

4. remuneration of directors and corporate officers

The information contained in this document takes account of the recommendations set out in the AFEF-MEDEF Corporate Governance Code of Listed Corporations as revised in November 2016, as well as the recommendation of the French financial markets authority (*Autorité des marchés financiers* – AMF) on corporate governance and executive remuneration in

listed corporations. Kering's executive remuneration policy is decided by the Board of Directors based on recommendations from the Remuneration Committee. This Committee can call on external experts to advise on executive remuneration. The Committee is also attentive to the views of institutional shareholders.

4.1. information on remuneration paid or awarded to directors and executive corporate officers for 2017

The remuneration of executive corporate officers includes a fixed portion and a variable portion. The Board of Directors establishes the rules for setting such remuneration each year based on the recommendations issued by the Remuneration Committee.

The amounts payable, which are shown in the two tables below, correspond to all remuneration granted to the

executive corporate officer during each of the fiscal years shown, regardless of the actual payment date.

The amounts shown as paid correspond to all remuneration received by the executive corporate officer during each of the fiscal years shown.

Gross amounts (in €)	2017		2016	
	Amounts payable for the year	Amounts paid during the year	Amounts payable for the year	Amounts paid during the year
François-Henri Pinault Chairman and Chief Executive Officer				
Fixed remuneration	1,200,000	1,200,000	1,099,996	1,099,996
Annual variable remuneration	1,944,000	1,407,318	1,407,318	1,158,960 ⁽¹⁾
Multi-annual variable remuneration	-	-	-	-
Exceptional remuneration	-	-	-	-
Directors' fees (<i>Kering</i>)	67,121	64,679	64,679	74,431 ⁽¹⁾
Directors' fees (<i>subsidiaries</i>)	74,527	74,527	52,500	52,500
Benefits in kind ⁽²⁾	6,476	6,476	17,222	17,222
Total	3,292,124	2,753,000	2,641,715	2,403,109
KMUs awarded with respect to fiscal year 2014 (corresponding to a value of €1,643,400 at the date of the award) exercisable but not cashed in during 2017	9,900 KMUs corresponding to a value of €5,571,900, at a unit price per KMU of €581 at December 31, 2017			

(1) For 2015.

(2) François-Henri Pinault is entitled to a company car.

Gross amounts (in €) Jean-François Palus Group Managing Director	2017		2016 (restated ⁽¹⁾)	
	Amounts payable for the year	Amounts paid during the year	Amounts payable for the year	Amounts paid during the year
Fixed remuneration ⁽²⁾	1,181,747	1,181,747	984,789	984,789
Annual variable remuneration ⁽³⁾	1,586,011	1,043,781	1,043,781	859,593 ⁽⁴⁾
Multi-annual variable remuneration	-	-	-	-
Exceptional remuneration	-	-	-	-
Directors' fees (Kering)	60,412	60,355	60,355	65,087
Directors' fees (subsidiaries)	125,000	125,000	130,000	132,500
Benefits in kind ⁽²⁾⁽⁵⁾	1,088,672	1,088,672	1,026,612	1,026,612
Total	4,041,842	3,499,555	3,245,537	3,068,581

(1) Data restated to reflect the 2017 exchange rate in order to provide information at comparable exchange rates.

(2) Translated into euros at the average 2017 exchange rate (0.87667).

(3) Translated into euros at the December 31, 2017 closing exchange rate (0.88723).

(4) For 2015.

(5) Benefits in kind correspond to an annual allowance for a residence in London to which the Group Managing Director has been entitled since July 1, 2013 (amounting to GBP 900,000 for the relevant fiscal year).

In the 2016 Reference Document, this data was presented as follows:⁽¹⁾

Gross amounts (in €) Jean-François Palus Group Managing Director	2016	
	Amounts payable for the year	Amounts paid during the year
Fixed remuneration	1,018,622	1,018,622
Annual variable remuneration	1,062,302	874,831
Multi-annual variable remuneration	-	-
Exceptional remuneration	-	-
Directors' fees (Kering)	60,355	65,087 ⁽²⁾
Directors' fees (subsidiaries)	130,000	132,500
Benefits in kind	1,098,257	1,098,257
Total	3,369,536	3,189,297

(1) Table provided by reference to restated data in the table above.

(2) For 2015.

In terms of remuneration due to executive corporate officers, French law No. 2016-1691 of December 9, 2016 ("Sapin II") sets out a dual role for the Shareholders' Meeting of listed companies:

- the principles and criteria for determining, allocating and awarding fixed, variable and exceptional components making up total remuneration and benefits of any kind granted to the Chairman and Chief Executive Officer and Group Managing Director, in connection with their term of office, must be approved *ex ante* by the shareholders at least once a year. This provision has been applicable since the 2017 Annual General Meeting;
- decide *ex post* on the fixed, variable and exceptional components making up total remuneration and benefits of any kind paid or granted in respect of the previous fiscal year to the Chairman and Chief Executive Officer and the Group Managing Director under the terms of different resolutions. This provision is applicable as from the 2018 Annual General Meeting.

In other words, shareholders will have a dual vote at the 2018 Annual General Meeting:

- a first binding *ex ante* vote as provided for under the Sapin II law on remuneration due to executive corporate officers. In the event shareholders reject the remuneration proposals, the previously approved principles and criteria will continue to apply;
- an *ex post* vote as provided for under the Sapin II law on fixed, variable and exceptional remuneration and benefits of any kind paid or awarded to the above for the previous year. The variable or exceptional remuneration components can only be paid once shareholders have approved the overall remuneration for the executive corporate officer concerned.

Fees payable to Directors in respect of their duties as members of the Board of Directors of Kering for 2016 were paid in February 2017 and those payable for 2017 were paid in February 2018.

For 2017, the Board of Directors set the remuneration of the Chairman and Chief Executive Officer and of the Group Managing Director drawing on the recommendations of the Remuneration Committee. The structure of remuneration (i.e., the amount of the fixed portion and the rate of the variable portion) is decided based on an analysis of market practices for senior executives of CAC 40 companies.

