

2014



K E R I N G

ACTIVITY
REPORT



Empowering Imagination

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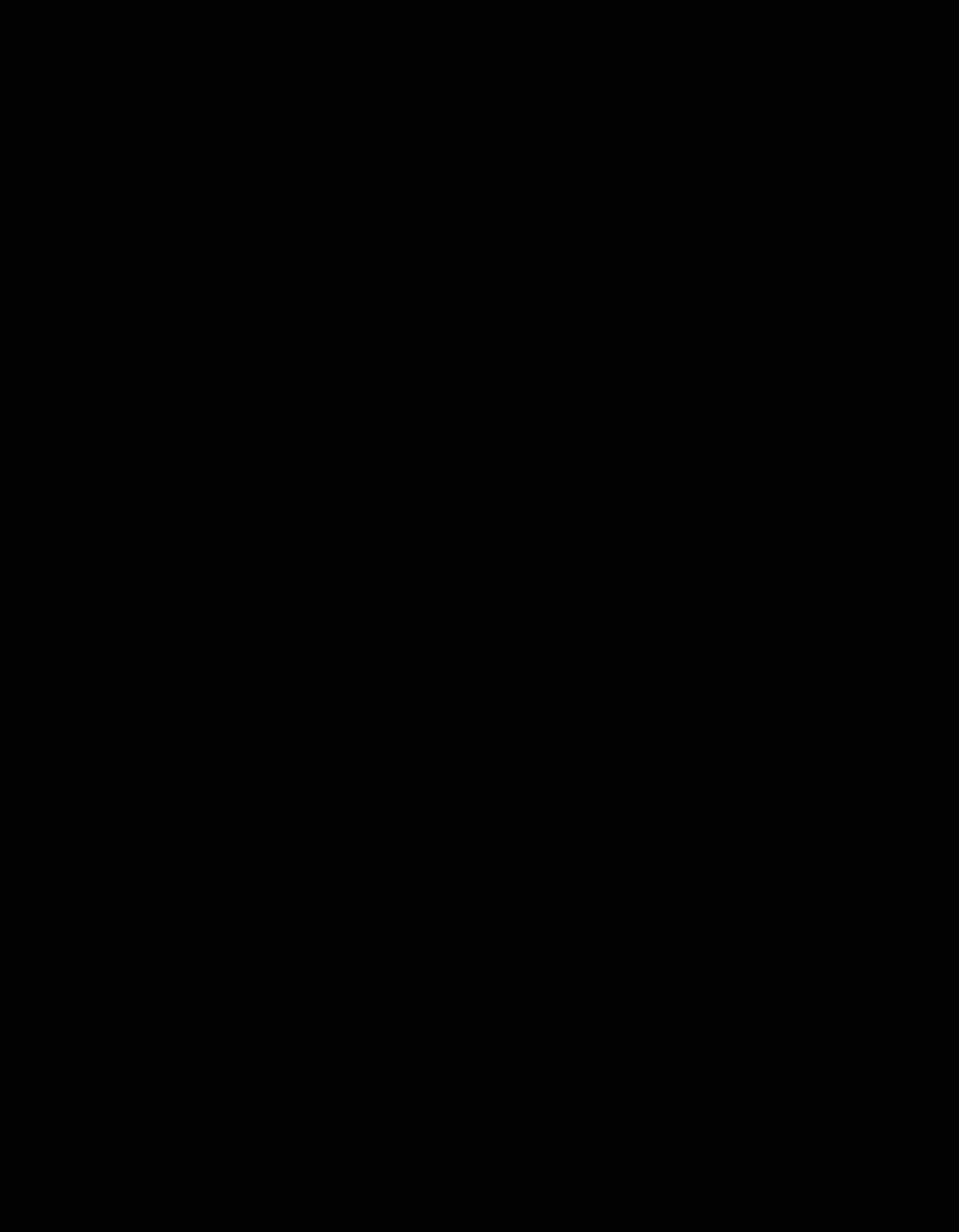
Gucci
Bottega Veneta
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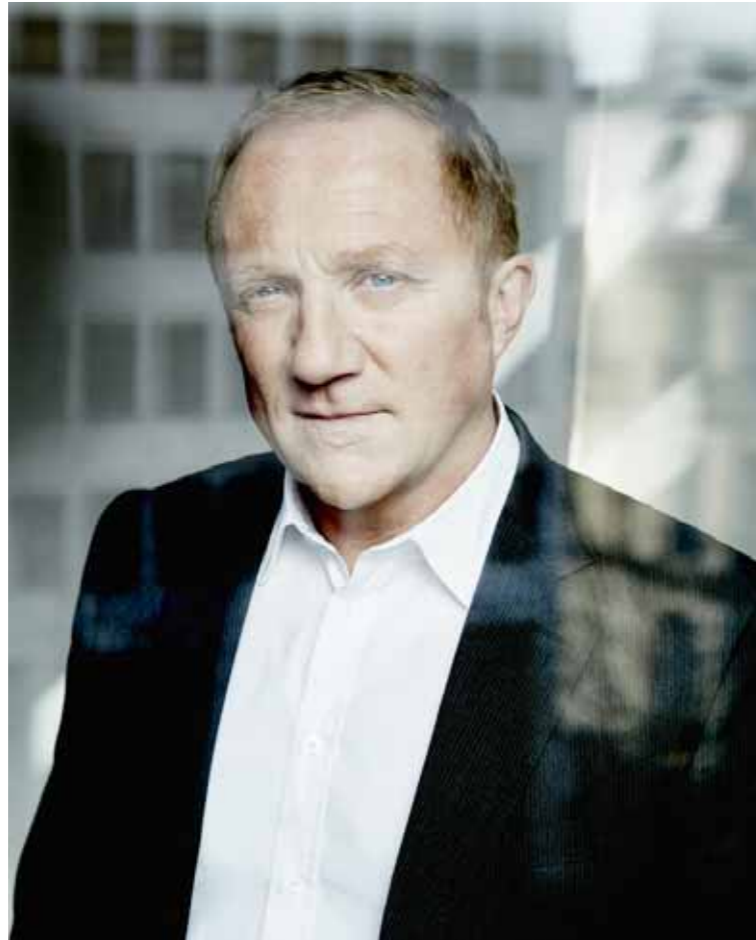
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Puma
Cobra Puma Golf
Tretorn
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MESSAGE FROM
FRANÇOIS-HENRI PINAULT



CEO and Chairman
of the board of directors

"We are a family group with a long-term strategic vision, built on a solid entrepreneurial culture"

2014 was our first year as a Group focused entirely on Luxury and Sport & Lifestyle.

In an uncertain economic environment, Kering recorded solid operating and financial performances. Consolidated revenue was up 4.5% on a comparable basis at more than €10 billion, while the Group's operating income and recurring operating margin remained strong.

These results once again confirm the relevance of our development model: Kering enjoys a well-balanced profile in terms of its geographical presence, the maturity of its brands, its product categories and its distribution channels.

We operate in high-growth markets, which are driven by very strong consumer and socio-demographic trends. The Luxury market will continue to develop structurally, beyond fluctuations in the economy. With the emergence of new nationalities and new generations of consumers, the market is more diversified and fast-moving than in the past, but this further confirms the relevance of our multi-brand model, which allows us to capture the demand of various customer profiles in all its diversity. This environment offers our brands staggering potential, and the Group is empowering each of them to



"Our Group's exceptional character, culture and operating structure are key to our success."

unleash this potential. Gucci, Bottega Veneta and Saint Laurent - to name just three of our global brands - are being supported by the Group with dedicated resources to pursue their development.

To make our commitment to our goals a reality and increase the added value offered by the Group, in 2014 we strengthened our structure and organisation. First, we created two new divisions in the Luxury segment - Couture & Leather Goods and Watches & Jewellery. This new organisation will increase our ability to spur our brands' imagination and tighten their management. Our operational model is fully integrated, pragmatic and responsive. Our creative teams work to offer an increasingly relevant value proposition for our customers, our distribution network is constantly adapted to changes in demand. Lastly, we aim to enhance our operating processes and foster our synergies to make them always more efficient.

Our Group's exceptional character, culture and operating structure are key to our success. We are a family group with a long-term strategic vision, built on a solid entrepreneurial culture, which is embodied by our brands' management teams in their concrete achievements, responsiveness

"we are extremely confident in Kering's long-term outlook."

and ability to strike a balance between lucidity and risk-taking. Thanks to this long-term vision, we are fully aware of our responsibility towards our employees and the environment. Our commitment to sustainability stems from our belief that responsible business creates value.

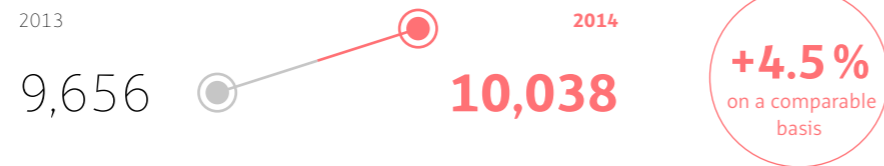
As you can see, we are extremely confident in Kering's long-term outlook.

Of course, we don't lose sight of short-term imperatives, and both Gucci and PUMA stand as our priorities for 2015. Gucci's new management team has ushered the brand towards a new stage in its development. Meanwhile, PUMA will capitalize on its renewed appeal by offering increasingly innovative products.

The start of 2015 has been marked by economic uncertainties, compounded by strong currency fluctuations. We therefore remain vigilant and are focusing all our efforts on organic growth or, more specifically, same-store growth.

More than ever, we are convinced of the great potential of each of our brands, and confident in our ability to provide them with the resources they need for their development in order to guarantee sustainable, profitable growth.

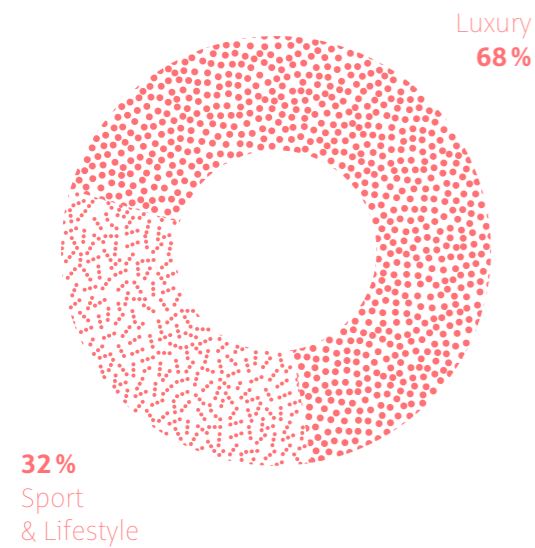
REVENUE
in € millions



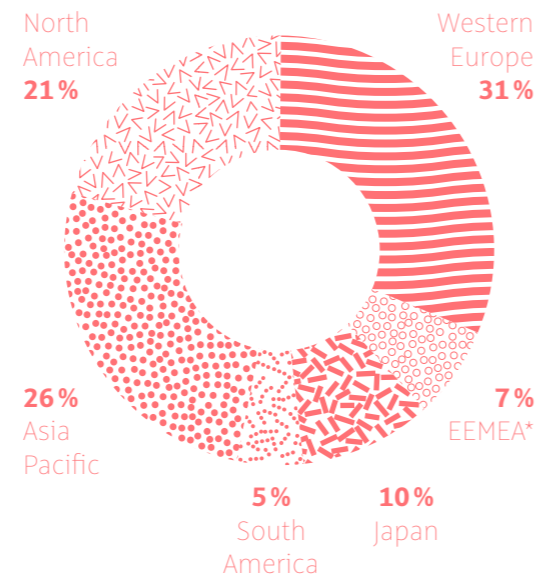
DIVIDEND PER SHARE²
in euros



REVENUE BREAKDOWN BY DIVISION

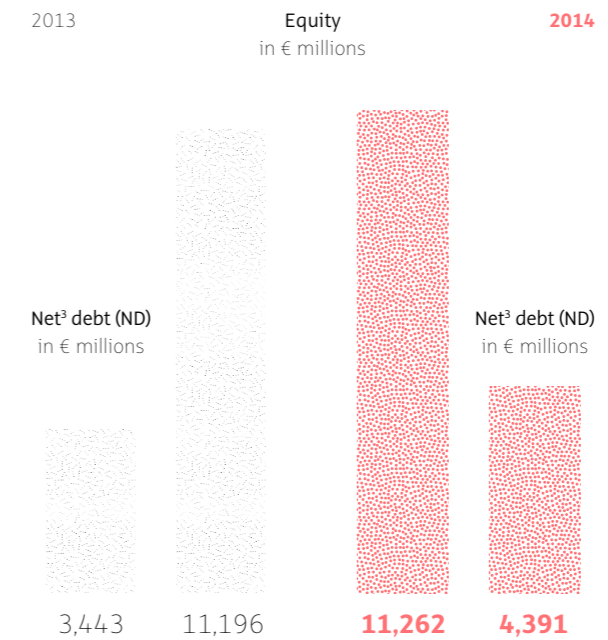
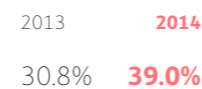


REVENUE BREAKDOWN BY REGION

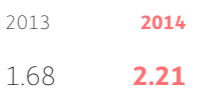


FINANCIAL POSITION AND DEBT-TO-EQUITY RATIO

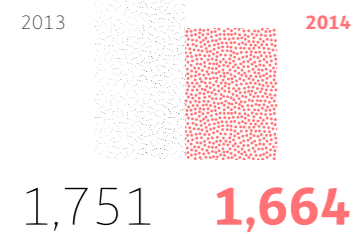
NET DEBT
as a% of consolidated equity



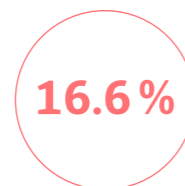
SOLVENCY RATIO (ND/EBITDA)



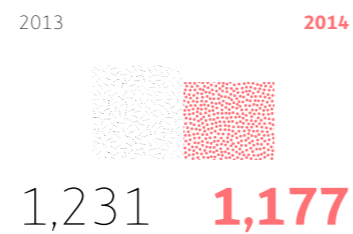
RECURRING OPERATING INCOME
in € millions



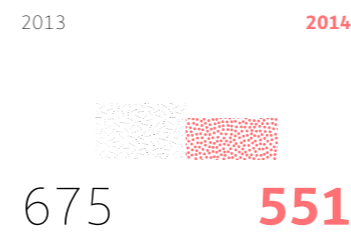
RECURRING OPERATING MARGIN
as a % of revenue



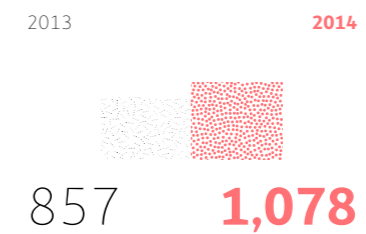
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT¹
in € millions



GROSS OPERATING INVESTMENTS⁴
in € millions



FREE CASH FLOW FROM OPERATIONS⁵
in € millions



1 — o/w net income from continuing operations excluding non-recurring items
 2 — Subject to the approval of the annual general meeting on April 23, 2015
 3 — Net debt defined in part 5 of the 2014 Reference Document available on kering.com
 4 — Purchases of property, plant and equipment and intangible assets
 5 — Net cash flow from operating activities - net acquisitions of property, plant and equipment and intangible assets.

