

RICHEMONT



CORPORATE SOCIAL  
RESPONSIBILITY REPORT  
2019

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# WELCOME



Welcome to Richemont's 2019 Corporate Social Responsibility Report.

It demonstrates how we are meeting our commitments and describes how we manage our social, ethical and environmental impacts. As a responsible luxury goods company, we seek to improve lives across all points in the luxury value chain.

Highlights from the year include the development of our Transformational CSR Strategy, an updated materiality review and significant developments within the Responsible Jewellery Council.

In addition, our Maisons engaged with WWF in its review of leading Swiss watch and jewellery companies.



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## INTRODUCTION

## INTRODUCTION



Burkhardt Grund  
Chief Finance Officer

19 July 2019

Our Transformational CSR Strategy was launched in June 2019. It builds upon and replaces Richemont's 2020 CSR Plan. It reflects our ambition, enabling luxury to create benefits for all. The Strategy was endorsed by the Group's CSR Committee in collaboration with our Maisons and support functions. The Strategy maintains four focus areas - people, sourcing, environment and communities - each of which has an owner at Group level who defines commitments and targets. Those focus areas are encompassed by strong governance, active engagement and continuous innovation in materials and processes. Our Transformational CSR Strategy combines three levels of ambition over the short-, medium- and long term, providing our Maisons with greater flexibility. Together, the Strategy represents *Richemont's movement for better luxury*.

We conducted our second materiality review, in which we engaged with many colleagues and key external stakeholders. The review has confirmed the issues that matter most to our business and our stakeholders. The results of this process reinforce our belief that our strategy focuses on the most material topics. It will also shape our future reporting.

Within the Responsible Jewellery Council, the leading voluntary standard system in the watch and jewellery sector, significant developments also took place. Its revised Code of Practices is now aligned with applicable OECD Guidelines and its scope has been extended to include coloured gemstones and silver, in addition to precious metals and diamonds. Together with our own standards, the RJC certification standards not only enhance trust, they also contribute to systematic changes in production processes, making them more sustainable. Including our Maisons, certified RJC members directly employ a third of a million people around the world from mines to boutiques, *'de la mine à la vitrine'*.

Our Jewellery Maisons and Specialist Watchmakers as well as our Fashion and Accessories Maisons, regional and central functions continued to develop their own responsible practices, from material sourcing to craftsmanship and digital training. You may read more about each Maison on its own website or in our Annual Report.

The acquisition of YOOX NET-A-PORTER GROUP (YNAP) was the largest corporate action during the year. We are pleased to note the high level of CSR activities within YNAP and that it has issued its [own CSR report](#).

Our Group has a long-standing commitment to doing business responsibly. We know that there is always more to do regarding such corporate and industry-wide CSR efforts and strive to improve each year.

We welcome your feedback on our CSR performance and reporting. Please [contact us](#) with your comments and questions.

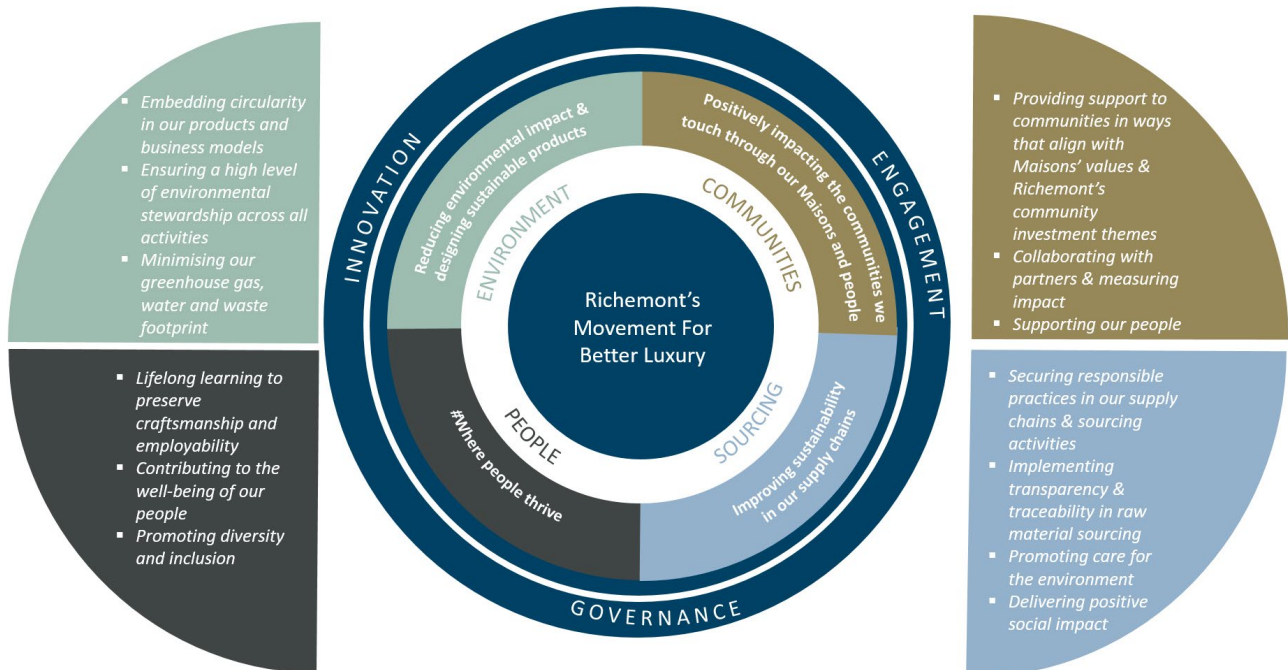


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**OUR APPROACH TO CSR**

# OUR APPROACH TO CSR

In June 2019 we launched our new Transformational CSR Strategy which builds upon and replaces our 2020 CSR Plan. The 2020 Plan represented our baseline, while our new strategy reflects our aspiration for ‘Better Luxury’ – improving the way luxury is created, in a way that is more sustainable and responsible, and helping to create a positive impact for the many different stakeholders involved in our value chain.

Our Transformational CSR Strategy is outlined below. Our ‘Movement for Better Luxury’ is supported by four focus areas: People, Sourcing, Environment and Communities - each of which has an owner at Group level and a series of commitments. These four areas are encompassed by strong governance, active engagement and continuous innovation in materials and processes.



The strategy development process included research of the external environment, current and future trends as well as expectations of key stakeholders. Our recent materiality update (see Materiality section) has also informed its development, highlighting key risks and opportunities across our value chain. We also engaged deeply with senior business leaders, functional and Maison representatives as well as the CSR Committee to develop appropriate priority areas and commitments. Our Transformational CSR Strategy combines three levels of ambition over the short-, medium- and long-term, providing our Maisons with greater flexibility.

## REPORTING ON OUR TRANSFORMATIONAL CSR STRATEGY

As the strategy was launched internally in June 2019 and our report is published in July, we will be reporting our commitments, targets and performance in more detail in next year’s report. We have included a summary of our strategic priorities and key forward-looking commitments within each of the relevant sections of this report (People, Sourcing, Environment, Communities). We have also continued to report relevant performance data relating to our previous commitments and material issues.

# MATERIALITY

We conducted our first materiality assessment in 2016 – a comprehensive review to identify the key issues that matter most to our business and our stakeholders. In summer 2019 we reviewed and updated our materiality assessment to ensure that it reflects changes in our business and the external environment.

Materiality helps us to confirm our CSR strategy is focused on the right areas and that we continue to report on the topics that are important to our stakeholders.

Corporate Citizenship, an independent consultancy specialising in CSR and sustainability, carried out the following process:

## *STAGE 1 – ISSUE IDENTIFICATION*

Conducted a review of multiple sources of internal and external information to produce a mapping of relevant issue areas. This involved analysing our full value chain to identify issue areas that were relevant from social, economic and environmental dimensions as well as considering where our business had a potential positive or negative impact on society and where an issue has a potential consequence/impact for the business.

This process produced a list of 18 issue areas and 63 sub-topics including some new and emerging issues compared to our previous materiality assessment in 2016.

## *STAGE 2 – INTERNAL REVIEW AND ENGAGEMENT*

Gathered internal insights and analysis to determine relative prioritisation of issue areas from a business impact perspective. The business impact perspective took into account both the scale of Richemont’s impact on a particular issue area and society, as well as the potential consequence of the issue for Richemont’s own business (e.g. risk to the business model or reputation).

Data was collated via a tailored online survey which was completed by a large variety of internal stakeholders, representing different functions, regions and Maisons across the Group.

## *STAGE 3 – EXTERNAL ENGAGEMENT*

Produced a stakeholder mapping to provide a comprehensive picture of Richemont’s stakeholder groups, ensuring an appropriate balance of different stakeholders were engaged. Conducted interviews with a cross-section of external stakeholders to determine the relative priority of different issues. The issues list was refined further to reflect stakeholder feedback.

## *STAGE 4 – VALIDATION*

Conducted an internal validation exercise with key senior leaders with functional responsibilities across the business who have a deep understanding of the identified issues as well as feedback from the CSR Committee.



The results of our 2019 materiality update are presented in the materiality matrix below:

MATERIALITY MATRIX



*Note: Issue areas are listed alphabetically within each relevant quadrant.*

Issues in the top right darker blue quadrant are our highest priority material issues. While there are multiple changes in the positioning of various issue areas compared to 2016, the top priority issues i) Human rights and labour standards in the supply chain and ii) Transparency and traceability of raw materials (previously Product integrity & sourcing) remain unchanged.

In addition, we have identified a number of other material issues for our business and stakeholders – these appear within the green and lighter blue quadrants.

Notable changes from our 2016 materiality matrix include:

- Climate change is now an ‘Other material issue’ having moved from lower to higher impact on the business axis
- Biodiversity has moved up for both importance to stakeholders and impact on the business
- Circular economy is a new issue area and is now also an ‘Other material issue’
- Diversity & Inclusion has moved up in importance for stakeholders
- Data protection & cyber security has moved down in importance for stakeholders.

## REPORTING ON OUR MATERIAL ISSUES

As the materiality process was only completed in June 2019, we are still in the process of analysing the full implications for our future reporting. In the meantime, we continue to report against GRI Standards (see our GRI Index at the end of this report) as well as other issues that form part of our Transformational CSR Strategy and are priorities for our stakeholders.

## PERFORMANCE AGAINST THE CSR PLAN 2020

Following its launch in December 2017, the 2020 Plan has provided a robust framework to focus our efforts. The 2020 Plan continues to support a structured approach to planning and reporting and, like the previous three-year plan, it has been an effective tool for engaging our employees and external stakeholders.

Our stakeholders may raise new questions about our practices and goals about which we had not previously reported. We compile those questions in an annual 'wish list' and seek to address them in our subsequent CSR Report. Whilst some of those questions are not answered for reasons of commercial sensitivity, such questions help us to develop longer-term reporting strategies.

As indicated above, Richemont elaborated a Transformational CSR Strategy during the year. Nevertheless, we believe we are on track to meet the targets we set ourselves in 2017.



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# GOVERNANCE

Governance is one of three transversal areas encompassing our Transformational CSR Strategy. The other two are Engagement and Innovation, which may be found below. The following chapter details our approach to this area in terms of CSR.

During the year, in addition to the development of our Transformational CSR Strategy, we continued to track progress against our 2020 Plan, which was launched in December 2017.

## GOVERNANCE AND RISK MANAGEMENT

The Board of Directors (the 'Board') is responsible for the overall strategic direction of the Group, capital allocation and the appointment of senior management. The 2019 Annual Report contains an extensive description of the mechanisms used by the Board to exercise its governance duties: for more information, refer to the [Corporate Governance Report](#).

Richemont has a risk management process which gives consideration to strategic and operational risks across all Group functions, including CSR risks such as sourcing and supply chain risks. These risks are annually reviewed by the Board of Directors and are reflected in our materiality assessment. We seek to eliminate or mitigate CSR risks where identified, in partnership with our employees and other stakeholders through the application of good practices.

### Related documents

- [Corporate Responsibility Policies](#)
- [Environmental Code of Conduct](#)
- [Supplier Code of Conduct](#)
- [Standards of Business Conduct](#)

## POLICIES, CODES AND STANDARDS

Our activities are guided by a common framework that reflects our values. The framework includes our Corporate Responsibility Policy, as well as codes of conduct for employees, suppliers and the environment, together 'the Codes'. Our CSR strategy provides an overarching framework, which helps Richemont's managers, employees and suppliers to understand our expectations.



During the year under review, the Codes underwent a systematic review process. This was in order to update certain sections in accordance with industry practices, data protection matters and to align the Codes with our Transformational CSR Strategy. In addition, a Community Investment policy is being prepared to clarify our engagements with philanthropic organisations.

The entire Standards of Business Conduct are being published for the first time in July 2019. This step is in response to information requests regarding our efforts to manage business and reputational risks associated with bribery and other forms of corruption. All employees follow the mandatory eLearning modules linked to our Standards of Business Conduct.

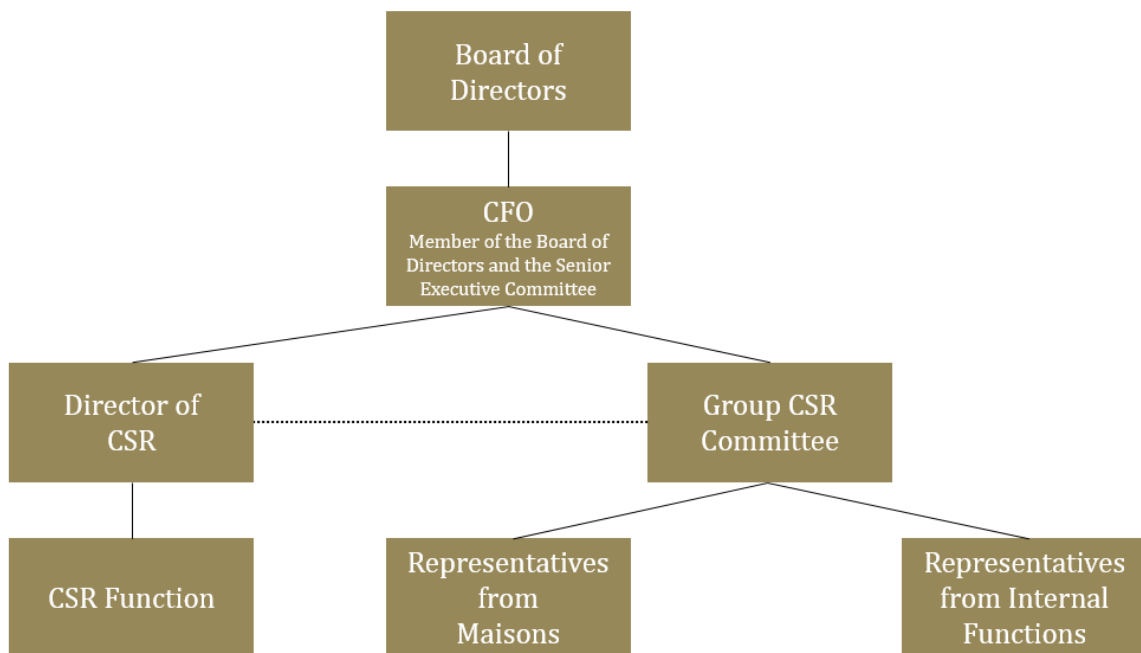
Further details regarding anti-bribery, advertising, taxation and data protection may be found below in this chapter.

# HOW CSR IS MANAGED

Responsibility for CSR lies with the Group Chief Finance Officer (CFO), who is a member of the Board of Directors and the Senior Executive Committee. He regularly liaises with Maison Chief Executive Officers (CEOs), function and regional heads and reports directly on CSR matters to the Board of Directors.

The CFO is supported by the Director of CSR, the Group’s CSR function and the Group’s CSR Committee, comprising representatives from other Group functions and our Maisons. Committee membership is detailed below. The Committee has established terms of reference and meets quarterly to review progress of the Group’s CSR Plans and Strategy, and to agree activities to support relevant programmes.

Each of the four strategic focus areas of the strategy – People, Sourcing, Environment and Communities - is led by a director within the business.



*CSR COMMITTEE MEMBERSHIP*

At 20 June 2019, the CSR Committee comprised:

- Group CFO (Chairman);
- Cartier Head of Corporate Responsibility;
- Fashion & Accessories Chief of Staff;
- Group CEO of Regions;
- Group Corporate Social Responsibility Manager (Secretary);
- Group Director, Corporate Communications;
- Group Director, Corporate Social Responsibility;
- Group Director, Diversity & Inclusion;
- Group Director, Public Relations;
- Group Director, Responsible Sourcing;
- Group Health, Safety and Environment Manager;
- Group Procurement Manager;
- Group Senior Compliance Officer;
- IWC Corporate Sustainability Manager (for all Specialist Watchmakers);
- Research & Innovation Breakthrough Manager;
- Van Cleef & Arpels Director, Compliance & Risk Management;
- YOOX NET-A-PORTER GROUP Director, Sustainability & Inclusion.

Internal and external specialists are invited to attend the Committee on an ad hoc basis. During the year under review, the average attendance rate for the CSR Committees was 93 %.

*EMBEDDING CSR*

The Group requires each Maison and regional function to designate a CSR Representative to take responsibility for CSR matters. That includes the implementation of Group standards and local initiatives.

Annually, the CSR Committee gathers data from each Maison and major market. These data are reviewed, analysed, shared among peers and acted upon. The gathered data forms the basis of this report.

CSR representatives of each Maison and region participate in an annual CSR Conference to share progress and best practices, discuss activities and agree goals and priorities for the coming year. Tools are in place to facilitate information sharing among CSR Representatives on a continuous basis, including a CSR intranet and social media developed. As at March 2019, the internal social network had over 330 active users. In addition, Richemont, our Maisons and YOOX NET-A-PORTER use corporate intranets to reach much wider internal audience and increase employee engagement.

In addition to these Group-directed efforts, our Maisons manage their own CSR agenda independently of the Group and one another. Each Maison and regional function has its own CSR Committee or equivalent. For the Maisons, the annual strategic planning process includes CSR objectives linked to its unique characteristics or 'DNA'.

There are expert working groups across Richemont on specific topics such as environment, precious materials and community investment. Those working groups review and determine the best approach to such topics, generating innovative initiatives. One example is the Group's Gold Sourcing Committee, which has established common criteria for responsible gold sourcing in addition to the RJC Standards. Another example is an initiative to identify single use plastics used in catering and other operations with a view to eliminating or optimising such materials. The Maisons have also established cross-functional teams, intranets and CSR-dedicated social media groups.

TRANSPARENCY IN REPORTING

We believe that transparent reporting and communications with external stakeholders is an important element for enforcing our processes and building trust. There are a number of ways in which Richemont aims to do this.

We regularly review our CSR reporting to ensure that it meets the changing expectations of our stakeholders. In recent years, we have reported our approach to Data Protection and Information Security, our Tax Strategy and performance against our first three-year CSR Plan. This year, in addition to publishing our Standards of Business Conduct, we are disclosing the short- and medium-term commitments of our Transformational CSR Strategy, which was launched in June 2019. We also commit to reporting our performance against our qualitative and quantitative targets across the four focus areas: People, Sourcing, Environment and Communities each year, starting in July 2020.

Enhancing product transparency and the traceability of precious materials used in luxury goods, such as jewellery, watches and leather goods, is an important focus area for Richemont and the wider industry. Our work in this area is described in detail [here](#).

This CSR report covers the financial year ended 31 March 2019. It encompasses all activities under the direct control of Compagnie Financière Richemont SA but does not include the activities of any businesses in which the company does not have financial control. As well as the information provided in this web-report, we include a CSR summary from page 35 of our [2019 Annual Report](#).

GLOBAL REPORTING INITIATIVE ('GRI')

Our 2019 CSR Report has been prepared in accordance with the Core option of the Global Reporting Initiative's (GRI) Standards. See our full [GRI Index](#), which provides an overview of our reporting against the GRI Standards.

ASSURANCE

The Group's consolidated carbon emissions data has been independently assured since 2011. The SGS assurance statement may be found on the [Climate Change](#) section of this report.

UNITED NATIONS GLOBAL COMPACT

Richemont has been a Participant in the United Nations Global Compact (UNGC) since 2013 and has provided an annual Communication on Progress in line with UNGC's requirements. Our Communication on Progress may be found on the [UNGC website](#).

Global Compact Network Switzerland ('GCNS') is the Swiss chapter of the UNGC. It promotes the UNGC's 10 Principles within the Swiss economic sphere and provides local support to members of UNGC based in Switzerland. Members include companies, business associations, academic institutions and non-governmental organisations. Richemont's Director of CSR has served on the Board of GCNS since 2014.

A GCNS documentary entitled "A Journey through Sustainable Swiss Business" may be viewed [here](#).

SUSTAINABLE DEVELOPMENT GOALS

The 2030 Sustainable Development Goals ('SDGs' or 'Global Goals' or 'Agenda 2030') were set by the United Nations in 2015. Richemont's CSR Strategy includes a



commitment to identify and align its operations with selected Global Goals.

A detailed mapping will be conducted in the coming year, based upon our materiality assessment and matrix. In addition, the RJC's Code of Practices used throughout Richemont's fine jewellery and watch operations, is also aligned to the SDGs. By aligning initiatives to specific Global Goals, Richemont's impact as a Group will be more significant.

# CASE STUDY

## RICHEMONT NORTH AMERICA

Richemont North America's commitment to corporate social responsibility is focused on robust, genuine and meaningful projects that make a difference for our stakeholders, in particular our clients and employees.

In 2019, a CSR Task Force was established consisting of Maisons and Richemont Function employees in the United States and Canada who are focused on scalable social and environmental impact initiatives. The CSR Task Force partners directly with the President and CEO of the corporation and its Senior Management Committee. Their mission stems in the belief of: One Planet; One Community; One Richemont.

The CSR Task Force is responsible for impactful carbon offsetting and energy saving actions. Regarding community investment, the CSR Task Force is committed to philanthropic actions, giving back to local communities and determining long-term partnerships. Further, a commitment has been made to team engagement projects and creating an inclusive working environment.



## LOOKING AHEAD

In terms of governance, the Transformational CSR Strategy recognises an enhanced role for the CSR Committee. That role includes challenging the performance of each focus area owner regarding their targets. It also includes 'scanning the horizon' for emerging cross-cutting issues such as single-use plastics and business and human rights. Through future annual CSR reports, the CSR Committee will

publicly report on Richemont's contribution to the Sustainable Development Goals.

The Richemont CSR Conference, to be held in October 2019, will bring together over 50 representatives from Maisons, functional departments and subject matter experts to deepen their engagement with the Transformational CSR Strategy and its detailed targets.



# ANTI-BRIBERY AND CORRUPTION

The Codes include Richemont's clear opposition to all forms of bribery and corruption. The Group has communicated its position on this topic to every employee. Whistleblowing procedures are in place to ensure that any suspicions of inappropriate conduct can be voiced. All employees are systematically made aware of the Codes and the related Standards of Business Conduct and are reminded of the whistleblowing procedures annually.

All concerns raised during the year were addressed in line with the Group's Whistleblowing Policy and Procedure, including concerns raised by employees in partner organisations such as suppliers.

Richemont measures compliance with its Codes through two channels: for suppliers, the Maisons organise audits on a risk-weighted basis and the Group assists the Maisons; for employees, each Maison conducts comprehensive training of new employees and annually reconfirms that all employees are familiar with Richemont's whistleblowing policy. During the 2018 calendar year, 124 whistleblowing cases were notified. (2017: 85 cases. 2016: 90 cases. 2015: 102 cases). Each case was follow-up accordingly.

Our Standards of Business Conduct describe the measures we take in cases of breach, misconduct or non-compliant behaviour.

# ANTI-COUNTERFEITING

We seek to protect our clients from the online sale of counterfeit goods. Clients may be deceived by unscrupulous traders, who pass off fakes as genuine items.

Richemont is also determined to protect the intellectual property assets of its Maisons and businesses as creativity, innovation and craftsmanship are core values that we share with our clients. Working with customs, police and administrative authorities around the world, Richemont organises daily raids and seizures to contain the spread of counterfeit products and send a strong message to pirates and counterfeiters. In addition to this, Richemont is committed to a programme of civil enforcement using strategic litigations to highlight the issue and hopefully deter others from infringing our key assets.

Collaboration with the Maisons and their local platforms is a key factor to ensuring such anti-counterfeiting actions are targeted and efficient. As the problem of online counterfeiting has grown rapidly in the last few years, digital protection and enforcement have been essential elements in maintaining the exclusivity of our Maisons' products in the Internet environment. A large number of fake products and online infringements are removed every year by Richemont, both off and online. If you think you have seen counterfeit products which infringe the creative rights of our Maisons, then please use our reporting tool for online infringements at

[www.richemontbrandprotection.com](http://www.richemontbrandprotection.com) or use our general anti-counterfeiting email address at [g-fakes@richemont.com](mailto:g-fakes@richemont.com)

Many of Richemont's Maisons are members of the Federation of the Swiss Watch Industry and of the Fondation de la Haute Horlogerie. Both of these Swiss organisations are active in the field of anti-counterfeiting via public campaigns to raise awareness of the criminal networks frequently found behind such products and the risks of prosecution, which face the buyers of fakes in general.

Counterfeiting and piracy are highly pervasive across countries and sectors, representing a multi-billion dollar industry that continues to grow globally. Recent estimates evaluate the global economic effects and social impacts of counterfeiting and piracy to be some USD 1.9 trillion. According to Interpol, criminal organisations are frequently behind counterfeits and pirate products. Those organisations are complicit in child labour, modern slavery, illicit distribution, fraud and tax evasion. Further information may be found on Interpol's [website](#).