Fixed remuneration

Acting on recommendations of the Remuneration Committee, the Board of Directors' meeting on February 9, 2017 set the fixed remuneration of the two executive corporate officers at €1,200,000. This amount is in line with executive pay practices adopted by some of the Group's CAC 40 and (International) Luxury market peers. The companies selected for the benchmarking study are:

- CAC 40 (14 companies): Accor, Cap Gemini, Danone, Essilor International, Lafarge, Legrand, L'Oréal, LVMH, Pernod Ricard, Publicis Groupe, Safran, Solvay, Valeo, Vivendi;
- international market (13 companies): Burberry, Coach, Estée Lauder, Hermès, Hugo Boss, L'Oréal, Luxottica, LVMH, Prada, Ralph Lauren, Richemont, Swatch, Tiffany & Co.

It also takes into account the roles and responsibilities of the two senior executives (see section 1.3 of this chapter).

In accordance with the recommendations of the revised AFEF-MEDEF Code, the fixed remuneration amount may only be reviewed at relatively long intervals.

Following the relocation of the Group Managing Director's activities to London, as noted by the Board of Directors' meeting on June 18, 2013, based on a recommendation of the Remuneration Committee, Kering Netherlands BV, the Group's Dutch subsidiary and Kering International Ltd, the Group's subsidiary in the UK, each paid half of the Group Managing Director's fixed remuneration (€500,000 for Kering Netherlands BV and GBP 425,000 for Kering International Ltd). This was in accordance with the Employment Agreement and Service Agreement entered into with these two companies, respectively, covering the management of the Group's activities and the coordination of the Group's international support functions. The Employment Agreement with Kering Netherlands BV and the Service Agreement with Kering International Ltd were terminated in November 2017. Accordingly, a new Employment Agreement was signed by Kering International Ltd with effect from January 1, 2017. This new agreement set annual remuneration at €600,000 and GBP 510,000 for 2017, and includes an annual adjustment clause for the amount paid in GBP to ensure EUR/GBP parity.

As was the case for the previous agreements, this Employment Agreement is related to the Group Managing Director's term of office and will lapse on the termination thereof.

Annual variable remuneration

The variable remuneration of the Chairman and Chief Executive Officer and the Group Managing Director is based on the achievement of precisely defined targets: (i) 30% non-financial targets and (ii) 70% financial targets, set on the basis of the Group's results after the closing of the relevant fiscal year. When targets are exactly met, the variable remuneration represents 120% of 70% of the fixed portion of remuneration for the Chairman and Chief Executive Officer, and 100% of 70% of the fixed portion for the Group Managing Director. When targets are exceeded (achievement rate of 125% or more), the variable remuneration represents 150% of the target fixed portion for both the Chairman and Chief Executive Officer and the Group Managing Director.

In 2015, there were two targets, each accounting for 50% of the variable portion of remuneration: consolidated recurring operating income and consolidated free cash flow from operations.

In 2016, acting on a recommendation of the Remuneration Committee, the Board decided to introduce new equally-weighted non-financial performance criteria that would base 30% of annual variable remuneration on three areas underpinning the Group's strategy: organisation and talent management, corporate social responsibility and sustainability. From this point forward, the variable remuneration of the Chairman and Chief Executive Officer and the Group Managing Director is linked to the extent to which these targets are achieved, as follows:

Financial targets (quantitative)

Criteria	Weighting
Consolidated recurring operating income	35%
Consolidated free cash flow from operations	35%
TOTAL	70%

Non-financial targets (qualitative)

Criteria	Weighting
Organisation and talent management	10%
Corporate Social Responsibility	10%
Sustainability	10%
TOTAL	30%

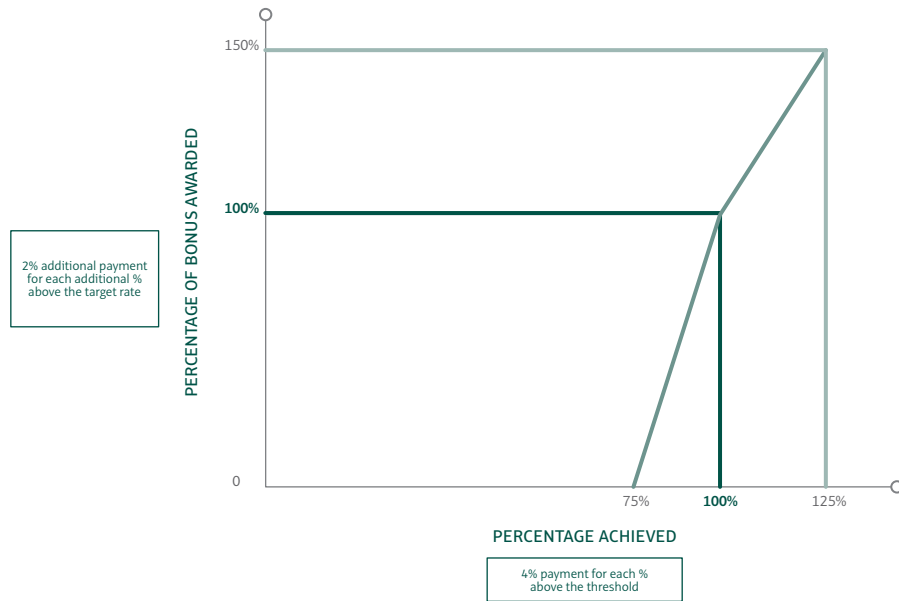
In view of the fact that these two targets for 2015 were exceeded (consolidated recurring operating income and free cash flow from operations), 87.8% of the amount of variable remuneration due when targets are exactly met was awarded, representing payment of €1,158,960 in variable remuneration for the Chairman and Chief Executive Officer. The Group Managing Director was awarded variable remuneration of €874,831 for 2017.

In light of the new non-financial performance-linked targets for determining a portion of annual variable remuneration, the Chairman and Chief Executive Officer and the Group Managing Director were awarded variable remuneration of €1,407,318 and €1,062,302, respectively, for 2016.

The Chairman and Chief Executive Officer and the Group Managing Director were awarded variable remuneration of €1,944,000 and €1,586,011, respectively, for 2017. The rate of achievement for each of the targets is presented in the table below. The rate of achievement of each financial target must be at least 75% for variable remuneration to be paid. If targets are met exactly, the variable remuneration awarded corresponds to 100% of the target amount. If targets are exceeded by 125%, the variable remuneration awarded is increased to 150% of the target amount. Non-financial targets are assessed by the Board, after

taking into account the performance of the Chairman and Chief Executive Officer and the Group Managing Director. This assessment is based on a detailed proposal prepared by the Remuneration Committee, which is strongly based on objective information reported by the Head of the Legal Department, the Head of Human Resources and the Head of Remuneration and Employee Benefits in relation to the strategic goals defined at the beginning of the year.