REVENUE
in € millions

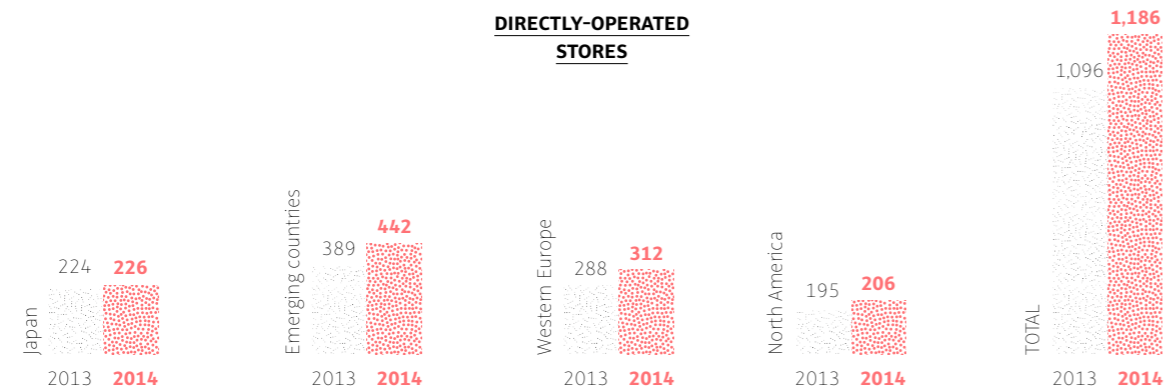
6,759

+4.9%
on a comparable basis

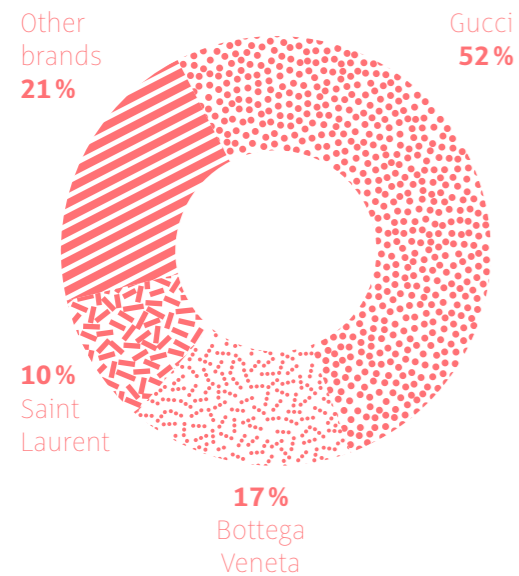
RECURRING OPERATING INCOME
in € millions

1,666

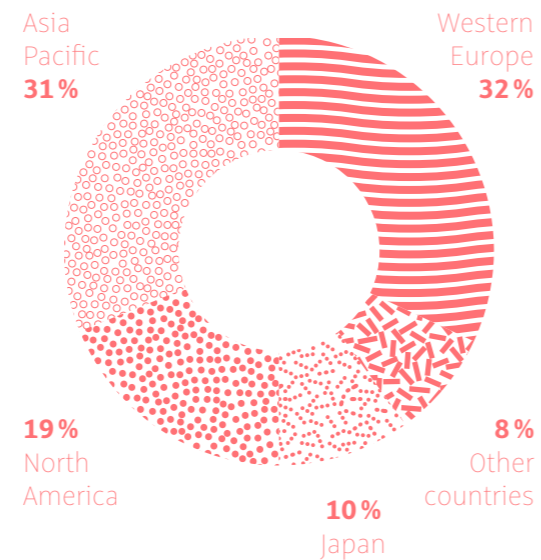
DIRECTLY-OPERATED STORES



BREAKDOWN OF REVENUE BY BRAND



REVENUE BREAKDOWN BY REGION



REVENUE
in € millions

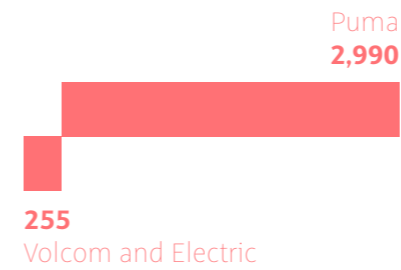
3,245

+3.5%
on a comparable basis

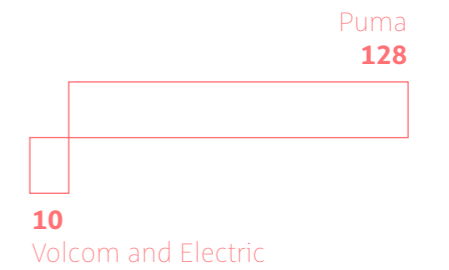
RECURRING OPERATING INCOME
in € millions

138

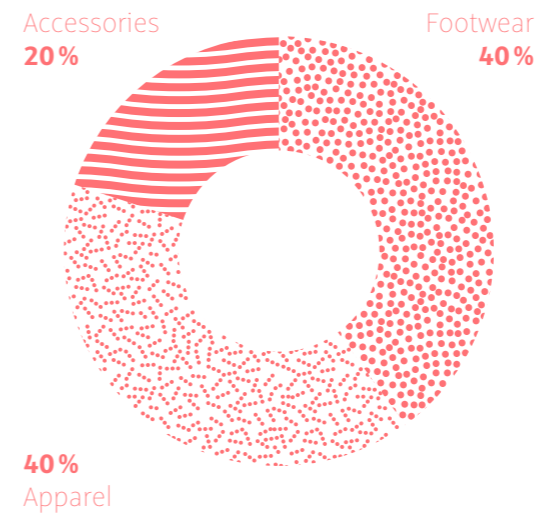
BREAKDOWN OF REVENUE BY BRAND
in € millions



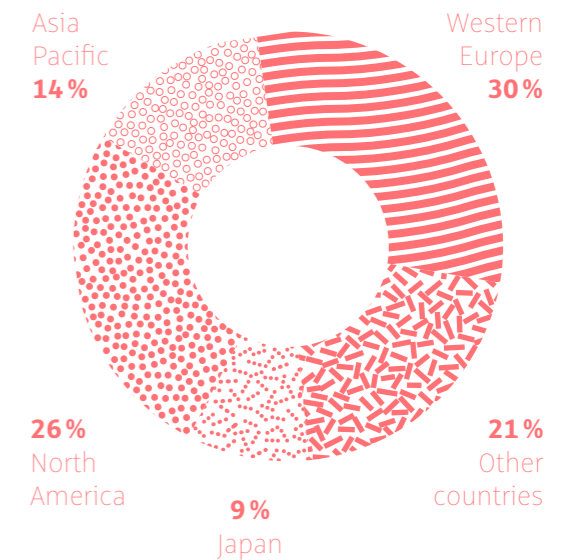
BREAKDOWN OF RECURRING OPERATING INCOME BY BRAND
in € millions



BREAKDOWN OF REVENUE BY PRODUCT CATEGORY



REVENUE BREAKDOWN BY REGION



PERFORMANCE OF THE KERING SHARE

After surging by 27% in 2012 and 11% in 2013, the Kering share gained 4% in 2014. This evolution was achieved in a Luxury sector context that has been characterised by higher sales volatility in the second half of the year, particularly in Asia-Pacific, along with pressure from currency fluctuations.

More generally, unsettled economic conditions continued to weigh heavily on stock markets in Europe, a region where the recovery failed to materialise completely, despite record-breaking performances of the US stock markets driven by a buoyant economy.

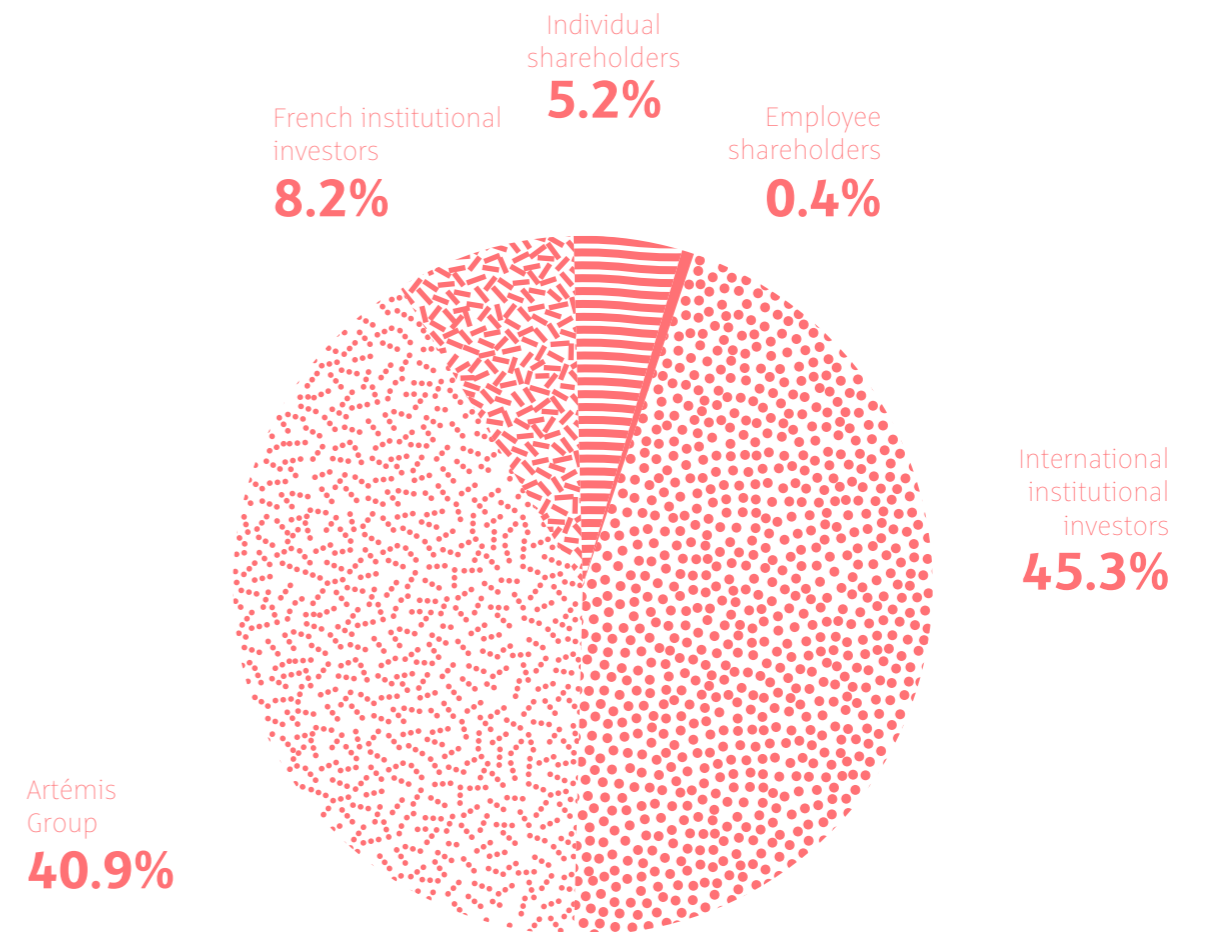
Against this backdrop, the Kering share showed strong resistance compared with its peers as well as the CAC 40, its benchmark index, which retreated 1% in 2014.



DISTRIBUTION OF CAPITAL

As of 31 December 2014

As of 31 December 2014, the Artémis Group (wholly owned by the Pinault finance company, itself controlled by the Pinault family), is the majority shareholder of Kering, with 40.9% of the capital. Institutional investors represent 53.5% of the capital, including 8.2% held by French companies and 45.3% by non-residents. The latter are led by North American (20.7%) and British (12.4%) shareholders, followed by continental Europe excluding France (6.8%), primarily Norway (1.8%), and Switzerland (1.4%). Shareholders in the Asia-Pacific region represent 3.6% of the capital. Individual shareholders hold 5.2% of the Group's capital.



MARCH

- Kering and the Boa and Python Specialist group of IUCN (International Union for the Conservation of Nature) publish **the first report on captive breeding**, as part of the Python Conservation Partnership

APRIL

- Kering teams up with Tsinghua Foundation (Beijing) to **empower young creative talent and female students**
- **Kering reorganises its Luxury businesses** to accelerate the growth of its brands

MAY

- Kering publishes **Progress Report on 2016 sustainability targets**
- Parsons The New School for Design and Kering announce **third annual 'Empowering Imagination' design competition**

JUNE

- Finalisation of **the sale of La Redoute and Relais Colis**

SEPTEMBER

- Kering creates **Kering Eyewear** and takes back control of its eyewear value chain
- Vogue Italia and Kering team up for the second year to **offer internships to young talent in the fashion industry**

- **Kering Foundation reinforces action in Asia** and appoints professor Yuan Feng as new board member

OCTOBER

- Kering and ITC form **Madagascar Crocodile Conservation & Sustainable Use Programme**
- Kering partners with London College of Fashion's Centre for Sustainable Fashion to **engage young talent in sustainable fashion**

NOVEMBER

- Kering becomes **Official Partner of Cannes International Film Festival** and puts women and cinema in the spotlight
- Kering acquires **haute horlogerie brand Ulysse Nardin**

E-business is the driving engine of the omnichannel experience, which our brands are progressively offering to their customers. Our websites are not only an opportunity to generate additional sales, but also a formidable tool to showcase our brands' worlds; to offer additional services; and to engage in a 24/7 dialogue with our future and current customers.

E-BUSINESS

ENHANCING E-BUSINESS E-business is a strategic priority for Kering. This is not only for the business we conduct online but also because it influences demand across all sales channels, with more and more shoppers affected by digital, including social media, regardless of where they purchase. And, since many of our brands are global, we need online flagship stores to be accessible around the world. Our e-commerce effort is now centred on improving the overall omni-channel experience for our brands' customers, making it more personal, seamless and enjoyable. We are therefore supporting our brands in enhancing the performance levels of websites and the connection with bricks-and-mortar boutiques. We also support our brands' efforts in terms of customer relationship management (CRM), so that they can establish a frictionless online and offline dialogue with their prospects and customers.

HARMONISATION In Luxury, we are advancing our worldwide potential to sell online. Thus the number of localised e-commerce sites currently varies from 30 to 99, depending on the size and presence of the brand, as well as on its overall business development stage. In Sport & Lifestyle the Group is continually working on harmonising the technology platforms across the brands. This encompasses web-



site construction, website evolution and maintenance, and global expansion. Electric and Volcom share the same e-commerce platform. Volcom offers e-commerce in the US, Europe and Australia, and Electric provides e-commerce in the US and Europe. Puma's site currently offers a unified experience, bringing content and e-commerce together to offer a rich customer experience. It is a significant tool in implementing the *Forever Faster* initiative.

LEARNING ORGANISATION The Kering Digital Academy has switched focus, evolving into the eCampus, to facilitate best practice, expertise and professional development in digital at the brands and at corporate level. For example, we now offer a high standard of e-learning for all Group employees seeking to improve their digital skills.

"Consumers are way ahead of us... [but] it's foolish to think that digital will take over the world."

How to 'go digital' without hurting your brand's image was a major theme at *Decoded Fashion—Milan*, held on 22 October. Are brands ready and able to adopt and adapt? K went along to interpret.

Thanks to the web, today we can pretty much do everything we do in a store without ever having to go to one. Yet shops still exist and luxury brands, especially, keep expanding their store network. Digital technology has disrupted the fashion and luxury goods industry, not always in predictable ways, and things are likely to get worse (or better, depending on your point of view), as the rate of technological change accelerates.

In keynote speeches and panel discussions, it emerged very clearly how fashion and luxury goods brands that are really 'getting it' are going to have one-up on their less technologically savvy rivals. That means learning and understanding how to get more clicks on their 'buy' buttons, engaging with their customers on social media, creating stronger relationships and brand equity.

But in the rush to 'go digital,' brands have to be careful, for what takes a long time to build can quickly be destroyed. There is no one-size-fits-all formula. And here a divide seems to open: between more consumer-oriented brands and their higher-end competitors.

During a keynote speech, the senior vice president digital and e-business at Kering, said luxury brands (who place almost as much emphasis on 'customer experience' as on the product) have to be particularly careful in evaluating their online strategy. "Many luxury goods makers are going digital without thinking through the implications," he said, adding

CRACKING THE LUXURY CODE

Are brands ready and able to adopt and adapt?

he still hasn't "seen a good example of luxury brands going on Facebook." Before taking the leap, "make sure you know what you can lose."

It's true that digital means democratisation, opening up a brand to a broader public. But at heart luxury is still very much about exclusivity. Are the two compatible, especially when 'experience' nowadays is perceived to be such a crucial component of all things luxe? "The amount of quality and detail required to deliver a luxury experience is very high," noted the Kering speaker, the implication being - perhaps - that technology has its limits. Yet while he advised attendees to "think luxury first, then digital," he is no technophobe. "If you start a

business today, you start with omnichannel," he said, adding that e-commerce is an important sales engine. "Online is the only channel that impacts the rest of the business. If you switch off your website, it will affect your sales. If you close one store, the effect is very different."

