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## Brands | Europe

## ESG Company Summaries

We highlight findings on ESG data provided by the Brands coverage for 2013-2018. Increasing disclosure points toward emerging relevance of ESG indicators across companies.

**ESG is an important topic for all Brands subsectors:** Luxury Goods, Sporting Goods and Eyewear. This is because apparel / shoe / leather goods production generates pollution while transportation of the goods (the vast majority of which are not consumed in the countries in which they are produced) and distribution of the goods translates to a high carbon footprint. Furthermore, these industries are relatively labor intensive and this creates ethical responsibilities up the supply chain. Finally, when it comes to Governance, we show that, on aggregate, there remains room for improvement (a function of the fact that the majority of Luxury Goods companies have a controlling shareholder).

**Disclosure varies, but overall improving.** The vast majority of firms in the Brands sector have launched important initiatives to improve ESG metrics. Today, the level of disclosure among companies is varied, with EssilorLuxottica, Kering and LVMH providing the most thorough disclosure of the group. While corporate governance KPIs such as board ownership and Long-term Incentive Plan-based compensation were routinely reported by most of the companies, we note an increasing number of companies have begun reporting ESG-focused KPIs such as carbon emissions, employee training hours and employee engagement statistics. This indicates to us that companies are increasingly acknowledging the value of an ESG-inclined reporting structure and relevance of a Sustainability brand embedded within the business.

**Environmental – emissions trending up, but waste recycling improving.** Scope 1 and 2 GHG carbon emissions data was reported by 15 out of 17 companies. The majority of the companies showed an increase in carbon emissions for the reporting period, with many citing increases in business expansion activities as a driver – the exception to this were GrandVision, Kering and LVMH, which reported a decrease of -11%, -62%, and -18% over 2013-2018, respectively. A waste recycling ratio was reported by nine companies, showing an increasing recycling ratio trend for six out of the nine. Moncler and LVMH reported the highest waste recycling ratio of the group, at 98% and 91% respectively.

**Social – employee statistics underreported, but increasing diversity in management.** Only nine companies reported employee turnover, whereas 14 companies reported the gender diversity of senior management. Employee turnover across the group was broadly maintained at 24% between 2013-2018, with EssilorLuxottica reporting the lowest employee turnover at 1.8%. In terms of gender diversity across our coverage, we note that the percentage of females in management stayed at an average of 46% across the reporting period, with LVMH and Salvatore Ferragamo reporting the highest figure, at 65%.

Sustainability 

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## Adidas

**Summary:** Registered in 1949 and headquartered in Herzogenaurach, Germany, Adidas is the second largest sporting goods company in the world. Every year the company produces over 900 million sports and sports lifestyle products with independent manufacturing partners worldwide and in 2018 generated sales of €21.9 billion. The company has been selected to join Dow Jones Sustainability Indices for 19th consecutive year.

In 2018, the company achieved its target of 100% sustainable cotton vs 93% in 2017. Adidas defines sustainable cotton as certified organic cotton or any other form of sustainably produced cotton that is currently available or might be in future, and Better Cotton. Adidas started manufacturing shoes using Parley Ocean Plastic. The company created more than five million pairs of shoes using Parley Ocean Plastic, alongside two million pieces of apparel to reduce the use of virgin plastic. Additionally, the company is managed to phase out single use plastics in majority of its facilities. Since 2008, the Adidas 'Green Company' program strives to achieve ambitious savings in water, waste and energy at Adidas' own sites globally. The program includes administrative offices, production facilities and distribution centers, and covered more than 90% of its global employee base (excluding own retail) in 2018. In 2015, the company presented a set of targets to be achieved by 2020, including targets for carbon emissions reduction that were calculated considering a science-based methodology and context-based targets for water reduction.

**Exhibit 1: Adidas ESG Data**

|  | Dec 2013 | Dec 2014 | Dec 2015 | Dec 2016 | Dec 2017 | Dec 2018 |
|--|----------|----------|----------|----------|----------|----------|
|  | A        | A        | A        | A        | A        | A        |
| <b>ENVIRONMENT</b>                               |          |          |          |          |          |          |
| CO2 emissions (Scope 1 + Scope 2) (Kg)           | 61,611   | 55,731   | 59,132   | 52,548   | 60,517   | 67,645   |
| Scope 1 GHG emissions                            |          |          |          |          | 11,702   | 12,379   |
| Scope 2 GHG emissions                            |          |          |          |          | 48,815   | 55,266   |
| Total waste                                      | 1,946    | 2,306    | 2,264    | 2,567    | 2,713    | 2,009    |
| Waste recycling ratio                            |          |          |          |          |          |          |
| <b>SOCIAL</b>                                    |          |          |          |          |          |          |
| Employee turnover                                |          |          |          |          |          |          |
| Employee Engagement                              |          |          |          |          |          |          |
| Average training hours per employee              | 18       |          |          |          |          |          |
| Percentage of females in management              | 28%      | 28%      | 29%      | 30%      | 31%      | 33%      |
| Supplier code of conduct                         | Yes      | Yes      | Yes      | Yes      | Yes      | Yes      |
| Percentage of suppliers audited                  | 51%      | 47%      | 49%      | 40%      | 48%      | 47%      |
| <b>GOVERNANCE</b>                                |          |          |          |          |          |          |
| Percentage of independent board members          | 50%      | 50%      | 50%      | 50%      | 50%      | 50%      |
| Total number of directors on the board           | 12       | 12       | 12       | 16       | 16       | 16       |
| Number of directors classified as independent    | 6        | 6        | 6        | 8        | 8        | 8        |
| Percentage of female board members               | 16.7%    | 33.3%    | 33.3%    | 25.0%    | 25.0%    | 25.0%    |
| Number of Women Directors                        | 2        | 4        | 4        | 4        | 4        | 4        |
| Average tenure of the board                      |          |          |          |          |          | 9.61     |
| Performance based LTIP included within Exec Comp | Yes      | Yes      | Yes      | Yes      | Yes      | Yes      |

Source: Company Data (where available), Morgan Stanley Research

## Burberry

**Summary:** The Burberry team consists of over 10,000 employees worldwide. The company designs, develops, makes and sells products under the Burberry brand. Product design and development are centered in Burberry's London headquarters with finished products manufactured at both company-owned facilities in the UK and through an external supplier network predominantly located in Europe.

Burberry aims to achieve a zero carbon footprint by improving energy efficiency, reducing absolute consumption and switching to renewable energy sources, before offsetting any remaining emissions. The company's retail network is responsible for 74% of its direct carbon emissions. Over the year, new energy targets have been set for stores globally, which are owned by regional leadership and reinforced by a programme of awareness raising, training and technical support. During 2017/18 Burberry reduced its global, absolute energy consumption by 4%, mainly through behavioral changes and LED lighting. At the same time, the company now procures c.48% of its total energy (including c.56% of its electricity) from renewable sources, an increase of 24% from last year. In June 2017, Burberry joined RE100, committing to 100% renewable energy by 2022. The company assesses its progress towards carbon neutrality by looking at the reduction in its total market-based CO2 emissions year on year.

As can be seen in the table below, Burberry has made solid progress over the past few years regarding key ESG metrics. Regarding the environment, it has decreased CO2 emissions by 8% in 2018 over the period of 6 years. Regarding social initiatives, Burberry has increased the percentage of female representation in management from 37% in 2013 to 40% in 2018. Finally, when it comes to governance, Burberry has also improved a number of key metrics, such as the percentage of independent board members, which reached 73% in 2018, and percentage of female board members, which reached 46% in 2018.

**Exhibit 2: Burberry ESG data**

|  | Mar 2013    | Mar 2014    | Mar 2015    | Mar 2016    | Mar 2017    | Mar 2018    |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
|  | A           | A           | A           | A           | A           | A           |
| <b>ENVIRONMENT</b>                               |             |             |             |             |             |             |
| CO2 emissions (Scope 1 + Scope 2) (Kg)           | 37,139,334  | 42,062,769  | 43,793,289  | 37,690,769  | 36,169,928  | 34,343,744  |
| Total waste                                      |             |             |             |             |             |             |
| Waste recycling ratio                            |             |             |             |             |             |             |
| <b>SOCIAL</b>                                    |             |             |             |             |             |             |
| Employee turnover                                |             |             |             |             |             |             |
| Employee Engagement                              |             |             |             |             |             | 72%         |
| Average training hours per employee              |             |             |             |             |             |             |
| Percentage of females in management              | 37%         | 38%         | 37%         | 40%         | 39%         | 40%         |
| Supplier code of conduct                         | Yes         | Yes         | Yes         | Yes         | Yes         | Yes         |
| Percentage of suppliers audited                  |             |             |             |             |             |             |
| <b>GOVERNANCE</b>                                |             |             |             |             |             |             |
| Percentage of independent board members          | 50.0%       | 60.0%       | 66.7%       | 63.6%       | 63.6%       | 72.7%       |
| Total number of directors on the board           | 8           | 10          | 12          | 11          | 11          | 11          |
| Number of directors classified as independent    | 4           | 6           | 8           | 7           | 7           | 8           |
| Percentage of female board members               | 37.5%       | 20.0%       | 33.3%       | 36.4%       | 36.4%       | 45.5%       |
| Number of Women Directors                        | 3           | 2           | 4           | 4           | 4           | 5           |
| Average tenure of the board                      | 7.99        | 6.34        | 7.26        | 7.10        | 7.77        | 5.18        |
| Shares owned by the board members                | 0.3%        | 0.7%        | 0.9%        | 0.2%        | 0.2%        | 0.1%        |
| Number of shares owned by the board members      | 1,111,331   | 1,584,873   | 1,476,795   | 1,056,118   | 991,229     | 367,511     |
| Number of shares - Year End - Outstanding        | 442,130,304 | 443,642,290 | 444,744,067 | 445,037,254 | 431,705,255 | 418,275,123 |
| Performance based LTIP included within Exec Comp | Yes         | Yes         | Yes         | Yes         | Yes         | Yes         |

Source: Company Data (where available), Morgan Stanley Research

## Dufry

**Summary:** Founded in 1865 and headquartered in Basel, Switzerland. Dufry has more than 60 years of travel retail experience and owns more than 20% of the market share in airport travel retail. Dufry operates at over 2,300 duty-free and duty-paid shops located at airports, on cruise liners, in seaports, and in other touristic locations, in which the company offers more than 50,000 products from over 1,000 suppliers. The company also works with local partners and adjusts its offerings to the local habits of its customers.

