S+R Sustainable & Responsible

February 17, 2016

Brands

Investor Roadmap on Governance and Sustainability

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Brands	
Europe	
IndustryView	**In-Line**

We lay out our Environmental, Social and Governance (ESG) framework for Brands, focusing in particular on governance practices, supply chain and labour. Governance remains they key area of risk in the sector, particularly with regards to succession plans and management incentives.

Introducing our ESG framework. In this report we integrate environmental, social and governance (ESG) risks and opportunities into our valuation framework. While Brands are impacted by several ESG factors, we take a close look at the most material ones: Governance, Supply Chain and Labour.

Governance represents the key area of risk for Brands. We benchmark each company's corporate governance looking at Board structure, independence and diversity, management compensation and incentives. Succession remains a key risk for many luxury companies, where families still control the majority of shares and often hold key executive positions. Of the 13 companies analysed, nine are either majority owned by the founding families / individuals or somehow significantly influenced by them. While this is not necessarily a negative factor, it increases medium-term risks, in our view, especially when there is no clear succession plan in place.

The key surprise? Management compensation and incentives vary hugely across peers and we see limited correlation with shareholder returns. Among Brands, the range of pay for CEOs (2014) spans from c.€2.0m (Ferragamo, Kering) to >€20m (Prada, Richemont), with the composition of pay (base salary vs. awards) also varying significantly. The criteria used to define pay are mixed and there is limited transparency on the specific thresholds used to define incentives. Our analysis shows limited correlation between CEO compensation and total shareholder returns.

We see Supply Chain and Labour as factors carrying "high impact, low probability" risks for Brands. Supply-chain management and retention of highly qualified employees are vital for brands. Across all companies, we evaluate the ability to control the sourcing of raw materials, internal production processes, third-party manufacturers and skilled labour retention. While the probability attached to these risks is generally low, the lack of transparency or failure to ensure ethical behaviours could severely damage reputation and customer loyalty, with a direct impact on sales volumes.

Richemont and LVMH stand out as leaders on our ESG framework. These two companies score well across all the criteria, and are characterised by a lower level of medium/long-term strategic risk, in our view. Other companies within our coverage rank well in most of the ESG areas, but carry a higher level of execution risk, we believe (notably Adidas, Kering, Hugo Boss, Burberry).

Our ESG Framework for Brands

Exhibit 1: We focus on the ESG factors that we think have the most meaningful impact on Brands valuation: Governance, Supply Chain and Labour

TRADITIONAL ANALYSIS		S+R ANALYSIS		
GDP growth; consumer spending trends; product development	Volume of units sold	Growth of middle class and millennials	Demographics	➔GOVERNANCE
		Strong consumer brand reputation will drive sales. Reputational damage or lack of quality may damage customer loyalty and impact volumes.	Customers	
		Data breach may impact customer loyalty	Cyber Security	
	x			
Inflation; competitive dynamics	Revenue per unit	Strong consumer brand reputation could drive pricing power	Customers	
	-			
No. of employees; cost per employee; cost of goods sold; marketing; overheads	Operating costs	Sourcing products responsibly should help to ensure the long-term sustainability of related industries e.g. cotton, leather. Investment in the supply chain could result in higher operating costs. Failure to ensure an ethical supply chain could damage reputation.	➔SUPPLY CHAIN	
		Good reputation as an employer and brand desirability key to attract and retain talent (skilled workers often in shortage)	➔LABOUR	
	-			
Store expansion; investment in manufacturing capabilities	Capital investment			
	-			
Current tax rates; countries of operation	Tax	Appropriate tax payments to local governments	➔GOVERNANCE	
	-			
Interest rates; amount of debt	Interest			
	=			
	FREE CASH FLOW			
	x			
	Useful life of assets			➔GOVERNANCE
	÷			
Equity/ Debt split; cost of capital	Discount rate	All risks above	Overall ESG Risk	
	EQUITY VALUE			

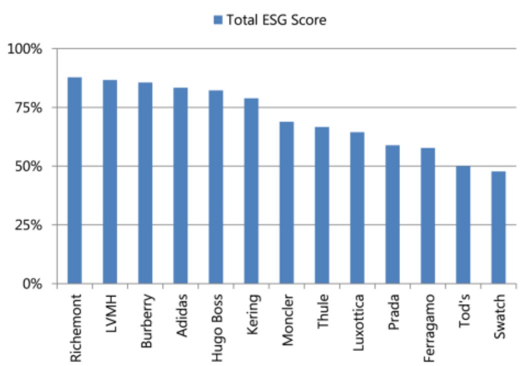
Source: Morgan Stanley Research

What's Interesting in This Report?

Environmental, Social and Governance (ESG) factors present certain risks and opportunities that companies need to manage in an appropriate way to ensure the long-term sustainability of their growth and returns. In this report, we are integrating ESG factors into our valuation framework for Brands.

#1 - Richemont, LVMH stand out as leaders based on our framework

Exhibit 2: Richemont and LVMH rank highest in our ESG analysis, aligned with our investment case

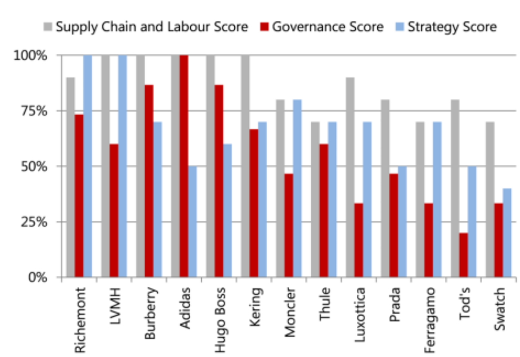


Source: Morgan Stanley Research

We focus on Governance, Supply Chain and Labour. While Brands are affected by several sustainability factors (see **Exhibit 1**) we focus our analysis on the ones that we think are of particular importance for the sector: Governance, Supply Chain and Labour. We benchmark companies' Corporate Governance looking at Board structure, independence and diversity, management compensation and incentives. For Supply Chain and Labour, we evaluate the ability to control the sourcing of raw materials, internal production processes, third-party manufacturers and skilled labour retention. We also combine this objective analysis based on publicly disclosed ESG information with our confidence on the medium/long-term strategy of each company. Richemont and LVMH rank highest in our analysis, aligned with our investment case. Some other companies in our coverage universe (namely Adidas, Kering, Hugo Boss, and Burberry) score well in several ESG areas but we see higher risks in terms of strategic execution.

#2 - Governance is the area with the widest divergence

Exhibit 3: There is a significant discrepancy in Governance scoring among peers

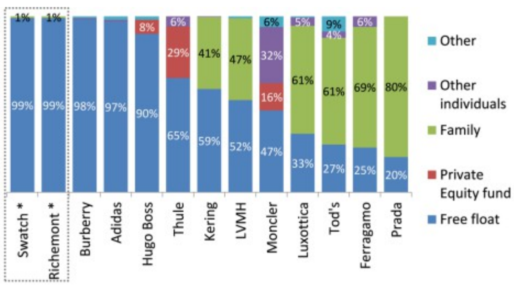


Source: Morgan Stanley Research

Corporate governance practices differ significantly across the Brands peer group, depending on the shareholding structure, the level of disclosure and the country of incorporation – among other factors. While we acknowledge that our ranking is imperfect and based on a limited number of objective criteria, we note that the scoring spans from 100% to as low as 20%. Public companies with no major family or individual shareholder influence score better in our ranking, with Adidas, Burberry, Hugo Boss standing out. These companies are generally characterized by a higher level of Board independence, allowing for (potentially) better executive accountability and fewer instances of potential conflicts of interest.

#3 - Succession remains a key risk for many Luxury companies

Exhibit 4: Families still own large stakes in luxury companies, and often exercise significant influence on their strategic direction



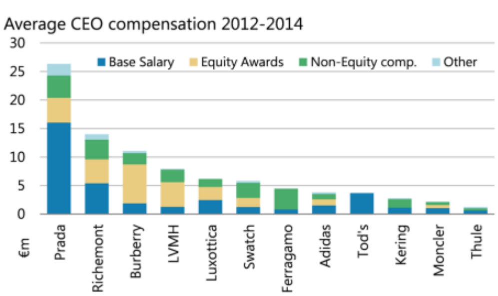
Source: Company data

*Note: Richemont and Swatch's voting rights vary significantly from shareholdings, with respective family members controlling 50% of voting rights for Richemont and 40.8% of voting rights for Swatch. Swatch is listed under both registered and bearer shares (charts shows bearer shares, characterised by a higher level of liquidity)

The sector is still characterised by large holdings (and/or influence) by the founding families, significantly increasing succession risk. Of the 13 companies analysed, nine are still either majority owned by the founding families / individuals or somehow significantly influenced by them (majority of voting rights, key managerial positions, significant presence on the Board). While this is not necessarily a negative factor, as it provides continuity and – importantly – the preservation of the brand heritage / DNA, it increases the risk around "succession", especially when specific individuals still have a significant influence on the company's strategic direction and/or there is no clear succession plan in place. Luxottica is a recent, notable example of a company that – despite solid fundamentals – experienced a significant de-rating due to succession risk fears (down more than 10% since departure of its co-CEO on 29-Jan 2016).

#4 - CEO compensation and criteria used vary significantly across peers

Exhibit 5: The average compensation for Brands CEO and the composition of pay show huge discrepancy across peers



Source: Company data

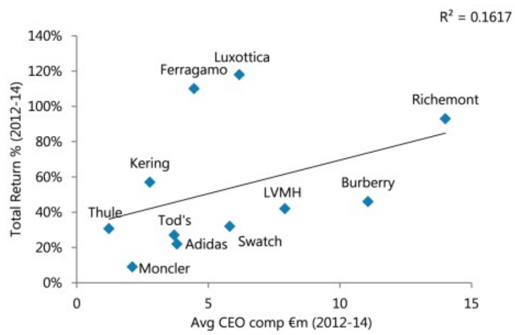
Note: Kering, Tod's and Ferragamo have a share-based incentive plan for key executives but payment details are not disclosed

Executives compensation varies hugely across peers. Among Brands, the range of pay for CEOs (2014) spans from c.€2.0m (Ferragamo, Kering) to >€20m (Prada, Richemont – both with a dual-CEO structure), with the composition of pay also varying significantly (base salary vs. cash award vs. equity award).

Criteria used to define pay are mixed and there is limited transparency. Criteria used vary significantly and often there is limited transparency on the specific thresholds used to define incentives. Overall, short-term incentives are strongly geared towards sales and EBIT growth and to qualitative / operational / strategic targets. Long-term incentives vary more widely across peers, and we note that only four companies out of 13 focus specifically on TSR (see **Exhibit 20** for a full summary). A combination of TSR, EPS growth and ROCE would be our preferred set of targets, along with a performance-oriented compensation policy and long-term incentives for all senior executives, possibly with performance benchmarked against peers.

#5 - We observe limited correlation between Total Shareholder Returns and CEO compensation

Exhibit 6: Our regression analysis shows minimal correlation between TSR and CEO compensation



Source: Company data, Morgan Stanley Research
Note: Outlier Prada was excluded from the analysis

Results of our static correlation analysis between CEO compensation and Shareholder Returns are mixed. We see limited correlation with TSR. There is minimal correlation between CEO compensation, both total and equity compensation, and shareholder return (even excluding outlier Prada). Compensation seems to be more correlated to the market capitalisation, or the size of the company. However, even adjusting for size (using compensation as a % of sales), we continue to see no meaningful link between TSR and executive pay. Even looking at basic financial metrics (revenue and EBITDA growth), we found no significant correlation, with the exception of FCF growth.

Stringent application of incentives and better benchmarking would link compensation more closely to shareholder return. Taking just 2014 as an example, all of our coverage universe offered over 100% of base salary in cash and also some form of bonus / equity awards despite a range of total return of -36% to +18%. By better benchmarking for variable compensation, companies could better link compensation to shareholder expectations and return, in our view.

Please note that this analysis is highly subjective, based on limited available information and influenced by the level of disclosure of each company. We acknowledge the data may be imperfect and may not fully represent companies' ESG efforts. Please also note the ranking presented in this report is relative. A ranking at the bottom of a list does not mean a company is performing badly in a given area.

Brands ESG Rankings

Exhibit 7: Brands ESG Ranking

SUPPLY CHAIN AND LABOUR	RICHEMONT	LVMH	BURBERRY	ADIDAS	HUGO BOSS	KERING	MONCLER	THULE	LUXOTTICA	PRADA	FERRAGAMO	TOD'S	SWATCH
Supplier code of conduct	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Supplier audits	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Internal / external mix of auditors	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	0.0	1.0	0.0
Audit results published	0.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0
Environmental / energy savings KPIs	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Sustainability affiliations	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	1.0	1.0	1.0	0.0	1.0
Workplace training	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0	2.0	1.0
Training outside of workplace	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.0
Supply Chain and Labour points	**9.0**	**10.0**	**10.0**	**10.0**	**10.0**	**10.0**	**8.0**	**7.0**	**9.0**	**8.0**	**7.0**	**8.0**	**7.0**
SUPPLY CHAIN AND LABOUR SCORE	**90%**	**100%**	**100%**	**100%**	**100%**	**100%**	**80%**	**70%**	**90%**	**80%**	**70%**	**80%**	**70%**
GOVERNANCE	RICHEMONT	LVMH	BURBERRY	ADIDAS	HUGO BOSS	KERING	MONCLER	THULE	LUXOTTICA	PRADA	FERRAGAMO	TOD'S	SWATCH
Board independence	2.0	1.0	2.0	2.0	2.0	1.0	1.0	2.0	2.0	1.0	0.0	1.0	1.0
Board female representation	0.0	1.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Major shareholder	1.0	1.0	2.0	2.0	2.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0	1.0
Separate Chairman / CEO role	1.0	0.0	2.0	2.0	2.0	0.0	0.0	2.0	0.0	2.0	1.0	0.0	2.0
Separation of shareholder / executive team	1.0	0.0	1.0	1.0	1.0	0.0	0.0	1.0	0.0	0.0	1.0	0.0	0.0
Alignment / transparency of executive pay	2.0	2.0	1.0	2.0	0.0	2.0	1.0	1.0	2.0	0.0	2.0	0.0	0.0
Sustainability committee	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	1.0	0.0	0.0	0.0
Sustainability disclosure	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	0.0	1.0	0.0
GRI standard guidelines	2.0	2.0	1.0	2.0	2.0	2.0	1.0	0.0	0.0	1.0	0.0	0.0	0.0
Governance points	**11.0**	**9.0**	**13.0**	**15.0**	**13.0**	**10.0**	**7.0**	**9.0**	**5.0**	**7.0**	**5.0**	**3.0**	**5.0**
GOVERNANCE SCORE	**73%**	**60%**	**87%**	**100%**	**87%**	**67%**	**47%**	**60%**	**33%**	**47%**	**33%**	**20%**	**33%**
STRATEGY	RICHEMONT	LVMH	BURBERRY	ADIDAS	HUGO BOSS	KERING	MONCLER	THULE	LUXOTTICA	PRADA	FERRAGAMO	TOD'S	SWATCH
Confidence on medium/long-term strategy	**10.0**	**10.0**	**7.0**	**5.0**	**6.0**	**7.0**	**8.0**	**7.0**	**7.0**	**5.0**	**7.0**	**5.0**	**4.0**
STRATEGY SCORE	**100%**	**100%**	**70%**	**50%**	**60%**	**70%**	**80%**	**70%**	**70%**	**50%**	**70%**	**50%**	**40%**
TOTAL SCORE	RICHEMONT	LVMH	BURBERRY	ADIDAS	HUGO BOSS	KERING	MONCLER	THULE	LUXOTTICA	PRADA	FERRAGAMO	TOD'S	SWATCH
TOTAL ESG SCORE	**88%**	**87%**	**86%**	**83%**	**82%**	**79%**	**69%**	**67%**	**64%**	**59%**	**58%**	**50%**	**48%**

Source: Morgan Stanley Research

Note: This ranking is highly subjective, based on limited available information and influenced by the level of disclosure of each company. We acknowledge the data may be imperfect and may not fully represent companies' ESG efforts. Also, the ranking is relative: a ranking at the bottom of a list does not mean a company is performing badly in a given area.

Corporate Governance Practices Vary Significantly Among Peers

Corporate governance is a key input for valuation. Company valuations are typically based on an analysis of how financial capital is deployed to generate growth and returns. Governance is a key aspect of this since it should help to ensure that capital is deployed in the best way to enhance shareholder returns. Over time, proper governance should lead to a higher valuation as management acts to create long-term value for shareholders.

This is a key area of focus for Brands. Robust corporate governance ensures that management is incentivised to create long-term shareholder value and that the Board holds them accountable on behalf of stakeholders. We benchmark companies in the Brands universe based on their Board structure, independence and diversity, management compensation and incentives.

We see succession risk and executives incentives as the key areas of interest for investors. Succession is a key risk for many luxury companies, where families still control the majority of shares and often hold key executive positions. Management compensation and incentives is also a key area of focus, deserving a separate ad hoc analysis.

Ranking methodology

Exhibit 8: Governance Ranking Criteria

GOVERNANCE	
Board independence	What percentage of board members are independent? More than 2/3 = 2; Between 1/3 and 2/3 = 1; Less than 1/3 = 0
Board female representation	What percentage of board members are female? At least 1/3 = 2; At least 1/5 = 1; Less than 1/5 = 0
Major shareholder	Is there a family or individual with a major shareholding? No = 2; Yes, but with 0% of shares (or voting rights) = 1; Yes, with >50% of shares (or voting rights) = 0
Separate Chairman / CEO role	Are the Chairman and CEO separate? Yes, and the Chairman has never been CEO before = 2; Yes, but the Chairman has been the CEO =1; No = 0
Separation of shareholder / executive team	Is there a clear delineation between the major shareholder and the executive team? Yes = 1; No = 0
Alignment / transparency of executive pay	Is executive compensation aligned with the creation of long-term shareholder value (specific thresholds related to TSR, EPS growth, ROIC)? Yes, all or most of these criteria are used = 2; Partially (fewer or different criteria used, etc) = 1; No, or not disclosed = 0
Sustainability committee	Is there a Sustainability Committee? Yes = 1; No = 0
Sustainability disclosure	Does the company publish an ESG report or have a separate comprehensive disclosure on its website? Yes = 1; No = 0
GRI (Global Reporting Initiative) standard guidelines	If there is a Sustainability report / separate disclosure, does it follow GRI guidelines? Yes = 2; Work-in-progress = 1; No = 0

Source: Morgan Stanley Research

We used nine criteria to rank companies based on their corporate governance robustness, for a maximum possible score of 15 points. The criteria used were: 1) Board independence; 2) female representation on the Board; 3) family or individual owning a major shareholding; 4) separation of Chairman and CEO roles; 5) clear delineation between the major shareholder and the executive team; 6) transparency of executive pay and alignment with long-term shareholder interests; 7) presence of a Sustainability Committee; 8) Level of disclosure on sustainability themes and standards; 9) sustainability reporting conforming to GRI reporting standards (see below for more information on GRI). **Exhibit 8** summarises the way we have (subjectively) awarded points to the companies.

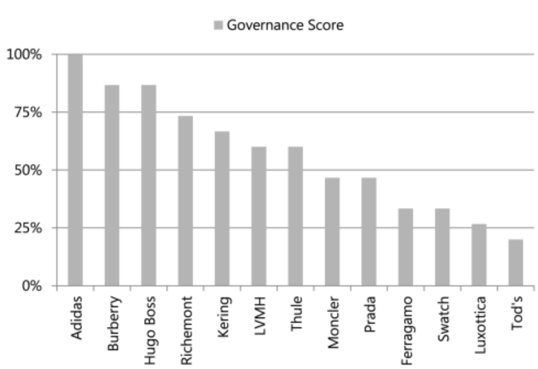
How do companies rank?

Exhibit 9: There is a significant discrepancy in Governance scoring across our coverage universe

GOVERNANCE	ADS	BRBY	BOSS	CFR	KER	LVMH	THUL	MONC	PRA	SFER	UHR	LUX	TOD
Board independence	2.0	2.0	2.0	2.0	1.0	1.0	2.0	1.0	1.0	0.0	1.0	2.0	1.0
Board female representation	2.0	2.0	2.0	0.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Major shareholder	2.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	1.0	0.0	0.0
Separate Chairman / CEO role	2.0	2.0	2.0	1.0	0.0	0.0	2.0	0.0	2.0	1.0	2.0	0.0	0.0
Separation of shareholder / executive team	1.0	1.0	1.0	1.0	0.0	0.0	1.0	0.0	0.0	1.0	0.0	0.0	0.0
Alignment / transparency of executive pay	2.0	1.0	0.0	2.0	2.0	2.0	1.0	1.0	0.0	2.0	0.0	2.0	0.0
Sustainability committee	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	0.0	0.0	0.0	0.0
Sustainability disclosure	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0	1.0
GRI standard guidelines	2.0	1.0	2.0	2.0	2.0	2.0	0.0	1.0	1.0	0.0	0.0	0.0	0.0
Governance points	**15.0**	**13.0**	**13.0**	**11.0**	**10.0**	**9.0**	**9.0**	**7.0**	**7.0**	**5.0**	**5.0**	**5.0**	**3.0**
GOVERNANCE SCORE	**100%**	**87%**	**87%**	**73%**	**67%**	**60%**	**60%**	**47%**	**47%**	**33%**	**33%**	**33%**	**20%**

Source: Morgan Stanley Research
Note: This ranking is highly subjective, based on limited available information and influenced by the level of disclosure of each company. We acknowledge the data may be imperfect and may not fully represent companies' ESG efforts. Also, the ranking is relative: a ranking at the bottom of a list does not mean a company is performing badly in a given area.

Exhibit 10: Public companies with no major family or individual shareholder score better in our ranking



Source: Morgan Stanley Research

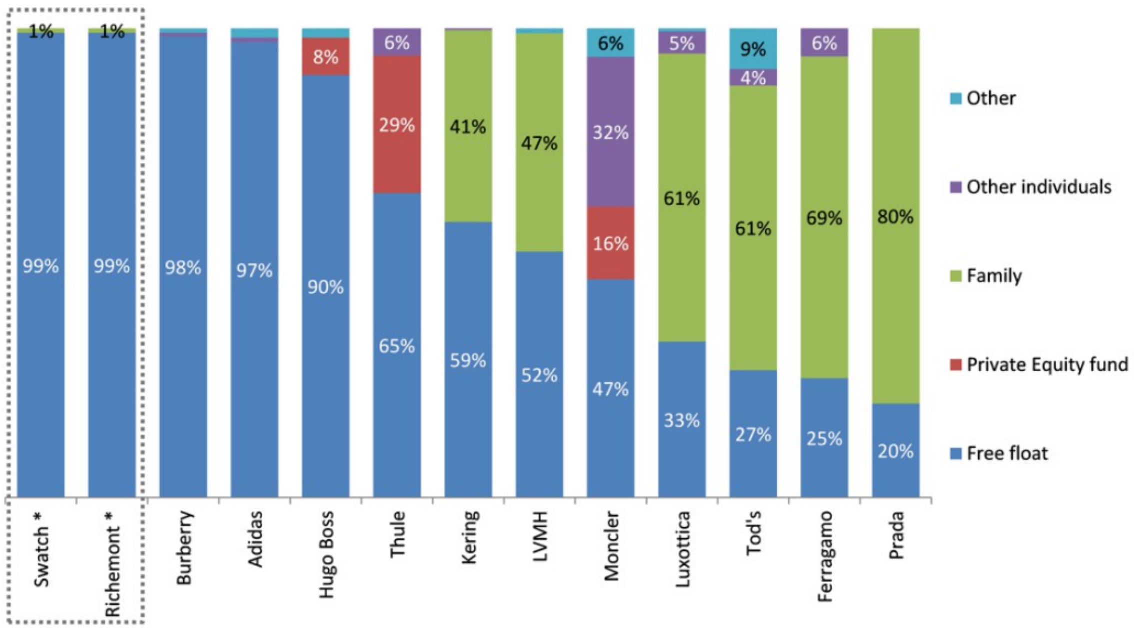
There is a significant discrepancy in Governance scoring across our coverage universe. Corporate governance practices differ significantly across the Brands peer group, depending on the shareholding structure, the level of disclosure and also the country of incorporation – among other factors. While we acknowledge that our ranking is based on a limited number of criteria – and therefore has some limitations – we note that the scoring spans from 100% to as low as 20%. Adidas, Burberry and Hugo Boss stand out as leaders in this analysis.

70% of the companies have a majority of directors classified as "independent". Board independence provides increased executive accountability. This does not ensure that management will always act with the shareholders' best interests in mind, but it increases the likelihood that executive actions are scrutinized. Almost all companies analysed have at least one-third of Board members who are independent (Ferragamo being the only exception), but only 70% of them have "a majority" of Directors classified as independent. Less than half have at least two-thirds of independent Board members. We note that in German companies (Adidas, Hugo Boss) the Supervisory Board is entirely separate to the Management Board, allowing for (potentially) better oversight and fewer instances of potential conflicts of interest.

Female Board representation is limited, but slowly improving. A diverse board holds several advantages in our view, such as a providing a more comprehensive set of opinions, which yields better management discussion – particularly in an industry like Brands. While every company we reviewed has female Board representation to some extent (and numbers have improved in the past few years), we think there is still plenty of room for improvement. Only 30% of our companies have at least one-third of female Board members. Kering has the maximum representation with 36% and Richemont the smallest with just 6%.

The sector is still characterised by large holdings (and/or influence) by the founding families, significantly increasing succession risk. Of the 13 companies analysed, nine are still either majority owned by the founding families / individuals or somehow significantly influenced by them (majority of voting rights, key managerial positions, significant presence on the Board). While this is not necessarily a negative factor, as it provides continuity and – importantly – the preservation of the brand heritage / DNA, it increases the risk around "succession", especially when specific individuals still have a significant influence on the company's strategic direction and/or there is no clear succession plan in place.

Exhibit 11: Families still own large stakes in luxury companies, often with a >50% shareholding and/or significant influence on their strategic direction



Source: Company data, Bloomberg
*Note: Richemont and Swatch's voting rights vary significantly from shareholdings, with respective family members controlling 50% of voting rights for Richemont and 40.8% of voting rights for Swatch. Swatch is listed under both registered and bearer shares (charts shows bearer shares, characterised by a higher level of liquidity)

We see complete independence of the key executive team at only a few companies. Unsurprisingly, we often observed no clear separation between the major shareholder and the top executive team. Also, in more than half of the cases, the chairman of the Board is (or has been in the past) the company's CEO. An independent chairperson is important to foster management obligations to shareholder interests. While splitting the titles of chairperson and CEO is no guarantee for genuine, independent oversight, we view it as a positive factor. Only in Adidas, Burberry, Hugo Boss and Thule have we observed full independence of the management team (also reflecting the shareholding structure).

A combination of TSR/EPS growth and return on capital metrics is our preferred set of targets for management compensation, but only half of the companies use a combination of these criteria, and often transparency is limited. The targets against which executive performance is measured should be aligned with the creation of long-term shareholder value. A combination of Total Shareholder Return (TSR), earnings growth and return on capital metrics is our preferred set of targets, along with a performance-oriented compensation policy and long-term incentives for senior executives and board members. Criteria used by companies vary significantly and often there is limited transparency on the thresholds used to define incentives, creating huge discrepancies in compensation levels (with limited correlation with TSR). See the following section (**A Snapshot on Executive Compensation**) for in-depth analysis.

Several companies don't have yet a comprehensive sustainability disclosure, but work is being done. Adidas and Kering stand out as clear leaders in this area. While most of the peers disclose information on

ESG themes, often we found that the level of information provided is limited. This is however, becoming a key focus areas for companies and work is being done across the board; we therefore expect significant improvements in the coming years. Moncler and Luxottica, as examples, have taken visible action and we expect their level of disclosure to improve significantly over the course of 2016.

