

ENVIRONMENTAL
PROFIT & LOSS
(EP&L)

2016 GROUP RESULTS



K E R I N G



WHAT IS AN EP&L?

An Environmental Profit & Loss (EP&L) measures and monetises the costs and benefits generated by a company's environmental impact, both within its own operations and across all of its supply chains. Developed by Kering, the EP&L is an innovative tool that provides a clear understanding and accurate measurement of our impacts; from the production of raw materials, to our own operations, transport and right up to the boutique floor. In doing so it helps us:

- Translate environmental impacts into a language business understands;
- Compare between different types of impact; and,
- Facilitates comparison between brands and business units.

As a result we can:

- Identify the most significant drivers of impacts in our business;
- Understand the impact of every day decisions;
- Develop more robust business policies to address the risks and opportunities presented by environmental challenges; and,
- Implement targeted projects concerning choice of materials, or development of new manufacturing processes, for example.

For more details on what is an EP&L and how and why we developed it see our 2013 EP&L report.¹

OUR 2016 EP&L RESULTS

Since 2012, Kering has been measuring and monitoring its environmental performance via the EP&L.

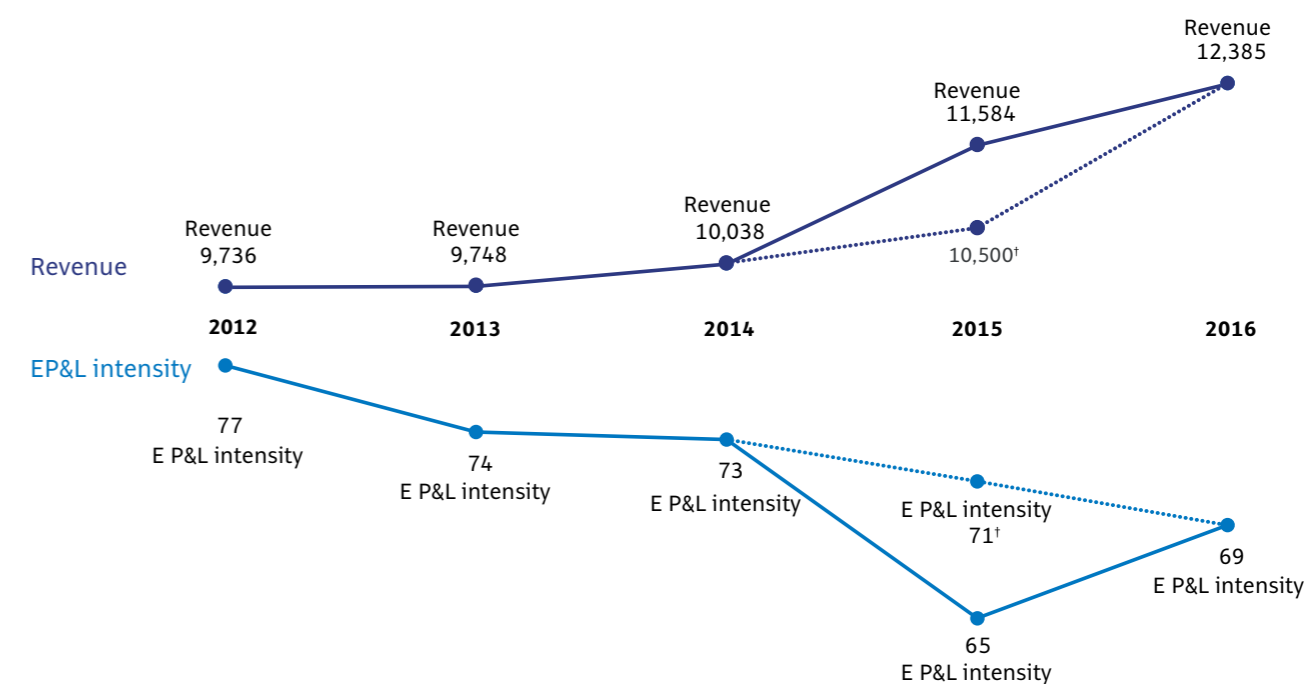
2016 was an important year for Kering on many levels. In a sector undergoing far-reaching transformation, our foresight, our bold and modern vision of Luxury, and the quality of our execution have enabled us to outperform our peers and deliver outstanding operational and financial results. In parallel, together with our luxury Houses, we built a strategy for the next ten years so as to drive our group towards higher levels of economic, environmental, ethical and social performance.