Richemont is a member of the Transnational Alliance to Combat Illicit Trade (TRACIT), an independent, private sector initiative to drive change to mitigate the economic and social damages of illicit trade. In 2019, TRACIT published an extensive report entitled "Mapping the Impact of Illicit Trade on the UN Sustainable Development Goals".

## PRODUCT ADVERTISING AND LABELLING

The Group's Maisons advertise their products through a variety of media channels. Compliance with local advertising laws is monitored. The Group's Maisons label their products in compliance with local laws. No material instance of non-compliance was brought to the Group's attention during the year under review.

## PROTECTION OF DATA AND INFORMATION ASSETS

Recognising growing public concern around this topic, in 2013 the Board of Directors created a sub-committee to address Richemont's security awareness and preparedness. The Strategic Security Committee focuses on this wide-reaching and complex matter, which has become increasingly important as the Group continues to evolve its digital strategy, in particular through the addition of YOOX NET-A-PORTER and Watchfinder to the Group's portfolio.

The Strategic Security Committee aims to provide a secure environment and to protect Group assets and operations against cyberattack, cybercrime, data breaches and other threats. In particular, the Committee seeks to protect confidential business information, including client data, against breaches and other intrusive actions. It also oversees the physical protection of employees.

Richemont's Group Security Policy was launched in 2015. Details regarding the Policy's tailor-made, holistic approach may be found in the 2016 CSR Report Case Study. In summary, the Policy takes a collaborative approach, putting physical, electronic and information security under the same roof. The Policy booklet for employees is available in eleven languages, in both desktop and mobile versions. The Policy was subsequently enhanced through the creation of a 'one stop shop' for all security matters, providing better support to operations around the world.

In 2018, the Group revised its Global Data Privacy Policy to coincide with the coming into force of the General Data Protection Regulation (GDPR). The GDPR is designed to harmonize data protection and privacy laws across Europe, to protect and empower all EU citizens with respect to their personal information and to reshape the way organizations approach data protection and privacy. Richemont's new Global Data Privacy Policy seeks to use the GDPR standard as a global standard, as other countries around the world begin to adopt similar data protection and privacy laws, such as the People's Republic of China's Cyber Security Law.

Richemont's Global Data Privacy Policy, an internal document, exists in twelve languages. It defines how the Group must process personal data, including clients' personal data. A related global e-learning programme is mandatory for all Group employees. Moreover, help is at hand from Privacy Representatives across the Group's Maisons, markets and functions.

## FACTS AND FIGURES ABOUT RICHEMONT

Richemont is one of the world's leading luxury goods groups. The Group's luxury goods interests encompass some of the most prestigious names in the industry, including Cartier, Van Cleef & Arpels, Piaget, Vacheron Constantin, Jaeger-LeCoultre, IWC and Montblanc. Each of Our Maisons™ represents a proud tradition of style, quality and craftsmanship which Richemont is committed to preserving. Richemont also owns leading online distributors YOOX NET-A-PORTER GROUP and Watchfinder & Co.

Richemont's 2019 Annual Report describes each of the Group's Maisons and their respective operations.

## SIGNIFICANT CHANGES IN 2018-19

During the year under review, the Group acquired two leading online distributors: YOOX NET-A-PORTER GROUP and Watchfinder & Co.

Aside from the designation of Mr Jérôme Lambert as Chief Executive Officer in September 2018 (formerly Chief Operating Officer) and the appointment of Mr Eric Vallat as Head of the Fashion and Accessories Maisons in June 2018, there were no significant changes to management or governance during the year. For further details regarding changes to the Board of Directors, its Committees and the Group's Senior Executive Committee, please refer to the Governance report from page 40 of the 2019 Annual Report.

## WHERE WE OPERATE

Richemont's headquarters are in Geneva, Switzerland. The Group has five regional offices providing support services to our Maisons:

- in Geneva for Europe and Latin America;
- in Dubai for the Middle East, Africa and India;
- in Hong Kong for Asia Pacific, excluding Japan;
- in Tokyo for Japan; and
- in New York for North America.

Richemont directly employed more than 35 000 people at the end of March 2019, primarily in Europe. Further analyses may be found in the People chapter.

Each Maison has its own headquarters in Switzerland or elsewhere in Western Europe, except Peter Millar, which is headquartered in Raleigh, North Carolina.

As a Group, Richemont has staffed operations in more than 30 countries around the world. Elsewhere, the Group has local business partners. In all countries where the Group operates, either directly or through distribution partners, the supply of high quality goods generates income and employment.

### KEY FIGURES

	Financial Year to March 2019	Financial Year to March 2018	Percentage difference
Sales (€ millions)	13 989	11 013	+ 27%
Operating profit (€ millions)	1 943	1 844	+ 5%
Net profit (€ millions)	2 787	1 221	+ 128%
Average number of employees (FTE)	35 640	28 740	+ 24 %

The significant increase in sales and employees primarily relates to Richemont's acquisition of YOOX NET-A-PORTER in June 2018.

More information on the Group's economic impact is available in our [2019 Annual Report](#).

# RICHEMONT TAX STRATEGY AND TAX RISK MANAGEMENT

This Tax Strategy paper applies to the Fiscal Year ending 31 March 2020

## INTRODUCTION

Richemont is one of the world's leading luxury groups and owns a unique portfolio of some of the world's best-known and prestigious luxury Maisons, which design, manufacture, market and distribute a range of high quality products.

The economic impact of the Group's activities is wide and varied. The revenues and profits we earn from the development, manufacturing and sale of our products benefit a range of stakeholders. These are delivered through the salaries we pay our employees, payments to our suppliers and business partners, dividends to shareholders and the taxes and community contributions we pay from the profits we earn.

Our operations span across some 35 countries, in which we fully and transparently comply with our statutory obligations in both the spirit and the letter of the law. Besides corporate income taxes on profits, our Group companies pay: social contributions and social security taxes on wages; applicable withholding taxes on dividends, interest, services as applicable; import duties and luxury consumption taxes upon the importation of our luxury products into the markets; environmental taxes; and a variety of other miscellaneous taxes on assets, revenues, transactions and expenditures. In addition to those taxes borne by the Group, we fulfil our legal duty to collect: value added taxes; sales taxes; other consumption taxes; and payroll taxes on behalf of Governments. Switzerland is our largest operating base and a significant proportion of our of total tax bill is paid in

Switzerland, with other major jurisdictions including France, Hong Kong, Korea, Germany, China, Japan and the United States. Import duties and luxury consumption taxes on our products are particularly significant in several markets, including China and India.

Taxes affect two key measures of our financial performance: net income and cash flow. But first and foremost it is a matter of compliance and good governance. We believe that the way in which we manage our tax obligations must actively and compliantly contribute to the Group's strategic aim of growing value for shareholders over the long-term, safeguarding our critical assets, our reputation and the distinct identity of our Maisons. Our overall aim remains to deliver and implement a tax strategy which is proactively and fully compliant, competitive, sustainable, transparent, aligned with Group corporate objectives, embedded in the daily operations and projected to anticipate the envisaged evolution in the global tax environment, characterized as never before, by complex dynamics of economic, financial and political nature.

Richemont is committed to conducting its business activities in accordance with accepted principles of good Corporate Governance. Within such framework, Richemont's [Standards of Business Conducts](#) set out the rules and policies to be adhered to throughout the Group. Our approach to tax aligns with that.

Our Tax Strategy is based upon the following pillars:

*1. CORPORATE TAX GOVERNANCE AND TAX RISK MANAGEMENT FRAMEWORK*

The Group Tax Team is responsible for proposing and implementing the Richemont tax strategy, Central in the scope of the strategy is the definition of the Tax Risk framework: this identifies processes and actions -fully embedded in the daily operations of the Group- in order to identify, assess and mitigate the tax risks for the Group. The Tax Strategy and Risk management actions are annually reviewed and approved by the Audit Committee.

The Tax Team is also responsible for ensuring -in coordination with the other relevant functions in the Group- that policies and procedures that support the strategy are in place, maintained and used consistently.

The Richemont Tax team is part of the Central Finance function reporting to the Group Chief Finance Officer.

The split of tax responsibilities within Richemont is illustrated in Annex 1.

The tax strategy is executed through the following actions:

**Tax Planning:**

- We engage in a tax planning activity that supports our business and aligns to the actual commercial and economic activity, in order to ensure fully compliant transactions, minimize any tax risk exposure, and avoid situations of double taxation. Consistently with the very limited tax risk appetite as endorsed by the Audit Committee, we do not engage in artificial or aggressive tax arrangements.

**Structures:**

- We plan and implement the creation of simple and efficient legal entity structures that reflect the operating model and the commercial activity of the group in the jurisdictions where we operate.

**Supply Chain and Operations:**

- We proactively participate, with the other relevant group functions, in the definition and implementation of consistent and robust operating models, embedding the tax rules into the group ERP systems for enhanced control.

**Transfer Pricing:**

- We conduct transactions between Richemont group companies on an arm's-length basis and in accordance with current OECD principles, as well as international and local rules;
- We formulate clear Transfer Pricing policies, we communicate and explain them within the group, we maintain proper Transfer Pricing documentation, and automate the Transfer Pricing risk assessment process;
- We formally document the intercompany arrangements to reflect the actual operations of our subsidiaries.

**Tax Audits:**

- We adhere to relevant tax law in all jurisdictions and we seek to minimize the risk of uncertainty or disputes.
- We carefully manage tax audits and disputes when required in order to prove the foundations of our compliant behavior;
- We consider the opportunity to activate the request of Bilateral Advanced Pricing Agreements where relevant, in order to pursue certainty on our Transfer Pricing policies.

**Transparency:**

- We maintain open and constructive contacts and communication with Tax Authorities around the world to understand Governments' tax policy objectives and Tax Authorities' own objectives;
- We support the principles behind multilateral moves towards greater transparency (e.g. the OECD-led BEPS project) that increase the understanding of tax systems and build public trust.
- We fully comply with the "Country-by-Country Reporting" disclosure requirements defined in the frame of the BEPS project. Compagnie Financière Richemont files the full set of required data, for the Group, with the Swiss Federal Tax Administration who then automatically shares this with all relevant foreign Tax Administrations in the framework of the established and official exchange of information protocols.



2. TAX COMPLIANCE

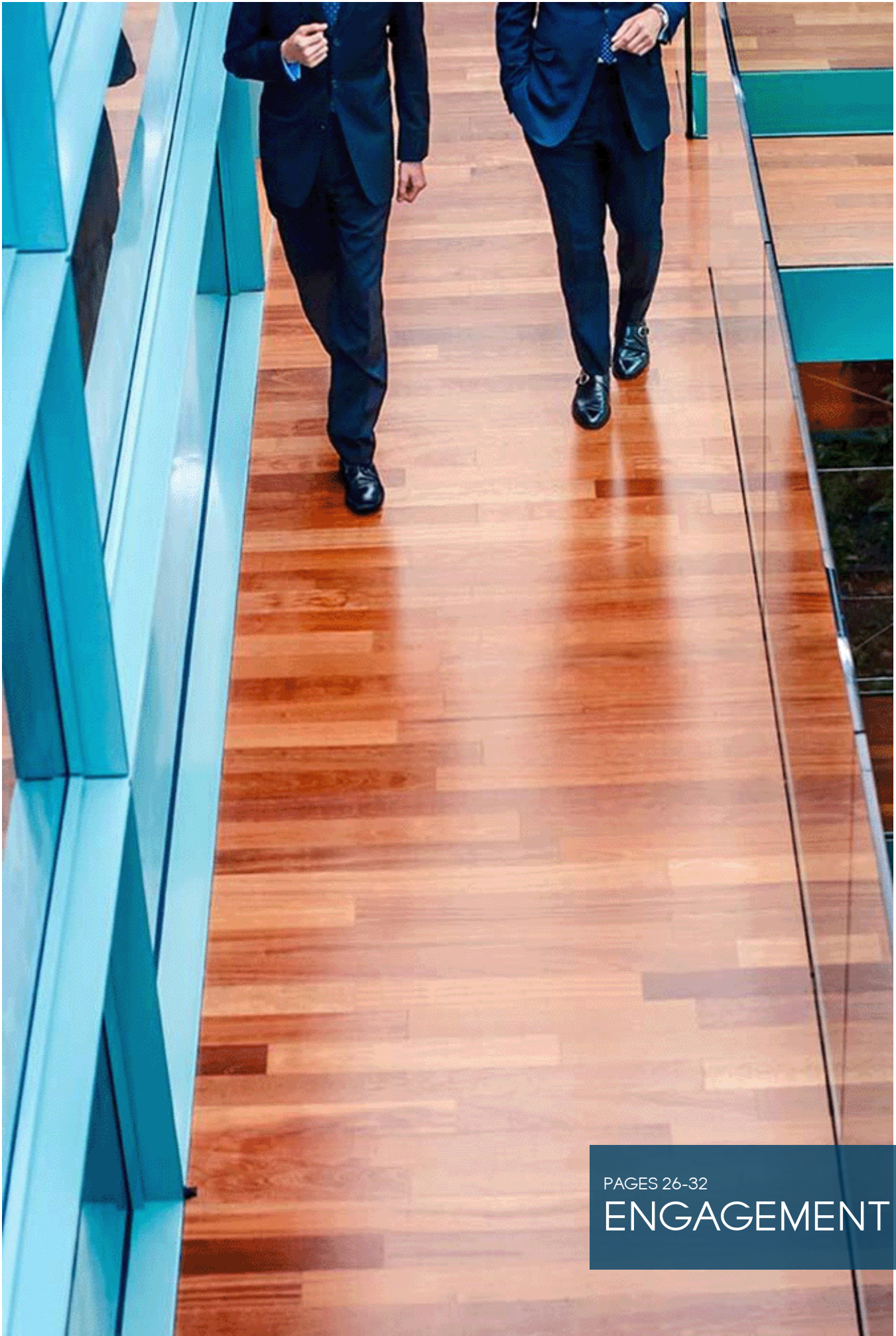
The Tax Compliance at Richemont is assured through the following comprehensive systems of controls:

- a. The Internal Control System (ICS) procedures;
- b. The Tax Risk Management actions, as described in Section 1;
- c. The new Richemont Legal and Regulatory Compliance Committee, of which Tax is a permanent member;
- d. With specific reference to the UK entities, through the Senior Accounting Officer procedures.

ANNEX 1 TO THE RICHEMONT TAX STRATEGY

Tax Responsibilities at Richemont					
	Strategic Planning	Planning and implementation	Accounting and Reporting	Compliance	Audit defense
Corporate Income tax and withholding tax	Group Tax	Group Tax	Central and Local Finance Group Tax sign off on Consolidated Tax accounts	Local Finance Functions	Group Tax Local Finance Functions
Transfer Pricing	Group Tax	Group Tax Brands	Local Finance Functions	Group Tax (Documentation) Local Finance Functions	Group Tax Local Finance Functions
VAT / Sales tax	Group Tax (Central VAT Monitoring and Guidance)	Local Finance Functions Group Tax (1)	Local Finance Functions	Local Finance Functions	Local Finance Functions Group Tax (2)
Social Taxes	Human Resources	Human Resources	Local Finance Functions	Human Resources	Local Finance Functions Human Resources
Customs duties		Logistics Functions Group Tax (3)	Local Finance Functions	Logistics functions	Logistics Functions Local Finance Functions Group Tax (3)
Environmental & Other taxes			Local Finance Functions	Local Finance Functions Operations	Local Finance Functions

- (1) Advance VAT planning on special projects (SAP Gemini, new business models, new international flows)  
 (2) Large amounts, VAT on International flows or Disputes on legal principles  
 (3) Group Tax intervenes on Customs Valuation matters related to Transfer Pricing



PAGES 26-32  
**ENGAGEMENT**

# STAKEHOLDER ENGAGEMENT

Engagement is one of the transversal issues encompassing our Transformational CSR Strategy. It is cross-cutting for each focus area: People, Sourcing, Environment and Communities. For those focus areas to achieve their commitments, a high degree of stakeholder engagement is required.

Our approach to stakeholder engagement is summarised in the following table, which presents key stakeholder groups, their interests and how we regularly engage with them. As described above, we undertook a second stakeholder mapping and engagement exercise as part of our materiality review in 2019. The results guide our strategy and annual reporting.

STAKEHOLDER GROUP	KEY ISSUES OF INTEREST	HOW WE ENGAGE AND FREQUENCY (#)
<i>CLIENTS/CUSTOMERS to whom we provide high quality goods and services</i>	<ul style="list-style-type: none"> <li>▪ Quality, design and craftsmanship of our products</li> <li>▪ Customer service</li> <li>▪ Origin / traceability of product and precious materials</li> <li>▪ Data protection</li> </ul>	<ul style="list-style-type: none"> <li>▪ Customer surveys, meetings, briefings and events (&gt;20)</li> <li>▪ Customer feedback through after-sales service (&gt; 000s)</li> <li>▪ Fair pricing of products around the world, subject to exchange rate movements</li> </ul>
<i>EMPLOYEES who drive the success of the business</i>	<ul style="list-style-type: none"> <li>▪ Health, safety and well-being</li> <li>▪ Employee welfare (including remuneration, benefits, consultation)</li> <li>▪ Training and development</li> <li>▪ Diversity and inclusion</li> <li>▪ Engagement</li> </ul>	<ul style="list-style-type: none"> <li>▪ Employee engagement surveys and barometers (see People chapter)</li> <li>▪ Management briefings (dozens)</li> <li>▪ Intranet sites (1 Group and 11 Maison sites. Most are refreshed daily)</li> <li>▪ Structured performance management (over 35'000)</li> <li>▪ Learning Management Systems to support training, development</li> <li>▪ Employee Works Councils in some countries</li> </ul>
<i>SUPPLIERS AND BUSINESS PARTNERS who we rely on to deliver our quality products to our clients</i>	<ul style="list-style-type: none"> <li>▪ Responsible sourcing of materials</li> <li>▪ Ethical, social and environmental standards</li> <li>▪ Quality</li> <li>▪ Fair payment terms</li> </ul>	<ul style="list-style-type: none"> <li>▪ One-to-one meetings</li> <li>▪ Supplier Code of Conduct (see Sourcing chapter)</li> <li>▪ Supplier audits (between 100 and 200)</li> <li>▪ Through industry organisations (&gt; 3)</li> </ul>

STAKEHOLDER GROUP	KEY ISSUES OF INTEREST	HOW WE ENGAGE AND FREQUENCY (#)
<p><i>REGULATORS AND POLICY LEADERS</i>  <i>who provide the framework within which we operate</i></p>	<ul style="list-style-type: none"> <li>▪ Compliance with laws and regulations</li> <li>▪ Transparency</li> <li>▪ Responsible sourcing of materials</li> </ul>	<ul style="list-style-type: none"> <li>▪ Corporate affairs representatives</li> <li>▪ Via industry organisations such as the RJC (&gt;15) and the Federation of the Swiss Watch Industry (&gt;2)</li> <li>▪ TRACIT (&gt;3)</li> <li>▪ Participation in United Nations Global Compact and its Swiss Network (&gt;9)</li> </ul>
<p><i>SHAREHOLDERS, INVESTORS, ANALYSTS AND NON-FINANCIAL RATING ORGANISATIONS</i>  <i>who underpin our business and to whom we seek to deliver value as well as to their advisors</i></p>	<ul style="list-style-type: none"> <li>▪ Strategy and capital allocation</li> <li>▪ Financial performance</li> <li>▪ Governance &amp; business ethics</li> <li>▪ Responsible sourcing in general</li> <li>▪ Data protection</li> <li>▪ Tax</li> </ul>	<ul style="list-style-type: none"> <li>▪ AGM and carbon-free AGM roadshows</li> <li>▪ Interim/annual results presentations and their webcasts</li> <li>▪ Carbon-free and in-person roadshows and meetings</li> <li>▪ ESG investor conferences</li> <li>▪ Responding to investor surveys on ESG matters (Environment, Social &amp; Governance) and to rating agency questionnaires</li> </ul>
<p><i>COMMUNITIES</i>  <i>local communities where our operations are based; the wider cultural community we engage through our activities</i></p>	<ul style="list-style-type: none"> <li>▪ Economic impact</li> <li>▪ Ethical, social and environmental practices</li> <li>▪ Employment opportunities</li> <li>▪ Community partnerships and philanthropy</li> </ul>	<ul style="list-style-type: none"> <li>▪ Through our citizenship activities (not collected)</li> <li>▪ Meetings with NGO partners (&gt;2)</li> </ul>
<p><i>INDUSTRY ORGANISATIONS</i>  <i>with whom we share best practices</i></p>	<ul style="list-style-type: none"> <li>▪ Ethical, social and environmental practices</li> <li>▪ Industry issues, including anti-counterfeiting</li> </ul>	<ul style="list-style-type: none"> <li>▪ Through the RJC and other industry bodies</li> <li>▪ Participation in Swiss Better Gold Association (&gt;6)</li> <li>▪ Participation in the Coloured Gemstones Working Group (&gt;6)</li> <li>▪ -BSR's Responsible Luxury Initiative and related working groups (&gt;3)</li> </ul>

STAKEHOLDER GROUP	KEY ISSUES OF INTEREST	HOW WE ENGAGE AND FREQUENCY (#)
<p><i>NON-GOVERNMENTAL ORGANISATIONS ('NGOS') with whom we engage through our involvement in industry associations and activities</i></p>	<ul style="list-style-type: none"> <li>▪ Ethical, social and environmental practices</li> <li>▪ Community partnerships and philanthropy</li> <li>▪ Biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>▪ Meetings and progress reports, primarily via industry organisations such as the RJC and United Nations Global Compact, Carbon Disclosure Project ('CDP') survey (1)</li> <li>▪ WWF or the World Wide Fund for Nature (2)</li> <li>▪ Refer to the Communities section of this report.</li> </ul>
<p><i>MEDIA Specialist and mainstream media who are interested in our business</i></p>	<ul style="list-style-type: none"> <li>▪ Strategy and financial performance</li> <li>▪ Consumer attitudes to CSR and luxury</li> <li>▪ Advertising</li> <li>▪ Responsible sourcing &amp; ethical standards</li> </ul>	<ul style="list-style-type: none"> <li>▪ Refer to the row above regarding 'Shareholders, investors, analysts and non-financial rating organisations'</li> </ul>

## MATERIALITY OF 'EXCLUSION CRITERIA'

In addition to widespread investor-demand for environmental, social and governance disclosures, a number of investors apply 'exclusion criteria' to their portfolio decisions. To assist them, Richemont provides the following information regarding guns-, pork-, alcohol- and tobacco-related products.

Together, the sales of guns by James Purdey & Sons, the sales of pork-based food and alcoholic beverages in Alfred Dunhill's private restaurants, and the sales of tobacco accessories such as Cartier lighters and Alfred Dunhill pipes, account for significantly less than 1% of Group sales. Accordingly, the sale of such products are not a material element of Richemont's business.

## PUBLIC POLICY ENGAGEMENT

Richemont engages with organisations such as the Federation Horlogère (FH) and the RJC on key issues affecting the industry. Those engagements include:

- Legislation related to the "Swiss made" label specific to watches and "Swissness" standards;
- Standards relating to the sourcing, processing and description of precious metals, diamonds and coloured gemstones;
- Animal welfare for crocodilians.

## EXTERNAL RECOGNITION

### *INDICES*

Since March 2010, Richemont has been included in FTSE4Good, a global responsible investment index.

### *RATING AGENCIES*

We review the CSR ratings landscape to determine the adoption of rating agencies' reports. From those reviews, we have established a short-list of institutions with which we engage, including responding to questionnaires and similar information requests. The following institutions are currently included: CDP; ISS ESG; SAM; Sustainalytics; Vigeo Eiris; FTSE Russell (FTSE4Good); MSCI ESG Indices; Ethos, Glass Lewis and ISS.

Institutions which approach Richemont but which are not on this list are invited to refer to the contents of Richemont's annual report and accounts and its annual CSR report, both of which are available on the website.

# CASE STUDY

## WWF SWITZERLAND



Photographer: Jeremy Beadle;  
Source: [www.unsplash.com](http://www.unsplash.com)

During the year, the Swiss chapter of the World Wide Fund for Nature (‘WWF Switzerland’) initiated a study of 15 Swiss watch and jewellery houses. The study’s goal was to identify solutions to align luxury goods to the well-being of society and the environment.

Of the 15 houses sampled by WWF Switzerland, five are Maisons of Richemont: Cartier, IWC Schaffhausen, Jaeger-LeCoultre, Piaget and Vacheron Constantin. Representatives from those five Maisons engaged with WWF Switzerland, replying to questionnaires and commenting on preliminary conclusions.

WWF Switzerland published its final report in December 2018. Whilst none of the 15 houses were ranked as either Visionary or Frontrunner, the five Richemont Maisons were top-ranked as either Ambitious (IWC Schaffhausen) or Upper Midfield.

The five Maisons continue to engage with WWF Switzerland and continuously seek to improve their environmental performance. The criteria used by WWF Switzerland, which ranged from environmental governance to certification and reporting, provide a useful guide to the five Maisons and the rest of our Group.

## LOOKING AHEAD

In terms of deepening engagement, the Transformational CSR Strategy recognises the importance of transparency and public disclosure. This is reflected in the current annual report and will be enhanced in future years. Subject to the launch of a new corporate website, we will also provide interim information about CSR developments between each year-end.

We will also engage more actively with stakeholders and take leading roles in relevant industry associations, including the Responsible Jewellery Council.

A long-term, internal communication and engagement plan, tailored to our 35'000 employees around the world, will be developed during the coming year. That plan will build on our 'movement for better luxury' theme and remain relevant to the specialist working environment of our craftsmen and women, our sales associates and the other skilled colleagues who enable them to serve customers.





