 of this Document.

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 Houses;
- propose acquisitions and disposals to the Board of Directors;
- ensure proper implementation of the policies and projects defined within the framework of the Group's commitments to 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 taking the requisite 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 plays a leading operational role in 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 fits its activities.

Employees must have the knowledge and information necessary to set up, operate and oversee the internal control system in order to meet the objectives assigned to them. 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 its members' skills and expertise. 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 3 of this Document.

The Audit Committee

Under the responsibility of the Board of Directors, to which it regularly reports on these matters, the Kering Audit Committee comprises six members, four 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:

- verifies that the Group has an Internal Audit Department that is structured and well-suited 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. A growing number of issues have to be brought to its attention. Accordingly, the Audit Committee met five times during the year to discuss all of the matters in depth.

The composition of the Audit Committee and its duties are presented in section 2.3.3 of Chapter 3 of this Document.

The Internal Audit and Risk Management Department

Kering group's Internal Audit Department ensures 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 informs Executive Management and reports the main results of his assessments to the Audit Committee.

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 Group Internal Audit Department centrally administers and analyzes internal control and risk management in accordance with the laws and regulations applicable in this area, as described above.

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 2021, in light of the pandemic, the Internal Audit Department conducted thirty-five 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 Houses. 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 across all business processes and activities, be they operational or financial, related to stores, warehouses or headquarters, distribution or manufacturing activities.

At the end of 2021, the Group's Internal Audit Department had 20 employees, virtually stable since 2017. Their rules of conduct are described in their Audit Charter, to which they refer. 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.

Internal Audit activities are performed in conjunction 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.

In 2013, Kering's Internal Audit Department published the following referential frameworks that establish a common methodology: the audit manual and the audit approach. In 2020, the approach to auditing stores was updated.

In December 2021, Kering's Internal Audit Department obtained professional certification from the IFACI (French Institute of Audit and Internal Control) that it conducts its activities in accordance with the mandatory requirements of the International Professional Practices Framework of the Institute of Internal Auditors (IIA). This seal of quality demonstrates that the Internal Audit Department adds value for the Group, improves its operations and helps it to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

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.

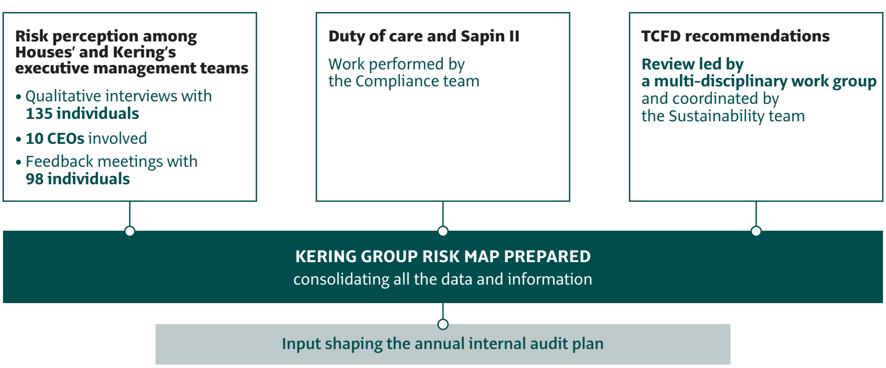
The audit engagements are allocated between the joint Statutory Auditors: Deloitte and KPMG.

The main matters covered by the Statutory Auditors are as follows:

- identifying risk areas and performing 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;
- validating the main types of accounting treatment and options throughout the year, in coordination with the management of the activities and Kering;
- applying the accounting standards defined by Kering for its activities;
- preparing an audit report for each House, in order to certify Kering's consolidated financial statements, including any comments on internal control;
- presenting a general overview of the Kering group to Kering's Management and to the Audit Committee;
- preparing the Statutory Auditors' reports for Kering's shareholders. These reports are presented in Chapter 6 of this Document.

1.6.3 Risk management

The Group's risk map is defined based on various sources (see diagram below). The risk factors identified are subject to the mitigation measures presented 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 is underpinned by the work performed by the Internal Audit Department, any comments made by the Statutory Auditors and the annual self-assessments. In 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 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 each of the 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 continued in 2019 in order to make them more effective and a better fit for the business operations. In 2021, the financial process questionnaires were revised to reflect the changes introduced within the Group. The entire contents of the self-assessment questionnaires are currently being reviewed. The work began in the second half of 2021 and will continue into 2022. The goal is to assess internal control through updated questionnaires for the 2022 self-assessment questionnaire campaign featuring more operational, clearer and more concise points reflecting the changes in the Group's processes that have undergone major transformations;
- 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 2021.

Since 2013, the Internal Audit Department has extended its self-assessment procedures to stores throughout the Group's Houses. These self-assessments give the sales network managers an idea of the effectiveness of their internal control and represent a teaching aid to help store managers meet their internal control obligations. The self-assessment questionnaire for the Group's stores was extensively revised in the first half of 2020 to (i) take into account changes in all store activities, (ii) clarify and simplify the questions and make them more relevant, and (iii) simplify the connection with the control points verified during in-store audits for comparison purposes. In addition, to facilitate the use of the results, the frequency of self-assessment campaigns in stores was reduced from half-yearly to yearly. This approach was presented and approved by the Kering Audit Committee.

In 2021, the Group's Finance Department continued to implement the tool for continuously monitoring the transactional activities managed by the Group, within the financial Shared Services Centers. It was deployed more widely across financial processes in accordance with the Group's financial transformation project.

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, Treasury and Insurance 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 priorities on the Group's key financial and management indicators. They are also used for the annual assessment by the Group of the value in use of assets allocated to the various cash-generating units;
- budgets, which are drawn up 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 indicators and operating action plans. The second stage, which finalizes the budget, takes place in the first quarter of the following year and builds in 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, together 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 Houses, who commit themselves via a signed representation letter, thus strengthening the quality of the financial information transferred.

Consolidation levels within the activities provide 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 common 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 produce and release the permanent and periodic information that makes up the regulatory information.

It conducts this role in line with a precise regulatory framework and in compliance with the key general principles applicable to financial reporting. The Financial Communications Department thereby upholds the principle of equal access to information for investors, the principle of consistent, accurate, precise and fairly presented information and the full and effective release of regulated information.

Financial Communications forms a key component of market transparency and represents a core pillar of investor confidence. It is intended for a diverse range of audiences, mainly consisting of institutional investors, retail investors, (financial and non-financial) analysts and employees. Executive Management, the Chief Financial Officer and the Financial Communications Department are the contacts for investment analysts and investors. The Human Resources Department manages information about employees, in conjunction with the Financial Communications Department.

The role of the Financial Communications Department also extends to non-financial (CSR) topics in its dealings with analysts and investors.

1.7.3 Financing, Treasury and Insurance Department

The Financing, Treasury and Insurance 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 for 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, an integral part of the Financing, Treasury and Insurance 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 the 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, on a scale ranging from 1 (very critical) to 4 (less critical), which is based on the probability of their occurrence and the magnitude of their impacts. The table below shows the Group's nine main risk factors (presenting the highest levels of criticality [levels 1 and 2]):

	Risk
Level 1	Human rights and fundamental freedoms
Level 2	Real estate
	Climate change
	Macro-economy and geopolitics
	COVID-19
	Cybersecurity and IT systems
	Kering's business model
	Kering's major initiatives
	People

All of the risks presented below represent the 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, despite the risk management policies adopted to mitigate the probability of their occurrence or their impact.

This year, the Group decided to classify its risks based on its core values:

- creativity for a vision of Luxury that combines heritage with boldness;
- growth: promoting organic growth;
- expertise: enhancing synergies and integration;
- talent: developing talented individuals;
- sustainability: crafting Luxury in a sustainable manner.

In addition, the risks have been streamlined to make them easier to understand and present. For 2021, the table below presents the risk factors ranked by type:

Fundamental	Level of criticality	Risk
CREATIVITY	2	Kering's business model
GROWTH	2	Macro-economy and geopolitics COVID-19 Kering's major initiatives
	3	Production and manufacturing Fraud and corruption risks Distribution network Image Supply chain
EXPERTISE	2	Real estate Cybersecurity and IT systems
	3	Financial risks Legal risks
	4	Compliance with national tax laws and international standards
TALENT	2	People
SUSTAINABILITY	1	Human rights and fundamental freedoms
	2	Climate change
	3	Ethics and Global Governance Inventory Management

Risks arising from the situation in Ukraine and Russia

In response to the escalation in the Russia-Ukraine crisis, which became an armed conflict on February 23, 2022, Kering announced on March 4, 2022 that it would temporarily close the stores operated by the Group's Houses in Russia. Kering's Houses do not operate any stores in Ukraine.

Nonetheless, Kering's direct exposure to the crisis currently remains limited as its combined sales in Ukraine and Russia amounted to around 1% of its annual revenue in 2021. The net value of its assets in those countries is not material.

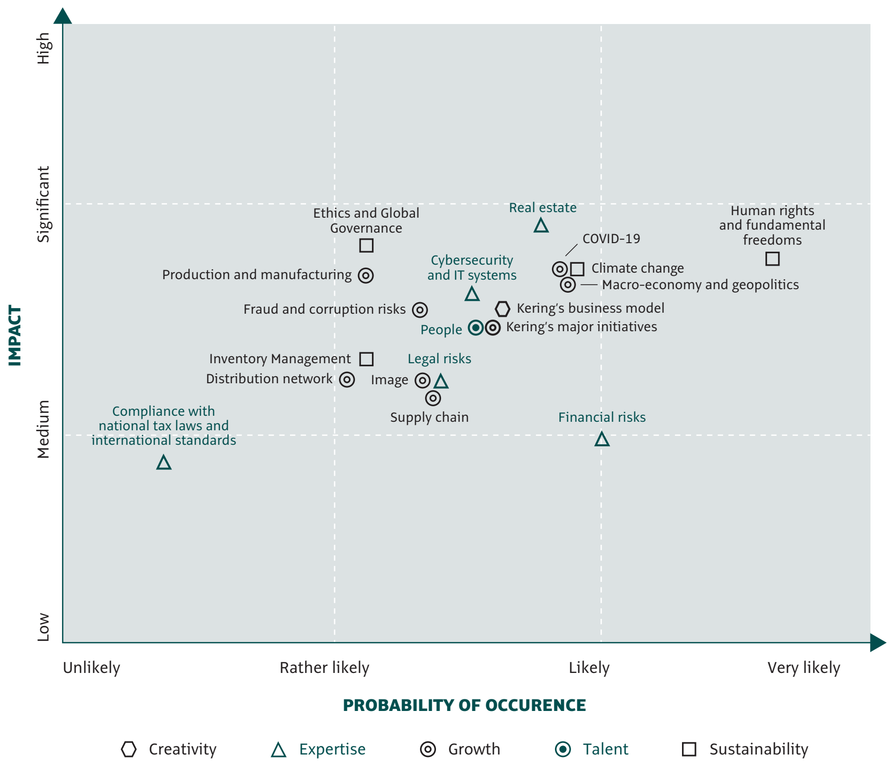
Over the longer term, the conflict, depending on its duration and extent, could affect global economic growth and therefore the luxury market.

The main risk arising from the current crisis situation is thus to growth – and first and foremost to the macroeconomic and geopolitical environment and, to a lesser extent, to Kering's image and supply chain.

Given the current instability, cybersecurity risks, plus financial and legal risks, have increased, but Kering believes it has taken the requisite measures to reduce as far as possible the likelihood of risks occurring and their impact.

To assess the overall materiality of its 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.

Kering group's risk map



Descriptions of the risks identified and the actions taken by the Group to manage them are provided in sections 2.2, 2.3, 2.4, 2.5 and 2.6. The pictograms presented below have been used to indicate the probability of occurrence and impacts of the risks identified by the Group.

Probability of occurrence	Impacts	High	Significant	Average	Low
Unlikely	Human Capital				
Rather likely	Customer				
Likely	Compliance/Legal				
Very likely	Finance				
	Operational				
	Projects				
	Reputation				
	Health & Safety				
	Strategic				

The various types of impacts referred to above are defined as follows:

- Human Capital: impact on management of the Group's Human resources;
- Customers: impact on customer satisfaction levels at the Group's Houses;
- 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;
- 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 image and reputation of the Group, its Houses and its executives;
- Health & Safety: impact on the health and/or safety of the Group's employees, customers and stakeholders;
- Strategic: impact on the ability of the Group and its Houses to implement their strategy.

2.2 Creativity risks

Kering's business model

Probability of occurrence: **Impacts:**

Description of the risk

Problems adapting the Houses' business model based on creativity to meet the Group's strategic objectives and market expectations.

Example case(s)

- Lack of structure supporting the Creative Directors with the expression of their creative talent.
- A House's over-reliance on its Creative Director.
- Loss of a House's appeal with changes in the Creativity Director's expression of their creative talent.
- Difficulty anticipating changes in consumer expectations.

Actions taken

The creative leadership of each House and the success of its collections and resulting commercial appeal are managed by Creative Departments and sustained by remaining true to the identity and fundamental values of the brand.

Kering continuously consolidates its organizational 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 CEOs and Group Management promotes dynamic management of the Houses and improved responsiveness. Furthermore, the Chief Executive Officers of the main Houses sit on Kering's Executive Committee, which gives the Group a better understanding of its Houses' needs and enables it to maintain permanent dialogue with the Creative Directors and support their creative process.

Regular 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, which could arise from the loss of a House's appeal, are described in Note 14 to the 2021 consolidated financial statements.

2.3 Growth risks

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 consider the changes driven by macro-economic trends and a deterioration in the future outlook for the Luxury industry, on a global level or specifically among 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 production and distribution operations.

Actions taken

Business trends picked up both for the Luxury goods industry at large and specifically for Kering in 2021, and its revenue was higher than in 2019. Even so, the effects of the COVID-19 pandemic again affected the Group's operations in 2021, as a result of various lockdowns, restrictions on movement and a substantial, enduring drop in tourism during the year. The risks of new variants emerging could indeed pose a threat to business trends in 2022.

The ongoing health crisis is a typical and unprecedented example of a major crisis significantly and persistently affecting the global economy and having a material impact on the Group's revenue growth and profitability.

Events of this magnitude, whether they relate to a political crisis or instability, an industrial or natural disaster, or a public health issue, are rare. Moreover, as illustrated by the performance of the Group's brands by region, they affect the regions in which the Group operates unevenly.

Past years have shown that, apart from major systemic or health crises, macro-economic and geopolitical instability can partly explain trends by region, but without significantly affecting the Group's overall performance.

The diversity of the brands' geographic footprints helps limit the Group's exposure to uncertainties or even to deterioration in a given country's economic or security environment. The Group's distribution network remains balanced across the regions: sales are made through a network of close to 1,600 directly operated stores, split almost evenly between mature markets and emerging countries. Direct sales (around 80% of revenue) 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 section 5 "Our strategy" of Chapter 1 "Presentation of the Group and Integrated Report" 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 (see section 6 "Our markets" of Chapter 1 "Presentation of the Group and Integrated Report"), besides cyclical factors or the COVID-19 crisis, which could end in the short or medium term, 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.

Lastly, the Group has demonstrated in the past its ability to adapt its organization, operating methods and strategic priorities in response to changes in the macro-economic and technological environment. Its level of profitability and of cash generation allows it to invest for the long term and to weather the sector's recessionary phases, even though the downward adjustment of cost bases remains a long and complex process in an industry where the proportion of fixed operating expenses is high.

COVID-19

Probability of occurrence: **Impacts:**

Description of the risk

The global economy was significantly impacted in 2020 by the COVID-19 pandemic, with the scale of the recession varying from region to region. As restrictions began to ease, economic activity bounced back in spring 2020 in Asia and then during the summer for the world's mature economies. The recovery was more gradual during the second half in countries where the virus was circulating rapidly, especially in Western Europe.

In the first few months of 2021, although the public health situation during the winter resulted in general or targeted restrictions on movement and activities, the economic rebound gained pace, and a V-shaped recovery seemed to be occurring. Developments in the pandemic in the second half of the year, particularly the rapid spread of the Omicron variant, do not appear to have affected global growth very materially.

Domestic consumer spending was strong, and the level of consumer confidence clearly drove growth in the global personal Luxury goods market in 2021. Low tourist numbers continue to have a negative impact, without eliminating the market upswing altogether. As a result, the rebound benefiting all luxury brands could be as high as 31% at constant exchange rates compared to 2020[(1)].

Overall, the pandemic had a limited impact on Kering's performance in 2021. However, the Group's operations were still directly and indirectly impacted by the pandemic and its effects during the year.

Actions taken

In 2020, the Group had implemented a number of measures to deal with the consequences of the COVID-19 pandemic focused on different aspects and at different levels.

The rebound in the luxury goods industry in 2021, and more broadly a slow, but gradual improvement in the pandemic situation, paved the way for the Group's Houses to get back closer to "business as usual".

The main actions taken in 2021 to manage the risks arising from the pandemic are as follows:

Design, manufacture, sourcing and logistics

- Further investments to digitalize product design and marketing to a greater extent.
- Systematic introduction of virtual sales campaigns.
- Adjustment of collections and merchandising to spread the launch of new introductions over the course of the season more effectively, together with communication and event campaigns across the store network.
- Acceleration of the pace of transformation of the logistics activities to shorten delivery times, achieve greater agility and bolster logistics capabilities across the regions.

Distribution and Customers

- Growth in distance selling capacities and increased number of clienteling campaigns.
- Steady growth in online sales supported by the Group's investments in digital platforms and the development of e-concessions (e-commerce penetration up to around 15% of retail channel sales by the Group's Luxury Houses in 2021 versus 13% in 2020).
- Roll-out of the strategy to enhance the exclusivity of the distribution network and streamline sales to third-party distributors (3% decline in wholesale sales at constant exchange rates for the Group's Luxury Houses over 2 years, with a 39% decline for Gucci).

Stakeholders

- Strict measures maintained to protect the health and safety of employees, suppliers and customers.
- Introduction of sustainable homeworking agreements.
- Establishment of procedures enabling employees to return on-site in line with the applicable health restrictions.
- Strengthening of IT infrastructure and its security to facilitate the widespread take-up of remote working.
- Help and support unit for employees kept in place.
- Constant attention paid to protecting jobs and maintaining salary levels.
- Further initiatives to support suppliers.

Financials

- Delays to store openings or refurbishments given difficulties in conducting negotiations with property owners or launching building works as a result of the ongoing pandemic situation in certain regions during the first half of 2021.
- Cost base adjustments: mainly linked to lease renegotiations and a review of administrative expenses. Conversely, the Houses reinvested in communication, marketing and store operations to fully harness the opportunities created by the business rebound.
- Reduction in credit risk, greater liquidity across the Group.

(1) Source: Bain – Altagamma Luxury Goods Worldwide Market Study (report published in November 2021 and supplemented by a detailed report published in December 2021).

Kering's major initiatives

Probability of occurrence: **Impacts:**

Description of the risk

Difficulty supporting the Group's strategy after having adequately prioritized projects, obtaining an overarching view of all initiatives in progress and their interdependencies, and identifying (or anticipating) the project-related risks and associated remediation plans.

Example case(s)

- Longer delivery times, leading to higher costs.
- Partial achievement of the business objectives set for the project.
- Difficulty maintaining agility in exceptional situations, without losing sight of the Group's priorities.
- Difficulty coordinating the cross-program activities required to achieve objectives specific to a project.
- Difficulty anticipating and handling a risk arising from the parallelization of several projects (creation of bottlenecks among certain IT or business populations, impact of change multiplied by close or simultaneous start-ups, etc.) and aligning stakeholders with a pace and density of projects guaranteeing rapid and secure progress in the transformation.
- Difficulty establishing and rolling out periodic performance assessments and/or appropriate metrics measuring a program's success and its return on investment (ROI).

Actions taken

To ensure the Group's transformation projects are tracked effectively, Kering set up a Transformation Office in 2020.

The main aims of the Transformation Office are to provide the Group's senior management and the Transformation Initiatives Leads with a holistic view of priorities and projects. The Transformation Office's role is to coordinate and align the Group's stakeholders, identify and anticipate risks, and help to embed and entrench the methodological aspects, where necessary.

The coordination and alignment of the Group's various projects depend on gaining an overarching view of:

1. regularly reviewed business priorities presented in sufficient detail to reflect the constraints and opportunities, to make it actionable;
2. 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;
3. need for methodological adjustments to ensure the more secure delivery of projects.

In addition to its consolidation work, the Transformation Office drafted or recommended various revisions to the Transformation Initiatives Leads, to make sure they achieve the objectives of the programs in relation to:

- the risks arising from interdependencies between programs;
- the methodological aspects with areas for improvement (e.g., change management framework, risk management framework, post-start-up feedback and tracking of take-up).

Production and manufacturing

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.

Actions taken

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.

Ensuring the quality of goods and compliance with stringent safety standards is among the Group's main priorities. To protect the Group's reputation, the products sold by its Houses must combine distinctive appeal with flawless quality, while also guaranteeing absolute 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 to marketing. Products are classified using quality and safety standards, while suppliers are listed 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 the highest existing standards for the disposal of hazardous chemicals. In 2021, the organization was strengthened by the addition of the Test & Innovation Lab (TIL), a dedicated ISO/IEC 17025 (Accredia) lab performing over 170 test protocols, capable of testing all raw materials and finished products to underpin innovation and quality control.

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.

Lastly, 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 2.7 "Insurance and risk treatment" of this chapter).

The policies, projects and actions implemented, the outcomes achieved and the associated performance indicators relating to product quality and safety are presented in detail in section 5.2.4 "Product quality control, and consumer health and safety" of Chapter 4 "Sustainability" of this Universal Registration Document.

Fraud and corruption risks

Probability of occurrence: **Impacts:**

Description of the risk

Acts of active or passive corruption, influence peddling or fraud involving an employee or manager of Kering or its Houses.

Example case(s)

- Giving gifts, affording hospitality or providing free travel to business partners, public officials, or other decision makers in order to unduly influence a decision related to the Group.
- Sponsoring or making donations with the aim of unduly influencing a decision related to the Group, for example by making a donation 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 related to 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.

Actions taken

Commitment of the governing body:

The compliance program in general, and the anti-corruption system in particular, are ultimately the responsibility of François-Henri Pinault in his capacity as Chairman and Chief Executive Officer of Kering SA. François-Henri Pinault is involved personally in developing and implementing the anti-corruption program within Kering and its Houses, both internally and externally. He is supported by Jean-François Palus in his capacity as Group Managing Director and by the Board of Directors, particularly within the Audit Committee and the Remuneration Committee, and is supported by the House CEOs, who are also personally involved in the development and implementation of the compliance program. Their collective commitment forms the "Tone at the top" approach of Kering and its Houses. Locally, the structure of the compliance function described below allows for a "Tone from the middle" approach implemented personally at Region and House levels by the Compliance Officers, who are mostly local managers selected in large part so that they can use their position within the Group to relay management's commitment across all levels of the organization.

In 2015, the Group set up a dedicated function responsible for developing and supervising the implementation of a compliance program meeting the requirements of France's Sapin II law, among other aspects. It is headed by the Group Chief Compliance Officer, who reports directly to the Audit Committee. To ensure the day-to-day monitoring and effectiveness of the compliance program, the Group Chief Compliance Officer is supported by (i) a team of five compliance law experts working in Paris, Hong Kong, Shanghai and Tokyo, (ii) a network of Brand Compliance Officers appointed by the House CEOs, and (iii) a network of Regional and Local Compliance Officers. In some Houses, there are compliance managers in addition to the Brand and Local Compliance Officers.

The anti-corruption compliance program in place within Kering and its Houses meets the requirements of international standards, and more particularly the eight pillars required under Article 17 of the Sapin II law. The Group Chief Compliance Officer attends at least one meeting of the Audit Committee each year to report to its members on the status of the compliance program and its implementation. The Audit Committee ensures that compliance risks are sufficiently mitigated and that the Compliance Officers have the appropriate resources. The Committee also discusses the annual compliance objectives to be assigned by the Remuneration Committee to the Chairman and Chief Executive Officer and the Group Managing Director. The Chairman and Chief Executive Officer and the Group Managing Director also meet regularly with the Group Chief Compliance Officer.

Risk map:

Following an initial assessment of corruption risks used to draw up a risk map in 2016-2017, which was updated in 2018, the Group performed an in-depth assessment of corruption and influence peddling risks in its operations and in the operations of each of its Houses around the world in 2019. This assessment was run over a period of nine months by an independent specialist law firm working with the Group Chief Compliance Officer and her teams, and involved more than 242 Group employees across all regions, functions and management levels, identified by process and sub-process. To ensure that the risk assessment was comprehensive, each potential corruption and influence peddling scenario relevant to the Group was identified and assessed after analyzing first, second and third levels of control included non-compliant hiring, cash payments, gifts, hospitality and entertainment, sponsorship and donations, relations with third parties (including real estate transactions), discounts, CRM program, inventory, and mergers and acquisitions. The risks with these potential corruption and influence peddling scenarios were then rated and ranked in a preliminary risk map. The action plan adopted following this risk mapping exercise was rolled out in 2021.

Moreover, the corruption and influence peddling risk map was updated during 2021 to take into account the stricter controls introduced in 2020, as well as the findings of a compliance reviews and internal audits undertaken in 2020 and 2021.

Risk management:

- Prevention:

Kering and its Houses have a Code of Ethics prefaced by the Chairman and Chief Executive Officer and the Executive Committee, supplemented by a specific anti-corruption policy. The Code of Ethics, the anti-corruption policy and the internal control procedures and dedicated compliance procedures of the Group and the Houses were revised following the 2019 update of the corruption risk map. Guidelines have also been issued to assist Group employees with applying them in the situations identified as being most at risk.

Due diligence procedures for all direct and indirect suppliers, acquisition targets, joint venture and consortium partners, retailers, as well as beneficiaries of sponsorships and donations, have also been tightened so as to better prevent the risks of corruption, fraud, money laundering and violation of economic sanctions. These procedures round out the Hercules project.

In addition, employees identified as being most exposed to corruption and influence peddling risk are given customized training to enhance first-level control over the new procedures. These in-person training sessions, which were delivered to 2,000 employees in 2021, complement the mandatory Ethics and Compliance e-learning courses for all the Group's employees, which are presented in greater detail in Chapter 4, section 2, "Ethics, the cornerstone of our business".

- Detection:

A procedure is in place for reporting concerns, and as such to detect potential corruption risks. The management of this system is described in greater detail in Chapter 4, section 2, "Ethics, the cornerstone of our business".

Second-level compliance audits to ensure the proper implementation of the compliance program and detect corruption risks are carried out on and off site by the Group Compliance Department, with the support of an international law firm to reinforce the independence and expertise of the analysis in the most at-risk jurisdictions identified in the risk map. Compliance reviews were carried out in China, the United Arab Emirates, India, Thailand, Vietnam, Singapore, Malaysia, Guam, Australia and New Zealand. They gave rise to the development of local plans to remedy the shortcomings identified. The results are also taken into account in the rating of the implementation of anti-corruption controls assessed in the regularly updated risk map.

The Internal Audit Department also regularly performs third-level audits to determine whether Group procedures, including compliance procedures, are applied.

- Remediation:

Corruption risk map updates, compliance reviews and internal audits are conducted to identify potential shortcomings to a greater extent, which Kering and its Houses then remedy, with the aim of continuously improving the compliance program. For example, the corruption risk identified as being the most material for the Group when the risk map was updated in 2019 relates to relationships with third parties, particularly business partners or in the context of real estate transactions. Accordingly, the Group updated in late 2019 its third-party due diligence procedure to strengthen controls over distributors, lessors and service providers involved in the creation and renovation of stores.

Lastly, the whistleblowing system set up by the Group also helps the Group identify and take action to deal with any misconduct.

Distribution network

Probability of occurrence: **Impacts:**

Description of the risk

Inadequate organization of distribution resulting in the Group's i) selling the Houses' products in points of sale falling short of quality standards and tarnishing the image of the Group's brands, ii) not achieving a sufficient degree of control over product marketing, iii) being absent from certain markets or not having access to certain customer segments, and iv) not keeping pace with changing fashions and shopping venues.

Example case(s)

- Poor store location.
- No stores present in a promising market.
- Inadequate sales performance or profitability of a point of sale.
- Overexposure of wholesale distribution, affecting directly operated stores.
- Development of parallel market fueled by retailers.

Actions taken

The Group's Houses are constantly looking for ways to optimize their directly operated store network by opening new points of sale, by closing or relocating those that are less well-placed or the least profitable. Each House is implementing a refurbishment program to make sure its stores remain eye-catching and productive.

A profitability study and an assessment of the strategic and operational benefits are carried out prior to every investment decision related to the network. One-off studies may be carried out two or three years after the investment to ensure the business plan has been executed properly.

In addition, Houses track their main retail indicators closely and regularly to anticipate any store optimization decisions, such as, for example, increased staffing levels in the stores, extensions or overhaul of the retail space.

Within the framework of the wholesale distribution network, contracts are regularly reviewed by the Houses' teams with the support of the Group's Legal Department to ensure each House's distribution network is optimal and efficient. In addition, a team from Kering's Finance Department tracks the solvency of all the Group's wholesale accounts and monitors payment collection.

Since late 2019, the Group has been streamlining the wholesale channel. This has resulted in a decline in revenue and, in certain cases, especially for the e-tailers, a switchover to a concession format.

The Group prevents sales of its products by parallel distribution networks by ensuring the traceability of its goods, prohibiting direct sales to these networks (grey market) and implementing specific measures to tighten control over these distribution channels.

Image

Probability of occurrence: **Impacts:**

Description of the risk

Damage to the Group's image or reputation or that of its Houses, giving stakeholders (e.g., customers, consumers, suppliers, employees, shareholders, civil society, etc.) a negative opinion of the Group and ultimately affecting its results.

Example case(s)

- Unfavorable or inaccurate media coverage, as well as negative discussions on social media, concerning the Group's alleged practices or its Houses' products, could harm not only the Group's image and reputation, but also potentially lead to a slowdown in sales.

Actions taken

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 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 be at odds with the Group's values and thus harm its image.

The Houses are also in regular discussions with the Group to anticipate risks arising from the use of potentially sensitive images and messages in their communication.

Supply chain

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.
- 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.

Actions taken

To meet its customers' expectations, the Group requires unfettered access to 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 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 of the main suppliers.

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 2018 and updated in 2019, 2020 and 2021. 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 towards 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), and on the sustained equilibrium of ecosystems, some of which are already under threat. To meet the crucial challenges related to biodiversity, its preservation and restoration, the Group published its biodiversity strategy in 2020, setting new specific and ambitious objectives aimed at achieving a "net positive impact"* on biodiversity by 2025. Measures taken include the launch of the Kering Regenerative Fund for Nature created by Keirng and Conservation International to support the fashion industry's transition to regenerative agriculture.

The policies, projects and actions implemented, the outcomes achieved and the associated performance indicators relating to the Group's raw materials and the protection of biodiversity are presented in detail in sections 3.2.5 "Environmental impact of our operations" and 4.2 "Preserving natural capital across our entire supply chain" of Chapter 4 "Sustainability" of this Universal Registration Document.

2.4 Expertise-related risks

Real estate

Probability of occurrence: **Impacts:**

Description of the risk

Difficulty negotiating leases under the best conditions at 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 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.
- Unsatisfactory assessment of a real estate project causing the schedule and/or initial budget to be exceeded (asbestos, lead).
- 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.

Actions taken

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) defining and developing projects, (iv) managing work in stores, warehouses and offices, and (v) managing owned or leased sites for Kering Corporate.

The Group implements various measures to limit real estate-related risk, including (i) systematic reviews of contracts, (ii) separate invoicing, and (iii) steering committees for projects perceived as significant.

The Group has put in place a strategy to limit construction-related risk, including (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 environmental performance labels (e.g., BREEAM, LEED) for the majority of its properties.

To ensure that new partners comply with the applicable laws and regulations, the Compliance Department carries out compliance audits.

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 plus local laws and regulations, and also have the necessary negotiating skills.

Cybersecurity and IT systems

Probability of occurrence: **Impacts:** 

Description of the risk

Difficulty preventing or detecting malicious cyber attacks made through a digital communication channel, leading to the disclosure of the Group's key information, financial losses, alteration or corruption of its digital assets and reputational harm.

Failure of information systems (IS), which now play a vital role in the Group's business processes (such as sourcing, distribution and digital) and support processes (such as finance and HR).

Example case(s)

- The diversity of information systems in operation within the Group.
- Delays in the deployment of new software programs or applications.
- Information systems inadequate to meet 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 cross-infection in the event of a virus attack.

Actions taken

The Group runs a multi-year investment program to adapt, improve, tighten up the security and increase the 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 are implemented every year to assess the level of compliance of the Group's information systems:

- penetration testing (*pentests*) on applications and simulated logical/physical attacks (*Red Team*);
- network vulnerability scans and applications;
- continuous cloud infrastructure audits;
- review of patch management procedures and obsolescence management;
- review of backup procedures.

The Group has increased IT security, notably through a transformation plan, and stepped up employee awareness initiatives by implementing a large number of control and protection measures, including establishing procedures, and developing targeted IT security systems. All employees have been trained to detect malicious emails, including via *phishing* simulation exercises conducted throughout the year. Moreover, the Group has developed e-learning modules on cybersecurity and data confidentiality, in addition to one on security and remote working. Best security practices in various areas (*phishing*, *malware*, passwords, etc.) were also circulated via the Group's various internal communication channels during 2021.

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.

To manage security incidents that could have an impact on personal data or more broadly on operations, the Group has set up a Security Operating Center on hand 24/7 and 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 2021, the Group initiated the following projects:

- strengthening detection capabilities and responsiveness by building and rolling out new equipment for the Security Operation Center;
- protecting workstations by rolling out disk drive encryption and tightening up security configurations;
- strengthening the security integration process for projects to ensure that all new applications added to the information systems comply with security requirements;
- introducing strong authentication measures to prevent identity theft and rolling out a new authentication management platform to tighten up access control;
- bolstering the business recovery plan by implementing testing for critical applications;
- strengthening the crisis management system and training drills.

The Group also works with peers to reduce exposure to this type of risk.

Information relating to GDPR compliance is presented under actions taken in the "Legal risks" section of Chapter 5 of this Universal Registration Document.

Financial risks

Probability of occurrence: **Impacts:**

Description of the risk

Difficulty addressing market risk (foreign exchange risk, interest rate risk, equity risk) and liquidity risk.

Example case(s)

- Based on market data as of December 31, 2020, the impact of foreign exchange hedging instruments in the event of an immediate 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 €348.3 million as of December 31, 2021 on the revaluation reserve for financial instruments recognized in equity.
- By way of illustration, a change of 10% in the value of PUMA shares compared to the closing price on December 31, 2021 would have an impact of €64.2 million on the value of the Group's interest in PUMA as recorded in the balance sheet.
- Based on the fixed/floating rate mix after hedging, an immediate 100 basis-point increase or decrease in interest rates would have a full-year impact of €13.2 million on pre-tax consolidated net income as of December 31, 2021.
- 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 or its available cash.

Actions taken

Foreign exchange risk

The Group has adopted a hedging strategy to minimize the impact of currency fluctuations on its results. Accordingly, it uses derivatives either to hedge foreign currency trade receivables and payables, or to hedge highly probable forecast exposures and/or firm commitments.

Hedging periods are aligned with each House's business cycle and only marginally exceed one year at each reporting date.

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 22.2 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 ("Exposure and sensitivity to foreign exchange risk").

Kering Finance SNC processes, controls and provides administrative support for foreign exchange transactions on behalf of Group companies. Tasks are properly segregated to ensure proper transactions security (Front-, middle-, back-office and accounting tasks). Treasury Department organisation 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

The Group trades in its own securities either directly or through derivatives as part of its stock repurchase program in accordance with applicable regulations. Kering has also entered into an agreement with a financial intermediary to foster the liquidity of its shares and ensure share price quotation compliance. 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, 2021, Kering held 624,211 treasury shares, representing just 0.5% of its share capital and confirming its low level of exposure in this regard. Kering also retained a 3.96% interest in PUMA, after selling 5.91% of its shares in 2021, further reducing its exposure in this respect.

Additional information on equity risk is provided in Note 22.3 to the annual consolidated financial statements.

Interest rate risk

Kering may need to use derivatives such as swaps or purchases of options to guard against changes 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 22.1 to the annual consolidated financial statements sets out the Group's exposure to interest rate risk ("Exposure and sensitivity to interest rate risk").

Liquidity risk

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.

The Group's active risk management policy also seeks to diversify sources of funding and limit reliance on individual lenders.

The Group had unused confirmed lines of credit totaling €3,035.0 million as of December 31, 2021 compared to €4,365.2 million as of December 31, 2020 (see Note 21.6 to the annual consolidated financial statements).

In addition, as of December 31, 2021, the Group had issued €702.0 million of securities under its NEU CP program filed with the Banque de France.

As of December 31, 2021, the Group had cash and cash equivalents totaling €5,248.7 million.

Information relating to liquidity risk is presented in Note 22.7 to the annual consolidated financial statements.

Legal risks

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 in the normal course of business.

Example case(s)

- Non-compliance with local standards.
- Non-compliance with customs standards.
- Misreporting of product origin.
- Impossibility of selling 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).
- 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.
- 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.
- 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.

Actions taken

Legal compliance and litigation

To guard against risks of non-compliance due to a lack of awareness of a 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 course of the Group's business or its future development. Provisions have been set aside in the Group's 2021 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 25). None of these risks have been qualified as arising outside the scope of the normal course of 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 are an integral part of these methods and procedures.

Furthermore, the Group has granted various vendor representations and warranties in connection with disposals of controlling interests in subsidiaries made over the last ten years (see Note 31 to the 2021 consolidated financial statements).

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.

Contract management

The Group is not significantly dependent on any patents, licenses or third-party supply sources. The Group owns or has licensed rights to the trademarks, patents and intellectual property rights that it exploits, free of any restrictions on the 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 above, risk factor "Real estate management") and to the trademarks and signs of the goods and services manufactured or 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 21 and 31 to the 2021 consolidated financial statements.