ZEALOUS CONVERSION

Another key issue fashion and luxury brands in the digital era are facing is how to improve online 'conversion' — turning website visitors into buyers. Pieter Jongerius, partner and strategic director of Amsterdam-based Fabrique, who held a well attended roundtable at *Decoded*, pointed out that at the dawn of the e-commerce era, brands used to differentiate themselves online by creating websites which while visually appealing were not commercially effective.

Showing 'then and now' screenshots of the home pages of sites including Asos, Land's End and Paul Smith, Jongerius noted the reason they are all on a white background with an 'add to basket' button in the upper right hand corner and drop down menus on the top is because that's where online shoppers expect to find these features and this facilitates conversion (which is the whole point of an e-commerce website).

"Certain things have to be in certain places otherwise you may have a beautiful website but will miss out on conversions," said Jongerius, who pointed out that design elements of a site should be developed with conversion in mind. "The buy button should probably be bigger than you think."

The different imperatives driving luxury goods website design is one reason why luxe brands are behind the curve in terms of e-commerce, according to the consultant. "The aesthetics we are used to in luxury sites are different from those required for e-commerce. One luxury client of mine didn't want drop down menus on the site because they are really ugly. They are, but they work."

SOCIAL LIFE

Mastering social media today is a must. If e-commerce means omnichannel, e-marketing must mean omnimedia. During a panel discussion on creating 'relevant digital experiences,' Uri Minkoff, chief executive of Rebecca Minkoff, a company well known for its strong engagement with customers via social media, said: "social is the beginning of the funnel, whether the entrance is Twitter, Pinterest or Facebook."

He went on to say: "[The question is] how do these contacts convert once they're in the funnel?" Managing the 'funnel,' or channel through which customers engage with a brand, is crucial. It's important "to know when your customer

wants a specific connection. You have to be relevant with different messages at different times."

Pointing out that people check their phones several times a day, but mostly check computers during work hours and their tablets in the evening, the type of content delivered has to be appropriate to the moment. Sometimes a customer just wants to see a new look; other times she may want to buy; knowing which type of content to deliver when can improve conversion.

Minkoff also pointed out how the company constantly tests its e-mail promotions in near real-time, sending off e-mails to its mailing list in batches. Through fine-tuning the message with feedback from every batch - for example, with different subject lines - "by the time you reach the end of your mailing list, you can improve conversions by two, three times."

While technology has disrupted the fashion and retail industries - among others - Martijn Bertisen, director of retail at Google, said "we haven't seen anything yet. We're just at the



beginning. Change will never be as slow as it is today; it will accelerate." E-shopping is still something of a niche business, he suggested, pointing out that in the UK, the world's most advanced country in terms of e-tailing, only 12-15 percent of buyers shop online.

THE CLICKY FEW

Why so few? Because people still like to touch things, try them on and see how they look, get their friends' feedback and see what other customers are buying. That said, people appreciate the benefits of technology, too: online shopping can be faster (one click' payment). It facilitates price comparison, allows for personalising products, and retailers can offer lots more choice in virtual space.

"Technology is starting to enable us to get the best of both worlds," Bertisen said. Citing some examples of how Google is making inroads into retail like never before, he explained



"social is the beginning of the funnel, whether the entrance is Twitter, Pinterest or Facebook."

how shoppers can use Street View to 'walk' inside a store and look around without ever having to leave their home.

Meanwhile, it looks like hybrid forms of e-tailing will continue to evolve: an emerging trend in digital retail in the UK is 'click and collect,' Bertisen said, whereby shoppers buy online but then - too impatient to wait for delivery - go directly to the store to pick up their purchase. To Bertisen, there is no single best solution: "Consumers are way ahead of us...[but] it's foolish to think that digital will take over the world."

Kering empowers its employees to fulfil their potential and creativity by fostering their skills and performance in the most imaginative and sustainable manner.

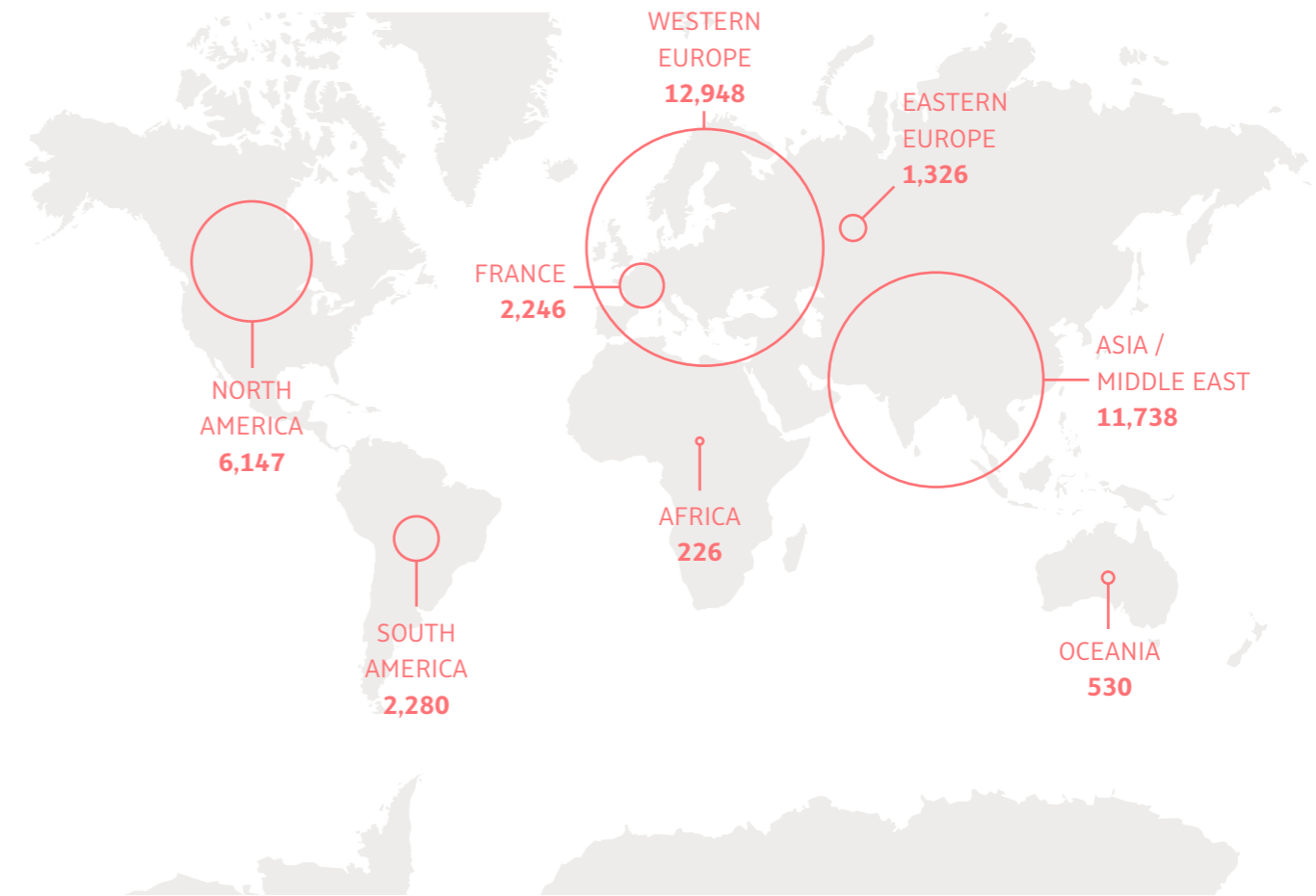
HUMAN RESOURCES

HR STRATEGY COMPLEMENTS THE GROUP'S VISION We empower our people to go beyond their limits, to lead and innovate, and to realise their potential in the most imaginative and sustainable manner. This means we invest in our employees by developing their expertise, creativity and leadership. We also make professional development and career-path opportunities available across all our brands and regions.

As talent development is critical for Kering, a People Review process was launched in September 2014 in collaboration with all the brands with the goal to assess our human capital and finalise development plans. In 2015, the process will be expanded to all our brands and corporate functions, globally.

EMPOWERING TALENT We look for people with imagination, audacity and who like challenges, and who are based in the key markets where Kering brands operate. For example, since 2013, we have had an annual partnership with Vogue Italia to offer internships in Italy and Switzerland. For three years we have also worked with Parsons The New School for Design to provide internships. Last year in China Kering launched collaboration with Tsinghua University. Also in 2014, we began a partnership with London College of Fashion to offer awards and internships to their brightest students.

FIRST EUROPE-WIDE WORKS COUNCIL AGREEMENT Kering is reinforcing its commitment to developing employee talent in the best possible conditions and to contribute to the Group's performance. We have negotiated an agreement with our European Works Council, which lays down a Group-wide common framework in three areas: well-being at work (including health, safety and quality of life at work), diversity and gender balance, and professional development. A review of our brand initiatives will be carried out annually.



Total number as of December 31, 2014

32,890
EMPLOYEES
IN **63** COUNTRIES
(average number)

AMBITION: TO BECOME WOMEN'S EMPLOYER OF CHOICE Kering set up its Leadership and Gender Diversity programme four years ago to promote women's access to high-level positions. As part of our effort to ensure equal opportunities and transparency, we launched an internal campaign 'Hunting down stereotypes!' This aims to encourage the Group's employees to think about the representation of women and men, and prevent women and men from being seen in predefined social roles. Another goal of the Leadership and Gender Diversity programme is to offer development for the Group's female talent. The second wave of our mentoring programme was launched in 2014, with 78% of women among the mentorees.

Frances Corner presides over one of the largest and most influential fashion schools in the world. London College of Fashion and its Centre for Sustainable Fashion teach all aspects of the industry and explore sustainable fashion, including helping women prisoners, as our K reporter learned.

You might expect Europe's largest arts university, with 5,500 students, to be encyclopaedic in scope and over-run by rich, foreign students. In fact, it is neither polymorphous nor polytechnic. Yet it enjoys worldwide kudos.

It's the only academic institution in the United Kingdom to specialise in fashion education, research and consultancy.

As the name implies, London College of Fashion is a 'monotechnic', in that it focuses on all things fashion, from management to science, and visual merchandising to journalism, as well as design. Indeed, it's the only academic institution in the United Kingdom to specialise in fashion education, research and consultancy. More than half of the students come from within the UK (this proportion is typically only one third in similar institutions), 11% are from the rest of Europe; and 37% come from overseas, which are important for a global perspective. Over 100 countries are represented in the current intake.

And it's inclusive: 40% of the British pupils come from lower socio-economic groups, often first-generation university attendees in their family. As well as undergraduates there are 400 taught post-graduates, including 60 PhD students and 11 executive MBAs. Some post-grads are studying consumption psychology; others gerontology: for example, the implications for clothing for those with dementia.

All of which makes LCF unique, according to professor Frances Corner OBE who has been head since 2005. She's conscious of the choice young people have between LCF and a myriad of other colleges. Exposure to new ideas; the quality of professor-student exchange; the breadth and calibre of industry placements; access to the latest equipment, for example in

leather working; and a strong international community are all critical.

PROVOKING DEBATE

On top of that, *"We are slightly anarchic: we like to challenge the status quo, which is good for an individual's education"*, Corner says. She believes it's important to have a different way of thinking and to develop different ways. And a broad understanding of the fashion industry is vital, *"When you think of what's being demanded of designers nowadays, from overseeing six collections annually, year after year; it's a different animal from [couturier] Cristóbal Balenciaga's day!"*

SUSTAINING FASHION EDUCATION

LCF and Kering seal the deal on a five-year partnership

Corner's own background is broad, having been an artist and teacher of print making. In fact, it was only when she came to LCF that she began to teach fashion.

She is also a trustee of the Wallace Collection (one of the finest museums of 18th century French art and furniture, as well as being an arsenal of mediaeval armoury), *"a monument to beautiful things"*. It's all part of her *"passion for understanding"*, although her role is practical: chair of the audit committee, which *"controls risk"*.

Two qualities that led her to write *Why Fashion Matters*, a neat hardback in the form

of 101 *'provocations about fashion'*, which is also an apology for the sector's importance to the economy, society and to individuals. The book deliberately eschews images (though it is handsomely laid out with varied use of colour and typeface), so as not to distract from the message. Peppered with words of wisdom, it starts by stating that fashion is the most immediate and intimate form of self-expression and that *"Faster than anything else, what we wear tells the story of who we are – or who we want to be."*

PAYING ATTENTION

Corner believes environmental and social sustainability are the same, saying, *"Fashion doesn't have to be exploitative"* of consumers, workers or the environment, and draws a comparison with the food industry. If we are not vigilant, she argues, horsemeat ends up in the food chain (as it did in Britain last year) or immigrant workers are drowned while picking cockles in Morecombe Bay (north-west England). By the same token, garment employees in developing countries should have a decent standard of living, *"We're all entitled to proper food and clothing, at real prices."*

But living in a globalised society, she admits there are no easy answers, though open debate is crucial. *"We could carry on [with our wasteful, inequitable lifestyle] or we can say 'no', which is braver... You can't change things all at once, but you do what you can."*

Which brings us on to the LCF's Centre for Sustainable Fashion, set up in 2008 as one of the milestones to celebrate the college's 100th anniversary, and conceived to challenge *'reactionary fashion cultures'* with its excessive consumption and *'disconnection'*. Led by LCF professors, CSF is a cross-institutional (University of the Arts, London) project. The centre explores vital elements of the college's 'Better Lives' ethos: using fashion to improve the way we live and create a more sustainable future.

CAPTURING BEAUTY

A strong proponent of social sustainability, Corner encourages students to get involved in outreach programmes, including the award-winning Fashion Education in Prisons Project. In Holloway prison, 25 female prisoners are taught fashion manufacturing skills, including pattern making and machining, *"London needs 150 more machinists every year."*

At Her Majesty's Prison Send, women are taught hair, make-up and photo shoots, which allows them to produce *The Beauty's Inside* magazine. Not permitted to show the face, the models portray a poignant, restrained



"[Kering] is genuinely interested in sustainability, taking into account shareholder value as well as the broader issues of the environment, women and domestic violence..."

allure. She points out that women are disproportionately penalised by the prison system, but both schemes have reduced the rate of re-offending.

INCUBATING FOR THE FUTURE

In October this year, Corner sealed the deal on a five-year partnership with Kering and CSF to support sustainable practices and innovation in the fashion industry. She believes Kering is the only luxury Group with a strong positioning in this area, *"It's genuinely interested in sustainability, taking into account*

shareholder value as well as the broader issues of the environment, women and domestic violence – that's important to me, as head of what is essentially a women's college."

Entailing three projects, the programme will act as incubator for new ways of thinking about sustainable fashion. There's the Kering Talks, where each year a business leader will speak on the latest thinking in sustainable fashion; and the annual Kering Award for Sustainable Fashion, a contest open to students in fashion, management and communications, to provide solutions to a project defined by Kering. The third element will be the co-development of a module for the sustainable design course.

At the launch ceremony, François-Henri Pinault, chairman and CEO of Kering, said, *"We're willing to share our sustainability knowledge with our competitors [in order to maximise the effect]."* Professor Dilys Williams, director of CSF, said, *"We're challenging and changing the conventional, short-term mind-set from plundering – to contributing to – the world. Working with Kering, with whom we share a sense of urgency and possibility, we'll be moving from what is 'acceptable practice' towards creating a legacy for all of the world's kids."*



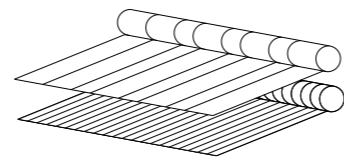
N°1
on the
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Sustainability
Indices (World
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as industry
leader of
the Textile,
Apparel &
Luxury goods
sector

**MADAGASCAR CROCODILE
CONSERVATION AND SUSTAINABLE
USE PROGRAMME (MCCSUP)**

To monitor and manage the sustainable trade of crocodiles, Kering joined forces with the International Trade Centre to launch the MCCSUP in October 2014. The partners have their sights set on contributing to economic opportunities, local livelihoods and the long-term conservation of crocodiles and their habitats. Projects will range from a series of public reports, to assessing the status of wild populations and examining how to empower local communities via the trade. Amongst their actions are two top creations: the first being a Crocodile Management Unit which will act as a hub to support all crocodile trade issues, whilst a programme of student research will focus on crocodile biology, ecology and conservation.