Rate of achievement of financial targets (versus target)	Percentage of bonus awarded (versus target amount)
< 75%	0%
100%	100%
>125%	150%



Rate of achievement of targets in 2017

François-Henri Pinault Chairman and Chief Executive Officer	Criterion	Targets	Minimum theoretical achievement	% of target achieved	% awarded	% of total bonus	Amount (€)
Consolidated recurring operating income (in € millions) ⁽¹⁾	Financial	2,073	75%	142.2	150	52.5	756,000
Consolidated cash flow from operations (in € millions) ⁽¹⁾	Financial	1,020	75%	208.1	150	52.5	756,000
Organisation and talent management ⁽¹⁾	Active support regarding implementation of the talent management policy from brand management teams and of succession plans for members of the Group Executive Committee, CEOs and Creative Directors		Assessed by the Board	100	100	10	144,000
Corporate Social Responsibility ⁽¹⁾	Dissemination of a culture of performance and integrity within the Group through personal commitment and regular communication on these issues		Assessed by the Board	100	100	10	144,000
Sustainability ⁽¹⁾	Operational implementation of the Advance 2025 plan through the definition and roll-out of action plans for each brand		Assessed by the Board	100	100	10	144,000
TOTAL						135	1,944,000
Variable remuneration achieved (in €)							1,944,000
Variable remuneration achieved (as % of fixed remuneration)							162
Target variable remuneration (in €)							1,440,000
Target variable remuneration (as % of fixed remuneration)							120

(1) Targets applicable to both the Chairman and Chief Executive Officer and the Group Managing Director.

Given the new performance-linked targets, in 2017 the Group Managing Director was awarded variable remuneration of €1,586,011. The rate of achievement for each of the targets is presented in the table below.

Rate of achievement of targets in 2017

Jean-François Palus Group Managing Director	Criterion	Targets	Minimum theoretical achievement	% of target achieved	% awarded	% of total bonus	Amount (€) ⁽³⁾
Consolidated recurring operating income (in € millions) ⁽¹⁾	Financial	2,073	75%	142.2	150	52.5	616,782
Consolidated cash flow from operations (in € millions) ⁽¹⁾	Financial	1,020	75%	208.1	150	52.5	616,782
Organisation and talent management ⁽¹⁾	Active support regarding implementation of the talent management policy from brand management teams and of succession plans for members of the Group Executive Committee, CEOs and Creative Directors		Assessed by the Board	100	100	10	117,481.3
Corporate Social Responsibility ⁽¹⁾	Dissemination of a culture of performance and integrity within the Group through personal commitment and regular communication on these issues		Assessed by the Board	100	100	10	117,481.3
Sustainability ⁽¹⁾	Operational implementation of the Advance 2025 plan through the definition and roll-out of action plans for each brand		Assessed by the Board	100	100	10	117,481.3
TOTAL						135	1,586,011
Variable remuneration achieved (in €) ⁽²⁾							1,586,011
Variable remuneration achieved (as % of fixed remuneration)							134.2
Target variable remuneration (in €) ⁽³⁾							1,181,747
Target variable remuneration (as % of fixed remuneration)							100

(1) Targets applicable to both the Chairman and Chief Executive Officer and the Group Managing Director.

(2) Translated into euros at the December 31, 2017 closing exchange rate.

(3) Translated into euros at the average 2017 exchange rate.

Achievement of non-financial objectives in 2017

For each target, the Committee concerned drew up a list of criteria to help determine the extent to which non-financial targets had been met. Based on this, the Board of Directors then assessed the rate of achievement of each of the targets.

Targets	Basis for assessment in determining the extent to which targets are met
<p>Sustainability: operational implementation of the "Advance 2025" plan through the definition and rollout of action plans for each brand (non-financial criterion)</p> <p><i>Target applicable to both the Chairman and Chief Executive Officer and the Group Managing Director</i></p>	<ul style="list-style-type: none"> • charter on well-being of fashion models, applicable worldwide, with monitoring and regular reminders to each brand; • ongoing efforts to reduce the Group's environmental footprint and account for health risk factors in Group processes, including tanning without heavy metals; • ongoing efforts to innovate for sustainability, by seeking partnerships; • introduction of the Kering Standards, setting out all of the Group's social and environmental requirements with respect to raw materials and manufacturing processes; • regular updates on progress in sustainability policy and exchanges with the Executive Committee on.
<p>Corporate social responsibility: dissemination of a Group-wide culture of performance and integrity through personal commitment and regular communication on these issues (non financial criterion)</p> <p><i>Target applicable to both the Chairman and Chief Executive Officer and the Group Managing Director</i></p>	<ul style="list-style-type: none"> • combating corruption; <ul style="list-style-type: none"> - implementation of an anti-corruption policy and six associated procedures: <ul style="list-style-type: none"> - procedure on gifts and hospitality, - procedure on entertainment and travel, - procedure on third-party due diligence, - procedure on due diligence for acquisition transactions, - procedure on countries subject to sanctions, - procedure on donations and sponsorship, - guidelines on interactions with public officials, - new procedure on conflicts of interest, to be signed annually by a target population; - more rigorous anti-corruption checks for third parties, - launch of a worldwide e-learning programme for Group employees; • compliance with competition law <ul style="list-style-type: none"> - competition policy (adapted to local legislation) and a procedure for participation in professional bodies, - launch of a worldwide e-learning programme for Group employees.
<p>Organisation and talent management: active support regarding implementation of the talent management policy by brand management teams and of succession plans for members of the Group Executive Committee, CEOs and Creative Directors (non-financial criterion)</p> <p><i>Target applicable to both the Chairman and Chief Executive Officer and the Group Managing Director</i></p>	<ul style="list-style-type: none"> • development of a strategy with four priority focuses for rollout from 2017 to 2020: <ul style="list-style-type: none"> - identify and develop in-house talent and attract the outside talent the Group needs to fulfil its growth objectives (top management talent reviews, recruitments, including the Group Chief Client and Digital Officer, the CEOs of Brioni and Ulysse Nardin, and the Brioni Creative Director, and top management oversight of appointments made during the previous year), - increase employee commitment, - build an agile, results-focused organisation, - achieve operational excellence of the Human Resources Department; • annual meeting of the Chairman and CEO with the Creative Director, CEO and Chief Communications Officer of each brand.