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.

Intellectual property

The Kering group regards intellectual property used in the creative and innovation processes of its Houses as crucially important and has established a master intellectual property protection and defense policy adhered to by the Group's Houses.

For this purpose, the Group has formed and retains legal organizations at regional (Asia, the Americas and Europe), local (Houses and subsidiaries) and central levels specialized in intellectual property management.

In line with the general directives introduced by Kering, the Legal departments of the Group's Houses take steps to make sure products do not infringe the rights of third parties and determine which elements need protecting. The intellectual property rights portfolio is reviewed and updated on a regular basis to reflect and protect the activities of the Group's Houses.

Lastly, Kering works to protect its rights and is active in the campaign against counterfeiting in all its markets, as this can have an impact on revenue and damage the reputation of the Group and its products.

The Group takes steps to combat the various breaches of its rights, the sale and trafficking of counterfeit goods or copied goods, as well as imitations that devalue the creative work of the Houses.

In physical markets, this policy is implemented through customs seizures, police raids and legal action and on the internet by withdrawals of advertising and investigations followed by litigation.

Litigation is overseen by the Houses' Legal departments, according to the general policy principles recommended by the Group with the help of the Group's legal units and external advisors, in conjunction with the competent authorities at local level (subsidiaries).

The cost of protecting rights is borne by the legal functions and aligned with the Group's scale and size.

Compliance with the statutory framework protecting personal data

As a Luxury group, the Kering group collects customer data that could potentially have a higher market value than similar data in other industries. Aware of the risk of inappropriate use of this data and the development of legislation in this regard, Kering is working on developing a single compliance program to ensure that all of its Houses treat these issues in a structured and consistent manner, while strengthening its sales and IT and digital strategy.

Kering laid down its official position in this area in March 2021 with a formal commitment by management to the values it intends to uphold in the protection of personal data. The same formal undertakings were made by each of the Group's Houses to ensure they are effective.

In addition, Kering and all the Houses pay scrupulous attention to privacy issues with all international data transfers of personal data, with knowledge about data flows increasingly crucial. The Group and its Houses have pledged to embark on a comprehensive review of all their contractual ties with their essential partners to ensure these can provide sufficient evidence that they can provide appropriate technical and organizational safeguards and, more generally, that all cross-border data flows are afforded a level of protection substantively equivalent to that required in the European Union. In parallel, studies are being carried out to align this approach, principally focused on the situation in Europe, in the future with other relevant legislation, such as the recent Chinese data protection law ("Personal Information Protection Law" or "PIPL").

As part of a more cross-disciplinary approach, Kering has drawn up plans to overhaul certain of its processes to address the increasing complexity of the data protection legislation. For example, a number of data protection authorities have clamped down on cookies and other tracing techniques, requiring websites to pay greater attention to their legal and operational compliance issues. Accordingly, existing processes are reviewed and integrated to better accommodate local legislation and the latest digital challenges through an internal transformation program supported by legal, digital and IT specialists.

Lastly, Kering has introduced mandatory training to nurture an internal culture that places value on privacy and genuinely accommodates the IT security priorities. Thanks to the major effort made by each House, 90.41% of employees worldwide attended this preliminary training in 2021.

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 in 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.

Actions taken

As a responsible corporate citizen and acting in accordance with its Code of Ethics, 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 that end, the Kering group can rely on a competent team of tax specialists in each of its regions as well as at its headquarters, all highly skilled and benefiting from ongoing training.

To understand the various tax-related issues that may arise, the Kering group Tax Department is tasked notably with:

- 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 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:

- 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 functional analyses;
- cooperate fully with local tax authorities and government agencies and, where relevant, share their experience and expertise.

2.5 People-related risks

People

Probability of occurrence: **Impacts:**

Description of the risk

Difficulty identifying and developing people's skills, and retaining them. 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 write-downs, 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.
- Diffciulty to keep talent: loss of key employees to competitors.
- The luxury industry is supported by numerous manufacturing communities worldwide. They are subject to the risk of social, economic and operational tensions, such as community problems, disruptions to production and a shrinking talent pool.

Actions taken

Kering's Human resources policy aims to:

- establish a long-term hiring strategy through international partnerships with schools and training organizations, and thus attract the best talent;
- create a work environment that is motivating, collaborative, 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 inclusion, diversity and gender equality;
- 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 has 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.

Since 2018, Kering has 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.

Since 2019, weekly updates have been made available on the communication platform for all employees giving them a clear picture of the vacancies within the various Houses. A new communication campaign encouraging internal mobility was launched in 2021.

An employee survey was conducted in April 2021 covering the entire workforce to measure staff engagement and build a Group-wide action plan, which was unveiled in September 2021. Each House then adapted it to fit its own specific environment, including the countries in which it operates.

These measures included strengthening the well-being policies (already being piloted within the Houses) and ongoing efforts to support employees with mental health issues.

The Baby Leave policy launched in 2020 entitles all employees worldwide to 14 weeks' leave on full pay upon becoming parents, including fathers and partners, and is now an integral part of the employee experience.

To maintain the know-how of its luxury businesses over the long term, Kering runs personnel training and skills preservation initiatives, and has internalized a number of functions that were previously subcontracted. Talent development is a cornerstone of Kering's HR policy, and training is one of its key levers. With Kering Learning, the Group now has a digital training platform for all employees providing a shared foundation for all Houses. Training is accessible in multi-channel formats, thereby making content more accessible via mobile.

A talent review is also carried out each year by the Executive Committee – the starting point for the succession plan for key positions within the Group, as set out in section 2.2.6 of Chapter 3.

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 "creativity for a vision of Luxury that combines heritage and boldness". 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 gives rise to a period of uncertainty that could have a significant impact on the brand (particularly in terms of image and reputation, asset write-downs, 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 achieved and the associated performance indicators relating to talent management are presented in detail in sections 3.1 "Supporting our employees" and 5.3.1 "Community impact and preservation of know-how" of Chapter 4 "Sustainability" of this Universal Registration Document.

2.6 Sustainability-related risks

Human rights and fundamental freedoms

Probability of occurrence: **Impacts:**

Description of the risk

Non-compliance with national and 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, salary levels not providing a decent living wage.
- Hazardous working conditions or conditions failing to keep workers safe and healthy.
- Harassment, violence.
- 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.

Actions taken

The protection of human rights and fundamental freedoms, for Kering employees and all participants in the value 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 Group that aims to create sustainable, responsible Luxury goods, 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 to curb these risks and by sharing best practices, Kering protects the reputation of the Group and its Houses and maintains the appeal of their creations.

This vital undertaking is set out in the Group's Code of Ethics, in particular the aspects relating to fundamental freedoms and human rights in the Group's Suppliers' Charter, which is included in the Code, and in the Sustainability Principles for suppliers. These documents are part of the contractual framework governing relationships with suppliers.

A Human Rights policy has also been drafted at Group level and covers both Kering's operations and its supply chains.

In 2017, Kering mapped the risks specific to its own activities and those of its value chain for the luxury business, as well as conducting a gap analysis pinpointing differences between the Group's internal practices and the United Nations Guiding Principles on Business and Human Rights. In 2020, Kering also carried out an internal risk assessment to identify and evaluate risks related to human rights in connection with the sourcing of certain key raw materials. This analysis factored in aspects regarding the countries from which suppliers operate. In 2021, to fulfill its duty of care, Kering carried out a second, more in-depth assessment of the risks related to human rights and fundamental freedoms concerning its activities and its supply chain. The assessments were also incorporated in the Group's overall map, and an action plan was drawn up to address areas for improvement detected during this exercise.

In addition, 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. An information and communication campaign was rolled out in 2020 and repeated in 2021 to provide the direct suppliers of the Group's Houses and their employees with a reminder of the Group's key ethical principles, particularly with respect to human rights and fundamental freedoms, and of the existence of the Group's ethics whistleblowing system, which is at their disposal.

Lastly, work began in 2020 on rolling out a collaborative portal with a view to optimizing communication between Kering and its suppliers. The aim is to provide suppliers with easy access to training and key Kering documents – including on human rights – but also greater transparency on supply chains. The supplier integration and training drive continued actively in 2021, with the system now covering several hundred suppliers of Kering and its Houses.

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 achieved and the associated performance indicators relating to human rights and fundamental freedoms are presented in section 3 "Duty of care plan" in this Chapter and in section 2.5 "Protection of human rights" of Chapter 4 "Sustainability" of this Universal Registration Document.

Climate change

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.

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, leather, cashmere and silk, which would translate into greater price volatility, and thus affect the production and distribution of finished products.
- 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.
- Stricter environmental regulations and standards to meet the challenges associated with climate change, carbon tax potentially having an impact on the Group's activities by increasing production costs and reducing operational flexibility.
- Inaccurate forecasting of consumer demand for responsible products.

Actions taken

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 could impact the Group's operations. 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 2015 report entitled "Climate change: implications and strategies for the fashion and luxury sector" jointly authored with BSR analyzed exposure to climate risk, focusing on existing and future climate risks threatening cotton, cashmere, vicuña wool, silk as well as cow, calf, sheep and lambskin leather.

In 2021, Kering published its Climate strategy setting out in detail the commitments, objectives and actions implemented by the Group to make its supply chains more resilient, starting with the introduction of the Environmental Profit and Loss (EP&L) statement. This tool first introduced in 2012 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. Kering was the first Luxury group to be verified and approved by the Science Based Targets initiative (SBTi) for its carbon footprint reduction targets back in 2017. These were revised in 2020 and validated in 2021 to align them with the 1.5°C scenario by 2030, in keeping with the commitments made as part of the Fashion Pact in 2019.

Furthermore, Kering has abided by the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), of which it has been a member since 2017. In 2020, it included in its NFIS for the first time a cross-reference table with the TCFD recommendations. In 2021, Kering took its assessment of the climate risks affecting its business activities to a whole new level by incorporating scenario-based analysis, and making preliminary estimates of their financial impact. This double-materiality approach is part of the Group's drive to help combat climate change and enhance its foresight and ability to adapt so that it can mitigate the impact of physical and transition risks on its business (changing consumer expectations, physical risks to its installations, impact on sourcing of its raw materials, etc.).

In addition to its efforts to reduce carbon emissions, the Group has offset all residual emissions in Scopes 1 and 2 since 2012. In 2019, it went a step further by committing to also offset all residual emissions in Scope 3 (including supply chain emissions) through carbon credits with certified REDD+ projects. In 2021, the Group has offset 100% of its overall carbon footprint (Scopes 1, 2 and 3 calculated via the EP&L tool - excluding product use and end of life) for 2020. The policies, projects and actions implemented, the outcomes achieved and the associated performance indicators relating to climate change and the Group's climate strategy are presented in detail in sections 3.2 "Respecting and protecting the environment in our operations" and 4.2 "Preserving natural capital across our entire supply chain" of Chapter 4 "Sustainability" of this Universal Registration Document.

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 going beyond the legal requirements, 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 skewed picture of the Group.

Actions taken

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. The three Ethics Committees, the Compliance team and the ethics hotline form Kering's whistleblowing framework. All the Group's employees worldwide, as well as employees of the suppliers and partners under contract with the Group and/or its Houses, may use the whistleblowing system.

Each year, a mandatory Ethics & Compliance e-learning program is provided for all Group employees around the world 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 system.

At the same time, the Group ensures that its suppliers adhere to the Group Suppliers' Charter, which they are required to promote within their production units and among 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 and circulated among suppliers again in 2019. A further step was taken in 2020 and repeated in 2021 with the introduction of a communication campaign specifically dedicated to the direct suppliers of the Group, its Houses and their various employees. Available in 15 languages, it is designed to ensure that suppliers' employees are aware of the Group's key commitments and ethical principles, enshrined in the Kering Code of Ethics, as well as of the existence of the Kering whistleblowing system, which is at their disposal, as well as why, when and how to use it.

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 achieved 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 4 "Sustainability" of this Universal Registration Document.

Inventory Management

Probability of occurrence: **Impacts:**

Description of the risk

Inventories unduly high for the actual or forecast level of sales, causing the gross margin to contract and tying up an excessive amount of resources for the quantity of goods sold.

Example case(s)

- Level of inventories above the targets for a given product item in one or more markets.
- Overstocking of raw materials or components relative to production volumes.
- Storage capacity saturated in a region

Actions taken

The Group has implemented a number of mitigation measures at various levels:

- Continuous improvement in the quality of sales forecasting (using algorithms) to align purchases and production based on the expected level of business;
- More accurate allocation of product items in a collection to markets/stores using artificial intelligence support systems;
- Integration of production and organization of the supplier network to achieve greater agility and flexibility to adjust orders and restock items throughout the season based on quantities sold;
- Further progress with modernizing the logistics organization (see inauguration of the new Trecate logistics platform in Italy) to make it more responsive to changes in the marketplace, shorten delivery times and thus cut the level of inventories held in markets;
- Coordination of brands' and Group-wide initiatives to optimize sales of the oldest collections (distribution and pricing strategy tailored to distribution channels, with the aim of maintaining brands' exclusive nature);
- Pilot recycling projects above and beyond the measures already implemented (e.g., Alexander McQueen's donation of textiles to fashion school students in the United Kingdom);
- Review of product manufacturing processes to curb the use of materials and facilitate upcycling under the Circularity strategy;
- Launch of initiatives to promote the circular economy in the luxury industry, such as second-hand fashion (acquisition of a shareholding in Vestiaire Collective and development of projects and initiatives by the Houses).

2.7 Insurance and 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 centralize 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;
- cyberattacks targeting the Group's data and/or other assets.

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, 2021, were as follows:

- damage, fire, explosions or water damage and the ensuing operating losses: €300 million increased to €500 million for the Group's major sites;
- third party liability: €145 million;
- damage to or loss of goods in transit: €15 million;
- fraud and acts of malice to goods and valuables: €15 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 2021: €964,000;
- claims covered by the Group itself through its reinsurance company in 2021: €931,000 (total estimated at year-end 2021).

  Self-insurance by 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.

  As of July 1, 2021, the Group's reinsurance company covered damage and operating losses of up to €3 million per claim, or more on natural events in exposed regions (for the period from July 1 to June 30);
- insurance premiums and management fees including engineering visits and brokers fees, etc. (final 2021 expenses): €17.8 million.

There is also a credit insurance budget of around €1.6 million covering non-payment risks related to sales to retailers (duty-free chains, department stores, specialized retailers, etc.).

3 - 2021 DUTY OF CARE PLAN

3.1 Introduction

3.1.1 Legal Background

Kering falls within the scope of France's Law No. 2017-399 of March 27, 2017 on the Duty of Care (*Loi relative au devoir de vigilance des sociétés mères et des entreprises donneuses d'ordre*; "Duty of Care Law"), which applies to French companies that have at least (i) 5,000 employees directly or through their French subsidiaries, or (ii) 10,000 employees directly or through their subsidiaries worldwide.

The Duty of Care Law amended the French Commercial Code to create a corporate obligation to establish, publish, and effectively implement a duty of care plan designed to identify and prevent the risks of severe impact to human rights and fundamental freedoms, severe harm to the health and safety of individuals, and serious environmental damage, resulting from the operations of (i) the company, (ii) its subsidiaries and other controlled entities (as defined in paragraph II of Article L. 233-16 of French Commercial Code) or (iii) its suppliers or subcontractors.

Under the Duty of Care Law, the duty of care Plan must include the five following elements:

1. a risk mapping that identifies, evaluates, and ranks relevant risks;
2. due diligence and risk assessment procedures designed to regularly assess, based on the risk mapping, the activities of the company's subsidiaries, suppliers, and subcontractors;
3. appropriate controls designed to mitigate relevant risks and prevent severe impact to human rights and fundamental freedoms, severe harm to the health and safety of individuals, and serious damage to the environment;
4. a reporting channel for the collection of alerts pertaining to the existence of relevant risks or the occurrence of relevant abuses or damages; and
5. a monitoring system designed to evaluate the effectiveness of the controls in place.

3.1.2 Kering's Commitment

Kering has a long history of corporate responsibility in its approach to employees, suppliers, clients and other stakeholders as well as to the environment, as evidenced by the issuance of its first Ethics Charter in 1996, and endeavors not only to meet but to exceed its legal obligations in the matter. In so doing, the latest version of the Kering Code of Ethics, released in 2019, is closely aligned with the major international conventions on human rights and fundamental freedoms, and sets forth the core commitments of Kering's approach related thereto. In this respect, Kering considers the requirements of the Duty of Care Law to be an integral part of its ethical commitments and undertakes to ensure compliance with these requirements throughout both its operations and its value chain.

In 2017, Kering prepared a first duty of care plan which included a mapping of the relevant risks. Since its adoption in 2017, Kering has updated its duty of care plan on an annual basis. In January 2021, Kering performed a new and more in–depth assessment of the risks covered by the Duty of Care Law to see whether, and to what extent, such risks have evolved since 2017. This 2021 duty of care plan has been drafted in light of the results of that risk mapping ("Duty of Care Plan").

Both the performance of the risk mapping and the preparation of the Duty of Care Plan involved a significant number of internal stakeholders (including from the Human Resources, Sustainability, Legal, Compliance, and Audit Departments of the Group and select Houses) and the assistance of external counsel, which helped to ensure adequate independence and expertise.

Kering's 2021 Duty of Care Plan articulates around the five mandatory components established by the Duty of Care Law, as summarized above. More generally, Kering's Duty of Care Plan presents an overview of the actions that Kering has undertaken over a number of years to act as a responsible company.

3.2 Risk mapping

As noted above, the 2021 risk mapping involved a combination of internal and external resources. Led by the Group Chief Compliance Officer on behalf of Kering, the 2021 risk mapping assessed relevant risks within Kering's operations as well as those of Gucci and Boucheron. Gucci was selected to represent Kering's Fashion & Leather Goods Division and Italian Houses. It was also chosen because of its expertise and robust activity in the matters relevant to the exercise and in light of its size as a House. Boucheron was selected to represent Kering's Watches & Jewelry Division and French Houses.

The preparation of the 2021 risk mapping comprised the following steps:

1. identification and categorization of the risks pertaining to the operations of Kering, Gucci, and Boucheron that fall within the scope of the Duty of Care Law;
2. interviews with select Kering, Gucci, and Boucheron employees from the departments most likely to have information relevant to such risks (including Internal Audit, Human Resources, Indirect Procurement, Security, Supply Chain Audit, Supply Chain Security and Sustainability);
3. review of relevant documents; and
4. assessment of each risk.

3.2.1 Scope

The following risks were identified and evaluated as part of the 2021 risk mapping:

1. *Forced Working*
   - Child Labor
   - Forced Labor / Debt Bondage / Illegal, Clandestine or Undeclared Employment / Migrant Labor / Human Trafficking
2. *Discrimination and Harassment*
   - Diversity
   - Discrimination
   - Women's Rights
   - Psychological or Sexual Harassment / Violence
3. *Absence of Dialogue*
   - Freedom of Association / Right to Collective Bargaining
4. *Decent Working Conditions*
   - Right to a Living Wage / Fair Wages
   - Working Hours
   - Dignity at Work / Mental Well-Being
5. *Occupational Health and Safety*
   - Safe and Hygienic Working Conditions
   - Chemicals / Hazardous Substances
6. *Pollution*
   - Energy Use
   - Greenhouse Gas Emissions and Climate Change
7. *Waste & Packaging*
   - Waste and Packaging
8. *Water Use*
   - Water Consumption
   - Wastewater Treatment
9. *Animals & Biodiversity Abuse*
   - Animal Protection
   - Preservation of Biodiversity
10. *Local Communities Abuses*
    - Land Rights / Forced Eviction and Displacement of Populations
    - Cultural Heritage / Local Communities

3.2.2 Methodology

The risks listed above were assessed separately with respect to (i) Kering's, Gucci's, and Boucheron's internal operations, (ii) the operations of their first level suppliers, and (iii) the sourcing of raw materials. This risk mapping evaluated gross risk and calculated net risk *via* the evaluation and scoring of relevant controls in place.

First, gross risks related to internal operations were assessed separately per country based on a combination of objective factors (the number of employees, production sites, warehouses, and stores located in each country of operations) and three country and risk-specific third party indices (varying for each risk and including among many others the Human Freedom Index, ITUC Global Rights Index, the Environmental Performance Index and the Animal Protection Index) allowing for an assessment of the potential impact and the likelihood of occurrence.

Second, gross risks related to the operations of first level suppliers were assessed based on the number of suppliers per country and the respective turnover for Kering, Gucci and Boucheron, which were once again combined with three country and risk-specific indices.

Finally, gross risks related to the sourcing of raw materials were assessed on the aggregate percentage of select high risk raw materials sourced by Kering, Gucci, and Boucheron from a given country and six general country-specific indices. The assessment also took into account two magnifying factors, *i.e.*, the inclusion of the country (i) in the U.S. Department of Labor lists of countries producing goods and products that are believed to be produced by child labor and/or forced labor, and/or (ii) in the list of conflict-affected and high-risk countries under E.U. Regulation No. 2017/821.

The respective net risks of the above three categories were then obtained *via* the evaluation and scoring of relevant controls in place.

It should be noted that a distinction was made, to accurately identify risks, between the risks to which Kering, Gucci, and Boucheron expose their stakeholders (as required by the Duty of Care Law) and the risks to which Kering, Gucci, and Boucheron are exposed because of their activities (for inclusion in the Group's general risk mapping). More specifically, the assessment of the gross risks for Kering, Gucci and Boucheron also took into account the potential reputational, financial and legal/compliance impact.

Overall, the 2021 risk mapping entailed interviews with 37 Group employees, a review of over 400 documents, and the scoring of thousands of country-specific risks through 47 general and risk-specific third party indices.

3.2.3 Results

The controls in place to mitigate relevant risks related to the internal operations of Kering and the Houses appear to be particularly solid, especially in the areas of human rights and fundamental freedoms as well as health and safety.

With respect to the operations of Kering's, Gucci's, and Boucheron's first level suppliers, it is worth noting that the majority of these suppliers are located in countries with relatively limited risk of human rights abuse or environmental damage, including Italy (and, more particularly, Northern Italy), France and Switzerland. Relevant risks are further mitigated by multiple controls and primarily by the implementation of the Hercules management system (described below), which covers the onboarding of suppliers and their subcontractors as well as the monitoring of their performance throughout the entire contractual relationship.

The controls in place to limit relevant risks within the remainder of the supply chain, including with respect to the sourcing and traceability of raw material, consist primarily in the implementation of the requirements set forth by the Sustainability Principles and the Kering Standards for Raw Materials and Processes, as well as in the certifications obtained by suppliers.

3.3 Regular assessments of the activities of subsidiaries, suppliers and subcontractors

3.3.1 Subsidiaries and Other Controlled Entities

Since 2018, Kering has refocused its operations on Luxury, and more particularly around the Couture & Leather Goods and Watches & Jewelry Divisions. In 2021, Kering comprised 13 Houses.

3.3.1.1 Stores

As of December 31, 2021, Kering's Houses directly operated 1,565 stores worldwide. As part of its Sustainability targets, in 2020, Kering adopted dedicated standards that cover the commercial life of its stores. These standards provide specific guidance for achieving environmental efficiency during both the store planning and construction phase as well as the store operation and management phase. These standards also provide for the performance of periodic audits to ensure that relevant practices are duly respected, including with respect to energy and water use, as well as waste collection practices.

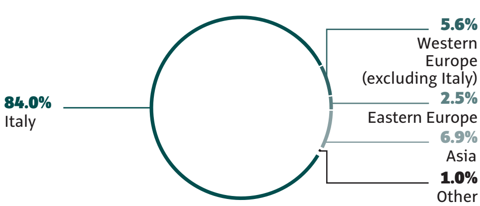
Moreover, as with all other Group premises, stores are subject to regular audits by the Group Internal Audit Department to ensure compliance with local regulations regarding governance, human rights and environmental protection and Kering's policies and procedures. As noted above, these include a review of relevant working conditions, including the processes used to track working hours and employee leave as well as the measures in place to ensure that the privacy of employees are fully respected.

3.3.1.2 Offices and Other Premises

Offices and other premises owned by Kering and its Houses, including production sites and warehouses, are subject to regular audits by the Group Internal Audit Department to ensure that applicable regulations are fully respected and internal policies and procedures are fully implemented. In addition to more generalized testing of controls, these audits assess the working conditions of employees by ensuring, for example, that employment relationships are always formalized by dedicated agreements (in particular with respect to temporary workers) and that salaries and working hours are properly managed and documented.

3.3.2 Suppliers and Subcontractors

Kering works with several thousand suppliers to produce its Houses' collections. As of December 31, 2021, the Group Hercules supplier database (described below) comprised a total of 4,107 active suppliers throughout the Group. The chart below describes the geographical breakdown of these suppliers.



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. This is achieved through the following tools:

Supplier Management Procedures. The Houses apply a set of consistent procedures for managing interactions with suppliers, including with respect to their qualification, assessment, and relationship management. Kering has also introduced a template contract that incorporates its Code of Ethics (including the Suppliers' Charter) and its Sustainability Principles. Both documents are systematically issued to suppliers and form an integral part of the contractual relationship with Kering. These documents further require that the commitments established therein be cascaded to relevant sub-suppliers and subcontractors.

Integrity Due Diligence Procedure. Kering subjects third party suppliers and service providers to the integrity due diligence process set forth in the Group's Anti-Corruption Policy and Third Party Due Diligence Procedure. More specifically, to properly assess and manage the financial, regulatory, and reputational risks associated with the relationships with these third parties, Kering screens them through the World-Check database and conducts dedicated desktop searches. Depending on the risk profile, Kering might also require the completion of a dedicated questionnaire or the performance of an external review from an independent law firm.

Social and Safety Audits. The Group conducts regular social and safety audits to assess and monitor the Group's supply chain operations. These audits are performed by a dedicated team, the Kering Supply Chain Audit Department, which reports to the Group's Chief Audit Executive, which ensures the independence and impartiality of its members. Since the inception of this tool, the Group has fine-tuned and clarified the standards governing these audits. As further discussed in Section V. below, the audits cover social (including child labor, forced or compulsory labor, and working conditions), environmental (including greenhouse air emissions, waste management, plastic use and recycling practices), and health and safety risks pertaining to the operations of the Group's and the Houses' first level suppliers, first and second level subcontractors, and direct suppliers of raw materials accounting for 80% of the category's turnover. All new suppliers must be audited as a prerequisite for qualification. Regular audits are also conducted throughout the relationship with the supplier. In particular, while key suppliers are subject to audits every two years, the frequency of the audits on other suppliers is determined through dedicated risk mappings. If a "zero tolerance" issue is identified as part of these audits (including, *e.g.*, forced labor or undeclared sub-contracting), Kering may refuse to enter into the agreement with a proposed supplier or terminate the relationship with an existing supplier. Findings from the audits performed by the Kering Supply Chain Audit Department are discussed in dedicated committees composed of representatives from key functions from both the Group and the Houses.

Supplier Database. All Kering's Houses have access to a common supplier database, which includes, *inter alia*, findings from past suppliers' audits as well as supplier information available from publicly available databases. At the end of 2021, this database comprised 4,107 active suppliers. In 2021, the Supply Chain Audit Department performed 3,420 audits on these suppliers. While this database does not yet include all Group suppliers, it does include all production suppliers, the main suppliers of raw materials, Kering Eyewear suppliers, strategic suppliers, as well as select suppliers of the watch businesses.

3.4 Control measures

As noted above, Kering and the Houses are strongly committed to fully complying with the requirements set forth by the Duty of Care Law and to fostering a significant number of initiatives aimed at respecting human rights and protecting the environment throughout their operations and the value chain. In this respect, Kering works in close synergy with its Houses to ensure that relevant controls are adequately deployed throughout the entire Group. Some Houses, including Gucci, have been particularly proactive in improving their sustainability performance through the implementation of reinforced controls both internally and *vis-à-vis* external stakeholders.

3.4.1 Key Internal Stakeholders

Kering takes a cross-functional approach to governance over human rights challenges. Specifically, day-to-day human rights governance spans various departments at Kering and House levels.

Kering Compliance Department. The Group Compliance Department is primarily responsible for monitoring the effective implementation of the commitments established by the Kering Human Rights Policy. As such, the Group Compliance Department is kept informed of relevant initiatives and coordinates the efforts undertaken by relevant departments at the Group and House level (including through information sharing). The Group Compliance Department also tests and assesses existing processes to map risks throughout the Group, and supports the Houses and relevant Kering departments in assessing risks associated with their day-to-day operations. At House-level, the Compliance departments provide day-to-day support in connection with the operations of each House.

Kering Sustainability Department. The Group Sustainability Department is responsible for defining and implementing the Group's sustainability strategy and policies and supporting the Houses with respect to their implementation. The Kering Sustainability Department is composed of around 35 specialists who report to the Chief Sustainability and Institutional Affairs Officer, who is both a member of the Group's Executive Committee and the Chairwoman of the Group's Ethics Committee. Overall, the Sustainability function employs more than 90 individuals throughout the Group, working for the Kering Sustainability Department, the Houses' Sustainability teams, as well as dedicated structures such as the Materials Innovation Lab and the Sustainable Innovation Lab.

Kering Human Resources Department. The Human Resources Department is responsible for the implementation of the controls ensuring the respect of human rights within the Group, throughout the entire employee journey, including the recruitment process and the working conditions of employees. A dedicated Inclusion and Diversity team within the Human Resources function works with the Group Houses to define and prioritize the initiatives that foster an inclusive working environment at all levels of the organization. In 2020, Inclusion & Diversity Committees were created in each House and at the Corporate level, led by a member of the House or of the Corporate Management Committee. The Inclusion and Diversity team currently comprises more than 100 members across the Group.

Kering Internal Audit Department. As further discussed in Section 1 of this chapter, the Group Internal Audit Department assesses the implementation of the Kering internal controls system within the Group's internal operations through the performance of regular audits performed in accordance with the Group's annual audit plan.

Kering Security Department. The Security Department is responsible for, *inter alia*, the implementation of the safety measures set forth in the Kering Global Health and Safety Policy and for ensuring compliance with applicable safety regulations.

Kering Supply Chain Audit Department. As noted above, the Kering Supply Chain Audit Department conducts regular social and safety audits to assess and monitor the Group's supply chain operations.

Product Compliance Department. The Kering Product Compliance Department assists the Houses to test substances in products, including through a dedicated testing center that the Group recently opened in Florence.

House Teams. Every House of the Group has dedicated Compliance, Sustainability, and Human Resources teams responsible for ensuring that the controls established by the Kering policies and procedures described below are properly deployed throughout their operations.

3.4.2 Key Policies and Procedures

Kering's subsidiaries, suppliers, and subcontractors are required to strictly abide by local legislation and to comply with the policies and procedures summarized below. Should these policies and procedures set forth more stringent standards than those established by local legislation, such standards must take precedence.

Code of Ethics. As noted above, the Code of Ethics forms the cornerstone of Kering's ethical commitments and, as such, includes the Group's engagements in upholding human rights, fundamental freedoms, health and safety and the environment. It also requires its suppliers to adhere to the same commitments, notably *via* its annexed Suppliers' Charter, which sets out Kering's expectations *vis-à-vis* its suppliers. Compliance with the Charter constitutes an essential condition of the commercial relationship between the Group or the Houses and their suppliers, which are in turn required 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 to its activities and to strengthen and clarify its requirements towards suppliers. For example, the Suppliers' Charter now includes a requirement to pay special attention to certain 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.

Human Rights Policy. The Human Rights Policy, published in 2021, defines the Group's commitments on human rights and fundamental freedoms, health and safety, and environmental protection. The Human Rights Policy further outlines the Group's policies related thereto and defines the means by which the Group and its business partners, including suppliers and contractors, can ensure the fulfillment of these commitments.

Sustainability Principles. The Sustainability Principles, created in 2015 and updated in 2021, are applicable across all Houses and cover three main 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 4.1.3.1 of Chapter 4 "Sustainability" of this Universal Registration Document "Implementation of the social audit system within the Group" and on the Group's website.

Kering Standards for Raw Materials and Manufacturing Processes. In the pursuit of its commitment and approach to human and environmental concerns, Kering has published dedicated standards on raw material sourcing, manufacturing processes, and animal welfare. The key factors covered by the Kering Standards include (i) environmental impact, (ii) working conditions and human rights in the production, and (iii) extraction processes of the key raw materials used throughout the Group, whether mined, otherwise extracted or of plant or animal origin. The principles that underpin the Kering Standards are integrity, circularity, and the application of the principle of precaution. 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 section 4.1.1 of the Sustainability chapter.

Kering Animal Welfare Standards. In May 2019, the Group published the Animal Welfare Standards with the aim of ensuring the best treatment for animals throughout the supply chain. The Kering Animal Welfare Standards are the first ever set of full standards for the luxury and fashion sectors and aim to drive positive change in industry practices and beyond. They cover all the species in the Group's supply chains around the world, notably cattle and calves, sheep, goats, ostriches, crocodiles and alligators and pythons. 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.

Environmental Policy. Kering's Environmental Policy contributes to the fulfillment of the Care pillar of Kering's 2025 sustainability strategy. It spans the entire supply chain, focusing on the three following objectives: (i) reduce Kering's Environmental Profit and Loss account ("EP&L") by 40% with respect to 2015; (ii) achieve 100% compliance with the Kering Standards; and (iii) ensure 100% traceability for the Group's main raw materials.

Climate Strategy. Kering firmly believes that companies can play a decisive role in the fight against climate change, and has drawn up in 2021 a holistic strategy with a clear commitment to a 1.5°C pathway, underlining its ambitions in sustainability, circularity and biodiversity. Key highlights of Kering's Climate Strategy include: (i) reaching a 90% absolute reduction of Scope 1 and 2 greenhouse gas emissions by 2030 from a 2015 baseline; (ii) reducing 70% (per unit value added) of Scope 3 greenhouse gas emissions by 2030; (iii) increasing direct sourcing of renewable electricity to reach 100% by 2022; and (iv) strategic and appropriate offsetting through Natural Climate Solutions ("NCS") for 'hard to abate' emissions. More information on Kering's Climate strategy can be found in section 3.2.1 of the Sustainability chapter.

Biodiversity Strategy. The Biodiversity Strategy, published in 2020, explains Kering's approach on preserving natural resources. This approach is structured around four phases (avoidance, reduction, restoration/regeneration and transformation) and has three main goals: (i) to stem the loss of biodiversity, (ii) to re-build ecosystems and rehabilitate species, and (iii) to drive systemic change throughout the supply chain and beyond. More information on Kering's biodiversity strategy can be found in section 3.2.1 of the Sustainability chapter.

Fashion Models Charter. The Charter on the Working Relations with Fashion Models and their Well-Being 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 drinks). In 2019, in furtherance of this Charter, Kering and its Houses committed 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, service providers, and visitors to Group sites, so as to promote best practices, assert the Group's commitment to an environment conducive to employee health and safety, and undertake 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 achieve Kering's target of zero accidents.

Compliance Manual. The Compliance Manual, which was issued Group-wide in 2018, sets out practical examples on the main ethics risks associated with Kering's operations, including with respect to human rights violations. The Manual outlines the basic concepts and legal challenges involved and gives practical examples enabling employees to pinpoint areas requiring vigilance in their day-to-day work.

3.4.3 Risk Prevention and Mitigation Measures in the Internal Operations

Raising Employee Awareness. Kering seeks to ensure that its employees throughout the Group are fully acquainted with its policies and procedures (including with respect to human rights, sustainability and environmental protection) through regular training, internal communications, and Group-wide events. The training offer includes: (i) the annual Ethics and Compliance e-learning, with training modules covering different ethics, compliance and sustainability-related topics, mandatory for all Group employees. In 2021, the training curriculum focused on cultural differences, invisible disability at work, resale of luxury items, compliance and anti-corruption, as well as biodiversity and animal welfare. This training also allowed to raise awareness on the newly published Human Rights Policy; and (ii) the Kering Standards e-learning, available to employees since 2019 to better understand Kering's strategy to reduce its environmental and social impacts due to raw materials and manufacturing processes. Kering and its Houses also share their commitment towards sustainability through the company social networks, and leverage them to create and communicate on Group-wide events celebrating recognized initiatives, such as the World Environment Day and raises awareness on environmental issues. They also created a dedicated digital platform, called Kering Planet, which includes interactive tools such as quizzes and contests on the subject matter.

Sustainability Certifications. In furtherance of the Group's commitment to ensure compliance with the highest social and environmental standards, multiple entities and sites owned by Kering and its Houses have obtained a significant number of sustainability certifications. These include the SA8000 (covering working conditions and social standards), ISO 14001 (covering environmental performance), ISO 45001 (covering health and safety), ISO 9001 (covering compliance with applicable statutory and regulatory requirements), ISO 28000 (covering security within the supply chain), and ISO 22301 (covering Business continuity management systems) standards. Certifications related to the implementation of environmental management systems are sought primarily for the sites that have a more significant environmental impact, such as large logistics centers and tanneries. All of the Group's tanneries have been ISO 14001 certified since 2019.

3.4.3.1 Key Control Measures Designed to Prevent Severe Impacts on Human Rights and Fundamental Freedoms

No Child Labor / Forced Labor. Kering and its Houses reject all forms of child labor, forced labor, and human trafficking. The Group has put into place recruitment processes designed to ensure the respect of relevant legal requirements (including with respect to the employment age) and the prevention of human rights abuses. To that end, employees from the Human Resources function received specific trainings to ensure that such processes are fully implemented.