LCF x KERING

An incubator for sustainable fashion: the reason Kering launched a five-year partnership with London College of Fashion's (LCF) - Centre for Sustainable Fashion (CSF). Their aim is to connect research, education and business so as to drive innovative design and illustrate how fashion can be the key to change. *Building a fashion industry of the future* was François-Henri Pinault's chosen topic for the inaugural Kering Talk, one of the partnership's three pillars, an annual lecture to be held at the LCF. As for the other two pillars, an annual Kering Award for Sustainable Fashion will recognise the creative sustainable solutions of LCF students; whilst a curriculum of co-developed academic modules will be taught LCF by Kering and industry experts.



1,500
certified
sustainable
fabrics
at Materials
Innovation
Lab (MIL)

MATERIALS INNOVATION LAB

To identify sustainable raw materials and enable the Group's brands to integrate these into their collections, Kering founded the Materials Innovation Lab (MIL) in 2013. Twelve months since its launch the MIL now boasts an archive of over 1,500 samples of certified sustainable fabrics, rated via the MIL's own evaluation tool and learnings from the Environmental Profit & Loss (E P&L). Evaluated against both internal and external sustainability standards, the archive is constantly expanding and developing. The MIL's expert team is also working directly with strategic suppliers so as to continue identifying sustainable materials.

Driven by the conviction of François-Henri Pinault that sustainable business is smart business, Kering is committed to contributing to a better world economically, environmentally and socially. With a defined framework of sustainability targets, Kering and its brands are progressing towards clear goals and leading with smart business models, so that our Group thrives for the long-run.

**SUSTAINABLE BUSINESS
IS SMART BUSINESS**

REPORTING ON OUR PROGRESS Two years after a Group-wide commitment to a series of 2016 sustainability targets, Kering published a mid-progress report in 2014, detailing the environmental and social milestones to date. Key achievements include:

- 55kg of certified Fairmined gold purchased by the Group from the Sotrami mine in Peru during 2014. The initial purchase of 30kg of certified gold was made by Gucci, representing the single largest purchase of certified gold ever made.
- 98% of our PVC-free target already achieved, with PVC present in less than 2% of the Group's SKUs (stock keeping units).
- 88% of our Group's paper & packaging now comes from sustainably certified or recycled sources, on track for our 100% target by 2016.
- 3,283 social audits were conducted by Kering in 2014, ensuring social compliance standards across our supply chains are continuously improving.

NEW FASHION STANDARDS Brands across the Group continued to push the boundaries in 2014, driving innovative and sustainable practices in both the Luxury and Sport & Lifestyle industries, and beyond. Gucci for example developed a *Sustainable Cashmere* fibre, for use in the brand's prêt-à-porter collections. Bottega Veneta became the world's first luxury brand to achieve LEED (Leadership in Energy and Environmental Design) Platinum certification for the brand's new atelier at Montebello Vicentino. Balenciaga launched an innovation recycling programme designing *Shopping Bags* from stocks of unused tissues, with 1,000 metres of fabric already transformed into nearly 2,000 unique pieces. At Alexander McQueen, organic cotton featured for the first time in a range of menswear products including t-shirts, polos and jumpers. PUMA and Volcom continued to roll-out their *Bring Me Back* programmes, engaging consumers in sustainable practices, by incentivising them to return used products to stores in order for the textiles to be re-used or recycled.

100 %
of our Group's
operations and
supply chains
accounted
for by an
Environmental
Profit & Loss
account
(E P&L)

For half a century, the International Union for Conservation of Nature's Red List has been tracking creatures and their risk of extinction. After attending an event in Paris to mark the anniversary, *K* reports on the latest efforts to protect endangered species.

The black musselcracker, a large, solitary fish with a bulbous nose and a deep frown, resembles a bad-tempered cartoon animal. But if measures aren't taken to protect it, future generations might only see it in cartoons. Endemic to South Africa, its population has declined precipitously due to overfishing, and its vulnerable status has earned it the attention of the Red List.

Created in 1964 by The International Union for Conservation of Nature (IUCN), the Red List of Threatened Species is 50 years old. The IUCN has marked the milestone with events around the world, including a Biophilia Ball in London, proclaimed the 'biggest wildlife party ever held' in the British capital.

Setting out to be a 'barometer of life,' the Red List is the most exhaustive source of information on the relative risk of extinction of flora, fauna and fungi worldwide. Creatures on it range from the Javan rhinoceros, of whom there are fewer than 50 alive, to the Triboniphorous graeffei, a fluorescent pink slug that lives on Australia's Mount Kaputar, an area highly vulnerable to climate change.

The St Helena Giant Earwig (from an island of the same name) was officially declared extinct this year. Ecologists believe it couldn't survive when the stones under which it lived were removed for construction.

The Red List is a valuable tool for planning conservation action, conducting scientific research, distributing financial resources and drawing up environmental accords. Its specialists have evaluated 73,686 species and found that more than 22,000—nearly a third—are in danger of extinction.

THESE PARTNERS MEAN BUSINESS

On 11 December, friends and representatives of the IUCN as well as some environmentally minded business leaders gathered at The Walt Disney Company's offices in Paris to celebrate the Red List and see Disney's new film, *Bears*. Companies have used philanthropy to support green initiatives for some time; formal partnerships between business and environmentalists are a more recent phenomenon.

An increasing number of environmental groups are welcoming these partnerships, knowing that the corporate world has financial clout and manages much of the world's land. Corporations are starting to understand that they have a responsibility towards nature—and also that a loss of ecosystems and biodiversity poses major risks to their bottom line.

Jean-Christophe Vié, deputy director of the IUCN's Species Programme, says, *'We expect businesses to play an active role. For the moment, only a fraction of companies are committing themselves to the extent that they should.'*

Aside from Disney, the companies that came to the Paris event included the cosmetics brand Klorane, which is working to save the endangered *Calendula Maritima* plant, and BNP Paribas, a French bank that is exerting pressure on palm oil producers to stop deforestation.

RED ALERT

The latest efforts to protect endangered species

Also present was Dr Helen Crowley, a zoologist who worked at the Wildlife Conservation Society before becoming Kering's conservation and ecosystem services specialist. She explained to the audience that from a corporate perspective, being sustainable means finding business opportunities to turn a company's negative impact on the environment into a positive one.

FEWER CROCODILE TEARS

The luxury industry has a unique position in biodiversity conservation, because it uses the skins from endangered species. The fact that reptiles they can be made into shoes or handbags makes them vulnerable. But at the same time, their market value goes a long way

"We expect businesses to play an active role. For the moment, only a fraction of companies are committing themselves to the extent that they should."

Jean-Christophe Vié — deputy director of the IUCN's Species Programme

towards protecting their species.

Crocodiles saw their numbers drop precipitously after the Second World War, as demand for leather soared, sparking a hunting frenzy. In 1971, when all 23 species of crocodilians were either endangered or threatened, the IUCN formed a Crocodile Specialist Group. It's been a qualified success: eight species are now abundant enough for well-regulated harvests.

One effective measure has been ranching—collecting crocodile eggs in the wild and raising them on farms. The eggs become a source of income for local populations, encouraging them to protect the animals' habitat. And habitat destruction is often a greater threat to wildlife than hunting or poaching. *"Ranching has allowed us to save quite a few species of crocodiles,"* says Vié.

SNAKES ALIVE!

Demand for python skin has also skyrocketed over the past decade, so they, too, must be carefully tracked and managed. *"Snakes are a difficult species to monitor,"* Crowley notes. *"You can't just go into the forest and count them, because they are really cryptic and difficult to find."*

In 2013, Kering and Gucci teamed up with the IUCN's Boa & Python Specialist Group (BPSG) and the International Trade Centre to create the Python Conservation Partnership (PCP). It is conducting studies around sustainability, transparency, animal welfare and local livelihoods in order to improve the python trade and push for change across the industry. *"To promote trade sustainability directly means to promote python conservation, and this is the main reason we engaged with the industry,"* says the BPSG's chair, Tomas Waller.

One area of study has been the feasibility of captive breeding, since farms can be used as a



"Snakes are a difficult species to monitor. You can't just go into the forest and count them, because they are really cryptic and difficult to find."

Helen Crowley

front to launder wild-caught snakes. Results of the PCP research have been comforting, Waller says. *"We were able to challenge our former ideas and confirm that large-scale production of python skins in captivity is indeed possible and, in fact, is taking place in several south-east Asian countries."* To address compliance concerns, the PCP is studying ways to tell the difference between skins that are farmed or wild, such as testing skin samples for diet.

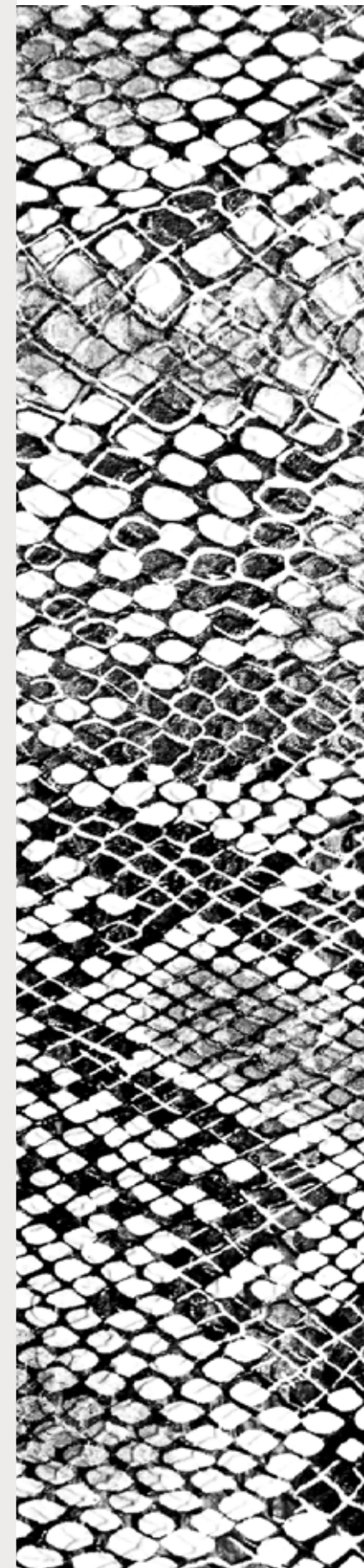
YES, IN MY BACKYARD

The PCP is also looking at how valuable the python trade is for local communities. The extent to which local people can be key players in habitat protection was recently highlighted in Madagascar, one of the first countries to practise wild crocodile egg collection. Its system worked well for years, but then flagged, and in 2010 an international moratorium was placed on exports. The ban lasted four years.

In October 2014, Kering and the IUCN's Crocodile Specialist Group along with the International Trade Centre joined forces to help the Government of Madagascar monitor and manage the trade of Madagascar's Nile crocodiles.

What's revealing is that during the moratorium, local villagers started destroying crocodile eggs. *"Who wants crocodiles in their backyard?"* Crowley says. *"Nobody does. They tolerate crocodiles—and they won't destroy their nests—when they can get cash for eggs. If you want people to protect something, there has to be value in it for them."*

She's quick to point out that just because you put an economic value on something, it doesn't diminish its intrinsic value. On the Red List, the humble musselcracker gets the same billing as a crocodile.



EXTENSION OF THE CHARTER TO PREVENT AND COMBAT DOMESTIC VIOLENCE

Since the signing in 2010 by François-Henri Pinault of France's *Charte de Prévention et de Lutte contre les violences conjugales* in partnership with *Fédération Nationale Solidarité Femmes* (FNSF), the Group has been committed to raising employee awareness and to forming a network of 'ambassadors' within the brands to more effectively direct potential victims to local NGOs: initially organised in France, and then in Italy in 2014 in collaboration with *Donne in Rete contro la violenza* (D.i.Re), the Charter was signed in January 2015 with Women's Aid to train employees in the United Kingdom. More than 80 employees were trained in 2014.

Launched in 2009, the Kering Corporate Foundation unites the Group around a powerful theme: combating violence against women. The Foundation supports NGOs and social entrepreneurs and organises awareness campaigns on violence against women while mobilising Group employees. Since 2014, the Foundation has refocused its action on sexual violence in the Americas, harmful traditional practices in Western Europe (female genital mutilation, forced marriage, honour crimes) and domestic violence in Asia.

KERING FOUNDATION

PARTNERSHIPS WITH NGOS AND SOCIAL ENTREPRENEURS In order to increase its social impact, the Foundation has chosen to pursue its action over several years with a small number of partners, all pioneers in these areas.

In China, where domestic violence affects 25 to 30 per cent of women according to a study conducted by All-China Women's Federation in 2004, the Foundation supports the Maple Women's Psychological Counselling Centre Beijing, which coordinates services for victims (helpline, shelter, medical, psychological and legal aid), and the Zhongze Women's Legal Counselling and Service Centre, which develops a pilot advocacy project in the province of Hubei in favour of national legislation.

In Europe, the Foundation is supporting the creation of the *Maison des Femmes* (Women's House) at the Centre Hospitalier de Saint-Denis in France to centralise services for victims of female genital mutilation, and on a wider scale, for women who are victims of violence. Partnerships addressing this topic are also being defined in the United Kingdom and Italy for 2015.

In the Americas, the Foundation is currently identifying the best programme to combat sexual violence on campus.

At the same time, the Kering Foundation has identified projects, which help ensure financial autonomy for vulnerable women or victims: three Social Entrepreneur Awards will provide in 2015 financial support and skills development by mentor employees.

Almost **200,000** badges distributed as part of the 3rd **'White Ribbon for Women'** campaign to raise awareness among employees, opinion leaders and clients of seven of Kering's luxury brands in 38 countries.

AWARENESS-RAISING PROJECTS TO BREAK TABOOS Educating and raising public awareness are key to change social roles and behaviour. The Kering Foundation has made awareness-raising one of the pillars in its programme. It addresses employees and the general public in partnership with the NGO *Excision, Parlons-en!* (Let's talk about Female Genital Mutilation), Catherine Cabrol and her photo exhibition *Blessures de Femmes* (Injuries to Women) and the Tribeca Film Institute with the Spotighting Women Documentary Awards or on the occasion of the 'White Ribbon for Women' campaign or screening of *Brave Miss World*.

EMPLOYEES MOBILISED IN SUPPORT OF WOMEN The Kering Foundation involves Group employees in its action. In 2014, 36 days were granted to employees participating in two-week solidarity missions. As an example, two staff members from Gucci and Stella McCartney provided organisational assistance to a cooperative of Indian craftswomen. Within the framework of Kering University, some potentials audited a workshop for designing bags organised by the NGO *Planète Enfants* (Planet Children), which integrates former victims of sexual exploitation in Nepal.

SCREENINGS OF BRAVE MISS WORLD TO BREAK THE SILENCE ABOUT SEXUAL VIOLENCE

Documentaries are a good tool for raising awareness. In 2014, the Foundation helped finance the screening of *Brave Miss World*, directed by Cecilia Peck, which aims to break the silence about rape through the story of Linor Abargil, who was kidnapped and raped six weeks before being crowned Miss World in 1998. On 6 March 2014, the Foundation organised the film's first screening in Europe, with some 150 personalities in attendance. In partnership with the We World Intervita association, the Foundation presented the film in Milan on 22 November 2014, with Linor Abargil and some 300 people attending the screening. Ten additional screenings have been organised by the Group in five countries, reaching more than 500 employees.

THIRD 'WHITE RIBBON FOR WOMEN' CAMPAIGN #WR4W

In order to mobilise as many people as possible on 25 November, International Day for the Elimination of Violence Against Women, the Foundation launched a two-tier campaign in 2014: on social media, more than 325 million internet users were reached thanks to the support of many brands in the Group and of personalities such as Kelly Slater, Bradley Cooper and Liu Wen. At the same time, 198,600 badges designed by Stella McCartney were distributed from 15 to 29 November to clients in 700 Alexander McQueen, Balenciaga, Brioni, Bottega Veneta, Gucci, McQ and Stella McCartney stores, as well as to numerous Group employees.

"Last year the Kering Foundation got several proposals from NGOs in China, so I think by offering my opinions on these projects I can help the Foundation give more help to independent NGOs."