Reducing CO2 emissions is one of Dufry's concerns. Whenever possible, the transport of goods is done by shipping on sea, thereby choosing the most CO2-efficient means of transportation. Dufry has retail shops in 22 of 44 carbon neutral airports worldwide. Queen Alia in Amman, Jordan, and London Stansted airports, where Dufry is the main retail operator, joined the carbon neutral airports list in 2018. Dufry is focused on avoiding producing waste in the first place or recycling it, if it occurs, as an effective way to save valuable resources. The recycling process is outsourced to specialized service providers.

As a step forward towards achieving a more sustainable supply chain, in 2017 Dufry developed its Supplier's Code of Conduct, with the purpose of ensuring that its suppliers across all product categories have in place accepted business standards, as described by the UN Global Compact. In 2018, Dufry proactively shared the Code with its top suppliers – who account for approx. 40% of its sales. Out of the suppliers reached, the company received acknowledgement from 82% of them. During 2019 Dufry will extend the reach and engage with more suppliers from all product categories. On the governance front, 75% of board members are classified as independent as at Dec 2018, up from 63% in 2013. Female representation on the board has also increased to 38% as at Dec 2018 from 22% in 2016. All executive compensation includes LTIP incentives.

**Exhibit 3: Dufry ESG data**

|  | Dec 2013   | Dec 2014   | Dec 2015   | Dec 2016   | Dec 2017   | Dec 2018   |
|--|------------|------------|------------|------------|------------|------------|
|  | A          | A          | A          | A          | A          | A          |
| <b>ENVIRONMENT</b>                               |            |            |            |            |            |            |
| CO2 emissions (Scope 1 + Scope 2)                |            |            |            |            |            |            |
| Total waste                                      |            |            |            |            |            |            |
| Waste recycling ratio                            |            |            |            |            |            |            |
| <b>SOCIAL</b>                                    |            |            |            |            |            |            |
| Employee turnover                                |            |            |            |            |            |            |
| Employee Engagement                              |            |            |            |            |            |            |
| Average training hours per employee              |            |            |            |            |            |            |
| Percentage of females in management              |            |            |            |            | 49.0%      |            |
| Number of Female senior managers                 |            |            |            |            | 1,502      |            |
| Number of Male senior managers                   |            |            |            |            | 1,566      |            |
| Supplier code of conduct                         |            |            |            |            | Yes        | Yes        |
| Percentage of suppliers audited                  |            |            |            |            |            |            |
| <b>GOVERNANCE</b>                                |            |            |            |            |            |            |
| Percentage of independent board members          | 63.0%      | 77.8%      | 66.7%      | 66.7%      | 66.7%      | 75.0%      |
| Total number of directors on the board           | 8          | 9          | 9          | 9          | 9          | 8          |
| Number of directors classified as independent    | 5          | 7          | 6          | 6          | 6          | 6          |
| Percentage of female board members               | -          | -          | -          | 22.2%      | 22.2%      | 37.5%      |
| Number of Women Directors                        | -          | -          | -          | 2          | 2          | 3          |
| Average tenure of the board                      | 6.1        | 6.4        | 7.4        | 6.9        | 7.9        | 6.3        |
| Shares owned by the board members                | 18.0%      | 23.3%      | 17.2%      | 13.3%      | 13.3%      | 10.4%      |
| Number of shares owned by the board members      | 5,558      | 8,370      | 9,248      | 7,184      | 7,188      | 5,588      |
| Number of shares - Year End - Outstanding        | 30,905,056 | 35,905,056 | 53,871,707 | 53,871,707 | 53,871,707 | 53,871,707 |
| Performance based LTIP included within Exec Comp | Yes        | Yes        | Yes        | Yes        | Yes        | Yes        |

Source: Company Data (where available), Morgan Stanley Research

## EssilorLuxottica

**Summary:** EssilorLuxottica, a fully integrated player, is a global leader in the design, manufacture and distribution of ophthalmic lenses, frames and sunglasses. Created in 2018, EssilorLuxottica brings together both Essilor (founded in 1849) and Luxottica's (founded in 1961) long history of sustainable development in action and a shared commitment to place ethics and responsibility at the center of all stakeholder interactions.

**Luxottica:** Since 2013, Luxottica has been investing in manufacturing plants that run on renewable energy, with the objective of reducing its Carbon footprint across the value chain. Between 2014 and 2018, approximately 2,000 sqm of solar panels enabled the company to reduce emissions by approximately 80 t/CO2 per year. In 2019, Luxottica will continue to invest in projects aimed at further improving energy efficiency and increasing renewable energy production, in management solutions, plants and techniques for reducing water consumption through its recycling and reuse, and in process activities that generate as little waste as possible. Luxottica is doing well on the governance front too, by increasing the percentage of female board members to 33% and percentage of independent board members to 67%.

**Essilor:** In 2017, Essilor set sustainability targets for 2020 in key areas such as: creating wearers, reducing environmental footprint by reducing water intensity by 20% and lowering energy intensity by 15% (compared to 2015 baseline), decreasing by 30% the work related injury rate and working for the society, linked to their contribution to the UN Sustainable Development Goals. As shown in the table below, Essilor has made progress in key ESG metrics, for example: the waste recycling ratio has increased from 35% in 2014 to 43% in 2017, average training hours per employee has increased to 10 hrs in 2017 from 8 hrs in 2013, and the percentage of female board members has increased to 47% at the end of 2017.

**EssilorLuxottica:** Both Essilor and Luxottica have contributed to address climate change. As a fundamental, both companies have been extending the reporting scope for their greenhouse gas (GHG) emissions over the years, which are reported on the basis of the international classification proposed by the GHG Protocol standard. The EssilorLuxottica Corporate Social Responsibility (CSR) Committee consists of four members, two of which are independent Directors. EssilorLuxottica is working towards the "2020 roadmap" defined by Essilor in 2017, with specific internal objectives and is working on all levers of employee engagement.

**Exhibit 4: Luxottica ESG data**

|  | Dec 2013 | Dec 2014 | Dec 2015 | Dec 2016 | Dec 2017 | Dec 2018 |
|--|----------|----------|----------|----------|----------|----------|
|  | A        | A        | A        | A        | A        | A        |
| <b>ENVIRONMENT</b>                               |          |          |          |          |          |          |
| CO2 emissions (Scope 1 + Scope 2)                |          |          | 127,762  | 138,376  | 153,205  | 160,872  |
| Total waste                                      |          |          | 26,366   | 35,544   | 33,637   | 38,266   |
| Recycled Waste                                   |          |          | 5,010    | 6,816    | 7,243    | 9,159    |
| Waste recycling ratio                            |          |          | 19.0%    | 19.0%    | 22.0%    | 23.9%    |
| <b>SOCIAL</b>                                    |          |          |          |          |          |          |
| Employee turnover                                |          |          |          |          |          |          |
| Employee Engagement                              | 75%      |          |          |          |          |          |
| Average Training hours per Employee per year     |          |          |          |          |          | 9        |
| Total Training Hours                             |          |          |          |          |          | 700,000  |
| Total workforce                                  |          |          |          |          |          | 82,358   |
| Percentage of females in management              |          |          |          |          | 31%      | 32%      |
| Supplier code of conduct                         |          |          |          |          | Yes      | Yes      |
| Percentage of suppliers audited                  |          |          |          |          |          |          |
| Number of Suppliers audited                      |          |          | 20       | 20       | 28       | 45       |
| <b>GOVERNANCE</b>                                |          |          |          |          |          |          |
| Percentage of independent board members          | 53.9%    | 54.6%    | 64.3%    | 64.3%    | 64.3%    | 66.7%    |
| Total number of directors on the board           | 13       | 11       | 14       | 14       | 14       | 12       |
| Number of directors classified as independent    | 7        | 6        | 9        | 9        | 9        | 8        |
| Percentage of female board members               | 15.4%    | 18.2%    | 28.6%    | 28.6%    | 28.6%    | 33.3%    |
| Number of Women Directors                        | 2        | 2        | 4        | 4        | 4        | 4        |
| Average tenure of the board                      | 14.3     | 14.4     | 7.5      | 8.5      | 9.3      | 10.9     |
| Shares owned by the board members                |          |          |          |          |          |          |
| Performance based LTIP included within Exec Comp | Yes      | Yes      | Yes      | Yes      | Yes      | Yes      |

