

# **Compagnie Financière Richemont SA**

## **Company Regulations**

**Approved by the Board of Directors on 26 March 2003  
and revised on 7 June 2006 and 8 September 2010**

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## **1. Introduction**

- 1.1 The Board recognises the need to codify certain principles of corporate governance in terms of the management, oversight and control of the Group.
- 1.2 The Board acknowledges that the shareholders of CFR represent the ultimate decision-making body within the Company. The shareholders should be well informed as to developments within the Company and their statutory rights as set out in Swiss Company Law and the Articles of Incorporation. The Board shall report to shareholders through annual and interim reports, at the annual meeting of shareholders and through ad-hoc announcements on material issues. Responsibility for these communications shall lie with the Executive Chairman, the Group Chief Executive Officer and his Deputy, the Chief Financial Officer and the Company Secretary.
- 1.3 The Group shall endeavour to comply in all material respects with the SIX Swiss Exchange's Directive on Corporate Governance and the Swiss Code of Best Practice for Corporate Governance issued by 'economiesuisse'.
- 1.4 Information on corporate governance issues shall be provided to shareholders through the annual report and in such other ways as the Board may think fit.
- 1.5 The annual meeting of shareholders shall be used as a forum for communication with the shareholders. To this end advance notice of the date of the meeting will be communicated in good time to shareholders and shareholders' rights to inspect and receive copies of relevant documents shall be respected.
- 1.6 These regulations define the responsibilities of the bodies within the Group, namely the Board, Board Committees and Management Committees.

## 2. Definitions

|  |   |
|--|---|
| Articles   | The Company's Articles of Incorporation   |
| Board  | The Board of Directors of Compagnie Financière Richemont SA   |
| Code of Conduct/the Code                             | The "Code of Conduct for Dealings of Directors and Employees of the Company in Richemont shares and Related Securities" |
| Commitment Approval Procedures                       | The "Commitment Approval Procedures" document issued in the name of the Board   |
| the Company / CFR                                    | Compagnie Financière Richemont SA, a Swiss-registered public company  |
| "economiesuisse"                                     | the Swiss Business Federation, an umbrella organisation for Swiss industrial companies                                  |
| Executive director                                   | a member of the Board who performs a line management function within the Group  |
| the Group/Richemont                                  | The Company and its subsidiaries  |
| Group Management Committee                           | the senior management group of Richemont  |
| Non-executive director                               | a member of the Board who does not perform any line management function within the Group                                |
| Swiss Code of Best Practice for Corporate Governance | Guidelines as published from time to time by economiesuisse   |
| Swiss Company Law                                    | The <i>Code des Obligations Suisse</i> ('CO'), as currently in force  |
| SIX Swiss Exchange                                   | the official Swiss stock exchange   |

### **3. Board of Directors**

#### **3.1 General**

The Board is the highest executive body within the Group.

3.1.1 It shall be composed principally of non-executive directors together with the Executive Chairman and other elected executive directors. Directors shall be nominated by the Board itself on the recommendation of the Nominations Committee and elected by the shareholders in general meeting. The size of the board shall reflect the size and complexity of the Group.

3.1.1 Members of the Board shall be persons with international experience and the abilities necessary to ensure an independent decision-making process as well as a critical exchange of ideas both within the Board itself and with management.

3.1.3 Non-executive directors should be free from any significant business or other relationship with the Group which could interfere with the exercise of their judgement.

3.1.4 The Board, based upon the recommendation of the Nominations Committee, shall approve the appointment of members of management to the Group Management Committee.

The Group Management Committee shall be composed of the Executive Chairman and the heads of key business and functional areas within the organisation.

#### **3.2 Duties**

3.2.1 The Board is responsible for the strategic direction of the Group. It shall determine the strategic goals of the Group and the means by which they are achieved, taking account of the financial position of the Group.

3.2.2 In accordance with Swiss Company Law, the Board has the following inalienable and non-transferable primary functions:

3.2.2.1 establishing the ultimate strategic direction of the company and the issuance of the necessary directives and guidelines to management;

3.2.2.2 the establishment of an appropriate corporate structure and the delegation of management and control procedures within that structure;

- 3.2.2.3 the establishment of the accounting system and financial controls as well as financial planning systems;
  - 3.2.2.4 the appointment and removal of the persons entrusted with the management and representation of the company;
  - 3.2.2.5 the ultimate supervision of the persons entrusted with the management, with regard, in particular, to compliance with the law, the Articles, regulations and directives;
  - 3.2.2.6 the preparation of the annual report, to include the report on the business of the Group during the period and the financial statements of the Company and of the Group, as well as the organisation of the annual general meeting of shareholders and the implementation of its resolutions; and
- 3.2.3 In addition to the functions laid down by Swiss Company Law, the Board shall:
- 3.2.3.1 establish a committee ('the Audit Committee') to assist in the monitoring of the Group's financial position and performance;
  - 3.2.3.2 establish a committee ('the Compensation Committee') to inter alia review the remuneration of the members of the Board and the Group Management Committee;
  - 3.2.3.3 establish a committee ('the Nominations Committee') to inter alia consider the composition and size of the board and the selection criteria for board members and senior management;
  - 3.2.3.4 establish such other committees of the Board as may from time to time be required and determine their respective terms of reference;
  - 3.2.3.5 taking cognisance of the recommendations of the Nominations Committee, plan for the succession of its members and nominate new members of the Board for approval by the shareholders in general meeting;
  - 3.2.3.6 taking cognisance of the recommendations of the Nominations Committee, appoint members to the Group Management Committee;