Sustainability reports provide a means to disseminate information (which they must have enough to warrant) and are, in our view, another indication of a company's commitment to the ESG issues. Some companies within our group are taking it a step further and following the Global Reporting Initiatives (GRI) in their sustainability reports. The GRI Sustainability Reporting Framework is a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities. By adhering to the GRI standards, companies are one step closer to being comparable in their sustainability efforts. We expect more companies to follow the GRI, or standardize their disclosure, as this area becomes more mainstream.

The Global Reporting Initiative (GRI)

GRI is an independent, international organization that helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others. With thousands of reporters in over 90 countries, GRI provides the world's most widely used standards on sustainability reporting and disclosure, enabling businesses, governments, civil society and citizens to make better decisions based on information that matters. In fact, 93% of the world's 250 largest corporations report on their sustainability performance. (For a full database see: **http://database.globalreporting.org/)**

Detailed findings for each company are set out in our Appendix (A Detailed Look at Companies' Corporate Governance)

How does this relate to companies' medium/long-term strategy?

We combine the above objective analysis based on publicly disclosed ESG information with our confidence on the medium/long-term strategy of each company. Richemont and LVMH rank highest in our analysis, aligned with our investment case: we see a lower level of long-term strategic risk for both Groups, thanks to better diversification, defensive qualities and higher pricing power vs. peers. See **What Does This Mean for Valuation?** for more details on each specific company.

A Snapshot on Executive Compensation

Executive compensation falls under the Corporate Governance umbrella. We believe that senior management should be incentivised for good performance on both a short- and long-term basis. In addition, the targets against which their performance is measured should be aligned with the creation of shareholder value. As such, consistency should be fostered between management objectives and financial communication, limiting compensation ties to near-term earnings and spending decisions.

Compensation should be tied to the track record of a company relative to its peers rather than to the absolute performance of a company, according to Glass Lewis (a provider of Governance services). As such, executives should be compensated based on their outperformance vs. their competitors.

In Europe, executive compensation and Corporate Governance more generally has by the very nature of the EU varied by country due to differences in cultures and standards. However, a roadmap for greater consistency has been defined by two action plans: EU Action Plan (2003) and the EU Action Plan (2012).

The proposed revision of the Shareholder Rights Directive (April 2014) is expected to give investors greater visibility and rights to vote on executive compensation as rules on 'Say on Pay' and disclosure for all EU companies have been included. The proposal on ‘Say on Pay’ indicates that shareholders of companies listed in the European Union will be given binding votes on executive remuneration policy every three years and an annual non-binding vote on how the policy has been implemented.

We have used CEO compensation as a proxy for executive compensation comparisons as it is the most readily available information (**Exhibit 21**, **Exhibit 22**, **Exhibit 23**). We have also analysed CFO compensation, however, similar to other key executives, disclosure is limited.

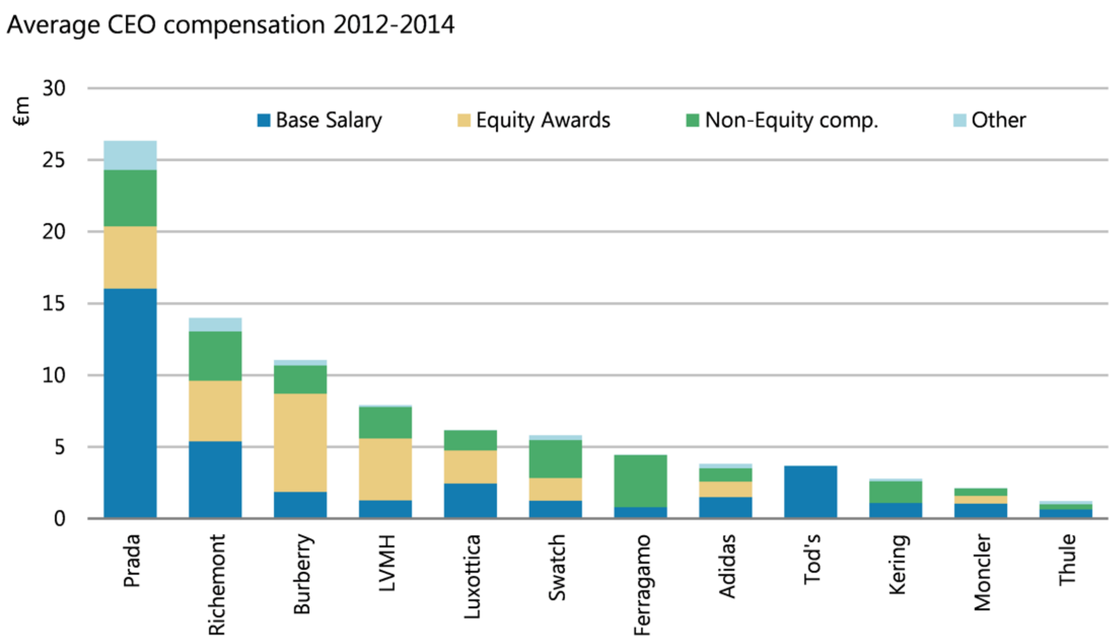
Compensation and its composition varies significantly across peers... Among Brands, the range of pay for CEOs (2014) goes from c.€2.0m (Ferragamo, Kering) to >€20m (Prada, Richemont – both with a dual-CEO structure). The composition of pay also varies significantly: Tod's and Prada have the highest percentage of base salary (99% and 61% – although Tod's doesn't disclose LTIP details), Adidas and Burberry the highest percentage of equity award (55%), Ferragamo and Kering of annual cash award (c.50-60% - although LTIP details are not disclosed).

...even considering a multi-year average. To eliminate the effect of potential one-offs, we look at the average compensation across 3 years (2012-14). The picture does not change dramatically as compensation levels have remained pretty much stable on relative basis (with the exception of Richemont).

Glossary

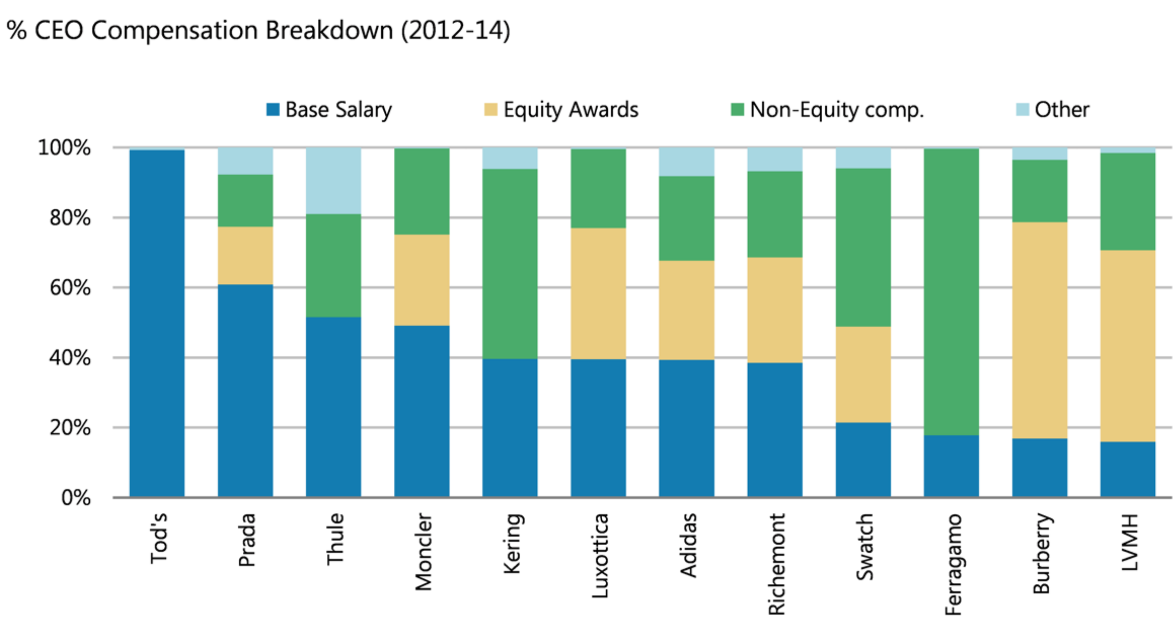
- *Equity awards:* stock awards and stock options; includes Performance Share Plan (PSP), Restricted Stock Units, and company-specific employee stock contributions
- *Annual bonus:* annual cash payment based on various KPIs
- *Other:* includes benefits, pension and miscellaneous compensation

Exhibit 12: Average CEO compensation varies significantly across peers



Source: Company Data
Note: Kering, Tod's and Ferragamo have a share-based incentive plan for key executives but payment details are not disclosed

Exhibit 13: The composition of pay also shows huge variation



Source: Company Data
Note: Kering, Tod's and Ferragamo have a share-based incentive plan for key executives but payment details are not disclosed

We see limited correlation between CEO compensation and shareholder returns

Results of our static correlation analysis are mixed. Our regressions suggest limited correlation with TSR. There is minimal correlation between CEO compensation, both total and equity compensation, and shareholder return. We model the regression between TSR (as taken from Thomson Reuters) and CEO compensation, as well as TSR and CEO equity compensation, using a specific year as well as a 2012-14 average. Prada is a significant outlier, so we exclude it from our analysis.

Compensation seems to be more correlated with the market capitalisation, or the size of the company (R-squared = 0.29). This is not surprising to us, as it reflects the spending power the company has, but also the relative complexity of managing a larger entity. However, even adjusting for size, we continue to see no link between TSR and compensation. We looked at total return vs. compensation as a % of sales for single years, as well as an average of the years, and we found a negative correlation.

Even looking at basic financial metrics (revenue, EBITDA growth), we found no meaningful links, with the exception of FCF growth. We benchmarked compensation against basic financial metrics such as sales growth % and EBITDA growth % – metrics generally used to define both short- and long-term incentives. In both cases, we found no correlation or even a negative correlation. However, the relationships seems to be stronger with FCF growth % (R-squared = 0.26).

Criteria used to define compensation vary widely among companies

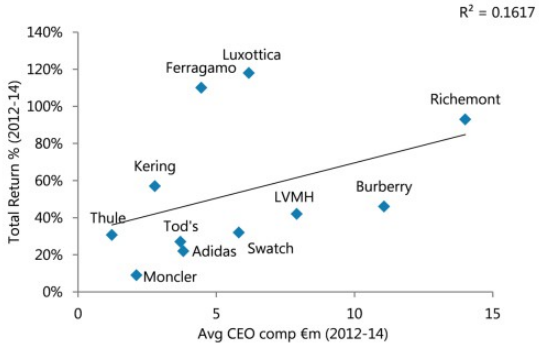
Compensation criteria are mixed and there is limited transparency. Criteria used for CEO compensation vary significantly and often there is limited transparency on the thresholds used to define incentives, creating large discrepancies in compensation levels. Also, only two peers (Ferragamo, Kering) consider performance relative to peers rather than on an absolute basis. Overall, short-term incentives are strongly geared towards sales and EBIT growth and to qualitative / operational / strategic targets. Long-term incentives vary more widely across peers, and only four companies of 13 focus specifically on TSR (see **Exhibit 20**).

A combination of TSR, EPS growth and ROCE would be our preferred set of targets, along with a performance-oriented compensation policy and long-term incentives for all senior executives.

Stringent application of incentives and better benchmarking would link compensation more closely to shareholder return. Taking just 2014 as an example, all of our coverage universe offered over 100% of base salary in cash and also some form of bonus / equity awards despite a range of total shareholder return of -36% to +18%. By better benchmarking for variable compensation, companies could better link compensation to shareholder expectations and return, in our view.

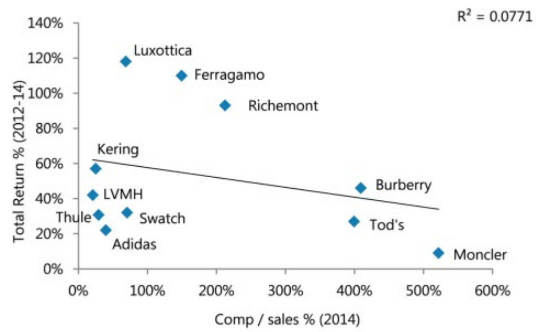
Correlation analysis

Exhibit 14: We observe limited correlation between TRS and CEO total compensation...



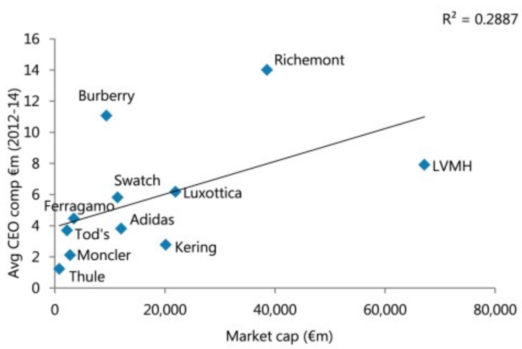
Source: Company data, Morgan Stanley
Note: Outlier Prada was excluded from the analysis

Exhibit 15: ...and even adjusting for size (CEO comp as a % sales), we find a negative correlation



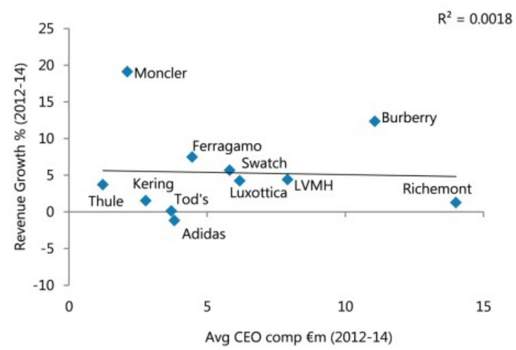
Source: Company data, Morgan Stanley
Note: Outlier Prada was excluded from the analysis

Exhibit 16: Total compensation is slightly more correlated with market capitalisation



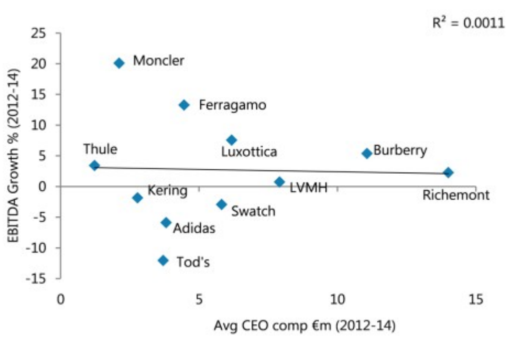
Source: Company data, Morgan Stanley
Note: Outlier Prada was excluded from the analysis

Exhibit 17: We found no link between total CEO comp and revenue growth...



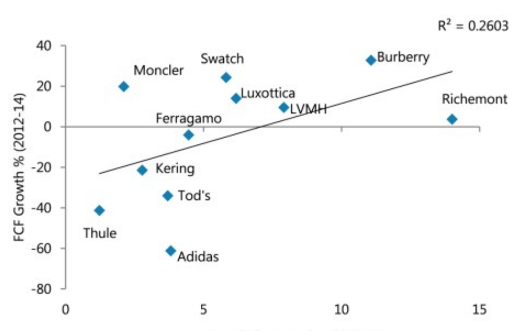
Source: Company data, Morgan Stanley
Note: Outlier Prada was excluded from the analysis

Exhibit 18: ...and no correlation with EBITDA growth



Source: Company data, Morgan Stanley
Note: Outlier Prada was excluded from the analysis

Exhibit 19: Among the financial metrics, FCF growth has the highest correlation with CEO comp



Source: Company data, Morgan Stanley
Note: Outlier Prada was excluded from the analysis

Compensation Criteria

Exhibit 20: Brands compensation criteria

SHORT-TERM INCENTIVES	Financial Targets																Performance relative to peers
							Cash flow										
	Sales	Efficiencies/ Op. costs	EBITDA	EBIT	PBT	Net income/ EPS	NWC	CF from Ops.	FCF	TSR	ROIC	ROA	ROA	Operational	Qualitative	SRI / ESG	
Adidas	✓			✓			✓								✓		
Burberry					✓												
Hugo Boss							✓										
Kering				50%				50%									
Luxottica	✓	✓		✓		✓			✓					✓	✓		
LVMH	17%			17%					17%						50%		
Moncler			✓											✓		✓	
Prada	Not disclosed																
Richemont	✓			✓					✓					✓	✓		
Ferragamo				✓											✓		✓
Swatch	✓	✓		✓			✓							✓	✓	✓	
Thule	✓		✓						✓								
Tod's	Not disclosed																

LONG-TERM INCENTIVES	Financial Targets																Performance relative to peers
	Sales						Cash flow										
	Reported	Efficiencies/ Op. costs	EBITDA	EBIT	PBT	Net income/ EPS	NWC	CF from Ops.	FCF	TSR	ROIC	ROA	ROA	Operational	Qualitative	SRI / ESG	
Adidas	✓					✓		✓		✓							
Burberry	20-25%				50-60%						20-25%						
Hugo Boss	✓		✓														
Kering						✓				✓							✓
Luxottica						✓											
LVMH				✓		✓			✓								
Moncler			✓														
Prada	Not disclosed																
Richemont	✓			✓					✓								
Ferragamo	✓									✓							✓
Swatch	Not disclosed																
Thule										✓							
Tod's	Not disclosed																

Source: Company data

Exhibit 21: Brands 2014 CEO compensation

Company	CEO	Currency	Base Salary	%	Equity Awards	%	Annual Bonus	%	Others	%	Total	Total (€)
Adidas	**Herbert Hainer**	**€**	**1,535,397**	**26.5%**	**3,234,000**	**55.8%**	**700,194**	**12.1%**	**330,836**	**5.7%**	**5,800,427**	**5,800,427**
Burberry*	**Christopher Bailey/ Angela Ahrendts**	**£**	**1,562,000**	**19.3%**	**4,426,000**	**54.6%**	**1,782,000**	**22.0%**	**330,000**	**4.1%**	**8,100,000**	**10,325,333**
	Christopher Bailey (1-May 2014 to 31-Mar 2015)	£	1,432,000	18.0%	4,426,000	55.7%	1,782,000	22.4%	303,000	3.8%	7,943,000	10,125,200
	Angela Ahrendts (1-Apr 2014 to 30-Apr 2014)	£	130,000	82.8%	-		-		27,000	17%	157,000	200,133
Hugo Boss	**Claus-Dietrich Lahrs**	**€**	**ND**		**ND**		**ND**		**ND**		**ND**	**ND**
Kering	**François-Henri Pinault**	**€**	**1,099,996**	**43.7%**	**ND**		**1,239,480**	**49.2%**	**177,872**	**7.1%**	**2,517,348**	**2,517,348**
Luxottica*	**Andrea Guerra/ Massimo Vian**	**€**	**2,311,925**	**43.7%**	**2,519,861**	**47.6%**	**424,100**	**8.0%**	**39,109**	**0.7%**	**5,294,995**	**5,294,995**
	Andrea Guerra (1-Jan 2014 to 30-Aug-2014)	€	1,678,914	48.1%	1,783,358	51.1%	-	0.0%	27,618	0.8%	3,489,890	3,489,890
	Massimo Vian (29-Oct to 31-Dec-2014)	€	633,011	35.1%	736,503	40.8%	424,100	23.5%	11,491	0.6%	1,805,105	1,805,105
LVMH	**Bernard Arnault**	**€**	**1,069,126**	**16.7%**	**2,911,819**	**45.6%**	**2,200,000**	**34.4%**	**208,464**	**3.3%**	**6,389,409**	**6,389,409**
Moncler	**Remo Ruffini**	**€**	**1,522,000**	**42.0%**	**1,100,145**	**30.4%**	**1,000,000**	**27.6%**	**-**	**0.0%**	**3,622,145**	**3,622,145**
Prada	**Miuccia Prada Bianchi/ Patrizio Bertelli**	**€**	**16,700,000**	**60.8%**	**4,995,000**	**18.2%**	**3,751,000**	**13.6%**	**2,042,000**	**7.4%**	**27,488,000**	**27,488,000**
	Miuccia Prada Bianchi	€	10,700,000	75.2%	2,501,000	17.6%	1,000	0.0%	1,021,000	7.2%	14,223,000	14,223,000
	Patrizio Bertelli	€	6,000,000	45.2%	2,494,000	18.8%	3,750,000	28.3%	1,021,000	7.7%	13,265,000	13,265,000
Richemont	**Bernard Fornas/ Richard Lepeu**	**CHF**	**8,742,332**	**33.6%**	**9,250,000**	**35.5%**	**6,634,400**	**25.5%**	**1,422,709**	**5.5%**	**26,049,441**	**22,115,812**
	Bernard Fornas (1-Apr 2014 to 31-Mar 2015)	CHF	4,419,176	37.7%	3,000,000	25.6%	3,677,200	31.4%	618,802	5.3%	11,715,178	9,946,113
	Richard Lepeu (1-Apr 2014 to 31-Mar 2015)	CHF	4,323,156	30.2%	6,250,000	43.6%	2,957,200	20.6%	803,907	5.6%	14,334,263	12,169,699
S. Ferragamo	**Michele Norsa**	**€**	**800,000**	**40.2%**	**ND**		**1,171,000**	**58.8%**	**20,000**	**1.0%**	**1,991,000**	**1,991,000**
Swatch	**Georges Nicolas Hayek**	**CHF**	**1,501,925**	**20.1%**	**2,174,800**	**29.2%**	**3,170,000**	**42.5%**	**610,320**	**8.2%**	**7,457,045**	**6,146,395**
Thule	**Magnus Welander**	**SEK**	**5,886,000**	**47.0%**	**ND**		**4,200,000**	**33.6%**	**2,427,000**	**19%**	**12,513,000**	**1,375,437**
Tod's	**Diego Della Valle/ Andrea Della Valle/ S. Sincini**	**€**	**3,826,400**	**99.2%**	**ND**		**ND**		**30,690**	**0.8%**	**3,857,090**	**3,857,090**
	Diego Della Valle	€	1,831,500	99.5%	ND		ND		8,700	0.5%	1,840,200	1,840,200
	Andrea Della Valle	€	1,231,800	99.3%	ND		ND		9,000	0.7%	1,240,800	1,240,800
	Stefano Sincini	€	763,100	98.3%	ND		ND		12,990	1.7%	776,090	776,090

Source: Company data

Note: Burberry, Richemont March year ending. Prada January year ending, all others December. ND = not disclosed

*Burberry and Luxottica CEOs changed during the year

Exhibit 22: Brands 2013 CEO compensation

Company	CEO	Currency	Base Salary	%	Equity Awards	%	Annual Bonus	%	Others	%	Total	Total (€)
Adidas	**Herbert Hainer**	**€**	**1,535,733**	**57.0%**	**-**	**0.0%**	**827,502**	**30.7%**	**331,765**	**12.3%**	**2,695,000**	**2,695,000**
Burberry	**Angela Ahrendts**	**£**	**1,524,000**	**19.0%**	**4,674,000**	**58.4%**	**1,492,000**	**18.6%**	**317,000**	**4.0%**	**8,007,000**	**9,495,571**
Hugo Boss	**Claus-Dietrich Lahrs**	**€**	**ND**		**ND**		**ND**		**ND**		**ND**	**ND**
Kering	**François-Henri Pinault**	**€**	**1,099,996**	**39.7%**	**ND**		**1,478,400**	**53.4%**	**192,446**	**6.9%**	**2,770,842**	**2,770,842**
Luxottica	**Andrea Guerra**	**€**	**2,507,159**	**38.3%**	**2,076,594**	**31.7%**	**1,944,179**	**29.7%**	**26,205**	**0.4%**	**6,554,137**	**6,554,137**
LVMH	**Bernard Arnault**	**€**	**1,519,018**	**18.4%**	**4,495,334**	**54.5%**	**2,200,000**	**26.7%**	**32,183**	**0.4%**	**8,246,535**	**8,246,535**
Moncler	**Remo Ruffini**	**€**	**553,096**	**91.5%**	**-**	**0.0%**	**41,096**	**6.8%**	**10,000**	**1.7%**	**604,192**	**604,192**
Prada	**Miuccia Prada Bianchi/ Patrizio Bertelli**	**€**	**15,700,000**	**52.7%**	**8,048,000**	**27.0%**	**4,000,000**	**13.4%**	**2,040,000**	**6.8%**	**29,788,000**	**29,788,000**
	Miuccia Prada Bianchi	€	9,700,000	65.6%	4,057,000	27.5%	-	0.0%	1,020,000	6.9%	14,777,000	14,777,000
	Patrizio Bertelli	€	6,000,000	40.0%	3,991,000	26.6%	4,000,000	26.6%	1,020,000	6.8%	15,011,000	15,011,000
Richemont	**Bernard Fornas/ Richard Lepeu**	**€**	**7,143,046**	**42.4%**	**4,817,604**	**28.6%**	**4,689,445**	**27.8%**	**213,808**	**1.3%**	**16,863,903**	**16,863,903**
	Bernard Fornas (1-Apr 2013 to 31-Mar 2014)	€	3,567,114	44.6%	1,786,135	22.3%	2,548,057	31.8%	104,555	1.3%	8,005,861	8,005,861
	Richard Lepeu (1-Apr 2013 to 31-Mar 2014)	€	3,575,932	40.4%	3,031,469	34.2%	2,141,388	24.2%	109,253	1.2%	8,858,042	8,858,042
Salvatore Ferragamo	**Michele Norsa**	**€**	**800,000**	**39.9%**	**ND**		**1,188,000**	**59.3%**	**17,000**	**0.8%**	**2,005,000**	**2,005,000**
Swatch	**Georges Nicolas Hayek**	**CHF**	**1,501,925**	**20.0%**	**2,196,000**	**29.3%**	**3,220,000**	**42.9%**	**586,662**	**7.8%**	**7,504,587**	**6,098,355**
Thule	**Magnus Welander**	**SEK**	**5,372,000**	**57.4%**	**ND**		**2,241,000**	**24.0%**	**1,740,000**	**18.6%**	**9,353,000**	**1,081,351**
Tod's	**Diego Della Valle/ Andrea Della Valle/ Stefano Sincini**	**€**	**3,826,400**	**99.2%**	**ND**		**ND**		**29,521**	**0.8%**	**3,855,921**	**3,855,921**
	Diego Della Valle	€	1,831,800	99.5%	ND		ND		9,000	0.5%	1,840,800	1,840,800
	Andrea Della Valle	€	1,231,500	99.3%	ND		ND		9,000	0.7%	1,240,500	1,240,500
	Stefano Sincini	€	763,100	98.5%	ND		ND		11,521	1.5%	774,621	774,621

Source: Company data

Note: Burberry, Richemont March year ending. Prada January year ending, all others December. ND = not disclosed

Exhibit 23: Brands 2012 CEO compensation

Company	CEO	Currency	Base Salary	%	Equity Awards	%	Annual Bonus	%	Others	%	Total	Total (€)
Adidas	**Herbert Hainer**	**€**	**1,430,000**	**48.6%**	**-**	**0.0%**	**1,236,000**	**42.0%**	**279,000**	**9.5%**	**2,945,000**	**2,945,000**
Burberry	**Angela Ahrendts**	**£**	**1,459,000**	**13.4%**	**7,591,000**	**69.6%**	**1,545,000**	**14.2%**	**306,000**	**2.8%**	**10,901,000**	**13,384,466**
Hugo Boss	**Claus-Dietrich Lahrs**	**€**	**ND**		**ND**		**ND**		**ND**		**ND**	**ND**
Kering	**François-Henri Pinault**	**€**	**1,099,996**	**36.0%**	**ND**		**1,815,000**	**59.4%**	**141,144**	**4.6%**	**3,056,140**	**3,056,140**
Luxottica	**Andrea Guerra**	**€**	**2,505,030**	**37.4%**	**2,343,406**	**35.0%**	**1,817,000**	**27.2%**	**25,787**	**0.4%**	**6,691,223**	**6,691,223**
LVMH	**Bernard Arnault**	**€**	**1,191,563**	**13.1%**	**5,579,076**	**61.3%**	**2,200,000**	**24.2%**	**127,953**	**1.4%**	**9,098,592**	**9,098,592**
Moncler	**Remo Ruffini**	**€**	**ND**		**ND**		**ND**		**ND**		**ND**	**ND**
Prada	**Miuccia Prada Bianchi/ Patrizio Bertelli**	**€**	**15,700,000**	**72.2%**	**-**	**0.0%**	**4,000,000**	**18.4%**	**2,036,000**	**9.4%**	**21,736,000**	**21,736,000**
	Miuccia Prada Bianchi	€	9,700,000	90.5%	-	0.0%	-	0.0%	1,018,000	9.5%	10,718,000	10,718,000
	Patrizio Bertelli	€	6,000,000	54.5%	-	0.0%	4,000,000	36.3%	1,018,000	9.2%	11,018,000	11,018,000
Richemont	**Johann Rupert**	**€**	**1,576,509**	**52.0%**	**-**	**0.0%**	**-**	**0.0%**	**1,456,773**	**48.0%**	**3,033,282**	**3,033,282**
Salvatore Ferragamo	**Michele Norsa**	**€**	**771,000**	**8.2%**	**ND**	**0.0%**	**8,593,000**	**91.6%**	**16,000**	**0.2%**	**9,380,000**	**9,380,000**
Swatch	**Georges Nicolas Hayek**	**CHF**	**1,530,771**	**24.4%**	**1,456,080**	**23.2%**	**3,220,000**	**51.4%**	**62,628**	**1.0%**	**6,269,479**	**5,202,194**
Thule	**Magnus Welander**	**SEK**	**ND**		**ND**		**ND**		**ND**		**ND**	**ND**
Tod's	**Diego Della Valle/ Andrea Della Valle/ Stefano Sincini**	**€**	**3,375,600**	**99.2%**	**ND**		**ND**		**27,800**	**0.8%**	**3,403,400**	**3,403,400**
	Diego Della Valle	€	1,562,400	99.5%	ND		ND		8,500	0.5%	1,570,900	1,570,900
	Andrea Della Valle	€	1,051,500	99.2%	ND		ND		8,500	0.8%	1,060,000	1,060,000
	Stefano Sincini	€	761,700	98.6%	ND		ND		10,800	1.4%	772,500	772,500

Source: Company data

Note: Burberry, Richemont March year ending. Prada January year ending, all others December. ND = not disclosed

Supply Chain and Labour: A High-Impact, Low-Probability Risk for Brands

We see supply chain management and skilled labour retention as factors carrying "high impact, low probability" risks for Brands. Supply-chain management and retention of highly qualified employees are vital for brands. Across all companies, we evaluate the ability to control the sourcing of raw materials, internal production processes, third-party manufacturers and skilled labour retention. While probability attached to these risks is generally low, lack of transparency or failure to ensure ethical behaviours could severely damage reputation and customer loyalty, with a direct impact on sales volumes. As consumer demand for ethically made products is constantly increasing (especially among millennials), greater disclosure and transparency around these factors could also serve as a revenue opportunity.