Source: Company Data (where available), Morgan Stanley Research

**Exhibit 5: Essilor ESG data**

|  | Dec 2013    | Dec 2014    | Dec 2015    | Dec 2016    | Dec 2017    |
|--|-------------|-------------|-------------|-------------|-------------|
|  | A           | A           | A           | A           | A           |
| <b>ENVIRONMENTAL</b>                             |             |             |             |             |             |
| CO2 emissions (Scope 1 and 2)                    | 264,521     | 260,439     | 348,542     | 395,093     | 462,618     |
| Total waste                                      | 22,727      | 22,360      | 27,113      | 34,683      | 43,994      |
| Waste recycling ratio                            |             | 34.62%      | 36.69%      | 38.37%      | 42.51%      |
| Recycled Waste                                   |             | 7,741       | 9,947       | 13,309      | 18,700      |
| Recycled hazardous waste                         |             |             |             | 2,434       | 3,378       |
| Recycled non-hazardous waste                     |             | 7,741       | 9,947       | 10,875      | 15,322      |
| <b>SOCIAL</b>                                    |             |             |             |             |             |
| Employee turnover                                |             |             |             |             |             |
| Total workforce                                  | 55,129      | 58,032      | 60,883      | 63,676      | 66,918      |
| Employee Engagement                              |             |             |             | 85.00%      |             |
| Average training hours per employee              | 8.07        | 9.59        | 9.03        | 9.69        | 10.06       |
| Total Training Hours                             | 444,864     | 556,331     | 549,667     | 617,015     | 673,049     |
| Percentage of females in management              |             |             |             |             |             |
| <b>GOVERNANCE</b>                                |             |             |             |             |             |
| R&D as percentage of sales                       | 3.24%       | 3.32%       | 3.19%       | 3.01%       | 2.90%       |
| Research and Development Expenses                | 164         | 188         | 214         | 214         | 217         |
| Revenue  | 5,065       | 5,670       | 6,716       | 7,115       | 7,490       |
| Percentage of independent board members          | 60.00%      | 46.67%      | 50.00%      | 50.00%      | 46.67%      |
| Total number of directors on the board           | 15          | 15          | 16          | 14          | 15          |
| Number of directors classified as independent    | 9           | 7           | 8           | 7           | 7           |
| Percentage of female board members               | 26.67%      | 20.00%      | 18.75%      | 35.71%      | 46.67%      |
| Number of Women Directors                        | 4           | 3           | 3           | 5           | 7           |
| Average tenure of the board                      | 7.50        | 8.20        | 8.17        | 6.40        | 6.22        |
| Shares owned by board members                    | 0.30%       | 0.45%       | 0.44%       | 0.27%       | 0.38%       |
| Number of shares owned by the board members      | 641,214     | 974,015     | 943,224     | 592,031     | 837,994     |
| Number of shares - Year End - Outstanding        | 214,699,498 | 215,892,528 | 216,456,440 | 218,507,701 | 219,125,439 |
| Performance based LTIP included within Exec Comp | Yes         | Yes         | Yes         | Yes         | Yes         |

Source: Company Data (where available), Morgan Stanley Research

**Exhibit 6: EssilorLuxottica ESG data**

|  | Dec 2016 | Dec 2017 | Dec 2018    |
|--|----------|----------|-------------|
|  | A        | A        | A           |
| <b>ENVIRONMENT</b>                               |          |          |             |
| CO2 emissions (Scope 1 + Scope 2)                |          |          | 736,358     |
| Total waste                                      |          |          | 92,016      |
| Waste recycling ratio                            |          |          | 37.96%      |
| Recycled Waste                                   |          |          | 34,931      |
| <b>SOCIAL</b>                                    |          |          |             |
| Employee turnover                                |          |          | 1.77%       |
| Number of permanent employee separations         | 1,632    | 2,279    | 2,699       |
| Total workforce                                  |          |          | 152,740     |
| Employee Engagement                              |          |          |             |
| Average training hours per employee              |          |          | 4.74        |
| Total Training Hours                             | 617,015  | 673,049  | 723,877     |
| Percentage of females in management              |          |          | 32.00%      |
| Supplier code of conduct                         |          |          | Yes         |
| Percentage of suppliers audited                  |          |          |             |
| Number of Suppliers audited                      | 20       | 28       | 45          |
| <b>GOVERNANCE</b>                                |          |          |             |
| Percentage of independent board members          |          |          | 43.75%      |
| Total number of directors on the board           |          |          | 16          |
| Number of directors classified as independent    |          |          | 7           |
| Percentage of female board members               |          |          | 43.75%      |
| Number of Women Directors                        |          |          | 7           |
| Average tenure of the board                      |          |          | 0.25        |
| Shares owned by the board members                |          |          | 0.09%       |
| Number of shares owned by the board members      |          |          | 379,233     |
| Number of shares - Year End - Outstanding        |          |          | 425,677,461 |
| Performance based LTIP included within Exec Comp |          |          | Yes         |

Source: Company data (where available), Morgan Stanley Research

## GrandVision

**Summary:** GrandVision is a global leader in optical retail and operates in more than 40 different countries in over 7,000 stores and online. The stores operate under well-known local retail banners which in some cases look back at a heritage of over 120 years. The GrandVision retail banners are often the leaders in their respective countries. By integrating environmental, social and governance considerations into their business model, GrandVision is able to effectively respond to the demands and expectations of stakeholders.

As a responsible global retailer, GrandVision put efforts in to reducing the environmental footprint of its products and processes. The CO2 efficiency rate was reduced by 18% from 282 in 2017 to 231 grams of CO2 per pair of glasses in 2018. GrandVision's target for 2025 is 205 grams CO2 per spectacle. Water efficiency improved by nearly 10% compared to 2017. In the process of cutting, edging and fitting a pair of lenses into a frame, GrandVision now uses less than two liters of water. The group's 2025 target is to reduce water consumption per spectacle to 1.87, which would be a 15% reduction compared to base year 2015. In 2018, energy efficiency rates also improved from 4.6 MJ in base year 2015 to 3.9 MJ per pair of spectacles. Overall, the company is working in a direction to achieve its target for 2025. Regarding governance, average tenure of the board is increasing each year with 80% independent board members indicating stability in the board.

**Exhibit 7: GrandVision ESG data**

|  | Dec 2013 | Dec 2014  | Dec 2015    | Dec 2016    | Dec 2017    | Dec 2018    |
|--|----------|-----------|-------------|-------------|-------------|-------------|
|  | A        | A         | A           | A           | A           | A           |
| <b>ENVIRONMENT</b>                               |          |           |             |             |             |             |
| CO2 emissions (Scope 1 + Scope 2)                |          | 3,000,000 | 3,490,000   | 2,980,000   | 2,970,000   | 2,680,000   |
| Total waste                                      |          |           |             |             |             |             |
| Waste recycling ratio                            |          |           |             |             |             |             |
| <b>SOCIAL</b>                                    |          |           |             |             |             |             |
| Employee turnover                                |          |           |             |             |             |             |
| Employee Engagement                              |          |           |             |             |             |             |
| Average training hours per employee              |          |           |             | 16.7        | 15.9        | 16.9        |
| Percentage of females in management              |          |           |             |             |             |             |
| Supplier code of conduct                         |          |           | Yes         | Yes         | Yes         | Yes         |
| Percentage of suppliers audited                  |          |           |             |             |             |             |
| <b>GOVERNANCE</b>                                |          |           |             |             |             |             |
| Percentage of independent board members          |          | 80%       | 80%         | 80%         | 80%         | 80%         |
| Total number of directors on the board           |          | 5         | 5           | 5           | 5           | 5           |
| Number of directors classified as independent    |          | 4         | 4           | 4           | 4           | 4           |
| Percentage of female board members               |          | -         | -           | -           | -           | -           |
| Number of Women Directors                        |          | -         | -           | -           | -           | -           |
| Average tenure of the board                      |          | 3.5       | 4.5         | 5.5         | 6.5         | 7.5         |
| Shares owned by the board members                |          | -         | 0%          | 0%          | 0%          | -           |
| Number of shares owned by the board members      |          |           | 2,650       | 4,750       | 4,750       | 4,750       |
| Number of shares - Year End - Outstanding        |          |           | 252,337,979 | 252,784,608 | 253,583,420 | 253,767,648 |
| Performance based LTIP included within Exec Comp |          | Yes       | Yes         | Yes         | Yes         | Yes         |

Source: Company Data (where available), Morgan Stanley Research

## Hermès

**Summary:** Hermès is a France-based company specializing in the designing, manufacturing, and marketing of luxury products worldwide. The sustainability of Hermès products has been at the heart of its success since 1837.

Hermès believes in using materials wisely throughout their life cycle, reducing waste and promoting recycling. The group carefully monitors all waste and ensures, for example, the implementation of selective waste sorting and recycling systems at all of its facilities. Since 1 November 2015, Hermès participated actively in the energy transition process. All the French sites (production, services, stores) are now supplied with green electricity, mainly hydro, produced in France. This means that at Group level, 80% of the electricity consumption is supplied from green sources.

As shown in the table below, at the end of 2018, the Carbon Assessment was estimated at 42.2 k tonnes equivalent of CO<sub>2</sub> for scopes 1 and 2. Regarding social initiatives, the company is maintaining a proportion of more females than males in the management team. Female participation on the board increased from 18.2% at the end of 2013 to 46.2% at the end of 2018. Additionally, average tenure of the board has also increased over the years.