Promoting Diversity and Preventing Discrimination. Kering believes that diversity is a source of creativity and innovation and seeks to develop an inclusive approach to ensure that everyone is given the opportunity to be themselves. Kering is also committed to fostering a culture of equality at all levels of the Group and offering its employees an open and stimulating working environment, free from any discrimination. Kering launched in January 2020 the Baby Leave policy, entitling all employees worldwide to 14 weeks' leave on full pay upon becoming parents, including fathers and partners. The Baby Leave 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 2019, the Inclusion and Diversity team has been instrumental in the adoption of initiatives to foster a culture of diversity and inclusion throughout the Group. Among others, this team has (i) supported the creation of Inclusion and Diversity Committees in each House, (ii) developed and delivered a comprehensive Inclusive Recruitment training, for recruiters from all Houses, and (iii) developed several initiatives to raise awareness, encourage meaningful conversation, and bring positive change. Such initiatives included the Inspiring Speakers' series, the D&I Glossary and dedicated communication campaigns (*e.g.*, the International Women's Day and Pride Month).

Empowering Women. Empowering women is a priority at Kering, which seeks to ensure that women are well represented at all levels of management in the Group. In 2010, Kering was one of the first signatories of the Women's Empowerment Principles Charter drawn up by UN Women and the UN Global Compact. Kering and its Houses develop women's skills through specific programs, such as mentoring sessions, coaching, and leadership training, to support women talents and enhance gender diversity in senior management positions. Kering is closely monitoring the representation of women in top executive positions and is committed to achieving gender pay equity at every level of the organization by 2025.

Free from Harassment. Kering endeavors to provide a working environment free from any form of harassment or violence. As such, Kering and its Houses encourage all employees to report any instances of such behavior, which is subject to disciplinary sanctions and, in many countries, criminal proceedings. Kering ensures that its employees are fully versed on their rights in the matter, including by having provided a module on discrimination and harassment in its 2020 Ethics & Compliance training. In an effort to extend its commitment externally, Kering also supports victims of domestic violence *via* its 2021 Policy on Domestic Violence and the work of the Kering Foundation.

Increased Dialogue with Employees. Kering is fully committed to guaranteeing applicable trade union rights and to engaging in a constant and productive dialogue with its employees worldwide, including with those located in countries that do not allow collective bargaining. Kering performs a biannual employee survey to collect employees' feedback on their working environment, in a confidential and secure way. Based on feedback received, Kering develops a Group action plan that is adapted at each House and local level. Kering also conducts local actions to increase awareness and foster the adoption of well-being policies. For example, in January 2021, Kering conducted a survey in the APAC region to understand how to increase Baby Leave adoption.

Decent Working Conditions. Kering and the Houses seek to ensure that the work of employees is adequately remunerated and conducted in compliance with local legislation, including with respect to working hours. As such, the Group partnered with Fair Wage Network to conduct a study to evaluate if the base salary of the Group's employees allows for an adequate standard of living in the key countries where Kering operates. Kering has also adopted a number of initiatives designed to ensure the mental well-being of employees, including during the COVID-19 pandemic. Such initiatives include free, voluntary external psychological support services, increased remote working, wellness days and workshops designed to provide managers with tools to maintain cohesion and efficient teamwork despite the pandemic.

Supporting Local Communities. Kering plays a role in the life of the communities where its sites are located and works to prevent and mitigate any negative impacts that its operations create or to which they contribute. In this respect, Kering is actively engaged in supporting the continuation of artisan traditions and the communities that support artisans, including the trade of leatherwork in Italy, watchmaking in the Jura Valley, and artistic creation in Milan, Paris, and London. These efforts are also cascaded throughout the Houses, as evidenced by Gucci's efforts. In 2019, Gucci implemented the Gucci Changemakers Program, a global initiative that allows Gucci employees worldwide to dedicate up to four paid days of leave a year to make a positive impact on local communities through volunteering. Gucci also launched the Design Fellowship Program, a partnership with 10 fashion schools around the world that aims to provide opportunities for underrepresented groups and global communities to gain professional experience and exposure to luxury fashion design. Kering also launched the Giving Back program to meet the needs expressed by employees for a strong sense of purpose. The program gives the employees of participating Houses the opportunity to support selected and validated local good causes through 21 paid working hours of volunteering per year. Launched in France and Italy in 2021, the program will be implemented in the UK in 2022, and then extended to additional countries.

3.4.3.2 Key Control Measures Designed to Prevent Severe Harm to the Health and Safety of Individuals

Safe and Hygienic Working Conditions. Kering is committed to the principle of risk prevention and seeks to ensure the occupational health and safety of its employees by complying with all applicable regulations and by establishing relevant best practices. The Kering Security Department is responsible for managing the security of Group sites, preparing relevant emergency plans, and delivering safety trainings to employees. As noted above, Gucci has also obtained the ISO 45001 certification related to the occupational health and safety management systems aiming at reducing occupational injuries and diseases, and promoting and protecting physical and mental health. Kering and the Houses have also undertaken multiple initiatives designed to ensure the health and safety of employees during the pandemic, including complying with all relevant regulations, increased remote working, and offering free testing for employees in certain locations.

Minimizing Chemicals / Hazardous Substances. Kering works constantly to curb the use of chemicals and hazardous substances from all its Houses' products and production processes. For this purpose, the Group has created two lists of restricted substances: one for production processes, the Manufacturing Restricted Substance List ("MRSL"), and one for products, the Product Restricted Substance List ("PRSL"). The MRSL is focused on discontinuing the use of dangerous chemicals in manufacturing processes to both avoid the exposure of employees to hazardous substances, and reduce toxic discharges into water. The main source of the Group's hazardous waste production is related to the operations of its tanneries. As such, the Group is actively involved in the research and development of environmental-friendly tanning processes, and has introduced a heavy metal-free tanning method in leather tanneries.

3.4.3.3 Key Control Measures Designed to Prevent Serious Environmental Damages

Environmental Profit & Loss Account. Since 2012, Kering has measured and quantified its progress toward becoming a more sustainable Group through its EP&L. The EP&L allows the company to measure its impacts on natural capital throughout its value chain and assign a monetary value to them. The EP&L is the cornerstone of the Group's environmental approach and 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. The Group has indeed undertaken to reduce its EP&L intensity by 40% by 2025 compared with 2015. In line with its commitment to transparency, the Group's EP&L results and an analysis of progress made have been shared *via* the open source platform kering-group.opendatasoft.com.

Reducing Carbon Emissions. The Group has set very ambitious targets for reducing its carbon footprint by 2030. As part of the Fashion Pact, Kering and over 250 global fashion brands committed to take action to halt climate change, restore biodiversity and protect the oceans. The participating companies have notably pledged to take action to achieve the objective of net-zero greenhouse gas emissions by 2050, in order to keep global warming below 1.5°C between now and 2100. As part of these commitments, Kering continues to offset its residual Scope 1 and 2 greenhouse gas emissions. Kering also continues its strategic and voluntary offsetting program covering for 2021 its full Scope 1, 2, 3 greenhouse gas emissions released in 2020 amounting to 1,779,888 tCO_2. Carbon credits have been obtained through the provision of support for several REDD+ (Reducing Emissions from Deforestation and Forest Degradation) programs, with Verified Carbon Standard ("VCS") certification. Not only does this generate carbon credits, it also provides substantial support for local populations and the protection of biodiversity.

Favoring Renewable Energies. In 2020, Kering joined the RE100 initiative, led by the Climate Group and the Carbon Disclosure Project. As part of this initiative, Kering has pledged to use 100% renewable electricity by 2022. The proportion of renewable electricity used within the Group amounted to 92% in 2021 as compared to 66% in 2018. Kering also encourages entering into agreements to purchase locally produced green electricity. Where this is not possible, Kering purchases Energy Attribute Certificates. On top of external purchases, the Houses continue to increase their reliance on renewable energy, for example by installing solar panels.

Monitoring Energy Use. While constantly seeking to optimize the energy efficiency of its sites, Kering has implemented an energy consumption monitoring system which allows the Houses to access monthly consumption data for their sites on an IT platform. The system also allows to streamline the energy procurement process by pooling and consolidating energy consumption, increase the use of renewable energy, and centralize energy procurement management.

Waste Treatment. Kering and its Houses have created dedicated partnerships to find sustainable solutions for waste recycling, in an effort to combat and minimize the production of waste generated by the intensity of the Group's operations, particularly in the retail sector. In addition, as the main source of the Group's hazardous waste production occurs in its tanneries, each tannery has its own onsite wastewater treatment plant, which pretreats all wastewater.

More Sustainable Packaging. Kering and its Houses make every effort to opt for the most sustainable solutions available made from recycled or certified biosourced materials. They also carry out initiatives to reduce the use of packaging while maintaining an optimal level of protection for the goods manufactured. In 2020, Kering developed a new packaging standard setting out the eco-design principles to improve its environmental impact of packaging materials. In the same vein, Kering has pledged to eliminate single-use plastics from its B2C and B2B packaging by 2025 and 2030, respectively.

Reducing Water Consumption. Kering seeks to reduce the consumption of water in its operations, and has identified that 65% of water consumed across the Group is used for domestic purposes and 35% for industrial purposes. The Group's industrial water consumption is primarily attributable to its tanneries, none of which is located in water-stressed zones. However, the Houses have continued to work to identify innovative tanning processes that eliminate heavy metals and use less water.

Protecting Biodiversity. Kering is committed to preserving biodiversity through several conservation programs. As noted above, in 2020, the Group developed a biodiversity strategy, which aims to stem the loss of biodiversity, re-build ecosystems, and rehabilitate species as well as to drive systemic change throughout the supply chain and beyond. As part of its commitment, Kering will protect one million hectares of essential and irreplaceable habitats outside of its supply chain by 2025, primarily through programs that will be beneficial on multiple levels in terms of biodiversity protection, carbon sequestration and improved livelihoods for local people. Kering has also created the Kering Regenerative Fund for Nature to steer its action programs and achieve a net positive impact by 2025. At House level, in 2020, Gucci joined the Lion's Share funds, an initiative designed to support animal welfare and conservation projects by donating a percentage of its media spend on advertisements featuring animals. Gucci also partnered with ForestaMI to safeguard forests in Lombardy.

3.4.4 Risk Prevention and Mitigation Measures in Supply Chain Operations

Raising the Awareness of Suppliers. Kering and its Houses provide suppliers with multiple awareness-raising initiatives which aim at providing them with tools to enable them to comply with the highest social and environmental standards. For instance, the Kering Materials Innovation Lab has daily interactions with ready-to-wear and accessories suppliers to promote compliance with the Kering Standards for Raw Materials and Processes. In the same vein, 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. Relevant workshops covered, *inter alia*, FSC materials, animal welfare, and traceability. In 2020, Gucci also launched the Gucci Supply Chain Academy, a customized training program that focuses on the various key skills required in the supply chain function, to standardize and share knowledge across all teams and enable them to anticipate market trends and respond to the commercial challenges ahead.

Sustainability Certifications. Multiple Kering and House suppliers have obtained third party sustainability certifications covering, *inter alia*, environmental and social standards. Kering constantly compares the standards underpinning these certifications with those established by its Sustainability Principles and Standards for Raw Materials and Processes so it may determine which certifications are aligned with them and those that cannot be accepted.

3.4.4.1 Key Control Measures to Prevent Severe Impact on Human Rights and Fundamental Freedoms

No Child Labor / Forced Labor. Kering and its Houses prohibit all forms of child labor or forced labor throughout the value chain and consider them breaches for which they have zero tolerance, leading to an immediate termination of the supplier relationship. As such, the audits performed as part of the Hercules management system include various measures to identify potential instances of child labor or forced labor. In addition, the Kering Supply Chain Audit Department performs a periodic analysis on suppliers to assess the cost of their work per minute, which may lead to targeted investigations to understand any anomalies identified as part of this process (which might be an indicator of abusive work practices).

Promoting Diversity and Preventing Discrimination. Kering and its Houses expect their business partners to respect and promote equal opportunity and treatment in employment and to create an inclusive workplace. In addition to the commitments included in the Sustainability Principles, the audits performed as part of the Hercules management system also review potential instances of discriminatory practices within the operations of suppliers. Kering and its Italian Houses, in collaboration with the Camera Nazionale della Moda and three specialized associations (BSR, Wise Growth, and Valore D), issued practical recommendations on enhancing gender equality in the Italian luxury sector supply chain following an extensive study that investigated challenges faced by women in this supply chain. This study covered more than 180 suppliers and surveyed 880 people (70% women) on gender equality *via* in-person interviews and questionnaires. Four priority focuses were identified during the study: (i) "working conditions and economic opportunities," (ii) "leadership and career advancement," (iii) "motherhood" and (iv) "workplace conduct and harassment." Launched in 2020, the second stage of the project focused on the implementation of the recommendations by raising awareness of the four identified priorities. Kering also worked on a project focused on empowering women around gold mines in Ghana through, *inter alia*, micro-loans and skills training, and worked on a project to support 150 cotton farmers in India through community education on women's rights, education and health and safety.

Free from Harassment and Violence. Kering and its Houses expect their suppliers to treat employees with dignity and respect and to prohibit physical punishment, mental or physical coercion or verbal abuse. As such, suppliers and sub-suppliers must not engage in any conduct that is offensive, abusive, demeaning, intimidating or threatening, such as verbal abuse, negative stereotyping, unwelcome contact, unwelcome sexual advances or requests for sexual favors. The Kering Foundation has been involved in supporting women impacted by violence, through partnering with survivor-centered services, and local experts, while implementing preventive programs with the youth to achieve real change.

Increased Dialogue. Kering and its Houses expect their business partners to engage in open and constructive dialogue with workers and their representatives and to respect the right of workers to form and join organizations of their own choosing and bargain collectively. In addition to the commitments included in the Sustainability Principles, we note that the audits performed as part of the Hercules management system cover, *inter alia*, the freedom of association and the right to collective bargaining.

Decent Working Conditions. Kering expects its suppliers to pay their employees no less than the minimum legal standard or the appropriate prevailing industry standard, whichever is higher. Kering is committed to ensuring that workers in its supply chain are fairly compensated for their work. Kering expects business partners to comply with applicable regulations regarding working hours, whilst not exceeding 48 working hours per week. Wages and working hours are also expressly investigated by the audits performed as part of the Hercules management system, which cover wages and working hours as well as subcontracting and the risk of illegally resorting to subcontractors that have underpaid workers. Among other initiatives, the Group is actively involved in the Utthan project in India, which aims at ensuring the empowerment of embroidery craftsmen and craftswomen through, *inter alia*, the payment of living wages and regulated working hours.

Protecting Against Local Community Abuses. Kering and its Houses are committed to respecting and actively contributing to the economic and social development of the local communities impacted by their operations worldwide. In this respect, Kering undertakes to, *inter alia*, avoid forced eviction and the displacement of populations as a result of its operations. Kering and its Houses further encourage their suppliers and sub-suppliers to build a constructive relationship with local communities, and require them to source raw materials in strict accordance with the Kering Standards and the Sustainability Principles.

3.4.4.2 Key Control Measures to Prevent Severe Harm to the Health and Safety of Individuals

Safe and Hygienic Working Conditions. Kering and its Houses expect their business partners to create a healthy and safe working environment through the implementation of appropriate effective measures to avoid jeopardizing the health and safety of workers in the workplace. For example, suppliers are required to provide relevant employees with the protection equipment prescribed by applicable regulations and offer them training on relevant safety standards and procedures that they should follow. Employees should also have free access to clean toilet facilities and potable water. The audits performed as part of the Hercules management system expressly cover select issues dedicated to the review of health and safety practices within the workplace. In addition, in 2020, Kering conducted a survey relating to the impact of the COVID-19 pandemic, and the dedicated measures that suppliers had been implemented to ensure the health and safety of employees.

Minimizing Chemicals / Hazardous Substances. As noted above, Kering is committed to phasing out and eliminating all hazardous chemicals from its production processes. The Group's chemical management framework goes beyond regulatory requirements and includes specific guidelines, the PRSL and MRSL lists described above, that identify restricted substances within products and production processes. Kering requires all suppliers and sub-suppliers to strictly comply with this framework and to report any non-compliance therewith. Compliance with these requirements is also investigated as part of the Hercules audits as well as additional chemical related audits targeting specific categories of suppliers at risk.

3.4.4.3 Key Control Measures to Prevent Serious Environmental Damage

Environment Profit & Losses. As noted above, the EP&L is the cornerstone of the Group's environmental approach and allows Kering and its Houses to measure their environmental impact throughout the supply chain. Suppliers and sub-suppliers are invited to share information on, *inter alia*, air emissions, energy use, land use, waste production, water use and water discharge with Kering and its Houses. As further noted above, the Group has undertaken to reduce its EP&L intensity by 40% by 2025 compared with 2015.

Sourcing of Raw Materials. The Group's EP&L clearly shows that most of the environmental impact (67%) is caused upstream of its supply chains by the production of raw materials and their initial transformation (Tiers 3 and 4). In 2021, Kering traced 90% of its key materials back to their country of origin at least, and even further for animal-based materials (fur, leather, and precious skins). By 2025, Kering aims to ensure 100% traceability of its key raw materials and that these fully comply with the Kering Standards to further reduce its environmental footprint. Kering further intends to increase the scope of the materials covered by the Kering Standards and scale up an internal purchasing platform to have access to high quality, sustainable raw materials following the success of the Kering Ethical Gold platform.

Reducing Carbon Emissions. As noted above, the Group continues to offset greenhouse gas emissions. In 2021, Kering voluntarily offset its full Scope 1, 2, 3 greenhouse gas emissions released in 2020 amounting to 1,779,888 tCO_2. Carbon credits have been obtained through the provision of support for several REDD+ programs, with VCS certification.

Waste & Packaging. 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 or the design of recyclable products: it requires real change in practices at each stage of the production cycle. As such, in 2021, Kering has released a report presenting its new ambitions towards a circular economy, and participated in the construction of the Ellen MacArthur Foundation's vision for circular fashion, published in October 2020 to unite the sector around a common frame of reference and definitions. The vision is based on three pillars: "used more", "made to be made again", and "made from safe and recycled or renewable inputs", on which Kering and its Houses are rolling out their circular economy approach. The first pillar of circular fashion is to create products that last and retain their value over time and to produce the right number of products so as to avoid unsold products. The second pillar of circular fashion focuses on efficiently reusing, upcycling or recycling materials, products and packaging while working to strengthen the associated production channels in close collaboration with public and private stakeholders. Kering and its Houses have also launched numerous initiatives and entered into multiple partnerships to collect waste and scraps from production processes and fashion shows with a view to recycling or reusing them, or to donate materials and raw materials such as fabrics. The third pillar of the vision for circular fashion focuses on the sound management of chemicals, the maximum use of recycled or renewable materials, and recycling at every stage of production. As regards materials used, the Kering Standards allow the Group's Houses to identify sourcing preferences – recycled, bio-sourced or certified – by material. In addition, the Materials Innovation Lab provides House design teams with a pool of sustainable and innovative materials and assists them in the selection of circular materials. Kering further participates in the Clean by Design program launched by the Natural Resources Defense Council to have the Houses propose free environmental-related audits to suppliers, designed at improving their environmental-related practices, especially at reducing waste and emissions. Finally, the audits performed as part of the Hercules management system also investigate waste management practice of suppliers, including recycling practices.

Animal Welfare. Kering requires that its suppliers ensure that the capture, breeding, raising, transportation, handling and slaughter of animals occur in compliance with applicable local animal welfare, social, and environmental laws and regulations. As noted above, in 2019, Kering also published its Standards for all animal species present in its supply chain and released standards specifically targeting calves, cattle, sheep and goats, which account for a particularly sizable proportion of the leather supply chain. To go further on its commitment towards animal welfare, in September 2021, Kering announced that none of its Houses will use fur starting from their Fall 2022 collections. Teams from Kering and the Houses have carried out numerous farm visits in recent years, but they could not continue in 2020 due to the global health crisis. In 2020, Kering focused on active engagement with the various potential and existing suppliers to assess and assist them in improving their sustainable environmental, biodiversity, and animal welfare management practices. The Group also 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 this respect, it is worth noting that 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.

Protecting Biodiversity. As noted above, as part of its biodiversity strategy, Kering is committed to having a net positive impact on biodiversity by 2025. To achieve this, Kering has agreed to protect one million hectares of essential and irreplaceable habitats outside of its supply chain, and facilitate through the Regenerative Fund for Nature the transition to regenerative agricultural practices on an additional one million hectares in areas where raw materials entering Kering's supply chain are extracted. In addition, the Houses avoid sourcing materials with known negative impacts on the environment, particularly in areas of critical ecological importance. As specified in the Kering Standards, this includes ensuring that supplies are all sourced from materials that do not cause deforestation as well as ensuring that materials adhere closely to the guidelines as published within the framework of CITES. When impacts are inevitable, Kering and its Houses strive to reduce negative impacts on the environment by sourcing materials from preferred sources as defined in the Kering Standards, which list recommended third party certifications in our supply chains that guarantee low-impact agricultural practices, such as organic farming for instance.

3.5 Alert mechanism

Introduced in 2005, Kering's whistleblowing system was reinforced in 2013 with the creation of two regional Ethics Committees (Asia-Pacific and Americas), supplementing the Group Ethics Committee established in place in 2005, and further strengthened in 2018 to, *inter alia*, ensure full compliance with France's Sapin II law. The whistleblowing system is accessible to all Group employees as well as those of any service provider or external partner with whom the Group and/or its Houses maintain contractual relationships. Once the whistleblowing system was opened to all suppliers and service providers, these third parties have been informed accordingly.

Alerts received through the Group whistleblowing system are handled by the Group's Compliance Organization and Ethics Committee, this latter being chaired by the Kering Chief Sustainability and Institutional Affairs Officer. Kering is fully committed to ensuring the strict confidentiality of the identity of the whistleblower and the information detailed in the report, and prohibits the adoption of retaliation measures of any sort against those who report in good faith. The Group's whistleblowing procedure is fully detailed in the Kering Code of Ethics, which is publicly available on the Group's website.

Kering is committed to ensuring that all alerts, including those related to the implementation of the Duty of Care Law, are properly addressed and the underlying behavior is adequately remediated.

In 2020, Kering undertook an extensive communication campaign designed to, *inter alia*, remind the employees of its direct suppliers of its whistleblowing system and how to use it. The campaign was translated into 15 languages and took two forms: (i) a poster displayed in relevant locations at supplier and service provider sites, to gain the greatest visibility (cafeteria, locker rooms, site entrance, etc.) and (ii) a flyer to be given directly to employees. This campaign has been updated in 2021 to target newly enlisted suppliers. More information on the roll-out of this campaign and its update can be found on section 2.3 of the Sustainability chapter.

3.6 Monitoring system designed to assess the effectiveness of the controls in place

As noted above, Kering periodically updates its risk mapping to ensure the constant evaluation of the controls designed to mitigate risks relevant to the Duty of Care Law. The results of the 2021 risk mapping, as well as the general action plan associated thereto, were shared with the Group Audit Committee in early June 2021.

The implementation of the Kering internal controls system within the Group's internal operations is periodically assessed by the Group Internal Audit Department through the performance of internal audits performed in accordance with the Group's annual audit plan. In addition, as noted above, the overall implementation of the action plan adopted following the 2021 risk mapping is supervised by the Group Compliance Department, which conducts regular reviews designed to ensure that the Kering compliance-related policies and procedures are properly implemented by Group entities and Houses, including from a human rights compliance perspective. Furthermore, a number of functions at the Group level, including the Sustainability Department and the Inclusion & Diversity team, support the Houses with respect to the implementation of Kering's policies and strategies.

As to the Group's supply chain, as noted above, the Kering Supply Chain Audit Department conducts regular audits designed to evaluate the implementation of the Kering Sustainability Principles by the Group's suppliers, including with respect to human rights, health and safety and environmental protection.

Kering has also established tracking and performance indicators designed to further monitor the effective implementation of the controls summarized above.

CHAPTER 6
Financial statements as of December 31, 2021

1 - CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

1.1 Consolidated income statement

(in € millions)	Notes	2021	2020
CONTINUING OPERATIONS			
Revenue	5	**17,645.2**	**13,100.2**
Cost of sales		(4,576.7)	(3,590.6)
Gross margin		**13,068.5**	**9,509.6**
Personnel expenses	6	(2,444.1)	(2,070.0)
Other recurring operating income and expenses		(5,607.2)	(4,304.4)
Recurring operating income		**5,017.2**	**3,135.2**
Other non-recurring operating income and expenses	8	(219.8)	163.0
Operating income		**4,797.4**	**3,298.2**
Financial result	9	(273.2)	(341.7)
Income before tax		**4,524.2**	**2,956.5**
Income tax expense	10	(1,280.4)	(759.2)
Share in earnings (losses) of equity-accounted companies		1.0	(7.6)
Net income from continuing operations		**3,244.8**	**2,189.7**
o/w attributable to the Group		*3,164.6*	*2,160.2*
o/w attributable to minority interests		*80.2*	*29.5*
DISCONTINUED OPERATIONS			
Net income (loss) from discontinued operations		**11.1**	**(9.8)**
o/w attributable to the Group		*11.1*	*(9.8)*
o/w attributable to minority interests		-	-
TOTAL GROUP			
Net income of consolidated companies		**3,255.9**	**2,179.9**
o/w attributable to the Group		*3,175.7*	*2,150.4*
o/w attributable to minority interests		*80.2*	*29.5*

(in € millions)	Notes	2021	2020
Net income attributable to the Group		**3,175.7**	**2,150.4**
Basic earnings per share *(in €)*	11.1	25.49	17.20
Diluted earnings per share *(in €)*	11.1	25.49	17.20
Net income from continuing operations attributable to the Group		**3,164.6**	**2,160.2**
Basic earnings per share *(in €)*	11.1	25.40	17.28
Diluted earnings per share *(in €)*	11.1	25.40	17.28
Net income from continuing operations (excluding non-recurring items) attributable to the Group		**3,361.3**	**1,972.2**
Basic earnings per share *(in €)*	11.2	26.98	15.78
Diluted earnings per share *(in €)*	11.2	26.98	15.78

1.2 Consolidated statement of comprehensive income

(in € millions)	Notes	2021	2020
Net income		**3,255.9**	**2,179.9**
o/w attributable to the Group		*3,175.7*	*2,150.4*
o/w attributable to minority interests		*80.2*	*29.5*
Change in currency translation adjustments relating to consolidated subsidiaries:		**219.9**	**(124.7)**
change in currency translation adjustments		*219.9*	*(124.7)*
amounts transferred to the income statement		*-*	*-*
Change in foreign currency cash flow hedges:	22.6	**(279.4)**	**152.3**
change in fair value		*(260.6)*	*222.0*
amounts transferred to the income statement		*(33.6)*	*(61.6)*
tax effects		*14.8*	*(8.1)*
Change in other comprehensive income (loss) of equity-accounted companies:		**-**	**3.8**
change in fair value		*-*	*2.1*
amounts transferred to the income statement		*-*	*1.7*
Gains and losses recognized in equity, to be transferred to the income statement		**(59.5)**	**31.4**
Change in provisions for pensions and other post-employment benefits:	24	**16.5**	**1.3**
change in actuarial gains and losses		*18.2*	*1.3*
tax effects		*(1.7)*	*-*
Change in financial assets measured at fair value:	17.2	**82.4**	**290.1**
change in fair value		*90.7*	*295.8*
tax effects		*(8.3)*	*(5.7)*
Gains and losses recognized in equity, not to be transferred to the income statement		**98.9**	**291.4**
Total gains and losses recognized in equity		**39.4**	**322.8**
o/w attributable to the Group		*25.2*	*333.3*
o/w attributable to minority interests		*14.2*	*(10.5)*
COMPREHENSIVE INCOME		3,295.3	2,502.7
o/w attributable to the Group		*3,200.9*	*2,483.7*
o/w attributable to minority interests		*94.4*	*19.0*

1.3 Consolidated balance sheet

Assets

(in € millions)	Notes	Dec. 31, 2021	Dec. 31, 2020
Goodwill	12, 14	2,891.2	2,452.2
Brands and other intangible assets	13	7,032.1	6,985.8
Lease right-of-use assets	15.1	4,301.5	3,956.8
Property, plant and equipment	16	2,966.9	2,670.2
Investments in equity-accounted companies		31.1	36.2
Non-current financial assets	17	1,053.8	1,688.6
Deferred tax assets	10.3	1,352.6	1,177.4
Other non-current assets		6.0	17.4
Non-current assets		**19,635.2**	**18,984.6**
Inventories	18	3,368.9	2,845.5
Trade receivables and accrued income	19	977.2	910.4
Current tax receivables		821.6	600.5
Current financial assets	17	22.2	158.0
Other current assets		974.8	1,062.9
Cash and cash equivalents	21.1	5,248.7	3,442.8
Current assets		**11,413.4**	**9,020.1**
Assets held for sale		**19.0**	**0.7**
TOTAL ASSETS		31,067.6	28,005.4

Equity and liabilities

(in € millions)	Notes	Dec. 31, 2021	Dec. 31, 2020
Equity attributable to the Group		13,346.8	11,820.9
Equity attributable to minority interests		389.4	214.1
Equity	**20**	**13,736.2**	**12,035.0**
Non-current borrowings	21	2,975.5	3,815.3
Non-current lease liabilities	15.2	3,825.8	3,545.8
Non-current financial liabilities	23	0.1	80.0
Non-current provisions for pensions and other post-employment benefits	24	88.9	107.5
Non-current provisions	25	16.4	18.4
Deferred tax liabilities	10.3	1,452.3	1,485.1
Other non-current liabilities		198.4	183.6
Non-current liabilities		**8,557.4**	**9,235.7**
Current borrowings	21	2,441.6	1,776.2
Current lease liabilities	15.2	675.3	538.0
Current financial liabilities	23	743.0	338.1
Trade payables and accrued expenses		1,741.9	1,489.6
Current provisions for pensions and other post-employment benefits	24	12.3	12.2
Current provisions	25	137.7	212.4
Current tax liabilities		1,148.0	901.3
Other current liabilities		1,824.9	1,466.8
Current liabilities		**8,724.7**	**6,734.6**
Liabilities associated with assets held for sale		**49.3**	**0.1**
TOTAL EQUITY AND LIABILITIES		31,067.6	28,005.4

1.4 Consolidated statement of changes in equity

(Before appropriation of net income) *(in € millions)*	Notes	Number of shares outstanding	Share capital	Capital reserves	Kering treasury shares	Cumulative translation adjustments	Remeasurement of financial instruments	Other reserves and net income	Group	Minority interests	Total
As of January 1, 2020		**125,017,916**	**505.1**	**2,428.4**	**(570.8)**	**(174.5)**	**(80.1)**	**8,170.0**	**10,278.1**	**160.5**	**10,438.6**
Net income								2,150.4	2,150.4	29.5	2,179.9
Total gains and losses recognized in equity						(113.7)	442.4	4.6	333.3	(10.5)	322.8
Comprehensive income						**(113.7)**	**442.4**	**2,155.0**	**2,483.7**	**19.0**	**2,502.7**
Change in equity of Kering SA									-	-	-
Change in equity of subsidiaries									-	25.4	25.4
Expense related to share-based payments	7							9.0	9.0	-	9.0
Cancellation of Kering treasury shares	20.1		(5.0)	(565.8)	570.8				-	-	-
(Acquisitions) disposals of Kering treasury shares[(1)]	20.1	(95,000)			(53.9)			(0.2)	(54.1)	-	(54.1)
Distribution of dividends	20.2							(870.7)	(870.7)	(10.1)	(880.8)
Other changes[(2)]								(25.1)	(25.1)	19.3	(5.8)
As of December 31, 2020		**124,922,916**	**500.1**	**1,862.6**	**(53.9)**	**(288.2)**	**362.3**	**9,438.0**	**11,820.9**	**214.1**	**12,035.0**
Net income								3,175.7	3,175.7	80.2	3,255.9
Total gains and losses recognized in equity						206.1	(197.1)	16.2	25.2	14.2	39.4
Comprehensive income						**206.1**	**(197.1)**	**3,191.9**	**3,200.9**	**94.4**	**3,295.3**
Change in equity of Kering SA									-	-	-
Change in equity of subsidiaries									-	94.5	94.5
Expense related to share-based payments	7							20.6	20.6	-	20.6
Cancellation of Kering treasury shares	20.1		(1.3)	(207.9)	209.2				-	-	-
(Acquisitions) disposals of Kering treasury shares[(1)]	20.1	(854,211)			(534.8)			(3.5)	(538.3)	-	(538.3)
Distribution of dividends	20.2							(1,122.3)	(1,122.3)	(23.3)	(1,145.6)
Other changes[(2)]								(35.0)	(35.0)	9.7	(25.3)
As of December 31, 2021		**124,068,705**	**498.8**	**1,654.7**	**(379.5)**	**(82.1)**	**165.2**	**11,489.7**	**13,346.8**	**389.4**	**13,736.2**

(1) The acquisition cost of Kering treasury shares is reflected in the "Kering treasury shares" column. Capital gains or losses on the sale of Kering treasury shares, along with the related expenses and taxes, are recognized in the "Other reserves and net income" column.

(2) "Other changes" include changes in Group structure and transactions with minority interests.

1.5 Consolidated statement of cash flows

(in € millions)	Notes	2021	2020
Net income from continuing operations		**3,244.8**	**2,189.7**
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	4.1	1,453.2	1,439.0
Other non-cash (income) expenses	27	17.7	(282.8)
Cash flow received from operating activities	**27**	**4,715.7**	**3,345.9**
Interest paid (received)		214.5	277.4
Dividends received		(2.3)	-
Current tax expense	10.1	1,458.5	657.0
Cash flow received from operating activities before tax, dividends and interest		**6,386.4**	**4,280.3**
Change in working capital requirement	28	(38.0)	44.4
Income tax paid		(1,472.9)	(1,436.1)
Net cash received from operating activities		**4,875.5**	**2,888.6**
Acquisitions of property, plant and equipment and intangible assets	29	(934.0)	(786.9)
Disposals of property, plant and equipment and intangible assets		6.3	2.9
Acquisitions of subsidiaries and associates, net of cash acquired		(465.8)	6.2
Reclassification of cash and cash equivalents held by Girard-Perregaux and Ulysse Nardin as Assets held for sale		(21.2)	-
Disposals of subsidiaries and associates, net of cash transferred		(1.4)	656.3
Acquisitions of other financial assets		(121.7)	(267.9)
Disposals of other financial assets		1,049.0	186.0
Interest and dividends received		37.3	6.9
Net cash received from (used in) investing activities		**(451.5)**	**(196.5)**
Dividends paid to shareholders of Kering SA	20.2	(998.3)	(1,000.1)
Dividends paid to minority interests in consolidated subsidiaries		(26.7)	(9.3)
Transactions with minority interests		2.2	(27.5)
(Acquisitions) disposals of Kering treasury shares	20.2	(538.3)	(54.1)
Issuance of bonds and bank debt	21.4	62.5	1,443.1
Redemption of bonds and bank debt	21.4	(583.2)	(642.3)
Issuance (redemption) of other borrowings		152.2	(258.6)
Repayment of lease liabilities	15.2	(775.5)	(787.3)
Interest paid and equivalent		(221.8)	(287.0)
Net cash received from (used in) financing activities	**30**	**(2,926.9)**	**(1,623.1)**
Net cash received from (used in) discontinued operations		**(2.4)**	**(4.3)**
Impact of exchange rates on cash and cash equivalents		20.9	97.8
Net increase (decrease) in cash and cash equivalents		**1,515.6**	**1,162.5**
Cash and cash equivalents at opening	**26**	**3,000.1**	**1,837.6**
Cash and cash equivalents at closing	**26**	**4,515.7**	**3,000.1**

1.6 Notes to the 2021 consolidated financial statements

PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – INTRODUCTION

Kering SA, the Group's parent company, is a société anonyme (French corporation) 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.

On February 16, 2022, the Board of Directors approved the consolidated financial statements as of December 31, 2021 and authorized their publication. These consolidated financial statements will only be considered as final after their adoption by the April 28, 2022 Annual General Meeting.

The consolidated financial statements as of December 31, 2021 reflect the accounting position of Kering SA, its subsidiaries and its associates (the "Group").

Pursuant to European Regulation No. 1606/2002 of July 19, 2002, these consolidated financial statements were prepared in accordance with applicable international financial reporting standards (IFRSs) as published and endorsed by the European Union and mandatorily applicable as of the reporting date.

The accounting policies and methods applied by the Group pursuant to IFRSs are set out in Note 33 – Accounting policies and methods.

NOTE 2 – SIGNIFICANT EVENTS OF 2021

Investment in Vestiaire Collective

On March 1, 2021, Kering announced that it had acquired a stake of around 5% in Vestiaire Collective, the leading global platform for desirable second-hand fashion, as part of a new €178 million financing round together with a new shareholder, US investment firm Tiger Global Management. Existing shareholders including Vestiaire Collective's CEO, Maximilian Bittner, Bpifrance, Conde Nast, the Eurazeo Group, certain funds managed by Fidelity International, Korelya Capital, Luxury Tech Fund and Vitruvian Partners also reinvested.

Following a strong year in 2020 that saw the platform's transaction volume grow over 100% year-on-year, this financing round granted Vestiaire Collective unicorn status and ideally positions it for its next cycle of accelerated growth.

By investing in Vestiaire Collective and by being represented on the platform's Board of Directors, Kering is illustrating its pioneering strategy, which consists of supporting innovative business models, embracing new market trends and exploring new services to fashion and luxury customers.

Kering enhances its global logistics capabilities with a new hub in Northern Italy

On April 8, 2021, Kering announced the completion of the first phase of its new global logistics hub in Trecate, in the Piemonte region of Northern Italy. The first part of the building has been operating since March 2020, and the second part (over 100,000 sq.m) has come into service gradually since the third quarter of 2021.

Built in record time, the Group's new global logistics hub covers more than 162,000 sq.m (equivalent to 20 football fields) and combines state-of-the-art technology with automation, scalability, innovative sustainability and features for the well-being of employees.

The hub will meet the demand from the Houses' regional warehouses, retail stores, wholesalers and e-commerce operations worldwide, and will significantly increase the Group's capabilities in terms of shipping (up to 80 million pieces per year) and storage (up to 20 million pieces). It will also reduce lead times by 50% by increasing the speed of deliveries and enhance collaboration with the Group's Houses.