This three-pillar roadmap for 2025 seeks to craft tomorrow's luxury by Caring for our impact on the planet, on climate change, and on natural resources; Collaborating for the good of our employees, suppliers, clients; and Creating pioneering ideas to safeguard our rich heritage and empower future generations. Within in CARE pillar, we have set ourselves the specific target of reducing our EP&L footprint by 40% relative to business growth.

We have also continued to enhance our coverage and scope of our supply chain due to improved data collections and analysis methods, coupled with technical advancements through a new cloud based analytics and reporting tool that is now core to the EP&L. This trend since the inception of the EP&L can mask improvements in our performance, but as pioneers in natural capital performance measurement and reporting it is a normal aspect of innovation. We will continue to drive further enhancements in the upcoming years and open source our progress.

In 2016 our group's impacts are estimated to be €857m, this represents an 14% increase on a pro forma basis, but a slight reduction relative to growth when fluctuations in currency exchange rates are taken into account. This is due in part to the transition to new initiatives and projects as part of the 2020 strategy and more robust reporting approaches that provided more expansive coverage.

FIGURE 1: EVOLUTION OF THE EP&L IMPACTS RELATIVE TO REVENUE







































Revenue: € million

E P&L Intensity: ¹2015 EP&L intensity of €71 per €1,000 of revenue has been calculated using a revenue of €10,500 million. This revenue figure adjusts for the fluctuations in currency exchange rates seen in 2015.

¹ Kering 2013 Environmental Profit and Loss
http://www.kering.com/sites/default/files/document/kering_epl_methodology_and_2013_group_results_0.pdf

FIGURE 2: EP&L IMPACTS ACROSS SUPPLY CHAIN TIERS SPLIT BY IMPACT AREA

	TIER 0: STORES, WAREHOUSES, OFFICES	TIER 1: ASSEMBLY	TIER 2: MANUFACTURING	TIER 3: RAW MATERIAL PROCESSING	TIER 4: RAW MATERIAL PRODUCTION	TOTAL IN MILLIONS:
AIR EMISSIONS 						9% €76.5
GHGs 						36% €307.6
LAND USE 						28% €238.3
WASTE 						5% €43.1
WATER CONSUMPTION 						11% €97.5
WATER POLLUTION 						11% €94.9
TOTAL IN MILLIONS:	7% €61.3	16% €134.0	5% €44.7	22% €188.8	50% €429.1	100% €857.9

DISTRIBUTION OF IMPACTS ACROSS THE SUPPLY CHAIN

Figure 2 shows how our impacts are spread across our supply chain. We see that our most significant impacts are generated in the supply chain (93%), and in particular from the production and processing of raw materials which together represent 72% of the total. Our own operations represent only 7% of the impacts. Indeed, leveraging changes across the supply-chain is a long-term process and in many cases will not yield immediate results.

Amongst the raw materials, leather continues to be the major driver of impacts, followed by textiles from plant, animal and synthetic fibers (Figure 3).