Multi-annual variable remuneration

A new long-term incentive system was launched in 2013, based on Kering Monetary Units (and no longer on performance shares) known as "KMUs". The value of KMUs is indexed equally to both absolute changes in the Kering share price and to changes in the Kering share price relative to a basket of nine Luxury and Sport & Lifestyle stocks. These KMUs have a vesting period of three years as from January 1 of the year in which they are granted, after which they may be cashed by the beneficiaries over a two-year period (during two windows each year), when the beneficiaries may receive the cash equivalent of their KMUs based on the last assessed value.

Past awards of KMUs to the Chairman and Chief Executive Officer and Group Managing Director since 2014 are presented in the table below.

At its meeting on March 10, 2017, the Board of Directors, acting on a recommendation of the Remuneration Committee, decided to maintain the KMU long-term performance bonus for the Chairman and Chief Executive Officer and Group Managing Director. As from 2017, it also set the value of this award, respectively at 100% and 80% of their total annual cash-based remuneration paid in year Y (total annual cash-based remuneration is determined by adding together the annual fixed remuneration and variable remuneration for Y-1).

In this context, a total of 10,471 and 7,196 KMUs, with a unit value of €249 as of December 31, 2016, were awarded to the Chairman and Chief Executive Officer and to the Group Managing Director, respectively, corresponding to a respective award of €2,607,279 and €1,791,804. The

Group Managing Director was also granted an exceptional award of 5,000 KMUs to reflect the Group's progress in various areas (PUMA performance, integration of the Luxury activities, profitable organic growth momentum, etc.). This award was granted under the same conditions as those applicable to the plans of the Group's employees benefiting from remuneration of this type.

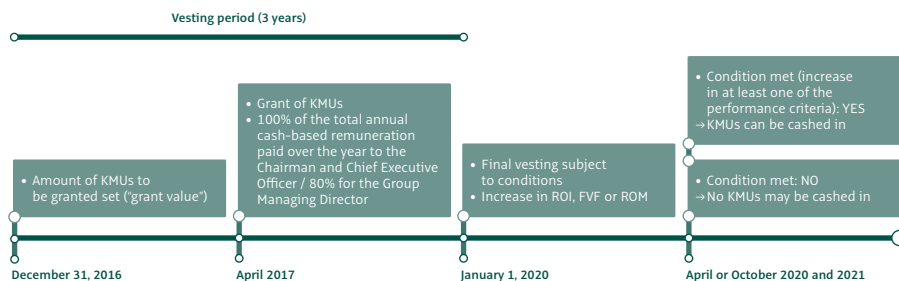
On the basis of 5,000 KMUs with a unit value of €249 as of December 31, 2016, the corresponding total value of the award was €1,245,000.

As from 2017, final vesting of the KMUs awarded to the Chairman and Chief Executive Officer and Group Managing Director is contingent on meeting performance criteria based on three indicators:

- recurring operating income (ROI);
- free cash flow from operations (FCF);
- recurring operating margin (ROM).

If an increase is observed in at least one of these three indicators between the average amount over the three-year vesting period and the amount shown in Kering's consolidated financial statements for the year preceding the year of the grant, 100% of the KMUs granted may be cashed in. Failing this, no KMUs will be cashed in.

The accounting criteria are also based on the indicators used to assess the Group's performance. The mechanism in place meets stricter requirements, since the KMU value is not in itself a performance condition but influences the amount actually paid at the exercise date.



Description of Kering Monetary Units (KMUs)

The long-term component of executive remuneration consists of KMUs, which are paid on the same basis as the long-term remuneration plans for other managerial-grade employees of the Group eligible for such remuneration. However, the exercise of KMUs is subject to the performance conditions outlined above.

The long-term remuneration plan is therefore based on Kering Monetary Units (and no longer on performance shares) whose initial value of €100 (at December 31, 2011)

is indexed to changes in the Kering share price relative to a basket of nine Luxury and Sport & Lifestyle stocks. These KMUs have a vesting period of three years as from their grant date, after which they may be cashed in by the beneficiaries over a two-year period (during two windows each year), based on the value determined during the last opened window.

In accordance with the recommendations of the AFEP-MEDEF Code and of the Remunerations Committee, the Board of Directors decided on March 10, 2017 to remove the lock-in obligation on Kering shares obtained by cashing in KMUs.

Method applied to value KMUs

Changes in the KMU value are assessed on a six-monthly basis (at June 30 and December 31 each year), based on the Kering share price during the last 30 trading days. This value is then weighted for the performance of the Kering share relative to the basket of other stocks.

At the end of each six-month period, the value of a Kering Monetary Unit is calculated as follows:

$$UV_{s+1} = UV_s \times \left(\frac{[1+VK_{s+1}] + ([1+VK_{s+1}] \times [1+VPV_{s+1}])}{2} \right)$$

Where:

UV = Unit of Value.

s+1 = the six-monthly closing date at which the unit of value is assessed (06/30 or 12/31).

s = the previous six-monthly closing.

VK = the change in the Kering share price over the six-month period, using the average share price over the 30 days preceding the six-monthly closing as the reference price.

VPV = the change in the price of a basket of stocks over the six-month period, equal to the arithmetic average change in these stocks, using the average share price over the 30 days preceding the six-monthly closing as the reference price.

The following companies were used to compile the benchmark: Adidas, Burberry, Ferragamo, LVMH, Nike, Prada, Richemont, Swatch and Tod's.

Since December 31, 2011, based on the valuation method described above, changes in the value of KMUs are as follows:

Date	KMU value
December 31, 2011	€100
June 30, 2012	€102
December 31, 2012	€131
July 21, 2013 ⁽¹⁾	€152
December 31, 2013	€144
June 30, 2014	€166
December 31, 2014	€167
June 30, 2015	€160
December 31, 2015	€166
June 30, 2016	€157
December 31, 2016	€249
June 30, 2017	€401
December 31, 2017	€581

(1) Date of the first award of KMUs.