More than 250 people are currently working in the facility, with the total number of staff planned to reach approximately 900 by the end of 2022. The site is operated by XPO Logistics, Kering's longstanding logistics partner, which employs the on-site workforce dedicated to warehouse operations.

Sale of a 5.91% stake in PUMA

On May 27, 2021, Kering announced the completion of the sale, following an accelerated bookbuilding process to qualified investors only, of 5.91% of the share capital of PUMA SE for a total amount of approximately €805 million, corresponding to a sale price of €90.3 per PUMA share.

Following this transaction, Kering has a remaining 3.96% stake in PUMA.

The net proceeds of the transaction have been allocated to Kering's general corporate purposes and have further strengthened its financial position.

Corporate governance at Kering

As a result of her changing roles within Exor, of which she is also a board member, and in order to avoid any potential conflict of interests, Ginevra Elkann resigned from her position as a member of Kering's Board of Directors as of April 27, 2021.

Kering Eyewear acquires the Danish luxury eyewear brand LINDBERG

On July 8, 2021, Kering Eyewear and the Lindberg family signed an agreement for Kering Eyewear to acquire 100% of LINDBERG's share capital. The acquisition was completed on September 30, 2021.

LINDBERG was founded in 1969 in Denmark by optician Poul-Jørn Lindberg and his wife as an optical store, and it was turned into a multinational company by their son Henrik. LINDBERG is now a high-end manufacturer of design-oriented, lightweight and customizable optical frames, and specializes in titanium frames. The company's reputation has been built on its made-to-order capabilities, offering customers the possibility to create their very own bespoke pair of LINDBERG glasses through an extended modular system which contains billions of combinations, in a wide array of materials from titanium to acetate, buffalo horn, wood and precious metals. LINDBERG has developed and patented manufacturing techniques and innovations such as hypoallergenic, multi-adjustable and screwless frames that are key differentiating factors in the high-end eyewear market. LINDBERG is a genuine pioneer in the luxury eyewear industry and holds a unique position within it, and is now a sizeable and very profitable company with strong growth potential.

This acquisition is an important milestone in the successful expansion of Kering Eyewear and fits perfectly with its development strategy. Since its launch in 2014, Kering Eyewear has built an innovative business model that has enabled the company to achieve critical size in its market, with revenue of around €700 million in 2021. The acquisition will further strengthen Kering Eyewear's position as the most relevant player in the luxury eyewear segment, adding to its portfolio a complementary and proprietary brand with strong legitimacy, undisputed know-how and best-in-class customer service in optical frames. Thanks to the good fit between their businesses, both companies are able to leverage their respective strengths across the value chain, with synergies in distribution and geographical reach particularly This is helping to accelerate the growth and enhance the profitability of Kering Eyewear.

LINDBERG's entities have been included in the Group's consolidated financial statements since September 30, 2021. The allocation of the purchase price will be completed in 2022.

Allocation of the first tranche of repurchased shares

The Group completed the first tranche of the stock repurchase program that it announced on August 25, 2021. The purchases took place under the authorization granted by shareholders in the July 6, 2021 Annual General Meeting.

Between August 25 and November 3, 2021, 650,000 shares were repurchased at an average price of €643.70 per share, i.e. for a total of €418.4 million. Of the shares repurchased in that first tranche, 325,000 were canceled on December 10, 2021. The remaining repurchased shares were used to cover free share plans for the Group's employees.

In the first half of 2021, the Group also repurchased 204,211 of its shares under authorizations granted by shareholders in the June 16, 2020 and April 22, 2021 AGMs. All of those shares were allocated to covering free share plans and other long-term incentive plans under which employees receive Kering shares.

Change of Creative Director at Bottega Veneta

On November 10, 2021, Bottega Veneta and Daniel Lee announced their joint decision to end their collaboration. Daniel Lee had been at the creative helm of the House since July 1, 2018. He brought new energy to the House and greatly contributed to the new momentum that Bottega Veneta is enjoying today.

On November 15, 2021, Bottega Veneta announced the appointment of Matthieu Blazy as Creative Director. Born in Paris in 1984, Matthieu Blazy is a graduate of La Cambre in Brussels. He started his fashion career as Men's Designer for Raf Simons, before joining Maison Martin Margiela to design the Artisanal line and the Women's ready-to-wear (RTW) show. In 2014, he became Senior Designer at Céline, before working again with Raf Simons at Calvin Klein from 2016 to 2019. He was appointed RTW Design Director at Bottega Veneta in 2020. A French and Belgian national, he lives between Antwerp and Milan.

NOTE 3 – SUBSEQUENT EVENTS

Sale of Girard-Perregaux and Ulysse Nardin to their management

On January 24, 2022, Kering announced the signature of an agreement to sell its entire stake (100%) in Sowind Group SA, which owns the Swiss watch manufacturers Girard-Perregaux and Ulysse Nardin, to its current management.

With a long tradition in watchmaking, Girard-Perregaux and Ulysse Nardin have continuously evolved since their acquisition by Kering, while preserving their identity. Combining an innovative approach to design and technical know-how, they have revamped their product universes, launched new iconic models and reorganized their distribution, with the opening of directly operated stores and stronger ties with the leading watch distributors.

The Group has supported the two Houses in their development, strengthened their market positions and ensured they have adequate resources to finance their growth. The Group is confident that their existing management will be able to continue their work successfully.

This transaction is in line with Kering's strategy, giving priority to Houses that have the potential to become sizable assets within the Group and to which it can provide decisive support over time.

The transaction should be completed by the end of the first half of 2022 (see Note 8).

NOTE 4 – OPERATING SEGMENTS

The policies applied to determine the operating segments presented are set out in Note 33.4.

4.1 Information by operating segment

(in € millions)	Gucci	Yves Saint Laurent	Bottega Veneta	Other Houses	Total Luxury Houses	Corporate and other	Total
2021							
Revenue[1]	**9,730.9**	**2,521.0**	**1,502.8**	**3,264.7**	**17,019.4**	**625.8**	**17,645.2**
Recurring operating income (loss)	**3,714.6**	**714.6**	**286.5**	**459.6**	**5,175.3**	**(158.1)**	**5,017.2**
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	596.0	199.9	162.4	275.3	1,233.6	219.6	1,453.2
EBITDA	4,310.6	914.5	448.9	734.9	6,408.9	61.5	6,470.4
Other non-cash recurring operating income and expenses	(218.7)	3.2	(25.0)	(14.4)	(254.9)	205.5	(49.4)
Acquisitions of property, plant and equipment and intangible assets	323.8	71.8	67.0	180.0	642.6	291.4	934.0
Segment assets as of December 31, 2021	**11,926.3**	**2,579.0**	**1,703.1**	**3,563.4**	**19,771.8**	**2,746.8**	**22,518.6**
Segment liabilities as of December 31, 2021	**4,423.8**	**1,288.1**	**923.3**	**1,578.3**	**8,213.5**	**1,275.1**	**9,488.6**
2020							
Revenue[1]	**7,440.6**	**1,744.4**	**1,210.3**	**2,281.3**	**12,676.6**	**423.6**	**13,100.2**
Recurring operating income (loss)	**2,614.5**	**400.0**	**172.0**	**180.6**	**3,367.1**	**(231.9)**	**3,135.2**
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	610.4	189.9	161.6	276.6	1,238.5	200.5	1,439.0
EBITDA	3,224.9	589.9	333.6	457.2	4,605.6	(31.4)	4,574.2
Other non-cash recurring operating income and expenses	(259.0)	(64.2)	(31.0)	(62.8)	(417.0)	227.1	(189.9)
Acquisitions of property, plant and equipment and intangible assets	205.8	52.7	48.4	153.7	460.6	326.3	786.9
Segment assets as of December 31, 2020	**11,110.4**	**2,405.4**	**1,623.9**	**3,384.8**	**18,524.5**	**2,376.7**	**20,901.2**
Segment liabilities as of December 31, 2020	**3,978.5**	**1,109.0**	**845.4**	**1,421.5**	**7,354.4**	**1,141.3**	**8,495.7**

(1) Excluding intra-group revenue.

4.2 Revenue by region

(in € millions)	Notes	2021	2020
Asia-Pacific (excluding Japan)		6,695.4	4,975.7
Western Europe		4,045.0	3,657.1
North America		4,685.3	2,742.4
Japan		1,059.4	931.1
Rest of the world		1,160.1	793.9
TOTAL	5	17,645.2	13,100.2

4.3 Reconciliation of segment assets and liabilities

(in € millions)	Dec. 31, 2021	Dec. 31, 2020
Goodwill	2,891.2	2,452.2
Brands and other intangible assets	7,032.1	6,985.8
Lease right-of-use assets	4,301.5	3,956.8
Property, plant and equipment	2,966.9	2,670.2
Other non-current assets	6.0	17.4
Non-current segment assets	**17,197.7**	**16,082.4**
Inventories	3,368.9	2,845.5
Trade receivables and accrued income	977.2	910.4
Other current assets	974.8	1,062.9
Segment assets	**22,518.6**	**20,901.2**
Investments in equity-accounted companies	31.1	36.2
Financial assets	1,076.0	1,846.6
Deferred tax assets	1,352.6	1,177.4
Current tax receivables	821.6	600.5
Cash and cash equivalents	5,248.7	3,442.8
Assets held for sale	19.0	0.7
TOTAL ASSETS	31,067.6	28,005.4

(in € millions)	Dec. 31, 2021	Dec. 31, 2020
Deferred tax liabilities on brands	1,420.8	1,455.5
Lease liabilities	4,501.1	4,083.8
Trade payables and accrued expenses	1,741.9	1,489.6
Other liabilities	1,824.9	1,466.8
Segment liabilities	**9,488.7**	**8,495.7**
Equity	13,736.2	12,035.0
Borrowings	5,417.1	5,591.5
Financial liabilities	743.1	418.1
Other liabilities	198.4	183.6
Provisions for pensions and other post-employment benefits	101.2	119.7
Provisions	154.1	230.8
Other deferred tax liabilities	31.5	29.6
Current tax liabilities	1,148.0	901.3
Liabilities associated with assets held for sale	49.3	0.1
TOTAL EQUITY AND LIABILITIES	31,067.6	28,005.4

NOTES ON THE CONSOLIDATED INCOME STATEMENT

NOTE 5 – REVENUE

The accounting policies and methods applied in respect of revenue are set out in Note 33.5.

(in € millions)	2021	2020
Sales from directly operated stores	13,781.9	9,926.8
Wholesale sales, royalties and other revenue	3,863.3	3,173.4
TOTAL	17,645.2	13,100.2

NOTE 6 – PERSONNEL EXPENSES AND HEADCOUNT

6.1 Personnel expenses by type

(in € millions)	Notes	2021	2020
Wages, salaries and payroll taxes		(2,083.3)	(1,818.4)
Expenses related to pensions and other post-employment benefits under defined benefit plans	24	(11.6)	(7.9)
Expense related to share-based payments	7	(54.5)	(58.3)
Other personnel expenses		(294.7)	(185.4)
TOTAL		(2,444.1)	(2,070.0)

See Note 33.6 for a breakdown of personnel expenses.

6.2 Average headcount on a full-time equivalent basis by region

	2021	2020
Asia-Pacific (excluding Japan)	10,800	9,701
Western Europe	18,506	17,569
North America	3,862	3,704
Japan	2,686	2,755
Rest of the world	2,982	2,917
TOTAL	38,836	36,646

6.3 Headcount on the payroll at year-end by region

	Dec. 31, 2021	Dec. 31, 2020
Asia-Pacific (excluding Japan)	12,315	10,247
Western Europe	19,981	18,607
North America	4,462	3,816
Japan	2,816	2,864
Rest of the world	3,237	3,019
TOTAL	42,811	38,553

NOTE 7 – SHARE-BASED PAYMENT

The accounting policies and methods applied in respect of share-based payments are set out in Note 33.7.

7.1 Cash-settled plans

From 2013 to 2019, the Group 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. 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.

The unit value of the KMUs awarded is determined and changes based on movements in the Kering share price by itself and in comparison with the average performance of a basket of seven stocks from the luxury industry.

Year granted	2017	2018	2019
Vesting period	3 years	3 years	3 years
Exercise period	2 years	2 years	2 years
Number of beneficiaries	319	331	345
Number initially granted	111,000	64,281	38,205
Balance as of December 31, 2020	**1,462**	**41,695**	**35,391**
Number granted	-	-	-
Number forfeited		(1,292)	(1,767)
Number exercised	(1,462)	(31,566)	N/A
Balance as of December 31, 2021	**-**	**8,837**	**33,624**
o/w exercisable as of December 31, 2021	-	*8,837*	*N/A*
Unit fair value at grant date *(in €)*	249.0	581.0	753.0
Weighted average price per instrument paid *(in €)*	1,173.8	1,214.8	N/A

7.2 Plans settled in Kering shares

At the Combined General Meeting of June 16, 2020, within the scope of the sixteenth resolution, the shareholders authorized the Board of Directors to purchase, retain or transfer Kering SA shares. In the seventeenth resolution, the shareholders also authorized the Board of Directors to make free grants of ordinary shares of Kering SA (existing or to be issued), subject, where applicable, to performance conditions, to beneficiaries or categories of beneficiaries among the employees and executive corporate officers of Kering SA and affiliated companies, entailing the waiver by shareholders of their pre-emptive subscription rights.

Free share and performance share plans

In this context and with respect to its long-term incentive plans, Kering has since 2020 introduced free share and performance share plans for senior executives and certain Group employees. The characteristics of these plans are as follows:

Year granted	2020	2021
Vesting period	3 years	3 years
Number of beneficiaries	351	372
Number initially granted	46,596	42,752
Maximum grant at grant date	69,107	63,427
Minimum grant at grant date	24,086	22,082
Balance as of December 31, 2020	**45,719**	**-**
Number granted	-	42,752
Change related to performance	(20,829)	(3,953)
Number forfeited	(1,995)	(456)
Number delivered	-	-
Balance as of December 31, 2021	**22,895**	**38,343**
Unit fair value at grant date *(in €)*	542.6-608.7	622.5-628.3

Under performance share plans, the final number of shares delivered to beneficiaries who continue to be employed by the Group at the end of the vesting period cannot be less than 50% or more than 50% of the initial grant made to these beneficiaries. The performance adjustment ratio used to calculate the final number of shares to be delivered is determined in line with Kering's share performance over the three-year vesting period versus the performance of the industry as a whole, as measured based on an index of eight European luxury stocks. As well as the performance conditions applicable to all beneficiaries, specific performance conditions apply to the corporate officers, as outlined at the Annual General Meetings of June 16, 2020 and April 22, 2021.

Other free share and performance share plans

Kering may also include share-based payments in plans specifically introduced for key executives from the Houses, reflecting the creation of value at their respective brands.

A plan of this type was set up in 2020 and provides for settlement in Kering shares after a vesting period of five years. The fair value of this benefit at the grant date was calculated by an independent expert using the Black & Scholes and Monte Carlo methods and amounts to €54.7 million.

NOTE 8 – OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

See Note 33.1.5 for details of other non-recurring operating items shown within operating income.

(in € millions)	Notes	2021	2020
Non-recurring operating expenses		**(224.6)**	**(542.4)**
Estimated fair value of the disposal of Girard-Perregaux and Ulysse Nardin		(139.9)	-
Impairment of goodwill, brands and other non-current assets	14	(69.1)	(446.6)
Impairment of goodwill		*-*	*(51.1)*
Impairment of brands		*-*	*(327.7)*
Impairment of other non-current assets		*(69.1)*	*(67.8)*
Other non-recurring operating expenses		(15.6)	(95.8)
Restructuring costs	*25*	*(9.1)*	*(41.3)*
Other		*(6.5)*	*(54.5)*
Non-recurring operating income		**4.8**	**705.4**
Capital gain on PUMA shares	17	-	704.6
Other non-recurring operating income		4.8	0.8
TOTAL		(219.8)	163.0

Sale of Girard-Perregaux and Ulysse Nardin

After discussions that began in 2021, the Group announced on January 24, 2022 the signature of an agreement to sell its entire stake (100%) in Sowind Group SA (Girard-Perregaux and Ulysse Nardin), to its current management. As a result, all assets and liabilities of Sowind Group SA and its subsidiaries were reclassified as assets held for sale and liabilities associated with assets held for sale as of December 31, 2021. The expected loss on disposal was recognized at fair value under "Other non-recurring operating income and expenses" for 2021. The transaction should be completed by the end of the first half of 2022.

Impairment of goodwill, brands and other non-current assets

In 2021, non-recurring impairment charges related mainly to information systems and software, the development of which was made partly obsolete by the deployment of new solutions.

In 2020, asset impairment amounted to €446.6 million and to a very large extent concerned the Ulysse Nardin, Girard-Perregaux and Brioni brands, which were particularly hard hit by the pandemic.

Other non-recurring operating income and expenses

In 2021, other non-recurring operating income and expenses were not material either individually or in aggregate.

In 2020, the Group continued to reduce its investment in PUMA, selling a 5.83% stake at a price of €74.50 per share on October 8, 2020. As a result, it booked a capital gain on the sale of that 5.83% interest and on the remeasured value of its remaining 9.87% shareholding. As of the date of the sale, the Group's residual interest in PUMA was reclassified in the balance sheet from "Investments in equity-accounted companies" to "Non-consolidated investments" within "Non-current financial assets" (see Note 17).

NOTE 9 – FINANCIAL RESULT

(in € millions)	Notes	2021	2020
Cost of net debt(1)	**21**	**(38.2)**	**(43.3)**
Income from cash and cash equivalents		7.9	6.7
Finance costs at amortized cost		(46.1)	(50.0)
Other financial income and expenses		**(128.9)**	**(185.5)**
Net gains (losses) on financial assets		1.6	11.9
Net foreign exchange gains (losses)		1.3	(32.2)
Ineffective portion of cash flow and fair value hedges	22	(83.3)	(114.4)
Net gains (losses) on derivative instruments not qualifying for hedge accounting	22	(32.3)	(32.1)
Impact of discounting assets and liabilities		(0.1)	(0.1)
Other finance costs		(16.1)	(18.6)
Financial result excluding leases		**(167.1)**	**(228.8)**
Interest expense on lease liabilities	15.3	(106.1)	(112.9)
TOTAL		(273.2)	(341.7)

(1) The definition of net debt is set out in Note 33.1.5.

In 2021, the cost of net debt was €38.2 million (€43.3 million in 2020). The improvement mainly reflects the decrease in the average coupon paid on bond debt.

Other financial income and expense produced a net expense of €128.9 million in 2021, a significant decrease compared to the 2020 figure of €185.5 million due to the reduced financial cost of currency hedges and the non-recurrence of negative exchange-rate effects seen in 2020.

NOTE 10 – INCOME TAXES

The accounting policies and methods applied in respect of income taxes are set out in Note 33.8.

10.1 Income tax expense

(in € millions)	2021	2020
Current tax expense	(1,458.5)	(657.0)
Deferred tax income (expense)	178.1	(102.2)
TOTAL	(1,280.4)	(759.2)

10.2 Reconciliation of the effective tax rate

(in € millions)	Notes	2021	2020
Income before tax		4,524.2	2,956.5
Income tax expense		(1,280.4)	(759.2)
Effective tax rate		**28.3%**	**25.7%**
Other non-recurring operating income and expenses	8	(219.8)	163.0
Recurring income before tax		4,744.0	2,793.5
Income tax on other non-recurring operating income and expenses		23.1	25.0
Tax expense on recurring income		(1,303.5)	(784.2)
Effective tax rate on recurring income		**27.5%**	**28.1%**

(as a % of pre-tax income)	2021	2020
Tax rate applicable in France	**28.4%**	**32.0%**
Differences in the tax rates applicable to foreign subsidiaries	-4.0%	-6.1%
Items taxed at reduced rates	0.0%	0.0%
Permanent differences	0.6%	-0.9%
Unrecognized temporary differences	0.0%	0.1%
Unrecognized tax losses carried forward	0.2%	0.3%
Change in tax rate	0.3%	0.5%
Other differences	2.0%	2.2%
Effective tax rate on recurring income	**27.5%**	**28.1%**
Differences relating to other non-recurring operating income and expenses (permanent differences and differences in tax rates)	0.8%	-2.4%
Effective tax rate	**28.3%**	**25.7%**

The income tax rate applicable in France in 2021 was the standard rate of 27.50%, plus a social surtax of 3.3%, bringing the overall rate to 28.41%.

"Differences in the tax rates applicable to foreign subsidiaries" correspond to the difference between the statutory tax rate applicable in France and the different statutory tax rates applicable in other countries in which the Group does business.

"Permanent differences" result from expenses not deductible and/or income not taxable pursuant to the tax laws of the countries in which the Group does business.

"Other differences" mainly relate to other taxes, such as the IRAP regional production tax in Italy, the CVAE tax on value-added in France, tax credits, and possibly tax reassessments.

The Group's entities frequently undergo tax audits carried out by the tax authorities in the countries in which it does business. Uncertain tax positions are analyzed and reviewed internally in accordance with IAS 12 and IFRIC 23.

10.3 Deferred tax assets and liabilities

(in € millions)	Dec. 31, 2020	Income statement	Gains and losses recognized in equity	Other changes[1]	Dec. 31, 2021
Deferred tax assets	1,177.4	152.2	(4.5)	27.5	1,352.6
Deferred tax liabilities	(1,485.1)	25.9	9.3	(2.4)	(1,452.3)
Net deferred tax assets (liabilities)	**(307.7)**	**178.1**	**4.8**	**25.1**	**(99.7)**
Value of brands	(1,455.5)	35.1	-	(0.4)	(1,420.8)
Inventories: elimination of internal margins and impairment	790.1	152.6	-	30.4	973.1
Other adjustments	284.3	46.4	5.4	(5.3)	330.8
Tax loss carryforwards	73.4	(56.0)	(0.6)	0.4	17.2

(1) "Other changes" include foreign exchange differences and changes in Group structure.

10.4 Unrecognized deferred tax assets

(in € millions)	2021	2020
Deferred tax assets on tax loss carryforwards	293.6	288.5
Deferred tax assets on other temporary differences	32.9	35.6
Unrecognized deferred tax assets	**326.5**	**324.1**

(in € millions)	2021	2020
Unrecognized tax loss carryforwards expiring in *(tax base)*	729.2	825.5
less than five years	*50.7*	*420.4*
more than five years	*678.5*	*405.1*
Indefinite unrecognized tax loss carryforwards *(tax base)*	615.1	607.3
Total unrecognized tax loss carryforwards *(tax base)*	**1,344.3**	**1,432.8**

NOTE 11 – EARNINGS PER SHARE

The accounting policies and methods applied when calculating earnings per share are set out in Note 33.9.

11.1 Earnings per share

2021

(in € millions)	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to the Group	**3,175.7**	**3,164.6**	**11.1**
Weighted average number of ordinary shares outstanding	124,999,217	124,999,217	124,999,217
Weighted average number of Kering treasury shares	(414,708)	(414,708)	(414,708)
Weighted average number of ordinary shares	**124,584,509**	**124,584,509**	**124,584,509**
Basic earnings per share *(in €)*	**25.49**	**25.40**	**0.09**
Net income attributable to the Group	**3,175.7**	**3,164.6**	**11.1**
Convertible and exchangeable instruments	-	-	-
Diluted net income attributable to the Group	**3,175.7**	**3,164.6**	**11.1**
Weighted average number of ordinary shares	124,584,509	124,584,509	124,584,509
Potentially dilutive ordinary shares	-	-	-
Weighted average number of diluted ordinary shares	**124,584,509**	**124,584,509**	**124,584,509**
Diluted earnings per share *(in €)*	**25.49**	**25.40**	**0.09**

2020

(in € millions)	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to the Group	**2,150.4**	**2,160.2**	**(9.8)**
Weighted average number of ordinary shares outstanding	126,224,179	126,224,179	126,224,179
Weighted average number of Kering treasury shares	(1,212,234)	(1,212,234)	(1,212,234)
Weighted average number of ordinary shares	**125,011,945**	**125,011,945**	**125,011,945**
Basic earnings per share *(in €)*	**17.20**	**17.28**	**(0.08)**
Net income attributable to the Group	**2,150.4**	**2,160.2**	**(9.8)**
Convertible and exchangeable instruments	-	-	-
Diluted net income attributable to the Group	**2,150.4**	**2,160.2**	**(9.8)**
Weighted average number of ordinary shares	125,011,945	125,011,945	125,011,945
Potentially dilutive ordinary shares	-	-	-
Weighted average number of diluted ordinary shares	**125,011,945**	**125,011,945**	**125,011,945**
Diluted earnings per share *(in €)*	**17.20**	**17.28**	**(0.08)**

11.2 Earnings per share from continuing operations excluding non-recurring items

Non-recurring items presented below consist of other non-recurring operating income and expenses (see Note 8), reported net of tax and minority interests.

(in € millions)	Notes	2021	2020
Net income from continuing operations attributable to the Group		**3,164.6**	**2,160.2**
Other non-recurring operating income and expenses	8	(219.8)	163.0
Income tax on other non-recurring operating income and expenses		23.1	25.0
Net income from continuing operations (excluding non-recurring items) attributable to the Group		**3,361.3**	**1,972.2**
Weighted average number of ordinary shares outstanding		124,999,217	126,224,179
Weighted average number of Kering treasury shares		(414,708)	(1,212,234)
Weighted average number of ordinary shares		**124,584,509**	**125,011,945**
Basic earnings per share from continuing operations excluding non-recurring items *(in €)*		**26.98**	**15.78**
Net income from continuing operations (excluding non-recurring items) attributable to the Group		**3,361.3**	**1,972.2**
Convertible and exchangeable instruments		-	-
Diluted net income from continuing operations (excluding non-recurring items) attributable to the Group		**3,361.3**	**1,972.2**
Weighted average number of ordinary shares		124,584,509	125,011,945
Potentially dilutive ordinary shares		-	-
Weighted average number of diluted ordinary shares		**124,584,509**	**125,011,945**
Diluted earnings per share from continuing operations excluding non-recurring items *(in €)*		**26.98**	**15.78**

NOTES ON THE CONSOLIDATED BALANCE SHEET

NOTE 12 – GOODWILL

The accounting policies and methods applied in respect of goodwill are set out in Note 33.10.

				2021	2020
(in € millions)	Notes	Gross	Impairment losses	Net	Net
As of January 1		**2,926.9**	**(474.7)**	**2,452.2**	**2,525.9**
Acquisitions		424.1	-	424.1	(14.7)
Impairment losses	8, 14	-	-	-	(51.1)
Changes in Group structure		-	-	-	-
Assets held for sale		(288.1)	288.1	-	-
Foreign exchange differences		32.0	(17.1)	14.9	(8.1)
Other movements		(0.7)	0.7	-	0.2
As of December 31		**3,094.2**	**(203.0)**	**2,891.2**	**2,452.2**

Acquisitions for the period correspond mainly to the acquisition of LINDBERG (see Note 2).

NOTE 13 – BRANDS AND OTHER INTANGIBLE ASSETS

The accounting policies and methods applied in respect of brands and other intangible assets are set out in Note 33.11.

(in € millions)	Gross	Amortization and impairment	Dec. 31, 2021 Net	Dec. 31, 2020 Net
Brands	6,509.4	(103.5)	6,405.9	6,402.2
Internally generated intangible assets	215.1	(44.8)	170.3	142.5
Other intangible assets	1,191.6	(735.7)	455.9	441.1
TOTAL	7,916.1	(884.0)	7,032.1	6,985.8

(in € millions)	Notes	Brands	Internally generated intangible assets	Other intangible assets	2021
Carrying amount as of January 1		**6,402.2**	**142.5**	**441.1**	**6,985.8**
Acquisitions		0.6	5.6	253.7	259.9
Amortization		-	(40.3)	(119.7)	(160.0)
Impairment losses	8, 14	-	(69.2)	(0.5)	(69.7)
Changes in Group structure		-	-	7.9	7.9
Assets held for sale		-	-	(6.0)	(6.0)
Foreign exchange differences		3.1	0.1	3.7	6.9
Other movements		-	131.6	(124.3)	7.3
Carrying amount as of December 31		**6,405.9**	**170.3**	**455.9**	**7,032.1**

(in € millions)	Notes	Brands	Internally generated intangible assets	Other intangible assets	2020
Carrying amount as of January 1		**6,729.9**	**214.2**	**316.4**	**7,260.5**
Acquisitions		-	7.1	208.4	215.5
Amortization		-	(21.0)	(135.1)	(156.1)
Impairment losses	8, 14	(327.7)	-	-	(327.7)
Changes in Group structure		-	-	-	-
Foreign exchange differences		0.7	(0.1)	(2.5)	(1.9)
Other movements		(0.7)	(57.7)	53.9	(4.5)
Carrying amount as of December 31		**6,402.2**	**142.5**	**441.1**	**6,985.8**

NOTE 14 – CASH-GENERATING UNITS AND IMPAIRMENT TESTS

The accounting policies and methods applied in respect of impairment tests on cash-generating units are set out in Note 33.12.

The main assumptions used for each cash-generating unit (CGU) are as follows:

Dec. 31, 2021 (in € millions)	Goodwill Net carrying amount	Goodwill Discount rate (before tax)	Perpetual growth rate	Business plan time frame
Gucci CGU	1,638.6	12.1%	3.0%	5 years
Other CGUs	1,252.6	9.9%-12.7%	3.0%	5 or 10 years
TOTAL	2,891.2			

Dec. 31, 2020 (in € millions)	Goodwill Net carrying amount	Goodwill Discount rate (before tax)	Perpetual growth rate	Business plan time frame
Gucci CGU	1,630.4	10.9%	3.0%	5 years
Other CGUs	821.8	10.0%-13.2%	3.0%	5 or 10 years
TOTAL	2,452.2			

Sensitivity to changes in key assumptions is shown below:

Dec. 31, 2021 (in € millions)	Value of net assets tested	Impairment loss due to: 10 basis-point increase in post-tax discount rate	Impairment loss due to: 10 basis-point decrease in perpetual growth rate	Impairment loss due to: 10 basis-point decrease in cash flows
TOTAL CGUs	11,740.6	(10.8)	(9.5)	(7.6)

In 2021, no impairment losses were recognized in the income statement as a result of impairment tests.

NOTE 15 – LEASES

The accounting policies and methods applied in respect of leases are set out in Note 33.13.

15.1 Lease right-of-use assets

(in € millions)	Gross	Depreciation and impairment	Dec. 31, 2021 Net	Dec. 31, 2020 Net
Stores	5,130.4	(1,831.0)	3,299.4	2,948.9
Offices and other	1,238.5	(342.4)	896.1	891.7
Capitalized fixed lease payments	**6,368.9**	**(2,173.4)**	**4,195.5**	**3,840.6**
Lease rights	194.2	(88.2)	106.0	116.2
TOTAL	6,563.1	(2,261.6)	4,301.5	3,956.8

(in € millions)	Notes	Capitalized fixed lease payments Stores	Offices and other	Total	Lease rights	2021
Carrying amount as of January 1		**2,948.9**	**891.7**	**3,840.6**	**116.2**	**3,956.8**
New leases		788.7	110.5	899.2	13.0	912.2
Impact of changes in assumptions		281.5	24.4	305.9	-	305.9
Leases subject to termination or early termination		(167.2)	(4.4)	(171.6)	-	(171.6)
Depreciation		(682.9)	(133.7)	(816.6)	(9.9)	(826.5)
Impairment losses	8, 14	9.4	-	9.4	-	9.4
Changes in Group structure		-	-	-	0.5	0.5
Assets held for sale		(1.8)	(0.5)	(2.3)	-	(2.3)
Foreign exchange differences		128.9	15.9	144.8	(0.1)	144.7
Other movements		(6.1)	(7.8)	(13.9)	(13.7)	(27.6)
Carrying amount as of December 31		**3,299.4**	**896.1**	**4,195.5**	**106.0**	**4,301.5**

(in € millions)	Notes	Capitalized fixed lease payments Stores	Offices and other	Total	Lease rights	2020
Carrying amount as of January 1		**3,250.5**	**882.9**	**4,133.4**	**113.3**	**4,246.7**
New leases		527.6	140.3	667.9	13.6	681.5
Impact of changes in assumptions		132.4	53.5	185.9	-	185.9
Leases subject to termination or early termination		(74.1)	(31.5)	(105.6)	-	(105.6)
Depreciation		(704.8)	(128.0)	(832.8)	(6.6)	(839.4)
Impairment losses	8, 14	(29.9)	-	(29.9)	(1.0)	(30.9)
Changes in Group structure		(0.1)	(0.4)	(0.5)	-	(0.5)
Foreign exchange differences		(149.7)	(17.7)	(167.4)	(0.2)	(167.6)
Other movements		(3.0)	(7.4)	(10.4)	(2.9)	(13.3)
Carrying amount as of December 31		**2,948.9**	**891.7**	**3,840.6**	**116.2**	**3,956.8**

15.2 Lease liabilities

Maturity schedule of lease liabilities *(in € millions)*	Dec. 31, 2021	Dec. 31, 2020
Current lease liabilities	**675.3**	**538.0**
Y+2	693.4	635.5
Y+3	579.0	551.7
Y+4	486.7	458.5
Y+5 and beyond	2,066.7	1,900.1
Non-current lease liabilities	**3,825.8**	**3,545.8**
TOTAL	4,501.1	4,083.8

(in € millions)	Notes	Capitalized fixed lease payments Stores	Capitalized fixed lease payments Offices and other	2021
Carrying amount as of January 1		**3,143.3**	**940.5**	**4,083.8**
New leases		786.8	109.6	896.4
Repayments		(735.7)	(145.9)	(881.6)
Change in interest expense	9	82.8	23.3	106.1
Impact of changes in assumptions		285.2	22.4	307.6
Leases subject to termination or early termination		(168.1)	(4.4)	(172.5)
Changes in Group structure		-	-	-
Liabilities associated with assets held for sale		(2.0)	(0.5)	(2.5)
Foreign exchange differences		144.9	18.2	163.1
Other movements		3.2	(2.5)	0.7
Carrying amount as of December 31		**3,540.4**	**960.7**	**4,501.1**

(in € millions)	Note	Capitalized fixed lease payments Stores	Capitalized fixed lease payments Offices and other	2020
Carrying amount as of January 1		**3,404.8**	**913.8**	**4,318.6**
New leases		513.6	137.2	650.8
Repayments		(762.1)	(138.1)	(900.2)
Change in interest expense	9	92.9	20.0	112.9
Impact of changes in assumptions		130.7	56.8	187.5
Leases subject to termination or early termination		(60.1)	(31.5)	(91.6)
Changes in Group structure		1.1	(0.4)	0.7
Foreign exchange differences		(163.8)	(18.0)	(181.8)
Other movements		(13.8)	0.7	(13.1)
Carrying amount as of December 31		**3,143.3**	**940.5**	**4,083.8**

15.3 Impact of leases in the income statement

(in € millions)	Notes	2021	2020
Rental expense – Variable lease payments		(833.8)	(517.4)
Rental expense – Short-term leases		(76.4)	(57.5)
Rental expense – Leases with a low-value underlying asset		(8.0)	(6.5)
Sub-lease revenue		8.6	8.3
Depreciation of lease right-of-use assets	15.1	(826.5)	(839.4)
Impact on recurring operating income		**(1,736.1)**	**(1,412.5)**
Interest expense on lease liabilities	9, 15.2	(106.1)	(112.9)
Impact on financial result		**(106.1)**	**(112.9)**
Impairment of lease right-of-use assets	8, 14	9.4	(30.9)
Impact on other non-recurring operating income and expenses		**9.4**	**(30.9)**
TOTAL		(1,832.8)	(1,556.3)

15.4 Impact of leases in the statement of cash flows

(in € millions)	Notes	2021	2020
Impact of leases in the income statement		**(1,832.8)**	**(1,556.3)**
Depreciation of lease right-of-use assets	15.1	826.5	839.4
Impairment of lease right-of-use assets	8, 14	(9.4)	30.9
Interest paid on leases	9, 15.2	106.1	112.9
Change in working capital requirement – leases		(35.3)	(3.8)
Impact on net cash received from (used in) operating activities		**(944.9)**	**(576.9)**
Lease set-up costs		(14.9)	(20.0)
Impact on net cash received from (used in) investing activities		**(14.9)**	**(20.0)**
Repayment of lease liabilities	15.2	(775.5)	(787.3)
Interest paid on leases	9, 15.2	(106.1)	(112.9)
Impact on net cash received from (used in) financing activities		**(881.6)**	**(900.2)**
TOTAL		(1,841.4)	(1,497.1)

15.5 Off-balance sheet commitments relating to leases

	Payments due by period				
(in € millions)	Less than one year	One to five years	More than five years	Dec. 31, 2021	Dec. 31, 2020
Leases signed but effective after December 31, 2021	19.8	86.8	107.2	213.8	300.0
Short-term leases	81.7	0.4	-	82.1	36.9
Leases with a low-value underlying asset	10.9	13.5	-	24.4	15.5
Lease commitments given	**112.4**	**100.7**	**107.2**	**320.3**	**352.4**

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT

The accounting policies and methods applied in respect of property, plant and equipment are set out in Note 33.14.