FIGURE 3: EP&L CONTRIBUTION OF MAJOR GROUPS OF RAW MATERIALS, AND QUANTITY OF CONSUMPTION

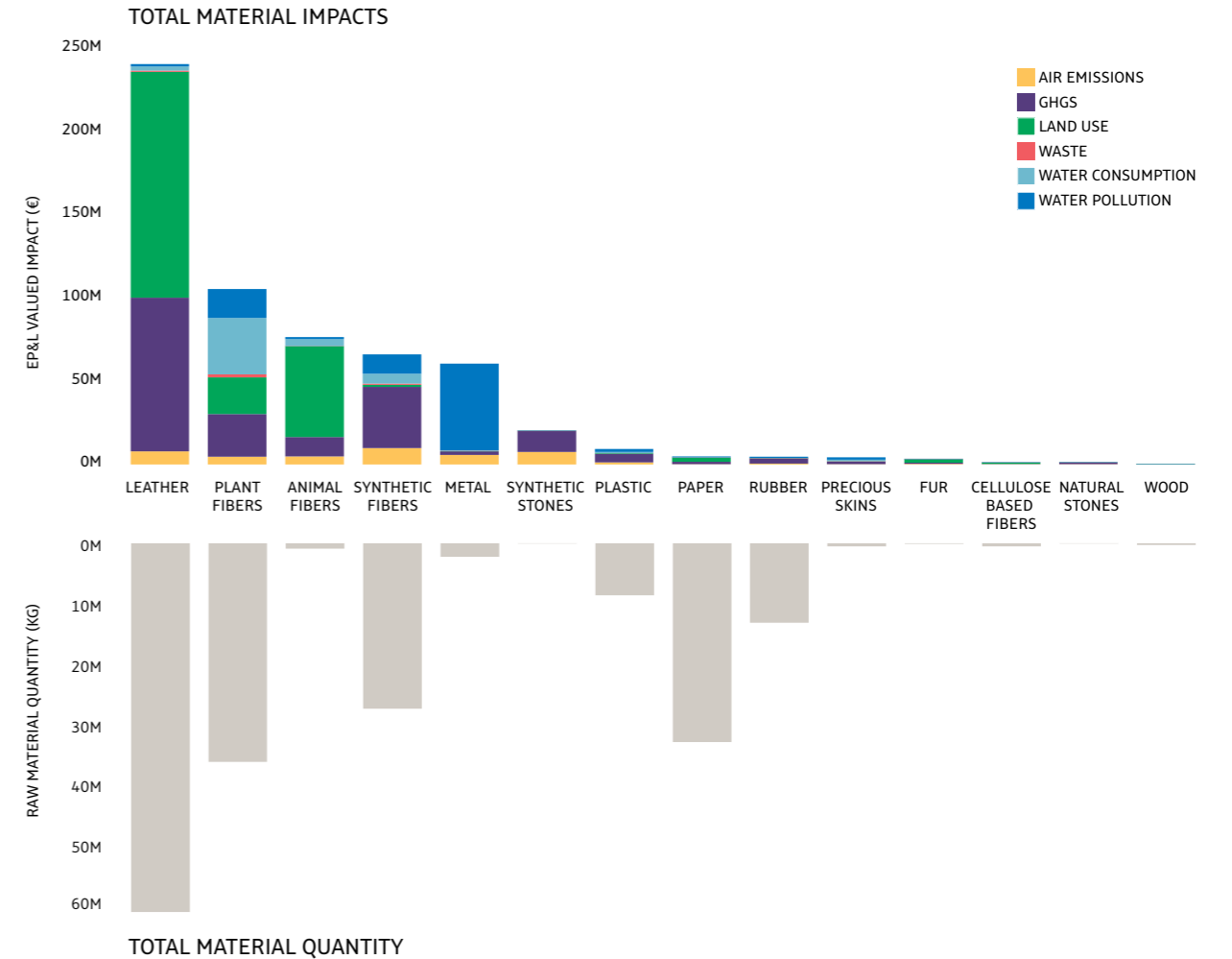
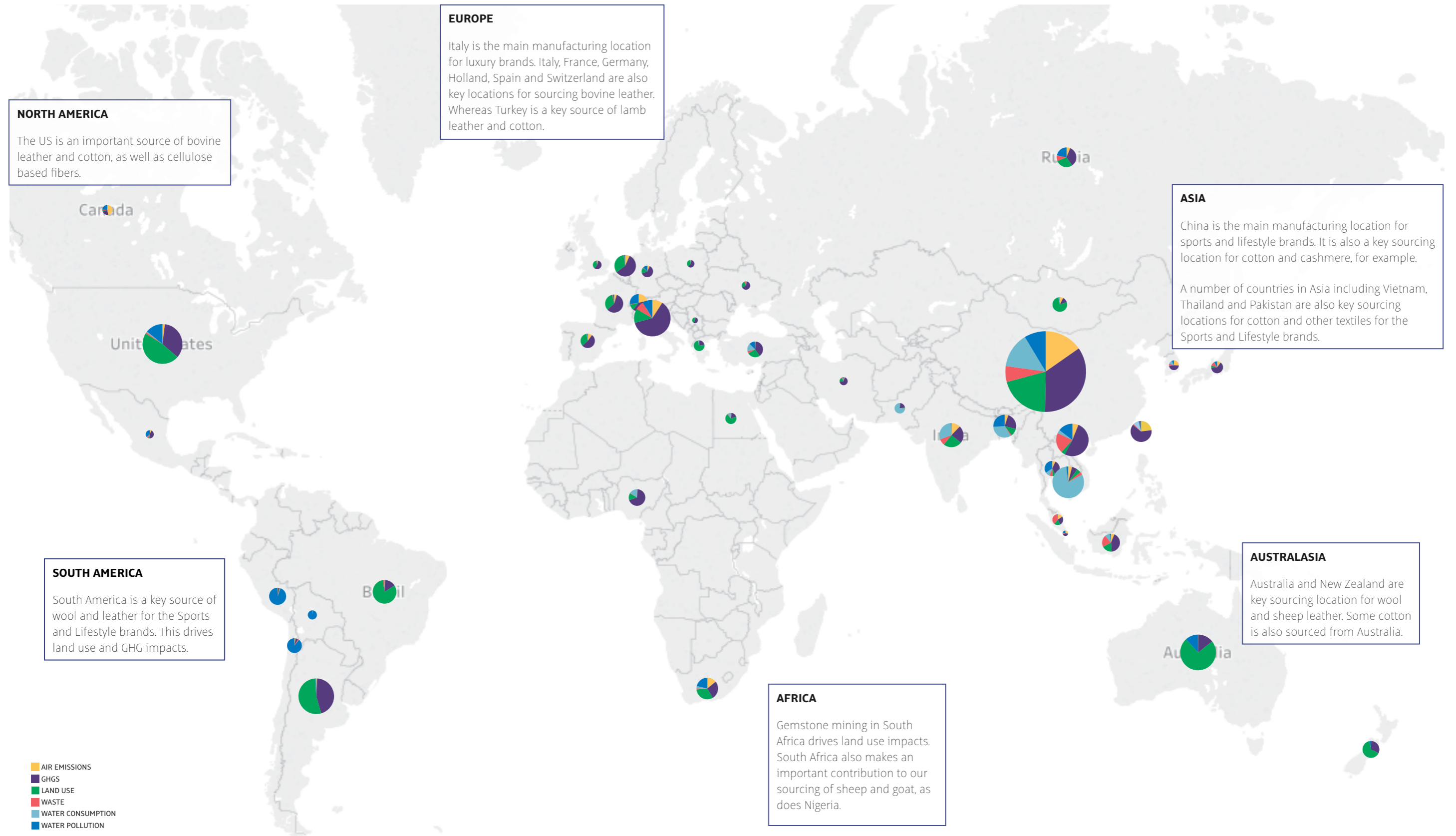