In the digital era, social media has a magnifying effect on companies' CRM records. Demands for transparency and coordinated action to force it is becoming increasingly easier in the digital era. While companies are able to leverage social media as a new way to connect with consumers to drive sales, it also has the ability to elevate the negative as well. Along with reviews and praise, social media has made complaints, critiques, and assessment of a company's social responsibility record much more visible. One example of this is the **Fashion Revolution** movement, which leverages social media to achieve its goal: to raise awareness of the true cost of fashion, increase transparency, and encourage brands to take full responsibility for their supply chains.

Supply-chain management is critical for the Luxury Goods & Brands industry. There are significant differences across brands in the level of internalisation of the supply chain. Certain products are generally manufactured internally (e.g. watches), others are largely outsourced (e.g. clothing). Some companies utilise an external network of highly qualified artisans with large parts of the production processes outsourced (e.g. made-in-Italy leather goods). In these cases, having transparency and a partner-like relationships with suppliers takes more effort. Regardless of the business model and the level of integration, the adequacy of the procedures in the supply chain require having thorough auditing and traceability processes in place. Working closely with external partners can lead to better operating standards and minimize risk of unauthorized subcontracting. Auditing procedures are important, and we have a preference for a combination of internal and external auditing.

Sustainable and responsible sourcing of materials is also vital to ensure a continued long-term supply. Leather is the primary raw material input for footwear and accessories manufacturers. Leather is treated in tanneries, which have a significant environmental impact due to the chemicals and large amount of water used in the production process. Cotton and wool treatment can also involve the use of large quantities of pesticides and water, and application of hazardous chemicals. For watches and jewellery players, sustainable sourcing of diamonds, gold and platinum group metals are critical, as mines are often located in conflict regions.

Labour retention, worker treatment and factory safety are other important factors. Skilled labour is crucial for the manufacture of high-end luxury goods, particularly watch manufacturing and leather goods/couture. Investment in employee training (manufacturing and service) is critical for delivering good customer service. A company’s success could be (ideally) tracked by the level of employer desirability and retention, although this information is generally incomplete or not disclosed by companies. In contrast, the sporting goods industry (mainly Adidas in our coverage group) is dominated by unskilled workers and remains among the most labour-intensive sectors, despite advances in technology and workplace practices. Labour issues, factory safety and working conditions pose the most significant threats to companies' reputations.

Ranking methodology

We used eight criteria for determining supply chain and labour transparency and sustainability, for a maximum possible score of 10 points. The criteria used were: 1) issuing a supplier code of conduct; 2) audits of supplier factories, workshops and partners; 3) usage of a mix of internal and external auditors; 4) publishing of the supplier audit results; 5) usage of environmental and energy savings KPIs; 6) membership of any collaborative industry programs to improve supply chain transparency or working conditions; 7) workplace training for employees and (if applicable) for affiliated suppliers; 8) training / initiatives outside of workplace training (e.g. education, healthcare, etc). **Exhibit 24** summarises the way we have (subjectively) awarded points to the companies.

Exhibit 24: Supply Chain and Labour Ranking Criteria

SUPPLY CHAIN AND LABOUR	
Supplier code of conduct	Does the company have a supplier code of conduct? Yes = 1; No = 0
Supplier audits	Does the company audit its suppliers? Yes = 2; No = 0
Internal / external mix of auditors	Does the company use a mix of internal and third-party auditors? Mix is preferable. Yes, mix =1; No = 0
Audit results published	Does the company publish the audit results? Yes = 1; No = 0
Environmental / energy savings KPIs	Does the company use any environmental or energy savings KPIs? Yes = 1; No or unknown = 0
Sustainability affiliations	Is the company affiliated or a member of organisations promoting sustainable sourcing or manufacturing (such as Better Cotton Initiative, Leather Working Group, Responsible Jewellery Council, etc.)? Yes = 1; No = 0
Workplace training	Does the company offer workplace training? To management? To employees? To suppliers? Yes, several = 2; Yes, but only a limited amount = 1; No = 0
Training outside of workplace	Does the company offer any training / initiatives outside of workplace training? (e.g. education, healthcare, etc) Yes = 1; No or unknown = 0

Source: Morgan Stanley Research

How do companies rank?

Exhibit 25: All Brands scored well in our Supply Chain and Labour ranking

SUPPLY CHAIN AND LABOUR	LVMH	BRBY	BOSS	ADS	KER	CFR	LUX	MONC	PRA	TOD	THUL	SFER	UHR
Supplier code of conduct	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Supplier audits	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Internal / external mix of auditors	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0
Audit results published	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0
Environmental / energy savings KPIs	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Sustainability affiliations	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	0.0	0.0	1.0	1.0
Workplace training	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0	2.0	2.0	1.0	1.0
Training outside of workplace	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.0	1.0
Total points	**10.0**	**10.0**	**10.0**	**10.0**	**10.0**	**9.0**	**9.0**	**8.0**	**8.0**	**8.0**	**7.0**	**7.0**	**7.0**
TOTAL SCORE	**100%**	**100%**	**100%**	**100%**	**100%**	**90%**	**90%**	**80%**	**80%**	**80%**	**70%**	**70%**	**70%**

Source: Morgan Stanley Research
Note: This ranking is highly subjective, based on limited available information and influenced by the level of disclosure of each company. We acknowledge the data may be imperfect and may not fully represent companies' ESG efforts. Also, the ranking is relative: a ranking at the bottom of a list does not mean a company is performing badly in a given area.

Exhibit 26: We awarded full points to almost half of the companies under coverage

Source: Morgan Stanley Research

All Brands scored well in our ranking, with LVMH, Burberry, Hugo Boss, Adidas and Kering standing out. Given the importance of supply chain and labour-related issues, unsurprisingly all peers scored well in our ranking (min 70%, max 100%), with LVMH, Burberry, Hugo Boss, Adidas and Kering standing out with full points awarded.

Score differences across the peer group might be driven by the level of disclosure rather than lower ESG standards. We note that the level of disclosure of ESG standards varies significantly across the peer group, with large caps and diversified groups generally being more advanced in ESG reporting (Adidas and Kering being the best examples) vs. smaller mono-brand peers or recently listed companies (such as Moncler, Thule). A lower score could therefore mean less transparency / disclosure rather than lower ESG standards. We expect these differences to be progressively reduced as companies improve their Sustainability reporting (we note that Luxottica and Moncler plan to expand their disclosure in 2016).

Every company we examined audits its suppliers, although results are often not published. All companies in our peer group have a specific supplier code of conduct and perform supplier audits to ensure adherence to company standards. Some use internal auditors, others use a mix of internal and external. While relying solely on internal personnel enables greater control, we believe a mix is better as it offers greater objectivity. We note, however, that only less than half of our companies publicly disclose the results. While audits are a necessary and important step in the process, if the results are kept private there is less accountability with regards to improvement over time. Companies that release the information publicly have greater motivation to assist a factory, for example, with complying with its standards or terminate their business relationship

All companies provide employees training, although quality and frequency might vary. Skilled-labour retention is crucial for the industry, and all companies provide training across different departments and seniority (and in some cases across suppliers). We note, however, that the frequency and quality of this training might vary and disclosure is often limited, making it difficult to draw a full comparison across peers.

Many organizations and alliances are in place to promote better working conditions, and fair labor and supply chain standards throughout the industry. Adidas and Kering have the largest number of affiliations. Affiliating with such industry organizations, and working with other players that may be contracting with the same facility, can help companies share information and collaborate on best practices. In **Exhibit 27** we list some of the most relevant associations for the Brands sector, with Adidas and Kering showing the largest number of partnerships.

Exhibit 27: Industry organisations and alliances promoting better working conditions and fair labour standards

	CFR	LVMH	BRBY	ADS	BOSS	KER	MONC	THUL	LUX	PRA	SFER	TOD	UHR
Leather Working Group		X	X	X		X							
Responsible Jewellery Council	X	X				X							X
Better Cotton Initiative			X	X									
The Uzbek Cotton Pledge			X	X		X							
The Campaign for Wool			X										
Sustainable Apparel Coalition / HIGG Index			X	X		X							
Fair Labor Association				X	X	X							
Business for Social Responsibility	X	X				X							
Fair Factories Clearinghouse				X		X							

Source: Associations' websites

What Does This Mean for Valuation?

Adidas

Exhibit 28: Adidas ESG Analysis

ESG Topic	Analysis	Impact on Valuation
Supply Chain	**Suppliers:** Most of Adidas' production processes are outsourced to different types of business partners like factories and material/service providers.The company uses both internal and external audits to assess partners' compliance with its code of conduct. Adidas has a dedicated Environmental Sourcing Strategy (ESS) in place to manage & reduce environmental impact, with clear environmental KPIs. The company's ESG performance is reviewed and published against the backdrop of GRI guidelines. **Materials:** The principal raw materials used are polyester, rubber, cotton, nylon, leather, Polylactic Acid (PLA), Tencel (a fibre made from wood pulp), and non-mulesed wool. **Affiliations:** Adidas is a member of the Better Cotton Initiative, the Apparel and Footwear International RSL Management Working Group, and the Leather Working Group, amongst others.	**Base Case Valuation:** The company scores well in our Supply Chain analysis and we have no specific concerns with metrics at present. **Risk Sensitivity Analysis:** We continue to monitor developments across Adidas' suppliers and network of external workshops, including any sustainability efforts. At present, our bull and bear case valuations do not factor in any specific assumptions. Failure to ensure ethical behaviours could damage reputation and customer loyalty, with a direct impact on sales volumes. This is especially true given the brand's emphasis on healthy, active lifestyles.
Labour	**Employees:** Besides Adidas' own employees, workers of suppliers' factories are also critical to long term sustainability of the company. Adidas group has 53,731 employees (full-time employee: 45,917): 21% in W.Europe, 33% in European Emerging Markets; 24% in N.America, 8% in China , 6% in Other Asian Markets and 8% in Latin America. Adidas has a diverse mix of employees with 50% men and 50% women. In management, women constitute ~29% which Adidas aims to increase to 35% by 2017. **Training:** The business offers professional training to develop technical skills within a specific function (such as Retail, Finance or Marketing), as well as personal development opportunities.	**Base Case Valuation:** The company scores well in our Labour analysis and we have no specific concerns with metrics at present. **Risk Sensitivity Analysis:** Any significant unusual turnover in employees and key executives might provide downside risk and we continue to monitor developments across the employee base. However, at present our bull and bear case valuations do not factor in any specific assumptions.
Governance	**Shareholding Structure:** ~93% of shares outstanding are free float. Current members of the adidas Group Executive and Supervisory Boards hold less than 1%, following the company's share buyback programme, adidas AG treasury holds 2% of the company's shares. **Chairman / CEO / CFO: Mr. Igor Landau** is member of the adidas Supervisory Board since 2004 and he is Chairman of Adidas group since 2009. **Mr. Herbert Hainer** joined the Executive board in 1997 and became CEO in 2001. As of Jan. 2016, the company has annouced that Mr. Hainer will be stepping down as CEO on Sept. 30, 2016, and leave the board at end Mar. 2017. He will be succeeded by **Mr. Kasper Rorsted** on Oct. 1, 2016. **Mr. Robin Stalker** has been CFO since 2000 and has been on the executive board since 2001. **Board Structure:** The supervisory board is entirely separate to the management board, allowing for oversight and few instances of potential conflicts of interest. Adidas' Supervisory Board is composed of 12 members, of which 6 members are elected by AGM and 6 are elected by the employees; 4 members are female, and 5 members have been sitting on the Board for >10 years. **Remuneration Policy:** Total compensation is 1/3 fixed compensation and 2/3 variable component. The criteria for annual bonus is individual performance, increase in FX-neutral net sales, improvement of operating working capital, improvement of operating margin in the retail segment. LTIP is granted on achievement of targets in three years which includes increase in net income attributable to shareholders, increase in operating free cash flow, increase in adidas NEO Label sales and development of adidas share price. LTIP bonus is capped at a maximum 150% of the individual LTIP target amount.	**Base Case Valuation:** Adidas sits high in our ESG ranking. However, our base case valuation factors in execution risk given the ongoing management change (CEO leaving after 15 years, new one starting in Oct-16). The company introduced a 5-year strategic plan in 2015 and we see risks related to strategic execution in this transitioning phase, particularly in case of further changes in the executive team (potentially after Mr. Rorsted officially takes on the new role). We will be monitoring this space closely as management change has been a key focus area for investors. **Risk Sensitivity Analysis:** Our bull case valuation assumes - among other factors - a smooth transition towards a new management team and success in the full implementation of the 5-year plan, resulting in an immediate acceleration of the brand momentum and in market share gains.

Source: Morgan Stanley Research

Confidence on medium/ long-term strategy	Adidas introduced a 5-year strategic plan in March 2015. We see potential execution risk given the ongoing management change, particularly in case of further changes in the executive team. We like Adidas' leading position in the attractive sports market but tough competition (e.g. Nike, Under Armour) is eroding market share and operating profitability. Benchmarking across the global peers, we think marketing and sponsorship investment long-term will be material and will represent a permanent change, impacting profitability. In 2016, in particular, we see potential margin risks for the company, given the USD-related gross margin pressure, further inflation in marketing costs and market share threats from Nike.

Valuation Methodology and Risks

ADSGn.DE

Valuation methodology: Our Price Target of €74 is derived from our base case scenario where we assume LT margin is nearer 9%, but revenue growth improves from FY16. Adidas makes a permanent step-up in investment of €450m from 2017e pa and beyond. We expect EBIT margin to trough in 2016 (6.4%), and rise to 8.2% in 2019. We forecast an underlying revenue CAGR of 8% 2015-17 and nearer 9% EPS growth. Our DCF assumes a WACC of 8.25%, in line with peers, and a long-term growth rate of 2.5%. Implied adjusted P/E of 20.3x 2016e.

Key risks to achieving our price target: (i) The greatest area of upside is the US. In the event of a highly successful product launch with lower investment than we assume, our estimates could prove conservative. Also faster-than-expected growth in the EM territories (China/LatAm) or a faster-than-expected turnaround in profitability at Reebok/TMaG would leave upside to our base case estimates. (ii) On the downside, if Adidas loses market share or new products fail to gain consumer traction, this may pose downside risk to our price target and base case estimates.

Exhibit 29: Burberry ESG Analysis

ESG Topic	Analysis	Impact on Valuation
Supply Chain	**Suppliers:** Burberry's product design and development are centred in its London HQ. Materials are sourced from and manufactured at company-owned facilities in the UK and also through a network of external suppliers located mainly in Europe. Burberry has a supplier code of conduct, and continously monitors its suppliers, franchisees, distributors, licensees and agents through an audit programme. Burberry has instituted a dedicated Supply Chain Impact Committee which is responsible for delivering improvements in the supply chain with the support of the Ethical Trading team. The Supply Chain team supports suppliers in managing social and environmental standards within their own supply chains, e.g. reduction in energy consumption. The Group's global Brand Protection team has continued to expand to strengthen its brand protection efforts in a number of high-risk markets, including in the digital environment. **Materials:** The key raw materials used by Burberry are: Cotton, Leather, PVC, Cashmere. **Affiliations:** Burberry is a member of the Leather Working Group, the Better Cotton Initiative and the Campaign for Wool (amongst other partnerships).	**Base Case Valuation:** The company scores well in our Supply Chain analysis and we have no specific concerns with metrics at present. **Risk Sensitivity Analysis:** We continue to monitor developments across Burberry's suppliers and network of external workshops, including any sustainability efforts. At present, our bull and bear case valuations do not factor in any specific assumptions. Any significant issues with the external network of highly qualified artisans might provide downside risk. Failure to ensure ethical behaviours could damage reputation and customer loyalty, with a direct impact on sales volumes.
Labour	**Employees:** Burberry has c.10,851 employees (10,309 full-time equivalent employees) in 34 countries of which 69% are women with 37% of women at senior management roles. ~50% of employees are based in EMEIA, 20% in Americas and 30% in Asia. Burberry invests in developing and retaining high-potential talent through training and leadership programmes.	**Base Case Valuation:** The company scores well in our Labour analysis and we have no specific concerns with metrics at present. **Risk Sensitivity Analysis:** Any significant or unusual turnover in highly qualified employees and executives might provide downside risk and we continue to monitor developments across the employee base. Any slowdown in upskilling employees for technological developments could potentially result in Burberry losing its current edge vs. peers with impact on turnover. However, at present our bull and bear case valuations do not factor in any specific assumptions.
Governance	**Shareholding Structure:** ~98% of o/s shares are free float. Company insiders hold <1% stake in the company. **Chairman / CEO / CFO:** Sir John Peace has been Chairman of the Board since June 2002. Christopher Bailey joined Burberry in 2001, became Chief Creative Officer in 2009 and was appointed as CEO in May 2014. He has been managing the dual role since then. Carol Fairweather has been CFO since July 2013, having joined Burberry in 2006 and she sits on the Board. **Board Structure:** The Board has 12 members, of which 8 are independent, 4 are female and 3 have been sitting on the Board for >10 years. **Remuneration Policy:** The annual increase in base salary (as % of annual salary) is capped at annual salary 15%. The annual bonuses are 100% linked to financial performance of Burberry with c. adj. PBT used as the sole performance measure. Maximum Annual bonus awards are 225% of base salary (of the maxium bonus payable at each level of performance, 25% at threshold, 50% at target, 100% at maximum will be awarded). Burberry Executive Share Plan (ESP): 400% of base salary (in normal circumstances) or 600% (in exceptional circumstances). ESP is granted after evaluating three years of performance and performance measures including growth in adj. PBT (between 3% and 11% p.a.), growth in group revenue (range 3% to 11% p.a.), adj. R/W ROIC (2014/15 ROIC minus 250bps to 2014/15 ROIC). Burberry's ESG reporting is audited externally.	**Base Case Valuation:** Burberry ranks highly in our ESG ranking. However, lack of cost transparency from the management team (structure, flexibility, sensitivity) is currently weighing on our forecasts. The lack of clear multi-year profitability targets also partially limits our understanding of medium to long term profitability development. **Risk Sensitivity Analysis:** Continued lack of clarity around the cost of new sales could weigh on profitability even further (in case of a continued weak operating environment), increasing forecast risk. Given the Executive Share Plan does not explicity target a margin improvement over the next 3 years (aside from the higher weighting of the reward towards adj. PBT growth.), a lack of alignment between management incentives and margin accretion could further weigh on investor confidence. Lastly, we note the crucial role that CEO and Creative Director Christopher Bailey plays for the company and the potential succession risks around his hypothetical departure. This need to retain key senior management figures could increase costs in an environment of increasing margin pressure in the industry.

Source: Morgan Stanley Research

Confidence on medium/ long-term strategy	We rank Burberry highly in terms of its ability to attract new younger (millennial) consumers (a function of its digital presence) whilst also staying attractive to its traditional audience. Global pricing ('one product, one price') is a risk facing the industry and we do not view Burberry as immune. However, strong brand momentum is likely to make possible price increases in Europe and its supply chain allows for frequent new product flow, which is important to protecting price mix, in our view. However absence of clarity on the cost of new sales and risk of greater volatility on LFL makes profitability more unpredictable. Management highlights plans for further cost savings but details are required to reduce forecast risks and increase confidence on medium/long-term.

Valuation Methodology and Risks

BRBY.L

Valuation methodology: Our Price Target of GBp 1,300 is derived using a DCF valuation to reflect Burberry's mono-brand status, revenue growth opportunities and potential for higher margin expansion. We assume 0.7% LFL for FY16, with an average 3% pa 2016-20 helped by digital. We assume a sales CAGR 2016-19e of 5%, EBIT margin to increase 20 bps by 2018, and an EPS CAGR in 2016-19e of 7%. We assume a WACC of 8.5% and long-term growth of 2.5%. Implied adjusted P/E of 18.7x 2016e cal.

Key risks to achieving our price target: On the upside (i) Higher than expected LFL could provide meaningful profit upside, with every 1% impacting EBIT by 3%. (ii) Greater cost efficiency would drive higher operating margin as well as a re-rating for the shares, we believe. On the downside (i) Slowdown in brand momentum in the event brand desirability fades; (ii) Higher than expected pricing pressure in Asia; (iii) Beauty / Japan execution risks given these are relatively new areas for Burberry.

Investment spend: The absence of operational gearing continues to concern investors. Higher investment spend could weigh on EPS, but conversely, we also see the potential for greater clarity around spend and the returns to provide greater confidence.

Exhibit 30: Hugo Boss ESG Analysis

ESG Topic	Analysis	Impact on Valuation
Supply Chain	**Suppliers:** Social Compliance Self-Assessment was introduced in 2014; HUGO BOSS was able to significantly increase the transparency in its supply chain. The analytical tool means that all the key elements of the HUGO BOSS social standard can be evaluated with the Company's partners and their compliance monitored. The medium-term aim of the Company is to use this tool to create maximum transparency in its supply chain. During the year under review, 54% of the major suppliers were evaluated using Social Compliance Self-Assessment. Boss requires any partners that fail to meet social standards/statutory regulations to enter into a binding action plan, and in some cases, the relationship is terminated. Boss also works with external auditors when reviewing supplier standards (2014: 56& of total audits). There are ESG KPIs targeted by the business. **Materials:** The principal raw materials are fabrics (including cotton, wool and leather) predominantly sourced from partners in Italy (materials already treated, e.g. woven fabrics, buttons, thread, or zippers). ~60% of products are sourced as finished products from 3rd party suppliers. **Affiliations:** Boss is a member of the Partnership for Sustainable Textiles, Fair Labor Association, and the Apparel and Footwear International RSL Management group (amongst other partnerships).	**Base Case Valuation:** The company scores well in our Supply Chain analysis and we have no specific concerns with metrics at present. **Risk Sensitivity Analysis:** We continue to monitor developments across Hugo Boss' suppliers and sourcing countries, including any sustainability efforts. At present, our bull and bear case valuations do not factor in any specific assumptions. Any significant issues with the external network of suppliers might provide downside risk. Failure to ensure ethical behaviours could damage reputation and customer loyalty, with direct impact on sales volumes.
Labour	**Employees:** The group meets statutory and social standards in global labour employment practises (including compliance with the UN International Labour Organisation standards). There are also programmes to encourage communication between employees and management, share ideas for improvement. Hugo Boss also invests in vocational training for young people (e.g. providing training alongside higher education); the Group provides career training and development (e.g. via Hugo Boss University). The Group has 12,990 employees, of which 38% are employed in the group's retail business. c.60% of the Group's employees are women and c.45% women occupy management positions.	**Base Case Valuation:** The company scores well in our Labour analysis and we have no specific concerns with metrics at present. **Risk Sensitivity Analysis:** Any significant unusual turnover in highly qualified employees and executives might provide downside risk and we continue to monitor developments across the employee base. However, at present our bull and bear case valuations do not factor in any specific assumptions.
Governance	**Shareholding Structure:** ~90% of shares outstanding are free float. 8% are owned by PE funds and 2% are treasury shares. **Chairman / CEO / CFO:** Mr. Michel Perraudin has been Chairman of the Supervisory Board since Apr-15. Mr. Claus-Dietrich Lahrs has been CEO/Chairman of the Managing Board since Aug-08. Mark Langer has been CFO of Hugo Boss group since Jan 2010 and a member of the Managing Board since then. **Board Structure:** The supervisory board is entirely separate to the management board, allowing for oversight and few instances of potential conflicts of interest. The supervisory board is composed of 12 members of which 1/3 are independent, 1/3 female, 2 members are from the Marzotto family and one member (Deputy Chairman) has sat on the Board for >30 years. Board members have a range of expertise that can aid the group in achieving its strategic goals. **Remuneration Policy:** Whilst the CEO/CFO/members of the management board are part of the long-term incentive plan, the details of the targets and individual remuneration is not disclosed. With regard to compensation, we note that there are no malus/clawback provisions, and that the boards do not require shareholder approval for remuneration (not disclosed indivdually, available as a total pay-out to board). Trade net working capital is the target for additional bonus for the CEO/CFO (on top of base salary). Boss has a sustainability committee, which publishes a separate sustainability report using GRI guidelines.	**Base Case Valuation:** While we haven't attributed a separate money value to governance, this is embedded as part of our forecasts. We note that the company has recently missed expectations on the previously communicated financial objectives, therefore we continue to see potential risks in the current environment (particularly on the profitability front). **Risk Sensitivity Analysis:** Our bull and bear case scenarios currently do not factor in specific governance assumptions. However, we continue to monitor this space, especially with regards to turnover in key executives.