PAGES 33-38

# INNOVATION

Innovation is one of three transversal areas encompassing our Transformational CSR Strategy. The following chapter details our approach to innovation in terms of CSR and traceability. In particular, it provides examples of the innovations which will enhance the sustainability of our products and processes and the employability of our people. Innovations linked to the 'circular economy' may be found in the Environment chapter of this report.

### *NEW TECHNOLOGIES*

Richemont believes new technologies are a powerful tool to design new stories and products, to further develop the know-how of our craftsmen, and ultimately to let our Maisons' clients and colleagues build new bonds and experience new emotions. For Richemont, innovation is how we nurture a creative ecosystem inside and outside the Group, in order to turn the best of technology into the best client experience.

The Group is collaborating with several start-ups and technology leaders in domains such as embedded electronics, augmented reality, deep learning or recycled materials, and participated in 2019 for the second time to Viva Technology, the global rendezvous for start-ups and leaders held in Paris. The Group presented the way new technologies can be meaningfully used to nurture the relationship between our customers, our products and our Maisons. This vision is summarized by the phrase "Reveal the Exceptional": innovation at the service of expression and customer-centricity.

### *REVEAL THE EXCEPTIONAL*

Innovation has always been fundamental for our teams, and critical appreciation is marked by the awards received by our Maisons each year. It is also fundamental to the challenges solved by our development, manufacturing and customer service teams to make extraordinary products and experiences, recognized as such by their peers and the public.

Over the past three years, Richemont has substantially strengthened its focus and effort in Innovation, with the creation of a transversal team dedicated to support the strategies of our Maisons. Based in Neuchâtel, Switzerland within the premises of the Ecole Polytechnique Fédérale de Lausanne ('EPFL'), the Richemont Innovation team regroups some 60 highly technical profiles in various domains such as material sciences, tribology, reliability, data science, process optimization and design thinking.

Together with our Maisons, Richemont Innovation teams focus on continuously improving the quality, reliability and durability of our creations and making sure that our clients' experience with our Maisons is consistently excellent and satisfying. This mission is at the core of Richemont's strategy to invent the future of the luxury experience, using technology at the service of human emotions, creativity and know how.

The role of Richemont Innovation team is to expand further the Group's knowledge in the technical fields relevant to our Maisons' activities and to support the Maisons in developing new products, services and experiences. To succeed, Richemont Innovation nurtures a wide innovation network composed of internal entrepreneurs and experts, start-ups, research labs, and representatives from other industries.

Richemont is now collaborating with several start-ups all over the world in various domains such as embedded electronics, augmented and virtual reality, deep learning, blockchain or recycled materials. The Group has also developed partnerships with digital giants such as Google, Microsoft and Alibaba, and has a regular presence in key global innovation events like CES and Viva Technology.

# CASE STUDIES

## VIVA TECHNOLOGY 2019



With more than 124'000 attendees, Viva Technology is now identified as a major event in the world of entrepreneurship and innovation. The event held every year in Paris is thus a place of choice for Richemont to show how our Maisons use technology to reveal the exceptional. In May 2019, eight of our Maisons proudly demonstrated this vision of the augmented luxury experience. Hundreds of Richemont employees joined the event to discover and be inspired by new technologies. For Richemont's second consecutive year of participation to the conference, our Maison's innovations focused on the four central themes detailed below.

### *DURABLE AND SUSTAINABLE*

Our Maisons' creations are contemporary masterpieces, embodying traditions handed down from generation to generation. Our Maisons incarnate strong values while embodying a true vision of beauty. Panerai is leading the example of Maisons that practice responsible, mindful consumption in upcycling and recycling ocean plastics. The Maison's initiatives for sustainability presented at Viva Technology are fostering radical new ideas for the future of precious materials.

### *INNOVATION OF SHARING AND TRANSMITTING*

Vacheron Constantin is the first Maison in the world of Haute Horlogerie to incorporate the use of blockchain technology to secure the authenticity of its creations. Marrying high technology with high-end watchmaking creates an unprecedented revolution: the digital certificate of authenticity can to be safeguarded and securely transmitted. By entering the world of blockchain, Richemont demonstrates its interest in a technology able to create new relationships between its Maisons and their clients.

### *UNIQUE AND ICONIC INNOVATION*

With our Maisons' creations, our clients find the means to express their own uniqueness. They are able to discover creations and moments they would not find anywhere else. For example, Montblanc's Summit smartwatch brings customization to the next level, offering some 70,000 aesthetic combinations. Meeting the evolving needs of increasingly connected customers, the sport and health functions of the watch provide a deeper relationship between the creation and its wearer.

### *SEAMLESS AND INSPIRATIONAL INNOVATION*

Our Maisons have a comprehensive approach to serving clients. For example, Jaeger-LeCoultre is demonstrating its digital retail technologies. The visitors had the opportunity to discover two of the Maison's iconic watches at Viva Technology: the Reverso and the Master, presented in exclusive Digital Showcases. These interactive showcases give new possibilities of interaction between virtual and real, and provide an immersive experience to the visitors willing to learn more about the Maison's as well as product's universes. And with the "On your wrist" application, every visitor is able to virtually try and interact with these exceptional watches. Another example may be found in the 'Panerai ecologico' case study in the Environment chapter of this report.

## VISIONNAIRE CHALLENGE



In September 2018, Richemont Innovation launched the first edition of the Visionnaire Challenge, an internal entrepreneurship challenge open to every employee in one of the pilot regions: Switzerland, North America, China and Hong Kong. The Visionnaire Challenge builds on

Richemont's legacy of creativity and entrepreneurship. It is a commitment to bring real ideas to market and find pioneering solutions to the challenges our clients face. It is a concrete way for Richemont to put innovation into everything we do and to promote intrapreneurship across the Group.

This first edition of the Visionnaire Challenge has been a success, with more than 6'000 employees active in submitting, commenting or promoting one other's ideas. Visionnaire has been a great way for everyone to contribute to the future of the Group, regardless of seniority or role.

Out of the 1'700 ideas generated in two months, three winning teams of five people were selected by local management jury and popular vote. The three winning teams have been allowed to focus 20% of their time working on their project since February and will deliver their project between July and September 2019.

Ideas generated during the Visionnaire Challenge are very diverse, covering product innovation (design, materials), new services for our clients or new retail experiences, off- and online. Due to the strategic aspect of the topics, no further details can be given about the ideas, but amongst the projects imagined by Richemont's employees, some strong topics can be identified. Sustainability is a clear focus, with ideas ranging from material and process innovation to completely new business models. Another topic deeply explored is the use of new technology like Virtual Reality or Augmented Reality to share and transmit the unique know-how of our Maisons and our craftsman with a wide audience including Richemont's future clients and employees.

Even if a necessary focus has restricted the last stages of the challenge to three projects, the Visionnaire Challenge has sent a strong message about the importance of cultivating everyone's curiosity and creativity, which has been successfully received across the organization. Building on this first success, the Visionnaire Challenge will be deployed to the entire Group.

## LAB AT SIHH 2019

During the Salon International de la Haute Horlogerie (SIHH) in January 2019, for the first time the Fondation de la Haute Horlogerie invited our Maisons to present their latest innovation in the LAB.

The LAB team provided interactive demonstrations of the research that will take watchmaking into the future. With novelties such as 'augmented craftsmanship', the LAB was one of the major new features at SIHH 2019 and amongst its biggest attractions.

Within the LAB, four themed spaces showed new technologies and more than twenty areas of research by exhibitors and by university labs working with the Maisons. These were all innovations, which if not already in use, will be in the very near future. These included original alloys, augmented reality, robotics and various digital applications at the service of both professionals and the end customer. Together, the LAB synthesized the roles played by science and technology in the development of watchmaking.

Through attendees in Geneva, traditional and social media coverage, the global reach of SIHH 2019 was some 260 million people. Thus, the SIHH itself innovates, combining the show's exclusivity while developing its openness to the world.

## TRANSPARENCY AND TRACEABILITY

Transparency and traceability are key elements in our transition towards more sustainable practices and products. The Group is following the development of several solutions, which could be applied in upstream and downstream supply chains. Technologies like advanced marking or physical or chemical fingerprinting are under investigation to bring more transparency on the flow of goods within our supply chains.

In addition to physical traceability, the Group sees an interest in the development of blockchain-based initiatives, bringing more transparency to our customers about the origins of their products. In this still emerging field, our teams will take the required time to assess the solutions currently under development and make the best decision for our Maisons and our customers.

### CASE STUDY BLOCKCHAIN



At Viva Technology 2019, Vacheron Constantin revealed its digital certificate, becoming the first watchmaking Maison ever to propose a blockchain-based authentication service to its clients.

Richemont is studying carefully the development of blockchain and assessing the benefits for our clients. From upstream material traceability to downstream watch owners, the Group sees in the technology an important potential to create new interactions between our Maisons, our manufactures, our suppliers and our clients. The initiative presented by Vacheron Constantin is a first pilot allowing Richemont to better learn and practice the technology.

The first pilot presented by Vacheron Constantin offers the opportunity to the Maison's client to register their Vacheron Constantin watch within a digital wallet stored in a blockchain. It allows the clients to quickly and easily prove they are the legitimate owner of the product, without having to store physical documents or sharing private information. This feature creates a new private platform between clients and Maisons and offers the possibility for clients to benefit from customized services (maintenance, accessories, lost & found...). It also opens the possibility for this relationship to last and to be transmitted from one owner to the other, following the lifecycle of our Maisons' creations.

Richemont strongly believes in the potential of blockchain and is willing to learn more about relevant uses for our clients, both upstream and downstream. The Group is also aware that the technology is still in development stage, with new players emerging and announcements made every day. In this context, the Group is studying many solutions in parallel with the objective to launch several pilots in the coming months to maximize learnings and opportunities. Several upstream supply chain cases, focusing on traceability and transparency, are currently being assessed to find the most relevant solution for our clients.

# LOOKING AHEAD

The Transformational CSR Strategy recognises the enhanced role that innovation plays in sustainability. This will be in materials and design, as well as the processes of production and consumption. This will be the case not only in the physical world, but also in the digital world. Sustainable business model innovations will flow from the open approach to experimentation and our investments in human, environmental, social and financial capitals.

Richemont has begun to display its innovative approaches at Viva Tech in Paris and at the SIHH in Geneva. To ensure that our innovations are recognised and that Richemont is perceived as an innovative Group, this trend will continue.



PAGES 39-56

PEOPLE

During the year, Richemont evolved its 2020 CSR Plan with a new Transformational CSR Strategy. The new Strategy was launched in June 2019. It reflects our aspiration for 'Better Luxury': improving the way luxury is created in a more sustainable and responsible way and helping to create a positive impact for the many different stakeholders involved in our value chain.

Within the new strategy, the People pillar has given considerable focus to the opportunity of tying CSR more with Employee Engagement and the overall business objectives of moving from a product-focused organization to a more client-focused approach. As a consequence, it is essential to create a more people-centric culture by setting CSR targets more in line with external and internal expectations in the current workplace for the Group.

For the People pillar, external trends have been thoroughly examined with a view to delivering on these business needs, ensuring that CSR is contributing successfully to the overall Group performance. Our overarching ambition is to offer a caring, safe and inclusive work environment where our people never stop learning, feel empowered to act and innovate.

To do this, we will focus our efforts on the following three key areas:

- Lifelong learning to preserve craftsmanship and enhance the employability of our people
- Contributing to the overall well-being of our employees
- Promoting diversity and inclusion within our workforce

We have set three levels of commitments and targets to help us achieve our ambition. These range from short-term commitments, which focus on maintaining a strong foundation, through to longer-term commitments, which are more aspirational and seek to deliver transformational change.

We have included an overview of some of these commitments in the Looking Ahead section at the end of this chapter. We will be publishing more details in our 2020 report, once the commitment-specific targets have been finalised later this year.

## KEY AREAS OF PROGRESS IN 2018-19

During the year, key areas of progress included:

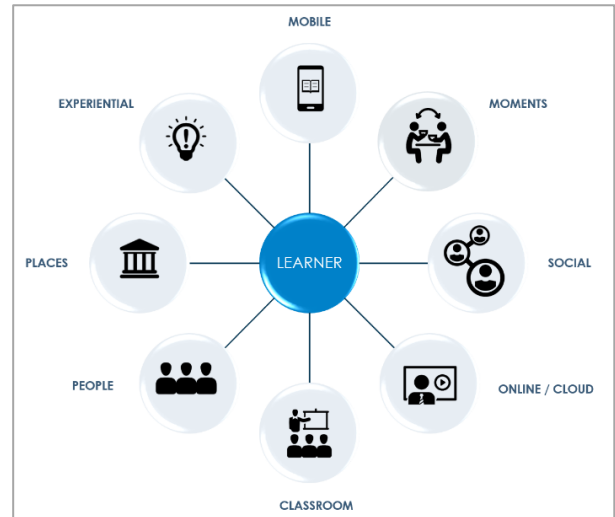
- Deployment of a digital identity to all our workforce, regardless of their level, function or work site
- Creation of a comprehensive online learning catalogue and deployment of a self-service learning platform (#NeverStopLearning).
- Review of our Standards of Business Conduct to embody more inclusive language.
- Creation of a global Well-being campaign to better promote global benefits across the Group.
- Creation of a dedicated function for Diversity & Inclusion at Group level.
- Roll-out of a global innovation contest (Visionnaire Challenge) to foster creativity, co-creation and collaboration across geographies, entities and functions with the aim to innovate and re-imagine future services and products for our clients.
- Refurbishing of a selection of office spaces into more modern, ergonomic and contemporary working environments to foster collaboration and overall engagement.



# OUR APPROACH TO LIFELONG LEARNING AND ENHANCING THE EMPLOYABILITY OF OUR PEOPLE

Learning today adopts digital best practice and technologies to be more engaging, interactive, tailor-made to deliver the most impactful experience. We are therefore committed to offer our people continuous access to learning opportunities anytime, anywhere and on any device. Important investments have been made in the course of the past two years to allow for a learning experience that not only embraces different kinds of learning channels, but also follows the trends on how people learn.

## Our blended Learning Experience



# DYNAMIC CHANGE IN INDUSTRIAL JOBS AND BEYOND

According to studies conducted on the effect that technological evolution and progress will have on existing jobs, a majority of current job functions will have over 30% of activities that are or at least will be technically automatable. This represents a major challenge, especially for our industry that employs over 7'400 people in the manufacturing environment where manual work and craftsmanship are fundamental contributors to the value of our products. It is thus a priority for the Group to cultivate

life-long learning, to upskill and reskill whenever there is an opportunity and to inject new talents and competencies into our manufactures.

In Switzerland, several initiatives have been or are being put in place with a special focus on our Manufacturing entities. As such, over 520 employees have been trained on Lean Management at the Agile Academy in Neuchâtel; 99 apprentices were trained within our Group, 24 of which were part of

the L'Ecole des Métiers et Artisans de Haute Horlogerie (Meyrin, Geneva) and 75 were within nine of our Maisons.

*OUTLOOK FOR INDUSTRIAL LEARNING:*

- Accompany the industrial transformation
- Move towards an agile and flexible resource management model
- Develop internal talents and secure critical experts

Our efforts are not limited to manufacturing. During the past year, our employees have

been equipped with a individual digital identity regardless of whether they are working in an office environment or not. This digital identity allows them to access a comprehensive digital workplace where they can find information, self-service applications as well as a designated learning space where they can chose relevant learning modules, register to courses or simply read articles relevant to their query. People can access this digital workplace through their own private devices should they have no corporate device at hand. Nevertheless, we have established kiosks and digital corners where employees can access the digital workplace.

## DIGITAL UPSKILLING

Supporting the digital transformation of our business, we are also providing specific upskilling for three different target populations:

- **IMD Digital Leadership Program:** An executive leadership course specifically created by Richemont and IMD, Switzerland to prepare our senior management to address the strategic challenges of a fast-changing world.
- **IMD Cascading Programme:** The above programme is being cascaded to the next level of management in the organisation in a tailored one-day leadership course. Some 300 managers were trained in the year.
- **Digital Culture Course** for all our people, enabling the whole workforce to become familiar with the basics of digital culture. Online courses from an industry-leading eLearning provider provide different paths and knowledge levels.

# KNOWLEDGE TRANSFER

As a Group, we acknowledge the importance of safeguarding unique expertise and passing it on to the next generation, thus preparing the future with our internal talents. This is why we are investing in different schools and academies. Some examples can be found below:

*RICHEMONT CREATIVE ACADEMY,  
ITALY FOR PRODUCT DESIGNERS*

- 
- Last year, 19 students from 10 different nationalities graduated with the Master degree in Arts of Design. All 19 took up internship positions within our Maisons, signalling the importance for the Group to invest in young, creative talent.
  - This year, the Creative Academy was present at Homo Faber, being the only Creative Design School participating in the event. One of the installations - Natural Talent - was a project on the topic of wood. Developed in partnership with Van Cleef & Arpels and Fondazione Cologni with two Master Craftsmen, Giordano Viganò with the marquetry technique and Torneria Meloni for the woodturning technique, the project has been nominated among the Best 40 installations of Salone del Mobile 2017.

*RICHEMONT RETAIL ACADEMY (RRA) for  
Sales Ambassadors & Boutique Managers*

- **RRA China (Shanghai):** since its opening, 1'456 people have been trained in the Signature Courses for Sales Ambassadors (SA) as well as the Boutique Manager Master (BMM), a blended programme for our new hires or newly appointed Boutique managers. During 2018, 179 attendees followed either the SA or the BMM courses.
- **RRA Macau:** the Macau Retail Academy being setup as a temporary institution, it will close its doors during 2019. Since its opening in 2016, 215 Sales Ambassadors and 79 Boutique Managers were trained.

- **RRA North America (Brooklyn, New York):** by the end of 2019, a new location will be opened. Among other courses, the institution will offer the "Signature Courses" and other areas of training.

*INSTITUTE OF SWISS WATCHMAKING (IOSW), USA, Hong Kong, China, focussing on training watchmakers for the after-sales services platforms.*

In 2018, 52 students graduated from the different institutes covering courses such as Watch technician, Watchmaking and Complication. 82% of graduates are still working within Richemont and its Maisons.

*ECOLE DES MÉTIERS ET ARTISANS DE HAUTE HORLOGERIE, Meyrin, Switzerland*

*ECOLE DES ARTS JOAILLIERS (with the support of Van Cleef & Arpels), France & Hong Kong*

*INSTITUT JOAILLERIE CARTIER, FRANCE, is a training institute dedicated to preserving and promoting jewelry craftsmanship.*

The institute develops and transmits jewellery craftsmanship of Maison Cartier to its employees. During the year, some 500 employees have followed over 7'000 hours of development within the institute. It also aims to promote the unique knowhow also to external audiences such as schools, press and clients. The institute has partnerships with schools such as the Haute Ecole de Joaillerie in Paris (France), developing specific training programmes for apprentices and trainees.

In 2018, our Maisons have recruited and trained 644 trainees and apprentices, ensuring that unique know-how in many areas is being passed to the next generation.

## PARTNERSHIPS

Conscious of the importance of technical innovation, the Group has established a partnership with **Ecole Polytechnique Fédérale de Lausanne** (Switzerland) including an Academic Chair in Microtechnology.

The Group also has a partnership with **Polimoda** (Italy) in the Master in Luxury Business Management, training some 20 students in a one- year programme, which includes a six-month internship.

We are convinced that maintaining a continuous learning culture will help increase the employability of all our employees, even beyond their time with us.

## SPECIFIC INITIATIVES

### *#NEVERSTOPLEARNING*

In 2018, we launched our new take on learning comprising: a revamped portal; a mobile App; and hundreds of hours of open content. More fundamentally, as a Group we have shifted our own mind-set about learning to one where the individual is autonomous in their growth and where learning is anywhere on any device, whether corporate or private. With this learner-centric approach, we aspire to nurture a living, thriving learning culture, with unbridled access to learning opportunities of all kinds such as online, local events, blended learning and many more.

### *EXPLORER PROGRAMME*

We have launched an internal program for people who are keen to develop outside their current role and who value experiences over linear career pathways. The program aims to foster the growth of our young talent, to prepare the future and encourage young 'risk-takers' to come forward. For each cycle, 15 positions and project-based missions are made available, offered by the Maisons and Regional functions.



The Explorer programme is open to all our employees, regardless of their role or current function. Interested people are applying to the programme and not a specific position. Once selected, they embark on a six-month period in a different country and on a specific mission.

# LEARNING DEVELOPMENTS IN THE COMING YEAR

- **“Open’R”**: launch of a new programme called “Open’R” which stands for Operations Excellence Network @ Richemont. Created in partnership with the Haute Ecole ARC, Neuchâtel (Switzerland), the programme is delivering training on Lean Management Green Belt for our managers and change agents in the manufacturing environment.
- **Richemont Retail Academy Asia Pacific (APAC)**: 2019 will see the opening of the Richemont Retail Academy for APAC, based in Hong Kong and covering the whole APAC region.

## *CONTRIBUTING TO THE WELL-BEING OF OUR PEOPLE*

Our employees’ well-being is a priority across the Group. Different stakeholders work together to ensure that all aspects of well-being are being considered: financial; emotional; social; physical and professional.

# WORK ENVIRONMENT

We commit to offering our people a safe, caring and inclusive work environment. During the past year, several initiatives have been put in place that look at the work environment in a holistic way: physical; digital; collaborative and social.

## *DIGITAL WORKPLACE*

We now provide all our people with a way to connect digitally with our corporate network. This ensures that they can access, maintain, share and consume information and knowledge within the Group. This is especially important when it comes to people that are not necessarily connected through an individual corporate device. Spaces with shared company devices are being put in place to allow our people to stay connected to what matters. The individual digital identity also allows our people to connect from their private devices and access all relevant information in relation to their employee profile. Collaborative, self-

service tools include easy-to-use, cloud-based suites as well as intranets. For example, the Group has launched the social enterprise network Yammer, which allows all our people to exchange, collaborate and stay informed. Over 13’000 people are already connected to the network and active. A new self-service platform called “My Spot” was launched and gives every employee access to their own data. This digitally enables them to request holidays as well as features for managers to manage team tasks.

## *PHYSICAL WORK SPACES*

In the past year, we started the physical transformation of our working environment to improve the well-being of our teams, foster productivity and transparency, and attract new talents. Sharing spaces and creating collaborative areas are among key success factors.

Global guidelines have been created and developed by the Group Real Estate Architecture & Construction department, in collaboration with the Human Resources and Information Technology teams. These guidelines explain how to successfully implement the WorkPlace 4.0 (WP4.0). Within these guidelines may be found the general strategy, a methodology, guidelines and a catalogue of recommended spaces. Each area is

functionally detailed and illustrated in order to create specific and beneficial experiences. Contemporary workplaces and connectivity are the premise to deliver more flexible working styles for all our people. In parallel, remote and flexible working practices are being implemented to allow people to work with more flexibility and adapt to different life situations.

## GLOBAL WELL-BEING CAMPAIGN

In order to provide better visibility and awareness of our international benefits schemes, a global well-being campaign was developed in close collaboration with our employees.

In the past year, four major enhancements were introduced in relation to these benefits:

### *EMPLOYEE ASSISTANCE PROGRAMME (WECARE)*

**WeCaRe** Wellbeing & Care for Richemont Employees Although many countries already had employee assistance programs in place, we now to ensure that all our people can benefit. Under our global programme WeCare (Well-being & Care for Richemont Employees), every employee may confidentially contact an external, independent provider that offers professional support.

### *FLEXIBLE BENEFITS SCHEMES*

Flexible benefits schemes have been rolled out in Hong Kong to provide more choice and flexibility when it comes to well-being. Our Hong Kong employees are able to choose between a range of benefits in line with their current life situation.

### *LEAVE FOR PRIMARY CAREGIVER*

The Group is very conscious about families and the complexity of aligning professional career with personal life. Therefore we offer the primary caregiver the opportunity to

take time off, such as minimum 14 weeks fully paid for maternity leave and at least 5 days for paternity leave.

### *FLEXIBLE WORKING / REMOTE WORKING*

Adapting to the new ways of working, we continue to roll out our framework that gives employees the possibility to work from home or any other location for part of their working time. For employees who are not able to leave their physical working environment, flexible working hours are being offered.

In addition, many local initiatives are offered to our people, encouraging them to be active for their own well-being. Such initiatives include but are not limited to:

- regular exercise possibilities, including gym facilities, subsidies to sport clubs, gym and yoga classes and sports communities among colleagues;
- promoting healthy food habits within the Group restaurant facilities and during working hours, for example fruit baskets;
- smoking cessation programmes
- introducing different working styles such as working remotely whenever the job function allows it and in line with local regulations
- car-sharing opportunities, electric bikes rental and contribution to public transport tickets.

## HEALTH & SAFETY

In 2019, Richemont will refresh its current health & safety policy to ensure that it meets the needs of the organisation. As part of the Richemont commitment to continuous improvement with regards to providing a healthy and safe workplace, each entity has created its own health & safety plan to guide them for the next 3 years. These plans are aligned with the wider Group strategy for health & safety.

Richemont has continued to undertake regular external assessments of our core sites to ensure that health and safety standards are maintained. 18 assessments were undertaken during the year, in addition to any local initiatives to drive health & safety requirements. Any areas of improvement are accompanied with a performance improvement plan, and best practice is shared.

Due to the specific nature of health & safety legislation, Richemont continues to partner with a specialist third party to identify relevant health & safety legislation for each

country where Richemont has fixed operations. Using the online tool, an assessment is then made against the legislation. Assessment against applicable health & safety legislation is the baseline for Richemont's commitment to providing a healthy and safe workplace.

