

# K E R I N G



## REPORT ON THE COMBINED GENERAL MEETING OF APRIL 25, 2024

The Combined General Meeting of Kering (the “**Company**”) was held on Thursday, April 25, 2024, at 3 p.m., at the Company’s headquarter – 40 rue de Sèvres, 75007 Paris.

Shareholders were able to attend the Annual General Meeting in person and also to follow the meeting *via* a live video webcast on the Company’s website:

<https://www.kering.com/en/finance/shareholders-information/annual-general-meeting/>.

The Annual General Meeting was chaired by François-Henri Pinault, Chairman and Chief Executive Officer. Francesca Bellettini, Deputy CEO - Brand Development, Jean-Marc Duplaix, Deputy CEO – Operations and Finances and Eric Sandrin, Group General Counsel and Secretary of the Board of Directors, sat next to him on stage.

Artémis, represented by Alban Gréget, and Amundi Asset Management, represented by Lionel Parisot, acted as scrutineers. Eric Sandrin acted as secretary of the Meeting.

The quorum was established at 82.36%.

After the opening of the Annual General Meeting by François-Henri Pinault, Eric Sandrin recalled the legal formalities carried out prior to the Meeting and the agenda on which shareholders were called to vote.

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### **Presentation of François-Henri Pinault, Chairman and Chief Executive Officer**

The Chairman and Chief Executive Officer began his presentation by recalling the changes made in July 2023 within Kering's general management, aimed at reinforcing stewardship of its Houses, further elevating operational expertise at Group level, and strengthening its organization. He gave a general assessment of 2023, a mixed year for the Group, affected both by deteriorating market conditions and by the transformations undertaken within the Houses.

He then commented on various indicators for 2023:

- revenue reached 19.6 billion euros
- recurring operating income reached 4.7 billion euros, *i.e.* a margin slightly over 24%
- strong cash flow
- an increased number of employees worldwide
- the reduction in Kering’s environmental impact and its leadership in sustainability, recognized by the non-financial rating agencies.

Then, for the tenth anniversary of the Group's name change to Kering, he discussed its development over the last 10 years, including:

- the creation of a global luxury group and the tripling of sales in the "luxury" businesses
- the quadrupling of sales in jewelry
- the development of new segments, such as eyewear and, more recently, beauty
- the strengthening the directly operated store network
- major investments, totaling 8 billion euros over the period, excluding real estate acquisitions

- strong growth in communications expenditure, helping to elevate the Houses.

François-Henri Pinault spoke about the brand elevation strategy, aimed at increasing the visibility and desirability of the Houses, and ensuring their long-term development. In this respect, he recalled the restructuring recently undertaken, while consolidating their organization and processes.

The Chairman and CEO then outlined the Group's priorities in terms of capital allocation. With a healthy financial position, the priority remains investment in existing businesses, stressing that short-term pressures could lead to a prioritization of projects and a review of fixed cost bases. He also pointed out that the Group has secured a number of prime real estate locations. Lastly, the stability of the dividend of €14 per share, submitted to shareholders approval at this meeting, reflects the confidence in Kering's long-term performance.

He concluded by recalling the various strategic opportunities seized by the Group, through investments in new segments and product categories such as:

- the development of eyewear, with Kering Eyewear being the second largest luxury eyewear manufacturer in the world by 2023
- developments in beauty, with the creation in 2023 of Kering Beauté and the acquisition of Creed. He discussed the development of its offering, particularly for women and the Chinese market
- the acquisition of a 30% stake in the Italian fashion house Valentino.

A video presenting the latest campaigns from the Group's Houses was then shown.

### **Presentation of the Houses' strategy by Francesca Bellettini, Deputy CEO in charge of Brand Development**

The Deputy CEO, appointed in July 2023 in addition to her duties as Chairman and CEO of Yves Saint Laurent, which she has held for more than 10 years, began by recalling the efforts made by the majority of the Group's Houses to nurture their desirability and exclusivity.