Source: Morgan Stanley Research

Confidence on medium/ long-term strategy	Hugo Boss is not immune from global price pressure in luxury, in our view. We think the apparel segment is better protected (seasonal product, regional content), but we apply a 12% price deflation for Boss in Asia 2016-17e. Investment in retail, underpenetrated product categories and digital needed for long-term growth (and the company is taking action), but this will leave margin risk we believe. We think the market is underestimating the sales drag from weaker pricing power and impact on operating margin. In 2017, our EPS forecast is now 10% below consensus.

Valuation Methodology and Risks

BOSSn.DE

Valuation methodology: Our Price Target of €83 is derived using a DCF valuation to reflect its monobrand status, revenue growth and margin potential opportunities over the long term. We assume a WACC of 8.5% and long-term growth value of 2.5%. We see 4% 2015-17e sales CAGR but flat EBIT. Implied adjusted P/E of 17.2x 2016e.

Key risks to achieving our price target: On the downside (i) A slowdown in brand momentum in the event brand desirability fades and higher than expected pricing pressure in Asia would negatively impact earnings and valuation. (ii) Brand elevation initiatives and expansion into under penetrated segments (women; accessories) disappoint. Similarly, higher investment spend - retail; online/omnichannel, CRM – could put forecasts at risk. On the Upside (i) Higher store densities and higher proportion of sales within retail could result in a higher gross margin. Given the fixed cost structure this could leave our forecasts too conservative.

Exhibit 31: Kering ESG Analysis

ESG Topic	Analysis	Impact on Valuation
Supply Chain	**Suppliers:** Kering has developed a vertically integrated production chain and has also forged special partnerships with key suppliers to ensure unhindered supply of quality raw materials. Kering has put in place supplier assessment/control systems and conducts audits of its suppliers. The group's production processes are mainly divided between Italy and France. For distribution, the group is moving from wholesale towards directly operated stores. **Materials:** The principal raw materials used are: leather; precious skins; cotton; wool and cashmere; silk; fur; gold; diamonds & precious stones; plastics; paper & wood; rubber. **Affiliations:** Kering has one of the highest number of affiliations in the industry, including Leather Working Group, Responsible Jewellery Council, Uzbek Cotton Pledge and Fair Labour Association amongst others.	**Base Case Valuation:** The company scores well in our Supply Chain analysis and we have no specific concerns with metrics at present. **Risk Sensitivity Analysis:** We continue to monitor developments across Kering's suppliers and network of external workshops, including any sustainability efforts. At present, our bull and bear case valuations do not factor in any specific assumptions. Any significant issues with the external network of highly qualified artisans might provide downside risk. Failure to ensure ethical behaviours could damage reputation and customer loyalty, with direct impact on sales volumes.
Labour	**Employees:** Kering employs highly-qualified artisians who are critical to the long term success of the company. Kering runs personnel training and skills preservation operations, and have internalised a number of functions that were previously subcontracted. The Group has established partnerships with top school, universities and fashion institutes to hire best fresh talents internationally for all key functional areas. The group has c. 37,441 employees, of which 57.5% are women; 49.2% of Group managers are women. 34% of employees are based in W.Europe, 31% in Asia/Middle East and 17% in N.America.	**Base Case Valuation:** The company scores well in our Labour analysis and we have no specific concerns with metrics at present. **Risk Sensitivity Analysis:** Any significant or unusual turnover in highly qualified employees and executives might provide downside risk and we continue to monitor developments across the employee base. However, at present our bull and bear case valuations do not factor in any specific assumptions.
Governance	**Shareholding Structure:** Artemis group (Mr Pinault) hold 40.9% stake in the Kering; Out of the ~58% o/s shares, Institutional investors own 53.5% share with 8.2% held by French companies and 45.3% by investors based outside France. **Chairman / CEO / CFO:** Mr. François-Henri Pinault is Chairman & CEO of Kering Group since 2005. He is member of Executive committe and Board of Directors. Mr. Jean-Marc Duplaix has been the CFO of Kering since February 2012 and currently doesn't sit on the Board. **Board Structure:** The Board is composed of 10 members, of which 4 are independent, 4 are female, 6 members have been sitting on the board for >10 years and in addition 1 Director representing the employees also sits on the Board. **Remuneration Policy:** The annual variable remuneration of CEO & chairman is linked to the achievement of precisely defined targets with 50% weights to the Group's recurring operating income and the 50% to Group's free cash flow from operations. The long-term incentive system is based on Kering monetary units (or KMUs) whose value is indexed to changes in the Kering share price relative to a basket of nine Luxury and Sport & Lifestyle securities. It has vesting period of 3 years. The criteria for vesting KMU's is a minimum 5% average increase in EPS over 3 years. LTIP maximum payout is the total of the last two years of cash-based remuneration (fixed remuneration plus variable remuneration) at the date of assessment.	**Base Case Valuation:** While we haven't attributed a separate money value to governance, this is embedded as part of our forecasts. **Risk Sensitivity Analysis:** The luxury segment of the Group (c. 90% of EBIT) has recently undergone a significant management restructuring. Gucci in particular (50% of EBIT) recently faced a change in both CEO and Creative Director, fueling expectations in a recovery after several quarters of weakness. In our base-case scenario we might be under-estimating the potential of this restructuring story driven by a new, successful management team.

Source: Morgan Stanley Research

Confidence on medium/ long-term strategy	The luxury segment of the Group (c. 90% of EBIT) has recently undergone a significant management restructuring. Gucci in particular (50% of EBIT) recently faced a change in both the CEO and Creative Director, fueling expectations in a recovery after several quarters of weakness. Momentum has certainly improved at Gucci, and we acknowledge an increasing success of the new product launches, however, we still believe that the brand is somewhat vulnerable to global pricing challenges – we think underlying price increases have risen too far in the past (new product at lower price points needed to boost volumes) and regional price lists will need to converge. With the brand undergoing a repositioning, we see limited scope for material price increases in Europe, which leaves some pressure on Asian price lists.

Valuation Methodology and Risks

PRTP.PA

Valuation methodology: We use a SOTP methodology (blend of 2019 and 2016) to derive our Price Target of €162, reflecting the multi-brand portfolio, with exposure to luxury and lifestyle. We assume a sales CAGR 2015-17e of 5%, EBIT +3% (with a margin decline of 60bp). Based on peers benchmarking and taking into account brands' positioning and growth profiles, we apply a P/E of 16.2x to the Gucci brand, 17.8x for Bottega Veneta and 2x sales for Saint Laurent/smaller brands. For the lifestyle division we apply a P/E multiple of 14.5x. We assume a 10% conglomerate discount as we see no meaningful synergies between the luxury and lifestyle divisions.

Key risks to achieving our price target: On the upside: (i) We could be underestimating the turnaround potential at Gucci brand – successful product and positive brand momentum would mean our pricing and volume estimates are conservative. (ii) Also, Bottega Veneta may be seeing temporary weakness related to Asia, rather than a slowdown in global brand momentum, as our forecasts imply. On the downside: (i) Greater pricing pressure and higher investment could see further risk of downside to our earnings estimates and valuation.

Exhibit 32: Luxottica ESG Analysis

ESG Topic	Analysis	Impact on Valuation
Supply Chain	**Suppliers:** Luxottica has a vertically integrated business model and manages the entire production process in house through 6 production facilities in Italy, 3 in China, 1 in Brazil and 1 in the US. Products undergo extensive testing against standards established specifically for eyewear. In 2014 Luxottica's manufacturing facilities were granted accreditation by the American Association for Laboratory Accreditation (A2LA). **Materials:** The principal raw materials and components purchased include plastic resins, acetate sheets, metal alloys, crystal and plastic lenses and frame parts. Quality and process control teams regularly inspect semi-finished products. The manufacturing processes and materials used by primary suppliers are also controlled and certified. Essilor is one of the major Group suppliers, accounting for c.30% of Luxottica's North America retail lens purchases.	**Base Case Valuation:** The company scores well in our Supply Chain analysis and we have no specific concerns with metrics at present. **Risk Sensitivity Analysis:** We continue to monitor developments across the main production facilities and sourcing countries, including any sustainability efforts. At present, our bull and bear case valuations do not factor in any specific assumptions. Any significant issues with core raw materials suppliers (such as Essilor) might provide downside risk.
Labour	**Employees:** Highly qualified employees are critical to the long-term success of the Company. The Group manages the hiring and training process of employees through a "Professional Requirements Planning and Technical and Managerial Career Development" program and designs thorough succession plans. The Group has c.78,000 employees: 55.3% in North America, 15% in Europe, 22.7% in Asia-Pacific, 6.3% in Latin America and 0.7% in the Middle East and South Africa.	**Base Case Valuation:** The company scores well in our Labour analysis and we have no specific concerns with metrics at present. **Risk Sensitivity Analysis:** Any significant unusual turnover in highly qualified employees and executives might provide downside risk and we continue to monitor developments across the employee base. However, at present our bull and bear case valuations do not factor in any specific assumptions.
Governance	**Shareholding Structure:** Mr Del Vecchio (Founder and Chairman) and his family are the largest and majority shareholders with a 61.4% stake. Giorgio Armani has a 4.7% stake. **Chairman / CEO / CFO:** Mr Del Vecchio founded the company in 1961 and since then he has been Chairman of the Board (he was also CEO until 2005). Adil Mehboob-Khan (hired from P&G) and Massimo Vian (previous COO) were appointed as co-CEOs in January 2015; however, in January 2016, Mr Khan resigned from his position and Mr Del Vecchio became Executive Chairman, responsible for Markets, while Mr Vian retained his co-CEO position for Operations. Stefano Grassi has been CFO since October 2014 and he currently doesn't sit on the Board. **Board Structure:** The Board is composed of 13 members, of which 9 are independent, 4 are female, and 2 (Chairman and Deputy Chairman) have been sitting on the Board for >30 years, while the others were appointed between 2012 and 2015. **Remuneration Policy:** The main objective used for the annual bonus is consolidated EPS. Depending on the role of the individual manager, this may be coupled with other financial indicators (for example, FCF), business indicators (Net Sales, DOP – Division Operating Profit, etc.) or specific functional objectives. The variable remuneration target values for managers can vary from 30% to 100% of the fixed comp. The maximum pay-out values, on the other hand, can range from 45% to 200% of the target values. The LTIP is granted on achievement of consolidated EPS targets over the course of a 3-year period, capped at 120% of the fixed salary.	**Base Case Valuation:** We believe that Luxottica will remain on a solid growth path thanks to the structural growth drivers in the sector and its dominant position within premium eyewear. However, the continued changes in leadership team and governance structure might pose some risks in the medium-term, given the limited visibility on the company's succession plan. **Risk Sensitivity Analysis:** Besides a slower operating environment, our bear case valuation takes into account the possibility that the Group fails to implement a successful strategy under the current (temporary) governance structure, given the continuous changes over the past year and the increased complexity (1 co-CEO + 1 Executive Chairman). It also takes into account the fact that 80-year-old founder and Executive Chairman Mr Del Vecchio might fail to find a successor over the next 2 years (as planned). Overall, factoring in both weaker fundamentals and a possible further de-rating due to governance issues, our bear case PT is c.40% below our base case.

Source: Morgan Stanley Research

Confidence on medium/ long-term strategy	We have a positive view on Luxottica's growth potential and strategic attractiveness: we believe that its well-balanced and vertically-integrated business model will allow the company to benefit from the solid structural growth drivers within eyewear. After a strong FY15, we expect double-digit earnings growth to continue in the medium term. However, as the new management team sets priorities for medium-term growth initiatives implying further investments (especially in EMs), the usual "rule-of-thumb" financials guidance valid until FY15 might not be reconfirmed, increasing forecast risks. Also, the recent (further) change in governance structure increases succession risks in the medium-term, when 80-year-old funder Mr Del Vecchio will need to appoint a new executive to guarantee continuity. We note that a candidate has not been identified yet.

Valuation Methodology and Risks

LUX.MI

Valuation methodology: Our Price Target of €57 is DCF-derived, with a rolling WACC of 7.2% on average and long-term growth of 2.5%. We assume 5-6% U/L revenue growth p.a. in 2016-17e and we model +70bps EBIT margin expansion incorporating efficiency initiatives and Oakley integration synergies, but also additional costs to support the company's expansion into new markets. +9% EPS CAGR 15-17e.

Key risks to achieving our price target: (i) Succession risk in light of the continuous changes in governance structure and key executives. (ii) A deterioration in consumer sentiment in the US could have a significant impact on top-line growth. (iii) Slower-than-expected growth in EMs could affect Luxottica's development plans. (iv) More favourable (or adverse) FX movements would significantly affect sales and profitability. The company is particularly sensitive to the USD/EUR exchange rate. (v) Luxottica is acquisitive by nature. Further potential M&A deals would in our view have an impact on the shares (positive or negative, depending on how any deal is perceived).

Exhibit 33: LVMH ESG Analysis

ESG Topic	Analysis	Impact on Valuation
Supply Chain	**Suppliers:** LVMH requires suppliers to follow a binding code of conduct, which includes international principles/standards, e.g Conventions of the international Labor Organization, the Universal Declaration on Human Rights. The supplier code of conduct includes labour and environmental standards. LVMH conducts compliance audits (without notice), and reserves the right to terminate partnerships with suppliers that do not meet the code. LVMH also has explicit environmental/energy savings KPI, published in its sustainablility report. **Materials:** For Wines & Spirits group, principal raw materials used are grapes and eaux-de-vie; For F&L segments raw materials mainly used are leathers, canvases, wools and furs; For W&J segment watchmaking components, gemstones and precious metals are the principal raw materials. **Affiliations:** LVMH is a member of the Leather Working Group and of the Responsible Jewellery Council, among other partnerships. The group publishes an ESG report which follows GRI guidelines.	**Base Case Valuation:** The company scores well in our Supply Chain analysis and we have no specific concerns with metrics at present. **Risk Sensitivity Analysis:** We continue to monitor developments across LVMH's suppliers and network of external workshops, including any sustainability efforts. At present, our bull and bear case valuations do not factor in any specific assumptions. Any significant issues with the network of highly qualified artisans might provide downside risk. Failure to ensure ethical behaviours could damage reputation and customer loyalty, with direct impact on sales volumes.
Labour	**Employees:** LVMH provides ongoing training and personal development for its employees, e.g. through education and mentoring. LVMH complies with national regulations and legislation in the area of employment for the disabled and participates in initiatives which encourage their integration into the workplace. The Group also has guidelines to respecting fundamental rights and principles in the workplace, including the elimination of professional and employment discrimination, elimination of any form of forced or bonded labour and the effective abolition of child labour. Within the workplace, LVMH is committed to enabling a healthy workplace/work-life balance of its employees. LVMH has c.121,289 employees, of which 18% in France; 24% in Europe (ex-France); 24% in U.S.; 5% in Japan and 22% in Asia (ex-Japan). c.17% of employees are Executives and managers.	**Base Case Valuation:** The company scores well in our Labour analysis and we have no specific concerns with metrics at present. **Risk Sensitivity Analysis:** Any significant unusual turnover in highly-qualified employees and executives might provide downside risk and we continue to monitor developments across the employee base. However, at present our bull and bear case valuations do not factor in any specific assumptions.
Governance	**Shareholding Structure:** The Arnault Family Group is the largest and majority shareholder with a 46.5% stake. **Chairman / CEO / CFO:** Bernard Arnault is Chairman and CEO of LVMH since 1989. Mr. Jean-Jacques Guiony has been CFO since 2004 and he currently doesn't sit on the board. **Board Structure:** The Board is composed of 17 members, of which 9 are independent, 4 are female, and 10 members have been sitting on the Board for >10 years. LVMH has a specific sustainability committee. **Remuneration Policy:** The variable compensation is linked to achievement of qualitative & quantitative targets with each having 50% weightage. Quantitative targets are i) Growth in sales, ii) Current operating income & iii) Cash flow, with each criteria accounting a weighting of 1/3. Maximum bonus awarded is 250% of fixed remuneration. For Group Managing Director, the cap of variable portion is 150% of the fixed portion.	**Base Case Valuation:** Whist we haven't attributed a separate money value to governance, this is embedded as part of our forecasts. **Risk Sensitivity Analysis:** We continue to monitor governance developments, especially with regards to turnover in key executives and potential succession risk given current governance structure and long-standing Charman and CEO. However, our bull and bear case scenarios currently do not factor in specific governance assumptions.

Source: Morgan Stanley Research

Confidence on medium/ long-term strategy	We are confident in LVMH's medium/long-term strategic prospects and we believe that the Group's diversification and its defensive qualities will allow it to outperform peers, even in a challenging environment. We see potential do deliver c. 10% EPS CAGR 2015-17e. The company reported a strong set of results in FY15, proving resiliency in a tough operating enviroment. We note that - despite the continued macro uncertainties - management gave a confident outlook message, in contrast with the more cautious tone used by peers. Management plans to continue to invest in all business segments, further increasing production capacity in both Wines & Spirits and Watches & Jewellery and continuing the optimisation of underperforming businesses (such as DFS).

Valuation Methodology and Risks

LVMH.PA

Valuation methodology: Our Price Target of €185 is derived using a SOTP to reflect the conglomerate structure of the group. We use an average of 2016 and 2019 SOTP (as we do across the peers using SOTP valuation). This is to include our cautious pricing outlook for the industry (we assume margin deterioration in 2016 and 2017 with a more normalised environment from 2018 when we assume regional price adjustments are in effect). Based on peers benchmarking, we apply a P/E of 18.6x to the LV brand (c.50% of EBIT) – a 15% premium to our 16.2x luxury benchmark, given the relative brand positioning and full control over distribution. We apply a target multiple of 30.0x P/E 2015e to the Wines & Spirits business (c.20% of EBIT), reflecting our joint analysis with the Beverages team and comfort around the structure of the JVs with Diageo. We do not apply a conglomerate discount, given the synergies we see across the group (consumer insights into travel retail with DFS, Sephora, as well as the luxury core).

Key risks to achieving our price target: (i) A slowdown in demand from Chinese consumers spending globally. (ii) A weaker than expected pricing environment at both LV and MH. Within LV, regional price convergence could result in greater pricing pressure in Asia over a shorter time frame. This could also result in margin erosion (Asia is the highest margin region for the industry on our estimates). (iii) With tight cost control at LVMH in place in our view, a weaker than expected sales performance would result in operational deleverage. (iv) Absence of a catalyst to help crystallise the value of MH.

Exhibit 34: Moncler ESG Analysis

ESG Topic	Analysis	Impact on Valuation
Supply Chain	**Suppliers:** Most of Moncler's production process is located in Eastern Europe, and is based on a network of third-party manufacturers, while the purchase of raw materials is managed directly by Moncler. In an industry were the "made in Italy" or "made in France" labels are traditionally associated with luxury products, this might create some perception of "lower quality" among the customer base. Also, goose down is one of Moncler's key raw materials. Any allegations related to animal mistreatment and low-quality production / supply chain processes might impact the group's reputation (as happened in November 2014). We note that the Group has increased controls over its supply-chains and performs regular audits at its third-party manufacturers and at their sub-suppliers. The Group has also introduced a new Control, Risk and Sustainability Committee at BoD level and has issued its first Sustainability Report and Plan in 2015. Moncler has made considerable investments in the adoption of innovative technologies that allow products to be tracked along the value chain, to prevent and mitigate the effects of counterfeiting of its brands and products. It also works directly with customers on counterfeiting matters. **Materials:** The principal raw materials used are feathers, nylon, cotton, wool.	**Base Case Valuation:** The company scores well in our Supply Chain analysis and we have no specific concerns with metrics at present. **Risk Sensitivity Analysis:** We continue to monitor developments across Moncler's suppliers and network of external partners, including any sustainability efforts. At present, our bull and bear case valuations do not factor in any specific assumptions. Any significant issues with third-party manufacturers and suppliers might provide downside risk. Failure to ensure ethical behaviours could damage reputation and customer loyalty, with direct impact on sales volumes.
Labour	**Employees:** Most of the manufacturers are managed through an external network and are not part of the Group employee base. The Group has c.1,400 employees, of which 59% are employed in its directly operated stores. 61% of employees are based in EMEA, 31% in Asia and 8% in Americas. We note that c.65% of the Group's employees are women and c.33% are less than 30 years old. The Group has invested in processes to enhance and retain talent, including through targeted training and development programs.	**Base Case Valuation:** The company scores well in our Labour analysis and we have no specific concerns with metrics at present. **Risk Sensitivity Analysis:** Any significant unusual turnover in highly qualified employees and executives might provide downside risk and we continue to monitor developments across the employee base. However, at present our bull and bear case valuations do not factor in any specific assumptions.
Governance	**Shareholding Structure:** Mr Remo Ruffini is the largest and majority shareholders with a 31.9% stake, followed by the private equity fund Eurazeo with a 15.5% stake. **Chairman / CEO / CFO:** Remo Ruffini purchased the Moncler Group in 2003 and since then he has been Chairman and CEO. Luciano Santel has been CCO / CFO since 2013 and he currently doesn't sit on the Board. **Board Structure:** The Board is composed of 11 members, of which 4 are independent, 3 are female, and 2 have been sitting on the Board for >10 years. **Remuneration Policy:** The variable component of the key executives' compensation is linked to achieving specific Group annual results of economic-financial nature (including consolidated EBITDA) and achieving signficant strategic objectives of operating importance (including those correlated to sustainability). Annual incentives in event of significant overperformance cannot exceed 100% of the fixed component. For key managers, the maximum annual incentive varies from about 20% to 40% of the fixed component. There is a 2014-18 Stock Options Plan which has a 3-year vesting period and is granted on reaching specific performance objectives linked to the Group consolidated EBITDA.	**Base Case Valuation:** Whilst we haven't attributed a separate money value to governance, this is embedded as part of our forecasts. **Risk Sensitivity Analysis:** Besides a slowdown in the industry environment, our bear case valuation (PT c.40% below our base case) factors in potential succession risks, as Mr Ruffini has so far been key to the Group success, being Chariman, CEO and responsible for the brand creative vision. We also think that a potential share placement by Mr Ruffini or Eurazeo could conceivably create overhang risk. Moncler has also been mentioned in the past as a potentially attractive luxury asset for large conglomerates: should M&A speculations resurface, shares could be supported.

Source: Morgan Stanley Research

Confidence on medium/ long-term strategy	Moncler is still in the early stages of a brand life cycle and its young age, combined with the progressive retail focus and geographic expansion, should imply robust top-line growth in the medium term (+12% sales CAGR 2015-17e), despite the tough operating environment and a progressive LFL normalisation. We are confident on the ability of the management team to execute on the expansion plan, and - during the latest investor day - we have been positively impressed by the Group key executives, particularly by the new COO Roberto Eggs, who will be in charge of the execution of the business plan, implementing the vision of the CEO and Chairman Remo Ruffini. We would expect Mr Eggs to bring best practices and meaningful retail knowledge from its experience in a best-in-class retail player such as LVMH. Despite the strong top-line momentum, however, we expect the development of the retail channel and the potential increase in store productivity to be more than offset by the additional costs of supporting the brand's growth, implying some margin dilution in the medium-term.

Valuation Methodology and Risks

MONC.MI

Valuation methodology: We derive our PT of €15 using a DCF to reflect Moncler's mono-brand status, revenue growth opportunities and cash flow developments. We forecast double-digit organic revenue growth driven by a balanced mix of LFL and new space contribution. We assume a slight margin dilution FY15-17e, with pricing power and GM benefits from retail expansion more than offset by additional opex to sustain the brand's growth. We assume a WACC of 8.2% and a long-term growth of 3%.

Key risks to achieving our price target: (i) China volatility: A deterioration (or improvement) in luxury consumer confidence could have a significant impact on the shares' performance. (ii) Fashion risk: Sales are concentrated in the core outwear segment (c.85%) and the group is still highly dependent from the classic "down jacket", increasing fashion risk. On the other hand, a further strengthening of the brand momentum would leave our top-line forecasts too cautious. (iii) Weather / seasonality. 75% of Moncler sales are generated by the A/W collection. A late or warmer-than-usual winter might impact sales or create inventory risks. A colder-than-expected season, instead, might imply further top-line upside. (iv) Competition: Emerging competition in the luxury outdoor segment (from new or existing players) might impact Moncler's competitive advantage and pricing power.

Exhibit 35: Prada ESG Analysis

ESG Topic	Analysis	Impact on Valuation
Supply Chain	**Suppliers:** Prada subjects partner suppliers to a Code of Business Conduct (all factories and external manufacturers); this Code sets internationally recognised standards for employee rights and working conditions (including zero tolerance of forced or child labour). Prada requires that anyone supplying its factories and suppliers must first be authorised by Prada and also abide by the Code. Prada conducts its own audit of supplier relationships. The group has explicit environmental targets, e.g. to consume less energy, etc. Prada works hard to combat counterfeiting around the world, as well as on the web. They are a member of the World Customs Organization and the major anti-counterfeiting associations. The group also invests in investor education and after-sales facilities. **Materials:** Main materials used by Prada are leather (including exotic skins), and cotton (for apparel). **Affiliations:** There are no details on Prada's partnership with sustainability organisations, e.g. Leather Working Group, but we note that Prada supports the initiatives by the National Chamber for Italian Fashion.	**Base Case Valuation:** The company scores well in our Supply Chain analysis and we have no specific concerns with metrics at present. **Risk Sensitivity Analysis:** We continue to monitor developments across Prada's suppliers and network of external workshops, including any sustainability efforts. At present, our bull and bear case valuationd do not factor in any specific assumptions. Any significant issues with the external network of highly qualified artisans might provide downside risk. Failure to ensure ethical behaviours could damage reputation and customer loyalty, with direct impact on sales volumes.
Labour	**Employees:** Prada ic committed to a diverse and equal opportunities hiring policy. There are distinctly more women than men in all professional areas (c.60% of entire workforce is female). The group also offers international working opportunities and specialist training programmes to its employees, and is supportive of job mobility. Prada has developed a range of advanced training courses in 2014, designed to enhance the professional capabilities. Prada has c. 11,962 employees, of which 66% are employed in Selling and 17% in Production. Highly-qualified employees including skilled artisans and craftsmen are critical to the long-term success of the company.	**Base Case Valuation:** The company scores well in our Labour analysis and we have no specific concerns with metrics at present. **Risk Sensitivity Analysis:** Any significant unusual turnover in highly-qualified employees and executives might provide downside risk and we continue to monitor developments across the employee base. However, at present our bull and bear case valuations do not factor in any specific assumptions.
Governance	**Shareholding Structure:** PRADA Holding S.p.A (Mr. Bertelli and Ms. Miuccia Prada) is the major shareholder in Prada group, holding 80% stake with rest being free float shares. **Chairman / CEO / CFO:** Mr. Carlo Mazzi was appointed to the Board in 2004 and has been Chairman of the Board since Feb, 2014. Mr. Patrizio Bertelli and Ms. Miuccia Prada are co-CEO's and both have been sitting on the board since 2003. Mr. Donatello Galli is the CFO of Prada group and he is a board member since Jan, 2005. **Board Structure:** The Board is composed of 9 members, of which 3 are independent, 2 members are female and 4 members have been sitting on the Board for >10 years. **Remuneration Policy:** The bonus is linked to group's annual performance taking into account the achievement of Group's target in net sales, as well as the objectives of each department. Prada has a long-term cash incentive plan that vests subject to the achievement by the Group of one or more economic objectives and the presence of the executive within the Group at the end of a three-year period. Prada publishes a social responsibility report under the supervision of the social responsibility committee. The methods used to gather, report and audit the information are based on the PRADA Group's own processes and instruments; development of these methods with a view to matching the GRI international standard has begun.	**Base Case Valuation:** There is no clear separation at Prada between the family (owning 80% of shares) and the top management team (Mr Bertelli and Mrs Prada are co-CEOs). Whilst we haven't attributed a separate money value to governance, this is embedded as part of our forecasts. **Risk Sensitivity Analysis:** Our bull and bear case scenarios currently do not factor in specific governance assumptions. However, we continue to monitor this space, especially with regards to potential succession risk given current governance structure.