All incidents are recorded using a Richemont reporting tool, enabling incidents and their investigation to be categorised and trends analysed. This enables us to focus efforts on the prevention of recurrence. The incident trends have shown the following:

- A decrease of 39 % compared to the previous year in the number of days lost following a workplace accident; and
- A decrease of 10 % compared to the previous year of total incidents, which occurred in the workplace.

To ensure communication and cooperation across the organisation, Richemont will continue to discuss health & safety with senior stakeholders on a regular basis.

## ENGAGEMENT BAROMETERS AND PULSE SURVEYS

In order to better understand and align our people with our global vision, we periodically run Engagement barometers throughout the Group and encourage our managers to use more frequent pulse surveys in order to better engage and motivate the teams. These initiatives aim to reduce turnover rates, increase retention by addressing potential issues and setting priorities for global and local action plans. Moreover, the barometers and surveys offer

our people the opportunity to provide feedback and voice their ideas.

Establishing a feedback culture is essential in our endeavour to offer an inclusive workplace. This is why we will address the feedback from two different angles:

- an individual / peer to peer perspective, where each individual will be able to request feedback and give feedback through a simple to use app, encouraging more face to face

moments to discuss the received or given feedback; and

- an organisational feedback loop which will be delivered through a common data platform across the Group, allowing for Regional functions and Maisons to master the survey process in a more lean and flexible

way while benefitting from real-time data. This platform will contribute to the definition of priority initiatives not only on the level of engagement but also in more specific areas such as Diversity & Inclusion surveys, gathering data on well-being and much more.

## REWARD & RECOGNITION

We believe that recognizing our people through fair and equitable reward is key to engaging them with our overall strategy. This is why our reward strategy is based on the Management By Objectives ('MBO') concept which allows us to align employees' performance with strategic goals, to attract and retain the right talent and ensure that our people have a stake in the Group's success. Our compensation packages not only reward individuals' contribution and their team's success, but also provide the opportunity to participate in the Group's performance.

A base salary is the foundation of all compensation packages. It reflects the scope of responsibilities, is benchmarked with external market data, and seeks to ensure team equity beyond specific departments. The base salary is complemented with different long-term incentive programs designed to attract and retain our key people. We believe that allowing our people to participate in share ownership is key for engagement, recognition and sense of belonging. The following table indicates the percentage of employees eligible for long-term incentive programs.

	Richemont	Luxury Industry	General
Eligible Employees as % of total	4%	1%	2%

Disclosures concerning senior executives' compensation may be found in the Compensation Report within the 2019 Annual Report.

### *VOLUNTEERING ACTIVITIES*

Giving back to the community is an essential element of our people's well-being. This is why we organize every year opportunities for our employees to give back to their local communities in line with a chosen topic. Time allocated to volunteering varies between countries and so do the selected associations and topics. More information on time spent for volunteering can be found in the Communities section.



# WELL-BEING DEVELOPMENTS IN THE COMING YEAR

- During this coming year, two **feedback platforms** will be implemented and accessible via mobile:
  - A new survey platform that allows for more timely Pulse surveys, sharing a common core questionnaire across Maisons and Regional functions (organisational feedback)
  - A new app for our employees, enabling them to request and receive feedback from their managers or organisation peers with the aim to become an actor in one's own development (individual feedback)
- In order to ensure that all our employees, regardless of their function and work environment, have an opportunity to participate in a volunteering activity, the Group is currently preparing the roll-out of a **global volunteering framework "Together"** that is built on 3 main pillars:
  - **Internal Volunteering Day:** a day dedicated to an organisation-selected cause for employees to be able to participate
  - **Online Volunteering activity:** allow for all our Group employees to be able to participate in small volunteering activities via their mobile phone, especially important for people who cannot move from their physical work environment due to the nature of their work
  - **Individual Volunteering (external):** our employees have the opportunity to submit a cause that is important to them and which they are currently dedicating time to outside of working hours out of personal interest. All submissions will be examined by the local CSR committee who will select one relevant cause per year donating a small amount to support the employee in their continuous engagement.



## Promoting Diversity & Inclusion within the Group

Offering a caring, safe and inclusive work environment where our people can feel that their voice and contribution is valued, is becoming a main priority for the Group. Through in-depth analysis of our current workforce, we are committed to increase diversity figures around gender and nationality especially focussing on specific key roles in the Group but also to ensure that we offer equal career opportunities to our entire workforce.

Throughout 2019, three focus areas will get attention and a dedicated team on Diversity & Inclusion (D&I) has been created for:

- **Governance & Policies :** reviewing existing policies and Standards of Business Conduct to reflect inclusive language and give transparency around our commitment for equality and diversity within our operations
- **Awareness:** launching internal communication campaigns & communities around the D&I topics through intranet and the social enterprise network to create a safe space for people to exchange about topics that are important to them.
- **Training:** train all our employees on D&I topics with a priority on Unconscious Bias for 2019

Diversity lies at the core of our Group with its portfolio of Maisons, product lines and international presence. It is hence key for our organisation to leverage the existing wealth of diverse people that work within the Group to create an inclusive work environment where every person can thrive.

By analysing our workforce data, we are continuing to identify major initiatives that will help achieve our targets.

## GENDER

With 57% of our global workforce being women, we have a clear business case to ensure that our work environment allows for equal opportunities when it comes to career development, flexible working conditions and equal pay. As 61% of our Millenials workforce (born between 1981 and 1995) are women, we see it as our responsibility to support them in a moment in their career where major personal decisions are being taken. This is why we have created women network called ConnectHer that aims to give younger women professionals get access to senior leaders (man and women) who can support them in these important moments.

Moreover, different Maisons have established women leadership programmes to equip women leaders with the appropriate tools to succeed in their next career step, examples of such programmes are Cartier's "Make your Mark" and IWC Schaffhausen 's "Women In Charge".

Every new recruitment in the Group is taken as an opportunity to increase our gender balance by interviewing gender-equal panels of candidates for an open position.

Unconscious bias training tailored especially to managers, as key decision-makers in people management, help raise awareness around the key moments in the employee experience (recruitment, performance assessment, reward and promotion).

## NATIONALITY

Within our Group, we have over 125 nationalities working in 36 countries. In Switzerland alone, we employ 75 different nationalities. It is thus important that we foster the wealth of experiences and cultural awareness among our people.

In 2019, a special focus will be given to increasing the national diversity in certain key roles such as Brand Managers across our Maisons and Regional Functions. Moreover, we will foster more mobility opportunities for our employees to experience new cultural contexts, different mind-sets through more cross-functional collaboration and better support in integration into a new working environment.

# CASE STUDY

## "WOMEN IN TECH"

YOOX NET-A-PORTER GROUP (YNAP) is committed to growing an inclusive and enabling culture that empowers women to achieve their full potential.

YNAP's 'Women in Tech' community, an employee resource group, was created to support these goals and foster a positive culture by encouraging collaboration within Technology and to inspire the next generation of female leaders. The initiative creates a healthy and friendly environment where women from all divisions and levels can thrive, develop and contribute to the success of YNAP.

Through a range of ongoing activities like 'Lunch & Learns' and regular workshops, Women in Tech proactively support women across fashion and digital within the organisation, whilst also supporting educational programmes for young people from local communities to change the perception about women in Science, Technology, Engineering and Maths (STEM).

## LOOKING AHEAD

Our Transformational CSR Strategy for People has three focus areas: (i) Lifelong learning to preserve craftsmanship and enhance employability of our people, (ii) Contribute to the overall well-being of our employees and (iii) Promote diversity and inclusion within our workforce. Stemming from those three areas, Richemont has confirmed a number of commitments for all operations over the short, medium and long term. The following summarises those short and medium term commitments only.

Short-term commitments in the coming year:

- Digitally connect all people to our Learning Management System (LMS) and the digital workplace
- "Explorer" programme for fast-track development for employees with 2-8 years work experience
- Implementation of Remote working / flexible working offer in different countries and Maisons
- Roll-out the global volunteering framework worldwide
- Roll-out mandatory 'unconscious bias training' to all employees
- Replace hazardous chemicals that negatively impact human health going above and beyond the required international environmental and safety standards
- Reduce total reportable incidence rates and our lost time incident rate.

Medium-term commitments in the coming three years:

- Equal Pay Certifications for selected countries or Maisons
- Increase national and gender diversity in key roles
- Worldwide roll-out of global benefits (Minimum Paternity and Maternity Benefits, Health insurance coverage, Life & Income protection, Business travel insurance)
- Accompany industrial transformation with appropriate skills trainings and reskilling

For each commitment, qualitative and quantitative targets are being set and responsibilities have been confirmed. The Group CSR Committee will monitor performance against those targets and report on progress to the Board not less than once per year. As we achieve these targets, our long-term transformational commitments will be progressively disclosed.

Sophie Guieysse

Group Director, Human Resources

# DATA RELATING TO OUR PEOPLE COMMITMENTS

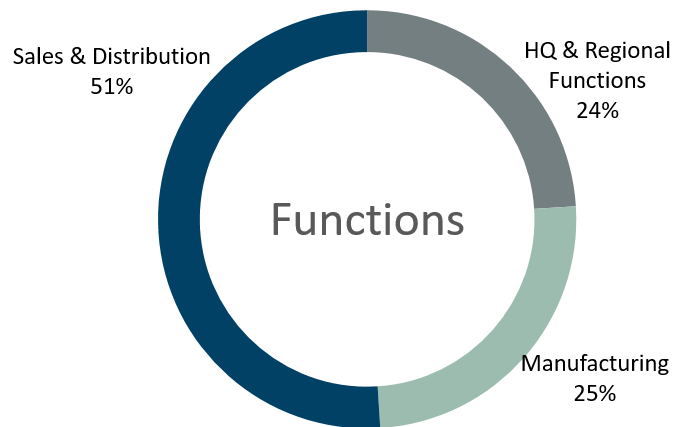
## KEY FIGURES

Richemont employed more than 35'000 FTE worldwide during the year, of which 94% were permanent employees, 4% temporary staff and 2% trainees. Through our suppliers and business partners, we provide employment opportunities for many more people.

The Group's employee turnover rate for 2018-19 was 14%.

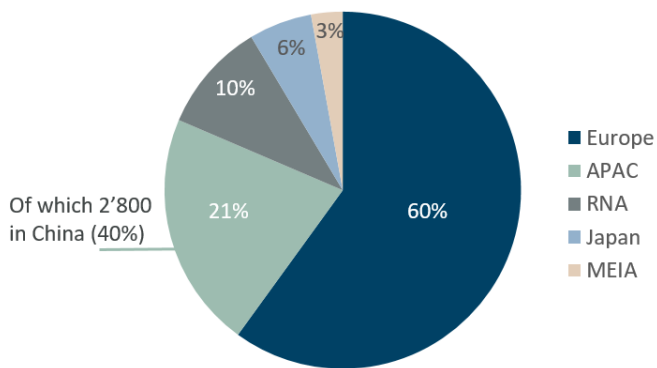
## OVERALL WORKFORCE

Our employees mainly work in Europe, which shows a clear commitment of the Group to the traditional craftsmanship and know-how of luxury.



The average length of service in the Group is 7.2 years and within a position is 4.1 years. The average age of our people is 38.

Our people work mainly in three distinct areas, as shown in the chart. Our Manufacturing operations, employing 25% of the workforce, are concentrated in Switzerland, France, Germany and Italy. Similarly, our Maisons' and Group headquarters are concentrated in those countries.

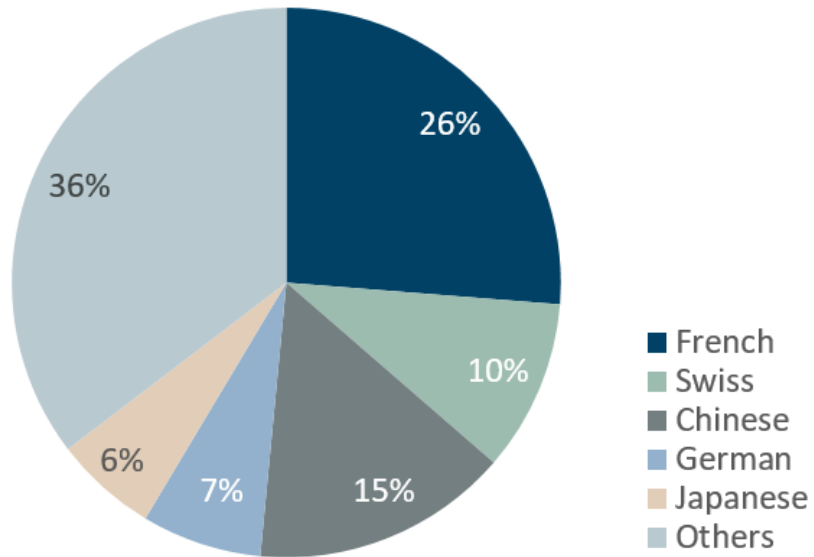


Those concentrations explain why 60% of our workforce is employed in Europe. This evidences our commitment to delivering high quality products and services and our investment in developing the local know-how and expertise of our people.

NATIONALITY

Being a truly diverse Group is illustrated also by some 126 nationalities working together. In Switzerland, we employ people from over 75 different national backgrounds.

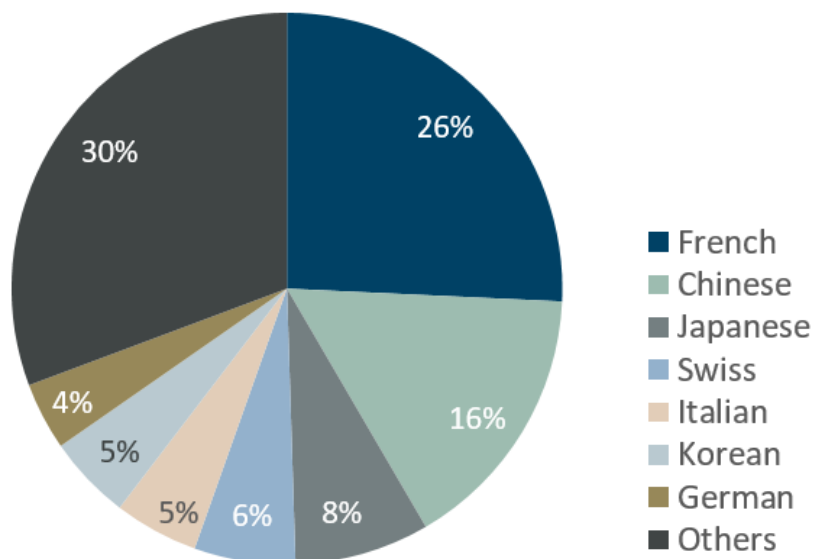
Nationalities



In 2018, an effort was made to promote people with more diverse backgrounds. Figures show that, looking at overall internal mobilities within the Group in the past year, Chinese and Japanese nationals represent an important percentage, illustrating our commitment to further develop local talent.

With the wealth of opportunities that are offered to our employees during their time with us, we manage to fill over 41% of open positions internally.

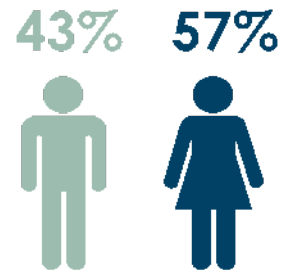
Internal Mobilities



GENDER

**Overall Workforce**

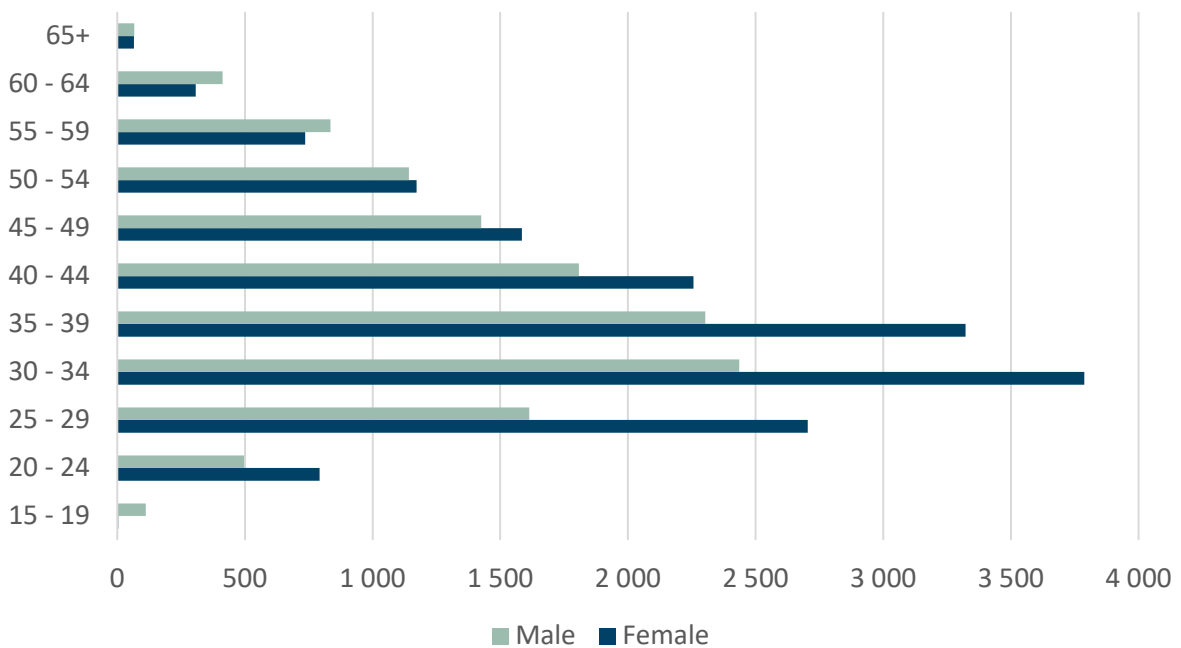
Overall, women represent 57% of our total workforce and this percentage has remained stable since 2014.



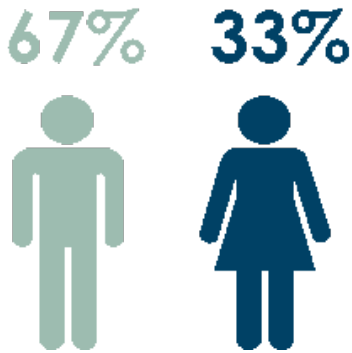
**Age grouping by Gender**

Women represent the majority of the Millennial population (born between 1981 and 1995). In 2018, women represented 61% of the Millennial population.

Age Grouping by Gender



**Women in Top Management**



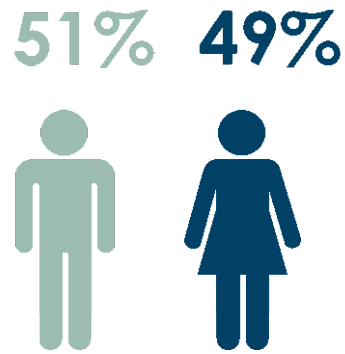
Women represent 33% of the Group’s 366 Top Management positions. In addition 17% of the Group’s CEOs are women, including Maisons & Regional functions.

Our Maisons and Regional functions frequently take the lead in driving the increase in women occupying management roles. Initiatives to foster in-house gender diversity include the Cartier Women Leadership Program “**Make your Mark @ Cartier**”, in collaboration with INSEAD, France. Women occupying strategic position within Maison Cartier are supported in two key areas - leadership development and personal branding - to help them towards their full potential.

IWC Schaffhausen recently launched “**Very Important Women**”, a programme to create professional exchanges among female leaders. Compared to 2017, IWC Schaffhausen aims to double the share of women in management roles by 2020.

For younger women professionals, the Regional functions have created a network called “**ConnectHer**” that provides women in the earlier stages of their career with access to senior leadership. The objective is to break down hierarchical barriers, receive support and advice in several professional stages, and establish long-term bonds to foster better development.

**People Managers (managing at least one direct report)**



Another important view of gender is the perspective of those managers who foster equity through their own style of people management. The split between men and women is balanced, with women representing 49% of people managers in 2018.

## TRAINING

In 2018, the Group invested substantially in making learning a priority and delivering meaningful, self-paced learning opportunities for all of our employees.

Overall, 53'895 training units have been taken, covering some 19'618 employees within the Group. This represented over 58% of the workforce. The Group's Learning Management System ('LMS') offer comprises over 4'300 learning objects, excluding mandatory trainings that are linked to compliance topics. It including events, online courses, videos and different curricula coming from our Maisons, the Regional functions and the Group.

71% of the training offer is online, while classroom training still represent an important part with 21% of the training offer. Since its launch, classroom training offer did not decrease whereas the online training offer increased significantly. The training catalogue comprises three learning topics, categorized as follows:

- System and application learnings
- Know-how collection
- Maisons & Group

256'092 hours of training were completed in 2018, which represents an average of over 8 hours of training per employee and around 18.5 hours per learner.





PAGES 57-70

SOURCING

During the year, Richemont evolved its 2020 CSR Plan with a new Transformational CSR Strategy. The new Strategy was launched in June 2019. It reflects our aspiration for ‘Better Luxury’: improving the way luxury is created in a more sustainable and responsible way; and helping to create a positive impact for the many different stakeholders involved in our value chain.

For the Sourcing area, our overarching ambition is to improve sustainability in our supply chains. To do this, we will focus our efforts on the following four key areas:

- Secure responsible practices in our supply chains and sourcing activities
- Implement transparency and traceability in raw material sourcing
- Promote care for the environment
- Deliver positive social impact

We have set three levels of commitments and targets to help us achieve our ambition. These range from short-term commitments, which focus on maintaining a strong foundation, through to longer-term commitments, which are more aspirational and seek to deliver transformational change.

We have included an overview of some of these commitments in the Looking Ahead section at the end of this chapter. We will be publishing more details in our 2020 report, once the commitment-specific targets have been finalised later in the current year.

## KEY AREAS OF PROGRESS IN 2018-19

- Over 95% of gold and diamonds now come from sources which are Responsible Jewellery Council-certified (RJC). Richemont further increased the proportion of gold and diamonds sourced from certified suppliers.
- 75% of gold bought by the Group is RJC Chain of Custody Standard. Of this, 90% is recycled gold from industrial scraps and old jewellery. For fine gold, Richemont is strengthening its due diligence process using the applicable OECD Guidelines. The target is to identify upstream suppliers to better assess and control their compliance against our own Supplier Code of Conduct.
- In leather supply chains, we have strengthened our audit tools and processes to align all suppliers with our Supplier Code of Conduct, notably in manufacturing and tanning activities.



## OUR COMMITMENT

We commit to source responsibly, ensuring the integrity of our products, and respecting ethical business practices, human and labour rights, and the environment. We will continue to work collaboratively with industry organisations and our business partners to promote best practices across the full supply chain.

During our Stakeholder Engagement and materiality assessment exercise, Sourcing issues were identified as being the most material to our business, both in 2016 and in 2019.

Across the Group our procurement broadly falls into two main categories:

- Sourcing of the raw materials required to make our products, such as gold, diamonds, other precious stones, steel and leather
- Procurement of other types of goods and services to support the day-to-day running of our operations, such as energy, manufacturing and office equipment

Following the acquisition of YOOX NET-A-PORTER during the year under review, the integration of certain reporting systems linked to sourcing is ongoing. Accordingly, an estimation of total supplier numbers, the total value of purchases and the status of Supplier Code of Conduct is not currently available. Subject to the integration timetable, such figures may be published in next year's report.

The social and environmental impact of the goods and services we buy often lies outside our direct control. Nevertheless, Richemont seeks to promote and influence responsible behaviour wherever possible. This is largely achieved through active involvement and promotion of the Responsible Jewellery Council and the dissemination of the Group's Supplier Code of Conduct (the 'Code'). The Code sets out our approach in this area and provides guidance to Maisons, our suppliers and business partners regarding ethical labour, employment practices and human rights and the Group's approach to the responsible sourcing of raw materials.

## TRANSPARENCY

### *RESPONSIBLE SOURCING OF RAW MATERIALS*

#### **Context**

The responsible procurement of industry-specific raw materials such as gold, diamonds, leather, exotic skins and precious stones is a priority for the Group. Historically, for the luxury goods industry, there have been issues surrounding the sourcing of gold and diamonds, which include conflict, e.g. social & human rights as well as environmental issues, as these are often mined in regions affected by conflict or instability.

#### **Our approach**

Our long-term goal is the traceability of all raw materials used in our products. We understand many of the challenges associated with achieving traceability and are working closely with our suppliers and industry partners towards that goal.

Our Supplier Code of Conduct sets out our position on the following issues. The issues stem from our analysis of risks in our ‘upstream’ supply chain, in particular raw materials.

### **First step to traceability: transparency**

To fulfil our commitments and prepare the bases for traceability, we will deploy our resources to improve the transparency at all steps of the supply chains. We define transparency as the capacity to identify all players of the supply chains, and to be able to determine whether they comply with our Supplier Code of conduct.

These efforts will be based on a strengthened due diligence process, starting with the Tier 1 suppliers. Our goal is to support them as they deploy the same approach for their Tier 1 (our Tier 2) and so on.

### **Responsible gold sourcing**

As far as possible, Richemont requests its suppliers, in particular gold refiners, to provide assurance that the gold being supplied has been sourced in a way which respects human and labour rights and the environment. We continue to work with suppliers and refiners in this respect and we seek to improve controls over the supply chain, where possible.



We continue to work closely with the Responsible Jewellery Council (‘RJC’) to help improve the gold supply chain. In addition to this industry-wide approach, we work with our gold suppliers to strengthen the inclusion of ethical criteria at all levels of our gold sourcing supply chain.