She evoked the different pillars of the Houses' growth (products, communications, distribution, production), recalling some of their key events during the year:

- the arrival of creative directors at Gucci (Sabato de Sarno) and Alexander McQueen (Seán McGirr)
- new collections, such as Boucheron's 'More is More' and Bottega Veneta's 'Andiamo'
- the development of the Houses' communications to convey their desirability as effectively as possible, with high-profile campaigns designed to strengthen ties with a broad customer base and strengthen their knowledge of the Houses' heritage, such as the 'Gucci Cosmos' exhibition held in London and Shanghai in 2023
- the development of directly operated distribution in key markets, with selective openings as well as extensions, renovations and relocations in prestigious locations, both in areas with high traffic potential such as the Champs Elysées and in holiday resorts such as Aspen or Capri
- continued streamlining of the network of third-party distributors
- investment in production, both through its integration - for example, Boucheron's acquisition of a high jewelry workshop in Paris or Kering Eyewear's acquisition of UNT, a manufacturer of high-precision components based in the Jura region in France - and the opening or expansion of existing workshops, such as Saint Laurent's Atelier Maroquinerie in Italy
- the reinforcement of training, in order to secure valuable skills.

The Deputy CEO then detailed Gucci's development strategy, one of the world's few mega-brands with a strong reputation and unique positioning, however facing a slowdown compared to peers.

To ensure the necessary balance between fashion and exclusivity, Gucci's strategy is based on 4 pillars:

- Strengthening brand image
- reinforcing exclusivity in terms of products and collections, as well as in terms of distribution
- emphasizing quality, both in terms of products via their development cycle and in the shops, where a new, fully identifiable concept will be deployed
- improving efficiency by transforming processes and deploying resources, so that the organisation is truly adapted to the scale of the House.

The Chairman and CEO then gave the floor to the Deputy CEO, Jean-Marc Duplaix.

### **Presentation of 2023 results by Jean-Marc Duplaix, Deputy CEO in charge of Operations and Finance**

Group sales reached €19.6 billion in 2023, down 4% on a reported basis and 2% on a comparable basis<sup>1</sup> compared with the previous year, with slight changes in the geographical breakdown. Profit from recurring operations was €4.7 billion, down 15%, and the recurring operating margin was 24.3%. Expenditure mainly focused on stores, communications, and payroll to support the long-term growth of the Houses. Free cash flow from operations was solid at €3.3 billion, or €2 billion after considering real estate acquisitions. Net financial debt amounts to €8.5 billion at the end of 2023, reflecting an active year in terms of acquisitions (acquisition of Creed and 30% stake in Valentino).

The Deputy CEO then commented performance by distribution channel, with own-store sales making the biggest contribution, then by region, with growth varying from market to market. He also commented on the main figures for the brands:

- Gucci sales almost reached €10 billion, down 2% on a comparable basis and 6% on a reported basis, while Saint Laurent's sales fell by 1% on a comparable basis and 4% on a reported basis. Bottega Veneta also reported a decline in sales of 2% on a comparable basis and 5% on a reported basis. Continued investment in communications and customer experience affected Gucci's operating margin, while Saint Laurent maintained it above 30%. Bottega Veneta's operating margin fell slightly to 19%
- the Other Houses had mixed performances, with sales declines for some and positive performances for others, such as Boucheron and Pomellato. Their total sales fell by 8% on a like-for-like basis and by 9% on a reported basis, to €3.5 billion. Balenciaga reported mixed results, with a decline in Western markets but a notable increase in Asia-Pacific and Japan. Alexander McQueen also encountered difficulties, particularly in sales to third-party distributors, but saw growth in its own distribution thanks to its ready-to-wear offering. Brioni turned in a solid performance, as did Boucheron, confirming its potential. Pomellato maintained its growth, while Qeelin turned in a remarkable performance. Recurring operating income of the Other Houses fell sharply to 212 million euros due to lower absorption of fixed costs
- Kering Eyewear exceeded €1.5 billion in sales, with a solid increase in revenues of 10% on a comparable basis and 35% on a reported basis, and a slightly higher recurring operating margin of 18.4%. Profit from recurring operations amounted to €276 million.
- Headquarters' operating costs were stable compared with 2022.