Source: Morgan Stanley Research

Confidence on medium/ long-term strategy	Despite a potential normalisation following several quarters of underperformance, the combination of a volatile operating environment, pricing risks and product architecture risks continues to leave us cautious on a recovery at Prada. Pricing architecture revision poses the most significant risks, in our view: while the company pointed at potential further price increases in Europe to achieve the ideal price gap, we note that this strategy could pose further risks to the already fragile local customer base demand, and we continue to assume that harmonisation will imply progressive price deflation in Asia.

Valuation Methodology and Risks

1913.HK

Valuation methodology: Our Price Target of HKD 29.4 is DCF-derived. We assume a WACC of 8.5%, similar to other brands peers, and a long-term growth rate of 3%. The group consists of four brands, although core Prada accounts for c.90% of EBIT and Miu Miu <10%. Unlike other multi-brand groups within Luxury, we do not view acquisitions as likely, given the company's track record, but rather expect the strategy to focus on organic growth.

Key risks to achieving our price target: On the downside: (i) Continued weaker-than-expected LFL growth at the core Prada brand would pose margin pressure, given the level of fixed costs. (ii) There is very limited visibility for Prada (and peers). A further softening of the consumer environment or a decline in tourism trends (particularly Asian consumers travelling to Europe) would present downside risks to our base case forecasts. On the upside: (i) We may be too bearish on our pricing outlook – in the past, brands (incl. Prada) have been price 'setters'. (ii) A more pronounced recovery within HK/China would make our sales and margin forecasts too conservative. Our strategists are more constructive on cyclicals and exposure to EM overall.

Exhibit 36: Richemont ESG Analysis

ESG Topic	Analysis	Impact on Valuation
Supply Chain	**Suppliers:** Richemont seeks to influence the behaviour of its suppliers through a Supplier Code of Conduct and via the Responsible Jewellery Council. Each year, between 50 and 150 suppliers are audited as part of the regular relationship with the Maisons. Some of the Maisons conduct third-party external audits of key suppliers' compliance with the Code as part of their internal risk management processes.Maisons share their supplier auditing efforts; over 200 audited sites have been identified and duplicated effort for new audits is prevented. Neither supplier audit findings nor the remedial actions arising from them are publicly disclosed. In 2014/15, 140 external audits were carried out. Richemont, through its involvement in the Responsible Jewellery Council ('RJC'), also seeks to ensure compliance with the RJC's standards relating to slavery and human trafficking. Richemont's code also includes environmental footprint targets. **Materials:** The principal raw materials used include leather, precious skins, precious metals esp. gold & diamonds. **Affiliations:** Richemont is a member of the Responsible Jewellery Council.	**Base Case Valuation:** The company scores well in our Supply Chain analysis and we have no specific concerns with metrics at present. **Risk Sensitivity Analysis:** We continue to monitor developments across the network of external workshops, including any sustainability efforts. Any significant issues with the external network of highly-qualified artisans might provide downside risk. Given the group's need for sourcing precious metals and stones, any failure to ensure ethical behaviours (e.g. sourcing from non-conflict regions, etc.) could damage reputation and customer loyalty, with direct impact on sales volumes. However, our bull and bear case valuations do not factor in any specific assumptions, currently.
Labour	**Employees:** Richemont has employed c.28,324 people in manufacturing, distribution, retail and administrative functions. c.66% of Richemont's employees are based in Europe, primarily in Switzerland (31%), France, the UK and Germany. Training is a key component of the Maisons' success and is fully integrated in the performance and development appraisal process for all employees. To preserve the skills of master craftsmen from one generation to the next, Richemont engages a number of apprentices each year. c.600 apprentices and trainees are currently employed.	**Base Case Valuation:** The company scores well in our Labour analysis and we have no specific concerns with metrics at present. **Risk Sensitivity Analysis:** Any significant unusual turnover in highly qualified employees and executives might provide downside risk and we continue to monitor developments across the employee base. However, at present our bull and bear case valuations do not factor in any specific assumptions.
Governance	**Shareholding Structure:** Richemont's 'A' shares are 100% free float o/s shares. Richemont's 'B' shares are not listed and are held by Compagnie Financière Rupert which has ~9.1 % of the Group's equity and controls 50% of overall Richemont's voting rights. Both share lines have equal voting rights. **Chairman / CEO / CFO:** Mr. Johann Rupert was appointed to the Board in 1988 and has been Chairman of Richemont since 2002. He has also served as CEO from 2003 to 2004 and from 2010 to 2013. Mr Bernard Fornas and Mr Richard Lepeu have been co-CEO's of Richemont since April 2013. Mr. Gary Saage is the CFO since 2010 and currently sits on the Board. **Board Structure:** The Board is composed of 18 members of which 14 are independent, one member is female and 8 have been sitting on the Board for >10 years. **Remuneration Policy:** The short-term incentive targets vary according to function from 40 % to 75 % of base salary, with a maximum cap set at 150 % of base salary. The targets has both quantitative and qualitative components: The quantitative component is assessed on actual Group sales, operating profit and net changes in cash for the year compared against the current year's budget and the prior year's actual financial results. The qualitative component is assessed on performance against individual strategic targets. The achieved quantitative percentage apply equally to each executive; the qualitative percentage vary by executive. LTIP awards are made annually and typically vest after a three-year vesting period. The value of a Maison is consistently determined as the average of multiples of sales, operating profit and cash contributions achieved for the previous year. The executive receives a percentage of the increase in value of the Maison from the date of grant to the vesting date.	**Base Case Valuation:** Whilst we haven't attributed a separate money value to governance, this is embedded as part of our forecasts. **Risk Sensitivity Analysis:** Our bull and bear case scenarios currently do not factor in specific governance assumptions. However, we continue to monitor this space, especially with regards to turnover in key executives and potential succession risk.

Source: Morgan Stanley Research

Confidence on medium/ long-term strategy	We are confident on Richemont's medium-long term earnings prospects for three main reasons: (i) A winner in the pricing debate – we see an attractive pricing structure across regions within jewellery, which is a rare segment with pricing power. (ii) Jewellery sales resilient – this segment continued to show growth and we expect outperformance to continue going into next year. (iii) Operational leverage favourable – our bull case sees earnings 20-25% higher. Given Richemont's relatively high fixed cost base (~70% opex is fixed, we estimate) a volume-led improvement would flow straight through to earnings, on our forecasts.

Valuation Methodology and Risks

CFR.VX

Valuation methodology: Our Price Target of CHF 83 is derived using a blended SOTP for 2016/2019. We forecast a sales CAGR of 6% in FY2016-18e and 22% margin in FY17 (+60bp yoy). We assume jewellery outperforms watches (Cartier and Van Cleef Arpels). We assume EPS CAGR 2016-18e of 12%. We apply a target P/E of 18.6x Cartier (a 15% premium to our 16.2x industry benchmark) which reflects its robust pricing power and dominance of the high-end luxury segment and an industry average PE of 16x for specialist watchmakers.

Key risks to achieving our price target: On the downside: (i) absence of a more stable operating environment in Asia (volumes and pricing) poses the key risk, in our view; additional risks include (ii) greater volatility in the US - although we expect the high end to outperform - and (iii) potential weakness in demand from consumers in the Middle East/Russia, where high-end consumption can be correlated to the oil price. On the upside: (i) a lower gold price is positive for COGS at Richemont, but this is likely to take 12-18 months to benefit gross profit given the lead-time of new product.

Exhibit 37: Salvatore Ferragamo ESG Analysis

ESG Topic	Analysis	Impact on Valuation
Supply Chain	**Suppliers:** The production process is externalised to expert staff in external workshops. The company uses a broad network of selected Italian manufacturers which have been working with the Group for many years. The Group directly manages the product development and industrialization stage and undertakes quality controls, both during the production process and on 100% of the finished products. The company has strong anti-counterfeiting policies and works closely with wholesalers and manufacturers to protect its intellectual property. It also works with customs organisations, and is a member of groups like the Anti-Counterfeiting Coalition. **Materials:** The principal raw materials used are leather and silk.	**Base Case Valuation:** We have no specific concerns with metrics at present (although we note that there is limited disclosure around ESG themes) **Risk Sensitivity Analysis:** We continue to monitor developments across Ferragamo's network of external workshops, including any sustainability efforts. At present, our bull and bear case valuations do not factor in any specific assumptions. Any significant issues with the external network of highly qualified artisans might provide downside risk. Failure to ensure ethical behaviours could damage reputation and customer loyalty, with a direct impact on sales volumes.
Labour	**Employees:** Most of the highly-qualified artisans are managed through an external network and are not part of the Group employee base. The company offers training activities implemented at all levels within the organization, including developing skills to provide and receive feedback. It also offers a Leadership Development Program. The Group has 3,900 employees, of which 17% are top managers, 77% white collar and 6% blue collar.	**Base Case Valuation:** The company scores well in our Labour analysis and we have no specific concerns with metrics at present. **Risk Sensitivity Analysis:** Any significant unusual turnover in highly qualified employees and executives might provide downside risk and we continue to monitor developments across the employee base. However, at present our bull and bear case valuations do not factor in any specific assumptions.
Governance	**Shareholding Structure:** The Ferragamo family is the largest and majority shareholders with a 57.7% stake. **Chairman / CEO / CFO:** Chairman Ferruccio Ferragamo started working in the company in 1963, was appointed to the Board in 1994 and has been Chairman since 2006. Michele Norsa has been CEO since 2006, coming from Valentino Group. Ernesto Greco has been CFO since 2007 and he currently doesn't sit on the Board. **Board Structure:** The Board is composed of 13 members, of which 4 are independent, 4 are female, and 4 have been sitting on the Board for >10 years. 4 members are from the Ferragamo family. However, we note that the key managerial positions are not held by family members, limiting succession risk. **Remuneration Policy:** There are three main groups of criteria to establish the annual bonus: i) profitability metrics related to the company; ii) metrics benchmarked against a group of peers and iii) individual objectives. The bonus cannot exceed 40% of the total annual compensation. There is also a 3-year Stock Grant Plan for key executives (excluding the CEO). Performance objectives include: i) revenue growth (CAGR) vs a group of peers; ii) total shareholder return (TSR) vs a group of peers, composed of 6 listed luxury companies similar to Ferragamo	**Base Case Valuation:** Whilst we haven't attributed a separate money value to governance, this is embedded as part of our forecasts (although we note that there is currently limited disclosure around ESG themes). Whilst the company is majority owned by the founding family, we note that there is a clear separation between the family and the key executive team (CEO, CFO). **Risk Sensitivity Analysis:** A potential placement by the founding family could conceivably create overhang risk. Ferragamo has also been frequently mentioned in the past as a potentially attractive luxury asset for large conglomerates, also due to its family ownership: should M&A speculation resurface, shares could be supported.

Source: Morgan Stanley Research

Confidence on medium/ long-term strategy	Our forecasts reflect a more challenging operating environment in luxury, especially in Asia - and we note that Ferragamo is one of the luxury companies most exposed to the Chinese customer base at c.40% of sales. While we are prudent on the company's top line progression, we continue to see margin expansion potential: we expect gross margin improvements to be driven by a fuller price product mix, production efficiencies and a FY16 FX boost (reflecting the company's hedging strategy). We estimate that the company will be able to achieve its medium/long-term 25% EBITDA margin target by FY20 (although we had previously expected FY18).

Valuation Methodology and Risks

SFER.MI

Valuation methodology: We derive our Price Target of €24 using a DCF to reflect Ferragamo's mono-brand status. We forecast a mid-single digit organic growth in 2016-17, with a LFL of ~3% on average, assuming somewhat reduced pricing power. We forecast 150bps EBITDA margin expansion in FY15-17, but assume the company won't achieve its 25% EBITDA margin target until 2020. We assume a WACC of 8.2%, in line with peers, and 2.5% long-term growth.

Key risks to achieving our price target: On the downside: (i) A slowdown in demand and a further deterioration in the consumer environment (esp. among Chinese customers); (ii) Extraordinary macro events negatively affecting international tourists flow; (iii) A further worsening of the competitive environment, especially in the bags/leather goods category; (iv) lack of distribution control, especially in China, where wholesale presence is significant. On the upside: (i) better-than-expected pricing power, which could leave our LFL assumptions too cautious; (ii) stronger cost control by the management team, leading to better-than-expected margin expansion despite the tough operating environment.

Exhibit 38: Swatch ESG Analysis

ESG Topic	Analysis	Impact on Valuation
Supply Chain	**Suppliers:** The group has ESG benchmarks, e.g. CO2 emissions from energy consumption (audit in collaboration with the Swiss Economic Energy Agency); waste management; battery recycling management and the emissions of volatile organic compounds. Swatch requests all suppliers to guarantee that (where possible) precious metals are sourced from non-conflict, ethical regions, and comply with all legal supply chain requirements. Swatch complies with European Union regulations, e.g. the registration, evaluation, authorisation and restriction of chemical products. **Materials:** The principal raw materials used include precious metals, diamonds and exotic leathers. **Affiliations:** Swatch brands (e.g Omega and Harry Winston) are members of the Responsible Jewellery Council.	**Base Case Valuation:** The company scores well in our Supply Chain analysis and we have no specific concerns with metrics at present. **Risk Sensitivity Analysis:** We continue to monitor developments across the main production facilities and sourcing countries, including any sustainability efforts. Given the group's need for sourcing precious metals and stones, any failure to ensure ethical behaviours (e.g. sourcing from non-conflict regions, etc.) could damage reputation and customer loyalty, with direct impact on sales volumes. However, our bull and bear case valuations do not factor in any specific assumptions, currently.
Labour	**Employees:** Swatch employs 35,623 employees, of which 52% are women in total workforce. In addition, the staff complement outside of Switzerland represents 50% of the job total. Swatch provides initial professional training, including the alternation between academic and practical training. Swatch employs over 500 apprentices in nearly 40 different apprenticeship courses. Swatch also offers continuous education for employees, to encourage the development of new skills and to adapt to technologial changes.	**Base Case Valuation:** The company scores well in our Labour analysis and we have no specific concerns with metrics at present. **Risk Sensitivity Analysis:** Any significant or unusual turnover in highly qualified employees and executives might provide downside risk and we continue to monitor developments across the employee base. However, at present our bull and bear case valuations do not factor in any specific assumptions. A lack of investment in or commitment to upskilling employees to deal with technological developments (e.g. e-commerce, smartwatch technology) could weigh on turnover.
Governance	**Shareholding Structure:** Swatch shares trade under two lines - bearer and registered shares. The Hayek Pool, related parties, institutions, and persons control 40.8% of votes (c.50.9% of registered shares). **Chairman / CEO / CFO:** Ms. Nayla Hayek has been sitting on the Board since 1995; she has been Chairwoman of the Group since June 30, 2010. Nick Hayek is President/ CEO of the Management Board since 2003 and member of the Board of Directors since 2010 (he has been at Swatch Group since 1994, first as Swatch Ltd Marketing Manager, then as President, and finally as Delegate of the Board of Directors of Swatch Ltd.). Dr Thierry Kenel is responsible for Corporate Finance, Reporting and Investor Relations. He has been a Member of the Extended Group Management Board since Apr 2009. **Board Structure:** The Board is composed of 5 members of which 3 are independent, one member is female and three members have been sitting on Board for >10 years. **Remuneration Policy:** The criteria for annual bonus include turnover development, operating profit. If the objectives will foreseeably be achieved, 70% of the bonus potential will be paid at the start of the year; if not, 50% will be paid. The criteria also include EBIT, changes in market share, development of inventory and receivables, accomplishment of development and set-up projects, success in negotiations, successful implementation of cost reduction programmes, personnel fluctuation, and motivation of employees.	**Base Case Valuation:** We highlight that the company is required to communicate with the market only two times a year (much less than peers). This limited access to management and communication with key executives results in lower visibility and increased forecast risk. Whilst we haven't attributed a separate money value to governance, this is embedded in our base case valuation. **Risk Sensitivity Analysis:** The company is majority owned by its founding family (Hayek Pool) and there is no clear separation between the major shareholder and the executive team (mainly the CEO), creating succession risk. Also, the CEO had in the past declared that a de-listing of the company was "possible". Should any similar speculations resurface, shares could be supported.

Source: Morgan Stanley Research

Confidence on medium/ long-term strategy	We maintain our cautious view on Swatch: while the company has underperformed peers in the past year, we remain cautious on the long-term growth outlook of the entry level and mid-luxury watch segments due to the risks from the smartwatch category. We also believe inventory levels at third-party retailers in Greater China, such as Hengdeli and Emperor, remain relatively high, which may delay a recovery in sell-in rates. Overall, we continue to see downside risk in an environment with greater competition and lower earnings growth.

Valuation Methodology and Risks

UHR.VX

Valuation methodology: Our Price Target of CHF 310 is derived using a SOTP multiples-based approach (blend of 2016 and 2019) reflecting the Group's conglomerate structure, implying a P/E of c.13.5x in 2016e (10% discount to the group's LT average). We believe Swatch will trade on a discount given its greater exposure to the low-mid tier category and wholesale channel, increasing forecast risk. In our SOTP valuation, we apply: a P/E multiple of 16x to the high-end luxury segment, a premium to the group reflecting a more resilient revenue base and higher pricing power; a P/E of 13x to Omega, the key earnings driver, and of 12.5x to the other smaller brands in the basic/medium range (more exposed to the wholesale channel), all at a discount to the Group, given lower pricing power vs. the high end segment and greater threat from the smartwatch category..

Key risks to achieving our price target: (i) If Swatch does not manage to reduce the cost base, we would see additional downside to earnings. We see the greatest risk as higher than expected marketing costs, given we anticipate higher competition (from wearables). (ii) We could also be too bearish on our assumptions for volume growth with respect to the industry and Swatch, particularly within the mid/high priced ranges, where we see the greatest competitive pressure from smartwatches. (iii) If the smartwatch threat fails to materialize and we see a faster than expected recovery in Asia, the Swiss industry could return to its 8% pa average growth. (iv) Product innovation at Swatch could also exceed expectations. The smartwatch category depends on new launches, privacy controls and it is not for everyone (especially female buyers). New technologies will encourage product innovation and potential new consumers to the watch category.

Exhibit 39: Thule ESG Analysis

ESG Topic	Analysis	Impact on Valuation
Supply Chain	**Suppliers:** Thule Group has a clear code of conduct guide that applies to internal and external partners (including suppliers). This includes guidelines on labour conditions, environmental footprint, etc. that suppliers must also meet. However, we do not have information on how the company audits suppliers. Thule group does have energy usage KPIs (e.g. target to further reduce electricity consumption by 5% by end 2016, increased recycling options in factories and offices with the target to reach a recycle rate of 95 percent by the end of 2016).	**Base Case Valuation:** The company scores well in our Supply Chain analysis and we have no specific concerns with metrics at present. **Risk Sensitivity Analysis:** We continue to monitor developments across the main production facilities and sourcing countries, including any sustainability efforts. However, our bull and bear case valuations do not factor in any specific assumptions, currently. Failure to ensure ethical behaviours could damage reputation and customer loyalty, with a direct impact on sales volumes. This is especially true given the brand's emphasis on healthy, active, outdoors lifestyles.
Labour	**Employees:** Thule Group is convinced that by promoting a healthy lifestyle, the company can ensure that its employees perform and feel better. Being active is part of the corporate culture. Employees are offered opportunities to test the company's products in their natural element. Health and safety: A structured approach to health and safety has been implemented in the company over the years with global standards, monitoring and reporting throughout the company with focus on the ten manufacturing units. Thule also focuses on employee development although we found limited details about the training on offer.	**Base Case Valuation:** The company scores well in our Labour analysis and we have no specific concerns with metrics at present. **Risk Sensitivity Analysis:** Any significant unusual turnover in skilled employees and executives might provide downside risk and we continue to monitor developments across the employee base. However, at present our bull and bear case valuations do not factor in any specific assumptions.
Governance	**Shareholding Structure:** Private Equity fund Nordic Capital still owns 29.3% of shares. The free float makes up 65% of shares outstanding. **Chairman/ CEO / CFO:** Mr. Stefan Jacobsson is Chairman and member of the board since 2011. Mr. Magnus Welander is CEO and President of Group Management since 2010. Lennart Mauritzson is CFO and is member of Group Management since 2011. **Board Structure:** The Board is composed of 7 members out of which 4 are independent, 2 are female. **Remuneration Policy:** Variable remuneration for the CEO can amount to a maximum of 75% of basic salary. Any bonus payments and the amount of bonus are related to the degree of fulfillment of annual, predefined financial targets. These targets are linked to sales, EBITDA and cash flow. The company also has an LTIP plan. Limited details are provided, however wording suggests that remuneration should be based on shareholder returns.	**Base Case Valuation:** Whilst we haven't attributed a separate money value to governance, this is embedded as part of our forecasts. **Risk Sensitivity Analysis:** Private Equity fund Eurazeo still owns c.30% of shares: further potential placements could conceivably create overhang risk. We also highlight that the group CEO is a key executive in this company, responsible for the execution of the group strategy and for some of the business segments. The reliance on one key executive could pose risks in the event of potential management changes.

Source: Morgan Stanley Research

Confidence on medium/ long-term strategy	Thule has a ~50% global market share and a #1 position in all regions in sports&cargo carriers, a resilient business which should continue to underpin growth in '15-17e (+3-4% CAGR). We see material upside from expanding into new product categories (bags, other outdoor). Our base case assumes ~7% Group organic sales growth in '15-17e, with a significant contribution from the new categories. Our overall view on the company's strategic progress is positive, however we see some potential risks: the core sports&cargo carriers market is relatively small, low-growth, and the success of new products is largely unknown. Most of the new product launches focus on the highly competitive bags segment where Thule has little track record and low presence (~2% market share).

Valuation Methodology and Risks

THULE.ST

Valuation methodology: We derive our Price Target of SEK 105 using a DCF valuation in line with our base case scenario. We forecast +6% average organic sales growth in 2016-17e, moderate 50bps EBIT margin expansion, introduction of new product categories weighing on margins and partly offsetting operating leverage. Long-term EBIT margin of c.19%. We apply a rolling WACC of 8.2% on average and L/T growth of 1.0%.

Key risks to achieving our price target: On the downside: (i) Growth slowdown in the core sports&cargo carriers market. (ii) High competition in the new product categories could prevent the company from successfully expanding into new segments. On the upside: (i) We might be underestimating the potential of the Thule brand and the success of the newly-introduced complementary product categories, which might leave our organic growth assumptions too conservative.

Currency volatility vs. SEK (esp. USD, EUR, CNY) might also affect the company's performance.

Finally, given the Group's acquisitive nature and the track record in disposal of non-core assets, we believe that the company could feasibly pursue further acquisitions / disposals, which might have an impact on the shares (positive or negative, depending on how any deal is perceived).

Exhibit 40: Tod's ESG Analysis

ESG Topic	Analysis	Impact on Valuation
Supply Chain	**Suppliers:** The production process is partly internal, and partly outsourced to expert staff in external workshops. The company uses a broad network of selected manufacturers that have been working with the Group for many years. The Group monitors maintenance of the product standards, performing checks on raw materials, processes and the finished product. The Group has also been implementing initiatives to reduce the consumption of energy at its production and commercial facilities, relying in part on external audits. It has also implemented a Code of Ethics in 2008. One of the Group's stated priorities is to reduce the consumption of energy at its production and commercial facilities. The Group conducts precise analyses of its consumption of electricity and fuels. It defines an annual programme of energy savings measures to be implemented, relying in part on audits performed by specialised outsourcers. The company annual report does now specify affiliations with ethical sourcing groups, e.g. Leather Working Group. **Materials:** The principal raw materials used are leather and rubber.	**Base Case Valuation:** We have no specific concerns with metrics at present (although we note that there is limited disclosure around ESG themes). **Risk Sensitivity Analysis:** We continue to monitor developments across Tod's network of workshops, including any sustainability efforts. At present, our bull and bear case valuations do not factor in any specific assumptions. Any significant issues with the external network of highly qualified artisans might provide downside risk. Failure to ensure ethical behaviours could damage reputation and customer loyalty, with direct impact on sales volumes.
Labour	**Employees:** Highly qualified employees are critical to the long-term success of the company. The Group has a Welfare Project in place and offers training activities targeted to specific roles, including a China-Italy exchange program for store managers. The Group has c.4,300 employees, of which 1% executives, 69% white collar and 30% blue collar.	**Base Case Valuation:** The company scores well in our Labour analysis and we have no specific concerns with metrics at present. **Risk Sensitivity Analysis:** Any significant or unusual turnover in highly qualified employees and executives might provide downside risk and we continue to monitor developments across the employee base. However, at present our bull and bear case valuations do not factor in any specific assumptions.
Governance	**Shareholding Structure:** The Della Valle family is the largest and majority shareholders with a 60.7% stake. **Chairman / CEO / CFO:** Diego Della Valle started working in the company in the 1970s and has been Chairman and co-CEO since 2000. Co-CEOs Andrea Della Valle and Stefano Sincini and CFO Emilio Macellari have also held their respective positions since 2000. **Board Structure:** The Board is composed of 14 members, of which 7 are independent, 3 are female, and 8 have been sitting on the Board for >10 years. 3 members are from the Della Valle family. **Remuneration Policy:** The variable components of the key executives' compensation are linked to the economic, capital and financial performance of the group. The bonus for executives with strategic responsibilities cannot exceed 40% of the fixed compensation. No details on the company's LTIP plan are disclosed.	**Base Case Valuation:** Our base case valuation assumes the continuity of the current leadership and governance structure, despite we note that currently no succession plan exists for the key executives (specifically the ones related to the Della Valle family). **Risk Sensitivity Analysis:** Besides a more challenging industry environment, our bear case valuation (PT c.40% below our base case) factors in the succession risks for the Group, currently majority owned and managed by the founding family. We note, also that a potential share placement by the family could conceivably create overhang risk. Tod's has also been frequently mentioned in the past as a potentially attractive luxury asset for large conglomerates: should M&A speculation resurface, shares could be supported.

Source: Morgan Stanley Research

Confidence on medium/ long-term strategy	Despite some potential normalisation following several quarters of LFL decline, we continue to see potential risk to forecasts and limited earnings visibility: continued stagnation in footwear and no meaningful improvement in leather goods could keep top line and margins depressed. Also, luxury is currently operating in a more challenging environment with a higher level of volatility in consumption, adding a further layer of uncertainty. We also see Tod's as more challenged (on a relative basis vs. peers) in the context of pricing model risks, given the still significant price gaps across geographies. We would turn more positive on stronger evidence that the new product initiatives start to get meaningful traction.

Valuation Methodology and Risks

TOD.MI

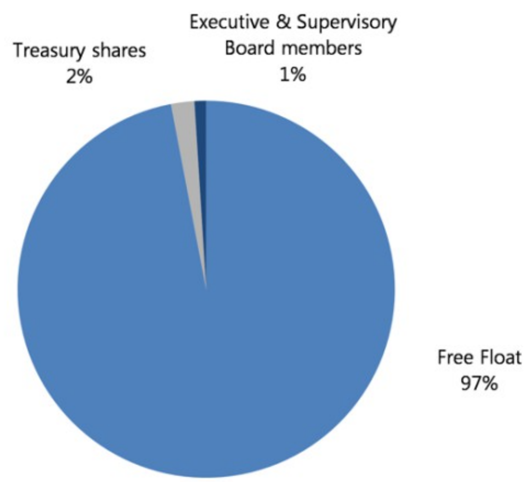
Valuation methodology: We derive our Price Target of €74 using a DCF to fully capture the development of revenue and the potential margin recovery. We assume flattish organic sales growth in FY15 and a reacceleration to ~3.5% p.a. in 2016-17 (from a low base) with 2.0-2.5% LFL, driven by a modest success in the new Leather Goods product offerings. This is sufficient to limit further margin deterioration, but we assume progress is slow. We assume a WACC of 8.2%, in line with peers, and 2% LT growth.