Yuan Feng is an advocate of women's rights and gender equality in China, having dedicated most of her career to such causes since the mid-1980s. She is also the newest board member of the Kering Foundation. Our K reporter caught up with her on a recent visit to London.

Among China's 630 million women, twenty-five to thirty per cent are subjected to domestic violence from their spouses during their lifetime. Every year, the Women's Federation hotline handles around 50,000 cases of domestic violence (government data). However this is a problem that is frequently brushed under the carpet.

In 2011 an American woman married to a Chinese, Kim Lee, made headlines around the world after using a micro-blogging site to post photographs of the bruises her husband had given her. Two years later Li Yang, a household name in China, thanks to his famous Crazy English language school, was served with a restraining order and asked to pay Kim compensation for subjecting her to years of physical abuse. The case made waves in China, not so much for the severe beatings she suffered while heavily pregnant, but for the sheer bravery that made her a heroine to other women in similar situations.

Chinese law has very little provision for victims of domestic abuse. Indeed, when Kim first approached the police they had no idea what to do with her. At one point during her ordeal, Yuan Feng, who had met Kim at a workshop in a later evening, offered her

to stay at her home. "Usually I keep my work and my private life separate but in this case I really had no choice because she had no place to go."

It's a characteristically selfless statement from Feng, who began her career as a journalist working for the state-sanctioned People's Daily, before a keen interest in women's rights led her to co-found the Media Monitor for Women network in 1996, an organisation that advocates for more participation of women in journalism. She began working in the field of

REDUCING CHINA'S ONE IN FOUR

A conversation with Yuan Feng

domestic violence in 1999, after she joined a group of activists to form the Anti-Domestic Violence Network in Beijing. One of their roles is to provide practical guidelines for doctors, police, judges, community workers and journalists.

ACCESSING

Training of this sort is badly needed in a country where over a third of all women in relationships have suffered some form of domestic abuse. With a population of 1.35 billion, China may be the world's next superpower

but it continues to be a deeply patriarchal society. In fact the opening up of the market and the privatisation of land has exacerbated the problem. "Women in rural areas face many challenges in terms of land rights, especially with the fast development of urbanisation" explains Feng. "If women have more of a share of the property the risk of domestic violence can be reduced significantly."

Another big problem is the general attitude towards domestic abuse. "Most people think that if they're not perpetrators themselves they can tolerate other people's violent behaviour" she says. "There is indifference to some victims, that makes them feel helpless so they sometimes don't want to report it or seek help."

Accessing support is tricky: "There are shelters but information is not well distributed and the facilities are very poor, with no emotional, psychological or child support. Another problem is that police officers haven't had proper training in how to handle these cases. This causes problems because if they respond to a call improperly or if they behave improperly, the abuse can continue and even get worse."

RESTRAINING

During Feng's twenty-year career she's helped set up initiatives like the Gender and Development Network, which promotes gender equality via training and social activities, and is behind the Blue Books on Women's Development, which contain reports on Chinese NGOs. It's this expertise that she hopes will bring something valuable to the table.

Feng's appointment to the board of the Kering Foundation last June signals a strengthening of its work in combatting violence against women (particularly domestic) in Asia Pacific. "Last year the Kering Foundation got several proposals from NGOs in China, so I think by offering my opinions on these schemes I can help the Foundation give more help to independent NGOs. That's the neediest sector - there are women's organisations sponsored by the government, but the independent NGOs have very limited resources."

Such actions come at a pivotal time: in November last year China's first national law on domestic violence was drafted. It's been controversial, however, as it only applies to married couples.

Feng herself has mixed feelings about it. "On one hand it's a good step forward because it's a comprehensive law that includes education, prevention, and different government organisations taking responsibility, but there are so many shortcomings. The law doesn't include relationships or former relationships, for example divorced couples or couples who have



broken up. Many tragedies happen between divorced couples because the perpetrators feel they have the right to control the other person physically, sexually, emotionally or financially."

DEFINING

It also has a very narrow definition of domestic violence, covering only physical and emotional violence, leaving out sexual violence and financial control. With regards to restraining orders, these can only be issued when the victim has filed for divorce or has a lawsuit pending. "If you don't want to encourage people

to get divorced, why are you putting restraining orders and divorce together?" says Feng. "These issues need to be overcome otherwise the law fails to protect the people who need to be protected."

There is a lot of work to be done, but Feng remains optimistic. "I believe if we keep working and we get more understanding and support things can be changed, because most people don't want this kind of inequality to continue. Most people hope to enjoy an equal and mutually respectful relationship."

"I believe if we keep working and we get more understanding and support things can be changed, because many people don't want this kind of inequality to continue. Most people hope to enjoy an equal and mutually respectful relationship."

The *Lumière Grand Lyon film festival* is cinema at its greatest. Running this year between 13 and 19 October, it celebrated the cinematic life and contribution of women as well as director Pedro Almodóvar. But a series of film noir, the *Alien* night, a new print of *Ben Hur* and a spaghetti western retrospective ensured it wasn't 'All about my mother'. Our K reporter hoped his popcorn would be spilt by 'Pedrito', Faye Dunaway, Keanu Reeves or Isabella Rossellini.

Imagine you could wallow in a week-long fiesta of classic, newly restored and until-now forgotten movies. In a place where the first film was made. At the historic grounds of the inventors' family home. In the warm autumn sunshine in southern France. That you could meet, see and hear some of today's greatest directors, actors and commentators.

For six years now, the *Lumière Grand Lyon film festival* has been able to fulfil such a dream. It may not get the same media attention as Cannes, Sundance or Venice but that's because it's closer to a celebration than a competition or show-case for new films. And it's all the better for it.

The first film ever, *Sortie d'Usine* (Leaving the factory) was shot in 1895 by bothers Louis and Auguste Lumière in Lyon. There is now a splendid cinema in the 'hangar' from which the workers emerged, in jerky black and white, from the family's production plant. You can watch the movie and several other early works in the magnificent museum in the Lumière father's former house.

The two buildings and garden in between form the epicentre of the festival with a 'village' entailing ticket office, book and DVD shop, restaurant and bar.

There's also a bustling second-hand market for cinematic and photographic equipment, films and memorabilia. Such is the convivial atmosphere one stranger asked about the music of a video I had let 'slip out' of my iPhone when I forgot the earphones. He said it might be just the thing for a film he was working on. Probably being polite but you never know...

WOMEN ON THE EDGE...

The festival is the brain child of director Bertrand Tavernier (*Life and nothing but, A Sunday in the country and Quai d'Orsay*) and Thierry Frémaux, respectively president and director of the Institut Lumière. Frémaux is also managing director of the Cannes film festival. As well as promoting and preserving French film-making and publishing the review *Positif*, the Institut organises the eponymous, international film festival.

Starting with Clint Eastwood in 2009, and followed by Milos Forman, Gérard Depardieu, Ken Loach and Tarantino, the

festival has chosen to honour an important contributor to cinema for each edition, presenting them with the Lumière Prize. This year it was Spain's most acclaimed cineaste since Buñuel, Pedro Almodóvar. He was honoured in a soiree of flamenco music, anecdotes and eulogies in the presence of some of his favourite actresses, including Rossy de Palma, and with the virtual appearance of Antonio Banderas and Penelope Cruz. 'Pedrito' spoke highly of cinema, literature and, above all, his mother.

A MOVING FEMALE FESTIVAL

*Lumière
Grand Lyon
film
festival*

Almodóvar, a self-taught film-maker, praised her for the 'taste of fiction' in him as she used to read out letters for the illiterate neighbours, adding invented words of tenderness. "My mother was the territory where everything came to," he said. The use of colour in his films was instinctive, perhaps because he had watched so many Technicolor films in his youth, but later realised it was because his mother dressed in vibrant colours, having had to wear 'unnatural' black until she was 30 because of continual mourning, as was the tradition at the time.

The festival presented 13 of Almodóvar's better-known movies, including *Women on the edge of a nervous breakdown* which gave an insight to his intimate – and often

"Not shirking women's issues was a trademark and [Ida Lupino] emulated male directors by making *The Hitch-Hiker* in 1953, a tough (actress-less) *film noir* – the first by a woman."

hilarious – female world that has steadily developed in depth and sophistication. He also got to choose his favourite films to show at the festival. These were either a homage to Spanish cinema, such as Jose Luis Borau's 1975 dark metaphor for Franco's Spain *Furtivos* (*Poachers*), or came under the theme of 'the cinema in me': international classics like *Johnny Guitar*.

LEAVING THE FACTORY – THE REMAKES

Last year the organisers had the bright idea of asking the Lumière Prize winner and two other directors to produce a short remake of the first movie, shot in front of the famous hangar. Almodóvar decided to do two. In the first, he told the mixed group of actors and 'extras', "You are going to leave the factory with a confident stride, proud and beautiful; then in groups of five, facing the camera, you'll stop to pose, thinking about your children, your grandchildren or your grand-nephews who will discover this film in 50 years, all while Thierry Frémaux is still holding down the Institute."

In the second film, he told them: "You will leave the factory with your head down, looking depressed, like in *Metropolis*. You are the condemned, who cannot even think about your children, since they have starved to death..." After only a few takes it was the turn of *The Great Beauty* director Paolo Sorrentino and then Canadian prodigy Xavier Dolan (*Mommy*).

If one of the highlights near the end was Almodóvar's award on Friday evening, the event was kicked off by an equally famous personality, Faye Dunaway, who introduced the seminal *Bonnie and Clyde* at Monday's opening ceremony. The organisers chose her for the 'immense contribution she has made to the emergence of the independent American films of the sixties and seventies'.

NO SOFT TOUCH

Another Hollywood legend Isabella Rossellini was the second female guest of honour. Under the theme of 'homages in their presence', she introduced films she had acted in and one her father Roberto Rossellini had directed, *Fear*, starring her mother, Ingrid Bergman.

In fact David Lynch had wanted the latter to play in *Blue Velvet* but was persuaded to employ Isabella instead. She took the role against the advice of her agent and friends who cited the risks of violence, nudity and provoking the ire of feminists. But she praised her parents for having given her the ability to identify in Lynch 'an honest, rigorous artist, an auteur' (*Liberation* 22 January 1997).



Perhaps the most surprising – but rewarding – feature of the festival was the series of films devoted to the English-American pioneering actress, director, screenwriter and producer Ida Lupino, who entered the Lumière pantheon of A Permanent History of Women Film-makers. She featured in six films in which she had starred in, such as *They drive by night*, *Not wanted*, about a mother who has to give up her illegitimate baby only to steal another out of guilt.

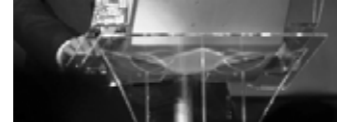
Not shirking women's issues was a trademark and she emulated male directors by making *The Hitch-Hiker* in 1953, a tough (actress-less) *film noir* – the first by a woman. It's a striking film, set in an unforgiving Mexican desert that seems to play on people's fears

of nuclear attack at the height of the Cold War. The screenwriter, Daniel Mainwaring, wasn't credited as he was then on McCarthy's 'un-American' activities blacklist.

THE END

As the final screen shot disappeared into a black hole on the programme I realised I had missed the *Alien* series, *2001 Space Odyssey* and other *grandes projections* on my wish list (many films are shown simultaneously). But, musing on what cinema might've been without the influence of such courageous women, I pulled on my poncho, screwed in my cheroot and rode off into the sunset.

EXECUTIVE COMMITTEE
AS OF 18 MARCH, 2015



01



02

01
François-Henri Pinault
Chairman and CEO, Kering

02
Jean-François Palus
Group Managing Director, Kering

03
Albert Bensoussan
CEO of Luxury -
Watches and Jewellery division, Kering

04
Louise Beveridge
Senior Vice-President
Communications, Kering

05
Marco Bizzarri
CEO, Gucci

06
Marie-Claire Daveu
Chief Sustainability Officer
and Head of international institutional
affairs, Kering

07
Jean-Marc Duplaix
Chief Financial Officer, Kering

08
Belén Essioux-Trujillo
Senior Vice-President Human
Resources, Kering

09
Björn Gulden
CEO, PUMA SE

10
Roberto Vedovotto
CEO, Kering Eyewear



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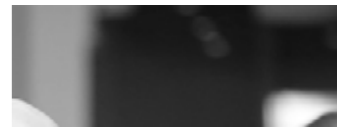
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08



05



The board of directors is Kering's principal governing body that collectively represents all the shareholders. It decides the strategy of the Group and ensures its implementation.

François-Henri Pinault
 Patricia Barbizet
 Luca Cordero di Montezemolo
 Yseulys Costes
 Jean-Pierre Denis
 Philippe Lagayette
 Jean-François Palus
 Baudouin Prot
 Daniela Riccardi
 Jochen Zeitz
 Sophie Bouchillou (representing employees)

The directors are appointed by the shareholders at the annual general meeting (AGM) for a period of four years. Eleven directors currently sit on Kering's board; four of them are independent, according to the criteria of the AFEP-MEDEF Code.

The board of directors has taken the view that the recommendations of the AFEP-MEDEF Code of corporate governance of listed companies (AFEP-MEDEF Code) fall within Kering's approach to corporate governance. It is to this code that Kering makes reference. The board of directors comprises 11 directors, four women and

seven men, of various nationalities; four of them are independent and one director has been appointed to represent the employees.

The board meets at least five times a year and whenever circumstances so require, if necessary at short notice. In the course of 2014, it met on eight occasions. The board has set up five specialist corporate governance committees: the audit committee, the remuneration committee, the appointments committee, the strategy and development committee and the sustainable development committee.

The executive committee (Comex) meets each month, and comprises the chairman and CEO, the Group managing director, the CEOs of the divisions and the Group's principal brands, and Kering's principal functional directors. As the Group's operational body, the executive committee is where the Group's activities are analysed and spurred forward, where the Group's top management can discuss and share views, and coordinate and monitor Group-wide projects.

The Group charter puts into practice the principles of good organisation, decentralisation of power and the responsibilities of managers in the Group.

The Insider Good Practices Committee comprises the Group managing director and the Group legal affairs director. It ensures respect for the necessary rules regarding privileged information: closed periods, lists of permanent and occasional insiders and, in particular, making individuals who hold privileged information aware of their responsibilities.