Membership of the RJC promotes a robust approach to these supply chain issues for our Maisons and other businesses in the jewellery industry, from mines to retail. A number of our Maisons’ representatives occupy seats in the RJC’s governing bodies, including its Board of Directors and its Committees. Moreover, we have taken note of the critical comments made by certain civil society representatives directed towards the RJC’s governing arrangements.

We also note that the RJC periodically reviews not only its standards, but also itself in the light of evolving best practices. Accordingly, we will work with the RJC on any recommendations it makes to its 1’200 members regarding the composition of its Board and other governing bodies.

The OECD recognises the RJC Code of Practices 2019 as a valid due diligence mechanism as it increases the responsibility of its members to improve their own due diligence process.

Our ambition is to source 100% certified gold. The RJC’s certification standards are favoured as they provide flexibility on the origin of gold, including recycled gold, and build trust in the supply chain itself. The great majority of gold delivered to our operations is both recycled and certified. We expect the proportion to remain stable in the near-term, but to rise towards 100% in the longer term. When we have reached our goal of 100% CoC certified gold, which may take more than three years, then our Maisons will consider related product claims.

The role of responsible large-scale gold mining is being addressed through the RJC’s revised standards. The 2017 Chain of Custody standard may be applied to a specific large-scale mine, or a restricted number of equivalent certifications may be recognised. In all such cases, the role of independent auditors remains critical to safeguarding the supply chain’s good reputation. The social and economic impacts of large-scale gold mining are described in a 2015 report from the World Gold Council (WGC) and Maxwell Stamp. That report may be found on the WGC’s website.

### **Swiss Better Gold Association**

Through Cartier’s and Richemont’s participation in the Swiss Better Gold Association (‘SBGA’), we support Artisanal and Small-scale Mining (‘ASM’) development towards responsible mining

practices. SBGA facilitates ASM access to the international market and encourages progress toward better social and environmental conditions. The SBGA brings such mines within reach of RJC certification, thus improving local livelihoods and the environment around the mine. Since June 2018, a Cartier representative is a member of the SBGA board of directors. From January 2019, Richemont became a member. Through our membership of the SBGA, Richemont is committed to supporting responsible artisanal and small-scale mining.

### Conflict-free diamonds

Richemont is committed to ensuring that the diamonds we use in our products have not been used to fund conflict or terrorism. Since 2003, the international trade in rough diamonds has been governed by the Kimberley Process Certification Scheme (KPCS), which requires all rough diamond exports and imports of participating countries to be documented, uniquely certified and approved via a government bureau, in order to put an end to the trade in conflict diamonds.

All diamonds purchased by Group companies are Kimberley Process compliant. We require our suppliers to comply with the 'System of Warranties', a continuation of the KPCS that also applies to polished diamonds. This is a voluntary system, created by The World Diamond Council, and relies on the creation of a chain of written warranties - from original Kimberley Process certificates through to invoice - of all transactions involving the purchase and sale of diamonds, their cutting and polishing. Compliance is closely monitored.

The Diamond Producers Association (DPA) enlarged its own public reporting. Its [website](#) now includes the latest sustainability reports of its members, together representing the overwhelming majority of worldwide diamond mining operations. In addition, in 2019 a report on the socioeconomic and environmental impact of large-scale diamond mining was prepared by Trucost for the DPA. That report may be found on the DPA's website.



### Mitigating risks stemming from synthetic diamonds

Many of our Maisons' watches, jewellery pieces and writing instruments are set with diamonds. Historically, we have taken steps to ensure the integrity of those naturally-occurring stones through the use of certifications, testing equipment, process controls and customer warranties. An international standard (ISO 18323) defines naturally-occurring diamonds.

More recently, synthetic or laboratory-grown diamonds have been developed for the retail market using technological innovations. The producers of those synthetic diamonds, including companies historically associated with naturally-occurring diamonds, have deployed communication tools to widen their appeal among potential customers.

Our policy is to neither buy nor sell any synthetic diamonds. In line with of that policy, the Group has taken further technical steps to ensure that no mixing of the two types - naturally-occurring diamonds and synthetic diamonds - takes place: neither in its supply chain, nor in its own operations. We believe that this position is aligned with our ultimate customers' expectations

regarding accuracy and transparency, and with all applicable laws linked to consumer protection rights.

### **Coloured gemstones**

Cartier and Van Cleef & Arpels participated in the Coloured Gemstones Working Group (CGWG), an industry-led body seeking to improve working conditions across the supply chain of coloured gemstones, including emeralds, rubies and sapphires. They have actively contributed to the first coloured gemstones supply chain due diligence tool set. The CGWG has produced: (i) A framework and guidance for best practices; (ii) The CGWG Responsible Sourcing Tool applicable to different tiers in the supply chain; and (iii) Training materials for businesses to better understand sustainability issues.

The RJC Code of Practices 2019 includes coloured gemstones within its scope. The CGWG tool set has been recognised by the RJC and will be made public during the current year.

### **Trade in Protected Species and Animal Welfare**

We require suppliers to comply with international and local legislation, e.g. the Convention on International Trade of Endangered Species ('CITES'). That international convention protects biodiversity around the world. We also pay attention to other international and local fish and wildlife regulations.

### **Leather and 'fur'**

The growing importance of leather goods, both for the Group's Maisons and for the luxury industry in general, has focused attention on responsible leather sourcing initiatives. Richemont's sales of leather goods in the year amounted to € 1'402 million or 10% of turnover. Replacement watch straps are not included in that figure, but do not have a material impact on the percentage of sales.

Richemont has undertaken a mapping of its leather goods supply chain to better understand the strengths and weaknesses it represents, and to take action to mitigate risks where they have been identified. In due course, a responsible leather sourcing policy may be established to clarify areas of uncertainty, such as 'fur'. A number of our Maisons, including Cartier, Chloé, Montblanc and Peter Millar as well as YNAP have chosen to stop buying or selling 'fur'.

Through Cartier, Richemont participates in the advancement of responsible and transparent supply chains of reptile skins from Southeast Asia through The Southeast Asia Reptile Conservation Alliance ('SARCA'), which seeks to drive improvements in the trade's operating environment by maintaining wild reptile populations, supporting local and national economies and promoting animal welfare principles.

Richemont is also following the progresses of the International Crocodilian Farmers Association (ICFA) which is finalising a global standard for crocodilians animal welfare.

### **Animal testing**

Neither Richemont nor its Maisons conduct any testing of its products on animals. Our Maisons have policies for fragrances and cosmetic products, animal testing and product information and labelling.

Cartier Parfums does not perform any tests on animals for its fragrances. The European Regulation regarding Perfumes and Cosmetic Products prohibits such practices and enforces the same for the ingredients, insofar as valid alternative methods exist. Cartier Parfums relies on and strictly follows the European Regulation.

Van Cleef & Arpels, Montblanc, Alfred Dunhill, Chloé and Maison Alaïa have license agreements with third parties for fragrances and other cosmetics. Those Maisons have received assurances from their suppliers that no licensed products are tested on animals.

## Chemical Competence Centre

Two years ago, Richemont established a Chemical Competence Centre (CCC) in Switzerland. The Centre was envisaged during the development of the CSR 2020 Plan. The CCC seeks to ensure full compliance with chemical regulations and Richemont’s Product Restricted Substance List (‘PRSL’), thereby securing continuous product-access to worldwide markets.

The Centre maps the Group’s chemical compliance challenges, and coordinates signatories of the Supplier Chemical Compliance Commitment (‘SCCC’). The SCCC follows the approach of Richemont’s Supplier Code of Conduct and, due to evolving chemical and data-related requirements, it must be re-signed by applicable suppliers at least once every two years.

To deploy the SCCC in the supply chains, the CCC provides training sessions to the Maisons’ stakeholders.

# SUPPLY CHAIN MANAGEMENT

## OUR APPROACH

We seek to influence our suppliers and sub-contractors by sharing our own standards and expectations with them. These are set out in our Supplier Code of Conduct and, to a large degree, in the RJC’s Code of Practices. Maisons collaborate internally and make use of tools to share information and identify common suppliers.

Compliance with the Richemont Code is incorporated into our procurement decisions and all regular or significant suppliers are expected to acknowledge the Code. Suppliers of gold, diamond-related products and now coloured gemstones are systematically encouraged to become certified members of the RJC.

Business partners are treated fairly and in line with our code of business ethics; see [Working in Partnership](#) section.

## SUPPLIER CODE OF CONDUCT

Richemont’s Supplier Code of Conduct forms part of the Group’s CSR Guidelines. The Code covers labour relationships, employment practices, human rights and ethical business principles. The Code is based on internationally-recognised principles such as the International Labour Organisation Conventions and the Universal Declaration of Human Rights. It also addresses specific industry-related issues such as the responsible sourcing of gold and diamonds,



animal testing, and the preservation of endangered and protected species.

The Code of Conduct includes an Acknowledgment of Terms that requires suppliers to: accept and agree to the Code’s principles; to report on the individual responsible for the supplier’s compliance; the procedures in place to fulfil the Code’s requirements; discrepancies between the supplier’s operations and the Code; and any similar policy used by the supplier.

COMPLIANCE

Each Maison and operating company is responsible for working with its own suppliers and to formally share the Code content with them. Using a risk-based approach, our Maisons are responsible for defining an appropriate due diligence process, including encouraging suppliers to be certified under the relevant scheme, conducting third-party audits of suppliers or conducting verifications as part of supplier visits or regular reviews. Some third-party audits are unscheduled. Where audits identify areas for improvement, Maisons follow up with remedial action plans as part of the on-going supplier relationship.

To facilitate, the Maisons individual efforts, the Group has established a number of tools, including risk analysis for some common supply chains, pre-selected auditors, an Audit Referential and the organisation of audits for common suppliers.

Many suppliers to the Group's businesses at Tier 1, Tier 2 and beyond are also members of the RJC. At Tier 1, more than 95% of the diamonds and some 97% of the gold entering our jewellery, watch and writing instrument manufacturing processes are supplied by RJC members. Tier 2 and other indirect suppliers in the precious metals and diamonds industry are encouraged to join the RJC and have their own responsible business practices independently certified. Given the strength of the RJC's independent certification process and that re-certifications is required at least once every three years, certified members are not audited by Richemont.

In order to assess compliance risks in general, we are mapping the supply of other goods and services regarding certifications. That information will be used to complement our RJC-certified suppliers in particular and our Supplier Code of Conduct signatories in general.

PERFORMANCE DATA

Since 2015, the Group has been tracking the progress of Codes signed by Suppliers. The scope subject to the following consolidated data is some 90% of Group operations, excluding two business acquisitions, which occurred during the year under review: YOOX NET-A-PORTER and Watchfinder. Those two acquisitions and the remaining 10% are also tracking progress, albeit on un-consolidated systems. All figures relate either to our Code, or to equivalent principles including RJC-certification.

In value terms, overall implementation is at 66% of suppliers (2018: 55%. 2017: 45%). Progress is tracked on a category-by-category basis. For example, suppliers of direct materials were at 92% in March 2019. For indirect suppliers, the overall figure is much lower, as it is weighed down by very low rates for leased real estate, an important indirect category in value terms. Leased real estate is a general exception, but this will be reviewed if lease payments include facility management services. We expect and observe that our overall reported figures will rise each year for two reasons: (i) better data capture, including business acquisitions; and (ii) our long-term targets.

202 supplier audits, including some Tier 2 suppliers, were performed across the Group during the year (prior two years: 135 and 198). The figures do not include the two companies acquired during the year (see above). The decision to audit a given supplier is based on a risk-based assessment. Moreover, the Group's businesses have strengthened their procedures with regard to the Supplier Code validation in general, through training of procurement employees and, in certain cases, incorporating the Code in their terms and conditions of business. The increased coordination of supplier audits within the Group has benefited all stakeholders by building confidence and eliminating duplicated effort.



# HUMAN RIGHTS AND LABOUR STANDARDS IN THE SUPPLY CHAIN

## CONTEXT

Adopting fair and ethical labour practices and promoting human rights is vital for society as well as for Richemont's reputation and on-going success. We require our business partners to adhere to the high standards we set ourselves.

## OUR APPROACH

In accordance with good practices, Richemont's Supplier Code of Conduct includes an endorsement of International Labour Organisation Conventions, the Universal Declaration of Human Rights and other internationally recognised labour practice standards. It is also aligned with the UK Modern Slavery Act.

The Code covers the following areas:

- Healthy and safe working conditions – providing a healthy and safe working environment in accordance with applicable laws and regulations;
- Wages and working hours – complying with local legislation on minimum wages, working hours and employee benefits;
- Freedom of association – allowing workers to associate with lawful and peaceful workers' associations;
- No discrimination – not subjecting people to discrimination based on factors including ethnicity, age, religion and sexual orientation, amongst others;
- No child labour – not employing people under the age of 15 or younger than the age for completing compulsory education;
- No forced employment – not using forced labour and not using employment where terms are not voluntary;
- No disciplinary treatment – not subjecting people to harassment, violence or intimidation;
- Responsible environmental management – fully complying with local legislation, industry regulations and the Richemont Environmental Code of Conduct.

The Maisons have developed their sourcing strategies to take into account the risks of suppliers, or their supplier's supplier, failing to meet the Group's expectations. This is particularly the case for child labour and forced labour risks, which are assessed as part of the supplier qualification process and during any subsequent inspections and audits. Supplier-screening data are not disclosed. The audit of suppliers is described elsewhere in this report.

Since 2013, Richemont has been a Participant in the United Nations Global Compact and supports its Ten Principles,

## SLAVERY & HUMAN TRAFFICKING

The California Transparency in Supply Chains Act and the United Kingdom Modern Slavery Act require certain businesses to provide information regarding their efforts to address the issue of slavery and human trafficking, thereby allowing consumers to make better, more informed choices regarding the products they buy and the companies they choose to support.

Richemont is opposed to slavery and human trafficking and desires its supply chain to be free of these scourges. Our complete corporate disclosures regarding Slavery and human trafficking may be found [below](#).

# RESPONSIBLE JEWELLERY COUNCIL



The Responsible Jewellery Council (RJC) was established in 2005 to promote responsible ethical, human rights, social and environmental practices throughout the gold and diamond supply chains. It was built on the belief that these issues can be best addressed as a collaborative effort.

Richemont plays an active role in the RJC. Cartier was one of the 14 founding members in 2005 and Richemont has been a Supporter since then. At 31 March 2019, the RJC counted some 1'200 corporate members (2018: 1'100. 2017: 979), including all of Richemont's Maisons which make products containing diamonds and gold, and a significant number of their suppliers. Representatives from certain Maisons serve as unpaid officers, board and committee members of the RJC.

## *THE RJC CODE OF PRACTICES SYSTEM*

The Council has developed the RJC Code of Practices System, a certification system applicable to all members' businesses that contribute to the precious metals and diamond and gemstones jewellery supply chain.

The scope of the Code of Practices captures:

- General Requirements;
- Responsible Supply Chains & Human Rights;
- Labour Rights & Working Conditions;
- Health, Safety & Environment;
- Diamonds, Gold & Platinum Group Metal Products; and the
- Responsible Mining Sector.

Certification helps to strengthen responsible business practices and the reputation of members as well as the reputations of members' suppliers, customers and business partners. Under the RJC System, all commercial members of the RJC must be audited by accredited, third party auditors to verify compliance with the Code of Practices.

In 2010, Cartier was the first retailer to receive certification under the RJC system. The CoP certifications of all other relevant Maisons have been confirmed. Currently, Richemont's Swiss gold refinery is the only Group entity which has been both CoP- and CoC-certified. As a percentage of Group sales, the proportion of Richemont's businesses which have been audited regarding these non-financial criteria has therefore increased from zero in 2009-10, to more than 90 % by 2015-16.

Maison or Independent Manufacturing Entity	Financial year of first RJC certification	Cumulative percentage of Group sales represented by certified entities
Cartier, Baume & Mercier, Jaeger-LeCoultre, Montblanc, Piaget, Vacheron Constantin, Van Cleef & Arpels, Richemont's Swiss refinery	2010-11, 2011-12	More than 75 %
IWC Schaffhausen, Manufacture Horlogère ValFleurier, Panerai, YOOX NET-A-PORTER	2012-13, 2013-14	More than 85 %
A. Lange & Söhne, Donzé-Baume, Roger Dubuis	2014-15, 2015-16	More than 90 %
ProCadrans	2016-17	More than 90 %*

\* As they do not manufacture or distribute products containing gold or diamonds, the Group's fashion businesses do not qualify for RJC membership. They include Alfred Dunhill, Chloé, and Peter Millar. In addition to fashion, YOOX NET-A-PORTER distributes a range of fine watch and jewellery products online.

Linked to Richemont's support of the RJC, the Group has collaborated with the Graduate Institute on two published studies: (i) RJC's supply chain for coloured gemstones, specifically emeralds, rubies and sapphires; and (ii) The obstacles to certification faced by small and mid-sized enterprises.

The wider importance of the RJC and similar Voluntary Standard Systems to sustainability was recently underscored by a 2018 report. That report was prepared by aidenvironment for ISEAL Alliance and WWF. It concluded that sustainability standards have impacts that go beyond individual certified operations to influence whole production and consumption systems.

#### *THE RJC CHAIN OF CUSTODY*

The source of certain raw materials can be controversial, for example gold and diamonds. Accordingly, a number of projects were initiated by industry groups to improve transparency in general and the sourcing decisions of manufacturers in particular. Among those projects was the RJC's Gold Chain of Custody ('CoC') standard applicable to gold and platinum group metals. The first standard was published in 2012 and was revised in 2017 as part of the periodic review process required by all ISEAL Alliance standards-setters. As a long-term supporter of the RJC, Richemont actively participated in that revision process. Following revisions, the 2017 edition is aligned with the OECD Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas and its Supplement on Gold.

A list of CoC-certified members is maintained on the RJC [website](#).

#### *THE RJC CODE OF PRACTICES STANDARD EVOLUTION*

During the year under review, the standard has evolved; the due diligence requirement now included in the COP 2019 edition (published April 2019) is also fully consistent with OECD guidance. Moreover, the CoP 2019 standard extends to coloured gemstones and silver.

## WORKING IN PARTNERSHIP

We work with a number of partner organisations to help us improve our social, economic and environmental performance. In addition to our work with the Responsible Jewellery Council ('RJC'), we are also involved with the following organisations:

- Jewelers of America (JA), the trade association for retail jewellers in the USA. Through its Ethical Initiatives Committee, JA is a leader in promoting debate on corporate social responsibility within the industry. Cartier is a Board member of JA and a member of its Ethical Initiatives Committee.
- The French Union of Jewellery, Silverware, Stones and Pearls (UFBJOP), which is closely involved in various ethical issues and which promotes the highly skilled know-how of jewellery manufacturing in France. Van Cleef & Arpels serves as a Board member.
- The Federation of the Swiss Watch Industry (FHS) is a private, professional and non-profit association. It brings together more than 500 members and represents more than 90 % of all Swiss watch manufacturers. Richemont serves as a Board Member.
- WWF Switzerland, the national association of the World Wildlife Fund for Nature. In 2018, WWF Switzerland conducted an assessment of leading Swiss watch and jewellery companies' environmental reporting. Richemont and five of its Maisons participated in the assessment and continue to engage with WWF Switzerland to improve our knowledge and practices regarding biodiversity and conservation.

## CASE STUDY

### TOWARDS 100% CERTIFIED GOLD

Our path towards 100% RJC-certified gold began during first CSR three-year Plan to 2017. We wanted to use the RJC's Chain of Custody Standard for each of our Jewellery Maisons, our Specialist Watchmakers and Montblanc. Our gold supply chain is relatively complex: it uses not only multiple sources of gold, including recycled gold, it also has many subcontractors making small parts, from watch crowns to chain clasps. Nevertheless, our sense of direction was clear.

As we have travelled along this path, we have disclosed more and more details about the proportion of our suppliers who are already Code of Practices certified and the percentage of their gold that is Chain of Custody (CoC) certified. Currently, 75% of the gold purchased by our Maisons is CoC

certified and comes from recycled origins. 97% of the semi-finished gold components entering our manufacturing processes are from RJC members. We have also described our efforts to bring small-scale mining operations up to the RJC-level. We have done this through intermediary organisations such as Swiss Better Gold.

Looking ahead, we believe that we are on track for 100% CoC-certified gold, be it recycled gold or extracted from small-scale mines. This will not be achieved within a few months, but within a few years. When we reach the end of that path, most likely in 2024, our Maisons will have the opportunity to engage with their customers about the gold used in their jewellery, watches and writing instruments.

## LOOKING AHEAD

Our Transformational CSR Strategy focuses on (i) Securing responsible practices in our supply chains and sourcing activities; (ii) Implementing transparency and traceability in raw material sourcing;; (iii) Promoting care for the environment; and (iv) Delivering positive social impact. Stemming from these four areas, Richemont has confirmed a number of commitments for all operations over the short, medium and long term. The following summarises those short and medium term commitments only.

Short-term commitments in the coming year:

- Extend the implementation our Supplier Code of Conduct for more relevant suppliers.
- Ensure all diamond and precious metal Tier 1 suppliers are RJC-COP certified.
- Map responsible sourcing risks for leather and marketing materials, and define relevant action plans, including audits.
- Deploy ICFA certification for alligator skin suppliers to ensure the highest standard of animal welfare.

Medium-term commitments in the coming three years:

- Implement RJC-CoC in the remainder of our gold supply chain.
- Implement RJC-COP for our coloured gemstones supply chain, including its new due diligence provisions.
- Improve the transparency of our key supply chains, starting with raw materials.
- Lower the environmental impact of our sourcing, with a focus on plastics and indirect categories.

For each commitment, qualitative and quantitative targets are being set and responsibilities have been confirmed. The Group CSR Committee will monitor performance against those targets and report on progress to the Board not less than once per year. As we achieve these targets, our long-term, transformational commitments will be progressively disclosed.

Karlheinz Baumann

Group Director for Industry and Services

# SLAVERY & HUMAN TRAFFICKING STATEMENT

The California Transparency in Supply Chains Act of 2010 and the United Kingdom Modern Slavery Act 2015 require certain businesses to provide information regarding their efforts to address the issue of slavery and human trafficking, thereby allowing consumers to make better, more informed choices regarding the products they buy and the companies they choose to support.

Richemont is opposed to slavery and human trafficking and desires its supply chain to be free of these scourges.

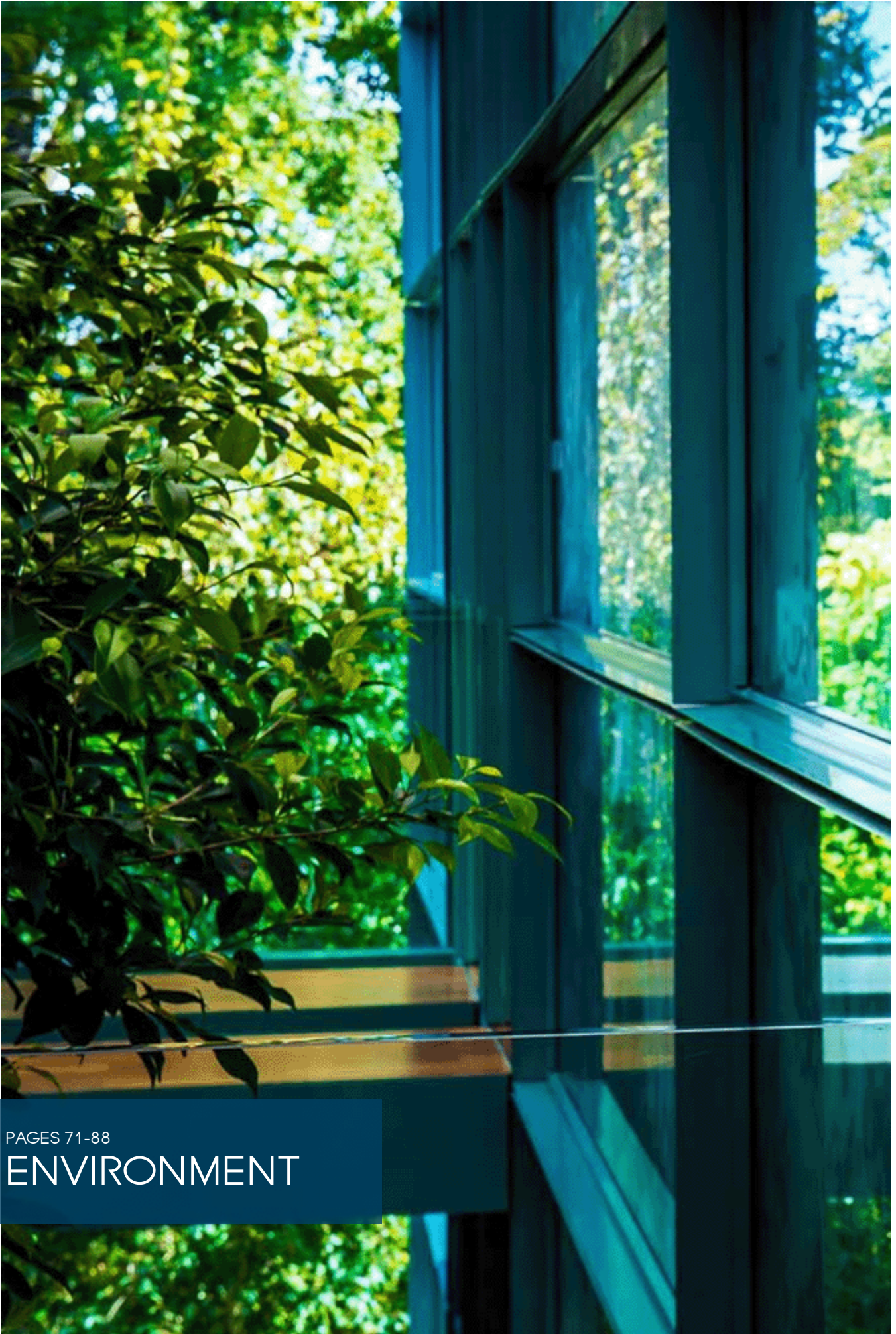
Richemont and its Maisons have developed and disseminated the Group Supplier Code of Conduct, which sets out our approach in this area and provides guidance to our suppliers and business partners regarding responsible sourcing. The Code of Conduct includes an endorsement of the International Labour Organisation Conventions and the Universal Declaration of Human Rights. Among other issues, the Code of Conduct specifically forbids the use of forced or involuntary labour of any kind, including employment of people under the age of 15 or before they have completed compulsory education. The Code of Conduct includes an Acknowledgment of Terms that requires suppliers to: accept and agree to the Code's principles; to report on the individual responsible for the supplier's compliance; the procedures in place to fulfil the Code's requirements; discrepancies between the supplier's operations and the Code; and any similar policy used by the supplier.