Key risks to achieving our price target: (i) An earlier-than-expected recovery driven by a strong success in new product launches, especially within the leather goods segment; (ii) A significant and quicker-than-expected recovery in consumer sentiment in Italy and in Europe; (iii) A progressive improvement in the operating environment in Asia, especially in Hong Kong and Macau; and (iv) M&A speculation resurfacing, which could support the shares. (Tod's has frequently been mentioned in the past as a potentially attractive luxury asset for large conglomerates.)

A Detailed Look at Companies' Corporate Governance

Adidas

Exhibit 41: Adidas Shareholding Structure



Source: Company data

Exhibit 42: Adidas Supervisory Board of Directors

Name	Age	Position held	Appointment Date
Igor Landau	71	Chairman	2004
Sabine Bauer	51	Deputy Chairwoman	1999
Willi Schwerdtlew	61	Deputy Chairman	2004
Dieter Hauenstein	57	Supervisory Board Member	2009
Dr. Wolfgang Jager	60	Supervisory Board Member	2009
Dr. Stefan Jentzsch	54	Supervisory Board Member	2007
Herbert Kauffmann	63	Supervisory Board Member	2009
Katja Kraus	45	Supervisory Board Member	2014
Kathrin Menges	50	Supervisory Board Member	2014
Roland Nosko	57	Supervisory Board Member	2004
Hans Ruprecht	60	Supervisory Board Member	2009
Heidi Thaler-Veh	52	Supervisory Board Member	1998

*According to Germand regulations, Source: Company data

Exhibit 43: Adidas Governance Overview

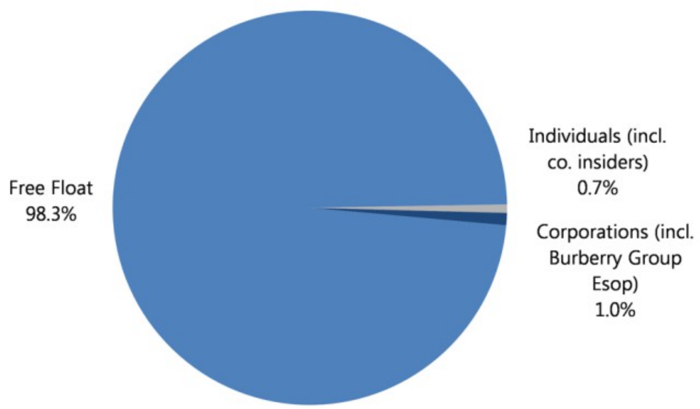
Board Experience:	
What is the tenure of the CEO*?	14.8 years*
What is the tenure of the CFO?	15.9 years
What is the tenure of the COO?	18.8 years
What is the average tenure of the board?	8.9 years

What is the average number of different company board positions held by the non-exec directors?	2
Are non-exec directors re-elected on an annual basis?	No
How many years do non-exec directors automatically serve?	5
How does the experience of the board demonstrate diversity of backgrounds amongst its non-exec directors?	The non-exec directors have varied but relevant experience and backgrounds including expertise in general management, economics, corporate finance, consultancy, Political Science, Certified teaching etc.
How does the experience of the board reflect the company's business strategy?	The board members have extensive knowledge of various professional fields and many years of international experience which they bring together to perform their supervisory functions.
How does the experience of the board reflect relevant financial, accounting and legal knowledge?	Igor Landau has served as Head of Health department, while Willi Schwerdtle works as Independent Management Consultant, Herbert Kauffmann has worked in various positions in Finance Controlling
What percentage of board members are female?	33% (Supervisory Board)
Independence:	
What percentage of board members are independent?	100% (Supervisory Board)
What percentage of the audit committee members are independent?	100%
Are the Chairman and CEO roles separated?	Yes
Has the Chairman previously been the CEO?	No
What is the tenure of the company's auditors?	1
What is the split of non-audit to audit fees paid to the auditors?	58% non-audit fees (€1.4 Mn) / 42% audit fees (€1.0 Mn)
How many board members have been on the board for over ten years?	5
Alignment with minority shareholders:	
Do any board members own shares in the company?	No
Please state the shareholdings for each board member owning shares in the company.	NA
Are there minimum shareholding requirements for the board?	No
Please give details of any minimum shareholding requirements for the board.	NA
Are there any unusual voting structures?	No
Are there any safeguards to protect shareholders with inferior voting rights?	NA
In the case that certain share classes do carry disproportionate voting rights, what are the provisions to protect minority shareholders?	NA
Is there an individual, family or government with a majority stake?	No
Please give details of any individual, family or government owning more than 50% of the shares.	NA
Does the firm require shareholder approval to implement takeover defences?	NA
Compensation:	
What is the CEO's maximum: base compensation ratio?	396%
What is the CFO's maximum: base compensation ratio?	528%
What are the criteria for the CEO's annual bonus?	i) Individual performance of the CEO. ii) Increase in currency-neutral net sales. iii) Improvement of operating working capital. iv) Improvement of operating margin in the retail segment.
What are the criteria for the CFO's annual bonus?	i) Individual performance of the CFO. ii) Increase in currency-neutral net sales. iii) Improvement of operating working capital. iv) Improvement of operating margin in the retail segment.
Is there an LTIP?	Yes

Please provide LTIP criteria, if applicable.	Targets to be achieved in three years which includes: i) Increase in net income attributable to shareholders. ii) Increase in operating free cash flow. iii) Increase in adidas NEO Label sales. iv) Development of adidas share price.
What is the maximum pay-out of the LTIP? (in Mn)	LTIP bonus is capped at a maximum 150% of the individual LTIP target amount.
How many managers are eligible for the LTIP?	All members of the Executive Board are eligible for the LTIP.
What is the total pay of the board? (in Mn)	€ 17.08
Have there been any significant votes (> 10%) against the remuneration report over the last 3 years?	Yes
Please provide details.	2012: 10.5%, 2015: 22.53%
Have any recruitment awards or termination payments been made in the last 3 years?	Yes
Please provide details.	Erich Stamminger (succeeded by Eric Liedtke) was mutually terminated and was paid a performance bonus of €482,710 for FY13. He was paid compensation of €104,530 for post-contractual competition prohibition; he will also receive €362,032 and €214,355 granted to him as (2013) LTIP in 2015 and 2016, respectively.
Is the remuneration committee made up of independent board members?	Yes
Are the firm and board required to get shareholder approval of remuneration policies?	No
Are there malus and clawback provisions in place for all incentive schemes?	No

*Note: The current CEO Mr. Herbert Hainer will be succeeded by Mr. Kaspar Rorsted on Oct. 2016. In the case of Germany-listed companies, the Board refers to the Supervisory Board which is independent from the Executive Board. Source: Company Data

Exhibit 44: Burberry Shareholding Structure



Source: Company data, Thomson Reuters

Exhibit 45: Burberry Board of Directors

Name	Age	Position	Appointment date
Sir John Peace	66	Chairman	2002
Christopher Bailey	44	Chief Creative and Chief Executive Officer	2014
Carol Fairweather	54	Chief Financial Officer	2013
John Smith	58	Chief Operating Officer	2013
Fabiola Arredondo	49	Non-executive Director	2015
Philip Bowman	63	Senior Independent Director	2002
Ian Carter	54	Non-executive Director	2007
Jeremy Darroch	53	Non-executive Director	2014
Stephanie George	59	Non-executive Director	2006
Matthew Key	52	Non-executive Director	2013
Carolyn McCall	54	Non-executive Director	2014
David Tyler	62	Non-executive Director	2002

Source: Company data

Exhibit 46: Burberry Governance Overview

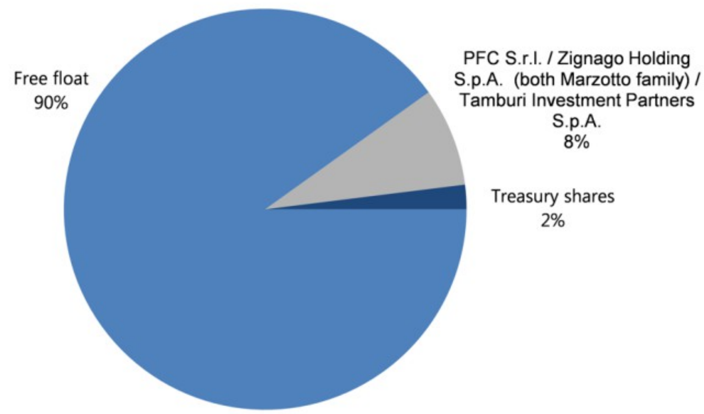
Board Experience:	
What is the tenure of the CEO?	1.6 years
What is the tenure of the CFO?	2.5 years
What is the tenure of the COO?	2.8 years
What is the average tenure of the board?	6.3 years
What is the average number of different company board positions held by the non-exec directors?	2
Are non-exec directors re-elected on an annual basis?	Yes
How many years do non-exec directors automatically serve?	1 years

How does the experience of the board demonstrate diversity of backgrounds amongst its non-exec directors?	The non-exec directors have varied but relevant experience and backgrounds including mobile, digital, technology, media, retail, financial services, consumer, travel, hotels and hospitality, marketing, accountancy and general management expertise.
How does the experience of the board reflect the company's business strategy?	The board members have extensive experience of complex organisations with global reach and diverse backgrounds, which brings a diversity of perspective and useful insight to Board discussions. This helps in understanding Burberry's key markets of Europe, the Americas and Asia reflecting the Group's strategy.
How does the experience of the board reflect relevant financial, accounting and legal knowledge?	Burberry's board has experienced directors with experience in Finance, Accountancy, Legal and public relations. E.g. John Smith, COO has served on Accounting Standards Board and Matthew Key has held various financial positions in companies like Coca Cola, Kingfisher etc.
What percentage of board members are female?	36%
Independence:	
What percentage of board members are independent?	67%
What percentage of the audit committee members are independent?	100%
Are the Chairman and CEO roles separated?	Yes
Has the Chairman previously been the CEO?	No
What is the tenure of the company's auditors?	14 years
What is the split of non-audit to audit fees paid to the auditors?	35% non-audit fees (£0.6 Mn) / 65% audit fees (£2.0 Mn)
How many board members have been on the board for over ten years?	2
Alignment with minority shareholders:	
Do any board members own shares in the company?	Yes
Please state the shareholdings for each board member owning shares in the company.	Christopher Bailey 0.12%, Sir John Peace 0.04%, Philip Bowman 0.03%, Carol Fairweather 0.02%, David Tyler 0.01%, Stephanie George 0.01%, John Smith 0.01%, Ian Carter 0.01%
Are there minimum shareholding requirements for the board?	Yes
Please give details of any minimum shareholding requirements for the board.	CC CEO 500,000 shares; Exec directors 2x base salary, Chairman non-exec directors shares £6,000 MV for each year of their appointment. EDs must retain 50% of any vesting incentive in shares until they have reached their minimum shareholding requirement.
Are there any unusual voting structures?	No
Are there any safeguards to protect shareholders with inferior voting rights?	NA
In the case that certain share classes do carry disproportionate voting rights, what are the provisions to protect minority shareholders?	NA
Is there an individual, family or government with a majority stake?	No
Please give details of any individual, family or government owning more than 50% of the shares.	NA
Does the firm require shareholder approval to implement takeover defences?	NA
Compensation:	
What is the CEO's maximum: base compensation ratio?	Annual salary increase: 15% of salary, Annual bonus: 225% of salary, ESP: 400% of salary (in normal circumstances) or 600% of salary (in exceptional circumstances); Actual remuneration package varies by individual – CC&CEO has annual bonus up to 200% of salary, 2015 ESP award of 350% of salary

What is the CFO's maximum: base compensation ratio?	Annual salary increase: 15% of salary, Annual bonus: 225% of salary, ESP: 400% of salary (in normal circumstances) or 600% of salary (in exceptional circumstances, CFO has annual bonus up to 150% of salary and 2015 ESP award of 250% of salary.
What are the criteria for the CEO's annual bonus?	Annual bonuses are 100% linked to financial performance of Burberry. (Currently Adjusted PBT is the sole performance measure)
What are the criteria for the CFO's annual bonus?	Annual bonuses are 100% linked to financial performance of Burberry. (Currently Adjusted PBT is the sole performance measure)
Is there an LTIP?	Yes, Burberry Executive Share Plan (ESP)
Please provide LTIP criteria, if applicable.	Policy: 1) 50-60% on growth in adjusted profit; 2) 20-25% on a measure to incentivise the efficient use of capital; 3) 20-25% on revenue growth The performance is measured over three years; 50% of shares are vested after three years and remaining 50% after four years. 2015 ESP awards based: 50% on 3-year growth in Group Adjusted PBT; 25% on 3-year growth in Group Revenue; and 25% on Adjusted Retail/ Wholesale ROIC.
What is the maximum pay-out of the LTIP?	An ESP award of 350% of salary was granted to the CC&CEO in 2015, no awards have been granted above this level – therefore 350% of salary for CC&CEO only
How many managers are eligible for the LTIP?	The three executive directors (Christopher Bailey, Carol Fairweather and John Smith) each received an ESP award in 2015
What is the total pay of the board?	£12.6m
Have there been any significant votes (> 10%) against the remuneration report over the last 3 years?	Yes
Please provide details.	53% of investors had voted against the Annual Remuneration Report (due mainly to concern around the CEO's package) at the 2014 AGM. But the vote was advisory only. The Remuneration Policy (covering the period 2014 to 2017) was approved.
Have any recruitment awards or termination payments been made in the last 3 years?	Yes
Please provide details.	Christopher Bailey was granted an exceptional performance-related award of 500,000 shares that can vest subject to meeting certain performance criteria between 2017-2019, on being appointed as CEO in 2014.
Is the remuneration committee made up of independent board members?	Yes
Are the firm and board required to get shareholder approval of remuneration policies?	Yes
Are there malus and clawback provisions in place for all incentive schemes?	Yes

Source: Company Data

Exhibit 47: Hugo Boss Shareholding Structure



Source: Company data

Exhibit 48: Hugo Boss Supervisory Board of Directors

Name	Age	Position	Appointment date
Michel Perraudin	69	Chairman	2015
Antonio Simina	60	Deputy Chairman	1985
Monika Lersmacher	59	Supervisory Board Member	2009
Gaetano Marzotto	63	Supervisory Board Member	2010
Luca Marzotto	44	Supervisory Board Member	2010
Sinan Piskin	37	Supervisory Board Member	2008
Tanja Silvana Grzesch	42	Supervisory Board Member	2015
Anita Kessel	58	Supervisory Board Member	2015
Kirsten Kistermann-Christophe	51	Supervisory Board Member	2015
Fridolin Klumpp	57	Supervisory Board Member	2015
Axel Salzmann	57	Supervisory Board Member	2015
Hermann Waldemer	58	Supervisory Board Member	2015

Source: Company data

Exhibit 49: Hugo Boss Governance Overview

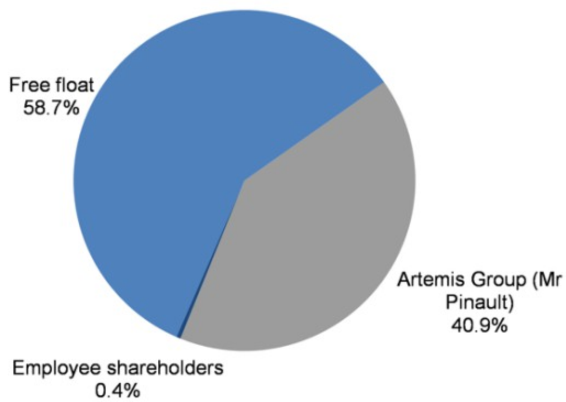
Board Experience:	
What is the tenure of the CEO?	7.3 years
What is the tenure of the CFO?	5.8 years
What is the average tenure of the board?	~6.4 years
What is the average number of different company board positions held by the non-exec directors?	~ 1.7 years
Are non-exec directors re-elected on an annual basis?	No (refers to the Supervisory Board)
How many years do non-exec directors automatically serve?	5 years (refers to the Supervisory Board)

How does the experience of the board demonstrate diversity of backgrounds amongst its non-exec directors?	Every board member possesses professional skills, experience and knowledge of the company's business to perform his/her duties. For example, management consulting (in apparel and footwear); finance; law; business. (Refers to both Managing and Supervisory Board.)
How does the experience of the board reflect the company's business strategy?	The board members have appropriate industry knowledge, diverse experience and background. As an example, the CEO has had experience in luxury brands such as Cartier and LVMH, and members of the Supervisory Board have experience that includes production, sourcing, logistics, and IT. (Refers to both Managing and Supervisory Board - the Chairman of the Supervisory Board (Michel Perraudin) and the CEO (Claus-Dietrich Lahrs) perform two different functions.))
How does the experience of the board reflect relevant financial, accounting and legal knowledge?	Members of the supervisory and managing boards have backgrounds including banking, accounting, and CFO experience.
What percentage of board members are female?	33% (Supervisory Board)
Independence:	
What percentage of board members are independent?	100% (Supervisory Board)
What percentage of the audit committee members are independent?	50%
Are the Chairman and CEO roles separated?	Yes (the Chairman of the Supervisory Board (Michel Perraudin) and the CEO/Chairman of the Managing Board (Claus-Dietrich Lahrs) are two different functions.)
Has the Chairman previously been the CEO?	No (as above)
What is the tenure of the company's auditors?	3
What is the split of non-audit to audit fees paid to the auditors?	46% non-audit fees (329 EUR thousand) / 54% audit fees (388 EUR thousand)
How many board members have been on the board for over ten years?	1
Alignment with minority shareholders:	
Do any board members own shares in the company?	Yes
Please state the shareholdings for each board member owning shares in the company.	As of December 31, 2014, the combined number of HUGO BOSS AG shares held by all members of the Managing Board and Supervisory Board accounted for less than 1% of the shares issued by the Group.
Are there minimum shareholding requirements for the board?	No
Please give details of any minimum shareholding requirements for the board.	--
Are there any unusual voting structures?	No
Are there any safeguards to protect shareholders with inferior voting rights?	All shares carry one vote.
In the case that certain share classes do carry disproportionate voting rights, what are the provisions to protect minority shareholders?	All shares carry one vote.
Is there an individual, family or government with a majority stake?	Permira owns 12% of share capital, no holders above 50%
Please give details of any individual, family or government owning more than 50% of the shares.	--
Does the firm require shareholder approval to implement takeover defences?	The company does not have any plans to implement takeover defences.
Compensation:	
What is the CEO's maximum: base compensation ratio?	Not disclosed
What is the CFO's maximum: base compensation ratio?	Not disclosed
What are the criteria for the CEO's annual bonus?	Trade Net Working Capital
What are the criteria for the CFO's annual bonus?	Trade Net Working Capital
Is there an LTIP?	Yes

Please provide LTIP criteria, if applicable.	The multiple-year bonus is assessed over a period extending over several years and is measured by reference to the development of quantitative targets over a three-year period. The quantitative targets are oriented towards increasing the enterprise value and are tied to the development of the indicators sales and EBITDA before special items over a period of three years. The amount of variable compensation for a fiscal year depends on the degree to which a predefined target sales and target EBITDA before special items are achieved over a period of several years. The degree of target achievement is determined separately for each of the three fiscal years. The payout is determined based on the weighted average annual target achievement for the three fiscal years.
What is the maximum pay-out of the LTIP?	If the target is achieved in full, 100% of the amount contractually agreed with each member of the Managing Board is paid out. The maximum amount of 150% of the target multiple-year bonus is paid out if a specified maximum threshold is reached or exceeded. No multiple-year bonus is paid out if the indicators reach or drop below a specified minimum threshold.
How many managers are eligible for the LTIP?	The members of the first three management levels are entitled to the LTIP.
What is the total pay of the board?	EUR 4.43m
Have there been any significant votes (> 10%) against the remuneration report over the last 3 years?	No
Please provide details.	--
Have any recruitment awards or termination payments been made in the last 3 years?	There have been no changes in the Managing Board over the past three years.
Please provide details.	--
Is the remuneration committee made up of independent board members?	Yes. According to the definition of Glass Lewis, the chairman of the Personnel (here: Remuneration) Committee - Michel Perraudin - is independent. According to the bylaws of the Supervisory Board - the Personnel Committee of HUGO BOSS shall be comprised of the Chairman of the Supervisory Board and three further members of the Supervisory Board elected from its ranks.
Are the firm and board required to get shareholder approval of remuneration policies?	No
Are there malus and clawback provisions in place for all incentive schemes?	No

Source: Company data

Exhibit 50: Kering Shareholding Structure



Source: Company data, Thomson Reuters

Exhibit 51: Kering Board of Directors

Name	Age	Position	Appointment date
François-Henri Pinault	53	CEO and Chairman	2005
Patricia Barbizet	60	Vice-Chairwoman	2005
Jean-François Palus	54	Group MD	2005
Luca Cordero di Montezemolo	68	Director	2005
Yseulys Costes	43	Independent director	2010
Jean-Pierre Denis	55	Independent director	2008
Philippe Lagayette	72	Independent director	2005
Baudouin Prot	64	Director	2005
Daniela Riccardi	54	Independent director	2014
Jochen Zeitz	42	Director	2010
Sophie Bouchilllou	52	Director representing employees	2014

Source: Company data

Exhibit 52: Kering Governance Overview

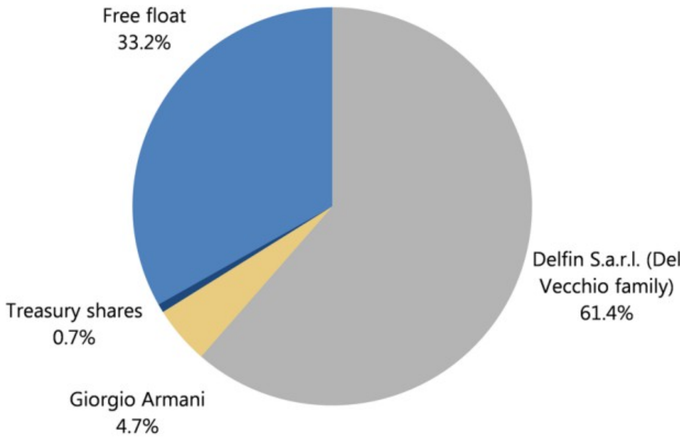
Board Experience:	
What is the tenure of the CEO?	10 years
What is the tenure of the CFO?	3 years
What is the average tenure of the board?	7.2 years
What is the average number of different company board positions held by the non-exec directors?	6
Are non-exec directors re-elected on an annual basis?	No
How many years do non-exec directors automatically serve?	4 years

How does the experience of the board demonstrate diversity of backgrounds amongst its non-exec directors?	Ms. Daniela Riccardi has recognised work experience in business development and branding in consumer retail and distribution; has served P&G for 25 years in various senior management roles in Colombia, Mexico and Venezuela, Eastern Europe, Russia and China. Ms. Yseulys Costes is a researcher in interactive marketing and also is author of a number of works and articles on the topics of online marketing and databases. Mr. Philippe Lagayette has served as Cabinet Director of the Minister of Economy and Finance and was also Deputy Governor of Bank of France.
How does the experience of the board reflect the company's business strategy?	The Board is composed of Directors with wide and diversified experience, in particular, in relation to corporate strategy, finance, insurance, economics, the retail sector, industry, accounting, management and supervision of commercial and financial corporations. For example, Mr. Jean-François Palus has been responsible for managing Kering's mergers and acquisitions. François Henri Pinault is closely involved in conducting the Group's business and has in-depth knowledge and experience of business.
How does the experience of the board reflect relevant financial, accounting and legal knowledge?	Jean-François Palus has experience as an auditor and financial advisor and has held several positions within the Kering group as CFO, Finance control director, CEO, board member etc. Luca Cordero di Montezemolo has a masters degree in commercial law graduate and occupied a number of positions at FIAT. Ms. Daniela Riccardi holds a degree in political science and international relations.
What percentage of board members are female?	36%
Independence:	
What percentage of board members are independent?	36%
What percentage of the audit committee members are independent?	67%
Are the Chairman and CEO roles separated?	No
Has the Chairman previously been the CEO?	François-Henri Pinault is chairman and CEO of Kering since 2005
What is the tenure of the company's auditors?	5
What is the split of non-audit to audit fees paid to the auditors?	14%
How many board members have been on the board for over ten years?	5
Alignment with minority shareholders:	
Do any board members own shares in the company?	Yes
Please state the shareholdings for each board member owning shares in the company.	Jean-François Palus: ~0.05%; François-Henri Pinault: ~0.03%
Are there minimum shareholding requirements for the board?	Yes
Please give details of any minimum shareholding requirements for the board.	Each director must own a minimum of 500 shares
Are there any unusual voting structures?	Yes
Are there any safeguards to protect shareholders with inferior voting rights?	No
In the case that certain share classes do carry disproportionate voting rights, what are the provisions to protect minority shareholders?	NA
Is there an individual, family or government with a majority stake?	Yes
Please give details of any individual, family or government owning more than 50% of the shares.	Artémis group wholly owned by Financière Pinault holds 57.56% of voting rights (40.93% share capital) as of Dec 31, 2014.
Does the firm require shareholder approval to implement takeover defences?	No

Compensation:	
What is the CEO's maximum: base compensation ratio?	372%
What is the CFO's maximum: base compensation ratio?	NA
What are the criteria for the CEO's annual bonus?	Annual bonus (Annual variable remuneration) of CEO chairman is based on the achievement of precisely defined targets which were: the Group's recurring operating income (50%) and the Group's free cash flow from operations (50%)
What are the criteria for the CFO's annual bonus?	NA
Is there an LTIP?	Yes
Please provide LTIP criteria, if applicable.	The long-term incentive system is based on Kering monetary units (or KMUs) whose value is indexed to changes in the Kering share price relative to a basket of nine Luxury and Sport Lifestyle securities. It has a vesting period of 3 years. The criteria for vesting KMU's is a minimum 5% average increase in EPS over 3 years.
What is the maximum pay-out of the LTIP?	NA
How many managers are eligible for the LTIP?	Not disclosed (up to ~50 managers/top executives)
What is the total pay of the board?	7.06 (excluding not yet paid LTIP)
Have there been any significant votes (> 10%) against the remuneration report over the last 3 years?	No
Please provide details.	--
Have any recruitment awards or termination payments been made in the last 3 years?	No
Please provide details.	--
Is the remuneration committee made up of independent board members?	Yes, remuneration committee comprises of majority (75%) of independent directors.
Are the firm and board required to get shareholder approval of remuneration policies?	No, shareholders provide advisory that is non-binding. Kering takes opinion of the shareholders on the remuneration in the AGM as required by French Law.
Are there malus and clawback provisions in place for all incentive schemes?	Yes

Source: Company Data

Exhibit 53: Luxottica Shareholding Structure



Source: Company data

Exhibit 54: Luxottica Board of Directors

Name	Age	Position	Appointment date
Leonardo Del Vecchio	80	Executive Chairman	1961
Luigi Francavilla	78	Deputy Chairman	1985
Massimo Vian	42	Co-CEO for Product and Operations	2014
Marina Brogi	48	Independent Non-Executive Director	2015
Luigi Feola	48	Independent Non-Executive Director	2015
Elisabetta Magistretti	68	Independent Non-Executive Director	2012
Mario Notari	51	Non-Executive Director	2015
Maria Pierdicchi	48	Independent Non-Executive Director	2015
Karl Heinz Salzburger	58	Independent Non-Executive Director	2015
Luciano Santel	59	Independent Non-Executive Director	2015
Cristina Scocchia	42	Independent Non-Executive Director	2015
Sandro Veronesi	56	Independent Non-Executive Director	2015
Andrea Zappia	52	Independent Non-Executive Director	2015