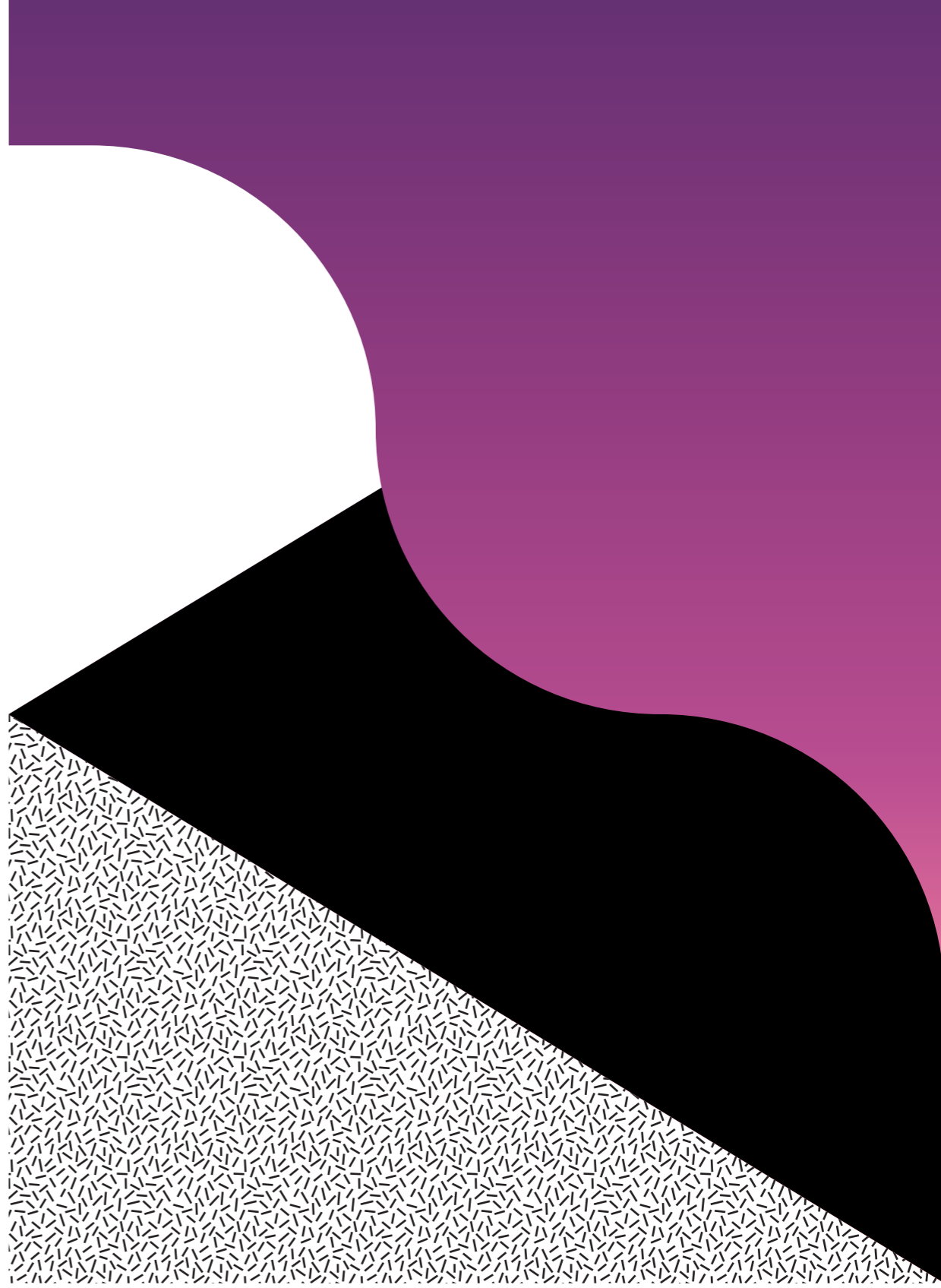
The Code of Ethics, a new version of which was distributed to all Kering staff in December 2013, sets out the Group's principles and values. It reminds staff of the commitments and principal rules

of conduct for their colleagues and co-workers, customers and consumers, shareholders and the financial markets, suppliers and competitors, the environment and civil society. It also includes the ethics-related channels available to Group employees around the world (committees and hotlines).

Set up in 2005, **Kering's ethics committee** is now supplemented by two regional ethics committees: Asia-Pacific and one for the Americas. They committees are composed of representatives of the Group brands and Kering staff. Their regional nature contributes to the policy of delegation of responsibility in force within the Group, which ensures the most appropriate response to questions. Their role as the body of last resort, under the authority of the Group ethics committee, to which they report, guarantees the consistent application of ethical principles within the Group. The committee is supplemented by an ethics hotline, introduced in 2013 and available to all Group employees in 73 countries and in the areas in which the Group operates.

A training course in ethics and compliance with the Code for all Group staff worldwide is available online since 2014.

Gucci
Bottega Veneta
Saint Laurent
Alexander McQueen
Balenciaga
Stella McCartney
Christopher Kane
Brioni





Gucci has been successfully implementing a brand elevation strategy with a focus on products with a higher average value, encapsulating Gucci's quality, creativity, innovation and Italian craftsmanship. This is being supported by an on-going, worldwide store renovation programme and a series of significant marketing and communications initiatives. By moving towards the mid-high end of the market with a more balanced product offer, the brand has been steadily increasing its appeal among the most sophisticated and exclusive luxury consumers.

Gucci's goal is to continue enhancing brand value while delivering long-term growth across product categories and maintaining high standards of environmental and social sustainability.

2014 — Gucci confirmed its fashion leadership, introducing a series of successful products, including leather handbag *The Soft Jackie*, a reinterpretation of the iconic Jackie line, available exclusively in Grand Prix leather or exotic skins. The launch of this modern reinterpretation of the house's most celebrated handbag design was supported in September by a digital film starring Kate Moss. Throughout the year, Gucci kept innovating in the handbags category through regular additions of new lines, such as *Swing* and *Bright Diamante*, both of which provide strong additions to the medium-to-high segments. In addition, a careful elevation of the small leather goods and luggage assortment has been conducted, in order to further enhance these two categories' exclusivity and ensure close alignment with handbags.

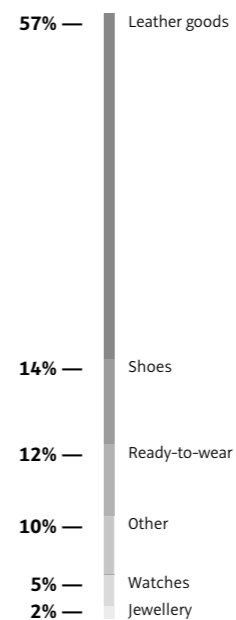
3,497

2014

revenue

in millions of euros

Breakdown of 2014 revenue by product category



1,056
2014 recurring operating income
in millions of euros

9,623
average number of employees in 2014

505
directly-operated stores in 2014

As well as opening 31 new directly-operated-stores during the year, Gucci continued to roll out its refurbishment programme, in order to bring the store network up to the same high standard as Gucci's products and to create a consistent brand image across regions.

Gucci also continued to reinforce its leadership as one of the most innovative digital luxury brands, with an audience of over 30 million across its digital platforms. Today the brand operates e-commerce in 28 countries and its website attracts over 100 million visitors a year.

Meanwhile CHIME FOR CHANGE, the girls' and women's empowerment campaign founded by Gucci in 2013, has now funded more than 390 projects in 86 countries through 132 non-profit partners. CHIME FOR CHANGE founding partners include the Kering Foundation, the Bill & Melinda Gates Foundation, Facebook and Hearst Magazines.

The relaunch of Richard Ginori, the leading Italian brand in porcelain and tableware acquired by Gucci in 2013, entered its second phase, symbolised by the re-opening of its historic Florentine flagship store. The renovated boutique, spanning nearly 500 square meters and representing the new Ginori 'home,' is located in Palazzo Ginori.

OUTLOOK — Following the appointment, in January 2015, of Marco Bizzarri and Alessandro Michele as Chief Executive Officer and Creative Director respectively, Gucci will enter the next phase of its growth with a continuing emphasis on its elevation strategy, which will be driven by a new, contemporary vision for the brand.

artisans; it is both elegant and eminently adaptable.

famous by its signature intrecciato, a unique leather-weaving pattern developed by the brand's

Founded in 1966 in the Veneto region of Italy, Bottega Veneta began as a leather goods house made



BOTTEGA VENETA

Evolving through the years into an absolute luxury lifestyle brand, its motto, 'When your own initials are enough,' now applies to a range of products including leather goods, women's and men's ready-to-wear, shoes, jewellery, furniture and more. Bottega Veneta is sold through directly-operated-stores, complemented by exclusive franchises, select department and specialty stores, and through its online store.

2014 — Careful execution of the international development strategy, consistent with exclusive positioning, resulted in growth in all geographic areas. The iconic leather goods continue to represent the core business, while men's categories performed exceptionally well, underlining efforts to expand in this segment.

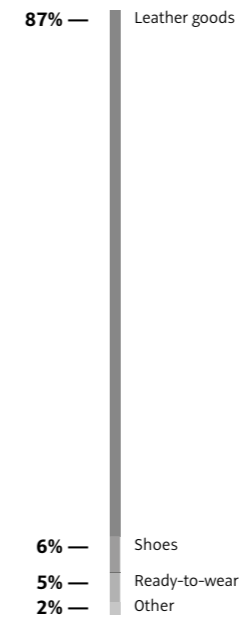
Further leveraging the brand and augmenting awareness, during *Salone del Mobile* in Milan Bottega Veneta presented an expanded Home collection, introducing innovative colour, texture and material. A new fragrance for women, *Bottega Veneta Knot*, was launched to complement the current fragrances range.

Bottega Veneta enhanced its retail network by refurbishing and expanding existing boutiques, and with selective openings worldwide. To ensure regional balance and reach within Europe, the first boutique in Austria opened in the heart of Vienna. The first Boston boutique opened on Boylston Street, further ensuring appropriate presence in the US.

1,131
2014

revenue
in millions of euros

Breakdown of 2014
revenue by
product category



357
2014 recurring
operating income
in millions of euros

3,212
average number
of employees
in 2014

236
directly-operated
stores in 2014

Through a range of showcases, digital platforms, locations and experiences, Bottega Veneta's heritage of superior craftsmanship was told through its iconic pieces.

For the second time, Bottega Veneta was recognized as Best International Luxury Brand at the prestigious Walpole British Luxury Awards, for being the brand with the greatest impact in terms of sales in the UK and abroad, through innovation, business, strategy and media exposure during 2013-2014. In addition, Bottega Veneta was ranked ninth in Italy's Best Workplace 2014 list, the first and only fashion and luxury company to enter the ranking.

OUTLOOK — Under the creative direction of Tomas Maier and the leadership of CEO Carlo Alberto Beretta, Bottega Veneta will continue to build on its accomplishments and positioning, supported by selective store openings worldwide and further enhancements to the current retail network. The brand will continue to pursue retail excellence, to guarantee the best possible luxury experience in store, to maintain the uniqueness of the brand and to achieve its long-term objectives.

through the introduction of luxury ready-to-wear under the name Saint Laurent Rive Gauche.

century. Originally an haute couture house, in 1966 Yves Saint Laurent revolutionised modern fashion

Founded in 1961, Yves Saint Laurent is one of the most prominent fashion houses of the twentieth



SAINT LAURENT

Saint Laurent designs and markets a broad range of men's and women's ready-to-wear, leather goods, jewellery and silks. Production is mainly divided between Italy and France. Under worldwide licence agreements, the house also produces and distributes eyewear¹, fragrances and cosmetics.

Since March 2012, creative director Hedi Slimane has been leading Yves Saint Laurent into a new era, recapturing the impulses of youth, freedom and modernity that inspired the founder to launch Saint Laurent Rive Gauche in 1966.

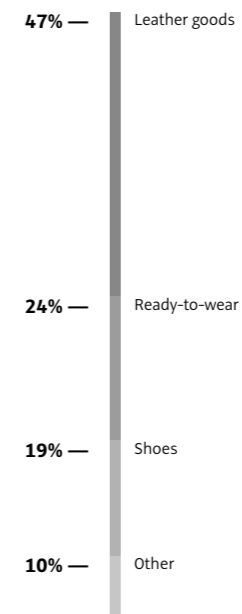
Saint Laurent directly operates 128 boutiques, including flagships in Paris, London, New York, Hong Kong, Shanghai, Beijing and Los Angeles. The house is also present in select multi-brand boutiques and department stores worldwide.

2014 — Under the leadership of Hedi Slimane and Francesca Bellettini, CEO since September 2013, the year 2014 was another rich one for Saint Laurent, with particular focus on the introduction of new collections and investment in selective new store openings, in both emerging and mature markets, and key refurbishments and relocations. The business was well balanced in terms of geographical markets and product categories. During the year, sales were fuelled by the extremely strong growth enjoyed by all product categories, which perfectly transitioned into the new brand aesthetic, and across channels.

¹ — Currently managed under licence, this category will be progressively internalised on the Kering Eyewear platform.

707
2014
revenue
in millions of euros

Breakdown of 2014 revenue by product category



105
2014 recurring
operating income
in millions of euros

1,712
average number
of employees
in 2014

128
directly-operated
stores in 2014

In September, Saint Laurent opened its largest women's-only boutique in Los Angeles, in addition to a dedicated men's store, both on Rodeo Drive. These flagships mark an important milestone in the reformation of the brand and were accompanied by investments in Milan, Rome, Hong Kong's Canton Road and London's Sloane Street.

The further establishment of the ysl.com website has also played a key role with an expansion in Asia, including availability in simplified Chinese and Korean. As of December 2014 the house offers e-commerce in more than 60 countries and over 2.3 million fans on Facebook; and it continues to be one of the most popular luxury brands on Twitter with over 2.4 million followers.

Notable acclaim was also achieved for advertising campaigns and fashion collections, which received significant exposure through editorials and global celebrities throughout the year. Initiated in 2013, the Music Project continued to play a key role, with growing portraiture campaigns of musicians such as Curtis Harding and Marianne Faithfull.

OUTLOOK — The brand continues to pursue ambitious retail expansion, which started in 2012 with the launch of its new store concept. In 2015 the focus will not only be on emerging markets, like the Middle East, China and South-East Asia, but also on further development in the US, Japan and Europe, with openings or refurbishments in most of the major cities. Additional investments will be made to continue the development and optimisation of the site and online customer experience.



Renowned for its unbridled creativity, Alexander McQueen has been transformed from a celebrated fashion house into a significant global

luxury brand over the past decade. The main product categories are women's ready-to-wear and leather goods, while 2014 menswear grow strongly.

2014 — With a total network of 35 directly-operated stores across all regions, this year saw the opening of 5 new net stores. The brand is sold in over 50 countries, in more than 450 doors. Franchises are an important part of the distribution channel with 11 boutiques, including new openings in Moscow, Baku and Beijing in 2014. The brand's positioning was strengthened by hosting events in New York and Tokyo and by sponsoring Frieze Art Fair in London. Creative director Sarah Burton continues to be recognised as a major talent in the luxury industry, receiving prestigious awards including Designer

of the Year by Harper's Bazaar UK and Glamour US, and the Red Carpet Designer at the British Fashion Awards. The brand's contemporary line McQ is becoming an important contributor to the overall business. Sold primarily as a wholesale business internationally through more than 500 doors, franchises are also important with 16 such stores now, in addition to the directly-operated McQ store in London.

OUTLOOK — Under the leadership of the CEO, Jonathan Akeroyd, there will be further retail openings for Alexander McQueen including a flagship in Paris. In March the V&A Museum in London hosted an enhanced exhibition of *Savage Beauty*, previously shown at New York's Metropolitan Museum. This enables the brand to celebrate the work and legacy of the designer Lee McQueen. The fragrance launch is planned for late 2015 and should ensure that brand awareness is further increased.

ALEXANDER McQUEEN



Founded in 1919 by Cristóbal Balenciaga and established in Paris in 1936, the house defined many of the greatest movements in fashion from the 1930s to the 1960s. The mastery of techniques and cut, together with constant innovation in fabrics, has marked out a special place for Balenciaga in the hearts and minds of its followers. Since the 1990s, the

brand has experienced a re-birth and an extension of its product range to comprise leather goods and accessories, as well as fragrances and eyewear (both under licence). With his proven talent and cosmopolitan vision of design, creative director since 2012 Alexander Wang has embraced and grounded a modernity into the heritage of this fashion house.

2014 — Led by CEO Isabelle Guichot, Balenciaga has been consolidating its retail network. The brand opened or refurbished 26 directly operated stores, bringing the total to 90 worldwide. The first Japanese flagship store was established in Tokyo. The brand also re-launched its website with an expanded and re-imagined e-commerce platform, currently covering 91 countries.

Further strengthening brand awareness, Balenciaga presented *Balenciaga: China Edition* – a ground – breaking three-part event created exclusively for the Chinese market. For one night only in Beijing, Balenciaga retraced the history of the brand's founder with an exhibition of iconic heritage pieces, followed by a presentation of the Spring/Summer 2015 ready-to-wear collection.

Balenciaga also advanced its visibility with the release of two wild posting campaigns of the Cable by Balenciaga Bag in New York in July followed by a digitally focused campaign for the Mini Cable Bag line in December. Adding to the Balenciaga portfolio, *B. Balenciaga*, launched as the first fragrance by Alexander Wang for the brand.

OUTLOOK — Building on the impetus provided by new product launches, Balenciaga will further develop its retail concept around the world, including opening flagships in Madrid and Florence.

BALENCIAGA



Stella McCartney is a luxury lifestyle brand which was launched under the designer's name in partnership with Kering in 2001. The brand offers women's ready-to-wear, as well as handbags, shoes and Kids. The brand has also developed eyewear and fragrances under licence. Stella McCartney, a lifelong vegetarian, is

committed to ethical values, and believes the company is responsible for the resources it uses and the impact it has on the environment. It is therefore constantly exploring innovative ways to become more sustainable, from designing to store practices and product manufacturing.