FIGURE 4: MAP OF IMPACTS AND KEY DRIVERS



UNDERSTANDING 2016 VS 2015

Figure 5 shows the main drivers of change between 2015 and 2016². An important increase in production drives this evolution.

FIGURE 5: 2016 EP&L RESULTS, SHOWING RELATIVE INFLUENCES OF CHANGES SINCE 2015 PRO FORMA RESULTS

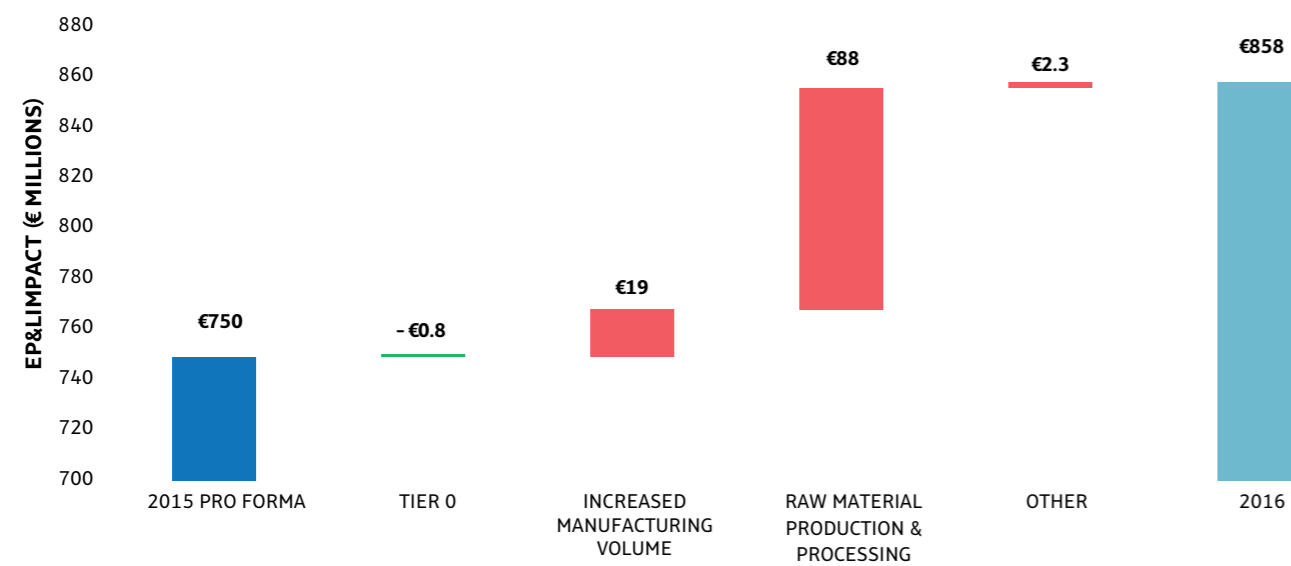


TABLE 1: DESCRIPTION OF THE MAIN DRIVERS OF CHANGE BETWEEN 2016 AND 2015 PRO FORMA RESULTS

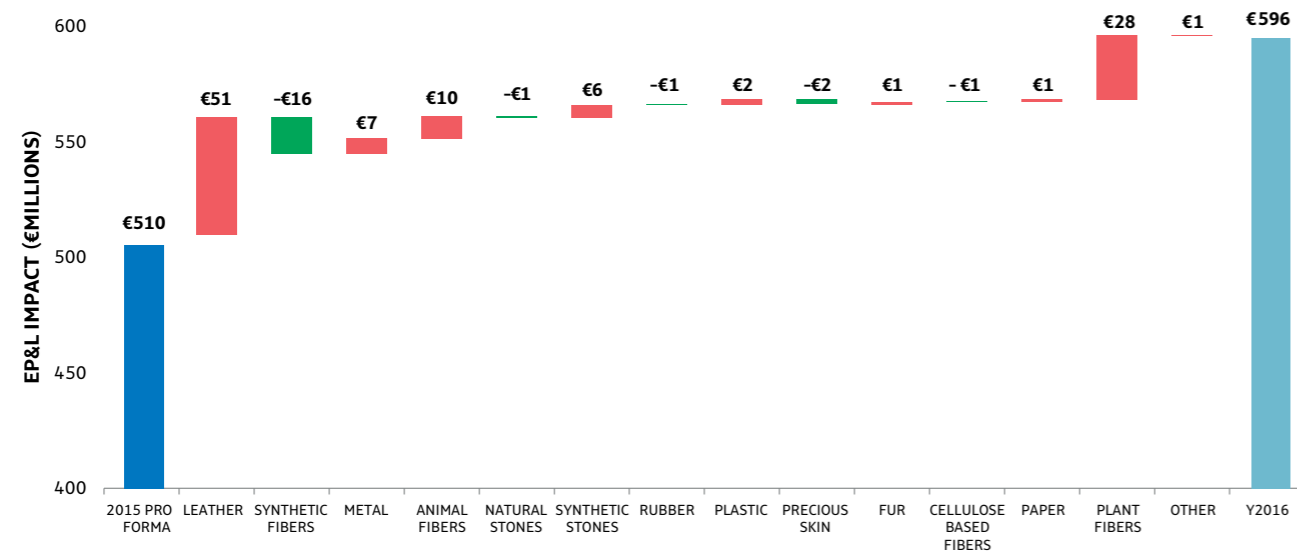
TYPE OF CHANGE	CHANGE	REASON FOR CHANGE
TIER 0	-€0.8MILLION	Energy savings in stores offset the increase in product shipping
MANUFACTURING IMPACTS	+€19MILLION	Major increase in production volumes compared to 2015
RAW MATERIAL PRODUCTION AND PROCESSING	+€88MILLION	Major increase in raw material purchase volumes compared to 2015

² There have been some updates to the scope, methodology and input data since the 2015 analysis.

Much of our sustainability strategy at Kering continues to focus on reducing the impacts of the raw materials we use in our products. A closer look at the impact associated with the use of raw material (Figure 6) shows that our

raw material impact has increased. This is due to a major increase in production volumes and for a small part to an evolving product mix.

FIGURE 6: A CLOSER LOOK AT CHANGES IN RAW MATERIAL IMPACTS SINCE 2015 PRO FORMA RESULT



www.kering.com/en/sustainability

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September 2017

DISCLAIMER

The Environmental Profit & Loss (EP&L) issued by Kering is the product of a methodology developed by Kering to measure the impact of an economic activity on the environment, applying financial metrics. The EP&L is one among other manifestations of Kering's commitment to protect the environment and leadership in sustainability. As such, Kering aims to share the methodology and tool hereby published with the general business community so as to make sure they will be improved and benefit to other actors in their own efforts to minimise the impact of their own industrial and economic activities on the environment.

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