**Exhibit 8: Hermes ESG data**

|  | Dec 2013    | Dec 2014    | Dec 2015    | Dec 2016    | Dec 2017    | Dec 2018    |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
|  | A           | A           | A           | A           | A           | A           |
| <b>ENVIRONMENT</b>                               |             |             |             |             |             |             |
| Total GHG emissions (Scope 1 + Scope 2)          |             |             |             | 32          | 42          | 42          |
| Total waste                                      | 6,986       | 8,244       | 8,108       | 11,283      | 12,669      | 12,650      |
| Hazardous waste                                  |             |             |             |             | 7,202       | 6,172       |
| Non-hazardous waste                              |             |             |             |             | 5,467       | 6,478       |
| Waste recycling ratio                            |             |             |             |             |             | 3.1%        |
| Recycled Waste                                   |             |             |             |             |             | 390         |
| <b>SOCIAL</b>                                    |             |             |             |             |             |             |
| Employee turnover                                |             |             |             |             |             |             |
| Total workforce                                  |             |             |             |             | 13,483      | 14,284      |
| Employee Engagement                              |             |             |             |             |             |             |
| Average training hours per employee              |             |             |             |             | 17.8        | 17.1        |
| Total Training Hours                             |             |             |             |             | 240,000     | 243,781     |
| Percentage of females in management              | 60%         | 58%         | 59%         | 60%         | 60%         | 62%         |
| Supplier code of conduct                         |             |             | Yes         |             |             |             |
| Percentage of suppliers audited                  |             |             |             |             |             |             |
| <b>GOVERNANCE</b>                                |             |             |             |             |             |             |
| Percentage of independent board members          | 36.4%       | 36.4%       | 36.4%       | 36.4%       | 30.8%       | 30.8%       |
| Total number of directors on the board           | 11          | 11          | 11          | 11          | 13          | 13          |
| Number of directors classified as independent    | 4           | 4           | 4           | 4           | 4           | 4           |
| Percentage of female board members               | 18.2%       | 36.4%       | 36.4%       | 36.4%       | 46.2%       | 46.2%       |
| Number of Women Directors                        | 2           | 4           | 4           | 4           | 6           | 6           |
| Average tenure of the board                      | 6.2         | 4.9         | 5.9         | 6.2         | 6.2         | 7.5         |
| Shares owned by the board members                | 6.0%        | 0.2%        | 0.2%        | 0.2%        | 0.5%        | 0.5%        |
| Number of shares owned by the board members      | 6,282,848   | 200,338     | 191,313     | 187,353     | 565,665     | 562,673     |
| Number of shares - Year End - Outstanding        | 104,128,103 | 104,401,667 | 104,388,641 | 104,489,752 | 104,153,710 | 104,252,033 |
| Performance based LTIP included within Exec Comp |             | No          | No          | No          | No          | No          |

Source: Company Data (where available), Morgan Stanley Research

## Hugo Boss

**Summary:** Hugo Boss is one of the leading companies in the premium segment of the global apparel market. The company, which is based in Metzingen (Germany) sells high-quality fashion as well as accessories in the womenswear and menswear segments under the Boss and Hugo brands. In addition to the actual product range, Hugo Boss is also known for its events, campaigns and cooperations. In fiscal year 2018 HUGO BOSS generated sales of EUR 2.7 billion. The company is aware of its global responsibility for people, the environment and society, taking concrete measures to fulfill this commitment.

The Hugo Boss Social Standards, which are based on the internationally recognized standards of the United Nations and the International Labour Organization (ILO), form the most important framework. They are supplemented by the Group's Code of Conduct and internal Social Compliance Guidelines. The central committee for controlling the sustainability strategy is the Sustainability Committee, chaired by the Chief Executive Officer. During the reporting year, it was composed of managers from all relevant central functions. The Sustainability Committee is currently composed of 20 members in total. In 2018, the company also signed the Fashion Industry Charter for Climate Action of the United Nations Framework Convention on Climate Change (UNFCCC) along with nearly 100 other companies, and as such is committed to the vision of a climate neutral fashion industry by 2050.

**Exhibit 9: Hugo Boss ESG data**

|  | Dec 2013 | Dec 2014 | Dec 2015 | Dec 2016 | Dec 2017 | Dec 2018 |
|--|----------|----------|----------|----------|----------|----------|
|  | A        | A        | A        | A        | A        | A        |
| <b>ENVIRONMENT</b>                               |          |          |          |          |          |          |
| CO2 emissions (Scope 1 + Scope 2)                | 21,316   | 22,700   | 22,905   | 48,208   | 47,925   | 42,776   |
| Scope 1 GHG emissions                            |          |          |          | 11,705   | 12,001   | 12,448   |
| Scope 2 GHG emissions                            |          |          |          | 36,503   | 35,924   | 30,328   |
| Total waste                                      | 3,714    | 4,261    | 4,874    | 6,416    | 5,976    | 6,231    |
| Waste recycling ratio                            |          |          | 77.6%    | 61.5%    | 65.0%    | 64.0%    |
| Recycled Waste                                   |          |          | 3,784    | 3,781    | 3,663    | 7,967    |
| <b>SOCIAL</b>                                    |          |          |          |          |          |          |
| Employee turnover                                | 11.2%    | 24.9%    | 24.7%    | 24.0%    | 24.0%    | 28.0%    |
| Total workforce                                  |          |          |          | 13,545   | 16,777   | 17,579   |
| Employee Engagement                              |          |          |          | 72%      | 77%      |          |
| Average training hours per employee              |          |          |          |          |          |          |
| Percentage of females in management              | 20%      | 21%      | 24%      | 21%      | 19%      | 16%      |
| Supplier code of conduct                         | Yes      | Yes      | Yes      | Yes      | Yes      | Yes      |
| Percentage of suppliers audited                  | 29%      | 30%      | 32%      | 33%      |          |          |
| Number of Suppliers audited                      |          |          |          | 210      |          |          |
| Total number of suppliers                        |          |          |          | 633      |          |          |
| <b>GOVERNANCE</b>                                |          |          |          |          |          |          |
| Percentage of independent board members          |          |          |          |          | 33.3%    | 33.3%    |
| Total number of directors on the board           | 12       | 12       | 12       | 12       | 12       | 12       |
| Number of directors classified as independent    |          |          |          |          | 4        | 4        |
| Percentage of female board members               | 8.3%     | 8.3%     | 33.3%    | 25.0%    | 25.0%    | 25.0%    |
| Number of Women Directors                        | 1        | 1        | 4        | 3        | 3        | 3        |
| Average tenure of the board                      |          |          | 5        | 5.5      | 6.5      | 7.4      |
| Shares owned by the board members                |          |          |          |          |          |          |
| Performance based LTIP included within Exec Comp | Yes      | Yes      | Yes      | Yes      | Yes      | Yes      |

Source: Company Data (where available), Morgan Stanley Research

## Kering

**Summary:** Kering has continuously transformed itself since its inception in 1963, guided by an entrepreneurial spirit and a commitment to constantly develop and evolve, ultimately becoming a pure player in Luxury in 2018.

Having established a set of ambitious objectives that guided the group in environmental and social matters over the 2012-16 period, and whose results were made public in 2016, Kering laid down and published its 2025 Sustainability strategy in January 2017. Kering will publish a first overall progress report on the 2025 Sustainability targets in early 2020.

As can be seen in the table below, Kering has made progress over the past few years related to key ESG metrics. Regarding the environment, the group's energy consumption relates mainly to the heating, lighting and air conditioning of stores, warehouses and offices. In 2018, scope 1 emissions decreased by 32% to 14,406 and scope 2 emissions fell by 71% to 32,448 over 2017, due to increased use of electricity from renewable sources. The company also increased its waste recycling ratio from 58% in 2013 to 69% in 2018. Regarding social initiatives, Kering has increased average training hours per employee from 9 in 2013 to 12.4 in 2018. At last, when it comes to governance, the company has also improved a number of key metrics: the number of independent members has now reached 55% (vs 46% in 2013) and female participation on the board has now reached 64% (vs 36% in 2013).

**Exhibit 10: Kering ESG data**

|  | Dec 2013    | Dec 2014    | Dec 2015    | Dec 2016    | Dec 2017    | Dec 2018    |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
|  | A           | A           | A           | A           | A           | A           |
| <b>ENVIRONMENT</b>                               |             |             |             |             |             |             |
| CO2 emissions (Scope 1 + Scope 2)                | 123,388     | 123,560     | 135,636     | 136,232     | 132,957     | 46,854      |
| Scope 1 GHG emissions                            | 18,682      | 17,502      | 17,716      | 19,229      | 21,034      | 14,406      |
| Scope 2 GHG emissions                            | 104,706     | 106,058     | 117,920     | 117,003     | 111,923     | 32,448      |
| Total waste                                      | 12,440      | 12,205      | 13,871      | 14,680      | 19,195      | 19,322      |
| Waste recycling ratio                            | 57.6%       | 56.8%       | 64.8%       | 69.0%       | 68.7%       | 69.2%       |
| <b>SOCIAL</b>                                    |             |             |             |             |             |             |
| Employee turnover                                | 28.3%       | 25.8%       | 26.7%       | 25.8%       | 23.8%       |             |
| Number of permanent employee separations         | 10,128      | 9,656       | 10,344      | 10,319      | 10,491      | 6788        |
| Total workforce                                  | 35,786      | 37,441      | 38,801      | 40,052      | 44,055      | 34795       |
| Employee Engagement                              |             |             |             |             |             |             |
| Average training hours per employee              | 9.0         | 10.0        | 10.2        | 10.6        | 11.5        | 12.4        |
| Total Training Hours                             | 322,452     | 375,960     | 393,906     | 423,194     | 504,349     | 431051      |
| Percentage of females in management              |             |             |             | 51%         | 51%         | 50%         |
| Supplier code of conduct                         | Yes         | Yes         | Yes         | Yes         | Yes         | Yes         |
| Percentage of suppliers audited                  |             |             |             |             |             |             |
| <b>GOVERNANCE</b>                                |             |             |             |             |             |             |
| Percentage of independent board members          | 45.5%       | 36.4%       | 36.4%       | 54.6%       | 54.6%       | 54.5%       |
| Total number of directors on the board           | 11          | 11          | 11          | 11          | 11          | 11          |
| Number of directors classified as independent    | 5           | 4           | 4           | 6           | 6           | 6           |
| Percentage of female board members               | 36.4%       | 27.3%       | 36.4%       | 63.6%       | 63.6%       | 63.6%       |
| Number of Women Directors                        | 4           | 3           | 4           | 7           | 7           | 7           |
| Average tenure of the board                      | 6.0         | 6.3         | 7.3         | 6.4         | 7.4         | 7.2         |
| Shares owned by the board members                | 0.1%        | 0.1%        | 0.1%        | 0.1%        | 0.1%        | 0.1%        |
| Number of shares owned by the board members      | 97,891      | 106,707     | 110,267     | 110,267     | 110,368     | 109,608     |
| Number of shares - Year End - Outstanding        | 126,166,180 | 126,204,953 | 126,251,724 | 126,279,322 | 126,279,322 | 126,279,322 |
| Performance based LTIP included within Exec Comp | Yes         | Yes         | Yes         | Yes         | Yes         | Yes         |

Source: Company Data (where available), Morgan Stanley Research

## LVMH

**Summary:** LVMH, the world's leading luxury products group, gathers 70 prestigious brands, with 46.8 billion euros revenue in 2018 and a retail network of over 4,590 stores worldwide. It is the only luxury goods player to simultaneously operate in five key sectors: Wines & Spirits, Fashion & Leather Goods, Perfumes & Cosmetics, Watches & Jewelry, and Selective Retailing.