Richemont also monitors on-going compliance and adherence of suppliers to its standards related to slavery and human trafficking. In particular, the Maisons regularly conduct third-party audits of their suppliers. During the year, 202 external supplier audits, at suppliers not in the RJC scope, were carried out on behalf of Richemont's Maisons. The audits may be announced or unannounced. Richemont does not record the percentage of 'surprise' audits or disclose the specific results of its audits. Where concerns related to the Supplier Code of Conduct have been identified, Richemont has held its suppliers accountable through dialogue and follow-up audits.

Through its involvement in the Responsible Jewellery Council (RJC), Richemont also seeks to ensure compliance with the RJC's standards relating to slavery and human trafficking. The RJC's certification process is rigorous, including independent, third-party audits regarding the member's compliance with human rights standards. The RJC has grown to include some 1'200 corporate members at 31 March 2019, from miners to retailers. The Richemont Maisons and independent manufacturing entities, whose sales represent some 90% of Group sales, which are certified members of the RJC have been audited by an accredited third-party to verify compliance with the RJC's Code of Practices, thereby obtaining RJC certification. Many of Richemont's suppliers are also members of the RJC and complete their own RJC certification. Further information on the Maisons year of certification may be found in this report. Equally, additional information on the RJC may be obtained [here](#).

Richemont and its Maisons have taken specific steps to increase employee awareness and compliance regarding slavery and human trafficking issues. Richemont's Corporate Responsibility Policies, which articulate the standards Richemont expects its managers, employees and suppliers to uphold, specifically articulate Richemont's zero-tolerance policy regarding forced labour. Richemont's Maisons have undertaken specific training programmes regarding supply chain issues.

For more information on Richemont's commitment to eradicate and prevent slavery and trafficking in its supply chains, visit the Supply Chain Management page.



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# ENVIRONMENT

During the year, Richemont evolved its 2020 CSR Plan with a new Transformational CSR Strategy. The new Strategy was launched in June 2019. It reflects our aspiration for 'Better Luxury': improving the way luxury is created in a more sustainable and responsible way and helping to create a positive impact for the many different stakeholders involved in our value chain.

For the Environment, our overarching ambition is to reduce our environmental impact and design sustainable products. To do this, we will focus our efforts on the following three key areas:

- Embed circularity in our products and business models
- Ensure a high level of environmental stewardship across all activities
- Minimise our greenhouse gas, water and waste footprint

We have set three levels of commitments and targets to help us achieve our ambition. These range from short-term commitments, which focus on maintaining a strong foundation, through to longer-term commitments, which are more aspirational and seek to deliver transformational change.

We have included an overview of some of these commitments in the Looking Ahead section at the end of this chapter. We will be publishing more details in our 2020 report, once the commitment-specific targets have been finalised later this year.

## KEY AREAS OF PROGRESS IN 2018-19

During the year, key areas of progress included:

- Developing the Transformational CSR Strategy, its environmental commitments in the short, medium and long-term as well as related targets and performance indicators.
- Revising our public Environmental Code of Conduct.
- Preparing a sustainable business travel policy.
- Developing a responsible gold sourcing strategy, with a focus on recycled gold.
- Engaging with WWF Switzerland on transparency and responsibility in the watch and jewellery sector.



# OUR APPROACH TO ENVIRONMENTAL MANAGEMENT

Our 2019 Environmental Code of Conduct (the 'Code') is built on national and international norms and standards for environmental management. As well as universal environmental issues, the Code addresses the environmental impacts of key raw materials including precious metals, gemstones and leather. The Code sets a minimum applicable operating standard for all of the Group's businesses. Each business is expected to implement its own Environmental Management System, tailored to suit its size and type of activity. Improving the quality and scope of our environmental data remains an area of focus. As detailed in the Policies section of this report, the Code was reviewed during the 2018-19 financial year and published in July 2019.

The Group CSR Committee reviews environmental performance, determines new initiatives and reports progress to the Board.

Richemont's Internal Audit function includes environmental considerations within its systematic risk analysis and monitors compliance with the Code. With a view to improving the overall management of risks, Richemont has established an Environment, Health and Safety audit programme for significant manufacturing, operational and administrative sites: some 20 site-audits are conducted each year by a specialised independent auditor. The results from those audits are used to drive continuous improvement plans over and above compliance with local laws and regulations.

The process to achieve certification with the RJC's Code of Practices, which includes a review of environment matters, has also helped our Maisons improve their international environmental management practices. Examples include the sourcing of packaging materials and efforts to recycle a wide range of manufacturing waste products.

Environmental data are consolidated annually, including the energy we use in our buildings, the fuel consumed as we travel for business, the impact of major logistics streams, and other elements necessary to calculate our carbon footprint. The results are disclosed in this CSR report and are communicated internally to employees via the CSR representatives. The independent assurance report for our most recent carbon footprint may be found on the [Climate Change section](#). We are also developing strategic plans to measure and reduce our water usage and our generation of waste in all its forms.

# EMBED CIRCULARITY IN OUR PRODUCTS AND BUSINESS MODELS

## *CIRCULAR ECONOMY*

Regarding academic and practitioner developments in the ‘circular economy’, we are assessing the implications for Richemont in at least three areas: new product and service development; packaging; and the conversion of waste into inputs for other industries. Together, these efforts seek to minimise our overall impact on the environment, both in our business operations and in our stakeholders’ operations.

Richemont’s acquisition of Watchfinder in 2018 represents a step into the market of pre-owned luxury goods, specifically watches. In addition to learning more about our customers’ motivations, this acquisition provides our customers with a professional, trustworthy and transparent platform for bringing ‘idle assets’ back into circulation. The depth of understanding about when and why a current customer wishes to sell a watch, and why a new customer wishes to acquire a pre-owned watch, strengthens our customer relationships. Moreover, Richemont’s acquisition of a circular economy company like Watchfinder represents a business model innovation.

As an example of a new product development, BAUME watches were launched in May 2018. Baume Watches, with the strapline “transparency is on our DNA” aim to inspire the watchmaking industry to be more mindful, collaborative and circular.

Packaging is a broad area, covering not only boxes, wrapping and shopping bags, but also freight packaging to protect goods in transit. During the year, IWC Schaffhausen signed the Global Commitment of the Ellen MacArthur Foundation’s New Plastic Economy with the intention to use only recycled plastic in its own operations. Meanwhile, another Richemont specialist function is studying the end-of-life for the plastics used in global logistics for watches and jewellery.

Our gold sourcing strategy focuses on recycled gold over newly mined gold. This choice reflects the estimated impact on the environment of alternative sourcing strategies: recycled gold has a significantly lower impact, according to preliminary Life Cycle Analysis commissioned by Richemont in 2018.

Separately, YNAP is an active member of the [IDEO CoLab](#). IDEO CoLab is an initiative that connects designers, companies, academics, and start-ups in order to design responses and actions to the sustainability challenges, encouraging systemic change across industries.

In these different ways, over a short period Richemont’s circular economy profile has shifted from awareness to business-as-usual.

## *RESOURCE USE AND RECYCLING*

### **Context**

Our principal consideration in product design and development is to create high quality articles that will be treasured for generations. This significantly reduces our product disposal impacts. Watches, jewellery and writing instruments account for 74 % of Group sales. Such items, together with the original presentation box, are typically passed from one generation to the next. Alternatively, they may be sold at auction to collectors. The great majority of the Group’s products and presentation boxes therefore have no ‘end of life’ in the normal sense of product life cycles.

Other products, accounting for 26 % of Group sales, are primarily clothing and leather goods. In prior years, those categories accounted for some 15% only: the increase in the year reflects the acquisition of YOOX NET-A-PORTER, the on-line retailer.

We seek to minimise our environmental impact through the responsible sourcing of raw materials, limiting our contribution to climate change, and through the responsible disposal of all waste materials. Whereas the Group does not collect data regarding the percentage of packaging materials that are recycled, we encourage our Maisons to take individual responsibility for their own resource use and waste management. As part of our Transformational CSR Strategy, the Group will collect data regarding the weight or volume of materials used in overall production or other significant and concentrated operating processes. Similarly, we will identify, measure and set appropriate targets for material waste-generation activities at selected sites, particularly at our European manufacturing facilities and our worldwide logistics hubs.

### **Our approach**

Our commitments to monitoring the consumption of resources and to reducing waste are set out in the current Environmental Code of Conduct. Hazardous materials are treated in accordance with local and international regulations. We encourage management and employees responsible for packing and transporting goods to adopt an energy-efficient strategy through the planning and organisation of shipments.

### *PRODUCT STEWARDSHIP*

Richemont's Maisons consider the environmental impacts at the design stage for new products, reflecting the sensibilities of the Maisons' designers and their customers.

In order to ensure the compliance and sustainability of their products, Richemont's Maisons are further developing their traceability tools while fostering the environmental and social responsibility of their suppliers. The Maisons are particularly committed to ensure the compliance of their products towards all international chemical regulations, such as EU REACH and California Proposition 65. As experience in this area grows, our Maisons are progressively taking a proactive approach to identify and phasing out certain chemicals in order to ensure the security of its employees, customers and the environment.

Three recent examples of continuous improvement in stewardship include (i) the removal of plastic laminates from retail shopping bags across the Group; (ii) small travel pouches instead of large boxes for IWC's travelling customers; and (iii) the launch of BAUME watches. More about BAUME's approach to responsible thinking, including reusable parts and natural materials, may be found here.

# ENSURE A HIGH LEVEL OF ENVIRONMENTAL STEWARDSHIP ACROSS ALL ACTIVITIES

## *ENVIRONMENTAL MANAGEMENT SYSTEMS*

Environmental Management Systems ('EMS') refer to the management of environmental programs in a comprehensive, systematic, planned and documented manner. We have committed to implement such systems at all of our manufacturing and other key sites over the next three years. ISO 14001 is the most widely used EMS standard and we will align our own efforts with that standard. Actual certification against the standard will be a choice at the discretion of each site manager. Work has already started at a number of sites and we will report on our progress each year.

RJC Code of Practice re-certifications require a planned approach to environmental risk management. In order to meet or exceed the expectations of their independent auditors, a number of our Maisons are accelerating their EMS implementation plans.

Similarly while no manufacturing sites are currently registered to ISO 50001, energy efficiency is a guiding principle in the construction of new buildings and the refurbishment of existing buildings and interiors.

## *ENGAGING STAKEHOLDERS*

Our Maisons engage their employees directly on environment themes in a variety of ways. These range from communications on environmental good practices at work, to financially incentivising employees to use public instead of private transport. Such incentives are common within the Group. Where private transport is used, the Group has implemented a variety of car-sharing schemes, both with its own employees and with adjacent companies. In addition, the gradual introduction of flexi-work practices, where employees may work away from their regular workplace, can reduce commuting-related emissions by up to 20%.

The Group's CSR Committee has noted the ever-growing number of environmental initiatives reported by local CSR representatives in markets such as Japan, the USA, China and Switzerland. The initiatives range from reducing the consumption of electricity in offices and boutiques to improving the thermal insulation of buildings. Initiatives and best practices are communicated through the Richemont intranet, through feedback from our annual CSR Survey, and through case studies in the annual CSR Report. An example is Cartier's One Peking Road boutique in Hong Kong, which received GOLD LEED certification. LEED stands for Leadership in Energy and Environmental Design.

Through its [Supplier Code](#), the Group's operations encourage environmentally friendly practices among its direct suppliers and their suppliers. Separately, through the [RJC](#), the Maisons participate in industry-wide efforts to reduce the long-term environmental impact of both large-scale and artisanal mining.

Our Maisons also engage with Non-Governmental Organisations and civil society on environmental matters. Please refer to the Engagement chapter's case study regarding WWF Switzerland.

*PACKAGING, PLASTIC AND WASTE*

**Packaging, printing and paper products**

As one of its environmental commitments, Richemont continuously reviews its approach to packaging. Having already committed to 'Reduce, Reuse and Recycle', we focus on two packaging categories: (i) freight for wholesale distribution, and (ii) retail shopping bags and presentation boxes for jewellery, watches and other products. Experience shows that customers tend to keep the presentation boxes, passing them from one generation to the next alongside the watch or jewellery piece.

Richemont and its Maisons have defined appropriate measures and targets in this area, following a study of Shopping Bags regulations around the world. Concerning paper and packaging materials, Maisons and Group operations have chosen, whenever possible, to use 100% responsibly-sourced wood-based materials. Recognised certification schemes include the Forestry Stewardship Council standards linked to recycled content.

The quantity and weight of commercial printed materials, including catalogues, brochures and 'house magazines' is also under constant review. The global shift towards digital media means less printing and less printed materials, especially paper. We note that many customers are familiar with our Maisons and their products before entering the boutique and do not wish to carry away printed materials when they leave. This is also the case for travelling customers, who do not wish to transport additional weight in their luggage as they travel home. Indeed, some travelling customers decline even the gift box due to its size and opt instead for a small travel pouch to protect their new watch.

Within our offices, we are methodically reducing the frequency and volume of printing. This reflects a general tendency to 'go paperless' and the reconfiguration of many office spaces, placing those machines which print, scan or copy in a central area away from quieter desk and workbench areas. At our Geneva headquarters, the combined impact of these changes last year led to the removal of 80% of individual office printers.

**Plastic used in packaging and logistics**

During the year, we began a process to measure and evaluate the types and weight of plastics used throughout our operations and whether better solutions exist, or whether volumes and weight can be reduced. The study encompasses not only product packaging and logistics, but also single-use plastic used in our catering facilities and during customer events. The scope extends from incoming plastics to end of life. We wish to phase out single-use plastics over time and are evaluating alternatives, including reusable and recyclable materials.

This process connects to our exploration of circular economy matters and to our logistics carbon footprint.

# OTHER ENVIRONMENTAL IMPACTS

## BIODIVERSITY

### Context

Richemont's direct operations are not considered to have a high impact upon biodiversity. However, the Group's Maisons make use of renewable and non-renewable raw materials, such as gold, gemstones, leather and woods which have biodiversity impacts. We seek to source these materials in a manner that is consistent with the protection of the environment and the sustainable utilisation of natural resources. Examples include the high level of recycled gold in our Maisons' products and the certified wood-based material in the packaging around them.

### Our approach

Our [Environmental Code of Conduct](#) and [Supplier Code of Conduct](#) set out our policies for sourcing responsible gold and conflict-free diamonds and gemstones, manufacturing leather products, and protecting endangered species. We fully comply with specific international and local regulations such as the Convention on International Trade in Endangered Species (CITES) related to the procurement, import, usage and export of raw materials issued from endangered or protected species. More information about how we deal with suppliers' impacts may be found in the section on supply chain.

We seek to reduce environmental impacts in our supply chain and sourcing recycled, RJC-certified gold is our preferred option. Recycled gold is primarily derived from old jewellery, industrial plating processes and manufacturing scraps. Whilst gold recovered from post-consumer electronic goods is a potential source, the transparency and traceability of that supply chain is currently unsatisfactory. Nevertheless, we are monitoring developments in that area and hope that obsolete electronics, such as mobile phones, can become a reputable

source of recycled gold for our Maisons in the foreseeable future. Our Life Cycle Analysis of newly mined gold from large-scale and small-scale operations as well as recycled gold is outlined elsewhere in this report. Linked to that study, which focused on carbon emissions by source, we also explored the impacts on communities and biodiversity. The lowest impact on biodiversity was attributed to recycled gold as neither land disturbance nor heavy trucks and plant are associated with re-processing.

### Land use adjacent to protected areas

A number of our Maisons have factories that are located near rivers and lakes. We are committed to preserving the natural environment around all of our operations.

The Group does not collect data regarding land use adjacent to protected areas. The majority of the Group's manufacturing facilities are located in Switzerland, France and Germany. Those countries set high environmental standards and enforces them through national and local environmental legislation. The Group's Maisons comply with all such legislation.

### Water and waste data

Whereas water data is not currently consolidated, our Transformational CSR Strategy includes a commitment to identify and measure material water-using activities. In the first year, we will focus on our largest facilities, recognising that the great majority of sites are small boutiques with washrooms for employees and customers. The largest facilities are concentrated in Western Europe, with distribution centres and after-sales service centres in other regions of the world.

The same approach that applies to water also applies to waste. Our Transformational CSR

Strategy focuses on wastes from our manufacturing sites and distribution centres. We are also developing projects to minimise food waste from our employee restaurants and single-use plastics in general.

Data will be made available in the coming three years as our tools and targets are developed. In the meantime, individual projects across the Group are being managed to reduce water usage whenever possible.

## MINIMISE OUR GREENHOUSE GAS, WATER AND WASTE

### CLIMATE CHANGE

#### Context

Richemont's carbon footprint is relatively small compared to that of energy-intensive industries. Whilst we do not see climate change as a significant area of direct risk for the Group, we recognise that managing the issues arising from climate change helps us to reduce our energy and travel costs. More importantly, managing the issues contributes to one of the greatest challenges facing the planet and is reflected in our new strategic priorities.

Our policy is to focus on reducing our own carbon emissions and those of our logistics service providers. As the business continues to grow in absolute terms, we purchase carbon offsets to neutralise our measured footprint for buildings and business travel. That has been our practice since 2008 and in 2019 we are offsetting our logistics-related footprint for the first time. That development reflects both the quality of data now available, the scope enlargement in recent years, and the acquisition of YOOX NET-A-

PORTER GROUP (YNAP) during the year. As a leading e-commerce business delivering goods to individual customers around the world, YNAP's logistic footprint is of a similar size to the rest of the Group and its Maisons combined.

We raise awareness of the cost of these offsets by re-invoicing the cost of carbon credits to each Maison. This approach allows a real financial cost to be placed on carbon, which helps drive performance improvements, as does the motivation of employees in general.

We continue to carry out robust energy audits across our businesses and seek to respect the most demanding environmental standards when building new manufacturing facilities or refurbishing our Maisons' retail network of some 1'100 internal boutiques. In this way, we play our part in minimising our energy consumption, provide agreeable working spaces for our employees, and thus contribute to the long-term sustainability of our business.

#### Carbon footprint 2018

Our overall carbon footprint for the year amounted to 280 653 tCO<sub>2</sub>e. The latest year covered the twelve months from January to December 2018. The overall footprint increased by 57%. Excluding corporate actions, most notably the acquisition of YNAP, the decrease would be 1%. To set a baseline for Richemont's science-based target-setting project, YNAP's carbon footprint was included on a full-year basis. Further details regarding the scope of reporting across our business operations, our Scope 1, 2 and 3 data, as well as long-term trends from 2015-16 to 2018 may be found at the end of this chapter under the title '[Carbon footprint reporting](#)'.

## Buildings

Our carbon footprint from buildings increased by 6% during the year. This is mainly due to the acquisition of YNAP, which has increased our total number of buildings worldwide. The percentage of renewable electricity used increased to 60% for the year (prior year 57%). This progressive increase, from a base of just 23% in 2012, reflects two initiatives: local actions to 'switch over' to renewable energy options provided by local utilities; and (ii) a global project to fill the gaps where local utilities cannot provide that option. The global project entails the purchase of Renewable Energy Certificates via the RECS system. Consequently, the carbon footprint linked to electricity consumption is falling year on year.

Based upon our success in this area, Richemont is committing to the Renewable Energy 100 ('RE100') initiative in 2019, signally its intention to reach 100% renewable electricity no later than 2030. In the meantime, we will continue to offset our remaining building-related carbon footprint.

We recognise that buying renewable energy and offsetting are partial solutions. The better, solution, for not contributing to climate change, is to reduce our buildings' energy consumption in absolute terms year-on-year. This understanding has led to our Real Estate Department's decision to research and issue a series of booklets on lower energy solutions for better work spaces. These booklets include 'The Green Handbook' for construction projects, 'The Lighting Guide' for LED illumination in work spaces and display cases, and 'The Energy Monitoring & CO2 Reduction Guide'. The last of these was issued in April 2019 and contains multiple tips on lowering energy use, from simple gestures to large investments, and from technical optimisation of manufacturing equipment to energy performance contracts. These Real Estate booklets demonstrate our commitment to lowering our energy consumption in absolute terms, and our annual measurement process will signal where action has been taken and where further action is required. To ensure that environmental considerations are factored into every capital project, Richemont's Commitment Approval protocol will be updated during the coming year.

As noted above, Richemont's Green Handbook was developed by Richemont's Real Estate Department and assists all project managers, architects and construction partners to this end. The Handbook considers on-going energy requirements, as well as the production and transport of construction materials and any building waste produced. Recent examples of how the Green Handbook has been used include: the Campus Genevois de Haute Horlogerie in Meyrin; the A. Lange & Söhne extension in Glashütte; and the IWC Schaffhausen production and technology centre in Merishausen. Those buildings incorporate, amongst other things, rooftop solar photovoltaic installations, electric vehicle and bicycle charging stations, and energy-efficient design principles throughout the building, including for heating and lighting installations. A longer list of buildings may be found [at the end of this chapter](#).

Low-emission public transportation for students and employees was factored into the project for the Campus Genevois de Haute Horlogerie, a teaching and manufacturing facility in Geneva dedicated to the arts and crafts of fine watchmaking. The same thought goes into the selection of sites for other new facilities.

Together, these actions will lower our buildings' annual energy needs and eliminate electricity-related carbon emissions completely.

## Business travel

Our business travel emissions increased by 8% and the total distance travelled by air increased by 2%. The increase reflects the acquisition of YNAP during the year. Excluding that transaction, our business travel 'carbon footprint' decreased by 5%.

The amount of business travel is sensitive to three drivers: (i) The general increase in our international business, particularly in far-away places like the Middle East, Africa, Asia and the



Americas. (ii) The timing of large integration projects linked either to logistics, IT systems and training, or to our Alibaba Joint Venture project in China. (iii) The gradual uptake of videoconferencing and other no-travel options by Richemont employees, their business partners and other stakeholders.

No-travel options are growing in importance and popularity. Nevertheless, they still represent a small part of our conference experience. We are therefore evaluating two parallel efforts: a Sustainable Travel Policy, making business travel the last option for better business; and further investment in videoconference facilities in our offices and other meeting places. In due course, these efforts should reduce our carbon emissions in line with the 2015 Paris Agreement objectives.

## Logistics

Our carbon footprint from logistics increased significantly during the year. The increase stems from the mid-year acquisition of YNAP, a leading e-commerce luxury goods business. Its doorstep delivery of fashion and accessories, including watches and jewellery, in more than 150 countries represents a step-change for the Group. Previously, our logistics emissions were primarily from Switzerland, France, Italy and Germany to our boutiques and wholesale partners around the world. The additional delivery services offered by YNAP increase our carbon footprint not only for the ‘final mile’ to the end customer’s home or workplace, but also the number of countries directly served.

To manage the growth in carbon emissions stemming from logistics, whether internally managed freight or with business partners, Richemont’s logistic function constantly evaluates the balance between speed of delivery, total cost and environmental impact. In general, small precious goods such as watches and jewellery are shipped by air. Heavier items, including packaging and brochures, are only shipped by air in emergency cases.

The absolute size and weight of all packaging is periodically reviewed. For example, IWC Schaffhausen seeks to significantly reduce the size and weight of watch packaging relative to watch weight. To that end, it has developed an array of watch packaging options for its customers, from a compact, lightweight pouch for travellers to a grand presentation box for collectors.

Together, these efforts seek to reduce the impact of our logistics on the environment in general and, for protective packaging, on waste in particular.

## CARBON OFFSETTING

We aim to reduce our emissions from buildings, travel and logistics as much as possible and neutralise the rest by participating in certified offsetting projects. Our 2018 CO<sub>2</sub> emissions will be offset by one major project and a variety of minor projects:

- The major project (over 50 Ktons CO<sub>2</sub>e) relates to forest preservation in support of transfrontier conservation areas (‘TFCAs’) facilitated by Peace Parks Foundation. Specifically, the ‘Lower Zambezi REDD+ Project’ and ‘Luangwa Community Forests Projects’. This tranche of carbon credits, purchased by Richemont in 2019, represents the second in a seven-year

agreement with BioCarbon Partners, a leading African developer. By buying directly from the developer, the communities protecting these forests and Peace Parks Foundation will derive greater long-term security and financial benefits, thus enabling sustainable conservation efforts at scale. For more information about Peace Parks Foundation, which Richemont has supported for two decades, please follow [this link](#).

- Minor projects include forest conservation in Peru and small hydro-electricity generation in China.

To raise awareness, the centrally-purchased carbon offsets are re-invoiced to Richemont’s

individual Maisons based on their own emissions. The CSR Committee selects the offset projects and deepens our engagement on

climate change matters through internal and external communication.