The following four scenarios illustrate the sensitivity of the KMUs to the Kering share price and the value of the basket of stocks:

Option	KMU impact
-15% (Kering) vs -15% (basket)	15% decrease in KMU value
-10% (Kering) vs +5% (basket)	16.4% decrease in KMU value
+10% (Kering) vs -5% (basket)	18.7% increase in KMU value
+15% (Kering) vs +15% (basket)	15% increase in KMU value

KMU value would fall significantly in the event of a collapse in the Kering share price (e.g., of around 80%).

Summary of multi-annual variable remuneration for each executive corporate officer
KMUs

Fr�ois-Henri Pinault, Chairman and Chief Executive Officer	KMUs granted ⁽¹⁾	Unit value (in �) ⁽²⁾	Grant value (in �)	Vesting date ⁽³⁾	Target/Threshold ⁽⁴⁾	Change at the end of the exercise period	Minimum required
2014	11,372	144 ⁽⁵⁾	1,637,568	January 2017	Average increase in EPS/Increase of 2.5% or above	-1.9%	Increase of 2.5% or above: Not achieved
	9,900	166 ⁽⁶⁾	1,643,400	January 2017	No performance condition required	N/A	N/A
2015	11,153	167 ⁽⁷⁾	1,862,551	January 2018	Average increase in EPS/Increase of 2.5% or above	21%	Increase of 2.5% or above: Achieved
2016	9,526	166 ⁽⁸⁾	1,581,316	January 2019	Average increase in EPS/Increase of 2.5% or above	TBD	TBD
2017	10,471	249 ⁽⁹⁾	2,607,279	January 2020	Increase in at least one of: ROI, FCF or ROM	TBD	TBD

For 2017, the 9,900 KMUs awarded to the Chairman and Chief Executive Officer may be cashed in between April 2017 and October 2018. These KMUs are not subject to any performance conditions. Based on the unit price of a KMu as of December 31, 2017 ( 581), cashing in these 9,900 KMUs could represent up to  5,751,900.

KMUs

Jean-François Palus Group Managing Director	KMUs granted ⁽¹⁾	Unit value (in €) ⁽²⁾	Grant value (in €)	Vesting date ⁽³⁾	Target/Threshold ⁽⁴⁾	Change at the end of the exercise period	Minimum required
2014	9,426	144 ⁽⁵⁾	1,357,344	January 2017	Average increase in EPS/Increase of 2.5% or above	-1.9%	Increase of 2.5% or above: Not achieved
2015	9,758	167 ⁽⁷⁾	1,629,586	January 2018	Average increase in EPS/Increase of 2.5% or above	21%	Increase of 2.5% or above: Achieved
2016	8,448	166 ⁽⁸⁾	1,402,368	January 2019	Average increase in EPS/Increase of 2.5% or above	TBD	TBD
2017	7,196	249 ⁽⁹⁾	1,791,804	January 2020	Increase in at least one of: ROI, FCF or ROM	TBD	TBD
	5,000	249 ⁽⁹⁾	1,245,000	January 2020	No performance condition required	N/A	N/A

(1) The value of the KMUs awarded is equal to 70% of the total annual cash-based remuneration paid during 2014, 2015 and 2016. As from 2017, the value of the KMUs awarded is equal to 100% of total annual cash-based remuneration paid to the Chairman and Chief Executive Officer and 80% of total annual cash-based remuneration paid to the Group Managing Director.

(2) The value of the KMUs is indexed equally to both absolute changes in the Kering share price and to changes in the Kering share price relative to a basket of nine Luxury and Sport & Lifestyle stocks.

(3) The KMu vesting period is set at three years as from January 1 of the year in which they are granted.

(4) If the average increase in EPS is (i) 5% or above, all vested KMUs may be cashed in; (ii) between 2.5% and 5%, the cash-in rights are reduced; and (iii) below 2.5%, no KMUs may be cashed in.

As from 2017, 100% of the KMUs may be cashed in if, for recurring operating income, free cash flow from operations or recurring operating margin, an increase is observed between the average amount over the three-year vesting period and the amount shown in Kering's consolidated financial statements for the year preceding the year of the grant. Failing this, no KMUs may be cashed in.

(5) Unit value at December 31, 2013.

(6) Unit value at June 30, 2014.

(7) Unit value at December 31, 2014.

(8) Unit value at December 31, 2015.

(9) Unit value at December 31, 2016.

The Chairman and Chief Executive Officer and the Group Managing Director were unable to cash in the KMUs awarded in 2014 since the performance condition attached to these plans was not met. No payments were therefore made.

However, the KMUs awarded to the Chairman and Chief Executive Officer and the Group Managing Director in 2015 vested and may now be cashed in, since the attached performance condition has been met. This performance condition related to earnings per share (EPS) excluding non-recurring items, and applied as follows: the number of KMUs exercisable at the end of the three-year vesting period was to be reduced accordingly if the minimum average increase in earnings per share from continuing operations attributable to owners over the vesting period was less than 5% and no KMUs could be exercised if the average increase was 2.5% or less. In the case at hand, the average increase in EPS over the period in question (2015-2017) was 21%.

Benefits in kind

Benefits in kind accruing to the Chairman and Chief Executive Officer correspond to the provision of a company car. Since July 1, 2013, the Group Managing Director has been entitled to an annual allowance for residence in London (amounting to GBP 900,000 for the relevant fiscal year). The allowance provides the Group Managing Director and his family with a residence in London following the relocation of his coordination activities for the Group's international support functions and the management of the Group's activities. The allowance meets the standards of the London real estate market to accommodate members of the top management of an international corporation.

Termination payments

No indemnity is payable to the Chairman and Chief Executive Officer or the Group Managing Director in the event of termination of their duties as corporate officers.

Directors' fees

The amount of Directors' fees due to be paid by Kering with respect to fiscal year 2017 are (i) for François-Henri Pinault, €67,121 comprising €26,838 for the fixed portion and €40,283 for the variable portion, and (ii) for Jean-François Palus, €60,412 comprising €20,129 for the fixed portion and €40,283 for the variable portion.

In addition, Directors' fees paid by the Group's subsidiaries amounted to €74,527 for François-Henri Pinault and €125,000 for Jean-François Palus.

Supplementary pension plan

There are no supplementary defined benefit pension plans for the executive corporate officers.

Non-competition indemnities

Executive corporate officers will not be eligible for any such indemnities.