Source: Company data

Exhibit 55: Luxottica Governance Overview

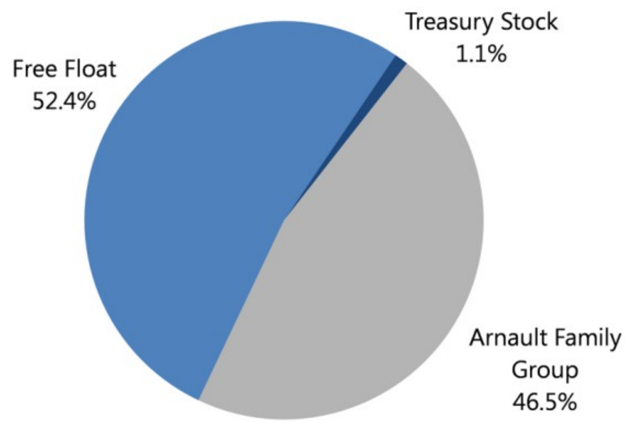
Board Experience:	
What is the tenure of the Co-CEO for Markets?	Founder and Chairman Leonardo Del Vecchio resumed executive responsibilities in Jan-16 after Adil Khan (appointed in Jan-15) left the company
What is the tenure of the Co-CEO for Product and Operations?	1
What is the tenure of the CFO?	1
What is the tenure of the COO?	2
What is the average tenure of the board?	8

What is the average number of different company board positions held by the non-exec directors?	2
Are non-exec directors re-elected on an annual basis?	No
How many years do non-exec directors automatically serve?	3
How does the experience of the board demonstrate diversity of backgrounds amongst its non-exec directors?	Yes, the board members are a mix of senior managers, accountants, entrepreneurs, professors and lawyers.
How does the experience of the board reflect the company's business strategy?	Mr. Del Vecchio served as CEO of the company until 2005 and resumed the rol in 2016. Mr. Vian has been Luxottica's Director of Asia Operations and Group COO. Other directors have held executives roles at a number of global companies in the Consumer space.
How does the experience of the board reflect relevant financial, accounting and legal knowledge?	Ms. Marina Brogi is a professor with over 20 years of experience in research and training in banking and finance. Mr. Luigi Feola and Ms. Elisabetta Magistretti are certified Chartered Accountants. Mr. Mario Notari is public notary and legal advisor.
What percentage of board members are female?	1%
Independence:	
What percentage of board members are independent?	69%
What percentage of the audit committee members are independent?	100%
Are the Chairman and CEO roles separated?	No
Has the Chairman previously been the CEO?	Yes
What is the tenure of the company's auditors?	10
What is the split of non-audit to audit fees paid to the auditors?	17%
How many board members have been on the board for over ten years?	2
Alignment with minority shareholders:	
Do any board members own shares in the company?	Yes
Please state the shareholdings for each board member owning shares in the company.	Leonardo Del Vecchio= ~61%; Luigi Francavilla= ~1%
Are there minimum shareholding requirements for the board?	No
Please give details of any minimum shareholding requirements for the board.	Not applicable
Are there any unusual voting structures?	No
Are there any safeguards to protect shareholders with inferior voting rights?	No
In the case that certain share classes do carry disproportionate voting rights, what are the provisions to protect minority shareholders?	Not applicable
Is there an individual, family or government with a majority stake?	Yes
Please give details of any individual, family or government owning more than 50% of the shares.	Delfin S.a.r.l (controlled by the Del Vecchio family) owns 61.4% of the share capital
Does the firm require shareholder approval to implement takeover defences?	No
Compensation:	
What is the co-CEO for Markets' maximum: base compensation ratio?	481%

What is the co-CEO for Product and Operations' maximum: base compensation ratio?	333%
What is the CFO's maximum: base compensation ratio?	No details disclosed
What are the criteria for the CEO's annual bonus?	The performance objectives can be linked both to business managerial targets (processes/projects) as well as to organizational development targets (skills, abilities). The parameters used include: consolidated EPS, FCF, Net Sales, LFL sales, Divisional Operating Profit and Operating Income, G&A expenses vs. Budget.
What are the criteria for the CFO's annual bonus?	No details disclosed
Is there an LTIP?	Yes
Please provide LTIP criteria, if applicable.	The LTIP is granted on achievement of specific performance objectives defined according to the mid- and long-term objectives of the Company. The Plan is in the form of a stock grant plan, which grants beneficiaries on reaching consolidated "EPS" targets over the course of the three-year reference period.
What is the maximum pay-out of the LTIP?	In case of over-performance (targets were exceeded), then a cap of 120% of the fixed target is applied.
How many managers are eligible for the LTIP?	16
What is the total pay of the board?	€23.1 m
Have there been any significant votes (> 10%) against the remuneration report over the last 3 years?	No
Please provide details.	Not applicable
Have any recruitment awards or termination payments been made in the last 3 years?	Yes
Please provide details.	Andrea Guerra resigned in September 2014 from his CEO position and was paid €10m as a redundancy incentive payment in addition to severance pay, €592k in connection with a settlement and novation agreement and €800k to be paid in quarterly installments under a 24-month non-competition and non-solicitation agreement. Enrica Cavatorta resigned in October 2014 from his CFO/CEO position and was paid €4m for consensual termination of contract, €985k as part of a settlement and novation agreement. Adil Khan resigned in January 2016 from his co-CEO position and was paid €6.8m for consensual termination of contract, €200m as part of a settlement and novation agreement
Is the remuneration committee made up of independent board members?	Yes
Are the firm and board required to get shareholder approval of remuneration policies?	Yes
Are there malus and clawback provisions in place for all incentive schemes?	Yes

Source: Company data

Exhibit 56: LVMH Shareholding Structure



Source: Company data

Exhibit 57: LVMH Board of Directors

Name	Age	Position	Appointment date to Board
Bernard Arnault	66	Chairman CEO	1989
Pierre Godé	71	Vice Chairman	1989
Antonio Belloni	61	Group Managing Director	2001
Antoine Arnault	38	Director	2006
Delphine Arnault	40	Director	2003
Nicolas Bazire	58	SVP (Develpoment acquisitions)	1999
Bernadette Chirac	82	Independent Director	2010
Nicholas Clive Worms	73	Independent Director	1988
Charles de Croisset	72	Independent Director	2008
Diego Della Valle	62	Independent Director	2002
Albert Frère	89	Independent Director	1997
Marie-Josée Kravis	66	Independent Director	2011
Lord Powell of Bayswater	74	Director	1997
Marie-Laure Sauty de Chalon	53	Independent Director	2014
Yves-Thibault de Silguy	67	Independent Director	2009
Francesco Trapani	58	Director	2011
Hubert Védrine	68	Independent Director	2004

Source: Company data

Exhibit 58: LVMH Governance Overview

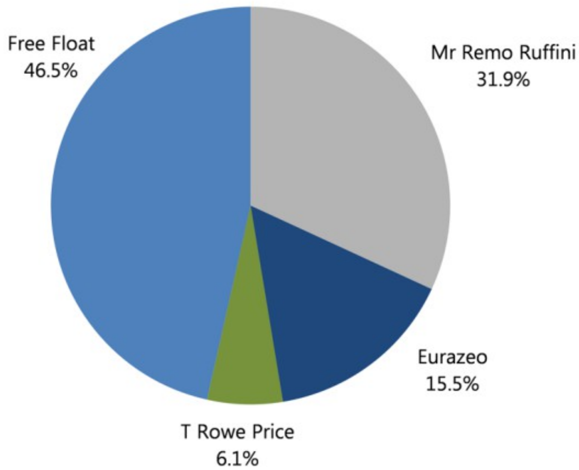
Board Experience:	
What is the tenure of the CEO?	27 years
What is the tenure of the CFO?	11 years
What is the tenure of the COO?	

What is the average tenure of the board?	13 years
What is the average number of different company board positions held by the non-exec directors?	4
Are non-exec directors re-elected on an annual basis?	No
How many years do non-exec directors automatically serve?	3 years
How does the experience of the board demonstrate diversity of backgrounds amongst its non-exec directors?	Every board member possesses industry knowledge, diverse experience and background. For example: Mr. Diego Della Valle has experience in luxury brands (Tod's) for which he has plays a fundamental role in developing strategy and creating brand image. Mr. Hubert Védrine has held a number of French government administrative posts and he is also founder of a geopolitical management consulting firm. Mr. Albert Frere has had a successful career in metal (steel) industry and has concrete experience of managing Frère-Bourgeois group. Mr. Yves-Thibault de Silguy has held various positions within the French administration as well as within the European Community.
How does the experience of the board reflect the company's business strategy?	Ms. Delphine Arnault has concrete experience in the fashion industry and is in charge of supervising all of Louis Vuitton's product-related activities. Mr. Antonio Belloni has 22 years experience in P&G, serving in different positions in Switzerland, Greece, Belgium and US; he also headed P&G's European divisions. Mr. Francesco Trapani has over 28 years of experience as CEO of Bulgari, significantly expanding the company into diverse business; he is also Advisor to LVMH Group MD.
How does the experience of the board reflect relevant financial, accounting and legal knowledge?	Mr. Pierre Godé is a lawyer and has taught at the Lille and Nice university law faculties. Ms. Marie-Josée Kravis is an economist specializing in the fields of public policy and strategic planning.
What percentage of board members are female?	24%
Independence:	
What percentage of board members are independent?	53%
What percentage of the audit committee members are independent?	100%
Are the Chairman and CEO roles separated?	No
Has the Chairman previously been the CEO?	Not Applicable
What is the tenure of the company's auditors?	5
What is the split of non-audit to audit fees paid to the auditors?	19% non-audit fees (€4.2 Mn) / 81% audit fees (€17.3 Mn)
How many board members have been on the board for over ten years?	10
Alignment with minority shareholders:	
Do any board members own shares in the company?	Yes
Please state the shareholdings for each board member owning shares in the company.	In their personal capacity, shareholding of directors are: Bernard Arnault ~0.11%, Delphine Arnault ~0.03%, Antonio Belloni ~0.01%, Nicolas Bazire ~0.01%
Are there minimum shareholding requirements for the board?	Yes
Please give details of any minimum shareholding requirements for the board.	Directors are required to hold at least 500 shares
Are there any unusual voting structures?	Yes
Are there any safeguards to protect shareholders with inferior voting rights?	No
In the case that certain share classes do carry disproportionate voting rights, what are the provisions to protect minority shareholders?	NA
Is there an individual, family or government with a majority stake?	Yes
Please give details of any individual, family or government owning more than 50% of the shares.	Arnault family group holds 46.57% share capital and 62.59% voting rights

Does the firm require shareholder approval to implement takeover defences?	No
Compensation:	
What is the CEO's maximum: base compensation ratio?	For the variable portion, annual bonus is now capped at 250% of the fixed portion for the Chief Executive Officer; no details for LTIP
What is the CFO's maximum: base compensation ratio?	No details
What are the criteria for the CEO's annual bonus?	The variable compensation is linked to achievement of qualitative and quantitative targets with each having 50% weighting. Quantitative targets include i) Growth in sales, ii) Current operating income iii) Cash flow, with each criteria accounting for 1/3. Maximum bonus awarded is 250% of fixed remuneration. For Group Managing Director, the cap of variable portion is 150% of the fixed portion.
What are the criteria for the CFO's annual bonus?	Compensation and benefits awarded to senior executive officers are mainly determined on the basis of the degree of responsibility ascribed to their missions, their individual performance, as well as the Group's performance and the achievement of targets. This determination also takes into account compensation paid by similar companies with respect to their size, industry segment and the extent of their international operations.
Is there an LTIP?	Yes
Please provide LTIP criteria, if applicable.	Both the year which the LTIP is set (year "Y"), and the year after ("Y+1") must show a positive change compared to fiscal year Y-1 in relation to one or more of the following indicators: the Group's profit from recurring operations, net cash from operating activities and operating investments, current operating margin rate.
What is the maximum pay-out of the LTIP?	No details
How many managers are eligible for the LTIP?	No details
What is the total pay of the board?	€21.9m
Have there been any significant votes (> 10%) against the remuneration report over the last 3 years?	No
Please provide details.	NA
Have any recruitment awards or termination payments been made in the last 3 years?	No
Please provide details.	NA
Is the remuneration committee made up of independent board members?	Yes, Nomination and Compensation Committee is made up of independent board members
Are the firm and board required to get shareholder approval of remuneration policies?	Yes
Are there malus and clawback provisions in place for all incentive schemes?	No details

Source: Company Data

Exhibit 59: Moncler Shareholding Structure



Source: Company data

Exhibit 60: Moncler Board of Directors

Name	Age	Position	Appointment date
Remo Ruffini	54	Chairman and CEO	2003
Virginie Sarah Sandrine Morgon	46	Vice Chairwoman	2011
Nerio Alessandri	54	Independent Director	2011
Vivianne Akriche	38	Director	2011
Alessandro Benetton	51	Independent Director	2011
Christian Gerard Blanckaert	70	Director	2011
Sergio Buongiovanni	53	Director	2000
Marco Diego De Benedetti	53	Director	2008
Gabriele Galateri di Genola	68	Independent Director	2014
Diva Moriani	47	Independent Director	2014
Pier Francesco Saviotti	73	Director	2011

Source: Company data

Exhibit 61: Moncler Governance Overview

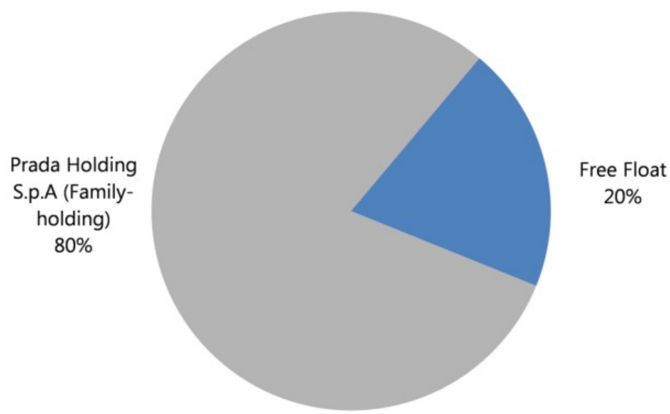
Board Experience:	
What is the tenure of the CEO?	2
What is the tenure of the CFO?	2
What is the average tenure of the board?	5
What is the average number of different company board positions held by the non-exec directors?	9
Are non-exec directors re-elected on an annual basis?	No
How many years do non-exec directors automatically serve?	3
How does the experience of the board demonstrate diversity of backgrounds amongst its non-exec directors?	Yes. The Board members are a mix of entrepreneurs, managers, investment bankers, auditors.

How does the experience of the board reflect the company's business strategy?	Remo Ruffini and Sergio Buongiovanni sit in the strategic committee which defines and implements the strategy and links the main strategic areas of the Group with its founding values.
How does the experience of the board reflect relevant financial, accounting and legal knowledge?	Yes, as an example Sergio Buongiovanni was an auditor in KPMG, Christian Blanckaert is a Professor of Management at ESCP.
What percentage of board members are female?	27%
Independence:	
What percentage of board members are independent?	36%
What percentage of the audit committee members are independent?	100%
Are the Chairman and CEO roles separated?	No, Remo Ruffini is both Chairman CEO
Has the Chairman previously been the CEO?	Not applicable
What is the tenure of the company's auditors?	9 Years
What is the split of non-audit to audit fees paid to the auditors?	Not applicable
How many board members have been on the board for over ten years?	2
Alignment with minority shareholders:	
Do any board members own shares in the company?	Yes
Please state the shareholdings for each board member owning shares in the company.	Remo Ruffini: 31.9%; Sergio Buongiovanni <1%
Are there minimum shareholding requirements for the board?	No
Please give details of any minimum shareholding requirements for the board.	Not applicable
Are there any unusual voting structures?	No
Are there any safeguards to protect shareholders with inferior voting rights?	No
In the case that certain share classes do carry disproportionate voting rights, what are the provisions to protect minority shareholders?	Not applicable
Is there an individual, family or government with a majority stake?	Yes
Please give details of any individual, family or government owning more than 50% of the shares.	Remo Ruffini holds 31.9% of the Group shares through Ruffini Partecipazioni S.r.l.
Does the firm require shareholder approval to implement takeover defences?	No
Compensation:	
What is the CEO's maximum: base compensation ratio?	200%
What is the CFO's maximum: base compensation ratio?	200%
What are the criteria for the CEO's annual bonus?	The variable component is linked to achieving specific Group annual results of economic-financial nature (including consolidated EBITDA) and achieving significant strategic objectives of operating importance (including those correlated to sustainability).
What are the criteria for the CFO's annual bonus?	The variable component is linked to achieving specific Group annual results of economic-financial nature (including consolidated EBITDA) and achieving significant strategic objectives of operating importance (including those correlated to sustainability).
Is there an LTIP?	Yes
Please provide LTIP criteria, if applicable.	There is a 2014-18 Stock Options Plan which has 3-year vesting period and is granted on reaching specific performance objectives linked to the Group consolidated EBITDA.
What is the maximum pay-out of the LTIP?	The 2014-18 Stock Option Plan provides for the free assignment of a maximum of 5,030,000 options valid for an equal number of ordinary shares of Moncler in ratio 1:1 at an exercise price of €10.20.

How many managers are eligible for the LTIP?	4
What is the total pay of the board?	€ 3.2 m
Have there been any significant votes (> 10%) against the remuneration report over the last 3 years?	No
Please provide details.	Not applicable
Have any recruitment awards or termination payments been made in the last 3 years?	No
Please provide details.	Not applicable
Is the remuneration committee made up of independent board members?	Yes
Are the firm and board required to get shareholder approval of remuneration policies?	Yes
Are there malus and clawback provisions in place for all incentive schemes?	Yes

Source: Company data

Exhibit 62: Prada Shareholding Structure



Source: Company data

Exhibit 63: Prada Board of Directors

Name	Age	Position	Appointment date
Carlo Mazzi	69	Chairperson Exec. Director	2014
Miuccia Prada Bianchi	67	Co-CEO Exec. Director	2003
Patrizio Bertelli	69	Co-CEO Exec. Director	2003
Donatello Galli	52	CFO Exec. Director	2005
Alessandra Cozzani	51	IR Exec. Director	2013
Gaetano Micciche	64	Non-executive Director	2011
Gian Franco Oliviero Mattei	69	Independent non-exec. Director	2009
Giancarlo Forestieri	68	Independent non-exec. Director	2007
Sing Cheong Liu	59	Independent non-exec. Director	2011

Source: Company data

Exhibit 64: Prada Governance Overview

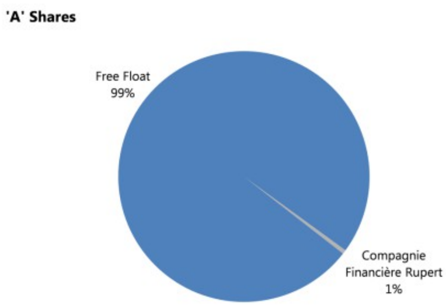
Board Experience:	
What is the tenure of the Co-CEO?	3 years
What is the tenure of the Co-CEO?	3 years
What is the tenure of the CFO?	3 years
What is the average tenure of the board?	3 years
What is the average number of different company board positions held by the non-exec directors?	2
Are non-exec directors re-elected on an annual basis?	No
How many years do non-exec directors automatically serve?	3 years
How does the experience of the board demonstrate diversity of backgrounds amongst its non-exec directors?	The non-exec directors possess appropriate professional qualification, diversified skills, expertise as well as varied perspectives/ backgrounds which include: Law , Management, Economics , Accounting, Banking, and Corporate Finance.

How does the experience of the board reflect the company's business strategy?	The board members have vast experience and expertise in various industries ranging from investment banking, pharmaceuticals, logistics, auditing, finance, chemicals having operations in various countries which is relevant to Prada's business activities and strategic development.
How does the experience of the board reflect relevant financial, accounting and legal knowledge?	Examples include: Donatello Galli holds a degree in Economics and Banking and has experience in Administration and as Finance Director. Alessandra Cozzani holds a degree in Business Administration and has covered different managerial roles within the Finance department. Gian Mattei was a Public Chartered Accountant with the Italian Ministry of Justice and was on the Board of various banks in different capacities.
What percentage of board members are female?	22%
Independence:	
What percentage of board members are independent?	33%
What percentage of the audit committee members are independent?	100%
Are the Chairman and CEO roles separated?	Yes
Has the Chairman previously been the CEO?	No
What is the tenure of the company's auditors?	3
What is the split of non-audit to audit fees paid to the auditors?	15% non-audit fees (€279k) / 85% audit fees (€1,864k)
How many board members have been on the board for over ten years?	4
Alignment with minority shareholders:	
Do any board members own shares in the company?	Yes.
Please state the shareholdings for each board member owning shares in the company.	Ms. Miuccia Prada Bianchi, owns indirectly through Ludo, 53.8% of the capital in Bellatrix which in turn owns 65% of the capital in Prada holdings which in turn owns ~80% of share capital in Prada. Mr. Patrizio Bertelli owns, indirectly through PABE, 35% of the capital in Prada holdings.
Are there minimum shareholding requirements for the board?	No
Please give details of any minimum shareholding requirements for the board.	--
Are there any unusual voting structures?	No
Are there any safeguards to protect shareholders with inferior voting rights?	No
In the case that certain share classes do carry disproportionate voting rights, what are the provisions to protect minority shareholders?	--
Is there an individual, family or government with a majority stake?	Yes
Please give details of any individual, family or government owning more than 50% of the shares.	~80% of the share capital of PRADA spa is held by PRADA Holding spa, while remaining 20% are free float shares.
Does the firm require shareholder approval to implement takeover defences?	Not disclosed
Compensation:	
What is the CEO's maximum: base compensation ratio?	Not disclosed
What is the CFO's maximum: base compensation ratio?	Not disclosed
What are the criteria for the CEO's annual bonus?	The bonus is linked to group's annual performance taking into account the achievement of Group's target in net sales, as well as the objectives of each department, details of which are not disclosed.
What are the criteria for the CFO's annual bonus?	Not disclosed
Is there an LTIP?	Yes

Please provide LTIP criteria, if applicable.	Prada has long term cash incentive plan which would vest subject to the achievement by the Group of one or more economic objectives and the presence of the executive within the Group at the end of a three-year period.
What is the maximum pay-out of the LTIP?	Not disclosed
How many managers are eligible for the LTIP?	350
What is the total pay of the board?	€ 30.2 mn
Have there been any significant votes (> 10%) against the remuneration report over the last 3 years?	No
Please provide details.	--
Have any recruitment awards or termination payments been made in the last 3 years?	Not disclosed
Please provide details.	--
Is the remuneration committee made up of independent board members?	Yes, 2/3rd of the board is independent
Are the firm and board required to get shareholder approval of remuneration policies?	The aggregate basic remuneration of the Board is approved by the shareholders in a general meeting. The additional remuneration of each Director (bonus, other incentives) is determined by the board (i.e. shareholders approval is not required) after considering recommendations of the remuneration committee. The individual allocation to each director is decided by the board.
Are there malus and clawback provisions in place for all incentive schemes?	Not disclosed

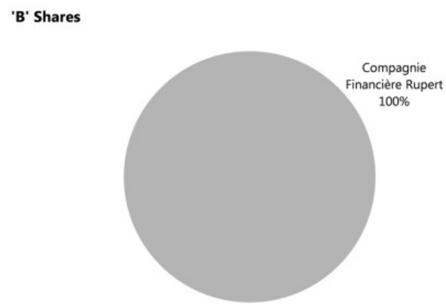
Source: Company data

Exhibit 65: 'A' Shares - Listed



Source: Company Data

Exhibit 66: 'B' Shares - Not listed



Owned fully by Compagnie Financière Rupert. Compagnie Financière Rupert, a Swiss partnership limited by shares, holds 522 000 000 Richemont 'B' registered shares, representing 9.1% of the equity of the Company and controlling 50% of the Company's voting rights. Mr Johann Rupert, Chairman of Richemont, is the sole General Managing Partner of Compagnie Financière Rupert. Prof Juergen Schrempp and Mr Ruggero Magnoni, both non-executive directors of the Company, are partners of Compagnie Financière Rupert. Source: Company Data

Exhibit 67: Richemont Board of Directors

Name	Age	Position	Appointment date
Johann Rupert	65	Chairman	2002
Yves-André Istel	79	Deputy Chairman	2010
Josua Malherbe	60	Deputy Chairman	2010
Bernard Fornas	68	Co-Chief Executive Officer	2013
Richard Lepeu	63	Co-Chief Executive Officer	2013
Gary Saage	55	Chief Financial Officer	2010
Jean-Blaise Eckert	52	Non-Executive Director	2013
Ruggero Magnoni	64	Non-Executive Director	2006
Simon Murray	75	Non-Executive Director	2003
Alain Dominique Perrin	73	Non-Executive Director	2003
Guillaume Pictet	65	Non-Executive Director	2010
Norbert Platt	68	Non-Executive Director	2005
Alan Quasha	66	Non-Executive Director	2000
Maria Ramos	56	Non-Executive Director	2011
Lord Renwick of Clifton	78	Non-Executive Director	1995
Jan Rupert	60	Non-Executive Director	2006
Juergen Schrempp	71	Non-Executive Director	2003
The Duke of Wellington	70	Non-Executive Director	2000

Source: Company data

Exhibit 68: Richemont Governance Overview

Board Experience:	
What is the tenure of the co-CEO (1)?	2.8 years

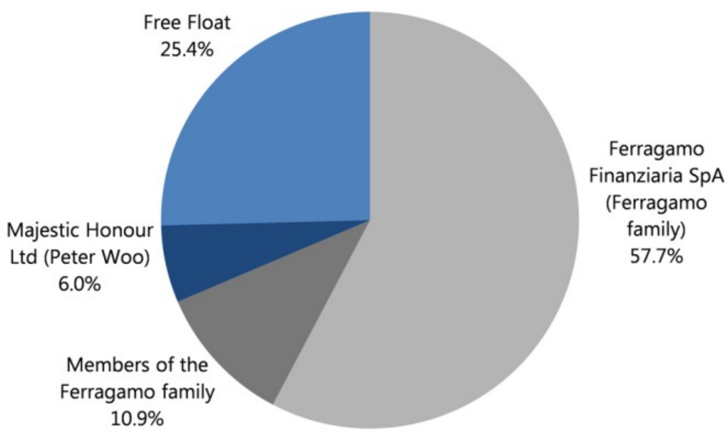
What is the tenure of the co-CEO (2)?	2.8 years
What is the tenure of the CFO?	5.3 years
What is the tenure of the COO?	3.2 years
What is the average tenure of the board?	9 years
What is the average number of different company board positions held by the non-exec directors?	4
Are non-exec directors re-elected on an annual basis?	Yes
How many years do non-exec directors automatically serve?	1 year
How does the experience of the board demonstrate diversity of backgrounds amongst its non-exec directors?	Mr Yves-André Istel has had an extensive career in investment banking and is currently Senior Advisor to Rothschild Global Financial Advisory. Mr. Joshua Malherbe qualified as a Chartered Accountant in South Africa. Mr. Jean-Blaise Eckert has been a practising lawyer and teaches in the Master's programmes of the Universities of Geneva and Lausanne.
How does the experience of the board reflect the company's business strategy?	The Board members have a formidable array of expertise and experience, having served on the Board for a considerable period of time or have special expertise in relation to the luxury goods businesses. As a result, they have an in-depth understanding of the group.
How does the experience of the board reflect relevant financial, accounting and legal knowledge?	Mr. Joshua Malherbe is a qualified Chartered Accountant in South Africa; Mr. Jean-Blaise Eckert has been a practising lawyer and a Partner of Lenz Staehelin, advising on national and international corporate, commercial and tax law; Mr. Richard Lepeu has worked in international corporate finance; Mr Gary Saage is a Certified Public Accountant.
What percentage of board members are female?	6%
Independence:	
What percentage of board members are independent?	78%
What percentage of the audit committee members are independent?	100%
Are the Chairman and CEO roles separated?	Yes
Has the Chairman previously been the CEO?	Yes
What is the tenure of the company's auditors?	1
What is the split of non-audit to audit fees paid to the auditors?	19% non-audit fees (€1.5 Mn) / 81% audit fees (€6.2 Mn)
How many board members have been on the board for over ten years?	8
Alignment with minority shareholders:	
Do any board members own shares in the company?	Yes
Please state the shareholdings for each board member owning shares in the company.	Johann Rupert 0.54%; Jan Rupert 0.45%; Richard Lepeu 0.05%
Are there minimum shareholding requirements for the board?	No
Please give details of any minimum shareholding requirements for the board.	Not Applicable
Are there any unusual voting structures?	Yes
Are there any safeguards to protect shareholders with inferior voting rights?	Yes
In the case that certain share classes do carry disproportionate voting rights, what are the provisions to protect minority shareholders?	Certain resolutions, relating to the objectives of the Company, its capital structure, the transfer of its registered office or its dissolution, require the approval of 2/3 of the shareholders and an absolute majority of the nominal share capital represented at a general meeting of shareholders.
Is there an individual, family or government with a majority stake?	Yes
Please give details of any individual, family or government owning more than 50% of the shares.	Compagnie Financière Rupert controls 50% voting rights (~ 9.1% share capital), Mr Johann Rupert is its General Managing Partner.