The LVMH group says it has an unwavering commitment to the highest standards in terms of ethics, social responsibility and respect for the environment. In recent years, the group has supported or signed up for a number of international standards, implementation of which it promotes within its sphere of influence, as well as putting in place its own internal standards. For example, in 2009, LVMH drew up its first Code of Conduct, designed to serve as a common ethical foundation for the Group and its Maisons. In 2017, the Code was fine-tuned and updated to reflect changes in country-specific contexts, business lines and cultures.

As can be seen in the table below, LVMH has made progress over the past few years regarding key ESG metrics. Regarding the environment, it has increased its waste recycling ratio from 88% in 2013 to 91% in 2018. Regarding social initiatives, LVMH has also improved a number of key metrics, such as the percentage of females in management. Finally, when it comes to governance, LVMH has also made progress and the number of independent board members reached 60% in 2018.

**Exhibit 11: LVMH ESG data**

|  | Dec 2013    | Dec 2014    | Dec 2015    | Dec 2016    | Dec 2017    | Dec 2018    |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
|  | A           | A           | A           | A           | A           | A           |
| <b>ENVIRONMENT</b>                               |             |             |             |             |             |             |
| CO2 emissions (Scope 1 + Scope 2)                | 358,914     | 372,644     | 408,804     | 385,629     | 278,132     | 295,759     |
| Total waste                                      | 85,569      | 92,826      | 89,943      | 80,787      | 78,549      | 102,184     |
| Waste recycling ratio                            | 88%         | 85%         | 86%         | 86%         | 91%         | 91%         |
| <b>SOCIAL</b>                                    |             |             |             |             |             |             |
| Employee turnover                                | 21.4%       | 20.9%       | 21.8%       | 20.5%       | 22.7%       | 22.9%       |
| Employee Engagement                              |             |             |             |             | 80.0%       |             |
| Average training hours per employee              | 18.4        | 17.6        | 17.6        | 17.6        | 16          |             |
| Percentage of females in management              | 62%         | 63%         | 63%         | 64%         | 65%         | 65%         |
| Supplier code of conduct                         | Yes         | Yes         | Yes         | Yes         | Yes         | Yes         |
| Percentage of suppliers audited                  |             |             |             |             |             |             |
| <b>GOVERNANCE</b>                                |             |             |             |             |             |             |
| Percentage of independent board members          | 52.9%       | 52.9%       | 52.9%       | 58.8%       | 60.0%       | 60.0%       |
| Total number of directors on the board           | 17          | 17          | 17          | 17          | 15          | 15          |
| Number of directors classified as independent    | 9           | 9           | 9           | 10          | 9           | 9           |
| Percentage of female board members               | 17.7%       | 23.5%       | 23.5%       | 35.3%       | 40.0%       | 46.7%       |
| Number of Women Directors                        | 3           | 4           | 4           | 6           | 6           | 7           |
| Average tenure of the board                      | 12.78       | 12.37       | 13.37       | 12.46       | 11.95       | 12.70       |
| Shares owned by the board members                | 0.1%        | 0.2%        | 0.1%        | 0.2%        | 0.2%        | 0.4%        |
| Number of shares owned by the board members      | 407,475     | 822,151     | 648,821     | 1,217,337   | 1,141,591   | 1,985,478   |
| Number of shares - Year End - Outstanding        | 500,401,742 | 501,860,343 | 502,799,189 | 502,028,966 | 502,761,499 | 502,894,091 |
| Performance based LTIP included within Exec Comp | Yes         | Yes         | Yes         | Yes         | Yes         | Yes         |

Source: Company Data (where available), Morgan Stanley Research

## Moncler

**Summary:** Founded in 1952 in France, Moncler is now headquartered in Italy. Moncler's integrated and flexible business model is geared towards having direct control of the phases of production that add the greatest value, putting the pursuit of ever increasing quality at the heart of all its work. The promotion of a responsible supply chain is a fundamental part of this process. During the last year Moncler has established a Sustainability Unit dedicated to supporting the integration of social and environmental factors into the business decision-making.

In order to reduce energy consumption and CO2 emissions, Moncler is engaged in various activities in its stores, offices, logistics hub and production site. These range from gradually replacing traditional lighting systems with LED lights, to using green ICT technologies, to identifying new methods to use energy more efficiently, to mitigating the environmental impact of employees' business travel. As for the efficiency of lighting systems, Moncler has achieved important results.

Statistics in the below table reflect the progress by Moncler over the past few years related to key ESG metrics. Regarding environmental initiatives, Moncler has increased the waste recycling ratio from 67% in 2014 to 98% in 2018. Regarding social initiatives, Moncler has improved a number of key metrics, such as: reduced employee turnover to 35.6%, total workforce has now increased to 4,155 (vs 1,755 in 2014), average training hours per employee has now increased more than 3 times as compared to 2014 and audited number of suppliers increased significantly. Finally, when it comes to governance, at the end of 2018 the percentage of independent board members increased to 54.6% from 27.3% in 2013 and the company has maintained a consistent female participation on the board at 27% throughout the years.

**Exhibit 12: Moncler ESG data**

|  | Dec 2013 | Dec 2014 | Dec 2015 | Dec 2016 | Dec 2017 | Dec 2018 |
|--|----------|----------|----------|----------|----------|----------|
|  | A        | A        | A        | A        | A        | A        |
| <b>ENVIRONMENT</b>                               |          |          |          |          |          |          |
| CO2 emissions (Scope 1 + Scope 2)                |          | 3,153    | 4,348    | 6,602    | 7,116    | 7,319    |
| Total waste                                      |          | 425      | 463      | 456      | 505      | 607      |
| Waste recycling ratio                            |          | 66.8%    | 61.7%    | 57.9%    | 97.6%    | 97.7%    |
| Recycled Waste                                   |          | 284      | 286      | 264      | 493      | 593      |
| <b>SOCIAL</b>                                    |          |          |          |          |          |          |
| Employee turnover                                |          |          | 36.8%    | 32.2%    | 37.1%    | 35.6%    |
| Number of permanent employee separations         |          |          | 891      | 1,034    | 1,299    | 1,479    |
| Total workforce                                  |          | 1,755    | 2,424    | 3,216    | 3,498    | 4,155    |
| Employee Engagement                              |          |          |          |          |          |          |
| Average training hours per employee              |          | 7.2      | 5.1      | 10.3     | 19.7     | 23.2     |
| Total Training Hours                             |          | 12,558   | 12,333   | 33,127   | 69,050   | 96,383   |
| Percentage of females in management              |          | 35.5%    | 34.1%    | 44.0%    | 43.6%    | 42.0%    |
| Supplier code of conduct                         | No       | No       | No       | Yes      | Yes      | Yes      |
| Percentage of suppliers audited                  |          |          |          |          |          |          |
| Number of Suppliers audited                      |          | 25       | 165      | 174      | 145      | 320      |
| <b>GOVERNANCE</b>                                |          |          |          |          |          |          |
| Percentage of independent board members          | 27.3%    | 36.4%    | 36.4%    | 54.6%    | 54.6%    | 54.6%    |
| Total number of directors on the board           | 11       | 11       | 11       | 11       | 11       | 11       |
| Number of directors classified as independent    | 3        | 4        | 4        | 6        | 6        | 6        |
| Percentage of female board members               | 27.3%    | 27.3%    | 27.3%    | 27.3%    | 27.3%    | 27.3%    |
| Number of Women Directors                        | 3        | 3        | 3        | 3        | 3        | 3        |
| Average tenure of the board                      |          |          |          |          |          |          |
| Shares owned by the board members                | 31.9%    | 31.9%    | 31.9%    | 26.7%    | 26.3%    | 26.2%    |
| Performance based LTIP included within Exec Comp | No       | Yes      | Yes      | Yes      | Yes      | Yes      |

Source: Company Data (where available), Morgan Stanley Research

## Pandora

**Summary:** Founded in 1982 and headquartered in Denmark, Pandora designs, manufactures and markets hand-finished and contemporary jewellery made from high-quality materials. Pandora jewellery is sold in more than 100 countries on six continents through around 7,800 points of sale, including more than 2,400 concept stores.

Silver is the most used material in Pandora's products. In 2018, 88% of the silver grains sourced by Pandora came from recycled sources. The remaining 12% came from mined silver supplied by certified responsible refiners. The company works with audited suppliers and ensures that it sources as much silver as possible from recycling. In 2018, 100% of the gold grains used in Pandora's products were recycled. Pandora's employee turnover at crafting facilities rose to 7.7% in 2018 reflecting different organizational changes, but was still well below the industry level of more than 15%. Female participation in management increased to 30% in 2018 from 24% in 2013 and female participation on the board also increased to 43% as compared to 25% in 2013. In 2018, the percentage of independent board members increased to 86% (vs 50% in 2013). All executive compensation includes LTIP incentives.