	Employment contract		Supplementary pension plan		Indemnities or benefits owed or that may be payable on termination or change of duties		Indemnities relating to a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Executive corporate officers								
François-Henri Pinault, Chairman and Chief Executive Officer Start of term of office: May 19, 2005 Expiry of term of office: 2021 AGM		X		X		X		X
Jean-François Palus, Group Managing Director Start of term of office: February 26, 2008 Expiry of term of office: 2021 AGM	X			X		X		X

Other information and commitments

No stock subscription or purchase options were granted to executive corporate officers in 2017, and no stock options were outstanding for François-Henri Pinault or Jean-François Palus in respect of the options exercised during 2015.

The executive corporate officers have formally undertaken not to use hedges on their stock options or performance shares and no such hedges are currently in place.

Performance shares granted to each executive corporate officer in 2017

Further to the decision by the Board of Directors to maintain the long-term incentive system based on monetary instruments, no performance shares have been granted to executive corporate officers since 2012.

In 2017, no performance shares vested for Jean-François Palus or François-Henri Pinault.

Summary of remuneration, options and performance shares granted to each executive corporate officer

Gross amounts (in €)

	Amounts for 2017	Amounts for 2016
François-Henri Pinault, Chairman and Chief Executive Officer		
Remuneration payable	3,292,124	2,641,715
Value of multi-annual variable remuneration granted during the year ⁽¹⁾	2,607,279	1,581,316
TOTAL	5,899,403	4,223,031

(1) This amount is based on the number of KMUs awarded during the year, at their grant value. In the consolidated financial statements, this amount is spread over the KMU vesting period, in accordance with IFRS 2.

Gross amounts (in €)

Jean-François Palus Group Managing Director	Amounts for 2017	Amounts for 2016
Remuneration payable	4,041,842	3,245,537
Value of multi-annual variable remuneration granted during the year ⁽¹⁾	3,036,804	1,402,368
TOTAL	7,078,646	4,647,905

(1) This amount is based on the number of KMUs awarded during the year, at their grant value. In the consolidated financial statements, this amount is spread over the KMU vesting period, in accordance with IFRS 2.

4.2. remuneration of directors and executive corporate officers

4.2.1. Structure of the 2018 remuneration policy

Acting on a recommendation of the Remuneration Committee, the Board of Directors' meeting on February 12, 2018 approved the remuneration policy for the Chairman and Chief Executive Officer and the Group Managing Director for 2018.

In compliance with the provisions of Article L. 225-37-2 of the French Commercial Code, the remuneration policy described below, which includes the principles and criteria for determining, allocating and awarding fixed, variable and exceptional components making up total remuneration and benefits of any kind granted to executive corporate officers in respect of their duties, will be submitted to the approval of Kering's 2018 Annual General Meeting.

4.2.1.1. Fixed remuneration

Shareholders are asked to maintain the fixed remuneration of the two executive corporate officers at €1,200,000.

In accordance with the recommendations of the revised AFEP-MEDEF Code, it should be noted that the fixed remuneration amount may only be reviewed at relatively long intervals.

4.2.1.2. Annual variable remuneration

4.2.1.2.1. Annual variable remuneration structure

Variable remuneration is designed to align the reward accruing to executive corporate officers with the Group's annual performance and to help drive forward the Group's strategy year after year. Variable remuneration is expressed as a percentage of annual fixed remuneration.

The variable remuneration of the Chairman and Chief Executive Officer and the Group Managing Director is based on the achievement of precisely defined targets: (i) 30% non-financial targets and (ii) 70% financial targets, set on the basis of the Group's results after the closing of the relevant fiscal year. When targets are exactly met, the variable remuneration represents 120% of 70% of the fixed portion of remuneration for the Chairman and Chief Executive Officer, and 100% of 70% of the fixed portion for the Group Managing Director. When targets are exceeded (achievement rate of 125% or more), the variable remuneration represents 150% of the target fixed portion for both the Chairman and Chief Executive Officer and the Group Managing Director.

The principles applied in 2017 aligning the criteria defining the annual variable remuneration for senior executives with those measuring the Group's performance (from both a financial and sustainability perspective) would therefore be maintained.

Total variable remuneration due for 2018 will be paid in 2019, following the Annual General Meeting's approval of the financial statements. Payment is also subject to the Annual General Meeting's approval of the 2018 remuneration policy.

4.2.1.2.2. Specific, predefined and ambitious performance criteria aligned with Kering's strategy and the interests of its investors

The financial criteria used to assess the Group's performance (free cash flow from operations and recurring operating income – each determining 35% of the award) ensure that amounts paid are aligned as closely as possible with the extent to which the Group's strategic goals have been achieved. This also applies to non-financial performance

targets (sustainability – 10%, Corporate Social Responsibility – 10% and talent management – 10%), which reflect Kering’s goals in these areas.

Criteria for the non-financial targets defined for 2018 are listed below. For confidentiality reasons, the targets associated with financial criteria are not disclosed.

Financial criteria (quantitative) used to calculate annual variable remuneration	Weighting
Free cash flow from operations	35%
Recurring operating income	35%
SUB-TOTAL	70%

Non-financial criteria (qualitative) used to calculate annual variable remuneration	2018 targets	Weighting
Talent management	Support for the “Prometheus” project (overhaul of planning, procurement, logistics and sales processes for the Luxury activities) in terms of team change and brand reorganisation.	10%
Corporate Social Responsibility	Dissemination of a culture of performance and integrity within the Group through personal commitment and regular communication on these issues (unchanged from 2017).	10%
Sustainability	Drive to identify and implement alliances focused on innovation (including for Watches and Jewelry brands), paving the way for real technological breakthroughs, a condition for achieving the Group’s environmental targets by 2025.	10%
Sub-total		30%
TOTAL		100%

Annual variable remuneration is aimed at better aligning the Group with market practices and at encouraging executive corporate officers to adopt a management approach focused on long-term value creation. Performance criteria were therefore revised with a dual aim in mind: to take into account a wide variety of indicators reflecting the actual situation and the impacts of Kering’s strategy.

4.2.1.2.3. Factors determining the payment of annual variable remuneration for 2018

The factors determining payment of annual variable remuneration are the same as for 2017 and function as described in the table below, it being specified that for confidentiality reasons, specific quantified targets will only be disclosed *a posteriori* at the time of payment (rather than when targets are set).