			Dec. 31, 2021	Dec. 31, 2020
(in € millions)	Gross	Depreciation and impairment	Net	Net
Land and buildings	873.5	(201.1)	672.4	685.7
Plant and equipment	4,273.9	(2,328.3)	1,945.6	1,620.5
Other property, plant and equipment	398.1	(49.2)	348.9	364.0
TOTAL	5,545.5	(2,578.6)	2,966.9	2,670.2
Property, plant and equipment pledged to secure liabilities			33.9	32.4

(in € millions)	Notes	Land and buildings	Plant and equipment	Other PP&E	2021
Carrying amount as of January 1		**685.7**	**1,620.5**	**364.0**	**2,670.2**
Acquisitions		3.8	398.0	313.0	714.8
Disposals		(2.6)	(8.8)	(5.1)	(16.5)
Depreciation		(20.9)	(423.3)	(16.4)	(460.6)
Impairment losses	8	(1.1)	(9.2)	(1.3)	(11.6)
Changes in Group structure		7.1	9.1	2.0	18.2
Assets held for sale		(19.2)	(9.2)	(0.8)	(29.2)
Foreign exchange differences		2.1	66.2	10.8	79.1
Other movements		17.5	302.3	(317.3)	2.5
Carrying amount as of December 31		**672.4**	**1,945.6**	**348.9**	**2,966.9**

(in € millions)	Notes	Land and buildings	Plant and equipment	Other PP&E	2020
Carrying amount as of January 1		**698.3**	**1,650.8**	**270.2**	**2,619.3**
Acquisitions		5.1	311.6	263.4	580.1
Disposals		(1.7)	-	(6.7)	(8.4)
Depreciation		(23.7)	(404.7)	(12.2)	(440.6)
Impairment losses	8	(14.0)	(3.1)	-	(17.1)
Changes in Group structure		13.6	6.2	0.7	20.5
Foreign exchange differences		(6.8)	(71.6)	(8.9)	(87.3)
Other movements		14.9	131.3	(142.5)	3.7
Carrying amount as of December 31		**685.7**	**1,620.5**	**364.0**	**2,670.2**

NOTE 17 – FINANCIAL ASSETS

The accounting policies and methods applied in respect of financial assets are set out in Notes 33.15 and 33.17.

17.1 Breakdown of financial assets

(in € millions)	Notes	Dec. 31, 2021	Dec. 31, 2020
Non-consolidated investments		707.9	1,381.1
o/w PUMA shares (3.96% in 2021 / 9.87% in 2020)	*8, 17*	*645.1*	*1,377.8*
Derivative instruments	22.6	-	-
Loans and receivables		0.7	0.9
Deposits and guarantees		211.3	192.9
Other financial investments		133.9	113.7
Non-current financial assets		**1,053.8**	**1,688.6**
Derivative instruments	22.6	16.0	124.1
Loans and receivables		6.2	33.9
Current financial assets		**22.2**	**158.0**

17.2 Financial assets at fair value

(in € millions)	Notes	Dec. 31, 2021	Dec. 31, 2020
Non-consolidated investments		707.9	1,381.1
o/w changes in fair value recognized through equity		*705.5*	*1,380.4*
o/w changes in fair value recognized through the income statement		*2.4*	*0.7*
Derivative instruments	22.6	16.0	124.1
Other financial investments		133.9	113.7
o/w changes in fair value recognized through equity		*124.8*	*105.8*
o/w changes in fair value recognized through the income statement		*9.1*	*7.9*
Financial assets at fair value		**857.8**	**1,618.9**

The fair value of non-consolidated investments quoted on an active market is their market price as of the reporting date (level 1 of the fair value hierarchy). This category chiefly includes PUMA shares. The fair value of non-consolidated investments not quoted on an active market is determined using internal valuation techniques drawing on non-observable inputs (level 3 of the fair value hierarchy). The securities in this category are not material.

The fair value of derivative instruments is determined using valuation techniques drawing on observable market inputs (such as forward rates and interest rate curves) and on commonly used models (level 2 of the fair value hierarchy) (see Note 22).

The fair value of other financial investments carried at fair value is determined using internal valuation techniques drawing on non-observable inputs (level 3 of the fair value hierarchy).

NOTE 18 – INVENTORIES

The accounting policies and methods applied in respect of inventories are set out in Note 33.18.

(in € millions)	Dec. 31, 2021	Dec. 31, 2020
Commercial inventories	4,286.6	3,814.4
Industrial inventories	940.0	749.4
Gross value	**5,226.6**	**4,563.8**
Allowances	(1,857.7)	(1,718.3)
Carrying amount	**3,368.9**	**2,845.5**
Gross inventories pledged to secure liabilities	-	-

Movements in allowances *(in € millions)*	2021	2020
As of January 1	**(1,718.3)**	**(1,689.4)**
Additions	(284.7)	(178.7)
Reversals	89.4	107.3
Changes in Group structure	(6.1)	-
Assets held for sale	101.8	
Foreign exchange differences	(51.4)	35.8
Other movements	11.6	6.7
As of December 31	**(1,857.7)**	**(1,718.3)**

Changes in gross inventories recognized under "Cost of sales" in 2021 represented income of €624.7 million (income of €22.8 million in 2020).

NOTE 19 – TRADE RECEIVABLES AND ACCRUED INCOME

The accounting policies and methods applied in respect of trade receivables are set out in Note 33.15.1.

(in € millions)	Dec. 31, 2021	Dec. 31, 2020
Trade receivables and accrued income	1,008.0	950.4
Allowances	(30.8)	(40.0)
Carrying amount	**977.2**	**910.4**
Trade receivables pledged to secure liabilities	-	-

Movements in allowances *(in € millions)*	2021	2020
As of January 1	**(40.0)**	**(28.4)**
Net (additions) reversals	6.9	(13.5)
Changes in Group structure	(0.6)	-
Assets held for sale	5.1	-
Foreign exchange differences	(2.2)	1.9
Other movements	-	-
As of December 31	**(30.8)**	**(40.0)**

Breakdown of trade receivables and accrued income by age *(in € millions)*	2021	2020
Receivables not yet due	892.5	870.8
Past due receivables:	115.5	79.6
Less than one month	*79.0*	*62.7*
One to six months	*25.1*	*1.8*
More than six months	*11.4*	*15.1*
Allowances	(30.8)	(40.0)

Credit risk

In light of the Group's business model, with wholesale sales and royalties received from wholesalers making a smaller contribution to total sales, the Group does not have significant exposure to credit risk. Furthermore, with respect to wholesalers, the Group has no dependency or concentration risk. The Group substantially limits the credit risk linked to these parties by taking out credit insurance (see Note 5).

NOTE 20 – EQUITY

As of December 31, 2021, the share capital amounted to €498,771,664. It comprised 124,692,916 fully paid-up shares with a par value of €4 each, a reduction of €1,300,000 further to the cancellation of 325,000 shares under the stock repurchase program (share capital of €500,071,664, comprising 125,017,916 shares as of December 31, 2020). Excluding the 624,211 Kering treasury shares, there were 124,068,705 shares issued and outstanding as of December 31, 2021.

20.1 Kering treasury shares

The accounting policies and methods applied in respect of Kering treasury shares are set out in Note 33.20.

		Dec. 31, 2021		Dec. 31, 2020	
(in € millions)	Notes	Number	Amount	Number	Amount
Liquidity agreement		-	-	-	-
Stock repurchase program (for cancellation)		-	-	-	-
Share-based payment	7	624,211	379.5	95,000	53.9
Kering treasury shares		**624,211**	**379.5**	**95,000**	**53.9**

Change in Kering treasury shares *(in € millions)*	Notes	Number	Amount	Impact on cash
As of January 1, 2021		**95,000**	**53.9**	**(54.1)**
Purchases under the liquidity agreement		115,344	72.1	(72.1)
Disposals under the liquidity agreement		(115,344)	(72.1)	72.1
Purchases under share-based payment plans		529,211	325.6	(327.7)
Purchases with a view to canceling the shares	7	325,000	209.2	(210.6)
Shares vested		-	-	N/A
Cancellations under the stock repurchase program		(325,000)	(209.2)	N/A
Net capital gain (loss) on disposal		-	-	N/A
As of December 31, 2021		**624,211**	**379.5**	**(538.3)**

Liquidity agreement

Since May 26, 2004, Kering has maintained agreements with a financial broker in order to improve the liquidity of the Group's shares and ensure share price stability. The latest agreement was signed on February 13, 2019, in accordance with AMF ruling no. 2018-01 of July 2, 2018, applicable since January 1, 2019. An amendment to that agreement came into force on July 1, 2021, providing for the resources in the liquidity account to be reduced by €25 million. As a result, there was €25 million in the liquidity account on July 1, 2021.

Stock repurchase program and allocation to free share plans

Within the scope of the plan authorized at the Annual General Meeting of June 16, 2020 under the sixteenth resolution, Kering extended on December 21, 2020 the initial instruction given to an investment services provider on December 10, 2020 to purchase 50,000 shares by March 31, 2021 at the latest and depending on market conditions, by 75,000 ordinary Kering shares, representing approximately 0.06% of the share capital as of December 15, 2020. These shares were to be allocated to free share plans and other long-term incentive plans granted to employees and payable in Kering shares. The unit purchase price of the shares was not to exceed the maximum price set at the Annual General Meeting on June 16, 2020. Under that instruction, 30,000 shares were purchased in 2021.

On February 22, 2021, still within the scope of the plan authorized at the Annual General Meeting of June 16, 2020 under the sixteenth resolution and on the same terms as those mentioned above, Kering instructed an investment services provider to purchase, by April 16, 2021 at the latest and depending on market conditions, up to 250,000 ordinary Kering shares, representing approximately 0.2% of the share capital as of January 15, 2021. These shares were to be allocated to free share plans and other long-term incentive plans granted to employees and payable in Kering shares. Under that instruction, 142,723 shares were purchased in 2021.

On May 6, 2021, within the scope of the stock repurchase plan authorized at the Annual General Meeting of April 22, 2021 under the fourteenth resolution, Kering instructed an investment services provider to purchase, by June 25, 2021 at the latest and depending on market conditions, up to 200,000 ordinary Kering shares, representing almost 0.2% of the share capital as of April 15, 2021. These shares were to be allocated to free share plans and other long-term incentive plans granted to employees and payable in Kering shares. The unit purchase price of the shares was not to exceed the maximum price set at the Annual General Meeting of April 22, 2021. Under that instruction, 31,488 shares were purchased in 2021.

Finally, on August 25, 2021, Kering announced its intention to repurchase up to 2.0% of its share capital in the following 24 months as part of its stock repurchase program authorized at the Annual General Meeting of July 6, 2021, the scope of which may be adjusted in the next Annual General Meeting due to take place in 2022. Kering also stated that it reserved the right to stop the program at any time depending on market circumstances or its investment strategy. The intention is to cancel the repurchased shares, except for those that may be allocated to plans for the remuneration of Group employees in Kering shares. Accordingly, Kering entered into a stock repurchase agreement with an investment service provider. The agreement, which was for a maximum duration of three months, related to an initial tranche of up to 650,000 shares, i.e. around 0.5% of the share capital, subject to a limit of €650 million and a price per share of no more than €1,000, which was determined by the sole resolution adopted by shareholders in the July 6, 2021 AGM. Under that agreement, 650,000 shares were repurchased in 2021. Half of them were canceled and the other half were intended to cover plans to award free shares to Group employees.

20.2 Dividends paid by Kering SA

(in € millions)	Dividend for 2021	Dividend for 2020
INTERIM DIVIDEND		
Amount per share	€3.50	€2.50
Payment date	Jan. 17, 2022	Jan. 21, 2021
Gross amount paid	436.4	312.5
BALANCE PAID THE FOLLOWING YEAR FURTHER TO THE AGM		
Amount per share	€8.50(1)	€5.50
Payment date	May 5, 2022	May 6, 2021
Gross amount paid	1,059.9(1)(2)	685.8
TOTAL DIVIDEND		
Amount per share	€12.00	€8.00
Total gross amount	1,496.3(2)	1,000.1

(1) Based on a recommendation of Kering's Board of Directors of February 16, 2022, pending approval of the Annual General Meeting of April 28, 2022.
(2) Excluding the impact of Kering treasury shares.

NOTE 21 – NET DEBT

(in € millions)	Notes	Dec. 31, 2021	Dec. 31, 2020
Borrowings	21.2-4	5,417.1	5,591.5
Cash and cash equivalents	21.1	(5,248.7)	(3,442.8)
TOTAL		168.4	2,148.7

21.1 Cash and cash equivalents

The accounting policies and methods applied in respect of cash and cash equivalents are set out in Note 33.19.

(in € millions)	Dec. 31, 2021	Dec. 31, 2020
Cash	3,324.9	2,570.7
Cash equivalents	1,923.8	872.1
TOTAL	5,248.7	3,442.8

21.2 Breakdown of borrowings by category and maturity

The accounting policies and methods applied in respect of borrowings and of put options granted to minority interests are set out in Notes 33.16 and 33.21, respectively.

(in € millions)	Notes	Dec. 31, 2021	Current	Y+2	Y+3	Y+4	Y+5	Beyond	Total non-current
Bonds	21.4	3,370.2	825.0	*599.1*	*504.2*	*-*	*497.9*	*944.0*	2,545.2
Other bank borrowings	21.5	229.4	99.3	*89.0*	*31.8*	*1.2*	*1.2*	*6.9*	130.1
Bank overdrafts		733.0	733.0	-	-	-	-	-	-
Commercial paper		702.6	702.6	-	-	-	-	-	-
Other borrowings(1)		381.9	81.7	-	*42.8*	*257.4*	-	-	300.2
o/w Put options granted to minority interests		*326.1*	*25.9*	*-*	*42.8*	*257.4*	*-*	*-*	*300.2*
TOTAL		5,417.1	2,441.6	*688.1*	*578.8*	*258.6*	*499.1*	*950.9*	2,975.5
%		100.0%	45.1%	*12.7%*	*10.7%*	*4.8%*	*9.2%*	*17.5%*	54.9%

(1) Other borrowings include accrued interest.

(in € millions)	Notes	Dec. 31, 2020	Current	Y+2	Y+3	Y+4	Y+5	Beyond	Total non-current
Bonds	21.4	3,836.8	467.2	*828.1*	*600.2*	*501.7*	*-*	*1,439.6*	3,369.6
Other bank borrowings	21.5	284.8	137.0	*33.9*	*88.1*	*16.9*	*1.1*	*7.8*	147.8
Bank overdrafts		442.7	442.7	-	-	-	-	-	-
Commercial paper		552.2	552.2	-	-	-	-	-	-
Other borrowings(1)		475.0	177.1	*55.5*	-	-	*242.4*	-	297.9
o/w Put options granted to minority interests		*411.3*	*113.4*	*55.5*	*-*	*-*	*242.4*	*-*	*297.9*
TOTAL		5,591.5	1,776.2	*917.5*	*688.3*	*518.6*	*243.5*	*1,447.4*	3,815.3
%		100.0%	31.8%	*16.4%*	*12.3%*	*9.3%*	*4.4%*	*25.8%*	68.2%

(1) Other borrowings include accrued interest.

21.3 Breakdown of borrowings by repayment currency, after hedging

(in € millions)	Dec. 31, 2021	%	Dec. 31, 2020	%
EUR	4,897.4	90.4%	4,860.6	86.9%
JPY	399.2	7.4%	519.3	9.3%
USD	11.4	0.2%	132.8	2.4%
Other currencies	109.1	2.0%	78.8	1.4%
TOTAL	5,417.1	100.0%	5,591.5	100.0%

Borrowings denominated in foreign currencies finance the Group's operations outside the eurozone.

21.4 Bonds

The Group did not issue any bonds in 2021, but redeemed two bond lines: $150.0 million USD of fixed-rate bonds issued in June 2015 and maturing on June 9, 2021, and the remaining €345.0 million of fixed-rate bonds paying a coupon of 1.375% and issued in 2014, part of which were redeemed in 2018, maturing on October 1, 2021.

The Group has a Euro Medium Term Notes (EMTN) program capped at €6 billion as of December 31, 2021, of which €2,825.0 million had been drawn as of that date.

The bonds issued between 2014 and 2017 within the scope of the EMTN program are all subject to a change-of-control clause entitling bondholders to request early redemption at par if Kering's rating is downgraded to non-investment grade following a change of control.

Par value *(in millions, local currency)*	**Currency**	**Issue interest rate**	**Issue date**	**Maturity**	**Dec. 31, 2021**	**Dec. 31, 2020**
500.0	EUR	2.75% fixed	04/08/2014	04/08/2024	504.2	507.3
			05/30/2014	04/08/2024		
			06/26/2014	04/08/2024		
			09/22/2015	04/08/2024		
			11/05/2015	04/08/2024		
345.0	EUR	1.375% fixed	10/01/2014	10/01/2021	-	344.7
275.0	EUR	0.875% fixed	03/27/2015	03/28/2022	274.9	274.2
150.0	USD	2.887% fixed	06/09/2015	06/09/2021	-	122.2
50.0	EUR	1.60% fixed	04/16/2015	04/16/2035	49.7	49.6
500.0	EUR	1.25% fixed	05/10/2016	05/10/2026	497.9	497.2
300.0	EUR	1.50% fixed	04/05/2017	04/05/2027	298.4	297.9
550.0(1)	EUR	Zero coupon	09/30/2020	09/30/2022	550.1	550.3
600.0	EUR	0.25% fixed	05/13/2021	05/13/2023	599.1	598.4
600.0	EUR	0.75% fixed	05/13/2021	05/13/2028	595.9	595.0
TOTAL					3,370.2	3,836.8

(1) The issue price was set at 108.75%. The reference PUMA share price and the exchange price were set at €68.28 and €92.17 respectively. The bonds can be redeemed either in cash or PUMA shares, or a combination of cash and PUMA shares.

21.5 Other bank borrowings

The Group has bank borrowings denominated in yen, mainly floating-rate and totaling €185.2 million at December 31, 2021. These borrowings fall due within five years.

21.6 Undrawn confirmed lines of credit

As of December 31, 2021, the Group had undrawn confirmed lines of credit totaling €3,035.0 million (December 31, 2020: €4,365.3 million). These consisted of a syndicated facility for €2,385.0 million (of which €169.7 million falls due in December 2024 and €2,215.3 million in December 2025), and €650.0 million in bilateral credit lines due in the second half of 2023.

NOTE 22 – DERIVATIVE INSTRUMENTS AND MANAGEMENT OF MARKET RISKS

The Group uses derivative hedging instruments to manage its exposure to market risks. The accounting policies and methods applied in respect of derivative instruments are set out in Note 33.17.

22.1 Exposure and sensitivity to interest rate risk

(in € millions)	Dec. 31, 2021	Impact of hedging	After hedging	Impact on income of a 1% change in interest rates
Fixed-rate	4,111.1	3.5	4,114.6	
Floating-rate	1,306.0	(3.5)	1,302.5	13.2
Borrowings	**5,417.1**			

(in € millions)	Dec. 31, 2021	Impact on income of a 1% change in interest rates
Floating-rate investments	**5,214.6**	**52.9**

22.2 Exposure and sensitivity to foreign exchange risk

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. The Group uses derivative hedging instruments to minimize and anticipate the impact of currency fluctuations on its results. These hedges are set up using currency instruments and/or options eligible for hedge accounting.

The outstanding notional amounts of the derivative instruments used by the Group to manage its foreign exchange risk are shown below:

	Dec. 31, 2021 Notional amount(1)		Market value(2)			
(in € millions)	Less than one year	More than one year	Cash flow hedges	Fair value hedges	Unallocated	Total
Options purchased	**50.8**	**-**	**0.5**	**-**	**0.1**	**0.6**
USD put	19.9	-	0.4	-	-	0.4
USD call	2.6	-	-	-	0.1	0.1
JPY put	3.1	-	0.1	-	-	0.1
CNY put	22.9	-	-	-	-	-
Other	2.3	-	-	-	-	-
Tunnels	**259.7**	**-**	**1.0**	**-**	**-**	**1.0**
USD seller	117.0	-	(0.3)	-	-	(0.3)
JPY seller	71.7	-	1.0	-	-	1.0
GBP seller	61.9	-	0.3	-	-	0.3
HKD seller	9.1	-	-	-	-	-
Forwards	**4,910.9**	**225.7**	**(163.0)**	**1.4**	**-**	**(161.6)**
CNY	1,978.0	75.1	(102.1)	(1.1)	-	(103.2)
USD	1,488.9	75.5	(43.7)	0.5	0.1	(43.1)
KRW	490.9	15.6	(2.8)	0.3	-	(2.5)
JPY	361.2	18.0	1.8	0.7	-	2.5
GBP	197.2	13.1	(3.0)	(0.7)	-	(3.7)
HKD	151.1	13.6	(4.7)	0.1	-	(4.6)
TWD	115.0	7.0	(3.5)	-	-	(3.5)
Other	128.6	7.8	(5.0)	1.6	(0.1)	(3.5)
Cross-currency swaps(3)	**1,056.1**	**-**	**(13.0)**	**1.3**	**(12.6)**	**(24.3)**
CNY	360.1	-	(7.0)	(0.4)	-	(7.4)
CHF	165.4	-	-	(0.3)	(7.5)	(7.8)
GBP	114.1	-	(1.5)	(0.2)	-	(1.7)
JPY	93.2	-	-	0.1	(1.0)	(0.9)
Other	323.3	-	(4.5)	2.1	(4.1)	(6.5)
TOTAL	6,277.5	225.7	(174.5)	2.7	(12.5)	(184.3)

(1) Sale (purchase).
(2) Gain (loss).
(3) Excluding cross-currency swaps hedging debt (€102.0 million).

The Group's net exposure to foreign exchange risk can be analyzed as follows:

Dec. 31, 2021 *(in € millions)*	*Monetary assets*	*Monetary liabilities*	Net exposure in the balance sheet	Forecast exposure	Net exposure before hedging	Hedging instruments	Net exposure after hedging as of Dec. 31, 2021	Net exposure after hedging as of Dec. 31, 2020
USD	*984.6*	*553.2*	431.4	1,635.9	2,067.3	(1,670.6)	396.7	156.7
CNY	*1,180.7*	*10.2*	1,170.5	1,897.2	3,067.7	(2,436.1)	631.6	738.5
JPY	*293.4*	*400.6*	(107.2)	405.9	298.7	(649.3)	(350.6)	(472.5)
GBP	*179.0*	*35.7*	143.3	320.7	464.0	(386.3)	77.7	77.8
CHF	*311.6*	*323.6*	(12.0)	-	(12.0)	46.7	34.7	41.0
HKD	*117.2*	*4.1*	113.1	167.1	280.2	(193.8)	86.4	78.9
KRW	*160.2*	*1.1*	159.1	464.6	623.7	(506.5)	117.2	-
AUD	-	-	-	-	-	-	-	60.0
Other	*1,281.8*	*76.1*	1,205.7	407.3	1,613.0	(804.0)	809.0	423.6
TOTAL	*4,508.5*	*1,404.6*	3,103.9	5,298.7	8,402.6	(6,599.9)	1,802.7	1,104.0

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 current 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

Based on market data as of December 31, 2021, the direct impact on equity and income (excluding the tax effect) of a 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:

Dec. 31, 2021	**Impact on equity**		**Impact on income**	
(in € millions)	**10% increase**	**10% decrease**	**10% increase**	**10% decrease**
USD	143.8	(175.4)	-	-
JPY	36.0	(42.5)	-	-
CNY	168.5	(205.4)	-	-

Dec. 31, 2020	**Impact on equity**		**Impact on income**	
(in € millions)	**10% increase**	**10% decrease**	**10% increase**	**10% decrease**
USD	72.7	(84.4)	0.5	(0.6)
JPY	39.1	(47.4)	-	-
CNY	66.1	(69.1)	-	-

All other market variables were assumed to remain unchanged for the purpose of the sensitivity analysis.

The impact on equity recognized via the remeasurement of financial instruments is generated by foreign exchange instruments eligible for cash flow hedge accounting.

The impact on financial result 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.

22.3 Exposure to equity risk

The Group has exposure to equity risk through its stake in PUMA (3.96% as of December 31, 2021), the value of which depends on fluctuations in the PUMA share price (see Note 17.2).

The bonds issued in September 2019 and exchangeable for PUMA shares contain an equity component corresponding to an exchange option indexed to the PUMA share price. The redemption and/or exchange price of these bonds is therefore linked to changes in the PUMA share price. As of December 31, 2021 and at the issue date, the reference exchange price was set at €92.17.

Based on market data as of December 31, 2021, a 10% increase in PUMA's share price would have a positive €64.2 million impact on the total value of the PUMA shares in the consolidated balance sheet, but a negative €47.7 million impact on the Group's pre-tax consolidated income owing to the €47.7 million increase in the carrying amount of the equity component recognized as a derivative liability at fair value in the consolidated balance sheet. Conversely, a 10% decrease in PUMA's share price would have a negative €64.2 million impact on the total value of the PUMA shares in the consolidated balance sheet, but a positive €40.1 million impact on the Group's pre-tax consolidated income owing to the €40.1 million decrease in the carrying amount of the equity component recognized as a derivative liability at fair value in the consolidated balance sheet.

Other shares held in connection with non-consolidated investments represent a low exposure risk for the Group and are not hedged.

22.4 Exposure to precious metals price risk

The Group may be exposed to fluctuations in the price of certain precious metals within the scope of its brands' activities in the Watches and Jewelry segments. Hedges may therefore be put in place by arranging derivative financial instruments to fix the production cost or by negotiating prices with refiners or manufacturers of semi-finished products.

As of December 31, 2021, these hedging transactions with a residual maturity of less than one year are treated as forward purchases in a notional amount of €31.2 million. They have a positive market value of €1.4 million (notional amount of €9.4 million as of December 31, 2020).

A sudden 1% increase or decrease in precious metals prices would have a direct impact of €0.3 million (excluding the tax effect) on equity via the remeasurement of financial instruments.

22.5 Exposure to counterparty risk

The Group trades derivatives over-the-counter in compliance with its internal control procedures. The trades are carried out with top-tier companies that have signed FBF or ISDA-type agreements. The impact of counterparty risk on the fair value of derivative instruments pursuant to IFRS 13 is deemed to be zero.

22.6 Measurement of derivative instruments

The different methods applied to measure derivative instruments are set out in Note 33.17.

(in € millions)	Notes	Dec. 31, 2021	Interest rate risk	Foreign exchange risk	Other market risks	Dec. 31, 2020
Non-current financial assets	**17**	**-**	**-**	**-**	**-**	**-**
Derivative instruments – at fair value through income statement		-	-	-	-	-
Derivative instruments – cash flow hedges		-	-	-	-	-
Derivative instruments – fair value hedges		-	-	-	-	-
Current financial assets	**17**	**16.0**	**-**	**14.6**	**1.4**	**124.1**
Derivative instruments – at fair value through income statement		2.9	-	2.9	-	4.8
Derivative instruments – cash flow hedges		6.8	-	5.4	1.4	109.1
Derivative instruments – fair value hedges		6.3	-	6.3	-	10.2
Non-current financial liabilities	**23**	**(0.1)**	**-**	**(0.1)**	**-**	**(80.0)**
Derivative instruments – at fair value through income statement[(1)]		-	-	-	-	(79.8)
Derivative instruments – cash flow hedges		(0.1)	-	(0.1)	-	(0.2)
Derivative instruments – fair value hedges		-	-	-	-	-
Current financial liabilities	**23**	**(304.2)**	**(0.1)**	**(197.7)**	**(106.4)**	**(24.6)**
Derivative instruments – at fair value through income statement[(1)]		(120.7)	-	(14.3)	(106.4)	(1.7)
Derivative instruments – cash flow hedges		(179.8)	-	(179.8)	-	(17.8)
Derivative instruments – fair value hedges		(3.7)	(0.1)	(3.6)	-	(5.1)
TOTAL		(288.3)	(0.1)	(183.2)	(105.0)	19.5

(1) Including the fair value of the derivative (option) embedded within the bond exchangeable for PUMA shares amounting to €106.4 million as of December 31, 2021 (December 31, 2020: €74.1 million).

22.7 Liquidity risk

Liquidity risk management for the Group and each of its subsidiaries is closely monitored and periodically assessed within the scope of the Group's financial reporting procedures.

In order to guarantee its liquidity, as of December 31, 2021 the Group held confirmed undrawn lines of credit totaling €3,035.0 million and available cash of €5,248.7 million (see Note 21.1).

(in € millions)	Dec. 31, 2021 Carrying amount	Dec. 31, 2021 Cash flow	Less than one year	One to five years	More than five years
Non-derivative financial instruments	**7,159.0**	**(7,287.8)**	**(4,193.2)**	**(2,117.0)**	**(977.6)**
Bonds	3,370.2	(3,375.0)	(825.0)	(1,600.0)	(950.0)
Commercial paper	702.6	(702.0)	(702.0)	-	-
Other borrowings	1,344.3	(1,468.9)	(924.3)	(517.0)	(27.6)
Trade payables and accrued expenses	1,741.9	(1,741.9)	(1,741.9)		
Derivative financial instruments	**288.3**	**(221.8)**	**(213.4)**	**(8.4)**	**-**
Interest rate risk	**0.1**	**(0.1)**	**(0.1)**	**-**	**-**
Interest rate swaps	-	*(0.1)*	*(0.1)*	-	-
Other interest rate derivatives	-	-	-	-	-
Foreign exchange risk	**183.2**	**(223.3)**	**(214.9)**	**(8.4)**	**-**
Currency forwards and currency swaps	-	*(224.0)*	*(215.6)*	*(8.4)*	-
Outflows	-	*(7,569.2)*	*(7,365.8)*	*(203.4)*	-
Inflows	-	*7,345.2*	*7,150.2*	*195.0*	-
Other foreign currency derivatives	-	*0.7*	*0.7*	-	-
Outflows	-	*(251.9)*	*(251.9)*	-	-
Inflows	-	*252.6*	*252.6*	-	-
Other market risks	**105.0**	1.6	1.6	**-**	**-**
Precious metals hedges	*(1.4)*	*1.6*	*1.6*	-	-
Embedded derivative relating to bonds exchangeable into PUMA shares	*106.4*	*N/A*	-	-	-
TOTAL	7,447.3	(7,509.6)	(4,406.6)	(2,125.4)	(977.6)

(in € millions)	Dec. 31, 2020 Carrying amount	Dec. 31, 2020 Cash flow	Less than one year	One to five years	More than five years
Non-derivative financial instruments	**7,081.1**	**(7,706.3)**	**(3,394.5)**	**(2,822.8)**	**(1,489.0)**
Bonds	3,836.8	(3,842.2)	(467.2)	(1,925.0)	(1,450.0)
Commercial paper	552.2	(552.2)	(552.2)	-	-
Other borrowings	1,202.5	(1,822.3)	(885.5)	(897.8)	(39.0)
Trade payables and accrued expenses	1,489.6	(1,489.6)	(1,489.6)		
Derivative financial instruments	**(19.5)**	**78.8**	**81.2**	**(2.4)**	**-**
Interest rate risk	**(0.2)**	**(0.2)**	**(0.1)**	**(0.1)**	**-**
Interest rate swaps	*(0.2)*	*(0.2)*	*(0.1)*	*(0.1)*	-
Other interest rate derivatives	-	-	-	-	-
Foreign exchange risk	**(93.4)**	**79.0**	**81.3**	**(2.3)**	**-**
Currency forwards and currency swaps	-	*72.4*	*72.4*	-	-
Outflows	-	*(5,344.3)*	*(5,344.3)*	-	-
Inflows	-	*5,416.7*	*5,416.7*	-	-
Other foreign currency derivatives	-	*6.6*	*8.9*	*(2.3)*	-
Outflows	-	*(450.9)*	*(345.7)*	*(105.3)*	-
Inflows	-	*457.5*	*354.6*	*103.0*	-
Other market risks	**74.1**	**N/A**	**-**	**-**	**-**
Embedded derivative relating to bonds exchangeable into PUMA shares	*74.1*	*N/A*	-	-	-
TOTAL	7,061.6	(7,627.5)	(3,313.3)	(2,825.2)	(1,489.0)

NOTE 23 – FINANCIAL LIABILITIES

The accounting policies and methods applied in respect of financial liabilities are set out in Notes 33.16 and 33.17.

23.1 Breakdown of financial liabilities

(in € millions)	Notes	Dec. 31, 2021	Dec. 31, 2020
Derivative instruments	22.6	0.1	80.0
Non-current financial liabilities		**0.1**	**80.0**
Derivative instruments	22.6	304.2	24.6
Kering SA interim dividend	20.2	436.4	312.5
Other		2.4	1.0
Current financial liabilities		**743.0**	**338.1**

23.2 Financial liabilities measured at fair value

(in € millions)	Notes	Dec. 31, 2021	Dec. 31, 2020
Derivative instruments	22.6	304.3	104.6
Financial liabilities measured at fair value		**304.3**	**104.6**

The fair value of derivative financial instruments is determined using valuation techniques drawing on observable market inputs (such as forward rates and interest rate curves) and on commonly used models (level 2 of the fair value hierarchy).

NOTE 24 – PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The accounting policies and methods applied in respect of provisions for pensions and other post-employment benefits are set out in Note 33.22.

24.1 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 payments and long-service bonuses – France

In France, retirement termination benefits are fixed and paid by companies to their employees on retirement. The amount paid depends on the number of years of service on retirement, and is defined in the relevant 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 these awards to employees), but hold symbolic value. Nevertheless, some of Kering's French entities choose to pay long-service bonuses after 20, 30, 35 and 40 years of service.

24.2 Provisions for pensions and other post-employment benefits

(in € millions)	**Dec. 31, 2021**	**Dec. 31, 2020**
Non-current provisions	88.9	107.5
Current provisions	12.3	12.2
Provisions for pensions and other post-employment benefits	**101.2**	**119.7**

	2021					**2020**
				Change during the period		
(in € millions)	**Present value of benefit obligation**	**Fair value of plan assets**	**Provisions for pensions and other post-employment benefits**	**Gains and losses recognized in equity**	**Income statement**	**Provisions for pensions and other post-employment benefits**
As of January 1	**224.4**	**104.7**	**119.7**	**-**	**-**	**115.4**
Current service cost	13.7	-	13.7	-	(13.7)	14.5
Plan amendments	-	-	-	-	-	-
Interest cost on the benefit obligation	1.1	-	1.1	-	(1.1)	1.2
Interest income on plan assets	-	(0.2)	0.2	-	(0.2)	(0.3)
Past service cost	(2.1)	-	(2.1)	-	2.1	(6.6)
Actuarial gains and losses:	(18.4)	(0.4)	(18.0)	(18.2)	-	(1.3)
Changes in demographic assumptions	*(8.3)*	-	*(8.3)*	-	-	*(5.9)*
Changes in financial assumptions	*(5.5)*	-	*(5.5)*	-	-	*0.4*
Experience adjustments	*(4.6)*	-	*(4.6)*	-	-	*0.4*
Return on plan assets (excluding interest)	-	*(0.4)*	*0.4*	-	-	*3.8*
Benefits paid	(24.6)	(18.4)	(6.2)	-	-	(3.5)
Contributions paid by employees	3.9	3.9	-	-	-	-
Contribution paid by employer	-	3.8	(3.8)	-	-	(6.0)
Insurance contracts	(0.7)	(0.7)	-	-	-	-
Administrative expenses	-	(0.3)	0.3	-	(0.3)	0.4
Changes in Group structure	1.0	0.4	0.6	-	-	5.8
Assets held for sale	(52.3)	(46.2)	(6.1)	-	-	-
Foreign exchange differences	6.1	4.3	1.8	-	-	0.1
As of December 31	**152.1**	**50.9**	**101.2**	**(18.2)**	**(13.2)**	**119.7**
Obligation funded by plan assets	81.8	-	-	-	-	151.7
Obligation not funded by plan assets	70.3	-	-	-	-	72.7

24.3 Actuarial assumptions used to estimate the present value of the benefit obligation

	France		Switzerland		Italy	
	2021	2020	2021	2020	2021	2020
Average maturity of plans *(in years)*	11.7	14.4	14.0	12.8	10.1	10.0
Discount rate	1.20%	1.00%	0.40%	0.20%	1.20%	1.00%
Expected rate of increase in salaries	2.96%	2.48%	1.15%	1.15%	3.00%	3.00%
Inflation rate	1.75%	1.75%	0.70%	0.70%	1.75%	1.75%

Sensitivity tests on actuarial assumptions show that the impact of a 50 basis-point increase or decrease in the discount rate would not be material and would represent less than 0.5% of consolidated equity as of December 31, 2021.

24.4 Breakdown of the present value of the benefit obligation by country

(in € millions)	Dec. 31, 2021	Dec. 31, 2020
Switzerland	78.3	147.5
Italy	43.4	42.8
France	22.2	26.6
Other	8.2	7.5
Present value of benefit obligation	**152.1**	**224.4**

24.5 Fair value of plan assets by type of financial instrument

(in € millions)	Dec. 31, 2021	%	Dec. 31, 2020	%
Debt instruments	12.1	23.6%	40.6	38.8%
Equity instruments	20.1	39.6%	28.5	27.2%
Real estate	9.8	19.1%	23.8	22.7%
Insurance contracts	-	0.0%	-	0.0%
Derivative instruments	4.1	8.0%	4.1	3.9%
Cash and cash equivalents	1.8	3.5%	1.4	1.3%
Other assets	3.0	6.1%	6.3	6.0%
Fair value of plan assets	**50.9**	**100.0%**	**104.7**	**100.0%**

In 2021, the Group intends to contribute €2.7 million to funded plans.

NOTE 25 – PROVISIONS AND CONTINGENT LIABILITIES

The accounting policies and methods applied in respect of provisions are set out in Note 33.23.

(in € millions)	Dec. 31, 2020	Charge	Reversal (utilized provisions)	Reversal (surplus provisions)	Changes in Group structure	Foreign exchange differences	Other movements	Dec. 31, 2021
Non-current provisions	18.4	2.0	(2.3)	(2.6)	-	0.1	0.8	16.4
Current provisions	212.4	73.1	(63.2)	(61.1)	0.6	2.9	(27.0)	137.7
TOTAL	230.8	75.1	(65.5)	(63.7)	0.6	3.0	(26.2)	154.1

(in € millions)	Notes	Dec. 31, 2021	Dec. 31, 2020
Provision for restructuring costs	8	28.4	45.1
Vendor warranties	31.1	24.4	54.7
Disputes and other contingencies		101.3	131.0
TOTAL		154.1	230.8

Litigation and disputes

Group companies are involved in a number of lawsuits or disputes arising in the normal course of business. According to their management and legal counsel, no disputes currently in progress are likely to have a material impact on normal or foreseeable operations or on the planned development of the Group.