2014 — Stella McCartney has more than 650 doors worldwide in over 50 countries. Following an expansion of the number of stores in 2012, the brand has focused on consolidating the organic growth potential of its existing network, though there have also been selective store openings. By year end, the brand owned 30 directly-

operated stores and the online presence has reinforced market penetration in terms of image and revenue.

Wholesale remains a prominent part of business and the brand will continue to optimise the channel by engaging with key online players. Stella McCartney also added four boutiques to its franchise network, bringing the total to 20 worldwide; franchising continues to represent a valuable tool to enter regions where brand awareness is less established.

2014 was another successful year in building brand image and presence, with persistent and strong exposure to the fashion scene. Stella received a Women's Leadership Award in New York City's Lincoln Center, and was the first female keynote speaker at the CFDA/Vogue Fashion Fund.

OUTLOOK — The brand will strengthen product innovation, communications and retail network expansion. It will also look to enable further synergies between the offline and online shopping experience.

STELLA McCARTNEY



In 2006, after completing his Master of Arts in fashion design at London's Central Saint Martins, Christopher Kane realised his ambition of starting his own label, in partnership with his older sister, Tammy Kane. He is now widely acknowledged to have spearheaded a revival of British fashion.

Christopher Kane embodies boundless creativity and innovation by transforming the mundane and everyday into desirable garments. A very high level of skill allows the brand to balance aesthetic extremes in order to create unexpected products.

2014 — In November, Sarah Crook was appointed CEO of Christopher Kane with the goal of further accelerating and enhancing the brand's global development. In December, Christopher Kane was nominated for the prestigious Womenswear Designer of the Year award from the British Fashion Council. The honour contributed to increase brand

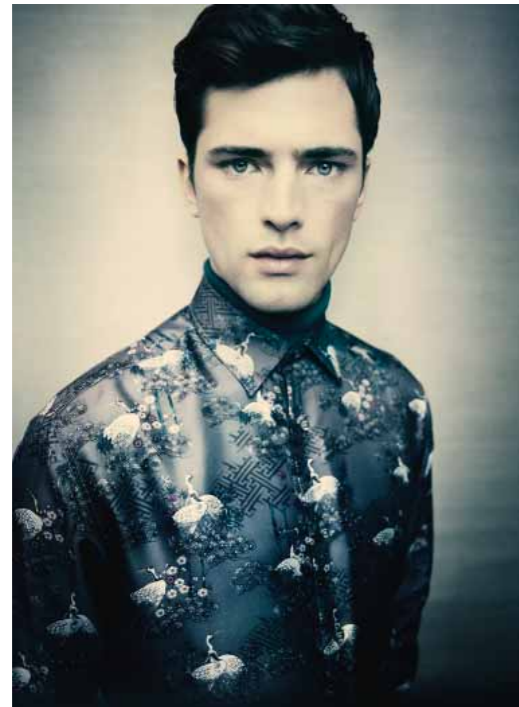
awareness and revenue growth across all product categories.

Christopher Kane's collections are now distributed in over 30 countries, across more than 170 wholesale accounts.

Further expansion is planned in: the wholesale channel; building on the women's ready-to-wear offer; developing a growing menswear collection; expanding increasingly important pre-collections and further developing the exciting launch into leather goods and shoes, in all key international markets.

OUTLOOK — The brand opened its first flagship store on London's distinguished Mount Street in Mayfair in early 2015. The boutique showcases all of Christopher Kane collections and expresses a strong vision for the brand. The company will also be launching a website in early 2015, creating a global hub for the brand with a website that befits the modern, innovative and highly creative Christopher Kane universe.

CHRISTOPHER KANE



The world's most prestigious, Italian, luxury, menswear couture house, Brioni was founded in Rome in 1945 by two Italian visionaries – Nazareno Fonticoli, a tailor, and Gaetano Savini, an entrepreneur. Over the years, Brioni has become a reference point for contemporary male elegance in Italy and

abroad. Its unparalleled sartorial craftsmanship combined with innovation and creativity continue to attract a loyal following of clients, including artists (mostly from the film industry), heads of state and business leaders.

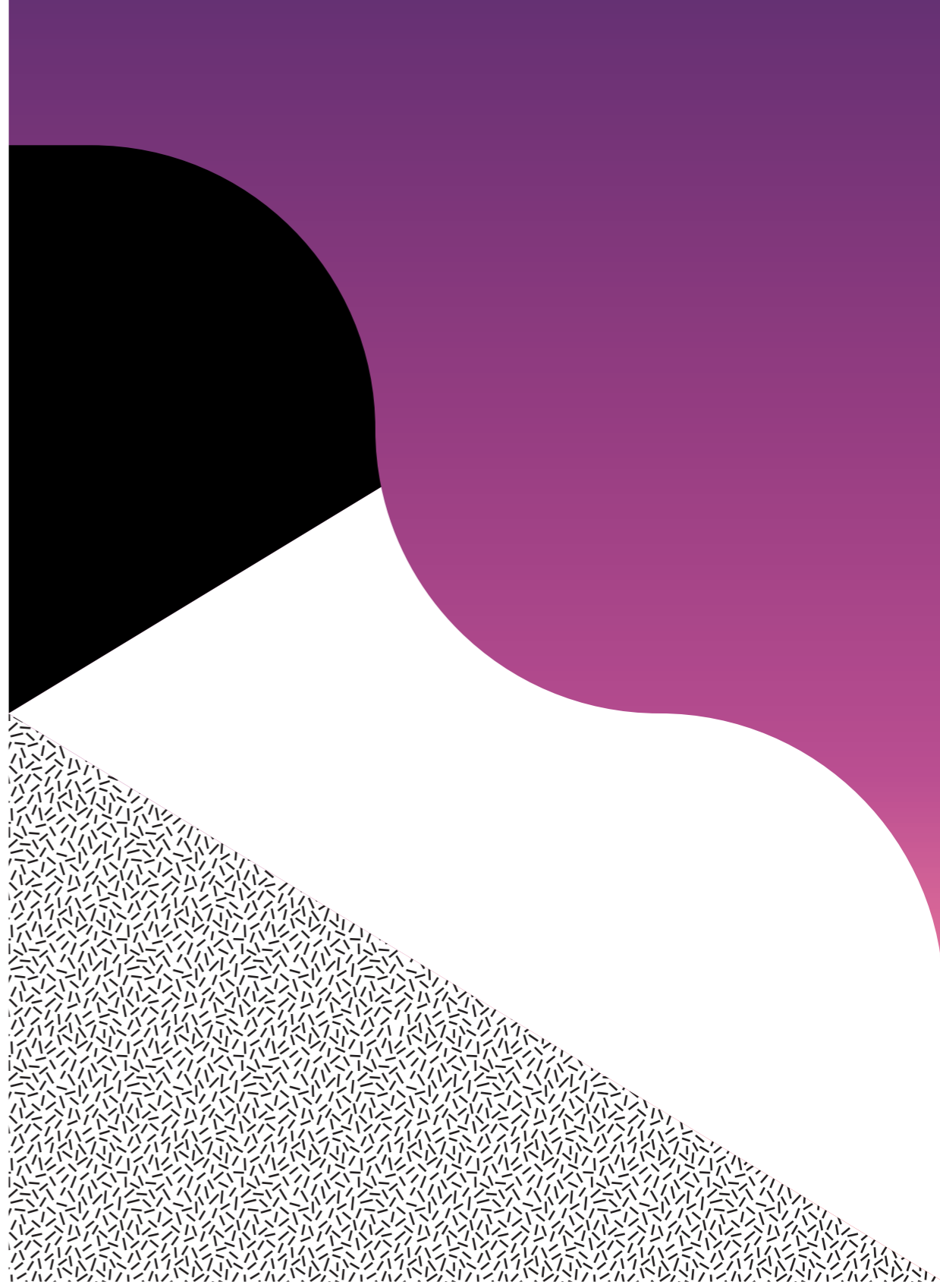
2014 — Under the creative direction of Brendan Mullane, the brand's product range currently comprises all categories of men's apparel and accessories, including leisure wear, leather goods, shoes and eyewear, as well as jewellery and fragrance – both launched in 2014. Beyond its product offering, the house is revered for its personalised *Su Misura* approach. While wholesale still represents Brioni's

major distribution channel, the brand continued to develop its retail network. Brioni's largest flagship to date opened in Milan in June. At the end of 2014, Brioni had 48 directly operated stores, with three net openings in Western Europe and Greater China.

Brioni raised its profile in 2014 by sponsoring the Serpentine Galleries Summer Party in London and by creating a presence on Instagram. It also partnered with the Royal College of Art for the seventh consecutive year, transmitting sartorial techniques to the next generation. In November, Brioni appointed a new CEO, Gianluca Flore, to lead the brand's continued international expansion and consolidate its position in the industry.

OUTLOOK — In 2015, Brioni will celebrate its 70th anniversary and make a historic return to the runway, in Milan. The house will continue to strengthen its presence in the USA and Europe, and selectively grow its retail network in Asia.

Girard-Perregaux
JeanRichard
Boucheron
Pomellato
Dodo
Qeelin
Ulysse Nardin





Girard-Perregaux is a high-end Swiss watch manufacturer that traces its origins back to 1791. Based in La-Chaux-de-Fonds, in the heart of the watchmaking area, the history of the brand is marked by watches that combine sharp design with innovative technology. For example, the renowned *Tourbillon with Three Gold Bridges* presented by Constant Girard-Perregaux in 1889 at the Paris Universal exhibition, where he was awarded a gold medal. Devoted to the creation of state-of-the-art *Haute Horlogerie*,

Girard-Perregaux is one of the very few watchmakers combining all the skills needed to design, develop and manufacture entirely in-house a watch and its movement. Faithful to traditional artisanal techniques, century-old movements and crafts are used throughout the production process to perpetuate and revitalize the art of watchmaking.

than 500 prestigious accounts, including department stores and specialty shops, as well as 15 mono-brand franchise stores mainly located in Asia and Europe.

In the high-end segment, the presentation of the *Constant Force Escapement* model at Baselworld 2013 was acclaimed by the industry. As the result of more than eight years of research and development, this ground-breaking concept was awarded the Aiguille d'Or at the Grand Prix de l'Horlogerie de Genève in 2013, the most prestigious award in the global watch industry.

At Baselworld 2014, in keeping with its tradition of innovation, the brand introduced a captivating *Triple Axis Tourbillon*, optimising its performance against the effect of gravity. A complex mechanism aimed at improving chronometric precision, the tourbillon has been a specialty of Girard-Perregaux for over a century and a half. Also unveiled

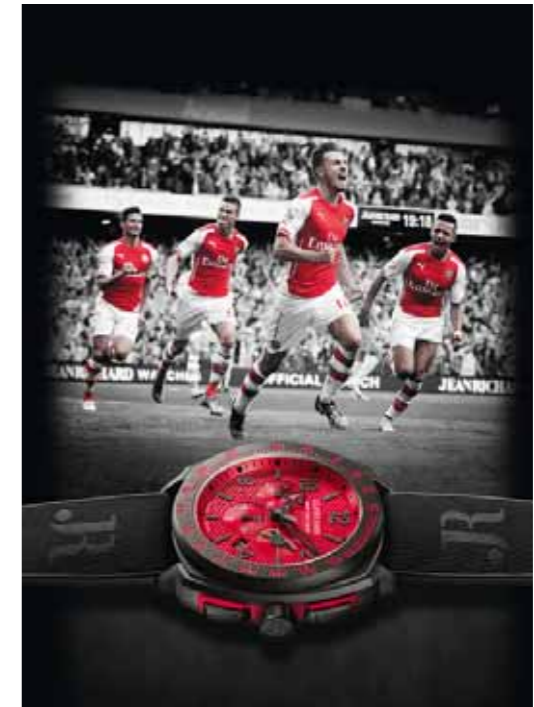
2014 — The brand has implemented a strategy focusing on its technical expertise and century-old tradition, and confirming its place among the elite of prestige watchmaking. Girard-Perregaux is present in over 60 countries across more



in 2014, the *Neo-Tourbillon with Three Bridges* ushers the emblematic tourbillon into a new era of design and mechanical three-dimensionality.

OUTLOOK — In 2015, in line with its mission to offer the finest watches, Girard-Perregaux will focus on further establishing its legacy in the high-end watchmaking segment, capitalising on its unique patrimony and focusing on product development. In addition the brand will introduce innovative complications that renew its ancestral tradition in new creations.

2015 will also mark the celebration of the 70th anniversary of the Art-Deco inspired Vintage 1945 collection. The marketing effort will reflect and leverage the *Manufacture* heritage and know-how of the brand to reinforce overall awareness. A focus on distribution will also be implemented to enhance its quality and improve the relationship with distributors and retailers.



Also based in La Chaux-de-Fonds, JEANRICHARD was named after Daniel Jeanrichard, who pioneered the Swiss watchmaking

industry during the 17th century. This visionary and pioneering spirit has been cultivated by his successors ever since.

2014 — JEANRICHARD further implemented its new identity, revisiting its positioning in order to anchor the brand in the forefront of the accessible luxury segment. The collection is structured around four pillars: *Terrascope*, *Aquascope*, *Aeroscope* and *1681*. JEANRICHARD is retailed in most regions of the world through more than 200 points of sale. The brand became the official watch partner of Arsenal Football Club and unveiled its first special editions to celebrate this partnership.

OUTLOOK — In 2015, JEANRICHARD will further emphasise its positioning with the launch of the *Terrascope 39mm* which is dedicated to men and women alike and demonstrates the brand's contemporary style.



Founded in Paris in 1858 by Frédéric Boucheron, the eponymous *Maison* soon acquired fame as experts in precious stones and masters of savoir-faire in creating innovative jewellery and watches. In 1893, Boucheron was the first jeweller to open a boutique on the prestigious Place Vendôme. For more than 156 years the house has embodied excellence in *bijoux*,

jewellery, high jewellery and watchmaking. Today, Boucheron creates and markets jewellery and watches through 38 directly-operated stores across the world, including the Place Vendôme flagship, as well as franchise boutiques and department stores. A large network of additional points of sale in exclusive multi-brand stores completes the retail network.

2014 — Boucheron continued to spread its new boutique concept launched a year earlier, enhancing its high-end values of excellence and French know-how. Boucheron opened a third point of sale in Seoul. The house also inaugurated a first point of sale in New York, at the Bergdorf Goodman department store.

The iconic jewellery collection *Quatre* experienced another year of solid growth. The *Serpent Bohème* collection, re-inforced in 2013, also contributed significantly to revenue. In addition, the inter-generational timepiece *Reflète*, created in the 1940s, was re-launched. 2014 also marked the success of the third high-jewellery collection *Rêve d'Ailleurs* designed by the house's creative director Claire Choisne. Presented at the celebrated *Biennale des Antiquaires* in Paris, the line proved to be a great success with both media and clients.

OUTLOOK — In 2015 Boucheron will continue to reinforce its classic collections' development worldwide, through increased visibility. The launch of the new *Pensée de Diamants* line and the focus on the Bridal offer should also reinforce the *Maison*.



Synonymous with creativity and character on the international jewellery scene, Pomellato was established in Milan in 1967, thanks to the intuition of its founder, Pino Rabolini. He was a pioneer in introducing the *prêt-à-porter* philosophy into the world of jewellery. The brand's strong and distinctive identity enabled Pomellato to rapidly gain ground in the Italian market and subsequently the rest of the world. Pomellato creations – unique in their blend of colourful stones, cutting and setting methods – are immediately recognisable and have built a consistent, emblematic style over time. Jewels are crafted by the expert hands of goldsmiths.

To celebrate its 40th anniversary, in 2007, Pomellato made its debut in high-end jewellery with the *Pom Pom* collection. Every ring is created around stones that are unique in their rarity, large size or irregular shape. 2012 was the debut year for a silver line called *Pomellato 67*. In 2013 Pomellato created *Rouge Passion*, a capsule collection dedicated to a woman's most sensual side with three intense red synthetic stones, backed with mother-of-pearl. The line epitomises once again the *prêt-à-porter* philosophy and innovative spirit of Pomellato.

2014 — Pomellato reinforced its most important line, *Nudo*, with new, more precious creations in diamonds. The brand also widened the range of perfumes with a unisex fragrance called *Pomellato 67*, which complements the previously launched *Nudo* scents. Following its strategic international development, Pomellato currently has a distribution network which includes 39 directly-operated-stores, 21 franchise boutiques and over 500 wholesale points of sale.