Actual performance versus targets set	Percentage of bonus awarded
< 75%	0%
100%	100%
> 125%	150%

4.2.1.3. Multi-annual variable remuneration

4.2.1.3.1. Multi-annual variable remuneration structure

Multi-annual variable remuneration will continue to be based on Kering Monetary Units (KMUs). However, several changes are recommended:

Award

As in the previous year, the value of the multi-annual variable remuneration award for the Chairman and Chief Executive Officer will be equal to 100% of the total annual cash-based remuneration paid in year Y (compared with 70% in 2016). The number of KMUs awarded in year Y will therefore correspond to: 100% [fixed remuneration Y + annual variable remuneration due for Y-1]/Value of KMUs at December 31 of Y-1.

For the Group Managing Director, the value of the multi-annual variable remuneration award will be equal to 80% of the total annual cash-based remuneration paid in year Y (compared with 70% in 2016).

Vesting period

The KMU vesting period will continue to be three years as from January 1 of the year in which they are granted.

Cash-ins

The cash-in period will start once the vesting period is complete and will be maintained at two years, with units able to be cashed in twice per year, in April and October.

Vesting conditions

Since 2017, vesting has been subject to performance criteria based on three indicators:

- recurring operating income (ROI);
- free cash flow from operations (FCF);
- recurring operating margin (ROM).

If an increase is observed in at least one of these three indicators between the average amount over the three-year vesting period and the amount shown in Kering's consolidated financial statements for the year preceding the year of the grant, 100% of the KMUs granted may be cashed in. Failing this, no KMUs will be cashed in.

The accounting criteria are also based on the indicators used to assess the Group's performance. The mechanism in place meets stricter requirements, since the KMU value is not in itself a performance condition but influences the amount actually paid at the exercise date.

4.2.1.3.2. Kering Monetary Units (KMUs) in practice

How KMUs function in practice is described in section 4.1 of this chapter.

4.2.1.4. Exceptional remuneration

As agreed with the Board of Directors (particularly at the Board meetings focusing on strategy), management defined a strategy following the Group's exit from Retail activities. The aim of this strategy was to build an integrated group generating value for the brands across the Group and, once the Luxury business had confirmed its ability to deliver profitable organic growth, to focus the portfolio on Luxury brands. The distribution of a stock dividend representing a large portion of the PUMA shares held by Kering is part of this strategy: alongside the ability of the Luxury brands to deliver healthy and profitable growth, the turnaround at PUMA is now sufficiently advanced for the company to leverage its growth trajectory to improve profitability, and thus bolster its appeal to the financial markets. This strategy, devised by Kering's two executive corporate officers and rolled out at an optimum time, have led to a major transformation of the Group.

On this basis, the Board recommended granting the two executive corporate officers an exceptional bonus in the form of KMUs subject to the following conditions: (i) a one-year vesting period for the first tranche of KMUs (50% of the award) and a two-year vesting period for the second tranche representing the remaining 50% of the award, (ii) no performance conditions, and (iii) presence within the Group when each tranche of KMUs vests.

Following approval of the Remuneration Committee at its meeting on February 6, 2018 and ratification by the Board of Directors at its meeting on February 12, 2018, it was decided that 10,000 KMUs would be awarded to the Chairman and Chief Executive Officer, and 6,000 KMUs would be awarded to the Group Managing Director.

Based on a KMU unit value of €581 as of December 31, 2017, the value of this exceptional award would represent €5,810,000 for the Chairman and Chief Executive Officer and €3,486,000 for the Group Managing Director. The first tranche of KMUs may be cashed in as from April 2019 and the second tranche as from April 2020. The vesting of these KMUs is subject to the beneficiaries' continued presence within the Group.

4.2.1.5. Directors' fees

The Board recommends maintaining the current policy of allocating Directors' fees. Executive corporate officers receive Directors' fees for some of the offices they hold within the Group.

4.2.1.6. Allotment of stock options and/or performance shares

Since long-term incentive arrangements based on Kering Monetary Units are to be maintained, the remuneration policy for executive corporate officers in 2018 will not include any performance share or stock option awards.

4.2.1.7. Benefits for taking up a position or termination payments

Executive corporate officers will not be eligible for any benefits for taking up a position or termination payments.

4.2.1.8. Supplementary pension plan

Executive corporate officers will not be eligible for any supplementary pension plans.

4.2.1.9. Non-competition indemnities

Executive corporate officers will not be eligible for any such indemnities.

4.2.1.10. Benefits in kind

The Chairman and Chief Executive Officer will continue to benefit from a company car with a driver.

The Board recommends maintaining the Group Managing Director's residence allowance (representing a total of GBP 900,000 per year).

4.2.2. Components of remuneration

The principles outlined above are reflected in the remuneration structure, the components of which are detailed in the following table:

Overall remuneration components	Fixed remuneration	Annual variable remuneration (<i>bonus</i>)	Multi-annual variable remuneration (<i>KMUs</i>)
Grant date	Reviewed at fairly long intervals	Set in March by the Board of Directors, based on a recommendation of the Remuneration Committee	Set in March by the Board of Directors, based on a recommendation of the Remuneration Committee
Reference performance period	Current year	1 year	3 years
Instrument	Cash	Cash	Exercise of Kering Monetary Units (KMUs), paid in cash
Performance conditions determining payment	None	<ul style="list-style-type: none"> • Non-financial targets: sustainability (10%), Corporate Social Responsibility (10%), talent management (10%) • Financial targets: free cash flow from operations (35%), recurring operating income (35%) 	<ul style="list-style-type: none"> • At least 1 of the 3 financial targets must be achieved: recurring operating income, free cash flow from operations, recurring operating margin • Failing this, no KMUs will be cashed in
Verification of performance conditions	N/A	By the Remuneration Committee based on the financial statements and reports drawn up by the managers concerned on the achievement of non-quantitative targets	By the Remuneration Committee based on the Company's financial statements and calculations of KMU value

4.2.3. Draft resolutions regarding executive remuneration

Pursuant to French law no. 2016-1691 of December 9, 2016 on transparency, the fight against corruption and the modernisation of the economy ("Sapin II"), the Company will ask shareholders at the Annual General Meeting of April 26, 2018 to approve the remuneration policy described in section 4.2 of this chapter, which describes the different components of fixed and variable remuneration, including any bonuses and any other benefits that may be awarded to its two executive corporate officers in respect of their duties, as set out below:

Eighth resolution

Approval of the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional components of total remuneration and any other benefits awarded to François-Henri Pinault, Chairman and Chief Executive Officer

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings, and having reviewed the Board of Directors' report on corporate governance referred to in Article L. 225-100 of the French Commercial Code and set out in section 4.2 of this Reference

Document, the Annual General Meeting approves the principles and criteria for determining, distributing and allocating fixed, variable and exceptional components making up total remuneration and benefits of any kind granted to François-Henri Pinault, Chairman and Chief Executive Officer.