The Deputy CEO then commented on the other components of financial performance.

- financial result is negative at 410 million euros, compared with 260 million euros in 2022, partly due to the increase in debt
- the tax charge was €1.2 billion, representing an effective tax rate on recurring income of 27.4% in 2023, in line with the normative tax rate

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<sup>1</sup> On a comparable scope and exchange rate basis.

- net financial debt was €8.5 billion on 31 December 2023, mainly due to investments of €5.5 billion, linked in particular to the acquisition of Creed and a stake in Valentino, as well as property transactions
- dividends of €1.75 billion were paid in 2023, up 15% on 2022
- the balance sheet total has increased by 7.5 billion euros, with a net debt to equity ratio of 53% at the end of 2023.

Jean-Marc Duplaix then commented on Kering's stock market performance, recalling the 3.5-fold increase in its value in ten years. The transition phase that the Group is going through is impacting the share's recent performance, which is unsatisfactory in the eyes of senior management. However, recent decisions, coupled with an enhancement of the macro-economic environment, give confidence in the improvement of its performance.

The Deputy CEO then presented the main financial data for the first quarter of 2024:

- It was unsatisfactory, despite the fact that growth in the sector is normalizing, and given the transitions underway at Gucci specifically
- Sales were down 11% on a reported basis and 10% on a comparable basis. Direct distribution was down, and the rationalization of third-party distribution continued to have an impact
- at Gucci, sales were down 18% on a comparable basis, and although the new collections were well received, they still represented an insignificant proportion of the offer in store
- the performance of the remaining Houses were mixed, although overall they showed good resilience in the directly operated store network.

He concluded by pointing out that investments will be maintained to support the future development of the Houses over the long term but will weigh on the Group's profitability in the short term, with an anticipated decline of 40 to 45% in first-half 2024 recurring operating income compared to the first half of 2023.

### **Presentation of François-Henri Pinault, Chairman and Chief Executive Officer about value sharing**

The Chairman and Chief Executive Officer took the floor again to present the various initiatives taken by the Group to share value with its stakeholders: suppliers, employees, shareholders, and civil society.

Then, a video on the Conversation South Africa project, supported by the Regenerative Fund for Nature created by Kering, was shown.

### **Presentation of Marie-Claire Daveu, Chief Sustainability and Institutional Affairs Officer**

Marie-Claire Daveu first shared the 2023 highlights of Kering's climate initiatives, noting that the Group has committed to reducing its absolute greenhouse gas emissions by 40% by 2035, across scopes 1, 2, and 3. She mentioned that Kering had been recognized by the CDP for the seventh consecutive year, achieving a triple A rating.

Marie-Claire Daveu then discussed several key points on biodiversity and added that the Climate Fund for Nature, created by Kering and Mirova to purchase carbon credits, had completed its second closing, gathering €195 million thanks to new investors.

Marie-Claire Daveu also talked about innovations in materials, citing examples from EPHEA™ and LUNAFORM™ at Balenciaga and DEMETRA at Gucci. She noted that Kering supported the launch by Gucci, in January, of the "Circular Hub," a platform dedicated to the circular economy in Italy. Referring to the Kering Generation Awards, Marie-Claire Daveu indicated

that the 3<sup>rd</sup> edition took place in China and that the Group was planning to launch them in Japan.

Marie-Claire Daveu then mentioned two collective initiatives in which Kering is involved: The Fashion Pact, where Kering now leads a working group for suppliers together with Chanel, and the Watch & Jewellery Initiative 2030, which now has 60 members.

Highlighting the importance of raising awareness and educating people on environmental issues, Marie-Claire Daveu shared the efforts made by the Group for its employees and beyond the Group – notably through partnerships with schools/universities. Marie-Claire Daveu also mentioned the creation of a new podcast by Kering, "Fashion our Future."

Regarding the Group's social and societal actions, Marie-Claire Daveu indicated that 4,559 social audits were conducted in 2023 with suppliers worldwide. Concerning gender equality, she reminded that Kering is one of the most feminized groups in the CAC40 and is featured in many international rankings (Bloomberg Gender Equality Index, Equileap).