SCIENCE-BASED TARGETS INITIATIVE

Richemont may submit an ‘application’ to ‘join’ the Science-Based Targets initiative (‘SBTi’) in the coming months. If accepted, then the Group will be committed to significantly reducing its carbon footprint in absolute terms. Subject to those steps, our baseline calendar year will be 2018 and the first target year will be 2025.

CDP

Richemont has reported to CDP (formerly Carbon Disclosure Project) for many years. Our most recent CDP rating for Climate/Carbon was ‘B’, implying that strong climate management measures are in place. This represents a notable improvement from our ‘C’ rating in the previous years and reflects our progressive actions and the depth of our reporting.

CASE STUDY  
PANERAI ECOLOGICO



Panerai is striving to act as a pioneer in the world of eco-innovations.

Opened in 2013 in Neuchâtel, Switzerland, the Manufacture Panerai introduced the highest standard in terms of environment-care and

continues to implement eco-solutions. The building features the most recent technologies, allowing Panerai to operate with minimum impact. These technologies include: geothermic sensors and heat-pump to warm or cool the manufacture; rain water gathering for the restrooms and garden; solar cells to warm the water of the restaurant and showers; renewable hydraulic energy to operate the manufacturing machinery; a plastic reduction program within production; minimised paper consumption; and state-of-the-art CNC machines saving 40% energy.

In terms of product development, Panerai presented for the first time at SIHH19 two new Submersible models as innovative solutions to safeguarding our planet. The new Submersible Mike Horn Editions are professional diving time instruments with a case made of EcoTitanium™, a material first introduced into the world of high quality watchmaking by Panerai, obtained not from the exploitation of natural resources but from recycled titanium. The watchstrap is made from recycled PET and the watch packaging, inspired by underwater instruments, is made of ABS recycled plastic.

Panerai Ecologico is a philosophy and a commitment touching each of its employees in other ways. Panerai implemented an eco-mobility policy to promote green transportation modes, supporting car-sharing, biking and public transportation. To optimise time and reduce pollution, Panerai introduced state-of-the art video-conference systems in 2018. Those systems gather in a ‘virtual room’ the teams based in Milan, Geneva and Neuchâtel.

# LOOKING AHEAD

Our Transformational CSR Strategy focuses on (i) Embedding circularity in our products and business models; (ii) Ensuring a high level of environmental stewardship across all activities; and (iii) Minimising our greenhouse gas, water and waste footprint. Stemming from those three areas, Richemont has confirmed a number of commitments for all operations over the short, medium and long term. The following summarises those short and medium term commitments only.

Short-term commitments in the coming year:

- Measure and report direct environmental impacts including energy, greenhouse gases, and if material, water and waste.
- Optimise energy efficiency.
- Install systems for waste recycling.

Medium-term commitments in the coming three years:

- Develop targets and measure progress for all material impacts relating to energy, greenhouse gases, waste recycling, water, renewable energy, packaging, and supply chain impacts.
- Follow responsible construction and renovation principles.
- Ensure ISO14001-aligned Environmental Management Systems are in place at key sites.
- Measure and set greenhouse gas reduction targets for logistics.

For each commitment, qualitative and quantitative targets are being set and responsibilities have been confirmed. The Group CSR Committee will monitor performance against those targets and report on progress to the Board not less than once per year. As we achieve these targets, our long-term, transformational commitments will be progressively disclosed.

Matthew Kilgarriff

Group Director, Corporate Social Responsibility

# DATA RELATING TO OUR ENVIRONMENTAL COMMITMENTS

Overall, the Group's activities have a very low direct exposure to the impact of climate change. The production of high quality goods is concentrated in Switzerland and their distribution is spread around the world. Nevertheless, the Group CSR Committee considers this matter annually and has not identified weaknesses in our business model which would be worsened by gradual temperature changes, cases of extreme weather conditions or growing water scarcity. Similarly, the supply of precious materials, which is largely controlled by international diamond mining enterprises, precious metal recyclers and refiners, and gemstone cutters and polishers, is not expected to be disrupted by gradual changes in the natural environment.

Richemont has welcomed the 2017 report from the Task Force on Climate-related Financial Disclosures ('TCFD'). The TCFD is driving transparent and consistent reporting on business risks and opportunities from climate change. Accordingly, Richemont is aligning climate-related strategic governance, management and reporting practices with the TCFD recommendations. We are identifying gaps in our current disclosures and highlighting specific actions to address those gaps. However, Richemont has not quantified the financial risks associated with climate change. Our next CSR Report will contain further information.

The following sections provides further details about our carbon footprint and energy consumption.

## CARBON FOOTPRINT REPORTING

Our 2018 environmental data are [been verified by SGS](#).

We calculate our carbon footprint based on the internationally recognised Greenhouse Gas (GHG) Protocol of the World Business Council for Sustainable Development (WBCSD).

The data covers our subsidiary companies where the Group has financial control, defined as a shareholding of at least 50%. Data has been collected as an integral part of our approach to business reporting. Data is not always available for some smaller retail outlets, in particular where we operate from shared sites. Richemont uses energy estimations (per m<sup>2</sup>) to estimate the impact of these locations. The scope of our measurement is estimated at covering operations representing more than 90% of full time equivalent employees (FTE) and includes retail outlets, offices, research and manufacturing sites, and distribution centres.

In the year under review, excluding logistics our global CO<sub>2</sub>e emissions increased by 7% to 127 Ktons. The 7% increase comprises:

- Buildings emissions increased by 6%. Renewable electricity now accounts for 60% of our overall electricity consumption (57% in FY18) and we seek to further increase that proportion each year. Standard electricity consumption increased by 8%.
- Business travel emissions increased by 8% and the total distance travelled by air increased by 2%.

In the same period, our logistics emissions (scope 3) increased by 157%. This increase is almost entirely due to the distribution activities of YNAP. The growth in the scope of reported data is described in more detail below.

We have internalised a growing proportion of the Group’s supply chain in fine jewellery and watchmaking. Such manufacturing processes consume more energy per person than assembly processes. The expansion of our boutique networks in both floor area and count, and the energy consumed in lighting, heating and cooling such premises, has contributed to overall emissions in recent years. However, as a consequence of our efforts to promote good environmental practices, the average CO<sub>2</sub>e emissions per employee (average FTE) on a comparative basis has decreased by 12% during the year under review: from 4.28 CO<sub>2</sub>et/FTE to 3.76 CO<sub>2</sub>et/FTE, while our average FTE has increased by 21%.

With respect to renewable energy, in-house solar energy production has increased by 59%. Nevertheless, at some 1.3 GWh, this represents less than 1% of the electricity consumed by the Group as a whole.

In the past we have not offset our Scope 3 Logistics. We will start to compensate logistics emissions as of this year.

Since 2011: an independent assurance report has been provided on the Group’s consolidated CO<sub>2</sub> emissions. The 2019 report, from SGS, was issued on 12 July 2019 and included Scope 3 Logistics.

CO <sub>2</sub> e emissions, audited (kt CO <sub>2</sub> e)	2015-16	CY 2016	CY 2017	CY 2018
<b>Total</b>	171.5	179.4	179.0	280.7
<b>Scope 1</b>	13.6	15.4	13.4	19.5
<b>Scope 2</b>	57.3	62.8	55.3	58.5
<b>Scope 3 w/o Logistics</b>	56.9	55.6	50.6	49.1
<b>Scope 3 Logistics only</b>	43.7	45.6	59.7	153.6

In order to provide a comparable basis for Richemont’s science-based target-setting project, a 12-month footprint for YNAP is included in this table and assurance report.

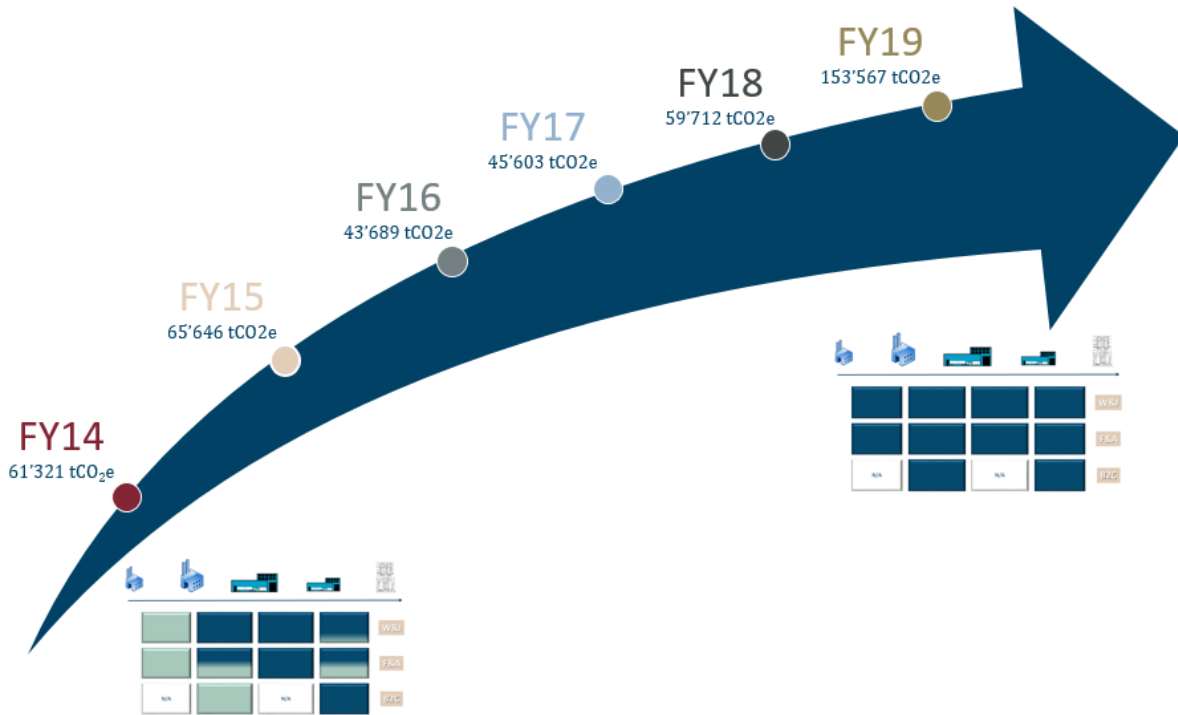
*KEY DEFINITIONS*

**Scope 1:** Direct GHG emissions from sources that are owned or controlled by the company. It includes energy use from buildings and emissions associated with the vehicles we operate.

**Scope 2:** Indirect emissions associated with purchased electricity, heat and steam.

**Scope 3:** All other indirect emissions that are a consequence of the activities of the reporting company but occur from sources owned or controlled by another company. We have measured emissions resulting from the usage of private cars for professional purposes and the mileage from the use of commercial airlines for business travel.

**Scope 3 Logistics:** Since 2014, our Scope 3 emissions data for freight logistics has been progressively measured. What began as a limited scoping exercise, encompassing only our Jewellery Maisons and Specialist Watchmakers, from their European manufactures to their international network of boutiques and wholesaler partners, has continued to grow.



*OTHER EMISSIONS AND DISCHARGES*

The Group does not collect data regarding ozone depleting substances, NO, SO or other significant air emissions as these are not material to the Group’s businesses. The Group’s own manufacturing facilities are located in Switzerland and elsewhere in Western Europe, where environmental controls are rigorously enforced.

No significant spills have been brought to the Group’s attention in the context of either the environmental or health and safety reporting processes. Similarly, the Group has not been subject to any material fines or non-monetary sanctions for non-compliance with environmental laws and regulations.

Following the findings from a 2014 Screening Life Cycle Analysis of certain watch and jewellery products, Richeмонт has a better understanding of its overall carbon footprint, i.e. the emissions generated by the so-called upstream and downstream activities of our business partners, including the extraction or recycling of raw materials. That initial analysis has focused our Maisons’ attention on the emissions generated by mining activities in general, and that lower-impact alternatives to newly-mined gold and platinum group metals exist. In particular, recycled precious metals. More information may be found [here](#).

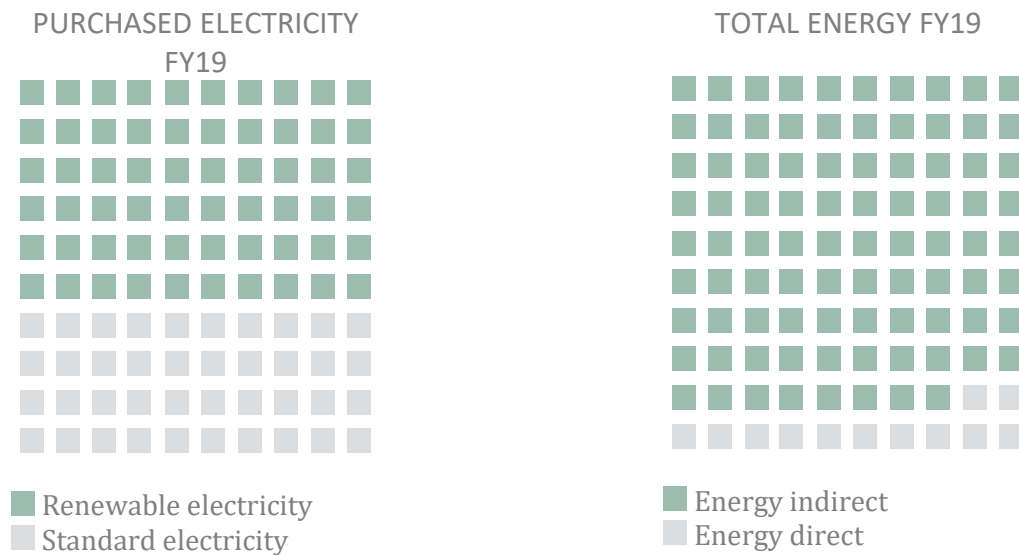
*ENERGY USE*

Our key energy usage relates to fuels, natural gas, electricity and heat that the Group consumes for the buildings and vehicles it operates. Electricity continues to be the most significant energy source. Our energy use in the year increased by 15%.

In the context of the Group’s wider energy policy, the Maisons and distribution platforms are encouraged to switch to renewable electricity whenever possible, i.e. electricity generated from renewable sources such as hydro, solar or wind. In the year under review, 60% of the Group’s purchased electricity was renewable (2018: 57%; 2012: 23%). In absolute terms, the Group’s renewable electricity and alternative energy consumption increased to 140 GWh. We continue to prioritise renewable energy procurement in all of our operations.

Energy (buildings only) GWh	2015-16	CY 2016	CY 2017	CY2018
<b>Total energy consumption</b>	227	245	236	270
<b>Direct energy consumption</b>	28	32	32	33
<b>Indirect energy consumption</b>	196	212	203	236
<b>Alternative energy</b>	3	1	1	1

'Direct energy' and 'Indirect energy' emissions refer to the GHG Protocol: Direct is defined as 'emissions from sources that are owned or controlled by the organisation'; and Indirect Energy is defined as 'emissions from the consumption of purchased electricity, steam, or other sources of energy generated upstream from the organisation'.



The Group has published an internal guide on LED lighting for its worldwide operations, in particular its boutiques. The aim of the guide is to enhance product display and employees' working conditions. In the longer term, Richemont intends to use only LED lighting. Richemont does not seek to consolidate the proportion of LED lighting as this will follow the pace of local refurbishments, which typically occur on a seven-year cycle. Nevertheless, replies in the 2019 CSR Survey indicate that progress in most cases is either 'good' or 'complete'. Based upon this unofficial consolidation of responses, we estimate that two thirds of facilities now use LED or fluorescent lighting. The main exceptions were Group operations in rented office space where 'the owner decides'.

Our Maisons have taken measures to limit their energy consumption. The reported consumption levels above reflect both the level of trading, business acquisitions and the construction of new manufacturing facilities in Switzerland, partly offset by energy-saving initiatives.

*BUILDINGS DESIGNED TO THE HIGHEST ENVIRONMENTAL STANDARDS*

The following new buildings in Switzerland and Germany do not use fossil fuel energy for heating or cooling purposes.

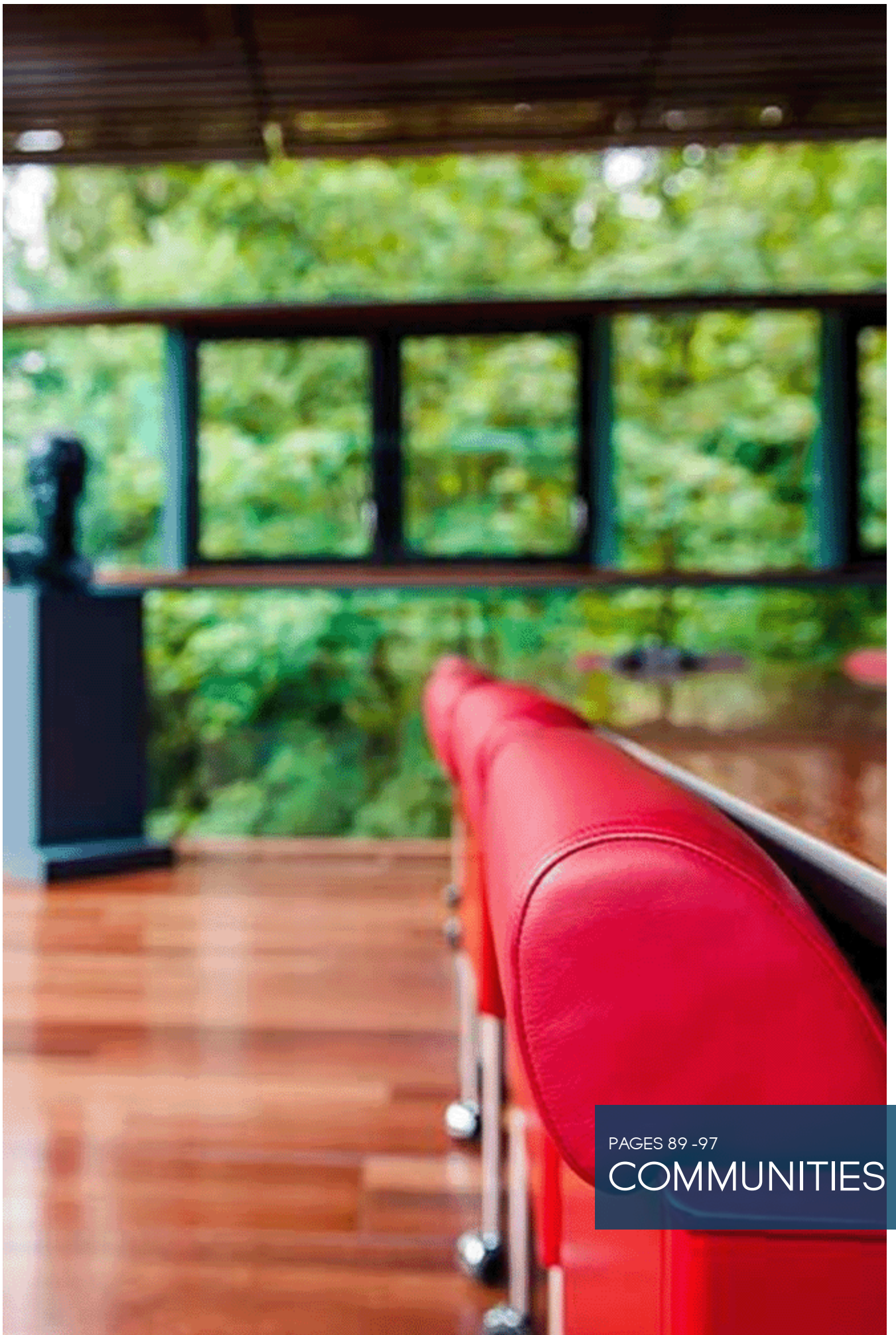
- Cartier Stamping, Glovelier, Switzerland
- Cartier components Manufacture, Couvet, Switzerland
- IWC Manufacture, Schaffhausen, Switzerland
- IWC Manufacture, Merishausen, Switzerland
- Panerai Manufacture, Neuchâtel, Switzerland
- Vacheron Constantin Manufacture, Le Brassus, Switzerland
- Valfleurier components Manufacture MHVF, Buttes, Switzerland
- A Lange & Soehne Manufacture, Glasshütte, Germany

The following new buildings in Switzerland do use natural gas for heating, but have other sustainability features.

- Campus Genevois de Haute Horlogerie, Meyrin (see further details below)
- Cartier Jewellery Manufacture, Le Locle

Since its inception, Campus Genevois de Haute Horlogerie has acted as a role model for the environment and sustainable development. In addition to meeting stringent certification standards, the Campus site runs on 100% renewable electricity. An adiabatic-free cooling system that uses 40 geothermal sensors meets some 80% of annual cooling requirements. Other eco-friendly credentials include 2'600 m<sup>2</sup> of photovoltaic solar panels and the use of more than 50% recycled concrete during construction. More than 30% of the site is laid with natural surfaces that cater to local flora and fauna.





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COMMUNITIES

During the year, Richemont evolved its 2020 CSR Plan with a new Transformational CSR Strategy. The new Strategy was launched in June 2019. It reflects our aspiration for 'Better Luxury': improving the way luxury is created in a more sustainable and responsible way and helping to create a positive impact for the many different stakeholders involved in our value chain.

Cultivating communities in positive ways is key to Richemont's CSR agenda. We firmly believe in promoting cross-cultural dialogue and deepening our understanding towards a smarter, safer and happier planet.

Communities are a core pillar of our wider CSR focus. Our overarching goal is to positively impact the communities we touch through our Maisons and people. Communities are those in our supply chains and those we support through our CSR initiatives.

Our mission is to ensure that Richemont's global activities benefit those communities within the Group's orbit. Guiding our Maisons, the Group continuously strives to contribute to health, well-being and sustainable economic development. To do this, we will focus our efforts on the following key areas:

- Providing support to our communities in ways that align with our Maisons' values and support Richemont's key investment themes
- Collaborating with partners and measuring the impact of our programmes
- Encouraging our people to volunteer in local communities

We have set three levels of commitments and targets to help us achieve our ambition. These range from short-term commitments, which focus on maintaining a strong foundation, through to longer-term commitments, which are more aspirational and seek to deliver transformational change. We have included an overview of some of these commitments in the Looking Ahead section at the end of this chapter. We will be publishing more details in our 2020 report, once the commitment-specific targets have been finalised later this year.

## KEY AREAS OF PROGRESS

Our Maisons have continued to support a range of programmes that contribute positively across Communities.

- Richemont has established a CSR Forum to share best practices on Communities across the Group, to consider how our programmes contribute to the wider Sustainable Development agenda using the United Nations' Sustainable Development Goals.
- Overall community investment spend across the Group remained stable relative to variable financial results. The absolute value of donations increased significantly.

## OUR APPROACH

Our global stakeholders increasingly expect companies to support social and environmental causes in sustainable and impactful ways throughout the supply chain. Locally, we depend on the communities hosting our operations. Some communities depend on us as an important source of employment and tax revenue.

The Group’s approach to community activities is set out in our Community Investment Toolkit. It provides a framework within which Maisons can select appropriate activities and partners to support. The four broad areas through which we contribute are:

- Philanthropy activities;
- Fostering new talent by way of training programmes, including apprenticeships;
- Responsible citizenship – having a positive economic impact, e.g. through employment
- Charitable involvement

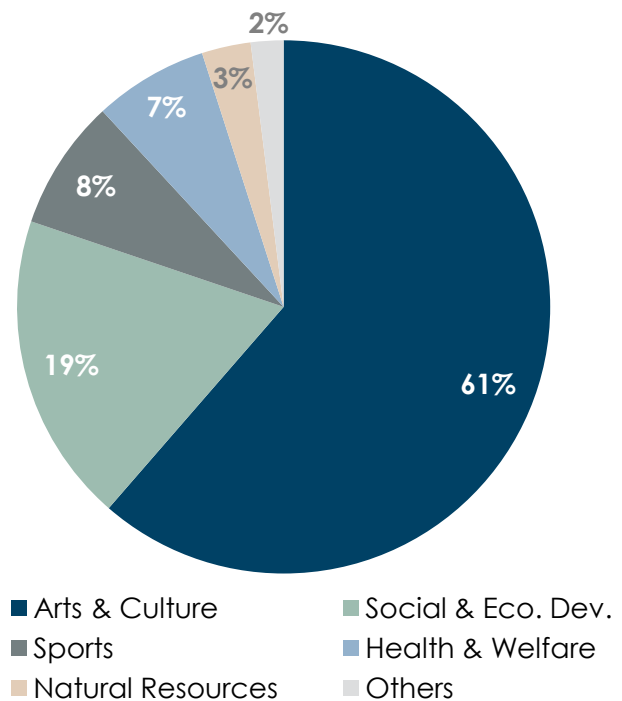
This year, we also worked towards formalising the Richemont *Community Investment Policy*. We recognise that our Maisons, business functions and regions have a long tradition of actively supporting communities in which they operate. Our new policy sets out a common framework for guiding our community investment – helping to optimise the benefit it creates for society and making it a valuable strategic tool for our businesses.

## COMMUNITY SPEND

This year our total community spend was €43 million against €30 million for the prior year. This equates to 1.4% of our profit before tax, or 2.4% excluding a revaluation gain linked to Richemont’s acquisition of YNAP. Over 90% of community spend takes the form of cash donations. The remainder is in the form of donated products and participation at charitable events. Richemont is currently reviewing its measurement systems in order to create appropriate tools. We are reviewing our reporting processes to enable our Maisons to have a better view of their worldwide community spend.

With arts, museums and cultural institutions being among the most important beneficiaries, the largest single beneficiary for FY19 was Homo Faber. Other beneficiaries include charities concerned with healthcare, social and economic development, education, women’s welfare and children’s sports. Richemont does not seek to influence public policy through its charitable donations.