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 parent company or against any of its subsidiaries is material to the parent 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.

Vendor warranties

Provisions recorded in respect of vendor warranties decreased in 2021 following the sale of historical assets held by Kering (mainly Conforama and Redcats), which eliminated the related risks and warranties.

Contingent liabilities

To the best of the Group's knowledge, there are no significant contingent liabilities.

NOTES ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

NOTE 26 – CASH AND CASH EQUIVALENTS AS REPORTED IN THE STATEMENT OF CASH FLOWS

(in € millions)	Notes	Dec. 31, 2021	Dec. 31, 2020
Cash and cash equivalents as reported in the balance sheet	**21.1**	**5,248.7**	**3,442.8**
Bank overdrafts	21.2	(733.0)	(442.7)
Cash and cash equivalents as reported in the statement of cash flows		**4,515.7**	**3,000.1**

NOTE 27 – CASH FLOW RECEIVED FROM OPERATING ACTIVITIES

(in € millions)	Notes	2021	2020
Net income from continuing operations		**3,244.8**	**2,189.7**
Net recurring charges to depreciation, amortization and provisions on non-current operating assets		1,453.2	1,439.0
Other non-cash income and expenses		17.7	(282.8)
Non-cash recurring operating income and expenses:	4.1	(49.4)	(189.9)
Fair value of operating foreign exchange rate hedges		*(34.5)*	*(56.3)*
Other		*(14.9)*	*(133.6)*
Other non-cash income and expenses:		67.1	(92.9)
Capital gain on PUMA disposal		*-*	*(704.6)*
Impairment of goodwill, brands and other non-current assets	*8*	*69.1*	*446.6*
Fair value of foreign exchange rate hedges in financial result	*8*	*83.8*	*79.7*
Deferred tax expense (income)		*(178.1)*	*102.2*
Share in earnings (losses) of equity-accounted companies		*(1.0)*	*7.6*
Other		*93.3*	*(24.4)*
Cash flow received from operating activities		**4,715.7**	**3,345.9**

NOTE 28 – CHANGE IN WORKING CAPITAL REQUIREMENT

(in € millions)	2021	2020
Change in inventories	(429.4)	48.6
Change in trade receivables and accrued income	(12.5)	172.4
Change in trade payables and accrued expenses	173.2	(142.7)
Change in other operating receivables and payables	230.7	(33.9)
Change in working capital requirement	**(38.0)**	**44.4**

NOTE 29 – ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(in € millions)	Notes	2021	2020
Acquisitions of property, plant and equipment	16	(714.8)	(580.1)
Acquisitions of intangible assets	13	(253.6)	(215.5)
Change in amounts due in respect of non-current assets		49.3	28.7
Lease set-up costs	15.4	(14.9)	(20.0)
Acquisitions of property, plant and equipment and intangible assets		**(934.0)**	**(786.9)**

NOTE 30 – FINANCING ACTIVITIES AND CHANGE IN BORROWINGS

	Borrowings					
(in € millions)	**Current**	**Non-current**	**Lease liabilities**	**Other assets and liabilities**	**Equity**	**Total**
As of January 1, 2021	**1,776.2**	**3,815.3**	**-**	**-**	**-**	**-**
Dividends paid to shareholders of Kering SA	-	-	-	-	(998.3)	(998.3)
Dividends paid to minority interests in consolidated subsidiaries	-	-	-	-	(26.7)	(26.7)
Transactions with minority interests	(109.0)	-	-	20.8	90.4	2.2
(Acquisitions) disposals of Kering treasury shares	-	-	-	-	(538.3)	(538.3)
Issuance of bonds and bank debt	10.4	52.1	-	-	-	62.5
Redemption of bonds and bank debt	(583.0)	(0.2)	-	-	-	(583.2)
Issuance (redemption) of other borrowings	135.7	16.5	-	-	-	152.2
Repayment of lease liabilities	-	-	(775.5)	-	-	(775.5)
Interest paid and equivalent	(52.1)	-	(106.1)	(63.6)	-	(221.8)
Net cash received from (used in) financing activities	**(598.0)**	**68.4**	**(881.6)**	**(42.8)**	**(1,472.9)**	**(2,926.9)**
Changes in Group structure	-	(4.7)	-	-	-	-
Foreign exchange differences	(8.5)	(3.5)	-	-	-	-
Changes in put options granted to minority interests	(0.2)	13.2	-	-	-	-
Other movements	1,272.1	(913.2)	-	-	-	-
As of December 31, 2021	**2,441.6**	**2,975.5**		**-**	**-**	**-**

	Borrowings					
(in € millions)	**Current**	**Non-current**	**Lease liabilities**	**Other assets and liabilities**	**Equity**	**Total**
As of January 1, 2020	**1,975.9**	**3,122.2**				
Dividends paid to shareholders of Kering SA	-	-	-	-	(1,000.1)	(1,000.1)
Dividends paid to minority interests in consolidated subsidiaries	-	-	-	-	(9.3)	(9.3)
Transactions with minority interests	(50.9)	(0.4)	-	-	23.8	(27.5)
(Acquisitions) disposals of Kering treasury shares	-	-	-	-	(54.1)	(54.1)
Issuance of bonds and bank debt	52.8	1,390.3	-	-	-	1,443.1
Redemption of bonds and bank debt	(635.2)	(7.1)	-	-	-	(642.3)
Issuance (redemption) of other borrowings	(258.2)	(0.4)	-	-	-	(258.6)
Repayment of lease liabilities	-	-	(787.3)	-	-	(787.3)
Interest paid and equivalent	(54.4)	-	(112.9)	(119.7)	--	(287.0)
Net cash received from (used in) financing activities	**(945.9)**	**1,382.4**	**(900.2)**	**(119.7)**	**(1,039.7)**	**(1,623.1)**
Changes in Group structure	0.6	5.7	-	-	-	-
Foreign exchange differences	(29.5)	(5.0)	-	-	-	-
Changes in put options granted to minority interests	(0.3)	18.4	-	-	-	-
Other movements	775.4	(708.4)	-	-	-	-
As of December 31, 2020	**1,776.2**	**3,815.3**	**-**	**-**	**-**	**-**

OTHER DISCLOSURES

NOTE 31 – OFF-BALANCE SHEET COMMITMENTS

31.1 Main vendor warranties granted in connection with asset disposals

In relation to the disposal of certain businesses, the Group has granted customary vendor warranties in respect of certain fundamental representations, along with some specific capped and time-limited warranties. Provisions have been set aside in respect of some vendor warranties (see Note 25).

31.2 Other commitments given and received in the course of the Group's operations

Details of other commitments and warranties given are provided in the corresponding notes and relate to leases (Note 15), property, plant and equipment (Note 16), inventories (Note 18), trade receivables (Note 19) and derivative instruments (Note 22.6). Other commitments given and received in the course of the Group's operations can be analyzed as follows:

	Payments due by period				
(in € millions)	Less than one year	One to five years	More than five years	Dec. 31, 2021	Dec. 31, 2020
Binding purchase commitments	75.1	105.3	-	180.4	222.9
Customs deposits and other guarantees in respect of operations	126.2	2.3	4.1	132.6	44.6
Other commitments given	**201.3**	**107.6**	**4.1**	**313.0**	**267.5**
Other commitments received	**24.8**	**0.6**	**0.9**	**26.3**	**22.7**

NOTE 32 – TRANSACTIONS WITH RELATED PARTIES

32.1 Related party controlling the Group

Kering SA is controlled by Artémis, which in turn is wholly owned by Financière Pinault.

	Notes	Dec. 31, 2021	Dec. 31, 2020
% capital held by the Artémis group in Kering SA		41.7%	41.4%
% voting rights held by the Artémis group in Kering SA		58.7%	58.2%
Dividend paid for Year Y-1 *(in € millions)*	20.2	414.4	413.9
Interim dividend paid for Year Y *(in € millions)*	20.2	182.2	129.4
Fees for the period *(in € millions)*		6.3	4.7

The Group pays fees to Artémis 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.

32.2 Remuneration paid to members of the Board of Directors and the Group's Executive Committee

(in € millions)	2021	2020
Wages and salaries	28.9	32.3
Payroll taxes	3.7	7.1
Termination indemnities	0.0	1.6
Short-term remuneration	**32.6**	**41.0**
Post-employment benefits	0.8	0.9
Other long-term benefits	12.7	6.8
Share-based payment	25.1	18.5
Long-term remuneration	**38.7**	**26.2**
TOTAL	71.3	67.2

Short-term remuneration corresponds to amounts paid during the year, whereas long-term remuneration corresponds to amounts recognized as expenses in the period.

NOTE 33 – ACCOUNTING POLICIES AND METHODS

33.1 Basis of preparation of the consolidated financial statements

33.1.1 Changes to the IFRS basis

The amendments and interpretations that have entered into force since January 1, 2021 are as follows:

- the amendments to IFRS 9 and IFRS 7 – Interest Rate Benchmark Reform – Phase 2. This amendment has no impact for the Group;
- the amendment to IFRS 16 adopted by the IASB in March 2021 and endorsed by the European Union in August 2021, extending the period of application of COVID-19-related rent concessions to June 30, 2022 (see Note 33.13.6);
- the IFRIC's interpretation of IAS 19 relating to the allocation of employee benefits to periods of service, which clarifies the attribution periods to be taken into account to determine the benefit expense: the impacts are non-material for the Group;
- the IFRIC's interpretation of IAS 38 regarding the recognition of the costs of configuring or customizing software used in a SaaS (Software as a Service) arrangement, which provides details about criteria for recognizing those costs as intangible assets or expenses. The impact is currently being analyzed by the Group but is likely to be non-material.

33.1.2 Balance-sheet presentation and ESEF reporting

With the first-time application of ESEF to its 2021 consolidated financial statements, the Group amended the presentation of some of its balance sheet items in line with the XBRL taxonomy as from its first-half 2021 financial statements. This change of presentation concerns the line items previously entitled "Trade receivables" and "Trade payables", which have been renamed "Trade receivables and accrued income" and "Trade payables and accrued expenses", respectively. Certain amounts have therefore been reclassified from the "Other current assets" and "Other current liabilities" lines, respectively. The amounts presented for the comparative period (i.e. the year ended December 31, 2020) have also been reclassified. This change of presentation does not affect the calculation of working capital requirement, but alters the breakdown between operating working capital requirement and the non-operating component of working capital requirement.

33.1.3 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 consolidated financial statements concern goodwill and brands, the useful lives of property, plant and equipment and intangible assets, contingency provisions and uncertain tax positions, inventory impairment provisions, assumptions used to calculate lease right-of-use assets and lease liabilities, provisions for pensions and long-term remuneration including share-based payment, the recognition of deferred tax assets and certain 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. Put options granted to minority interests, for example, are a case in point.

33.1.4 Climate risks

The implementation of the Group's 2025 sustainability strategy – particularly measures relating to the supply chain, production and transportation, along with initiatives to promote a circular economy and to preserve natural resources – will affect some of the Group's operational performance indicators to some extent. In particular, the strategy could result in an increase in raw materials and production costs, higher expenditure on research and development, certification and training costs and changes in the useful lives and residual values of certain assets. However, those impacts are not currently material for the Group.

When preparing its impairment tests, the Group also took into account the short-term costs of implementing the 2025 sustainability strategy within its business plans. As regards the other aspects of those business plans – such as revenue, growth targets and discount rates – since the financial impacts are not currently quantifiable and in the absence of market data on the subject, sensitivity analyses were adjusted and applied using riskier assumptions.

33.1.5 Use of alternative performance indicators

The alternative performance indicators used by the Group and presented in the consolidated financial statements are:

Recurring operating income and other non-recurring operating income and expenses

The Group's operating income includes all revenues and expenses directly related to its activities, whether these revenues and expenses are recurring or arise from non-recurring decisions or transactions.

Other non-recurring operating income and expenses consist of items that, by their nature, amount or frequency, could distort the assessment of the Group's operating performance as reflected in its recurring operating income. They include changes in Group structure, the impairment of goodwill and brands and, where material, of property, plant and equipment and intangible assets, capital gains and losses on disposals of non-current assets, restructuring costs and disputes (see Note 8).

"Recurring operating income" is therefore a major indicator for the Group, defined as the difference between operating income and other non-recurring operating income and expenses. This intermediate line item is intended to facilitate the understanding of the operating performance of the Group and its Houses and can therefore 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 (see Note 4).

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 (see Note 4).

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 (see Notes 8 and 10).

Net debt

Net debt is one of the Group's main financial indicators, and is defined as borrowings less cash and cash equivalents. Consequently, the cost of net debt corresponds to all financial income and expenses associated with these items, including the impact of derivative instruments used to hedge the fair value of borrowings (see Note 9). Borrowings include put options granted to minority interests (see Note 33.21).

33.2 Consolidation principles

The Group's consolidated financial statements include the financial statements of the companies listed in Note 34. They include the financial statements of companies acquired as from the acquisition date and companies sold up until the date of disposal.

33.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group exercises control. Control is defined according to three criteria: power over the investee; exposure, or rights, to variable returns from involvement with the investee; and 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 as well as transactions between consolidated companies are eliminated. Gains and losses on internal transactions with controlled companies are fully eliminated.

33.2.2 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 the Group 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 balance sheet.

Gains or losses on internal transactions with equity-accounted associates are eliminated in the amount of the Group's investment in these companies.

33.2.3 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 an acquisition are recognized within other non-recurring operating expenses in the income statement.

The excess of the acquisition price 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 the income statement within other non-recurring operating income.

The Group may choose to measure any minority 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 of 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 minority interests. Acquisitions and disposals of minority interests are recognized directly in equity attributable to the Group.

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 minority interests.

33.3 Foreign currency translation

33.3.1 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.

33.3.2 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 (assets and liabilities) in foreign currencies are translated at the closing exchange rate at the end of each reporting period. Any foreign exchange gains and losses resulting from this translation or from the settlement of these monetary items are recognized within other financial income and expenses in the income statement.

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 equity within other comprehensive income, similar treatment is applied to the foreign exchange component of this gain or loss. Otherwise, the component is recognized in the income statement.

The treatment of currency hedges in the form of derivatives is described in Note 33.17.

33.3.3 Currency translation of foreign subsidiaries' financial statements

The income statements and balance sheets of Group entities with a functional currency that differs from the presentation currency are translated into euros as follows:

- items recorded in the balance sheet other than equity are translated at the exchange rate at the end of the reporting period;
- items in the income statement and statement of cash flows 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;
- translation differences are recognized directly in equity within other comprehensive income as currency translation adjustments.

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 recognized directly in equity within other comprehensive income as currency translation adjustments.

33.3.4 Net investment in a foreign business

Currency translation adjustments arising on the translation of a net investment in a foreign subsidiary are recognized directly in equity within other comprehensive income, and are transferred to the income statement on the disposal of the net investment.

Currency translation adjustments in respect of foreign currency borrowings designated as hedging a net investment in a foreign subsidiary are recognized directly in equity within other comprehensive income to the extent that the hedge is effective. They are transferred to the income statement on the disposal of the net investment hedged.

33.4 Operating segments

In accordance with IFRS 8, 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.

Financial information provided on operating segments is prepared in accordance with the same accounting rules as in the consolidated financial statements.

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.

Recurring charges to depreciation, amortization and provisions on non-current operating assets reflect net charges to depreciation, amortization and provisions on intangible assets, lease right-of-use assets and property, plant and equipment recognized in recurring operating income.

Acquisitions of property, plant and equipment and intangible assets correspond to gross non-current asset purchases, including cash timing differences, as presented in the consolidated cash statement.

Segment assets comprise goodwill, brands and other intangible assets, lease right-of-use assets, 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, trade payables and other current liabilities.

The presentation of revenue by region is based on the geographic location of clients. Non-current segment assets are not broken down by region 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.

33.5 Revenue

Revenue mainly comprises sales of goods, together with income from associated services, and income from royalties and operating licenses.

33.5.1 Sales of goods and associated services

Sales of goods, whether through a retail network, online or wholesale operations, are recognized when the Group satisfies its performance obligation to its clients, 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 balance sheet under liabilities in respect of future refunds. An asset (with an offsetting adjustment corresponding to cost of sales) representing the right to recover the goods from the client 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 within "Financial result".

Warranties in connection with certain product categories are recognized under 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.

33.5.2 Royalties from operating licenses

Royalties received with respect to operating licenses are 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.

33.6 Personnel expenses

Personnel expenses primarily consist of wages, salaries and payroll taxes, expenses relating to pensions and other post-employment benefits under defined benefit plans (see Note 33.22), and expenses related to share-based payments (see Note 33.7). Wages, salaries and payroll taxes include fixed remuneration, variable short-term remuneration, long-term remuneration plans, expenses related to employee profit-sharing and other incentive plans, and any associated payroll taxes. Other personnel expenses notably include severance paid to individual employees or as part of a restructuring plan, and directors' fees paid to directors of Group entities.

33.7 Share-based payment

The Group may operate long-term variable remuneration plans that feature share-based payments. These plans are classified as either cash-settled plans or plans settled in Kering shares.

Cash-settled plans result in the recognition of personnel expenses in the income statement spread over the rights vesting period and a matching liability in the balance sheet. The fair value of the benefit granted to the beneficiaries is remeasured at the end of each reporting period, taking into account any changes in market-based or internal performance conditions.

Plans settled in Kering shares result in the recognition of personnel expenses in the income statement spread over the rights vesting period and an offsetting entry in equity attributable to the Group. The fair value of the benefit granted to the beneficiaries is set at the grant date of the plan using the Black & Scholes and Monte Carlo models, which take into account the impacts of any market-based performance conditions as from the inception of the plan. The impacts of any internal-based performance conditions are remeasured at the end of each reporting period.

The payroll taxes relating to these long-term variable remuneration plans are also recognized in personnel expenses in the income statement as the rights under the plans vest, with a matching liability in the balance sheet, regardless of whether the plans are settled in cash or in Kering shares. These payroll taxes are remeasured at the end of each reporting period based on the most certain assumptions as regards the outcome of the plans. Payroll taxes relating to plans settled in Kering shares reflect the best estimate of the number of shares to be delivered upon expiry of the plan at the end of each reporting period.

33.8 Income taxes

Income tax expense 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 balance sheet 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 presented separately in the balance sheet within non-current assets and liabilities.

A deferred tax asset is recognized on deductible temporary differences and for tax loss and credit carry-forwards to the extent that their future offset is probable.

A deferred tax liability is recognized on taxable temporary differences relating to investments in subsidiaries and associates 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.

33.9 Earnings per share

Earnings per share is calculated by dividing net income attributable to the Group by the weighted average number of outstanding shares during the period, i.e. without taking account of the weighted average number of Kering treasury shares held by the Group during the period.

Diluted earnings per share is calculated by adjusting net income attributable to the Group and the weighted average number of outstanding shares during the period for all dilutive instruments granting deferred access to the share capital of the consolidating 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., issues of free shares), 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).

Earnings per share from continuing operations excluding non-recurring items is also calculated by adjusting net income from continuing operations attributable to the Group for the amount of non-recurring items net of tax. Non-recurring items correspond to other non-recurring operating income and expenses in the income statement (see Note 33.1.5).

33.10 Goodwill

Goodwill is determined according to the method indicated in Note 33.2.3.

Goodwill is allocated as of the acquisition date to cash-generating units (CGUs) or groups of CGUs defined by the Group. The CGUs or groups of CGUs to which goodwill has been allocated are tested for impairment each year, or whenever events or circumstances indicate that an impairment loss is likely.

CGUs and the related impairment tests are described in Note 33.12.

33.11 Brands and other intangible assets

Brands and other intangible assets are recognized at cost less accumulated amortization and impairment.

Brands and 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.

Brands, which represent the majority of intangible assets within the Group, are intangible assets with indefinite useful lives and are therefore not amortized but are tested for impairment when there is an indication that an impairment loss has taken place.

Other intangible assets are amortized over their useful lives and are tested for impairment when there is an indication that an impairment loss has taken place.

Software acquired as part of recurring operations is usually amortized over a period not exceeding 12 months. Software configuration and customization costs are generally expensed over the period of the service.

Software developed in-house by the Group and meeting all the relevant criteria is capitalized and amortized on a straight-line basis over its useful life, which is generally between three and ten years.

Impairment tests are described in Note 33.12.

33.12 Cash-generating units and impairment tests

The Group tests the value of its assets for impairment by allocating them to cash-generating units (CGUs) or groups of CGUs. The impairment tests are performed each year, or whenever events or circumstances indicate that an impairment loss is likely. A CGU is the smallest group of assets, including goodwill, that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or CGUs.

CGUs or groups of CGUs as defined by the Group represent the operating segments in which the Group's brands operate (see Note 33.4).

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 (typically ten years). 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. The perpetual 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.

When the CGU's recoverable amount is less than its net carrying amount, an impairment loss is recognized. Impairment is charged first to goodwill and recognized under "Other non-recurring operating income and expenses" in the income statement (see Note 33.1.3).

Impairment recognized in respect of brands and other intangible assets along with property, plant and equipment may be reversed at a later date if there is an indication that the impairment loss no longer exists. Impairment recognized 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.

33.13 Leases

33.13.1 Scope of 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 given period of time in exchange for consideration.

The Group applies the recognition principles set out in IFRS 16 for all of its leases, with the exception of:

- 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.

Lease payments associated with these leases that fall outside the scope of IFRS 16 are expensed on a straight-line basis over the lease term.

If a lease includes explicitly identifiable non-lease components relating to services, those components are recognized in the appropriate line item under recurring operating expenses.

33.13.2 Recognition of leases under IFRS 16

Under IFRS 16, for each affected lease, the following items are recognized in the balance sheet 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 the Group is reasonably certain to exercise these options. In addition, any lease incentives receivable as of the commencement date are deducted from fixed payments;
- a lease 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 lease liabilities" within "Financial result" in the income statement,
  - a reduction reflecting the lease payments made over the period, with a corresponding entry to "Cash and cash equivalents" in the balance sheet,
  - an increase reflecting any revisions to the index or growth rate applicable to the lease payments, where appropriate, with a corresponding entry to "Lease right-of-use assets" in the balance sheet,
  - an increase or a reduction reflecting the remeasurement of fixed future lease payments further to a change in the estimated lease term, with a corresponding entry to "Lease right-of-use assets" in the balance sheet;
- the lease 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 lease right-of-use assets" within "Recurring operating income" in the income statement,
  - a reduction reflecting the potential impairment of lease 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 balance sheet,
  - 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 balance sheet.

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 lease right-of-use assets;
- within "Financial result", the interest expense corresponding to the unwinding of the discount on lease liabilities.

Lastly, the impact of applying IFRS 16 on the statement of cash flows can be summarized as follows:

- within "Net cash received 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").

33.13.3 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, adjusted for:

- any periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; or
- any periods covered by an option to terminate the lease if the lessee is reasonably certain to exercise that option.

When estimating the terms of its real-estate leases, which represent the majority of leases signed, the Group 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. Over the life of a lease, the Group reestimates the lease term at the end of each reporting period, taking into account recent operating decisions that factor in any extension or termination options that had not been considered reasonably certain at the end of previous reporting periods;
- 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, the Group 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 standard setter (Autorité des normes comptables – ANC) in its position statement of July 3, 2020 (replacing the position statement of February 16, 2018). At the end of the enforceable lease term and during any subsequent automatic renewal period while renegotiations are ongoing, the lease term is determined based on the date on which the Group is reasonably certain to renew the lease beyond its contractual term. 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. The position taken by the ANC also applies to Italian leases in the event of automatic renewal during any renegotiations following the end of their 12-year term.

In accordance with the IFRIC interpretation published on December 16, 2019, the Group estimates the term of its automatically renewable or indefinite-term leases mainly by reference to the expected useful life of the underlying non-movable assets. As a reminder, the Group depreciates improvements to its stores and other buildings consistently with the term of the underlying leases. Many different factors are taken into account in determining the maximum depreciation period of leasehold improvements, including the term of the underlying lease.

33.13.4 Determination of the discount rate applicable to lease liabilities

The Group 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 the Group 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 lease right-of-use asset in a similar economic environment.

The rates applied by the Group are based on a combination of risk-free interest rate curves per currency/country, euro/foreign currency swap points, and the Group'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, Yves Saint Laurent and Bottega Veneta;
- Other Houses – Couture and Leather Goods: Alexander McQueen, Balenciaga and Brioni;
- Other Houses – Watches and Jewelry: Boucheron, Pomellato, Qeelin, Sowind and Ulysse Nardin.

The rate curves take into account the average lease term and are prepared on a quarterly basis.

33.13.5 Lease rights taken into account when calculating lease right-of-use assets

Lease rights are a separate component of right-of-use assets and are depreciated over the term of the underlying leases, less any residual value. This residual value is tested for impairment each year and an impairment loss is recognized where necessary.

33.13.6 Amendment to IFRS 16 – COVID-19-Related Rent Concessions

The Group chose to apply the practical expedient provided for in the amendment adopted by the IASB on May 28, 2020 and endorsed by the European Union on October 9, 2020, along with the amendment to IFRS 16 adopted by the IASB in March 2021 and endorsed by the European Union in August 2021, extending the period of application of COVID-19-related rent concessions to June 30, 2022. This allows lessees to recognize any concessions granted due to the health crisis as negative variable lease payments (i.e. directly in the income statement), without having to assess whether the concessions were granted pursuant to contractual or legal clauses governing the performance of the lease in question.

33.14 Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and impairment, with the exception of land, which is not depreciated. 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 property, plant and equipment 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 income statement 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 three to ten years for equipment.

Property, plant and equipment are tested for impairment when an indication of impairment exists, such as a scheduled closure of a store or site, 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.

33.15 Financial assets

The classification of financial assets determines their accounting treatment and basis of measurement. There are three categories of financial assets:

- financial assets measured at amortized cost;
- financial assets measured at fair value through the income statement (profit or loss);
- financial assets measured at fair value in equity through other comprehensive income.

The Group determines the classification of its financial assets upon initial recognition, based on their characteristics 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.

33.15.1 Financial assets measured 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.

This category includes loans and receivables, deposits and guarantees, trade receivables and most other current and non-current receivables.

These financial assets are initially recognized at fair value 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 asset by discounting its estimated future cash flows until maturity. 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 asset. 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 other financial assets measured at amortized cost, an analysis is carried out taking into account the probability of counterparty default.

33.15.2 Financial assets measured at fair value through the income statement

Financial assets measured 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:

- non-consolidated investments and other financial investments, unless the Group has chosen to carry specific investments at fair value under the fair value option, in which case they are recognized directly in equity through other comprehensive income;
- financial assets held by the Group for trading purposes that the Group intends to resell in the near future 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;
- assets designated as at fair value under the fair value option.

Changes in the fair value of these assets are taken to the income statement. Net gains or losses arising on financial assets measured at fair value through the income statement generally correspond to interest income, dividends, changes in the fair value of the assets (unrealized gains or losses) and capital gains or losses on disposals (realized gains or losses).

33.15.3 Financial assets measured at fair value in equity through other comprehensive income

Financial assets are carried at fair value directly in equity through other comprehensive income when they are held as part of a business model whose objective is achieved both by collecting contractual cash flows (corresponding solely to payments of principal and interest on the principal amount outstanding) and selling these financial assets.

This category includes debt instruments, such as bonds, meeting the contractual cash flow and business model characteristics set out above.

It may also include non-consolidated investments or other financial investments such as shares in investment funds where the Group has elected to classify the shares in this category, in which case changes in the fair value of the shares are recognized directly in equity through 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 irrespective of the classification of the underlying financial asset.

33.15.4 Fair value hierarchy and associated valuation methods

The fair value of financial assets is determined using one of three levels in the fair value hierarchy:

- Level 1: financial assets quoted on an active market;
- Level 2: financial assets whose fair value is determined using valuation techniques drawing on observable market inputs;
- Level 3: financial assets 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.

33.16 Financial liabilities

The classification of financial liabilities determines their accounting treatment and measurement. There are two categories of financial liabilities:

- financial liabilities measured at amortized cost;
- financial liabilities measured at fair value through the income statement (profit or loss).

The Group determines the classification of its financial liabilities upon initial recognition, based on their characteristics.

33.16.1 Financial liabilities measured at amortized cost

Financial liabilities are carried at amortized cost if they are held as part of a business model whose objective is to disburse contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes borrowings (with the exception of put options granted to minority interests – see Note 33.21), trade payables and most other current and non-current liabilities.

These financial liabilities are initially recognized 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. 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 measured at amortized cost that qualify as hedged items as part of a fair value hedging relationship is adjusted with respect to the hedged risk (see Note 33.17.1).

33.16.2 Financial liabilities measured at fair value through the income statement

The Group may elect to carry some financial liabilities at fair value through the income statement. In this case, unlike in the amortized cost method, the transaction costs associated with setting up these financial liabilities are recognized immediately within other financial income and expenses in the income statement.

33.16.3 Convertible bonds: separating the debt and equity components

Bonds convertible into Kering shares have both a standard debt component and an equity component. These bonds are considered hybrid instruments insofar as the conversion option provides for the repayment of the instrument against a fixed number of equity instruments.

Therefore, the two components of a convertible bond are:

- a debt component, recognized within bond debt and representing the financial liability related to the contractual commitment to pay cash;
- an equity component corresponding to the option to convert the bonds into a fixed number of ordinary shares, which resembles a sale of call options by Kering.

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. The debt component is subsequently recognized at amortized cost;
- equity component: the value of the conversion option is determined as 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.

33.17 Derivative instruments

33.17.1 Derivative instruments designated as hedging instruments

The Group uses various derivative 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.

Derivative instruments are recognized in the balance sheet within current or non-current financial assets and current or non-current financial liabilities, depending on their maturity. They are recognized at fair value as from the transaction date.

Changes in the fair value of derivatives are always recorded in the income statement 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 future cash flow from recognized assets or liabilities or a highly probable transaction that would impact the income statement;
- 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 the income statement;
- a net investment hedge is used to hedge the translation risk arising on operations denominated in foreign currencies.

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.

The remaining ineffective portion of the hedge is recognized in the income statement at each reporting date, in other financial income and expenses within "Financial result".

The accounting treatment of derivative instruments qualified as hedging instruments, and their impact on the income statement and balance sheet, differs depending 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 derivative are recognized directly in equity through 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 financial result for financial hedges and the time value of commercial hedges;
- for fair value hedges, the hedged component of these items is measured in the balance sheet 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 the hedge is effective, by simultaneously matching fair value gains and losses on the hedging instrument in the income statement.

33.17.2 Derivative instruments designated as trading instruments

Changes in the fair value of derivative instruments that the Group cannot or does not wish to designate as hedging instruments are recognized in full in the income statement in other financial income and expenses within "Financial result".

33.17.3 Embedded derivative instruments

Certain financial assets or liabilities may contain a derivative instrument. When they are not closely related to the underlying instrument, these embedded derivatives are recognized separately in the balance sheet as a derivative instrument held for trading. Any changes in their fair value are taken in full in the income statement in other financial income and expenses within "Financial result".

33.18 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 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.

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.

33.19 Cash and cash equivalents

Cash and cash equivalents recorded on the assets side of the balance sheet include 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 and cash equivalents.

Bank overdrafts are presented in borrowings on the liabilities side of the balance sheet. In the statement of cash flows, cash and cash equivalents at the opening and closing of the reporting period include bank overdrafts.

33.20 Kering treasury shares

Kering treasury shares, whether specifically allocated for grant to Group employees or allocated to the liquidity agreement or in any other case, as well as directly related transaction costs, are deducted directly from equity attributable to the Group.

On disposal, the consideration received for these shares, net of transaction costs and the related tax impacts, is also recognized directly in equity attributable to the Group.

33.21 Put options granted to minority interests

The Group has undertaken to repurchase the minority 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 recognizes a financial liability in respect of any put options granted to minority interests. This liability is recognized at the present value of the best estimate of the strike price, with an offsetting entry in equity attributable to the Group. Any subsequent changes in the liability relating to put options granted to minority interests are recognized directly in equity, including the impact of unwinding the discount.

The financial liability recognized in respect of put options granted to minority interests is shown in the balance sheet within current and non-current borrowings, as appropriate. Put options granted to minority interests are therefore included in consolidated net debt (see Note 33.1.3).

Depending on the agreements signed by the Group with minority interests, minority shareholders may in some cases waive their dividend rights until the put option is exercised. In this case, the corresponding minority interests are canceled, with a direct offsetting entry in equity attributable to the Group. If the minority interests retain their dividend rights until the option is exercised however, the minority interests continue to be shown in the balance sheet.

33.22 Provisions for pensions and other post-employment benefits

Based on the laws and practices of each country, the Group recognizes various types of employee benefits, including pensions and other post-employment 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 in the income statement 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.

The provision recognized in the balance sheet corresponds to the present value of the obligations calculated as described above, less the fair value of the plans' financial assets under wholly funded pension plans.

The current service cost for these plans is recognized within personnel expenses in the income statement. The interest cost relating to the benefit obligation net of interest income on plan assets under wholly funded plans is recognized in other financial income and expenses within "Financial result". Past service cost, designating the increase in an obligation following the introduction of a new plan or the impact of amendments to an existing plan, is expensed immediately in the income statement within personnel expenses, regardless of whether or not the benefit entitlement has already vested or is still vesting.

Changes in actuarial assumptions and the impact of experience adjustments (the difference between outcomes estimated using actuarial assumptions and actual outcomes) give rise to actuarial gains and losses, which are recognized directly in equity within other comprehensive income. These actuarial gains and losses are never transferred to the income statement.

33.23 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.

33.24 Discontinued operations, assets held for sale and liabilities associated with assets held for sale

The Group applies IFRS 5, which requires the separate recognition and presentation of 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 balance sheet, 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 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 within discontinued operations and is restated in the statement of cash flows.