Marie-Claire Daveu also recalled that the commitment to women's issues remains at the heart of Kering Foundation's actions, noting that the foundation celebrated its 15th anniversary in 2023, became an endowment fund, and expanded its mission to include violence against children.

Marie-Claire Daveu concluded her presentation by emphasizing the importance of intensifying the Group's actions and accelerating the implementation of its sustainability strategy, in order to be exemplary and offer customers products that are both desirable and flawless.

### **Presentation of Véronique Weill, Lead Independent Director and Chair of the Remuneration Committee**

Véronique Weill presented the changes in the composition of the Board of Directors since the 2023 AGM, followed by the changes proposed to shareholders at the 2024 AGM, namely:

- the ratification of the co-opted appointment of Ms. Maureen Chiquet;
- the renewal of the directorship of Mr. Jean-Pierre Denis;
- the appointment of Rachel Duan, Giovanna Melandri and Dominique D'Hinnin as directors.

*The four directors proposed for appointment introduced themselves to the shareholders via a short video or from the podium.*

Véronique Weill described the composition of the Board of Directors after the Annual General Meeting in terms of independence, diversity, expertise and profile.

She then reviewed the activities of the Board of Directors and its committees in 2023 and presented the process and conclusions of the evaluation of the Board of Directors carried out in 2023 by an independent external consultant under her supervision.

Véronique Weill continued her presentation by explaining the resolutions submitted for shareholder approval regarding the remuneration of the Company's executive officers.

She first presented the remuneration of the Chairman and Chief Executive Officer and the Group Managing Director (the latter in office until October 3, 2023) for the year 2023.

She then presented in detail the 2024 remuneration policy for the Chairman and Chief Executive Officer and explained the changes made to the previous policy, which were the result of extensive work by the Board of Directors and, in particular, the Remuneration Committee. She pointed out that the structure and amounts remain unchanged from the previous year and that the main changes concern the non-financial objectives applicable to the Chairman & CEO's variable remuneration (short and long term), which have been streamlined

and strengthened through the introduction of 4 criteria fully aligned with the Group's ambitions and strategic priorities in environmental and social matters. She also explained that it had been decided to abolish the remuneration of the Chairman and Chief Executive Officer for his directorship as of 2024.

Finally, Véronique Weill presented the Directors' Remuneration Policy for 2024.

### **Conclusion of the Chairman and Chief Executive Officer**

François-Henri Pinault concluded the presentation session by thanking the members of the Board of Directors for their contribution and their enlightened opinions, and by expressing his gratitude to the shareholders for their trust and loyalty.

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Following these presentations, David Dupont-Noel, from the firm Deloitte & Associés, spoke on behalf of the College of Statutory Auditors and presented the conclusions of their work.

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Before opening the Q&A session, Eric Sandrin informed the shareholders that the Company had received prior to the Meeting ten written questions from one shareholder on various topics (environmental, social and financial issues). The answers to these questions were published on the Company's website prior to the Meeting.

The Q&A session lasted about 40 minutes. During the debate in the room, the main topics discussed were the following:

- Kering Beauté and the Group's licenses;
- cybersecurity within the Group;
- the Group's real estate acquisitions;
- Gucci's new organization and performance;
- the new composition of the Board of Directors proposed to the Annual General Meeting;
- the typology of the Group's customers;
- the Group's outlook for the first half of 2024;
- precious skins;
- AI;
- the Chinese and Japanese markets;
- stock market performance;
- the Group's product circularity and second-hand initiatives;
- strategy for generating loyalty among customers.

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After the final quorum was reported, the shareholders were invited to vote, by means of the electronic voting tablets, on the twenty-first resolutions submitted for their approval.

All the resolutions proposed by the Board of Directors were approved.

Before closing the Meeting, the Chairman and Chief Executive Officer thanked the shareholders for their participation and their trust.

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All of the presentations shared during the Annual General Meeting, the answers to written questions from shareholders, the detailed voting results and the webcast of the Meeting are available on Kering's website at the following address:  
<https://www.kering.com/en/finance/shareholders-information/annual-general-meeting/>.

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