Community Investment by Category



## HOMO FABER

A homage to the protection and promotion of upscale craftsmanship and creativity, Homo Faber, organised by the Michelangelo Foundation in 2018, was the first event of its kind. The start of a new cultural movement aiming to celebrate and support master artisans handcrafting objects of true excellence, it is oriented towards younger generations and has a desire to create a more human future in an age of technological revolution.

Its inaugural edition was held from the 14<sup>th</sup> to 30<sup>th</sup> September 2018 at the Fondazione Giorgio Cini in Venice. It attracted over 62,000 visitors from all over the world. With 480 artisans and designers, 900 unique art works and 91 live demonstration, it was an unprecedented showcase of the finest European craftsmanship.

The bi-annual event is the reason the investment figures have increased significantly within Richemont's Communities reporting. In 2018, Richemont donated over €12 million to Homo Faber, accounting for an over-40% increase in community investment compared with the year before. Homo Faber will return for its second edition in 2020.

## CHARITABLE INVOLVEMENT

For our Maisons, building strong relationships with their local communities is integral to the way in which they operate and many organise local donations activities. A multitude of local employee initiatives takes place each year, for example in sports events and education. Employees are also supported in fundraising and volunteering for charitable causes.

Richemont employees contributed to a combined 2,567 hours of their time to volunteering initiatives in 2018 supporting causes around the world, in comparison to 2,450 in 2017.

At Group level, Richemont continues to support a number of charitable foundations. On the next page are details on foundations, some of which Richemont or our Maisons have founded or co-founded (\*).

Fondation Cartier pour l'art contemporain\*



promotes discovery, by revealing young artists to the public or by unveiling the secret side of world-renowned artists. It also promotes creation through the commissioning and production of works. By opening up to the most diverse realms of creation and knowledge, it stimulates curiosity and discovery through its exhibitions.

Cogni Foundation for Artistic Craft Professions\*



(*Fondazione Cogni dei Mestieri*) is geared towards generating a 'new Renaissance' of the *Métiers d'Art* (or Artistic Craft Professions). Its activities are aimed at training new generations of artisans and saving outstanding crafts from the risk of oblivion.

Montblanc Cultural Foundation\*



initiates and supports worldwide projects in terms of patronage of art, contemporary arts, young theater and classical music. It's initiatives include the globally recognized Montblanc de la Culture Arts Patronage Award and the Montblanc Art Collection.

Peace Parks Foundation



facilitates the establishment of trans-frontier conservation areas (Peace Parks) and develops human resources, thereby supporting sustainable economic development, the conservation of biodiversity and regional peace and stability.

Laureus\*



harnesses the power of sport to promote social change and celebrates sporting excellence. Laureus comprises three elements:

the Laureus World Sports Academy; the Laureus Sport for Good Foundation; and the Laureus World Sports Awards. Since 2005, IWC Schaffhausen has partnered with Laureus.

Teacher of Ten Thousand Generations Foundation



assists underprivileged children and their families in China by providing educational opportunities, thereby offering them greater choices in their futures. The foundation has an association with a number of schools in Southern China.

The Fondation de la Haute Horlogerie\*



fosters and promotes fine watchmaking's values of creativity, culture and tradition at an international level. It has three goals: (i) to provide information about fine watchmaking; (ii) to train fine watch professionals; and (iii) to affirm its role as a Think Tank for the fine watch industry.

Cartier Philanthropy\*



strives to improve the livelihoods of the most vulnerable communities through partnerships with non-profit organisations active in four priority areas: humanitarian assistance towards the plight of children; promotion of women empowerment; support to responsible management of natural resources; and access to basic services.

The Michelangelo Foundation for Creativity and Craftsmanship\*



is an international, non-profit organisation that celebrates and preserves master craftsmanship and strengthens its connection to the world of design.

# COMMUNITIES INITIATIVES

Richemont, its Maisons and online distributors contribute to meaningful initiatives and causes around the globe. These initiatives are a way to express their social commitment as responsible stakeholders.

Some community investment initiatives carried out in FY19 include:

## *A. LANGE & SÖHNE*

A. Lange & Söhne continues to support the Dresden State Art Collections as one of Germany's leading cultural institutions with a special focus on watchmaking and craftsmanship. In addition, A. Lange & Söhne organised the 10<sup>th</sup> Walter Lange *Watchmaking Excellence Award*, inviting an international group of talented watchmaking students and introducing them into the world of fine watchmaking, including impressions and experiences with a final watchmaking task, which they will work on until January 2020. The winner will be selected by an expert jury and awarded a prize of € 10,000.

## *CARTIER*

Since 2006, Cartier has been supporting women entrepreneurs leading creative, for-profit businesses that are financially sustainable and socially responsible. The Cartier Women's Initiative celebrate bold female entrepreneurs who are making concrete contributions to finding effective and affordable solutions for future generations. 2018 marked a special first for the programme, with 18 finalists selected amongst 2800 applications, which is almost twice as many applications received compared to last year. Applications were received from over 130 countries, among them Austria, Cameroon and Pakistan were included for the first time. The finalists distinguished themselves by the impact they are making in ensuring safe and dignified sanitation everywhere, in improving healthcare and social care systems and in optimising the use of technology towards better education and professional opportunities for worldwide youth. The laureates were announced at the

international Cartier Awards ceremony held in Singapore in April 2018, with an event featuring a specially curated TED session and a series of live conversations between women entrepreneurs and thought leaders. 80% of the start-ups are still in business, an extraordinary feat for the initiative.

## *CARTIER PHILANTHROPY*

Cartier Philanthropy continues to support mothers2mothers, a non-profit organisation dedicated to end paediatric AIDS in sub-Saharan Africa. Working with over 10,000 HIV positive mothers since 2001, mothers2mothers has managed to reduce the transmission of the virus from mother to child from 40% to 2%. Over 10 million women have benefitted from the programme and given birth to healthy babies.

## *CHLOÉ*

Chloé supports ANDAM. ANDAM works in favour of young creators through its awards, which offers financial and logistical support to fashion designers. Chloé is a member of the Leather Working Group (LWG), a multi-stakeholder initiative that seeks to develop and maintain a protocol assessing the environmental compliance and performance of leather manufacturers.

*IWC*

On World Oceans Day 2019, IWC Schaffhausen announced its support for a pioneering environmental project spearheaded by its partner, Cousteau Divers. Cousteau Divers intends to study the effects of climate change by measuring the temperature beneath the ocean's surface, combining data from precision sensors with measurements taken by thousands of recreational divers. The goal is to give scientists a better understanding of how the ocean's temperature affects biodiversity and climate.

*PANERAI*

Panerai continues its support for Albergo, which helps mothers in dangerous situations on a 360° level (hosting mothers and children in communities, schooling and helping mothers in finding a job). Panerai extends this focus to Ciao Lapo, which shines a light on problems during pregnancy and birth related issues, supporting mothers during and post-complicated pregnancies. Panerai has a deep charitable involvement in Chicchi Di Caffè, a charity for children in communities who need urgent medical care and supplies necessary for healthy growth and development.

*PIAGET*

Piaget supports Educate Girls. Educate Girls is undertaking issues at the root cause of gender inequality in India's education system. Educate Girls leverages existing community and government resources to ensure that all girls have access to school.

*VACHERON CONSTANTIN*

Within Vacheron Constantin, the transmission of know-how, inter-personal skills, cross-generation collaboration and talent management are very important, these make it possible to pass on the Maison's unique heritage. Vacheron Constantin has been active in education, providing apprenticeships since 1996. In addition to this, the manufacture offer internships to support young graduates' development.

*VAN CLEEF & ARPELS*

Throughout its history, Van Cleef & Arpels has consistently expressed its attachment to the values of creation, sharing and transmission. This unceasing commitment is expressed in particular through the support given to the creative talents of today and tomorrow. With its close relationship with dance, the Maison naturally decided to support choreographic creations through the philanthropic circle, Fedora. The 'Fedora - Van Cleef & Arpels Prize for Ballet' annually rewards excellence in ballet.

*YOOX NET-A-PORTER*

YNAP and Fondazione Golinelli continue their commitment to promote digital education by participating for the second year in a row to the EU Code Week: an initiative that consists in free activities aimed at schools throughout Europe, to celebrate coding and creativity in technology. Inspiring female tech talent is one of the main goals for YNAP to help bridge the gender gap in tech. To highlight female excellence in Science, Technology, Engineering and Mathematics (STEM), YNAP has organised mini workshops and activities dedicated to promoting digital culture, especially among young girls.

# OUR ECONOMIC CONTRIBUTION

The economic impact of the Group's activities on its communities is wide and varied. The revenues and profits we earn from the production and sale of our high quality products benefit a range of stakeholders.

We are a significant employer, directly employing and developing the skills of tens of thousands of employees globally and helping to support more jobs and activity through our supply chain.

These are delivered through the salaries we pay our employees, payments to our suppliers and business partners, dividends to shareholders as well as the taxes and community contributions we pay from the profits we earn.

Richemont continues to make significant investments in its manufacturing base. Last year, the Group invests some € 500 million in property plant and equipment. Our Community Investment spend amounted to € 43 million in the year under review.

Richemont therefore contributes to economic development in Europe, particularly where we have our manufacturing bases. In the rest of the world, Richemont's employee-base is concentrated in boutiques.

The global network of directly-operated boutiques was 1,099 in March 2019. The skills developed to meet customer expectations in those boutiques are complemented by professional employees in logistics, IT, finance, after-sales services and other support functions.





# LOOKING AHEAD

Looking ahead, our focus is on strengthening communities in which Richemont invests as well as the societies around them. Within Richemont's transformational CSR strategy, our three focus areas are: (i) Providing support to our communities in ways that align with our Maisons' values and support Richemont's key community investment themes, (ii) Collaborating with partners and measuring the impact of our programmes, and (iii) Supporting our people to volunteer in local communities.

Stemming from those three areas, Richemont has confirmed a number of commitments for all operations over the short, medium and long term. The following summarises those short and medium term commitments only.

Short-term commitments in the coming year:

- Define Richemont community investment themes as part of new Group Community Investment Policy development and disseminate the Policy
- Maisons and Regions to review their current community investment portfolio in light of the new Community Investment Policy and define their own priorities and objectives
- Use the new volunteering policy to raise awareness of themes
- Measure community investment with input-output metrics

Medium-term commitments in the coming three years:

- Our Maisons will develop and invest in social and community programs and partnerships aligned to their strategic objectives and Richemont's Community Investment Policy
- Regular monitoring of progress and measuring impact of key programs, including input-output-impact metrics
- Engage proactively with internal and external audiences, including communities around sites and offices, using community-related communications

For each commitment, qualitative and quantitative targets are being set and responsibilities have been confirmed. The Group CSR Committee will monitor performance against those targets and report on progress to the Board not less than once per year. As we achieve these targets, our long-term, transformational commitments will be progressively disclosed.

Investing in communities encourages cooperation, fostering a sense of support and empathy. The Communities pillar revives the human-to-human connection, giving back to those who may benefit most. Building lasting partnerships to further the United Nations Sustainable Development Goals 2030 is a core focus of Communities within Richemont.

Hortense du Rouret

Group Director, Public Relations

## *Glossary*

*A Glossary of terms used in the CSR Report may be found on the [Richemont website](#)*



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GLOBAL REPORTING  
INITIATIVE (GRI) INDEX

# GLOBAL REPORTING INITIATIVE ('GRI') INDEX

Richemont's Corporate Social Responsibility (CSR) 2019 Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. This GRI content index provides references to the relevant GRI Standards disclosures included in our CSR 2019 Report, Annual Report 2019 and on our website. The Group's CSR Report 2019 has not been verified by an independent body.

## *MENU*

### General Standard Disclosures

Organisational Profile  
Strategy  
Ethics and Integrity  
Governance  
Stakeholder Engagement  
Reporting Practice

### Topic Specific Disclosures

Material Topics  
Non-Material Topics

Disclosure Number	Disclosure Title	Reference/Response
<b>General Disclosures</b>		
<b>Organisational Profile</b>		
102-1	Name of the organization	<a href="#">Governance – Facts and figures about Richemont</a>
102-2	Activities, brands, products, and services	<a href="#">Governance – Facts and figures about Richemont</a>
102-3	Location of headquarters	<a href="#">Our Businesses</a> <a href="#">Governance - Where we operate</a>
102-4	Location of operations	<a href="#">Capital Structure</a> <a href="#">Governance - Where we operate</a>
102-5	Ownership and legal form	<a href="#">Group Locations</a> <a href="#">Corporate Governance - Group Structure (Annual Report and Accounts 2019)</a>
102-6	Markets served	<a href="#">Governance - Where we operate</a>
102-7	Scale of the organization	<a href="#">Governance - Where we operate</a>
102-8	Information on employees and other workers	<a href="#">People - Data relating to our People commitments</a>
102-9	Supply chain	<a href="#">Sourcing - Our commitment</a>
102-10	Significant changes to the organization and its supply chain	<a href="#">Governance – Significant changes in 2018-19</a>
102-11	Precautionary Principle or approach	<a href="#">Governance - Governance and risk management</a>
102-12	External initiatives	<a href="#">Environment- Our approach to environmental management</a> <a href="#">Governance - United Nations Global Compact</a>  <a href="#">Sourcing - Responsible sourcing of raw materials</a>
102-13	Membership of associations	<a href="#">Engagement - External Recognition</a> <a href="#">Sourcing - Working in partnership</a>
<b>Strategy</b>		
102-14	Statement from senior decision-maker	<a href="#">Introduction</a>
102-15	Key impacts, risks, and opportunities	<a href="#">Our Approach to CSR</a> <a href="#">Engagement – Introduction</a>
<b>Ethics and Integrity</b>		
102-16	Values, principles, standards, and norms of behaviour	<a href="#">Governance – Policies, Codes and Standards</a>

Disclosure Number	Disclosure Title	Reference/Response
102-17	Mechanisms for advice and concerns about ethics	<a href="#"><u>Governance - Anti-bribery and corruption</u></a>
<b>Governance</b>		
102-18	Governance structure	<a href="#"><u>Governance – Governance and risk management</u></a>  <a href="#"><u>Governance – How CSR is managed</u></a>  <a href="#"><u>Corporate Governance – Board of Directors (Annual Report and Accounts 2019)</u></a>
102-19	Delegating authority	<a href="#"><u>Governance – How CSR is managed</u></a>
102-20	Executive-level responsibility for economic, environmental, and social topics	<a href="#"><u>Governance – How CSR is managed</u></a>
102-21	Consulting stakeholders on economic, environmental, and social topics	<a href="#"><u>Our Approach to CSR – Materiality</u></a>  <a href="#"><u>Governance – How CSR is managed</u></a>  <a href="#"><u>Engagement – Introduction</u></a>
102-22	Composition of the highest governance body and its committees	<a href="#"><u>Corporate Governance – Board of Directors (Annual Report and Accounts 2019)</u></a>  <a href="#"><u>Board of Directors CFR SA</u></a>  <a href="#"><u>Senior Executive Committee</u></a>
102-23	Chair of the highest governance body	<a href="#"><u>Corporate Governance – Group structure and shareholders (Annual Report and Accounts 2019)</u></a>  <a href="#"><u>Corporate Governance – Board of Directors (Annual Report and Accounts 2019)</u></a>  <a href="#"><u>Board of Directors CFR SA</u></a>
102-24	Nominating and selecting the highest governance body	<a href="#"><u>Corporate Governance (Annual Report and Accounts 2019)</u></a>
102-26	Role of highest governance body in setting purpose, values, and strategy	<a href="#"><u>Governance – Governance and risk management</u></a>  <a href="#"><u>Governance – How CSR is managed</u></a>

Disclosure Number	Disclosure Title	Reference/Response
102-29	Identifying and managing economic, environmental, and social impacts	<a href="#">Our Approach to CSR – Materiality</a>  <a href="#">Governance – Governance and risk management</a>  <a href="#">Governance – How CSR is managed</a>
102-30	Effectiveness of risk management processes	<a href="#">Governance – Governance and risk management</a>  <a href="#">Governance – How CSR is managed</a>
102-31	Review of economic, environmental, and social topics	<a href="#">Governance – How CSR is managed</a>
102-32	Highest governance body’s role in sustainability reporting	<a href="#">Our Approach to CSR – Materiality</a>
102-33	Communicating critical concerns	<a href="#">Governance – How CSR is managed</a>
102-36	Process for determining remuneration	<a href="#">Compensation Report (Annual Report and Accounts 2019)</a>
102-37	Stakeholders’ involvement in remuneration	<a href="#">Compensation Report (Annual Report and Accounts 2019)</a>
<b>Stakeholder Engagement</b>		
102-40	List of stakeholder groups engaged	<a href="#">Engagement</a>
102-41	Collective bargaining agreements	We are in the process of collecting this data and will make available in future reports.
102-42	Identifying and selecting stakeholders	<a href="#">Engagement</a>
102-43	Approach to stakeholder engagement	<a href="#">Engagement</a>
102-44	Key topics and concerns raised	<a href="#">Engagement</a>
<b>Reporting Practice</b>		
102-45	Entities included in the consolidated financial statements	<a href="#">Compensation Report (Annual Report and Accounts 2019)</a>
102-46	Defining report content and topic Boundaries	<a href="#">Our Approach to CSR – Materiality</a>  <a href="#">Stakeholder Engagement</a>
102-47	List of material topics	<a href="#">Our Approach to CSR – Materiality</a>
102-48	Restatements of information	No restatements for the reporting year
102-49	Changes in reporting	<a href="#">Our Approach to CSR – Materiality</a>
102-50	Reporting period	Financial year ended 31 March 2019

Disclosure Number	Disclosure Title	Reference/Response
102-51	Date of most recent report	July 2018
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	<a href="#">Introduction</a>
102-54	Claims of reporting in accordance with the GRI Standards	<a href="#">Global Reporting Initiative ('GRI') Index</a>
102-55	GRI content index	<a href="#">Global Reporting Initiative ('GRI') Index</a>
102-56	External assurance	<a href="#">Global Reporting Initiative ('GRI') Index</a>
<b>Material Topics</b>		
<b>Human Rights and Labour Standards in the Supply Chain</b>		
103-1	Explanation of the material topic and its Boundary	<a href="#">Our Approach to CSR – Materiality</a>  <a href="#">Sourcing – Human rights and labour standards in the supply chain</a>
103-2	The management approach and its components	<a href="#">Sourcing – Human rights and labour standards in the supply chain</a>
103-3	Evaluation of the management approach	<a href="#">Sourcing – Human rights and labour standards in the supply chain</a>
412-1	Operations that have been subject to human rights reviews or impact assessments	<a href="#">Sourcing – Responsible Jewellery Council</a>
<b>Transparency &amp; Traceability of Raw Materials</b>		
103-1	Explanation of the material topic and its Boundary	<a href="#">Our Approach to CSR – Materiality</a>  <a href="#">Innovation – Transparency and Traceability</a>
103-2	The management approach and its components	<a href="#">Sourcing – Transparency</a> <a href="#">Innovation – Transparency and Traceability</a>
103-3	Evaluation of the management approach	<a href="#">Sourcing – Transparency</a> <a href="#">Innovation – Transparency and Traceability</a>
308-1	New suppliers that were screened using environmental criteria	<a href="#">Sourcing – Transparency</a> <a href="#">Sourcing – Supply chain management</a>
414-1	New suppliers that were screened using social criteria	<a href="#">Sourcing – Supply chain management</a>

Disclosure Number	Disclosure Title	Reference/Response
<b>Climate Change &amp; Other Environmental Impacts</b>		
103-1	Explanation of the material topic and its Boundary	<a href="#"><u>Our Approach to CSR – Materiality</u></a>  <a href="#"><u>Environment- Climate change</u></a>  <a href="#"><u>Environment- Other environmental impacts</u></a>
103-2	The management approach and its components	<a href="#"><u>Environment- Climate change</u></a>  <a href="#"><u>Environment- Other environmental impacts</u></a>
103-3	Evaluation of the management approach	<a href="#"><u>Environment- Climate change</u></a>  <a href="#"><u>Environment- Other environmental impacts</u></a>
302-1	Energy consumption within the organization	<a href="#"><u>Environment- Energy use</u></a>
302-4	Reduction of energy consumption	<a href="#"><u>Environment- Climate Change</u></a>  <a href="#"><u>Environment- Energy use</u></a>
305-1	Direct (Scope 1) GHG emissions	<a href="#"><u>Environment- Carbon footprint reporting</u></a>
305-2	Energy indirect (Scope 2) GHG emissions	<a href="#"><u>Environment- Carbon footprint reporting</u></a>
305-3	Other indirect (Scope 3) GHG emissions	<a href="#"><u>Environment- Carbon footprint reporting</u></a>
305-5	Reduction of GHG emissions	<a href="#"><u>Environment- Carbon footprint reporting</u></a>
<b>Craftsmanship</b>		
103-1	Explanation of the material topic and its Boundary	<a href="#"><u>Our Approach to CSR – Materiality</u></a>
103-2	The management approach and its components	<a href="#"><u>Governance – Anti-counterfeiting</u></a>  <a href="#"><u>Innovation</u></a>  <a href="#"><u>People</u></a>
103-3	Evaluation of the management approach	<a href="#"><u>Governance - How CSR is managed</u></a>
<b>Governance and Ethics</b>		
103-1	Explanation of the material topic and its Boundary	<a href="#"><u>Our Approach to CSR – Materiality</u></a>
103-2	The management approach and its components	<a href="#"><u>Governance</u></a>  <a href="#"><u>Corporate Governance</u></a>
103-3	Evaluation of the management approach	<a href="#"><u>Governance</u></a>



Disclosure Number	Disclosure Title	Reference/Response
205-2	Communication and training about anti-corruption policies and procedures	<a href="#">Governance – Anti-bribery and corruption</a>
<b>Health, Safety &amp; Employee Well-being</b>		
103-1	Explanation of the material topic and its Boundary	<a href="#">Our Approach to CSR – Materiality</a>
103-2	The management approach and its components	<a href="#">People – Health &amp; Safety</a>
103-3	Evaluation of the management approach	<a href="#">People – Health &amp; Safety</a>
403-2	Work-related injuries	We are in the process of collecting this data and will make available in future reports.
<b>Trade in Protected Species and Animal Welfare</b>		
103-1	Explanation of the material topic and its Boundary	<a href="#">Our Approach to CSR – Materiality</a>
103-2	The management approach and its components	<a href="#">Sourcing – Trade in protected species and welfare</a>
103-3	Evaluation of the management approach	<a href="#">Governance - How CSR is managed</a>
<b>Packaging and Waste</b>		
103-1	Explanation of the material topic and its Boundary	<a href="#">Our Approach to CSR – Materiality</a>
103-2	The management approach and its components	<a href="#">Environment – Packaging, plastic and waste</a>
103-3	Evaluation of the management approach	<a href="#">Environment – Packaging, plastic and waste</a>
306-2	Waste by type and disposal method	Richemont is currently developing a tool to track waste data which will be made available in subsequent reports
<b>Biodiversity</b>		
103-1	Explanation of the material topic and its Boundary	<a href="#">Our Approach to CSR – Materiality</a>
103-2	The management approach and its components	<a href="#">Environment - Biodiversity</a>
103-3	Evaluation of the management approach	<a href="#">Environment - Biodiversity</a>
304-2	Significant impacts of activities, products, and services on biodiversity	<a href="#">Environment - Biodiversity</a>
<b>Circular Economy</b>		
103-1	Explanation of the material topic and its Boundary	<a href="#">Our Approach to CSR – Materiality</a>
103-2	The management approach and its components	<a href="#">Environment – Circular Economy</a>

Disclosure Number	Disclosure Title	Reference/Response
103-3	Evaluation of the management approach	<a href="#">Environment – Circular Economy</a>
301-1	Materials used by weight or volume	Richemont will collect the relevant data which will be made available in subsequent reports
<b>Diversity and Inclusion</b>		
103-1	Explanation of the material topic and its Boundary	<a href="#">Our Approach to CSR – Materiality</a>
103-2	The management approach and its components	<a href="#">People - Promoting Diversity &amp; Inclusion within the Group</a>
103-3	Evaluation of the management approach	<a href="#">People - Promoting Diversity &amp; Inclusion within the Group</a>
405-1	Diversity of governance bodies and employees	<a href="#">People - Promoting Diversity &amp; Inclusion within the Group</a>
<b>Positive Social Impact</b>		
103-1	Explanation of the material topic and its Boundary	<a href="#">Our Approach to CSR – Materiality</a>
103-2	The management approach and its components	<a href="#">Communities – Our economic contribution</a>
		<a href="#">Communities – Community Spend</a>
103-3	Evaluation of the management approach	<a href="#">Governance - How CSR is managed</a>
201-1	Direct economic value generated and distributed	<a href="#">Governance- Where we operate</a>
		<a href="#">Communities – Our economic contribution</a>
		<a href="#">Communities – Community Spend</a>
		<a href="#">Consolidated financial statements 2019</a>
203-2	Significant indirect economic impacts	<a href="#">People</a>
		<a href="#">Communities</a>
<b>Non-Material Topics</b>		
201-3	Defined benefit plan obligations and other retirement plans	<a href="#">Consolidated financial statements 2019</a>

Disclosure Number	Disclosure Title	Reference/Response
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	<u>People – Global well-being campaign</u>
404-1	Average hours of training per year per employee	<u>People – Training</u>
404-2	Programs for upgrading employee skills and transition assistance programs	<u>People</u>
417-2	Incidents of non-compliance concerning product and service information and labeling	<u>Governance - Product advertising and labelling</u>

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