**Exhibit 13: Pandora ESG data**

|  | Dec 2013    | Dec 2014    | Dec 2015    | Dec 2016    | Dec 2017    | Dec 2018    |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
|  | A           | A           | A           | A           | A           | A           |
| <b>ENVIRONMENT</b>                               |             |             |             |             |             |             |
| CO2 emissions (tonnes)                           |             |             | 5,435       | 8,665       | 12,734      | 9,562       |
| Total waste                                      |             |             |             |             |             |             |
| Waste recycling ratio                            | 57%         | 81%         | 83%         | 86%         | 80%         | 89%         |
| <b>SOCIAL</b>                                    |             |             |             |             |             |             |
| Employee turnover                                | -           | 5.0%        | 3.3%        | 3.2%        | 4.2%        | 7.7%        |
| Total workforce                                  | 6,910       | 9,957       | 13,971      | 17,770      | 20,904      | 24,030      |
| Employee Engagement                              |             |             |             |             |             |             |
| Average training hours per employee              |             |             | 14.50       | 14.20       | 8.20        | 5.20        |
| Percentage of females in management              | 24%         | 34%         | 33%         | 37%         | 39%         | 30%         |
| Supplier code of conduct                         | Yes         | Yes         | Yes         | Yes         | Yes         | Yes         |
| Percentage of suppliers audited                  | 100%        | 100%        | 100%        | 100%        | 100%        | 100%        |
| <b>GOVERNANCE</b>                                |             |             |             |             |             |             |
| Percentage of independent board members          | 50.0%       | 70.0%       | 77.8%       | 80.0%       | 77.8%       | 85.7%       |
| Total number of directors on the board           | 8           | 10          | 9           | 10          | 9           | 7           |
| Number of directors classified as independent    | 4           | 7           | 7           | 8           | 7           | 6           |
| Percentage of female board members               | 25%         | 20%         | 22%         | 30%         |             | 43%         |
| Number of Women Directors                        | 2           | 2           | 2           | 3           |             |             |
| Average tenure of the board                      |             |             |             |             |             |             |
| Shares owned by the board members                | 1.1%        | 0.1%        | 0.1%        | 0.1%        | 0.1%        | 0.1%        |
| Number of shares owned by the board members      | 1,344,404   | 104,966     | 87,845      | 78,523      | 108,671     | 104,664     |
| Number of shares - Year End - Outstanding        | 126,604,235 | 120,899,762 | 116,233,254 | 111,926,139 | 112,507,391 | 102,203,450 |
| Performance based LTIP included within Exec Comp | Yes         | Yes         | Yes         | Yes         | Yes         | Yes         |

Source: Company Data (where available), Morgan Stanley Research

Note: Global transport emissions, but no clear reporting about scope 1 & 2 emissions

## Prada

**Summary:** A leading player in the luxury industry, Prada Group is an experimental workshop of ideas. The group owns five brands Prada, Miu Miu, Church's, Car Shoe and Marchesi 1824. In 2018, Prada Group recorded sales of €3,142mn.

The group completes its commitment to the reduction of its environmental footprint through responsible use of raw materials and packaging materials, and by making long-term investments in energy efficiency and the use of renewable energy. The group has shown improvement in key governance metrics for example: percentage of independent board members increased to 44% at the end of 2018 as compared to 33% in 2013. Additionally, the average tenure of the board has increased consistently to 8.4 years in 2018 (vs 5.9 years in 2013).

**Exhibit 14: Prada ESG data**

|  | Jan 2013 | Jan 2014 | Jan 2015 | Jan 2016 | Jan 2017 | Jan 2018 |
|--|----------|----------|----------|----------|----------|----------|
|  | A        | A        | A        | A        | A        | A        |
| <b>ENVIRONMENT</b>                               |          |          |          |          |          |          |
| CO2 emissions (Scope 1 + Scope 2)                | 65,744   | 69,431   | 76,696   | 79,048   | 76,696   |          |
| Scope 1 GHG emissions                            | 4,544    | 4,327    | 5,456    | 5,431    | 5,456    |          |
| Scope 2 GHG emissions                            | 61,200   | 65,104   | 71,240   | 73,617   | 71,240   |          |
| Total waste                                      | 1,429    | 1,345    |          |          |          |          |
| Waste recycling ratio                            | 71.0%    | 89.9%    |          |          |          |          |
| <b>SOCIAL</b>                                    |          |          |          |          |          |          |
| Employee turnover                                |          |          |          |          |          |          |
| Employee Engagement                              |          |          |          |          |          |          |
| Average training hours per employee              |          |          | 3.40     | 3.60     | 6.80     |          |
| Percentage of females in management              | 56%      | 55%      | 65%      | 56%      | 55%      |          |
| Supplier code of conduct                         | Yes      | Yes      | Yes      | Yes      | Yes      |          |
| Percentage of suppliers audited                  |          |          |          |          |          |          |
| Number of Suppliers audited                      | 1,146    | 1,000    |          |          |          |          |
| <b>GOVERNANCE</b>                                |          |          |          |          |          |          |
| Percentage of independent board members          | 33.3%    | 33.3%    | 37.5%    | 33.3%    | 33.3%    | 44.4%    |
| Total number of directors on the board           | 9        | 9        | 8        | 9        | 9        | 9        |
| Number of directors classified as independent    | 3        | 3        | 3        | 3        | 3        | 4        |
| Percentage of female board members               | 33.3%    | 33.3%    | 37.5%    | 22.2%    | 22.2%    | 22.2%    |
| Number of Women Directors                        | 3        | 3        | 3        | 2        | 2        | 2        |
| Average tenure of the board                      | 5.9      | 6.9      | 6.8      | 6.4      | 7.4      | 8.4      |
| Shares owned by the board members                |          |          |          |          |          |          |
| Performance based LTIP included within Exec Comp | No       | No       | No       | No       | No       | No       |

Source: Company Data (where available), Morgan Stanley Research

## Puma

**Summary.** Created in 1948 and headquartered in Germany, Puma is the third largest sporting goods company in the world. Sustainability is a key priority for Puma. The group has reconfirmed its commitment to the 10 principles of the UN Global Compact, and has aligned its sustainability program with the United Nations Sustainable Development Goals. In 2018, Puma was well on track to reach its 10FOR20 sustainability targets.

In 2018, the company hit its 2020 material targets for cotton, polyester, leather, and cardboard. Consequently, it increased its ambition level from 50% more sustainable cotton and polyester to 90%, and has established a new target for responsible down feathers. With its first carbon-neutral product collection launched in partnership with British online retailer ASOS, Puma has again begun to communicate sustainability attributes of products. Puma's sustainability efforts have been acknowledged by its readmission into the FTSE4GOOD Sustainability Index as well as an improved rating for the Carbon Disclosure Project. To help the fight against climate change on an industry scale, Puma took a leading role in the development of the Fashion Charter on Climate Action under the umbrella of the United Nations Climate Program. While Puma is focusing on hitting its 2020 sustainability targets, the company is already working on its sustainability strategy for 2025, which will be communicated in its next Annual Report (i.e. around April 2020).

**Exhibit 15: Puma ESG data**

|  | Dec 2013 | Dec 2014 | Dec 2015 | Dec 2016 | Dec 2017 | Dec 2018 |
|--|----------|----------|----------|----------|----------|----------|
|  | A        | A        | A        | A        | A        | A        |
| <b>ENVIRONMENT</b>                               |          |          |          |          |          |          |
| CO2 emissions (Scope 1 + Scope 2)                | 33,446   | 42,275   | 42,887   | 44,154   | 47,707   | 50,284   |
| Scope 1 GHG emissions                            | 6,506    | 7,306    | 7,296    | 6,854    | 7,678    | 6,918    |
| Scope 2 GHG emissions                            | 26,940   | 34,969   | 35,591   | 37,300   | 40,029   | 43,366   |
| Total waste                                      |          | 4,310    | 5,007    | 5,302    | 5,293    |          |
| Waste recycling ratio                            |          | 63.5%    | 59.0%    | 62.0%    | 65.0%    |          |
| <b>SOCIAL</b>                                    |          |          |          |          |          |          |
| Employee turnover                                | 27%      | 26%      | 28%      | 25%      | 40%      | 37%      |
| Total workforce                                  | 10,750   | 10,830   | 10,988   | 11,128   | 11,389   | 12,192   |
| Employee Engagement                              |          |          |          |          |          |          |
| Average training hours per employee              | 8.8      | 11.9     | 14.2     | 14.5     | 15.3     | 10.9     |
| Total Training Hours                             | 94,500   | 129,133  | 155,624  | 160,904  | 174,568  | 132,450  |
| Percentage of females in management              |          | 35%      | 37%      | 38%      | 38%      | 40%      |
| Supplier code of conduct                         | Yes      | Yes      | Yes      | Yes      | Yes      | Yes      |
| Percentage of suppliers audited                  | 100%     |          |          |          |          |          |
| <b>GOVERNANCE</b>                                |          |          |          |          |          |          |
| Percentage of independent board members          |          |          |          |          |          |          |
| Total number of directors on the board           | 9        | 8        | 9        | 9        | 6        | 6        |
| Percentage of female board members               | -        | -        | -        | -        | 16.7%    | 16.7%    |
| Number of Women Directors                        | -        | -        | -        | -        | 1        | 1        |
| Average tenure of the board                      |          |          |          |          |          |          |
| Shares owned by the board members                |          |          |          |          |          |          |
| Performance based LTIP included within Exec Comp | Yes      | Yes      | Yes      | Yes      | Yes      | Yes      |

Source: Company Data (where available), Morgan Stanley Research

## Richemont

**Summary:** Richemont was created in 1988 by the spin-off of the international assets owned by Rembrandt Group Limited of South Africa (now known as Remgro Limited). Compagnie Financière Richemont SA is the holding company for some of the world's leading luxury goods companies – its Maisons – encompassing jewellery, watches, premium accessories and other luxury products.