NOTE 34 – LIST OF CONSOLIDATED ENTITIES

Consolidation method

Full consolidation: C

Equity method: E

Company	% interest Dec. 31, 2021		% interest Dec. 31, 2020	
KERING SA		**Parent company**		**Parent company**
LUXURY HOUSES				
France				
ALEXANDER MCQUEEN FRANCE SAS	C	100.00	C	100.00
ARCADES PONTHIEU SA	C	95.00	C	95.00
BALENCIAGA OPERATIONS SAS	C	100.00		Formation
BALENCIAGA SAS	C	100.00	C	100.00
BOTTEGA VENETA FRANCE 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 SAS	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				
ALEXANDER MCQUEEN TRADING GMBH	C	100.00		Formation
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
POMELLATO DEUTSCHLAND 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
BALENCIAGA AUSTRIA GmbH	C	100.00	C	100.00
BOTTEGA VENETA AUSTRIA GmbH	C	100.00	C	100.00
BRIONI AUSTRIA GmbH		Liquidation	C	100.00
GUCCI AUSTRIA GmbH	C	100.00	C	100.00
YVES SAINT LAURENT AUSTRIA GmbH	C	100.00	C	100.00

Company	% interest			
		Dec. 31, 2021		Dec. 31, 2020
Belgium				
GUCCI BELGIUM SA	C	100.00	C	100.00
Denmark				
BALENCIAGA DENMARK APS	C	100.00		Formation
LUXURY GOODS DENMARK AS	C	51.00		Formation
Spain				
BALENCIAGA SPAIN SL	C	100.00	C	100.00
BOTTEGA VENETA ESPANA SL	C	100.00	C	100.00
BRIONI RETAIL ESPANA SL		Liquidation	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 & JEWELLERY OUTLETS Ltd	C	100.00	C	100.00
LUXURY TIMEPIECES UK Ltd	C	100.00	C	100.00
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
SAINT LAURENT GREECE AE	C	100.00		Formation
Hungary				
GUCCI HUNGARY RETAIL LTD	C	100.00	C	100.00
Ireland				
BOTTEGA VENETA IRELAND LTD	C	100.00		Formation
GUCCI IRELAND Ltd	C	100.00	C	100.00
SAINT LAURENT IRELAND LTD	C	100.00		Formation
Italy				
ACCADEMIA DELLA PELLETTERIA SRL	C	51.00	C	51.00
ALEXANDER MCQUEEN ITALIA SRL	C	100.00	C	100.00
ALEXANDER MCQUEEN LOGISTICA SRL	C	100.00	C	100.00
ALEXANDER MCQUEEN ONLINE ITALIA SRL	C	100.00	C	100.00
B.V. ITALIA SRL	C	100.00	C	100.00
BALENCIAGA LOGISTICA SRL	C	100.00	C	100.00
BALENCIAGA ONLINE ITALIA SRL	C	100.00	C	100.00
BALENCIAGA RETAIL ITALIA SRL	C	100.00	C	100.00
BOTTEGA VENETA LOGISTICA SRL	C	100.00	C	100.00
BOTTEGA VENETA SRL	C	100.00	C	100.00

	% interest			
Company	**Dec. 31, 2021**		**Dec. 31, 2020**	
BRIONI GERMANICS HOLDING SRL	C	100.00	C	100.00
BRIONI ITALIA SRL	C	100.00	C	100.00
BRIONI SpA	C	100.00	C	100.00
BV ECOMMERCE SRL	C	100.00	C	100.00
CARAVEL PELLI PREGIATE SpA	C	100.00	C	100.00
CHEM – TEC SRL	C	51.00	C	51.00
COLONNA SpA	C	51.00	C	51.00
CONCERIA 800 SpA	C	51.00	C	51.00
CONCERIA BLUTONIC SpA	C	51.00	C	51.00
DESIGN MANAGEMENT 2 SRL	C	100.00	C	100.00
DESIGN MANAGEMENT SRL	C	100.00	C	100.00
E-LITE SRL	C	100.00	C	100.00
FALCO PELLAMI SpA	C	51.00	C	51.00
G COMMERCE EUROPE SpA	C	100.00	C	100.00
GARPE SRL	C	100.00	C	100.00
GGW ITALIA SRL	C	100.00	C	100.00
GJP SRL	C	100.00	C	100.00
GPA SRL	C	100.00	C	100.00
GT SRL	C	100.00	C	100.00
GUCCI GARDEN 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	C	100.00
K RETAIL SRL	C	100.00	C	100.00
KERING FASHION OPERATIONS SRL	C	100.00	C	100.00
LECCIO SRL	C	100.00	C	100.00
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	C	51.00
PELLETTERIA ALESSANDRA SRL	C	70.00	C	70.00
PIGINI SRL	C	100.00	C	100.00
POMELLATO EUROPA SpA	C	100.00	C	100.00
POMELLATO SpA	C	100.00	C	100.00
ROMAN STYLE SpA	C	100.00	C	100.00
SAINT LAURENT ECOMMERCE SRL	C	100.00	C	100.00
SAMMEZZANO OUTLET SRL	C	100.00	C	100.00
SL LUXURY RETAIL SRL	C	100.00	C	100.00
SOWIND ITALIA SRL	C	100.00	C	100.00
TEST & INNOVATION LAB SRL	C	100.00	C	100.00
TIGER FLEX SRL	C	100.00	C	100.00
TRAMOR SRL	C	100.00	C	100.00
ULYSSE NARDIN ITALIA SRL	C	100.00	C	100.00
YVES SAINT LAURENT MANIFATTURE SRL	C	100.00	C	100.00
Luxembourg				
BOTTEGA VENETA INTERNATIONAL SARL	C	100.00	C	100.00
GUCCI GULF INVESTMENT SARL	C	100.00	C	100.00
GUCCI LUXEMBOURG SA	C	100.00	C	100.00
QEELIN HOLDING LUXEMBOURG SA	C	100.00	C	100.00

Company	% interest			
	Dec. 31, 2021		Dec. 31, 2020	
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
SAM YVES SAINT LAURENT OF MONACO	C	100.00	C	100.00
SOCIETE MONEGASQUE DE HAUTE JOAILLERIE S.A.M.	C	99.79	C	99.79
Norway				
LUXURY GOODS NORWAY AS	C	51.00		Formation
Netherlands				
ALEXANDER MCQUEEN (THE NETHERLANDS) BV	C	100.00		Formation
BALENCIAGA NETHERLANDS BV	C	100.00		Formation
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	C	100.00
GUCCI PORTUGAL UNIPESSOAL, LDA	C	100.00		Formation
SAINT LAURENT PORTUGAL SL	C	100.00		Formation
Czech Republic				
BALENCIAGA CZECH REPUBLIC SRO	C	100.00		Formation
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	C	100.00
Romania				
SIFA INTERNATIONAL SRL	C	100.00	C	100.00
Russia				
BOUCHERON RUS 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				
F.LLI ROSSI SHOES DOO	C	70.00	C	70.00
LUXURY TANNERY DOO	C	51.00	C	51.00
Sweden				
GUCCI SWEDEN AB	C	51.00		Formation
Switzerland				
BALENCIAGA SWITZERLAND SA	C	100.00	C	100.00
BOTTEGA VENETA SWISS RETAIL 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
GUCCI SWISS RETAIL SA	C	100.00	C	100.00
GUCCI SWISS TIMEPIECES SA	C	100.00	C	100.00
LUXURY GOODS OUTLETS EUROPE SAGL	C	100.00	C	100.00
ROUD' HOR SA	E	35.00	E	35.00
SIGATEC SA	E	50.00	E	50.00

Company	% interest Dec. 31, 2021		% interest Dec. 31, 2020	
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
MANUFACTURE ET FABRIQUE DE MONTRES ET CHRONOMETRES 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
SAINT LAURENT BRASIL IMPORTACAO E EXPORTACAO Ltda	C	100.00	C	100.00
Canada				
ALEXANDER MCQUEEN TRADING CANADA INC.	C	100.00		Formation
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
SAINT 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
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 HOLDING Inc.	C	100.00	C	100.00
BRIONI AMERICA Inc.	C	100.00	C	100.00
E-LITE US Inc.	C	100.00	C	100.00
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 OSTERIA USA LLC	C	100.00	C	100.00
GUCCI OSTERIA USA TRUST	C	100.00	C	100.00
LUXURY HOLDINGS Inc.	C	100.00	C	100.00
LUXURY TIMEPIECES AND JEWELRY USA, Inc.	C	100.00	C	100.00
POMELLATO USA Inc.	C	100.00	C	100.00
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	C	100.00
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.		Merger	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

Company	% interest			
		Dec. 31, 2021		Dec. 31, 2020
RETAIL LUXURY SERVICIOS S.A. DE C.V.		Merger	C	100.00
SAINT LAURENT MEXICO, S. DE R.L. DE C.V.	C	100.00	C	100.00
SAINT LAURENT SERVICIOS, S. DE R.L. DE C.V.		Merger	C	100.00
SERVICIOS DE PERSONAL BALENCIAGA S. DE R.L. DE C.V.		Merger	C	100.00
Panama				
LUXURY GOODS PANAMA S. DE R.L.	C	51.00	C	51.00
SAINT LAURENT PANAMA Inc.	C	100.00	C	100.00
Australia				
ALEXANDER MCQUEEN AUSTRALIA PTY Ltd	C	100.00	C	100.00
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
SAINT LAURENT AUSTRALIA PTY Ltd	C	100.00	C	100.00
New Zealand				
ALEXANDER MCQUEEN NEW ZEALAND LTD	C	100.00		Formation
BALENCIAGA NEW ZEALAND LTD	C	100.00		Formation
GUCCI NEW ZEALAND Ltd	C	100.00	C	100.00
SAINT LAURENT NEW ZEALAND Ltd	C	100.00	C	100.00
Greater China				
Mainland China				
ALEXANDER McQUEEN (SHANGHAI) TRADING Ltd	C	100.00	C	100.00
BALENCIAGA FASHION SHANGHAI CO. Ltd	C	100.00	C	100.00
BOTTEGA VENETA (CHINA) TRADING Ltd	C	100.00	C	100.00
BRIONI (SHANGHAI) 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
KERING (SHANGHAI) WATCHES AND JEWELRY Ltd	C	100.00	C	100.00
POMELLATO SHANGHAI CO. Ltd	C	100.00	C	100.00
QEELIN TRADING (SHANGHAI) CO. Ltd	C	100.00	C	100.00
YVES SAINT LAURENT (SHANGHAI) TRADING Ltd	C	100.00	C	100.00
Hong Kong SAR				
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 ASIA COMPANY Ltd	C	100.00	C	100.00
GUCCI GROUP (HONG KONG) LTD	C	100.00	C	100.00
LUXURY TIMEPIECES (HONG KONG) Ltd		Merger	C	100.00
MOVEN INTERNATIONAL 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
Macau SAR				
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
BRIONI MACAU Ltd	C	100.00	C	100.00

Company	% interest Dec. 31, 2021		% interest Dec. 31, 2020	
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		Liquidation	C	100.00
ULYSSE NARDIN (TAIWAN) Ltd	C	100.00	C	100.00
South 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
GUCCI KOREA LLC	C	100.00	C	100.00
KERING WATCHES & JEWELRY 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	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		Liquidation	C	100.00
GUCCI OSTERIA JAPAN G.K.	C	100.00		Formation
POMELLATO JAPAN CO. Ltd	C	100.00	C	100.00
SOWIND JAPAN KK	C	100.00	C	100.00
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
SAINT LAURENT (MALAYSIA) SDN BHD	C	100.00	C	100.00
Mongolia				
ULYSSE NARDIN MONGOLIA LLC	E	50.00	E	50.00
Philippines				
LUXURY GOODS PHILIPPINES INC	C	100.00		Formation
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
KERING (SINGAPORE) WATCHES AND JEWELRY PTE Ltd	C	100.00	C	100.00
SAINT LAURENT (SINGAPORE) PTE Ltd	C	100.00	C	100.00

Company	% interest			
	Dec. 31, 2021		Dec. 31, 2020	
Thailand				
ALEXANDER MCQUEEN (THAILAND) Ltd	C	100.00	C	100.00
BALENCIAGA THAILAND Ltd	C	100.00	C	100.00
BOTTEGA VENETA (THAILAND) Ltd	C	75.00	C	75.00
CLOSED-CYCLE BREEDING INTERNATIONAL Ltd		Disposal	C	48.00
G OPERATIONS FRASEC Ltd		Disposal	C	49.00
GUCCI (THAILAND) CO. Ltd		Liquidation	C	100.00
GUCCI SERVICES (THAILAND) Ltd	C	98.00	C	98.00
LUXURY GOODS (THAILAND) Ltd	C	75.00	C	75.00
SAINT LAURENT (THAILAND) CO. Ltd	C	100.00	C	100.00
Vietnam				
GUCCI VIETNAM CO. Ltd	C	100.00	C	100.00
South Africa				
GG LUXURY RETAIL SOUTH AFRICA PTE Ltd	C	62.00	C	62.00
Saudi Arabia				
LUXURY GOODS ARABIA LTD	C	75.00		Formation
Bahrain				
FLORENCE 1921 WLL	C	49.00	C	49.00
United Arab Emirates				
AP LUXURY GOODS MIDDLE EAST LLC	C	49.00	C	49.00
ATELIER LUXURY GULF LLC	C	49.00	C	49.00
FASHION LUXURY MIDDLE EAST LLC	C	49.00	C	49.00
LUXURY FASHION GULF LLC	C	49.00	C	49.00
LUXURY GOODS GULF LLC	C	49.00	C	49.00
Kazakhstan				
ULYSSE NARDIN KAZAKHSTAN LLP	E	50.00	E	50.00
Kuwait				
AUTUMNPAPER LUXURY GOODS FOR READYMADE CLOTHES, SHOES AND ACCESSORIES WLL	C	49.00	C	49.00
B.A.L FOR READY-TO-WEAR APPAREL AND ACCESSORIES WLL	C	49.00	C	49.00
BOTTEGA VENETA LEATHER GOODS KUWAIT WLL	C	49.00	C	49.00
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				
LUXURY GOODS QATAR LLC	C	25.50	C	25.50
SAINT LAURENT PARIS LLC	C	24.00	C	24.00
Turkey				
GUCCI TURKEY LUXURY GOODS TRADE LLP	C	100.00	C	100.00
POMELLATO MUCEVHERAT VE AKSESUAR DAGITIM VE TICARET Ltd SIRKETI		Liquidation	C	100.00

CORPORATE AND OTHER

KERING EYEWEAR ET KGS

France				
KERING EYEWEAR FRANCE SAS	C	67.07	C	63.23
MANUFACTURE KERING EYEWEAR SAS	C	67.07	C	63.23
Germany				
KERING EYEWEAR DACH GmbH	C	67.07	C	63.23
Croatia				
KERING EYEWEAR SOUTH EAST EUROPE DOO	C	67.07	C	63.23
Denmark				
LINDBERG AS	C	67.07		Acquisition

Company	% interest Dec. 31, 2021		Dec. 31, 2020	
Spain				
KERING EYEWEAR ESPANA SA	C	67.07	C	63.23
United Kingdom				
KERING EYEWEAR UK Ltd	C	67.07	C	63.23
Italy				
KERING EYEWEAR SpA	C	67.07	C	63.23
TRENTI INDUSTRIA OCCHIALI SPA	C	36.86	E	18.97
Switzerland				
LINDBERG AG	C	67.07	Acquisition	
United States				
KERING EYEWEAR USA Inc.	C	67.07	C	63.23
Australia				
KERING EYEWEAR AUSTRALIA PTY Ltd	C	67.07	C	63.23
Greater China				
Mainland China				
GUANGZHOU KGS CORPORATE MANAGEMENT & CONSULTANCY Ltd	C	100.00	C	100.00
KERING EYEWEAR SHANGHAI TRADING ENTERPRISES Ltd	C	67.07	C	63.23
LINDBERG SHANGHAI TRADING LTD	C	67.07	Acquisition	
REDCATS COMMERCE ET TRADING (SHANGHAI) CO Ltd	C	100.00	C	100.00
REDCATS SOURCING (SHANGHAI) Ltd	C	100.00	C	100.00
Hong Kong SAR				
KERING EYEWEAR APAC Ltd	C	67.07	C	63.23
KGS GLOBAL MANAGEMENT SERVICES Ltd	C	100.00	C	100.00
KGS SOURCING Ltd	C	100.00	C	100.00
Taiwan				
KERING EYEWEAR TAIWAN Ltd	C	67.07	C	63.23
South Korea				
KERING EYEWEAR KOREA Ltd	C	67.07	C	63.23
India				
KERING EYEWEAR INDIA Ltd	C	67.07	C	63.23
KGS SOURCING INDIA PTE Ltd	C	100.00	C	100.00
Japan				
KERING EYEWEAR JAPAN Ltd	C	67.07	C	63.23
Malaysia				
KERING EYEWEAR MALAYSIA SDN BHD	C	67.07	C	63.23
United Arab Emirates				
KERING EYEWEAR MIDDLE EAST FZ-LLC	C	67.07	C	63.23
Turkey				
KGS SOURCING TURKEY LIMITED	C	100.00	C	100.00
CORPORATE				
France				
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 FINANCE SNC	C	100.00	C	100.00
KERING FRANCE PARTICIPATIONS SAS	C	100.00	C	100.00
KERING SIGNATURE	C	100.00	C	100.00
KERING VENTURE SAS	C	100.00	C	100.00
SOCIETE CIVILE KERING CAPITAL SAS	C	100.00	C	100.00

Company	% interest			
	Dec. 31, 2021		Dec. 31, 2020	
Spain				
KERING SPAIN SL	C	100.00	C	100.00
United Kingdom				
KERING INTERNATIONAL Ltd	C	100.00	C	100.00
KERING UK SERVICES Ltd	C	100.00	C	100.00
Italy				
KERING ITALIA SpA	C	100.00	C	100.00
KERING SERVICE ITALIA SpA	C	100.00	C	100.00
Luxembourg				
E-KERING LUX SA	C	100.00	C	100.00
GEMINGA SARL	C	100.00	C	100.00
KERING INVESTMENTS SA	C	94.13	C	94.13
KERING RE	C	100.00	C	100.00
Netherlands				
GUCCI PARTICIPATION BV	C	100.00	C	100.00
K OPERATIONS 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
KERNIC-MET BV	C	100.00	C	100.00
KTK NETHERLANDS BV		Merger	C	100.00
Switzerland				
LUXURY GOODS INTERNATIONAL SA	C	100.00	C	100.00
LUXURY GOODS LOGISTICS SA	C	51.00	C	51.00
LUXURY GOODS OPERATIONS SA	C	51.00	C	51.00
Brazil				
KERING BRASIL SERVICOS ADMINISTRATIVOS LTDA	C	100.00		Formation
Canada				
KERING CANADA SERVICES INC	C	100.00		Formation
United States				
KERING AMERICAS Inc.	C	100.00	C	100.00
YOUR FRIENDS IN NEW YORK HOLDINGS, LLC	E	22.22	E	22.22
Mexico				
KERING MEXICO S. DE R.L. DE C.V.	C	100.00	C	100.00
Australia				
KERING AUSTRALIA PTY Ltd	C	100.00	C	100.00
Greater China				
Mainland China				
KERING INVESTMENT MANAGEMENT GROUP CO., Ltd	C	100.00	C	100.00
Hong Kong SAR				
KERING ASIA PACIFIC Ltd	C	100.00	C	100.00
South Korea				
KERING KOREA Ltd	C	100.00	C	100.00
Japan				
GUCCI YUGEN KAISHA	C	100.00	C	100.00
KERING JAPAN Ltd	C	100.00	C	100.00
KERING TOKYO INVESTMENT Ltd	C	100.00	C	100.00
Malaysia				
KERING SERVICES MALAYSIA SDN BHD	C	100.00	C	100.00
Singapore				
KERING SOUTH EAST ASIA PTE Ltd	C	100.00	C	100.00
United Arab Emirates				
KERING SERVICES MIDDLE EAST	C	100.00	C	100.00

NOTE 35 – STATUTORY AUDITORS' REMUNERATION

Fees for fiscal year 2021 *(in € thousands, excluding tax and disbursements)*	**KPMG**				**Deloitte**			
	Statutory Auditor		**Network**		**Statutory Auditor**		**Network**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Kering SA	638.8	39%	N/A	N/A	641.2	59%	N/A	N/A
Fully-consolidated subsidiaries	859.5	52%	3,759.0	72%	182.4	17%	1,841.8	73%
Statutory audit	**1,498.3**	**91%**	**3,759.0**	**72%**	**823.6**	**75%**	**1,841.8**	**73%**
Kering SA	113.5	7%	N/A	N/A	269.0	25%	375.0	15%
Fully-consolidated subsidiaries	37.0	2%	1,446.9	28%	N/A	N/A	322.7	13%
Non-audit services	**150.5**	**9%**	**1,446.9**	**28%**	**269.0**	**25%**	**697.7**	**27%**
TOTAL	1,648.8	100%	5,205.9	100%	1,092.6	100%	2,539.5	100%

2 - STATUTORY AUDITORS’ REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

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, 2021.

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, 2021 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 requirements of the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for statutory auditors, for the period from January 1, 2021 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.

Justification of Assessments - Key Audit Matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, 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.

Impairment tests on goodwill and intangible assets with indefinite useful lives

Notes 8, 14 and 33.12 to the consolidated financial statements

Risk identified	Our response
As of December 31, 2021, goodwill and brands are recorded on the balance sheet for a net carrying amount of €2,891.2 million and €6,405.9 million, respectively, or 9% and 21% of the total consolidated assets. The Group tests the value of its assets for impairment by allocating them to cash-generating units (CGUs) or groups of CGUs. The impairment tests are performed each year, or whenever events or circumstances indicate that an impairment loss is likely. CGUs or groups of CGUs as defined by the Group represent the operating segments in which the Group's brands operate. 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. When the CGU's recoverable amount is less than its net carrying amount, an impairment loss is recognized. Impairment is charged first to goodwill and recognized under "Other non-recurring operating income and expenses" in the income statement. Impairments tests carried out as at December 31, 2021 did not identify any impairment loss to be recognized in 2021. Given the significant amount of goodwill and brands in the consolidated financial statement as at December 31, 2021 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.	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, or groups of CGUs with a risk of impairment loss, with the assistance of our valuation specialists: • 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; • confirming that Notes 8, 14 and 33.12to the consolidated financial statements provides appropriate disclosures, notably on sensitivity analyses performed on the recoverable amount of goodwill and intangible assets with indefinite useful lives to changes in the main assumptions adopted.

Valuation of inventory depreciation

Notes 18 and 33.18 to the consolidated financial statements

Risk identified	Our response
As of December 31, 2021, inventories appear on the consolidated balance sheet for a net amount of €3,368.9 million and represent 11% of consolidated assets. As disclosed in Note 33.18 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 land the degree of judgment inherent in certain assumptions underlying the valuation of inventory depreciation, namely related to sales or obsolescence projections, we considered this topic to be a key audit matter.	Our procedures consisted in: • assessing the methods used to value inventory depreciation and confirming the consistency of accounting methods; • testing the appropriateness of the design and effectiveness of the implementation of the controls set up by Management to prevent or detect possible errors in the valuation of inventory depreciation; • 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 valuation of inventory depreciation; • assessing the assumptions and implementing measures used to determine the specific depreciations of inventories.

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.

Other Legal and Regulatory Verifications or Information

Format of presentation of the consolidated financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L.451-1-2, I of the French Monetary and Financial Code (*code monétaire et financier*), prepared under the responsibility of the Group Managing Director, complies with the single electronic format defined in the European Delegated Regulation N° 2019/815 of 17 Decembre 2018. As it relates to consolidated financial statements, our work includes verifying that the tagging of these consolidated financial statements complies with the format defined in the above delegated regulation.

Based on the work we have performed, we conclude that the presentation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the consolidated financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

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, 2021, KPMG S.A. was in its 30th year of uninterrupted engagement and Deloitte & Associés in its 28th 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, March 7, 2022

The Statutory Auditors

French original signed by

KPMG Audit	Deloitte & Associés	
Division of KPMG S.A.		
Grégoire Menou	David Dupont-Noel	Bénédicte Margerin

3 - KERING SA ANNUAL FINANCIAL STATEMENTS

3.1 Balance sheet – Assets as of December 31, 2021 and 2020

(in € millions)	Notes	Dec. 31, 2021 Gross	Dec. 31, 2021 Depreciation, amortization and provisions	Dec. 31, 2021 Carrying amount	Dec. 31, 2020 Carrying amount
NON-CURRENT ASSETS					
Investments		9,424.4	(1,654.6)	7,769.8	7,972.7
Other long-term investments[1]		497.3	(22.7)	474.6	157.4
Total investments	**3**	**9,921.7**	**(1,677.3)**	**8,244.4**	**8,130.1**
Property, plant and equipment and intangible assets	4	472.5	(109.3)	363.2	367.4
Total non-current assets		**10,394.2**	**(1,786.6)**	**8,607.6**	**8,497.5**
CURRENT ASSETS					
Receivables[2]	5	225.8	(1.1)	224.7	489.6
Marketable securities	6	76.9		76.9	53.9
Cash[2]	6	3,244.8		3,244.8	2,154.0
Total current assets		**3,547.5**	**(1.1)**	**3,546.4**	**2,697.5**
TOTAL ASSETS		13,941.7	(1,787.7)	12,154.0	11,195.0
(1) o/w due in less than one year:				0.0	122.7
(2) o/w concerning associates:				3,384.5	2,339.0

3.2 Balance sheet – Equity and liabilities as of December 31, 2021 and 2020

(in € millions)	Notes	Dec. 31, 2021	Dec. 31, 2020
EQUITY			
Share capital		498.8	500.1
Additional paid-in capital		2,052.3	2,052.3
Reserves	7	1,345.0	1,344.9
Retained earnings		1,420.8	671.4
Net income for the year		2,769.1	2,079.6
Total equity		**8,086.0**	**6,648.3**
Provisions	**8**	**35.3**	**34.9**
LIABILITIES			
Bond issues[1]	9.1	3,375.0	3,842.2
Other borrowings[1] [2]	9.1	26.1	25.5
Other liabilities[2]	10	631.5	644.1
Total liabilities		**4,032.6**	**4,511.8**
TOTAL EQUITY AND LIABILITIES		12,154.0	11,195.0
(1) o/w due in more than one year:		2,571.9	3,398.7
(2) o/w concerning associates:		62.5	145.6

3.3 Income statement

For the years ended December 31, 2021 and 2020

(in € millions)	Notes	2021	2020
Operating income		478.6	432.0
Operating expenses		(501.5)	(458.9)
Net operating loss	**12**	**(22.9)**	**(27.0)**
Dividends		2,026.7	1,630.7
Other financial income and expenses		(26.1)	(27.7)
Net financial income	**13**	**2,000.6**	**1,603.0**
Recurring income before tax		**1,977.7**	**1,576.1**
Net non-recurring income (expense)	14	566.8	421.1
Employee profit-sharing		(7.1)	(1.3)
Income tax	15	231.7	83.7
Net income for the year		**2,769.1**	**2,079.6**

3.4 Statement of cash flows

For the years ended December 31, 2021 and 2020

(in € millions)	2021	2020
Dividends received	2,026.7	1,630.7
Interest on borrowings	(38.8)	(45.5)
Income tax (paid) received	134.0	178.3
Other	229.2	(268.7)
Change in cash resulting from operating activities	**2,351.1**	**1,494.9**
(Acquisitions) disposals of operating assets	(133.3)	(123.6)
Change in long-term investments	338.0	733.2
Change in cash resulting from investing activities	**204.7**	**609.5**
Net change in borrowings	(466.6)	698.6
Share capital increases	-	-
Dividends paid by Kering	(998.4)	(1,000.1)
Change in cash resulting from financing activities	**(1,465.0)**	**(301.5)**
Change in cash and cash equivalents	**1,090.8**	**1,802.9**
Cash and cash equivalents at beginning of year	**2,154.0**	**351.1**
Cash and cash equivalents at end of year	**3,244.8**	**2,154.0**

3.5 Statement of changes in equity

(in € million) (before appropriation of net income)	Number of shares	Share capital	Additional paid-in capital	Reserves and retained earnings	Net income for the year	Equity
As of December 31, 2019	**126,279,322**	**505.1**	**2,052.4**	**2,535.1**	**917.7**	**6,010.3**
Appropriation of 2019 net income				917.7	(917.7)	-
Dividends paid				(558.2)		(558.2)
Interim dividend				(312.5)		(312.5)
Share capital reduction	(1,261,406)	(5.0)				(5.0)
Cancellation of shares				(565.8)		(565.8)
Changes in tax-driven provisions				0.0		0.0
2020 net income					2,079.6	2,079.6
As of December 31, 2020	**125,017,916**	**500.1**	**2,052.4**	**2,016.3**	**2,079.6**	**6,648.3**
Appropriation of 2020 net income				2,079.6	(2,079.6)	-
Dividends paid				(685.8)		(685.8)
Interim dividend				(436.4)		(436.4)
Share capital reduction	(325,000)	(1.3)				(1.3)
Cancellation of shares				(207.9)		(207.9)
Changes in tax-driven provisions						-
2021 net income					2,769.1	2,769.1
As of December 31, 2021	**124,692,916**	**498.8**	**2,052.4**	**2,765.8**	**2,769.1**	**8,086.0**

As of December 31, 2021, Kering's share capital comprised 124,692,916 shares with a par value of €4.00 each.

3.6 Notes to the annual financial statements

NOTE 1 – 2021 HIGHLIGHTS

In May 2021, Kering announced the sale of around 8.9 million shares in PUMA SE, representing around 5.9% of PUMA's capital, for a total amount of approximately €805 million. The net proceeds of the transaction have been allocated to Kering's general corporate purposes and have further strengthened its financial position. Kering now holds around 4.0% of PUMA's shares in issue.

On June 9, 2021, Kering redeemed $150 million of bonds maturing on the same date.

On October 1, 2021, Kering redeemed €345 million of bonds maturing on the same date.

On December 9, 2021, Kering completed the first tranche of the stock repurchase program that it announced on August 25, 2021. The purchases took place under the authorization granted by shareholders in the July 6, 2021 Ordinary General Meeting. Between August 25 and November 3, 2021, 650,000 shares were repurchased at an average price of €643.70 per share, i.e. for a total of €418.4 million. It was decided that 325,000 of the shares repurchased in that first tranche would be canceled. The remaining repurchased shares will be used to cover free share plans for the Group's employees.

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) 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, the share of consolidated or revalued shareholders' equity, and other methods.

An impairment loss is recorded when this 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 plans 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 this 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, came into force on January 1, 2017 but was not applicable to the Company's transactions during fiscal year 2021.

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
- 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 asset: a derivative may be an underlying asset;
- isolated open positive 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.

The application of the update to recommendation no. 2013-02 of November 7, 2013 on the rules for measuring and recognizing retirement benefit obligations and similar benefits in French GAAP single-company and consolidated financial statements did not have a material impact on Kering SA's obligations.

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, 2020	Increase	Decrease	Reclassification	As of Dec. 31, 2021
Gross value					
Investments	**9,697.1**	**75.4**	**(193.7)**	**(154.3)**	**9,424.4**
Kering Holland NV	6,804.2				6,804.2
Marothi merger loss(1)	344.0				344.0
Redcats	1,776.6				1,776.6
PUMA(2)	310.6		(193.7)	(116.8)	0.0
Sapardis merger loss(1)	37.5			(37.5)	0.0
Discodis	299.7				299.7
Yves Saint Laurent SAS	81.9	75.4			157.3
Other	42.6			0.0	42.6
Other long-term investments	**180.9**	**72.1**	**(446.7)**	**691.0**	**497.3**
Treasury shares (liquidity agreement)(3)	0.0	72.1	(72.1)		0.0
Treasury shares (for cancellation)(3)	0.0		(209.2)	209.2	0.0
Treasury shares (other)	0.0			327.5	327.5
PUMA(2)	0.0			116.8	116.8
Sapardis merger loss(1)	0.0		(22.4)	37.5	15.0
Investments in funds	14.4				14.4
Loans and accrued interest on loans(4)	142.9		(142.8)		0.1
Deposits and guarantees	0.8		(0.1)		0.7
Other	22.8				22.8
Gross value	**9,878.0**	**147.5**	**(640.5)**	**536.7**	**9,921.7**
Impairment losses					
Investments	**(1,724.4)**	**(0.0)**	**69.9**	**0.0**	**(1,654.6)**
Redcats	(1,717.8)		69.9		(1,648.0)
Other	(6.5)	(0.0)			(6.6)
Other long-term investments	**(23.4)**	**0.7**	**0.0**	**0.0**	**(22.8)**
Treasury shares (liquidity agreement)	0.0	0.0	0.0		0.0
Investments in funds	(0.7)	0.7			(0.0)
Deposits and guarantees	0.0				0.0
Other	(22.8)				(22.8)
Impairment losses	**(1,747.8)**	**0.6**	**69.9**	**0.0**	**(1,677.3)**
Carrying amount	**8,130.2**				**8,244.4**

(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, 2020.
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. Following the sales of PUMA shares in 2020 and 2021, the amount stands at €15 million.

(2) Following Kering SA's sale of some its PUMA SE shares on May 27, 2021, which took its stake in PUMA SA below 5%, combined with Kering SA's stated intention to sell its remaining shares in this company gradually, those shares are no longer recognized as investments in either tax or accounting terms.

(3) The amount corresponding to treasury shares is unavailable in tax-driven reserves.

(4) In 2020, loans mainly included a €122 million loan to Kering Finance.

Treasury share transactions

In 2021, the Group purchased 115,344 shares and sold the same number under the liquidity agreement.

No stock subscription options were exercised during 2021.

Since May 26, 2004, Kering has maintained agreements with a financial broker in order to improve the liquidity of the Group's shares and ensure share price stability. The latest agreement was signed on February 13, 2019, in accordance with AMF ruling no. 2018-01 of July 2, 2018, applicable since January 1, 2019. An amendment to that agreement came into force on July 1, 2021, providing for the resources in the liquidity account to be reduced by €25 million. As a result, there was €25 million in the liquidity account on July 1, 2021.

As of December 31, 2021 and December 31, 2020, Kering held no shares in treasury under the liquidity agreement.

Stock repurchase program

As part of the repurchase program announced on August 25, 2021, through which it intends to repurchase up to 2.0% of its share capital over a 24-month period, Kering set up a stock repurchase agreement with an investment services provider. The agreement, relating to an initial tranche of up to 650,000 shares, i.e. around 0.5% of the share capital, subject to a limit of €650 million and a price per share of no more than €1,000, which was determined by the sole resolution adopted by shareholders in the July 6, 2021 AGM.

On December 9, the Group completed the first tranche of the stock repurchase program that it announced on August 25, 2021. Between August 25 and November 3, 2021, 650,000 shares were repurchased at an average price of €643.70 per share, i.e. for a total of €418.4 million.

Of the shares repurchased in that first tranche, 325,000 were canceled. Accordingly, the share capital was reduced by €1,300,000. The total purchase price of the canceled shares was €209,203,953.83, which was allocated to the following accounts:

- €1,300,000 to "Share capital";
- €207,903,953.83 to "Retained earnings".

The remaining repurchased shares were used to cover free share plans for the Group's employees.

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Movements in property, plant and equipment and intangible assets are presented below:

(in € millions)	**Intangible assets**	**Property, plant and equipment**	**Total**
GROSS VALUE			
December 31, 2020	387.1	99.3	486.4
Acquisitions	127.4	5.9	133.3
Reclassifications	47.4	(47.4)	0.0
Other movements	0.0	(0.0)	0.0
Disposals / retirements	(136.2)	(11.0)	(147.2)
December 31, 2021	**425.7**	**46.8**	**472.5**
DEPRECIATION, AMORTIZATION AND PROVISIONS			
December 31, 2020	(96.4)	(22.6)	(119.0)
Additions	(60.8)	(4.0)	(64.8)
Reversals on disposals	63.6	10.9	74.5
December 31, 2021	**(93.6)**	**(15.7)**	**(109.3)**
CARRYING AMOUNT			
December 31, 2020	290.7	76.7	367.4
December 31, 2021	**332.1**	**31.1**	**363.2**

NOTE 5 – RECEIVABLES

These line items break down as follows:

(in € millions)	Dec. 31, 2021	Dec. 31, 2020
Tax consolidation current accounts	66.4	1.9
Income tax benefit	14.3	29.1
Group customers	74.1	194.1
Bond issue premiums	(10.3)	(26.6)
Other	70.7	280.7
Prepaid expenses[1]	9.5	10.4
TOTAL	224.7	489.6
o/w concerning associates:	140.5	196.5

(1) Prepaid expenses mainly comprise fees, lease payments and insurance.

NOTE 6 – MARKETABLE SECURITIES AND CASH

These line items break down as follows:

(in € millions)	Dec. 31, 2021	Dec. 31, 2020
Treasury shares pending employee grants	21.4	27.8
Treasury shares granted	30.6	26.1
Mutual funds (Sicav)	24.9	-
Marketable securities	**76.9**	**53.9**
Bank deposits and fund transfers	0.8	11.5
Cash current accounts	3,244.0	2,142.5
Cash	**3,244.8**	**2,154.0**
CASH AND CASH EQUIVALENTS	3,321.7	2,207.9
o/w concerning associates:	3,244.0	2,142.5

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:

(in € millions)	Dec. 31, 2021	Dec. 31, 2020
Legal reserve	51.4	51.4
Tax-driven reserves	1,293.6	1,293.6
Other reserves	0.0	0.0
Reserves	**1,344.9**	**1,344.9**
Tax-driven provisions	0.1	0.1
TOTAL	1,345.0	1,345.0

NOTE 8 – PROVISIONS

(in € millions)	Dec. 31, 2020	Additions	Reversals (utilized provisions)	Reversals (surplus provisions)	Dec. 31, 2021
Disputes	2.5	1.3	0.7	0.1	3.0
Risks relating to subsidiaries	0.2			0.1	0.1
Pensions and other employee benefit obligations	10.8	0.1	0.5	0.7	9.7
Share plans	21.0	12.9	11.9		22.1
Foreign exchange risk	0.3	0.5	0.0	0.3	0.5
TOTAL	34.9	14.8	13.2	1.2	35.3
o/w:					
operating items		0.3	0.1	0.8	
financing items		0.5	0.4	0.3	
non-recurring items		14.1	12.7	0.1	

The main actuarial assumptions used to determine pensions and other employee benefit obligations are:

- discount rate of 1.75% (unchanged from 2020);
- salary increase rate of 2.50%.

8.1 Free share grants

(in €)	
Date of the Annual General Meeting	06/16/2020
Date of grant by the Board of Directors	10/01/2021
Provisional grants as of October 1, 2021	45,719
Provisional grants during the period	31,123
Grants forfeited in 2021	(26,196)
Provisional grants as of Dec. 31, 2021	**50,646**
Amount of the liability on the balance sheet	**22,057,235**

The unit value of the 2021 provisional free share grants is €640.25.

NOTE 9 – BORROWINGS

Bonds

Euro-denominated bond issues

(in € millions)	Interest rate	Issue date	Hedge	Maturity	Dec. 31, 2021	Dec. 31, 2020
Bond issue(1)	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(2)	1.375% fixed	10/01/2014	-	10/01/2021	0.0	345.0
Bond issue(3)	0.875% fixed	03/27/2015	-	03/28/2022	275.0	275.0
Bond issue(4)	1.60% fixed	04/16/2015	-	04/16/2035	50.0	50.0
Bond issue(5)	1.25% fixed	05/10/2016	-	05/10/2026	500.0	500.0
Bond issue(6)	1.50% fixed	04/05/2017	-	04/05/2027	300.0	300.0
Bond issue(7)	Zero coupon	09/30/2019	-	09/30/2022	550.0	550.0
Bond issue(8)	0.25% fixed	05/13/2020	-	05/13/2023	600.0	600.0
Bond issue(9)	0.75% fixed	05/13/2020	-	05/13/2028	600.0	600.0

(1) 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.

(2) 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, of which 1,000 were subsequently redeemed on April 9, 2018 and a further 550 on October 9, 2018.
Redemption: in full on October 1, 2021.

(3) 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, of which 1,052 were subsequently redeemed on April 9, 2018 and a further 1,198 on October 9, 2018.
Redemption: in full on March 28, 2022.

(4) 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.

(5) 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.

(6) 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.

(7) 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.

(8) Issue price: bond issue on May 13, 2020, comprising 6,000 bonds with a par value of €100,000 each under the EMTN program.
Redemption: in full on May 13, 2023.

(9) Issue price: bond issue on May 13, 2020, comprising 6,000 bonds with a par value of €100,000 each under the EMTN program.
Redemption: in full on May 13, 2028.

USD-denominated bond issues

(in € millions)	Interest rate	Issue date	Hedge	Maturity	Dec. 31, 2021	Dec. 31, 2020
Bond issue(1)	2.887% fixed	06/09/2015	-	06/09/2021	132.4	122.2

(1) 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. The change in the euro value of this bond issue between 2020 and 2021 was due to exchange-rate movements.
Redemption: in full on June 9, 2021.

The bonds issued between 2012 and 2017 within the scope of the EMTN program are all subject to a change-of-control clause 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

(in € millions)	Dec. 31, 2021	Dec. 31, 2020
Bonds	**3,375.0**	**3,842.2**
Interest on bond issues	23.8	25.1
Bank overdrafts	2.3	0.3
Other borrowings	**26.1**	**25.5**
TOTAL	3,401.1	3,867.7
o/w concerning associates:	-	-

As of December 31, 2020 and 2021, no borrowings were secured by collateral.