Ninth resolution

Approval of the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional components of total remuneration and any other benefits awarded to Jean-François Palus, Group Managing Director

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings, and having reviewed the Board of Directors' report on corporate governance referred to in Article L. 225-100 of the French Commercial Code and set out in section 4.2 of this Reference Document, the Annual General Meeting approves the principles and criteria for determining, distributing and allocating fixed, variable and exceptional components making up total remuneration and benefits of any kind granted to Jean-François Palus, Group Managing Director.

4.3. *remuneration of non-executive corporate officers – directors’ fees*

The Annual General Meeting on May 6, 2014 had increased the total amount of Directors’ fees to be allocated to the members of the Board of Directors for 2014 from €809,000 to €877,000, due to the appointment of an additional Director. This amount remained unchanged in 2015 and 2016.

Based on recommendations of the Remuneration Committee, the Board of Directors’ meeting on February 9, 2017 decided to allocate Directors’ fees on the basis of the actual presence of members at meetings of the Board and its specialised Committees in 2016. In accordance with applicable legislation, members cannot use videoconference or other remote technologies to participate in meetings discussing the Annual Financial Statements and Management Report. Accordingly, Directors not physically in attendance at the Board meeting approving the financial statements are deemed absent and are not eligible for the related Directors’ fees.

Out of the total amount set by the Annual General Meeting, the rule followed by the Board in order to comply with AFEP-MEDEF recommendation 20-1 for a significant variable portion is to divide the total amount between a 40% fixed portion and a 60% variable portion. The Directors’ fees are allocated in the following manner:

- a fixed portion, minus a special portion corresponding to the remuneration of the Chairs of the Audit, Remuneration and Appointments Committees, respectively (€23,000 each), the balance being allocated with a coefficient of 1 by Board membership, increased by 0.5 per Committee;
- a variable portion, allocated with a coefficient of 1 (2 for the Vice-Chair) per presence at each meeting of the Board and 0.5 for each attendance of a Committee meeting.

For 2017, a total amount of €749,467 will be paid to the non-executive Directors, allocated as follows:

- €303,833 for the fixed portion, of which €69,000 for the special portion;
- €445,634 for the variable portion.

Non-voting Directors do not collect any Directors’ fees in respect of their participation in meetings of the Board of Directors which they are invited to attend.

Directors’ fees

The table below shows Directors’ fees paid in 2016 and 2017 for fiscal years 2015 and 2016.

Members of the Board of Directors other than the Chief Executive Officer and Group Managing Director	Amounts paid during the year (in €)	
	2017	2016
Patricia Barbizet		
Directors' fees	159,115	174,870
Committee Chair	23,000	23,000
Fixed portion	36,361	48,112
Variable portion	99,754	103,758
Laurence Boone⁽¹⁾		
Directors' fees	48,107	-
Committee Chair	-	-
Fixed portion	18,181	-
Variable portion	29,926	-
Luca Cordero di Montezemolo⁽²⁾		
Directors' fees	19,287	62,079
Committee Chairman	-	-
Fixed portion	6,816	27,493
Variable portion	12,469	34,586
Yseulys Costes		
Directors' fees	81,914	73,893
Committee Chair	-	-
Fixed portion	29,544	34,366
Variable portion	52,371	39,527
Jean-Pierre Denis		
Directors' fees	110,123	104,842
Committee Chairman	23,000	23,000
Fixed portion	27,271	27,493
Variable portion	59,852	54,349
Philippe Lagayette⁽²⁾		
Directors' fees	31,595	97,431
Committee Chairman	7,452	23,000
Fixed portion	9,090	27,493
Variable portion	14,963	46,938
Sophie L'Hélias⁽¹⁾		
Directors' fees	68,553	-
Committee Chair	15,458	-
Fixed portion	18,181	-
Variable portion	34,914	-
Baudouin Prot		
Directors' fees	67,172	62,617
Committee Chairman	-	-
Fixed portion	27,271	20,620
Variable portion	39,901	41,997
Daniela Riccardi		
Directors' fees	57,640	48,332
Committee Chair	-	-
Fixed portion	22,726	13,746
Variable portion	34,914	34,586
Sapna Sood⁽¹⁾		
Directors' fees	40,625	-
Committee Chair	-	-
Fixed portion	18,181	-
Variable portion	22,445	-
Jochen Zeitz⁽²⁾		
Directors' fees	19,287	60,146
Committee Chairman	-	-
Fixed portion	6,818	20,620
Variable portion	12,469	39,527
Sophie Bouchillou		
Directors' fees	48,549	53,273
Committee Chair	-	-
Fixed portion	13,635	13,746
Variable portion	34,914	39,527
TOTAL	751,966	737,483

(1) The terms of office of Laurence Boone, Sophie L'Hélias and Sapna Sood began on April 29, 2016.

(2) The terms of office of Luca di Montezemolo, Philippe Lagayette and Jochen Zeitz expired on April 29, 2016.

4 REPORT ON CORPORATE GOVERNANCE ~ REMUNERATION OF DIRECTORS AND CORPORATE OFFICERS

Neither the Company, nor any company that it controls, has made any commitment to its Directors or corporate officers on account of the commencement, termination or change of duties or subsequent thereto.

No non-executive corporate officer or Director benefits from any particular benefit or specific pension plan. They are not entitled to any conditional or deferred remuneration.

Other than the remuneration set out above, neither the Company, nor Artémis or Financière Pinault which control it, has paid any remuneration or granted any benefits, directly or indirectly, to its Directors or corporate officers in connection with their term of office, duties or assignments performed in or on behalf of the Company, and any company that it controls.