As supporter and members of the Responsible Jewellery Council ('RJC'), Richemont and its Maisons have been a driving force in ensuring trust and promoting responsible sourcing of diamonds, gold and other precious metals and best practices across the industry. More than 90% of the Group's sales were made by certified RJC members. Richemont is working towards reducing its environmental impact in three key areas: a) carbon intensity, b) packaging and c) logistics. Richemont's CSR Plan 2020 includes a commitment to identify and align its operations with selected Global Goals before 2020. By aligning initiatives to specific Global Goals, Richemont's impact as a Group will be more significant to their collective achievement by 2030.

As can be seen in the table below, Richemont has made progress over the past few years regarding key ESG metrics. Regarding the environment, it has decreased its CO2 emission by 12% from 2017 to 69Ktons. Regarding social initiatives, Richemont has also improved a number of key metrics, such as the percentage of females in management. Finally, when it comes to governance, Richemont has also made progress and the percentage of females on the board reached 15.8% in 2018.

**Exhibit 16: Richemont ESG data**

|  | Mar 2013      | Mar 2014      | Mar 2015      | Mar 2016      | Mar 2017      | Mar 2018      |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
|  | A             | A             | A             | A             | A             | A             |
| <b>ENVIRONMENT</b>                               |               |               |               |               |               |               |
| CO2 emissions (Scope 1 + Scope 2)                | 64            | 75            | 78            | 71            | 78            | 69            |
| Scope 1 GHG emissions (1000 tCO <sub>2</sub> )   | 19            | 20            | 18            | 14            | 15            | 13            |
| Scope 2 GHG emissions (1000 tCO <sub>2</sub> )   | 45            | 66            | 60            | 57            | 63            | 55            |
| Total waste                                      |               |               |               |               |               |               |
| Waste recycling ratio                            |               |               |               |               |               |               |
| <b>SOCIAL</b>                                    |               |               |               |               |               |               |
| Employee turnover                                | 13%           | 13%           | 13%           | 13%           | 15%           |               |
| Employee Engagement                              |               |               |               |               |               |               |
| Average training hours per employee              |               |               |               |               |               |               |
| Percentage of females in management              | 38%           | 38%           | 38%           | 39%           | 39%           | 50%           |
| Supplier code of conduct                         | Yes           | Yes           | Yes           | Yes           | Yes           | Yes           |
| Percentage of suppliers audited                  |               |               |               |               | 25%           |               |
| Number of Suppliers audited                      |               |               |               |               |               | 135           |
| <b>GOVERNANCE</b>                                |               |               |               |               |               |               |
| Percentage of independent board members          | 75%           | 79%           | 78%           | 83%           | 84%           | 74%           |
| Total number of directors on the board           | 20            | 19            | 18            | 18            | 19            | 19            |
| Number of directors classified as independent    | 15            | 15            | 14            | 15            | 16            | 14            |
| Percentage of female board members               | 10.0%         | 5.3%          | 5.6%          | 5.6%          | 5.3%          | 15.8%         |
| Number of Women Directors                        | 2             | 1             | 1             | 1             | 1             | 3             |
| Average tenure of the board                      |               |               |               |               |               |               |
| Shares owned by the board members                | 51.0%         | 0.0%          | 50.5%         | 51.1%         | 51.1%         | 50.7%         |
| Number of shares owned by the board members      | 522,109,765   | 416,354       | 522,300,108   | 528,514,139   | 528,343,039   | 524,873,802   |
| Number of shares - Year End - Outstanding        | 1,022,900,000 | 1,032,700,000 | 1,034,100,000 | 1,034,400,000 | 1,034,600,000 | 1,034,400,000 |
| Performance based LTIP included within Exec Comp | Yes           | Yes           | Yes           | Yes           | Yes           | Yes           |

Source: Company Data (where available), Morgan Stanley Research

## Salvatore Ferragamo

**Summary:** Salvatore Ferragamo S.p.A, founded in 1927, is the parent company of the Ferragamo Group, one of the major players in the luxury goods industry, which focuses on the creation, manufacture and sale of footwear, leather goods, clothing, silk products, other accessories and perfumes for men and women, all made in Italy. The Ferragamo Group is present in over 90 countries around the world.

In 2017, the group adopted a Sustainability Policy including a special section that formalizes its commitment to protecting the environment and ecosystems. In 2018, ISO 50001:2011 certification was obtained for the Osmannoro site and the process was started to obtain ISO 140001:2015 certification for the same site. Since 2017, as a sign of the group's commitment to reduce environmental impacts, the parent company has voluntarily taken part in the Carbon Disclosure Project (CDP) to report on CO2 emissions. In 2018, the parent company obtained a 'B' score in CDP.

As shown in the table below, Salvatore Ferragamo has shown improvement in key ESG metrics. Regarding the environment, the group raises awareness among its employees about properly managing and disposing of garbage, encouraging to reuse and recycle materials as well as minimize waste. Waste production in 2018 stood at 1,051 tons (of which 99.4% was non-hazardous waste and the remaining 0.6% was hazardous waste). Among the waste produced in the year, 8.6% was recycled, 0.2% was incinerated, 22.2% was treated in waste tips and the remaining 69% through other disposal methods. Regarding social initiatives, the percentage of females in management has increased from 56% in 2015 to 65% in 2018. Finally, when it comes to governance, the group has shown improvement in key metrics, such as percentage of independent board members, which is now 31% up from 23% at the end of 2013 and the percentage of female board members has also increased over the past few years.

**Exhibit 17: Salvatore Ferragamo ESG data**

|  | Dec 2013 | Dec 2014 | Dec 2015 | Dec 2016 | Dec 2017 | Dec 2018 |
|--|----------|----------|----------|----------|----------|----------|
|  | A        | A        | A        | A        | A        | A        |
| <b>ENVIRONMENT</b>                               |          |          |          |          |          |          |
| CO2 emissions (Scope 1 + Scope 2)                |          |          | 13,417   | 12,558   | 11,731   | 13,551   |
| Scope 1 GHG emissions                            |          |          | 1,279    | 1,292    | 1,327    | 1,034    |
| Scope 2 GHG emissions                            |          |          | 12,138   | 11,266   | 10,404   | 12,517   |
| Total waste                                      |          | 542      | 518      | 1,084    | 1,159    | 1,051    |
| Waste recycling ratio                            |          |          |          | 8.0%     | 19.5%    | 8.6%     |
| <b>SOCIAL</b>                                    |          |          |          |          |          |          |
| Employee turnover                                |          |          | 18.1%    | 33.0%    | 39.1%    | 37.0%    |
| Total workforce                                  |          |          | 5,148    | 5,233    | 4,523    | 4,228    |
| Employee Engagement                              |          |          |          |          |          |          |
| Average training hours per employee              |          |          | 1.46     | 10.17    | 12.06    |          |
| Total Training Hours                             |          |          | 7,500    | 53,200   | 54,550   |          |
| Percentage of females in management              |          |          | 56%      | 61%      | 65%      | 65%      |
| Number of Female senior managers                 |          |          |          | 448      | 495      | 471      |
| Number of Male senior managers                   |          |          |          | 291      | 267      | 258      |
| Supplier code of conduct                         |          |          | Yes      | Yes      | Yes      | Yes      |
| Percentage of suppliers audited                  |          |          |          |          |          |          |
| <b>GOVERNANCE</b>                                |          |          |          |          |          |          |
| Percentage of independent board members          | 23.1%    | 25.0%    | 30.8%    | 30.8%    | 30.8%    | 30.8%    |
| Total number of directors on the board           | 13       | 12       | 13       | 13       | 13       | 13       |
| Number of directors classified as independent    | 3        | 3        | 4        | 4        | 4        | 4        |
| Percentage of female board members               | 23.1%    | 25.0%    | 30.0%    | 30.8%    | 30.8%    |          |
| Number of Women Directors                        | 3        | 3        |          |          |          |          |
| Average tenure of the board                      |          |          |          |          |          |          |
| Shares owned by the board members                |          |          |          |          |          |          |
| Performance based LTIP included within Exec Comp | Yes      | Yes      |          | Yes      | Yes      | Yes      |

Source: Company Data (where available), Morgan Stanley Research

# Swatch

**Summary:** The Swatch Group Ltd. is a leading manufacturer of finished watches in the world. The Group is active in the manufacture of finished watches, jewelry, and watch movements and components. It produces nearly all of the components necessary to manufacture the watches sold under its 18 watch brands and the multi-brand Tourbillon and Hour Passion retail labels, as well as the entire Swiss watchmaking industry. The first Swatch watches were released in 1983.

Swatch Group is involved in responsible purchasing of industry-specific raw materials such as precious metals, diamonds, and exotic leather. Furthermore, Swatch Group decided to voluntarily eliminate the use of endangered tree species, and to use only wood originating from sustainable cultivation.

Diagram 1 shows CO2 emissions from the start of the new program in 2013, as well as the targets to reduce them by 27% by 2020. Energy efficiency should be increased by a total of 8% up to and including 2020, which leads to a linear target line as shown in the Diagram 2. The consumption of electricity increased by 10.7% in 2018 due to higher production volumes. CO2 emissions increased temporarily as new company buildings have not been taken into regular operation. Therefore, the substitution of fossil fuels will take place only when in regular operation. This means the target values were exceeded, according to the company.