OUTLOOK — Pomellato launched a new advertising campaign with a celebrated ambassador. While refocusing its creativity on the major iconic collections, Pomellato will also introduce a new line celebrating its home city, Milano.



Dodo is a little jewel with a huge personality. Its story began two decades ago, when Pomellato had the nifty idea of expanding its range, using just one gram of gold to create a jewel for younger generations. Born out of sheer creativity in 1994, Dodo features the same style of imprinting and creative freedom that has always made the Italian house stand

out. Loved by younger generations, the little Dodo soon won over adults' hearts too. Dodo was the first jewellery line to combine a decorative function with the idea of conveying a message of love and friendship. With a unisex and multi-generational allure, Dodo became a brand in its full right in 2001.

2014 — Dodo proudly celebrated its 20th anniversary with the new, enamelled Sea Charms collection, which emphasises the collectability of the jewels, and revitalises the best-selling charms.

Dodo extended its key activities through the launch of the eagerly anticipated Dodo Watches collection. A magnificent new boutique in Paris' rue Saint Honoré also marked 2014: the brand's springboard to the rest of Europe. These initiatives have been reinforced by the launch of

a rejuvenated advertising campaign presented at the end of 2014. Dodo's distribution network currently comprises 22 directly-operated stores, 13 franchise boutiques and more than 400 wholesale partners, most of which in common with Pomellato.

OUTLOOK — In 2015 Dodo's target is to increasingly become an international brand focusing on the main European markets, the majority of stores being located in the principal capitals of the continent.

Created in 2004 by Dennis Chan and inspired by a millennia of Chinese cultural history, Qeelin turns mythical and superstitious Chinese symbols into timeless, meaningful and state-of-the-art contemporary jewels. Referring to the *Qilin*, an auspicious Chinese mythical animal and rooted symbol of love, Qeelin creatively blends tradition and modernity,

integrating the mythical essence of China's cultural heritage to design contemporary, playful and approachable fine jewellery. The brand's iconic *Wulu* collection revisits the legendary Chinese gourd filled with auspicious associations. Qeelin is also well known for its *Bo Bo* collection, featuring an articulated diamond panda bear, China's treasured national hero.

2014 — Since the acquisition of Qeelin by Kering in December 2012, the brand has accelerated its penetration in Asia through new retail and wholesale developments. These were further reinforced in 2014 and now reach 20 points of sale in the region. Communication has been increased in mainland China and Hong Kong, notably to support the launch of *Buckle My Love*, the new collection at year end. Qeelin has also proposed a new precious jewellery collection, *Mogaoku*, presented during an exhibition at the Palais Royal gallery in Paris in July 2014. It showcased a total of nine sets of high-end jewellery pieces in alluring installations.

OUTLOOK — Qeelin will keep investing in its development in 2015, primarily focusing on Asian markets.



WELCOME ULYSSE NARDIN

IN NOVEMBER 2014 KERING FINALISED THE ACQUISITION OF ULYSSE NARDIN AND THE BRAND JOINED KERING'S LUXURY — WATCHES AND JEWELLERY'S DIVISION. THROUGH THIS ACQUISITION, KERING WILL SUPPORT THE CONTINUATION OF ULYSSE NARDIN'S PATH OF INNOVATION AND ENSURE THE FUTURE GROWTH OF INDEPENDENCE IN THE MANUFACTURE OF IN-HOUSE MOVEMENTS.

Since its foundation in 1846, Swiss watch manufacturer Ulysse Nardin has been dedicated to excellence and inventiveness

in the production of mechanical *horlogerie* for over 169 years. Among the most reliable ever made, Ulysse Nardin's marine chronometers are sought by collectors around the world. The brand continues to be in the forefront of watch-making technology by pioneering new materials in manufacturing high-precision movement components. Its most innovative timepieces are equipped with in-house created and manufactured calibres. The company benefits from a robust brand identity based on its historical expertise in marine chronometers and ultra-complication watches. Ulysse Nardin was a pioneer in the use of cutting-edge technologies and

state-of-the-art materials like silicium. Today Ulysse Nardin is one of the few Swiss watchmakers to have its own production facilities for critical watch components, particularly regulating systems. The brand's coherent range of watches is positioned in the high-end price segments.

Born in Le Locle, Switzerland in 1823, Ulysse Nardin followed in the watch-making footsteps of his father, Léonard-Frédéric, apprenticing for him, and later working with precision timepiece expert William DuBois. In 1846, at the age of 23, Ulysse Nardin founded the company that still bears his name, in Le Locle. He paved the company's future with his pocket and marine chronometers, setting the benchmark in both civil and military realms. In 1876, his son, Paul-David, took control.

Ulysse Nardin grew steadily in success and renown and was crowned with more than 4,300 watchmaking awards, including 18 gold medals. Despite its vast achievements, it fell victim to the quartz crisis and in 1983 and was put up for sale. Yet, this setback transitioned into something remarkable: a creator of high horology that would propel its own renaissance and become revered, once again, for its revolutionary developments.

With its roots in the nautical world, Ulysse Nardin was taken over and re-launched in 1983 by Rolf W. Schnyder, who transformed the brand into a highly profitable business, built on outstanding tradition and manufacturing expertise.

It was Schnyder's meeting with watch-making genius Dr Ludwig Oechslin that sparked the turning point for Ulysse Nardin, resulting in the development of many milestones in the watch industry. Innovation remains embedded in the Ulysse Nardin culture, often expressed through breakthrough achievements and the proactive use of new materials, like silicium and DIAMonSIL, an inventive and state-of-the-art diamond coating process.

Ulysse Nardin's many models, including its most iconic works, fall into four collections: Marine, Functional, Exceptional and Classico. The Marine group pays tribute to Ulysse Nardin's rich history with the sea and includes exquisite timepieces such as the *Marine Chronometer Manufacture*, *Marine Diver* and *Lady Diver*. Functional presents the game-changing *Perpetual Calendar*, *Dual Time* and

François-Henri Pinault,
Chairman and
CEO of Kering

"Ulysse Nardin benefits from a rich heritage, high profitability and solid growth prospects.

Independent high-end watchmaking manufactures are rare. We have great ambitions for this company, which I have long admired, and we will help it continue its international expansion whilst staying faithful to its roots and its identity."

Sonata. Exceptional showcases the *Trilogy of Time* series, which catapulted the brand's comeback, and of course the *Freak*, which stunned the Swiss watch-making industry for its ground-breaking use of silicium. This category also encompasses the minute repeaters, where time is not only seen, but also heard. The Classico collection

comprises timepieces that integrate in-house dials with the rare, centuries-old art of enamelling.

The brand's current distribution network includes 20 mono-brand boutiques and selected watch and jewellery stores around the world with a strong presence in America, Russia and CIS countries.

2014 — Ulysse Nardin launched several new models and technologies last year. For example, it presented *Ulysse Anchor Escapement* cutting-edge technique, which introduced a novel mechanism. It also launched *Caliber UN-334* at Baselworld 2014, making it the third industrialised in-house manufacture movement. The retail and distribution network has been expanded recently, starting with the establishment of a representative office in Dubai, serving the Middle East as of October 2014. There were also boutique openings in Singapore in spring and in Istanbul in October 2014. A highlight on the sports calendar is the brand's continued participation as main sponsor of the Monaco Yacht Show, in addition to its presence at various other boat fairs.

OUTLOOK — Ulysse Nardin will continue striving for independence in movement production; staying in the forefront of technical innovation; and improving communication of the brand's achievements and historic heirlooms through new marketing appearances. For example partnering Artemis Racing, a challenger in the America's Cup. Ulysse Nardin will also continue its international expansion in 2015, especially in the Asia-Pacific region. In addition the company's technical and industrial expertise will enable the deployment of important synergies with the other Kering Luxury watches and Jewellery brands, contributing to accelerate the growth of the whole division.

PUMA
Cobra Puma Golf
Tretorn
Volcom
Electric



SPORT & LIFESTYLE BRANDS

designed for the fastest athletes
on the planet.

apparel and accessories. For over
65 years, PUMA has established
a history of making fast products

PUMA is one of the world's leading
sports brands, designing, developing,
selling and marketing footwear.



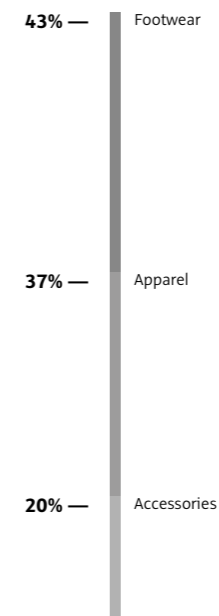
PUMA offers performance and sport-inspired Lifestyle products in categories such as Football, Running and Training, Golf and Motorsports. It also engages in exciting collaborations with renowned design brands such as Alexander McQueen and urban designers like BWGH. The PUMA Group owns the brands PUMA, Cobra Golf, Tretorn, Dobotex and Brandon. Headquartered in Herzogenaurach, Germany, the company distributes its products in more than 120 countries.

PUMA's mission, to be 'the fastest sports brand in the world,' reflects its new brand positioning of being *Forever Faster* and is the guiding principle for the company. PUMA's objective is to be fast in reacting to new trends, fast in bringing new innovations to the market, fast in decision making and fast in providing solutions for its partners.

PUMA's strategy encompasses five priorities: the repositioning of PUMA as the world's fastest sports brand, the improvement of PUMA's product engine, the optimisation of its distribution quality, and increasing the speed within the organisation, supported by the renewal of PUMA's IT infrastructure. In terms of its brand repositioning, 2014 saw the launch of the biggest marketing campaign in PUMA's history. The objective is to demonstrate that PUMA is back in sports, that the brand has great assets and a distinctive attitude: brave, confident, determined and joyful. While increasing the commerciality of PUMA's product range is key to improve PUMA's product engine, joint product and marketing programmes with retailers such as the PUMA Lab in the US market have helped to improve the quality of PUMA's revenues and distribution.

2,990
2014
revenue
in millions of euros

Breakdown of 2014
revenue by
product category



128
2014 recurring
operating income
in millions of euros

10,830
average number
of employees
in 2014

2014 — The year started successfully with the launch of PUMA's revolutionary football boot evoPOWER, which is inspired by barefoot movement and worn on pitch by celebrated players such as Cesc Fàbregas and Mario Balotelli.

At the 2014 FIFA World Cup™ in Brazil, PUMA partnered-teams Italy, Switzerland, Algeria, Cameroon, Ghana, Ivory Coast, Chile and Uruguay secured strong brand visibility sporting kits with PUMA's apparel innovation PWR ACTV. PUMA's pink and blue football boots *Tricks* could be seen in three-quarters of all games and are, to date, PUMA's best sold football boots.

Starting 1 July, PUMA became the official kit partner of top English Premier League club Arsenal FC; this represents the biggest deal in both companies' history. The partnership kicked off through a spectacular launch of the 2014/2015 kits.

In Motorsports, Lewis Hamilton of PUMA-partnered Mercedes AMG Petronas won the 2014 Formula 1 Drivers' World Championship while the team sealed the Constructor's title as well.

The year ended on a high note, as PUMA and cultural icon Rihanna announced a new multi-year partnership. As of 2015, Rihanna is PUMA's ambassador for Women's Training and serves as the PUMA Women's creative director.

OUTLOOK — PUMA will continue to focus on its strategic priorities for a fast, lean and efficient company as well as its *Forever Faster* campaign leading up to the Olympic Games in 2016. These efforts will be accompanied by exciting product launches and partnerships with global brand ambassadors.



COBRA PUMA GOLF offers a comprehensive range of golf equipment by COBRA and golf footwear, apparel and accessories by PUMA.

Together COBRA PUMA GOLF offers the full package that helps golfers to 'Look Better. Feel Better. Play Better.'

2014 — COBRA Golf launched the BiO CELL Family of drivers, fairways, irons and hybrids that take adjustability, customisation and distance to the next level. In 2014 Rickie Fowler's expressive PUMA Golf style on course was enhanced by great performance, as he closed the season with top five finishes at all four majors. LPGA star Lexi Thompson captured her first major at the Kraft Nabisco Championship.

OUTLOOK — COBRA PUMA GOLF will continue to bring breakthrough technology to the market with the new Fly-Z Family and a new improved fit.



Tretorn's first products were functional, high-quality rubber galoshes used by villagers and fishermen. The product offer evolved over time and soon the iconic *Wings* rubber boot, as well as a new preppy tennis shoe, the *Nylite*, were designed. As sportswear became the height of fashion in the 1970s,

Tretorn gained visibility both in fashion magazines and on the tennis court. Tretorn remains inherently Swedish. Drawing inspiration from the Nordic way of living, Tretorn fuse a love of nature with urban purpose. Tretorn celebrates the merging of the diverse worlds that make the brand and the collection unique.

2014 — Tretorn took the first steps towards a new brand direction and identity, grouping rubber boots, sneakers and apparel under different concepts. It was also the year of reorganisation and Tretorn is now entering the New Year with a stronger set-up.

OUTLOOK — The focus for 2015 is to take yet another step up with an evolved product offering but also to apply marketing with global coordination to ensure a strong one-brand communication.



With an array of apparel for men, women and boys, Volcom aspires to be one of the world's premiere brands in the action sport & lifestyle market. Volcom was created in the belief that there is a higher level of consciousness to be

found within oneself through the internal and external journeys that board-sports, music, art and film provide. These finite moments of enlightenment are referred to as *Spiritual Intoxication*. Built on liberation, innovation and

experimentation, Volcom provides lifestyle-enhancing apparel, outerwear, accessories and footwear to people who share their passion. Volcom reinforces its brand image through the sponsorship of world-class athletes; targeted grassroots

marketing events; distinctive advertising and the production of board sport and youth lifestyle related films; art and music under the *True To This* brand mantra.

255
revenue in 2014
in millions of euros¹

10
recurring operating
income in 2014
in millions of euros¹

815
average number
of employees¹

2014 — Efforts made around the strengthening of products and marketing, adding top talents and implementing a global organisation structure has led to improved revenue for the brand in all regions. Volcom expanded the reach of its e-commerce platform and opened five new stores. Volcom released three films that further cemented its connection to its target audience and welcomed Ryan Sheckler back to its skateboard team.

OUTLOOK — Volcom's focus will be to deepen the emotional affinity with the brand worldwide through its 'True To This' brand platform, by elevating its in-store presentation and go-to-market strategies. The brand will concentrate on expanding its direct-to-consumer business through an improved retail and e-commerce experience.

¹ — Volcom and Electric figures



Founded in 2000 in California, Electric makes quality products that enhance active lifestyles – offering ‘Style that performs.’ By building upon what has stood the test of time, Electric reengineers classics. The brand designs and markets sunglasses, snow goggles and helmets,

watches, backpacks, luggage and accessories. They can be found throughout the Americas, Europe, Japan, China and Australasia in lifestyle boutiques, department stores, sports shops and online, including Electric’s own e-commerce websites.

2014 — Electric completed the refresh of its in-store display fixtures, delivering over 2,000 displays worldwide with an immediate positive effect on sell-through. Electric’s e-commerce business also continued to grow according to plan in the US, and it launched in Canada and Europe. The watch product line was expanded to include Digital and Digital Tide, which was nominated for SIMA¹ Accessory Product of the Year. Electric’s restructured sunglasses offering includes ambassador-inspired collaborations, limited edition

premium acetate frames, and more; all featuring Electric’s signature melanin-injected lens. Electric successfully launched its inaugural line of protective snow helmets and new patent-pending snow goggle technology to the market called Press Seal, initially in the EG3 model.

OUTLOOK — Electric will continue its expansion plans in new countries and channels, working with new distribution partners. The eyewear, watches and small leather goods collections will be marketed to premium lifestyle boutiques and department stores. The technical and sports products will be targeted towards existing action sports, premium sporting goods and outdoor channels. Electric’s female focus will also be expanding with new colours in existing styles; smaller watch and goggle sizes; and a communication plan dedicated to women.

¹ — Surf Industry Manufacturers Association

KERING

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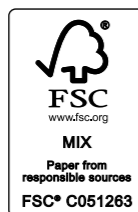
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