9.2 Breakdown by maturity

(in € millions)	Dec. 31, 2021	Dec. 31, 2020
Less than one year	829.2	469.0
One to five years	1,615.1	1,937.9
More than five years	956.8	1,460.8
TOTAL	3,401.1	3,867.7

9.3 Net debt

(in € millions)	Dec. 31, 2021	Dec. 31, 2020
Borrowings	3,398.7	3,867.4
Cash	(3,244.8)	(2,154.0)
NET DEBT	153.9	1,713.4

NOTE 10 – OTHER LIABILITIES

These line items break down as follows:

(in € millions)	Dec. 31, 2021	Dec. 31, 2020
Tax consolidation current accounts	8.8	55.0
Dividends payable	436.4	312.5
Tax and employee-related liabilities	99.9	109.4
Other[1]	86.5	167.2
TOTAL	631.6	644.1
o/w concerning associates:	62.5	145.6

(1) "Other" primarily includes liabilities to the Group, in an amount of €53.8 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, 2021.

11.2 Other off-balance sheet commitments

(in € millions)	**Dec. 31, 2021**	**Dec. 31, 2020**
Endorsements and guarantees in favor of:		
• associates	9.2	-
• third parties outside the Group	75.9	11.6
Endorsements and guarantees	**85.1**	**11.6**
Collateral:		
in favor of subsidiaries	**-**	**-**
in favor of third parties	**-**	**-**

NOTE 12 – NET OPERATING LOSS

Net operating loss breaks down as follows:

(in € millions)	**2021**	**2020**
Group management fees	172.3	189.3
Revenue from investments	9.7	9.9
Other income(1)	296.6	232.7
Rent and related charges	(30.2)	(23.9)
Payroll expenses and taxes	(99.3)	(110.3)
Management fees	(36.3)	(43.2)
Other external expenses(2)	(328.8)	(272.8)
Income tax and other levies	(6.9)	(8.7)
TOTAL	(22.9)	(27.0)
o/w Directors' fees:	(1.4)	(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:

(in € millions)	2021	2020
Net interest expense	**(26.1)**	**(27.7)**
Expenses and interest on non-Group debt	(26.1)	(27.7)
Dividends	**2,026.7**	**1,630.7**
Kering Holland NV	2,000.0	1,600.0
Kering Finance	25.0	28.8
YSL Couture	0.0	2.0
Other	1.8	
TOTAL	2,000.6	1,603.0
o/w concerning associates:		
Dividends	2,025.0	1,630.7

NOTE 14 – NET NON-RECURRING INCOME (EXPENSE)

Net non-recurring income (expense) breaks down as follows:

(in € millions)	2021	2020
Net proceeds from disposals / retirements of operating assets	(72.3)	(3.3)
Net proceeds from disposals of securities, impairment losses and related transactions	640.5	435.1
Cost of disputes, litigation and restructuring	(2.0)	(2.8)
Other non-recurring income (expense)	0.5	(7.9)
TOTAL	566.8	421.1

In 2021, net non-recurring income mainly reflects the gain on the sale of PUMA's shares for €611.6 million.

NOTE 15 – INCOME TAX

Income tax breaks down as follows:

(in € millions)	2021	2020
Tax consolidation benefit	66.7	81.0
Tax reassessments	169.1	
Other	(4.1)	2.7
TOTAL	231.7	83.7

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 30 companies in 2021 and 33 in 2020.

As part of the tax consolidation group, the company had consumed all of its tax loss carry-forwards as of December 31, 2021.

NOTE 16 – DEFERRED TAX ASSETS AND LIABILITIES

(in € millions)	
Deferred tax assets	
Retirement termination benefits	2.2
Long-service bonus	0.3
Employee profit-sharing	1.5
Paid leave	0.9
Other	0.0

NOTE 17 – OTHER INFORMATION

17.1 Average headcount

The Company had an average of 536 employees (457 managerial-grade employees (*cadres*) and 79 other employees) in 2021 compared to 493 in 2020.

17.2 Fees paid to Statutory Auditors

Statutory Auditors' fees recorded in the income statement are shown below:

	KPMG Audit		Deloitte & Associés	
(in € thousands)	**2021**	**2020**	**2021**	**2020**
Statutory audit and interim review of the parent company and consolidated financial statements	639	624	641	696
Non-audit services	114	86	269	207
TOTAL	752	710	910	903

17.3 Executive compensation

In 2021, total compensation of €22.0 million was awarded to members of the governance and management bodies, versus €34.6 million in 2020.

17.4 Consolidating company

Kering is controlled by Artémis, which holds 41.74% 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 €6.3 million in 2021 compared with an expense of €4.7 million in 2020.

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

An interim dividend of €3.50 per share was paid on January 17, 2022 on positions established on the evening of January 14, 2022, pursuant to a decision by the Board of Directors on December 9, 2021.

3.7 Other information

Subsidiaries and investments as of December 31, 2021

(in € thousands)		Share capital	Shareholders' equity excl. share capital and net income	% of capital held	Carrying amount of shares *(in euros)* Gross	Net	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
I – DETAILED INFORMATION											
A – Subsidiaries (more than 50%-owned and representing over 1% of the share capital)											
Discodis	France	153,567	150,998	100.00	299,736	299,736				(15)	
Kering Holland NV	Netherlands	108,246[1]	1,305,361[1]	100.00	6,804,153[3]	6,804,153[3]				2,206,550[1]	2,000,000
Kering International[2]	United Kingdom	13,904[1]	3,594[1]	100.00	14,773	14,773			4,785[1]	(651)[1]	
Kering Studio	France	380	(3)	100.00	6,510	345				(32)	
Redcats	France	401	51,543	100.00	1,776,645	128,670				61,051	
Kering Capital	France	20,710	15,799	100.00	20,475	20,475				21,686	
	Sub-total				**8,922,291**	**7,268,151**					
B – Investments (less than 50%-owned and representing over 1% of the share capital)											
Yves Saint Laurent	France	123,811[1]	145,749[1]	2.86	157,232	157,232			1,186,645[1]	(98,297)[1]	
	Sub-total				**157,232**	**157,232**					
II – AGGREGATE INFORMATION											
A – Subsidiaries not listed in I											
French subsidiaries					808	384					
Non-French subsidiaries					0	0					
B – Investments not listed in I											
French investments					0	0					
Non-French investments					0	0					
					9,080,331	7,425,767					

(1) Based on accounts as of December 31, 2020.
(2) GBP exchange rate as of December 31, 2020.
(3) Including the Financière Marothi merger loss of €344,066 thousand.

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 (I.) of the French Commercial Code).

	Article D. 441(I)(1): invoices received and due but not settled at the end of the reporting period						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 91 days	Total (1 or more days)	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total (1 or more days)
(A) Days late												
Number of invoices	62					283	181					294
Total amount of invoices (excl. VAT)	608,901	654,700	571,365	225,909	419,317	1,871,291	49,730,687	295,601	251,162	8,920,583	8,803,133	18,270,478
As a % of total purchases for the reporting period (excl. VAT)	0.18%	0.20%	0.17%	0.07%	0.13%	0.32%						
As a % of revenue for the reporting period (excl. VAT)							11%	0.07%	0.06%	2.04%	2.02%	4.18%
(B) Invoices excluded from (A) – relating to contested or unrecognized payables or receivables												
Number of invoices excluded						N/A						N/A
Total amount of invoices excluded (excl. VAT)						N/A						N/A
(C) Reference payment terms used (contractual or legal – Article L. 441-6 or L. 443-1 of the French Commercial Code)												
Reference payment terms used to calculate late payments	Legal terms: 30 to 60 days						Contractual terms: 30 days from date of invoice					

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 the 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.

3.8 Five-year financial summary

	2021	2020	2019	2018	2017
Share capital at year-end					
Share capital *(in €)*	498,771,664	500,071,664	505,117,288	505,117,288	505,117,288
Number of ordinary shares outstanding	124,692,916	125,017,916	126,279,322	126,279,322	126,279,322
Maximum number of potential shares to be issued	0	0	0	0	0
by conversion of bonds					
by exercise of stock subscription options	0	0	0	0	0
Operations and results for the year *(in € thousands)*					
Income from operating activities	193,582	191,417	249,910	224,867	178,416
Net income before tax, employee profit-sharing, depreciation, amortization and provisions	2,522,667	2,035,513	668,442	1,661,867	3,717,240
Income tax (expense) benefit	231,694	83,711	168,205	36,297	129,219
Employee profit-sharing for the year	7,098	1,292	6,900	7,264	3,889
Net income after tax, employee profit-sharing, depreciation, amortization and provisions	2,769,080	2,079,582	917,677	1,656,574	3,914,991
Dividend distribution	1,371,622(1)	1,000,143	1,010,235	1,325,933	757,676
Per share data *(in €)*					
Net income after tax, employee profit-sharing, but before depreciation, amortization and provisions	20.23	16.28	6.57	13.39	30.43
Net income after tax, employee profit-sharing, depreciation, amortization and provisions	22.21	16.63	7.27	13.12	31.00
Dividend:					
Net dividend per share(2)	12.00(1)	8.00	8.00	10.50	6.00
Employee data					
Average number of employees during the year	536	493	438	347	279
Total annual payroll *(in € thousands)*	60,030	76,731	80,267	79,737	52,852
Total employee benefits paid during the year (social security, social works, etc.) *(in € thousands)*	36,828	38,490	33,144	27,437	17,317

(1) Subject to approval by the Annual General Meeting.
Including an interim dividend of €3.50 per share paid on January 17, 2022.

(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.

4 - STATUTORY AUDITORS’ REPORT ON THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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, 2021.

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, 2021 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 requirements of the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for statutory auditors, for the period from January 1, 2021 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.

Justification of Assessments – Key Audit Matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies’ internal organization and the performance of the audits.

It is in this complex and evolving context that, 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

Notes 2 and 3 to the financial statements

Risk Identified	Our response
Long-term investments, appearing on the balance sheet as of December 31, 2021 for a gross amount of €9,424.4 million and a net amount of €7,769.8 milion 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.	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; • ensuring that the net carrying amounts of the investments are below to their value in use, taking into account the share of consolidated or revalued shareholders' equity, cash flows projections, latest available forecasted information, and the profitability outlook; • verifying the calculation of revalued shareholders' equity.

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.441-64 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 Article L. 225-37-4, L.22-10-10 and L.22-10-9 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 22-10-9 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. 22-10-11 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.

Other Legal and Regulatory Verifications or Information

Format of presentation of the financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (*Code monétaire et financier*), prepared under the responsibility of the Group Managing Director, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of 17 December 2018.

Based on the work we have performed, we conclude that the presentation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

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, 2021, KPMG S.A, was in its 30th year of uninterrupted engagement and Deloitte & Associés in its 28th 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, March 7, 2022

The Statutory Auditors

French original signed by

KPMG Audit	Deloitte & Associés	
Division of KPMG S.A.		
Grégoire Menou	David Dupont-Noel	Bénédicte Margerin

5 - STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED-PARTY AGREEMENTS

Shareholders' Meeting held to approve the financial statements for the year ended December 31, 2021

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 the Kering General Shareholders' 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

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 existence and 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 14, 2022, noted that Kering SA had continued to benefit, during 2021, 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 16, 2022 meeting, your Board of Directors re-examined this agreement, and duly noted the payment of 6.307 thousand euros (excluding VAT) under this agreement in respect of 2021, 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, and Deputy Managing Director of Artémis SAS;
- Héloïse Temple-Boyer, permanent representative of Financière Pinault SCA, Director of Kering SA and Deputy Managing Director of Artémis SAS.

Paris-La Défense, March 7, 2022

The Statutory Auditors

French original signed by

KPMG Audit	Deloitte & Associés	
Division of KPMG S.A.		
Grégoire Menou	David Dupont-Noel	Bénédicte Margerin

CHAPTER 7
Investor information

1 - SHARE CAPITAL

1.1 Share capital

Share capital as of December 31, 2021

As of December 31, 2021, the share capital amounted to €498,771,664 and was divided into 124,692,916 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 176,962,845 (after deducting treasury shares, which do not carry voting rights).

As of December 31, 2021, to the Company's knowledge:

- the Directors directly held 0.087% of the share capital, representing 0.12% of the voting rights (after deducting treasury shares, which do not carry voting rights);
- the Company directly held 624,211 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)
2021				**€498,771,664**	**124,692,916**	**177,587,206**
2020				€500,071,664	125,017,916	177,784,720
2019	-	-	-	€505,117,288	126,279,322	179,068,624

(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

The Annual General Meeting of June 16, 2020 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 €600 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 Meeting of April 22, 2021 under the fourteenth resolution (maximum purchase price of €700 per share), and then at the Ordinary General Meeting of July 6, 2021, in which the maximum purchase price was increased to €1,000 per share in view of the continuous rise in the Company's share price and the fact that in May 2021 it rose above the maximum purchase price set in the April 22, 2021 AGM.

The objectives that could be pursued are defined in the corresponding resolution and include 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 or stock purchase option plans, ensuring liquidity and maintaining the Company's share price under a liquidity agreement or retaining the shares and, where applicable, selling, transferring or exchanging them in external growth transactions.

Liquidity agreement

Since May 26, 2004, Kering has maintained agreements with a financial broker in order to improve the liquidity of the Group's shares and ensure share price stability. The latest agreement was signed on February 13, 2019, in accordance with AMF ruling no. 2018-01 of July 2, 2018, applicable since January 1, 2019. An amendment to that agreement came into force on July 1, 2021, providing for the resources in the liquidity account to be reduced by €25 million. As a result, there was €25 million in the liquidity account on July 1, 2021.

During 2021, Kering purchased 115,344 shares for an amount of €72.1 million, representing an average price of €625.30 per share. Similarly, Kering sold 115,344 shares for an amount of €72.1 million, representing an average price of €624.89 per share. From January 1, 2021 to February 16, 2022, the Company purchased 23,986 shares at an average price of €680.10 per share and sold 22,736 shares at an average price of €682.94 per share under the liquidity agreement.

Stock repurchase program and allocation to free share plans

Within the scope of the plan authorized at the Annual General Meeting of June 16, 2020, Kering extended on December 21, 2020 the initial instruction given to an investment services provider on December 10, 2020 to purchase 50,000 shares by March 31, 2021 at the latest, by 75,000 ordinary Kering shares, representing approximately 0.06% of the share capital as of December 15, 2020. These shares were to be allocated to free share plans and other long-term incentive plans granted to employees and payable in Kering shares.

Under that instruction, 30,000 shares were purchased for an amount of €17.4 million, representing an average price of €578.40 per share.

On February 22, 2021, Kering instructed an investment services provider to purchase, by April 16, 2021 at the latest, up to 250,000 ordinary Kering shares, representing approximately 0.2% of the share capital as of January 15, 2021. These shares were to be allocated to free share plans and other long-term incentive plans granted to employees and payable in Kering shares.

Under that instruction, 142,723 shares were purchased for an amount of €77.3 million, representing an average price of €541.31 per share.

On May 6, 2021, within the scope of the stock repurchase plan authorized at the Annual General Meeting of April 22, 2021, Kering instructed an investment services provider to purchase, by June 25, 2021 at the latest and depending on market conditions, up to 200,000 ordinary Kering shares, representing almost 0.2% of the share capital as of April 15, 2021. These shares were to be allocated to free share plans and other long-term incentive plans granted to employees and payable in Kering shares.

Under that instruction, 31,488 shares were purchased for an amount of €21.8 million, representing an average price of €693.24 per share.

Finally, on August 25, 2021, Kering announced its intention to repurchase up to 2.0% of its share capital in the following 24 months as part of its stock repurchase program authorized at the Ordinary General Meeting of July 6, 2021. The intention is to cancel the repurchased shares, except for those that may be allocated to plans for the remuneration of Group employees in Kering shares.

Accordingly, Kering entered into a stock repurchase agreement with an investment service provider at that date. The agreement, which was for a maximum duration of three months, related to an initial tranche of up to 650,000 shares, i.e. around 0.5% of the share capital, subject to a limit of €650 million and a price per share of no more than €1,000, which was determined by the sole resolution adopted by shareholders in the July 6, 2021 Ordinary General Meeting.

Under that agreement, 650,000 shares were repurchased for an amount of €418.4 million, representing an average price of €643.70 per share.

Half of them were canceled on December 9, 2021 and the other half were intended to cover plans to award free shares to Group employees.

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, 2021

Pursuant to the decisions of the Annual General Meeting of April 22, 2021, the Board of Directors has the following authorizations:

Description of authorization	Date of Annual General Meeting *(resolution)*	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 22, 2021 (16th)	26 months (June 2023)	200	Unused
Share capital increase via the capitalization of reserves, profits or additional paid-in capital	April 22, 2021 (17th)	26 months (June 2023)	200(1)	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 22, 2021 (18th)	26 months (June 2023)	50(1)	Unused
Share capital increase via the issue, without pre-emptive subscription rights, by public offering to certain investors, of shares and/or securities giving access, either immediately or in the future, to shares or to debt securities	April 22, 2021 (19th)	26 months (June 2023)	50(2) (3)	Unused
Authorization to set the issue price for a share capital increase, without pre-emptive subscription rights, by public offering, including a public offering to certain investors, limited to 5% of the share capital per year	April 22, 2021 (20th)	26 months (June 2023)	5% of the share capital per year	Unused
Share capital increase in payment for in-kind contributions, limited to 10% of the share capital	April 22, 2021 (22nd)	26 months (June 2023)	50.5(2)	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(4), with or without pre-emptive subscription rights, limited to 15% of the amount of the initial issue	April 22, 2021 (21st)	26 months (June 2023)	15% of the amount of the initial issue	Unused
Restricted share issues				
Share issue reserved for Group employees	April 22, 2021 (23rd)	26 months (June 2023)	5.05	Unused
Share capital reductions by canceling shares				
Authorization to reduce the share capital by canceling shares	April 22, 2021 (15th)	24 months (April 2023)	10% of the share capital per 24-month period	Used (see below)

(1) This amount is deductible from the overall €200 million limit for issues of shares and/or securities giving access to the share capital set under the sixteenth resolution.
(2) This amount is deductible from the €200 million and €50 million limits for issues of shares and/or securities giving access to the share capital set under the sixteenth and eighteenth resolutions respectively.
(3) Limited by law to 20% of the share capital per year in all cases.
(4) Limited to 15% of the initial issue carried out under the sixteenth, eighteenth and nineteenth resolutions and subject to the limit set in the resolutions pursuant to which the issues are decided (sixteenth, eighteenth and nineteenth resolutions), as well as the overall limit set in the sixteenth resolution.

As indicated in the above table, at the Annual General Meeting held on April 22, 2021 the shareholders 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.

In accordance with the authorization granted at the Combined General Meeting of April 22, 2021 in the fifteenth resolution, on December 10, 2021 the Group Managing Director, acting by delegation of authority from the Company's Board of Directors, reduced the share capital by €1,300,000 through the cancellation of 325,000 treasury shares with a par value of €4 each. This operation reduced the overall share capital to €498,771,664, divided into 124,692,916 shares with a par value of €4 each.

The other 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

A free share plan was put in place on October 1, 2021.

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, 2021, there were no stock subscription or purchase options outstanding.

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 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, 2021, Company and Group employees and executive corporate officers held 129,492 shares, representing 0.1% of the share capital, under the provisions of Article L. 225-102 of the French Commercial Code (*Code de commerce*). This includes the 13,144 Company shares held by employees through the employee investment fund.

1.5 Appropriation of net income – Dividends paid by the Company

Appropriation of net income

At its meeting of February 16, 2022, the Board of Directors acknowledged and proposed the following appropriation of net income to the shareholders at the Annual General Meeting:

(in €)	
Source	
Retained earnings	1,857,230,413.88
Net income for the year	2,769,080,171.80
Total for appropriation	4,626,310,585.68
Appropriation	
Legal reserve(1)	
Dividend(2)	1,496,314,992.00
Retained earnings	3,129,995,593.68
Total	4,626,310,585.68

(1) The amount of the legal reserve has reached 10% of the share capital.
(2) Representing a dividend of €12 per share qualifying for the 40% tax allowance, payable on May 5, 2022. This amount corresponds to the interim dividend (€3.50 per share) paid on January 17, 2022 (€436,425,206) plus the balance of the dividend of €8.50 per share, equal to €1,059,889,786 calculated on the basis of the maximum number of shares carrying dividend rights.

At the Annual General Meeting to be held on April 28, 2022, the Board of Directors will ask shareholders to approve a dividend of €12 in respect of 2021 for all shares carrying dividend rights as of January 1, 2021.

An interim dividend of €3.50 per share was paid on January 17, 2022 pursuant to a decision made by the Board of Directors on December 9, 2021.

If this dividend is approved, the balance of €8.50 per share will have an ex-dividend date of May 3, 2022 and will be paid on May 5, 2022.

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
2021	€8.00	40%
2020	€8.00	40%
2019	€10.50	40%

1.6 Share pledges

As of December 31, 2021, 1,730,000 registered shares were pledged by the Artémis group.

Registered *shareholder*	Beneficiary	Pledge start date	Pledge expiry date	Pledge terms of release	Number of issuer's shares pledged	% of issuer's capital pledged(2)
Artémis	HSBC	06/05/2020	Unspecified(1)		350,000	0.28%
Artémis	CA CIB	06/26/2020	Unspecified(1)		1,200,000	0.96%
Artémis	BRED	07/19/2021	Unspecified(1)		180,000	0.14%

(1) Full reimbursement or payment of the receivable.
(2) Based on the share capital as of December 31, 2021, comprising 124,692,916 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. 233-11 of the French Commercial Code.

2 - SHARE OWNERSHIP STRUCTURE

2.1 Change in share ownership and voting rights

	As of December 31, 2021				
	Number of shares	% of share capital	No. of theoretical voting rights(3)(4)	% of theoretical voting rights(3)(4)	% of actual voting rights(5)
Artémis group	52,051,619	41.74%	103,788,902	58.44%	58.65%
Treasury shares	624,211	0.50%	624,211	0.35%	0.00%
Employees and corporate officers(1)	129,492	0.10%	232,696	0.13%	0.13%
Free float(2)	71,887,594	57.65%	72,941,397	41.07%	41.22%
TOTAL	124,692,916	100.00%	177,587,206	100.00%	100.00%

	As of December 31, 2020				
	Number of shares	% of share capital	No. of theoretical voting rights(3)(4)	% of theoretical voting rights(3)(4)	% of actual voting rights(5)
Artémis group	51,771,017	41.41%	103,420,800	58.17%	58.20%
Treasury shares	95,000	0.08%	95,000	0.05%	0.00%
Employees and corporate officers(1)	134,734	0.11%	188,298	0.11%	0.11%
Free float(2)	73,017,165	58.41%	74,080,622	41.67%	41.69%
TOTAL	125,017,916	100.00%	177,784,720	100.00%	100.00%

	As of December 31, 2019				
	Number of shares	% of share capital	No. 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	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%

(1) Including Kering's employee investment fund.
(2) No shareholder notifications concerning thresholds defined by law or in the Articles of Association were made in 2021 to the Company's knowledge. The Company received two shareholder notifications in 2020, informing it that Invesco Ltd and Caisse des Dépôts et Consignations had both crossed above the 2% threshold. A notification was also received that Baillie Gifford had crossed the 5% statutory threshold.
(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.

Artémis is wholly owned by Financière Pinault, itself controlled by the Pinault family. Artémis holds 58.44% of the Company's theoretical voting rights (58.65% of the actual voting rights) and as such has de jure control of the Company within the meaning of Article L. 233-3-I 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: they represent[1] (i) 55% of the Board members (independent Directors oversee the prevention of conflicts of interest and regularly carry out a self-assessment), (ii) 67% of the Audit Committee, (iii) 60% of the Remuneration Committee, and (iv) 50% of the Appointments and Governance Committee, it being specified that no executive corporate officer is a member of these Committees;
- the creation of the role of Lead Independent Director by the Board of Directors in its February 11, 2019 meeting (see section 1.5 of chapter 3 "Corporate governance");
- general compliance with the current rules, internal rules and good governance practices.

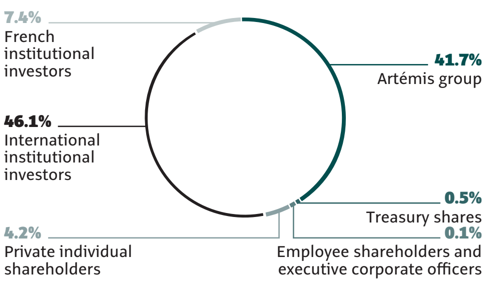
(1) as of February 16, 2022.

2.2 Shareholder notifications in 2021

At the date of this document, to the Company's knowledge:

- no shareholder notifications concerning thresholds defined by law or in the Articles of Association were made in 2021;
- pursuant to Article L. 233-7, I of the French Commercial Code, Baillie Gifford & Co.[1], acting on behalf of clients and funds that it manages, notified the Company on March 4, 2022 that it had crossed below the 5% threshold of the Company's share capital and that it held, for its clients and funds, 6,193,804 of the Company's shares[2], accounting for an equal number of voting rights, representing 4.97% of the share capital and 3.49% of the voting rights. The crossing of that threshold resulted from clients and funds resuming the exercise of voting rights attached to Kering shares previously exercised by Baillie Gifford & Co;
- there are no shareholder agreements or other agreements whose exercise could result in a change of control over Kering.

2.3 Breakdown of share capital as of December 31, 2021 (rounded figures)



As of December 31, 2021, private individual shareholders held 4.2% of the Group's share capital. Institutional investors owned 53.5%, with 7.4% held by French institutions and 46.1% by investors residing outside France.

Among the international institutional investors, North America- and United Kingdom-based shareholders held 17.7% and 12.7% of the share capital, respectively. Continental European investors (excluding France) held 7.8%, including Germany (1.9%), Switzerland (1.6%) and Norway (1.4%). Shareholders based in the Asia-Pacific region represented 3.2% of the share capital.

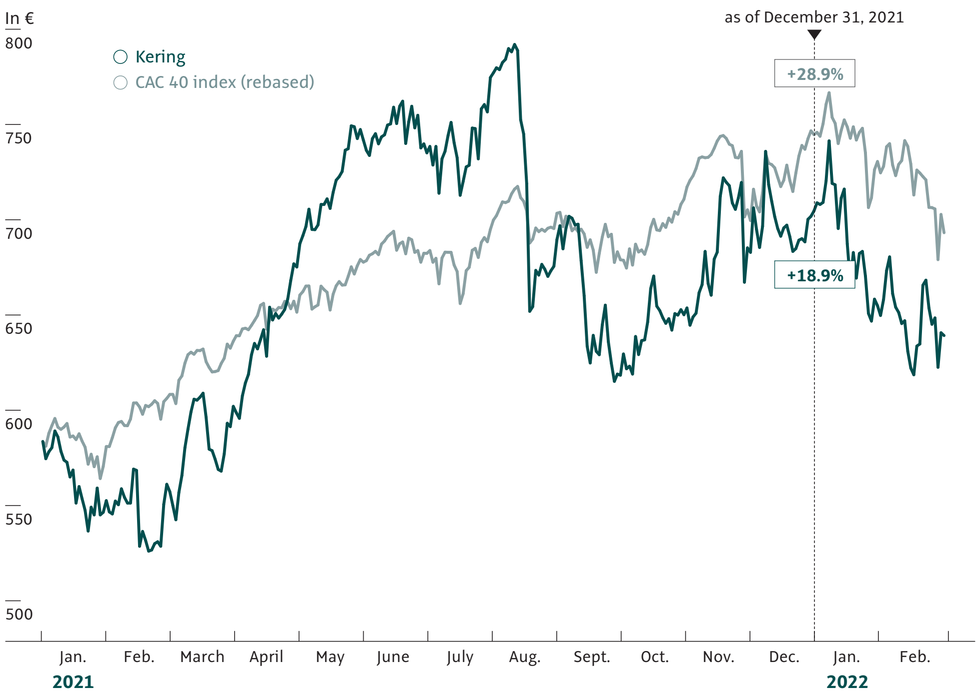
2.4 Stock market information

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)
	CAC 40 ESG (since March 22, 2021)
Number of shares	124,692,916 as of December 31, 2021
Tickers	ISIN code: FR 0000121485 / Reuters: PRTP.PA / Bloomberg: KER:FP

(1) Acting as discretionary investment manager.
(2) Baillie Gifford & Co. also stated that it held 2,328,045 Kering shares on behalf of clients (not included in the above figure) in respect of which those clients continued to exercise voting rights.

2.5 The Kering share

Change in the price of the Kering share compared to the CAC 40 index (rebased) from January 1, 2021 to February 28, 2022



Market price and trading volume of the Kering share

	2021	2020	2019	2018	2017
High[(1)] *(in €)*	792.1	623.5	590.7	514.6	406.0
Low[(1)] *(in €)*	522.3	357.6	380.7	339.3	209.6
Price[(1)] as of December 31 *(in €)*	706.9	594.4	585.2	411.6	393.0
Market capitalization as of December 31 *(in € millions)*	**88,145**	**74,311**	**73,899**	**51,977**	**49,628**
Daily average trading volume *(in number of shares)*	187,486	236,062	236,636	268,475	209,407
Number of shares as of December 31	**124,692,916**	**125,017,916**	**126,279,322**	**126,279,322**	**126,279,322**

(1) Closing price.
Source: Euronext.

Listed securities of the Group as of December 31, 2021

Securities listed on Euronext Paris	ISIN code
Equities	
Kering	FR 0000121485
Bonds	
Kering 0.25% May 2023	FR 0013512381
Kering 0.75% May 2028	FR 0013512407

Securities listed on the Luxembourg Stock Exchange	ISIN code
Bonds	
Kering 0.875% March 2022	FR 0012648244
Kering 1.60% April 2035	FR 0012669257
Kering 1.25% May 2026	FR 0013165677
Kering 1.50% April 2027	FR 0013248721
Kering 2.75% April 2024	FR 0011832039

Euronext Access	ISIN code
Bonds exchangeable into PUMA shares	
Kering zero-coupon September 2022	FR 0013450483

Stock market data

Kering share

	Share price *(in €)*				Volume		
						Shares traded	
2020	**Average**[(1)]	**High**[(2)]	**Low**[(2)]	**Monthly change**	**Average daily (in number of shares)**	**in € millions**	**Number of shares**
January	585.9	614.9	542.2	-5.2%	239,522	3,063	5,269,488
February	560.3	598.0	484.3	-8.9%	300,489	3,325	6,009,781
March	446.9	523.5	348.6	-5.9%	469,778	4,501	10,335,109
April	471.8	513.1	444.5	-3.3%	201,426	1,903	4,028,528
May	440.6	483.6	405.1	+2.0%	236,069	2,090	4,721,377
June	497.8	537.7	464.1	+3.1%	260,640	2,870	5,734,090
July	501.3	527.4	469.9	-0.5%	179,139	2,061	4,120,190
August	499.9	525.6	474.6	+6.8%	131,801	1,384	2,767,814
September	568.8	602.8	512.4	+10.3%	215,990	2,711	4,751,778
October	569.1	595.5	510.4	-8.7%	180,310	2,236	3,966,817
November	596.7	628.2	512.9	+16.7%	205,061	2,562	4,306,274
December	576.2	609.7	539.0	-1.8%	211,663	2,651	4,656,583

(1) Closing price.
(2) Intra-day price.
Source: Euronext.

2021	Share price (in €) Average(1)	High(2)	Low(2)	Monthly change	Volume Average daily (in number of shares)	Shares traded in € millions	Number of shares
January	561.7	598.5	530.7	-8.9%	176,130	1,969	3,522,598
February	540.8	573.2	513.3	-3.1%	253,007	2,725	5,060,132
March	575.6	610.0	532.4	+12.1%	215,936	2,851	4,966,539
April	631.4	676.4	589.5	+13.2%	174,346	2,204	3,486,917
May	708.8	752.9	665.5	+12.3%	167,295	2,411	3,513,205
June	746.8	769.5	728.1	-1.5%	140,257	2,293	3,085,664
July	736.7	762.2	701.5	+2.6%	123,885	2,003	2,725,475
August	729.8	798.0	646.0	-10.9%	174,926	2,720	3,848,380
September	656.1	709.2	606.9	-8.6%	235,083	3,357	5,171,832
October	641.3	678.2	603.1	+5.2%	209,082	2,809	4,390,726
November	682.7	730.1	640.2	+5.1%	228,957	3,450	5,037,057
December	697.9	740.0	667.0	+3.7%	154,904	2,472	3,562,781

(1) Closing price.
(2) Intra-day price.
Source: Euronext.

2022	Share price (in €) Average(1)	High(2)	Low(2)	Monthly change	Volume Average daily (in number of shares)	Shares traded in € millions	Number of shares
January	683.9	740.8	632.1	-7.2%	197,017	2,830	4,137,361
February	644.8	693.2	594.7	-2.9%	229,056	2,948	4,581,116

(1) Closing price.
(2) Intra-day price.
Source: Euronext.

2.6 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 about the Group and events affecting its shares. These include the twice-yearly Letter to Shareholders, the Shareholders' Guide (available online, in French only), the shareholders' hotline (+33 1 45 64 65 64) and email address (actionnaire@kering.com), financial notices in the press and online, the Group's website, and the annual report.

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, as well as participating 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 (in both 2020 and 2021, Kering replaced in-person investor roadshows with virtual events).

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, in December 2021 the Lead Independent Director, with the participation of the Board Secretary, the Chief Sustainability Officer, the Financial Communications Department as well as the Chief Financial Officer, organized a roadshow dedicated to ESG matters, virtually meeting with a number of investors (representing around 46% of the free float).

The presentation used at the roadshow is available on the Company's website.

The Group meets with investors and analysts upon request and maintains proactive relationships in terms of reporting to the French Financial Market Authority (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.

2022 shareholders' agenda

April 21, 2022 (after market close)	First-quarter revenue
April 28, 2022	Annual General Meeting
July 2022[1]	First-half results
October 2022[1]	Third-quarter revenue

(1) The specific date will be posted on Kering.com.

CHAPTER 8
Additional information

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

Kering SA was incorporated on June 24, 1981 for a term of 99 years. The term was extended to May 26, 2066 at the Extraordinary General Meeting held on May 26, 1967, except in the case of an early dissolution or of an extension approved at the Extraordinary General Meeting.

Corporate purpose

The Company's corporate purpose is:

- 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, subscriptions, acquisitions, contributions, mergers or other transactions involving 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 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 21 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 3, "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 a shareholder's capacity 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 videoconference 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. 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 19 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 regarding the identification of the holders of securities that grant immediate or deferred access to voting rights at its own Annual General 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 in order to possess 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 23 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

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, 2021 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 provided from pages 448 to 450) 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.

Paris, March 28, 2022

Jean-François Palus

Group Managing Director

3 - STATUTORY AUDITORS

3.1 Principal Statutory Auditors

KPMG SA

Tour EQHO, 2 avenue Gambetta, CS 60055, 92066 Paris-La Défense, France

Grégoire Menou

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

David Dupont-Noel and Bénédicte Margerin

Date of first appointment: Annual General Meeting of May 18, 1994.

Reappointment, term and expiry: reappointed at the Combined General Meeting of June 16, 2020 for six years until the Annual General Meeting called to approve the 2026 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 June 16, 2020 for six years until the Annual General Meeting called to approve the 2026 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, 2020: 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 32 and 33, 31 to 72, 310 to 335, 336 and 337, 338 to 415, 416 to 421, 422 to 442, 443 to 446 of the Universal Registration Document filed on March 25, 2021 with the French financial markets authority (Autorité des marchés financiers – AMF);
- for the fiscal year ended December 31, 2019: 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 22 and 23, 21 to 59, 264 to 291, 292 and 293, 295 to 375, 376 to 381, 382 to 400, 401 to 404 of the Reference Document filed on March 26, 2020 with the AMF.

Information included in these two documents other than that listed above is, where relevant, replaced or updated by the information included in this Universal Registration Document. These two documents are available at the Group's registered office and on its website, www.kering.com, under the Finance section.

5 – CROSS-REFERENCE TABLES

To facilitate the reading of this document, the tables below cross-reference:

- the main headings required under Annexes 1 and 2 of Commission Delegated Regulation (EU) 2019/980 of March 14, 2019 supplementing Regulation (EU) 2017/1129 of June 14, 2017;
- the main disclosures required in the Annual Financial Report as provided for in Article L. 451-1-2 of the French Monetary and Financial Code (Code monétaire et financier) and Article 222-3 of the AMF General Regulations (*Règlement général*);
- the main disclosures required in the Management Report as provided for in Article L. 232-1 of the French Commercial Code (*Code de commerce*), including:
  - the report on corporate governance as provided for in Article L. 226-10-1 of the French Commercial Code,
  - the Non-Financial Information Statement (NFIS) as provided for in Articles L. 225-102-1 and R. 225-105, I of the French Commercial Code.

Consequently, in accordance with AMF recommendation DOC-2021-02, this Universal Registration Document is a combined "three-in-one" document, containing all of the disclosures required in the above-mentioned documents:

Document	Reference texts	Page(s)
Universal Registration Document	Annexes 1 and 2 of Commission Delegated Regulation (EU) 2019/980 of March 14, 2019 supplementing Regulation (EU) 2017/1129 of June 14, 2017	446-448
Annual Financial Report	Article L. 451-1-2 of the French Monetary and Financial Code Article 222-3 of the AMF General Regulations	448
Management Report	Articles L. 225-100, L. 232-1 et seq. and R. 225-102 et seq. of the French Commercial Code	448-449
Report on corporate governance	Articles L. 226-10-1 and L. 22-10-78 of the French Commercial Code	449
Non-Financial Information Statement	Articles L. 22-10-36, L. 225-102-1, L. 225-102-4, L. 464-2, R. 225-73-1, R. 225-105 and R. 225-105-2 of the French Commercial Code Articles 223 quater and 223 quinquies of the French Tax Code	272-274

5.1 Universal Registration Document

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Cross-reference table for the Universal Registration Document – Annexes 1 and 2 of Commission Delegated Regulation (EU) 2019/980 of March 14, 2019 supplementing Regulation (EU) 2017/1129 of June 14, 2017	Page(s)
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(1) This Universal Registration Document does not include any profit forecasts.
(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.

5.2 Annual Financial Report

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5.3 Management Report

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Kering

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