Diagram 1

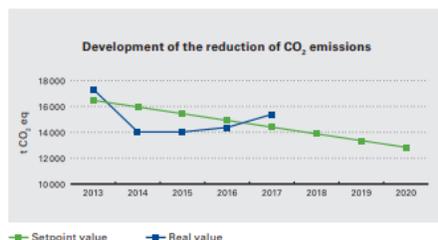


Diagram 2



### Exhibit 18: Swatch ESG data

|  | Dec 2013    | Dec 2014    | Dec 2015    | Dec 2016    | Dec 2017    | Dec 2018    |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
|  | A           | A           | A           | A           | A           | A           |
| <b>ENVIRONMENT</b>                               |             |             |             |             |             |             |
| CO2 emissions (Scope 1 + Scope 2)                |             |             |             |             |             |             |
| Total waste                                      |             |             |             |             |             |             |
| Waste recycling ratio                            |             |             |             |             |             |             |
| <b>SOCIAL</b>                                    |             |             |             |             |             |             |
| Employee turnover                                |             |             |             |             |             |             |
| Employee Engagement                              |             |             |             |             |             |             |
| Average training hours per employee              |             |             |             |             |             |             |
| Percentage of females in management              |             |             |             |             |             |             |
| Supplier code of conduct                         | Yes         | Yes         | Yes         | Yes         | Yes         | Yes         |
| Percentage of suppliers audited                  |             |             |             |             |             |             |
| <b>GOVERNANCE</b>                                |             |             |             |             |             |             |
| Percentage of independent board members          |             |             |             |             |             |             |
| Total number of directors on the board           | 6           | 5           | 5           | 6           | 6           | 6           |
| Percentage of female board members               | 33.3%       | 20.0%       | 20.0%       | 33.3%       | 33.3%       | 33.3%       |
| Number of Women Directors                        | 2           | 1           | 1           | 2           | 2           | 2           |
| Average tenure of the board                      |             |             |             |             |             | 8           |
| Shares owned by the board members                | 7.3%        | 0.1%        | 0.1%        | 0.2%        | 0.2%        | 0.2%        |
| Number of shares owned by the board members      | 10,992,699  | 166,199     | 209,299     | 221,309     | 262,309     | 298,199     |
| Number of shares - Year End - Outstanding        | 149,849,584 | 150,214,865 | 150,156,007 | 148,660,030 | 146,322,862 | 144,718,013 |
| Performance based LTIP included within Exec Comp |             |             |             | Yes         | Yes         | Yes         |

Source: Company Data (where available), Morgan Stanley Research

## Tod's

**Summary:** Tod's SpA is a luxury goods player with a specific focus on footwear, operating four different brands: Tod's, Hogan, Fay and Roger Vivier. For TOD'S Group, sustainability means conducting its activities with an eye to the future and focusing its business strategy on creating value for stakeholders in the medium and long term.

In order to promote the spread of social and environmental sustainability standards, which have always been the basis of TOD'S Group's activities and business strategies, the Group prepared a Sustainability Policy during 2018, which was approved by the Board of Directors on January 23rd, 2019. In recent years, the Group has also continued to consolidate, rationalize and virtualize its servers. To date, approximately 90% of physical servers have been converted into virtual servers, with appreciable benefits in terms of energy consumption and related CO2 emissions. In 2018, TOD'S implemented numerous initiatives relating to the digitalization and optimization of business processes, in order to reduce environmental impact and to minimize the use of resources and consumable materials. In 2018, the Group's water consumption levels were equal to 159,912 m3, a drop of around 10% compared to 2017. The table below shows that the percentage of independent board members has increased from 43% in 2017 to 53% in 2018.

**Exhibit 19: Tod's ESG data**

|  | Dec 2013 | Dec 2014 | Dec 2015 | Dec 2016 | Dec 2017 | Dec 2018 |
|--|----------|----------|----------|----------|----------|----------|
|  | A        | A        | A        | A        | A        | A        |
| <b>ENVIRONMENT</b>                               |          |          |          |          |          |          |
| CO2 emissions (Scope 1 + Scope 2)                |          |          |          | 17,635   | 17,477   | 17,421   |
| Scope 1 GHG emissions                            |          |          |          | 2,021    | 2,189    | 2,538    |
| Scope 2 GHG emissions                            |          |          |          | 15,614   | 15,288   | 14,883   |
| Total waste                                      |          |          |          | 1,815    | 1,585    | 1,770    |
| Waste recycling ratio                            |          |          |          | 0%       | 0%       | 0%       |
| Recycled Waste                                   |          |          |          | 4        | 3        | 2        |
| <b>SOCIAL</b>                                    |          |          |          |          |          |          |
| Employee turnover                                |          |          |          | 30.8%    | 30.6%    | 31.2%    |
| Employee Engagement                              |          |          |          |          |          |          |
| Average training hours per employee              |          |          |          | 6.3      | 7.9      | 7.3      |
| Percentage of females in management              |          |          |          |          | 56%      | 57%      |
| Supplier code of conduct                         |          |          |          |          |          | Yes      |
| Percentage of suppliers audited                  |          |          |          |          |          |          |
| <b>GOVERNANCE</b>                                |          |          |          |          |          |          |
| Percentage of independent board members          |          |          |          |          | 42.9%    | 53.3%    |
| Total number of directors on the board           | 12       | 11       | 15       | 14       | 14       | 15       |
| Number of directors classified as independent    |          |          |          |          | 6        |          |
| Percentage of female board members               |          |          |          |          |          |          |
| Average tenure of the board                      |          |          |          |          |          |          |
| Shares owned by the board members                | 56.8%    | 57.5%    | 57.5%    | 60.7%    | 60.7%    | 60.7%    |
| Performance based LTIP included within Exec Comp |          |          |          |          |          |          |

Source: Company Data (where available), Morgan Stanley Research

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(as of May 31, 2019)

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| STOCK RATING<br>CATEGORY | COVERAGE UNIVERSE |               | INVESTMENT BANKING CLIENTS (IBC) |                   |                            | OTHER MATERIAL<br>INVESTMENT SERVICES<br>CLIENTS (MISC) |                               |
|--------------------------|-------------------|---------------|----------------------------------|-------------------|----------------------------|---|-------------------------------|
|                          | COUNT             | % OF<br>TOTAL | COUNT                            | % OF<br>TOTAL IBC | % OF<br>RATING<br>CATEGORY | COUNT   | % OF<br>TOTAL<br>OTHER<br>MSC |
| <b>Overweight/Buy</b>    | <b>1110</b>       | <b>36%</b>    | <b>293</b>                       | <b>44%</b>        | <b>26%</b>                 | <b>523</b>  | <b>38%</b>                    |
| <b>Equal-weight/Hold</b> | <b>1364</b>       | <b>44%</b>    | <b>299</b>                       | <b>45%</b>        | <b>22%</b>                 | <b>637</b>  | <b>46%</b>                    |
| <b>Not-Rated/Hold</b>    | <b>42</b>         | <b>1%</b>     | <b>5</b>                         | <b>1%</b>         | <b>12%</b>                 | <b>6</b>  | <b>0%</b>                     |
| <b>Underweight/Sell</b>  | <b>570</b>        | <b>18%</b>    | <b>73</b>                        | <b>11%</b>        | <b>13%</b>                 | <b>225</b>  | <b>16%</b>                    |
| <b>TOTAL</b>             | <b>3,086</b>      |               | <b>670</b>                       |                   |                            | <b>1391</b>   |                               |

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

### Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed 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.

Equal-weight (E). The stock's total return is expected to be in line with 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.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to 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.

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.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

### Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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## INDUSTRY COVERAGE: Brands

| COMPANY (TICKER)                              | RATING (AS OF) | PRICE* (06/03/2019) |
|---|----------------|---------------------|
| <b>Edouard Aubin</b>                          |                |                     |
| Dufry AG (DUFN.S)                             | E (02/26/2018) | SFr 80.94           |
| Hermes International S.C.A (HRMS.PA)          | E (08/07/2018) | €597.60             |
| Kering (PRTP.PA)                              | E (05/19/2017) | €466.55             |
| LVMH Moët Hennessy Louis Vuitton SA (LVMH.PA) | O (01/17/2018) | €340.50             |
| PUMA SE (PUMG.DE)                             | E (04/29/2019) | €521.50             |
| Richemont SA (CFR.S)                          | E (12/17/2018) | SFr 74.12           |
| Swatch (UHR.S)                                | E (05/08/2019) | SFr 251.80          |
| <b>Elena Mariani</b>                          |                |                     |
| Adidas (ADSGn.DE)                             | U (01/24/2019) | €259.20             |
| Burberry (BRBY.L)                             | E (10/16/2015) | 1,700p              |
| EssilorLuxottica SA (ESLX.PA)                 | E (02/27/2019) | €105.00             |
| GrandVision NV (GMNV.AS)                      | E (09/01/2017) | €19.05              |
| Hugo Boss AG (BOSSn.DE)                       | U (09/19/2017) | €52.16              |
| Moncler SpA (MONC.MI)                         | O (12/17/2018) | €33.13              |
| Pandora AS (PNDORACO)                         | E (01/25/2018) | DKr 240.50          |
| Prada SpA (1913.HK)                           | E (12/17/2018) | HK\$22.00           |
| Salvatore Ferragamo SpA (SFER.MI)             | E (05/10/2019) | €18.67              |
| Tod's SPA (TOD.MI)                            | U (04/29/2015) | €43.56              |

Stock Ratings are subject to change. Please see latest research for each company.

\* Historical prices are not split adjusted.