Does the firm require shareholder approval to implement takeover defences?	Not Applicable
Compensation:	
What is the CEO's maximum: base compensation ratio?	Short-term incentive at 150% max of base salary; options: Richard Lepeu received 156% of base salary IFRS-valued options in May 2014; Gary Saage 144%
What is the CFO's maximum: base compensation ratio?	Short-term incentive at 150% max of base salary; options: Richard Lepeu received 156% of base salary IFRS-valued options in May 2014; Gary Saage 144%
What are the criteria for the CEO's annual bonus?	The short-term cash incentive target has both quantitative and qualitative components: The quantitative component is assessed on actual Group sales, operating profit and net changes in cash for the year compared against the current year's budget and the prior year's actual financial results. The qualitative component is assessed on performance against individual strategic targets. The achieved quantitative percentage applies equally to each executive; the qualitative percentage varies by executive.
What are the criteria for the CFO's annual bonus?	The short-term cash incentive target has both quantitative and qualitative components: The quantitative component is assessed on actual Group sales, operating profit and net changes in cash for the year compared against the current year's budget and the prior year's actual financial results. The qualitative component is assessed on performance against individual strategic targets. The achieved quantitative percentage applies equally to each executive; the qualitative percentage varies by executive.
Is there an LTIP?	Yes
Please provide LTIP criteria, if applicable.	LTIP awards are made annually and typically vest after a three-year vesting period. The value of a Maison is consistently determined as the average of multiples of sales, operating profit and cash contributions achieved for the previous year. The executive receives a percentage of the increase in value of the Maison from the date of grant to the vesting date.
What is the maximum pay-out of the LTIP?	No more than 5% of share capital, less than 2% of share capital. Should not exceed 200% of exec's base salary.
How many managers are eligible for the LTIP?	3
What is the total pay of the board?	CHF 48.90 mn
Have there been any significant votes (> 10%) against the remuneration report over the last 3 years?	No
Please provide details.	Not Applicable
Have any recruitment awards or termination payments been made in the last 3 years?	Yes
Please provide details.	Mr Frederick Mostert, an Exec. Director received both fixed and variable compensation on resigning from board on 31 Dec 2014.
Is the remuneration committee made up of independent board members?	Yes
Are the firm and board required to get shareholder approval of remuneration policies?	Yes
Are there malus and clawback provisions in place for all incentive schemes?	Yes

Source: Company Data

Salvatore Ferragamo

Exhibit 69: Salvatore Ferragamo Shareholding Structure



Source: Company data

Exhibit 70: Salvatore Ferragamo Board of Directors

Name	Age	Position	Appointment date
Ferruccio Ferragamo	70	Chairman	1994
Giovanna Ferragamo	72	Vice Chairman	2006
Michele Norsa	67	CEO	2006
Fulvia Ferragamo	65	Non-Executive Director	1994
Leonardo Ferragamo	62	Non-Executive Director	1994
Diego di San Giuliano	45	Non-Executive Director	2006
Francesco Caretti	71	Non-Executive Director	2002
Peter Woo	69	Non-Executive Director	2011
Piero Antinori	77	Non-Executive Director	2011
Marzio Saà	75	Independent Non-Executive Director	2011
Chiara Ambrosetti	NA	Independent Non-Executive Director	2015
Lidia Fiori	65	Independent Non-Executive Director	2013
Umberto Tombari	49	Independent Non-Executive Director	2011

Source: Company data

Exhibit 71: Salvatore Ferragamo Governance Overview

Board Experience:	
What is the tenure of the CEO?	9
What is the tenure of the CFO?	8
What is the average tenure of the board?	9
What is the average number of different company board positions held by the non-exec directors?	6
Are non-exec directors re-elected on an annual basis?	No
How many years do non-exec directors automatically serve?	3

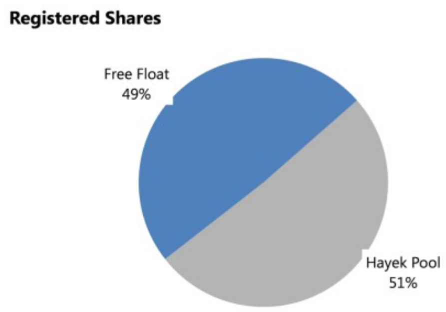
How does the experience of the board demonstrate diversity of backgrounds amongst its non-exec directors?	The Board members are a mix of family members (with significant experience in the company), managers, entrepreneurs, accountants and lawyers
How does the experience of the board reflect the company's business strategy?	Ferruccio, Leonardo, Fulvia Ferragamo and Michele Norsa sit on the strategic committee and have been developing the strategy of the company for the past several years. Peter Woo has been a trusted business partner in the development of the Asia business.
How does the experience of the board reflect relevant financial, accounting and legal knowledge?	Maurizio Saà is a chartered accountant and auditor. Umberto Tombari is the head of a law firm and professor of commercial law.
What percentage of board members are female?	31%
Independence:	
What percentage of board members are independent?	31%
What percentage of the audit committee members are independent?	100%
Are the Chairman and CEO roles separated?	Yes
Has the Chairman previously been the CEO?	Yes
What is the tenure of the company's auditors?	3
What is the split of non-audit to audit fees paid to the auditors?	Not applicable
How many board members have been on the board for over ten years?	4
Alignment with minority shareholders:	
Do any board members own shares in the company?	Yes
Please state the shareholdings for each board member owning shares in the company.	Ferragamo family 57.7%. Majestic Honour Ltd (Peter Woo) 6%
Are there minimum shareholding requirements for the board?	No
Please give details of any minimum shareholding requirements for the board.	Not applicable
Are there any unusual voting structures?	No
Are there any safeguards to protect shareholders with inferior voting rights?	No
In the case that certain share classes do carry disproportionate voting rights, what are the provisions to protect minority shareholders?	Not applicable
Is there an individual, family or government with a majority stake?	Yes
Please give details of any individual, family or government owning more than 50% of the shares.	Ferragamo Finanziaria SpA (Ferragamo family) 57.7%
Does the firm require shareholder approval to implement takeover defences?	No
Compensation:	
What is the CEO's maximum: base compensation ratio?	140%
What is the CFO's maximum: base compensation ratio?	140%
What are the criteria for the CEO's annual bonus?	There are three main groups of criteria: i) profitability metrics related to the company; ii) metrics benchmarked against a group of peers and iii) individual objectives.
What are the criteria for the CFO's annual bonus?	There are three main groups of criteria: i) profitability metrics related to the company; ii) metrics benchmarked against a group of peers and iii) individual objectives.
Is there an LTIP?	Yes
Please provide LTIP criteria, if applicable.	There is a 3-year Stock Grant Plan. Performance objectives include: i) revenue growth vs a group of peers; ii) total shareholder return vs a group of peers
What is the maximum pay-out of the LTIP?	Top management can receive a maximum number of 500,000 ordinary shares.
How many managers are eligible for the LTIP?	14
What is the total pay of the board?	Max €4.0m

Have there been any significant votes (> 10%) against the remuneration report over the last 3 years?	No
Please provide details.	Not applicable
Have any recruitment awards or termination payments been made in the last 3 years?	No
Please provide details.	Not applicable
Is the remuneration committee made up of independent board members?	Yes
Are the firm and board required to get shareholder approval of remuneration policies?	Yes
Are there malus and clawback provisions in place for all incentive schemes?	Yes

Source: Company data

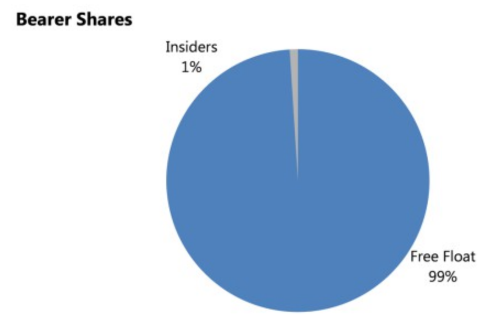
Swatch

Exhibit 72: Shareholding structure of registered shares



Source: Company Data

Exhibit 73: Shareholding Structure of bearer shares



Source: Company Data

Exhibit 74: Swatch Board of Directors

Name	Age	Position	Appointment date
Nayla Hayek	64	Chairwoman	1995
Ernst Tanner	69	Vice-Chairman	1995
Nick Hayek	61	CEO, Chairman of Management Board	2003
Prof. Dr. h.c. Claude Nicollier	71	Member	2005
Dr. Jean-Pierre Roth	68	Member	2010

Source: Company data

Exhibit 75: Swatch Governance Overview

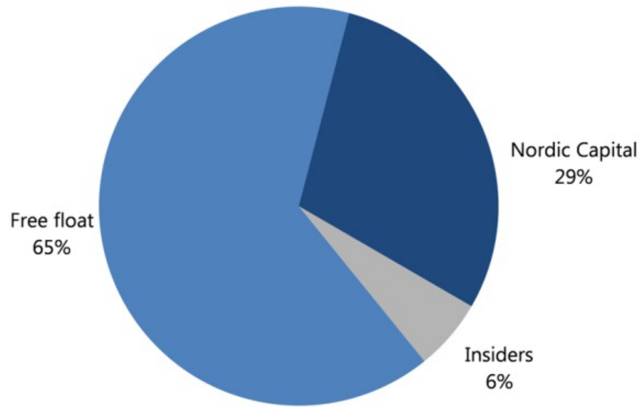
Board Experience:	
What is the tenure of the CEO?	13 years
What is the tenure of the CFO?	7 years
What is the average tenure of the board?	14 years
What is the average number of different company board positions held by the non-exec directors?	3
Are non-exec directors re-elected on an annual basis?	Yes
How many years do non-exec directors automatically serve?	1 year
How does the experience of the board demonstrate diversity of backgrounds amongst its non-exec directors?	The board members have varied experience and backgrounds. As an example, Mr Ernst Tanner has experience of over 25 years in leading management positions with the Johnson Johnson Group in Europe and the USA. Prof. Dr h. c. Claude Nicollier graduated in Physics Astrophysics and was an astronaut at the European Space Agency (ESA) and also teaches as a titular professor. Dr Jean-Pierre Roth is a Postgraduate from MIT and has worked in the Swiss National Bank where he was active in various areas and he has also served as Swiss governor of the International Monetary Fund.

How does the experience of the board reflect the company's business strategy?	Chairwoman Nayla Hayek is a businesswoman, having worked as president and CEO of Harry Winston following its acquisition by Swatch. As a horse breeding expert, she has top-level contacts that contribute to many of the business and promotional activities of the Swatch Group. Mr. Ernst Tanner has served as Chairman (Europe) of Johnson Johnson Group, after having several years of experience in leading management positions in Europe and the USA. CEO Nick Hayek has worked in several positions within Swatch and has a good understanding of the group's business. Mr. Hayek also has an association with film production and had founded his own production company.
How does the experience of the board reflect relevant financial, accounting and legal knowledge?	Dr Jean-Pierre Roth is a Swiss Banker, Postgraduate from MIT who has also served as Swiss governor of the International Monetary Fund. Prof. Dr h. c. Claude Nicollier is a Physics Astrophysics graduate and was also an astronaut at the ESA. Mr. Ernst Tanner has several years of experience in leading management positions of J&J in Europe and the USA.
What percentage of board members are female?	20%
Independence:	
What percentage of board members are independent?	60%
What percentage of the audit committee members are independent?	60%
Are the Chairman and CEO roles separated?	Yes
Has the Chairman previously been the CEO?	No
What is the tenure of the company's auditors?	23
What is the split of non-audit to audit fees paid to the auditors?	25% non-audit fees / 75% audit fees (€5.1 Mn)
How many board members have been on the board for over ten years?	3
Alignment with minority shareholders:	
Do any board members own shares in the company?	Yes
Please state the shareholdings for each board member owning shares in the company.	The Exec. Board of Directors and the members of the Management Board held directly or indirectly a total of 56,571,025 registered shares and 790 bearer shares, representing 36.5% of the voting rights. Non-exec Board of Directors held 2,010 bearer shares, representing 0.0% of the voting rights.
Are there minimum shareholding requirements for the board?	No
Please give details of any minimum shareholding requirements for the board.	Not Applicable
Are there any unusual voting structures?	No
Are there any safeguards to protect shareholders with inferior voting rights?	Not Applicable
In the case that certain share classes do carry disproportionate voting rights, what are the provisions to protect minority shareholders?	Not Applicable
Is there an individual, family or government with a majority stake?	No
Please give details of any individual, family or government owning more than 50% of the shares.	There is no individual, family or government owning more than 50% of the bearer shares. The Hayek Pool controls 63,169,930 registered shares and 1650 bearer shares, totalling 40.8% of votes.
Does the firm require shareholder approval to implement takeover defences?	Not Applicable
Compensation:	
What is the CEO's maximum: base compensation ratio?	No details of maximum payout
What is the CFO's maximum: base compensation ratio?	No details of maximum payout

What are the criteria for the CEO's annual bonus?	The criteria include turnover development, development of operating profit, EBIT, changes in market share, development of inventory and receivables, accomplishment of development and set-up projects, success in negotiations, successful implementation of cost reduction programmes, personnel fluctuation, and motivation of employees.
What are the criteria for the CFO's annual bonus?	The criteria include turnover development, development of operating profit, EBIT, changes in market share, development of inventory and receivables, accomplishment of development and set-up projects, success in negotiations, successful implementation of cost reduction programmes, personnel fluctuation, and motivation of employees.
Is there an LTIP?	Not disclosed
Please provide LTIP criteria, if applicable.	--
What is the maximum pay-out of the LTIP?	25.0
How many managers are eligible for the LTIP?	Not disclosed
What is the total pay of the board?	CHF 47.79 mn
Have there been any significant votes (> 10%) against the remuneration report over the last 3 years?	No
Please provide details.	Not Applicable
Have any recruitment awards or termination payments been made in the last 3 years?	No.
Please provide details.	Swatch did not award any severance payments or provide share options or other financial benefits to the Board members or the Executive members.
Is the remuneration committee made up of independent board members?	Yes
Are the firm and board required to get shareholder approval of remuneration policies?	Yes
Are there malus and clawback provisions in place for all incentive schemes?	Not disclosed

Source: Company Data

Exhibit 76: Thule Shareholding Structure



Source: Company data

Exhibit 77: Thule Board of Directors

Name	Age (in 2015)	Position	Appointment date
Stefan Jacobsson	63	Chairman	2011
Bengt Baron	53	Independent board member	2011
Hans Eckerström	44	Non-independent board member	2009
Liv Forhaug	45	Independent board member	2014
Lilian Fossum Biner	53	Independent board member	2011
David Samuelson	33	Non-independent board member	2012
Åke Skeppner	64	Independent board member	2009

Source: Company data

Exhibit 78: Thule Governance Overview

Board Experience:	
What is the tenure of the CEO?	5.0 years
What is the tenure of the CFO?	4.0 years
What is the average tenure of the board? (this includes Group Management)	5.3 years
What is the average number of different company board positions held by the non-exec directors?	~5
Are non-exec directors re-elected on an annual basis?	Yes
How many years do non-exec directors automatically serve?	1 years
How does the experience of the board demonstrate diversity of backgrounds amongst its non-exec directors?	Different academic backgrounds ranging from Mechanical Engineering to Economics and Business Administration; previous appointments in industries ranging from Finance to Retail.
How does the experience of the board reflect the company's business strategy?	The board members include individuals with prior appointments in other outdoor and sporting goods companies, retail, strategy consulting. Some members of group management also hold current appointments in the Outdoor Foundation, for example.

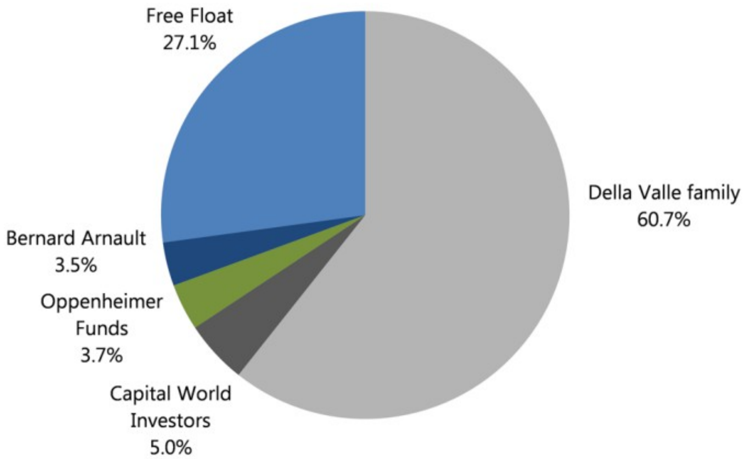
How does the experience of the board reflect relevant financial, accounting and legal knowledge?	Different academic background include training in Economics and Business Administration and Law Studies; board members include individuals with education and professional experience in Finance and Business Administration, Quantitative methods, Human Resources, and Law.
What percentage of board members are female?	
Independence:	
What percentage of board members are independent?	71%
What percentage of the audit committee members are independent?	33%
Are the Chairman and CEO roles separated?	Yes
Has the Chairman previously been the CEO?	No
What is the tenure of the company's auditors?	5 years
What is the split of non-audit to audit fees paid to the auditors?	75% of total goes to audit
How many board members have been on the board for over ten years?	2 (from group management)
Alignment with minority shareholders:	
Do any board members own shares in the company?	Yes
Please state the shareholdings for each board member owning shares in the company.	Stefan Jacobsson: 143,989 shares and 546,873 warrants; Bengt Baron: 42,297 shares; Lilian Fossum Biner: 39,997 shares; Åke Skeppner: 182,075 shares; Liv Forhaug: 1,100 shares; Group Management: Magnus Welander 636,990 shares (through Elenima Ltd) and 1,093,749 warrants; Lennart Mauritzson: 124,471 shares and 624,999 warrants; Fredrik Erlandsoon: 108,138 shares and 312,498 warrants; Kajsa von Geijer: 189,508 shares and 312,498 warrants; Fred Clark: 365,665 shares and 624,999 warrants.
Are there minimum shareholding requirements for the board?	No
Please give details of any minimum shareholding requirements for the board.	--
Are there any unusual voting structures?	No
Are there any safeguards to protect shareholders with inferior voting rights?	NA
In the case that certain share classes do carry disproportionate voting rights, what are the provisions to protect minority shareholders?	--
Is there an individual, family or government with a majority stake?	No party owns more than 50%, but Nordic Capital is a key institutional investor (original private equity investor pre-IPO) with a stake of 29%
Please give details of any individual, family or government owning more than 50% of the shares.	--
Does the firm require shareholder approval to implement takeover defences?	No details
Compensation:	
What is the CEO's maximum: base compensation ratio?	175%
What is the CFO's maximum: base compensation ratio?	160%
What are the criteria for the CEO's annual bonus?	Variable remuneration can amount to a maximum of 75 percent of basic salary. Any bonus payments and the amount of bonus are related to the degree of fulfillment of annual, predefined financial targets. These targets are linked to sales, EBITDA and cash flow.
What are the criteria for the CFO's annual bonus?	Variable remuneration may amount to 40-60% of basic salary. Any bonus payments and the amount of bonus are determined based on the degree of fulfillment of annual, predefined financial targets and individual targets. These financial targets are linked to sales, EBITDA and cash flow, while the individual targets are based on personal performance.

Is there an LTIP?	Yes
Please provide LTIP criteria, if applicable.	Limited details but wording links LTIP to shareholder value.
What is the maximum pay-out of the LTIP?	No details
How many managers are eligible for the LTIP?	7
What is the total pay of the board?	No details
Have there been any significant votes (> 10%) against the remuneration report over the last 3 years?	No
Please provide details.	--
Have any recruitment awards or termination payments been made in the last 3 years?	No details
Please provide details.	--
Is the remuneration committee made up of independent board members?	Yes (half)
Are the firm and board required to get shareholder approval of remuneration policies?	Yes, but non-binding as on an individual basis, if justified, the Board may depart from guidelines adopted by the general meeting.
Are there malus and clawback provisions in place for all incentive schemes?	No details

Source: Company Data

Tod's

Exhibit 79: Tod's Shareholding Structure



Source: Company data

Exhibit 80: Tod's Board of Directors

Name	Age	Role	Appointment date
Diego Della Valle	62	Chairman and co-CEO	2000
Andrea Della Valle	50	Vice Chairman and co-CEO	2000
Stefano Sincini	57	co-CEO	2003
Emilio Macellari	57	CFO	2000
Emanuele della Valle	40	Non-Executive Director	2000
Maurizio Boscarato	74	Non-Executive Director	2000
Cinzia Oglio	45	Non-Executive Director	2015
Pierfrancesco Saviotti	73	Independent Non-Executive Director	2012
Luigi Abete	68	Independent Non-Executive Director	2000
Luigi Cambri	60	Independent Non-Executive Director	2005
Vincenzo Manes	55	Independent Non-Executive Director	2015
Michele Scannavini	56	Independent Non-Executive Director	2015
Romina Guglielmetti	42	Independent Non-Executive Director	2015
Sveva Dalmasso	59	Independent Non-Executive Director	2015

Source: Company data

Exhibit 81: Tod's Governance Overview

Board Experience:	
What is the tenure of the CEO?	15
What is the tenure of the CFO?	15
What is the average tenure of the board?	9
What is the average number of different company board positions held by the non-exec directors?	5
Are non-exec directors re-elected on an annual basis?	No

How many years do non-exec directors automatically serve?	3
How does the experience of the board demonstrate diversity of backgrounds amongst its non-exec directors?	The Board members are a mix of family members (with significant experience in the company), managers, entrepreneurs, lawyers and consultants
How does the experience of the board reflect the company's business strategy?	Diego Della Valle is the company founder. Andrea Della Valle, Stefano Sincini and Emilio Macellari have been helping to develop the strategy of the company together with him for the past 15+ years
How does the experience of the board reflect relevant financial, accounting and legal knowledge?	Emilio Macellari is attorney-in-fact, Maurizio Boscarato is a lawyer in private practice, Luigi Cambri is a public notary
What percentage of board members are female?	21%
Independence:	
What percentage of board members are independent?	50%
What percentage of the audit committee members are independent?	100%
Are the Chairman and CEO roles separated?	No
Has the Chairman previously been the CEO?	Yes
What is the tenure of the company's auditors?	3
What is the split of non-audit to audit fees paid to the auditors?	Not applicable
How many board members have been on the board for over ten years?	8
Alignment with minority shareholders:	
Do any board members own shares in the company?	Yes
Please state the shareholdings for each board member owning shares in the company.	The co-CEOs Diego and Andrea Della Valle, the CFO Emilio Macellari and other non-executive directors own shares in the company.
Are there minimum shareholding requirements for the board?	No
Please give details of any minimum shareholding requirements for the board.	Not applicable
Are there any unusual voting structures?	No
Are there any safeguards to protect shareholders with inferior voting rights?	In line with Consob requirements
In the case that certain share classes do carry disproportionate voting rights, what are the provisions to protect minority shareholders?	Not applicable
Is there an individual, family or government with a majority stake?	Yes
Please give details of any individual, family or government owning more than 50% of the shares.	Della Valle family 60.7%
Does the firm require shareholder approval to implement takeover defences?	No
Compensation:	
What is the CEO's maximum: base compensation ratio?	140%
What is the CFO's maximum: base compensation ratio?	140%
What are the criteria for the CEO's annual bonus?	The variable components are linked to the economic, capital and financial performance of the group.
What are the criteria for the CFO's annual bonus?	The variable components are linked to the economic, capital and financial performance of the group.
Is there an LTIP?	Yes
Please provide LTIP criteria, if applicable.	Not disclosed
What is the maximum pay-out of the LTIP?	Not disclosed
How many managers are eligible for the LTIP?	Not disclosed
What is the total pay of the board?	c. €4.0m
Have there been any significant votes (> 10%) against the remuneration report over the last 3 years?	No
Please provide details.	Not applicable
Have any recruitment awards or termination payments been made in the last 3 years?	No

Please provide details.	Not applicable
Is the remuneration committee made up of independent board members?	Yes
Are the firm and board required to get shareholder approval of remuneration policies?	Yes
Are there malus and clawback provisions in place for all incentive schemes?	Yes

Source: Company data

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(as of January 31, 2016)

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STOCK RATING CATEGORY	COVERAGE UNIVERSE COUNT	COVERAGE UNIVERSE % OF TOTAL	INVESTMENT BANKING CLIENTS (IBC) COUNT	IBC % OF TOTAL IBC	IBC % OF RATING CATEGORY
Overweight/Buy	**1206**	**36%**	**323**	**43%**	**27%**
Equal-weight/Hold	**1432**	**42%**	**331**	**44%**	**23%**
Not-Rated/Hold	**79**	**2%**	**9**	**1%**	**11%**
Underweight/Sell	**658**	**19%**	**86**	**11%**	**13%**
TOTAL	**3,375**		**749**		

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Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
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INDUSTRY COVERAGE: Brands

COMPANY (TICKER)	RATING (AS OF)	PRICE* (02/16/2016)
Elena Mariani		
Luxottica (LUX.MI)	E (10/22/2015)	€51.10
Moncler SpA (MONC.MI)	E (10/14/2015)	€13.35
Salvatore Ferragamo SpA (SFER.MI)	E (04/29/2015)	€19.93
Thule Group AB (THULE.ST)	E (01/06/2015)	SKr 104.75
Tod's SPA (TOD.MI)	U (04/29/2015)	€67.70
Louise Singlehurst		
Adidas (ADSGn.DE)	U (05/23/2014)	€91.14
Burberry (BRBY.L)	E (10/16/2015)	1,212p
Hugo Boss AG (BOSSn.DE)	E (12/10/2015)	€66.57
Kering (PRTP.PA)	U (04/09/2015)	€154.10
LVMH Moet Hennessy Louis Vuitton SA (LVMH.PA)	O (10/24/2014)	€149.35
Prada SpA (1913.HK)	E (06/19/2014)	HK$24.20
Richemont SA (CFR.VX)	O (11/16/2015)	SFr 64.70
Swatch (UHR.VX)	U (04/30/2014)	SFr 340.50
Morgan Stanley Research Europe		
Pandora A/S (PNDORA.CO)	NA (08/19/2013)	DKr 816.50
PUMA AG (PUMG.DE)	NA (08/19/2013)	€176.95

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* Historical prices are not split adjusted.