- 3.2.3.7 in the event that such a position shall not be combined with the Board's chairmanship, nominate a Group Chief Executive;
- 3.2.3.8 nominate the Chief Financial Officer;
- 3.2.3.9 grant joint signing authority on behalf of the Company to its members as well as officers of the Company and senior executives;
- 3.2.3.10 monitor and evaluate the financial position and financial performance of the Company and of the Group;
- 3.2.3.11 adopt appropriate accounting policies and ensure compliance therewith such that the financial statements shall give a true and fair view of the financial position as at each balance sheet date and of the profit and loss and cash flow for each accounting period of the Company and of the Group;
- 3.2.3.12 ensure that the accounting system is adequate to safeguard the assets of the Group and to prevent and detect fraud and other irregularities through the implementation of adequate financial controls and risk management procedures;
- 3.2.3.13 by reference to the annual financial statements of the Company, make proposals to shareholders for the appropriation of retained earnings;
- 3.2.3.14 ensure that adequate financial and other relevant information is made available on a regular and timely basis to shareholders and equity market participants such that no price-sensitive information is withheld from the market generally other than in the situation that its release would damage the interests of the Group or shareholders generally;
- 3.2.3.15 taking account of the recommendations of the Audit Committee, nominate an appropriately qualified firm of auditors for approval by the shareholders at each year's annual meeting of shareholders;

- 3.2.3.16 establish policies and procedures for the systematic monitoring of risk within the Company including, but not limited to, financial risk, operational risk and reputational risk;
- 3.2.3.17 establish a framework for monitoring compliance with prevailing laws and ordinances and with the terms of the Company's Articles and these regulations and review annually whether such principles are being observed;
- 3.2.3.18 adopt and implement a Code of Conduct for dealings in securities by directors and executives in the Group with a view to avoiding any insider dealing or market manipulation;
- 3.2.3.19 adopt and implement guidelines on corporate governance, reflecting the directives of SIX Swiss Exchange and the Swiss Code of Best Practice for Corporate Governance;
- 3.2.3.20 establish and implement procedures, including monitoring procedures, to limit the authority of executives and employees within the Group to enter into financial commitments of whatever nature in the name of any Group company and establish guidelines on Commitment Approval Procedures, which shall be binding on the Group's management;
- 3.2.3.21 establish policies in respect of and a framework for monitoring the Group's corporate and social responsibility vis-à-vis business partners, employees, the communities in which it operates and the environment generally;
- 3.2.3.22 review each year its own performance, the performance of each of its members and the performance of its sub-committees.

### 3.3 Organisation

#### 3.3.1 General

- 3.3.1.1 The Board shall appoint a Chairman and Deputy Chairman from amongst its number. It shall also appoint the Company Secretary, who need not be a member of the Board, to act as secretary at its meetings.
- 3.3.1.2 In the event that the roles of the Chairman of the Board and the Group Chief Executive Officer shall be combined, the Board may also elect from amongst the non-executive members an experienced director as 'Lead Director'. Such person shall be entitled to carry out an annual assessment of the work of the Board and of the Executive Chairman; such person shall also be entitled to convene and chair meetings of the Board as he sees fit.
- 3.3.1.3 Members shall be appointed to the Board at each annual general meeting for a term of one year. Directors shall be eligible for re-election without time limit. There is no age limit for directors.
- 3.3.1.4 Meetings of the Board shall be held at least five times per annum.
- 3.3.1.5 Meetings shall be convened by the Chairman but may be held upon the justified request of any member of the Board, given reasonable notice.
- 3.3.1.6 Formal documentation for Board meetings, including the agenda and, as necessary, financial reports shall be circulated to all members in advance of each meeting. Directors may, by written notice to the Chairman no later than five business days prior to the meeting, request that specific items be placed on the agenda.
- 3.3.1.7 Meetings may be attended by persons other than directors and the Company Secretary, upon the invitation of the Chairman.
- 3.3.1.8 The Board may obtain, at the Company's expense, independent advice from external experts on such matters as it may deem necessary.

- 3.3.1.9 All directors should have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that board procedures are followed and that applicable rules and regulations are complied with.
  - 3.3.1.10 New members of the Board shall participate in a programme to give them an understanding of the Group's activities.
- 3.3.2 Conflicts of interest
- 3.3.2.1 Each member of the Board shall arrange his personal and business affairs so as to avoid, as far as possible, any conflict of interest with the Company. Where any such conflict of interest may arise, the director concerned should make a full declaration of the potential conflict to the Board or, between meetings of the Board, to the Chairman or Lead Director, who shall ensure that the matter is raised with the Board no later than at its next meeting;
  - 3.3.2.2 The Board shall consider any conflict of interest. The director who is potentially conflicted should not take part in any discussion of the situation.
  - 3.3.2.3 Depending on the nature of the potential conflict, a director may be asked by the Board to stand down from the Board, to withdraw from one or more meetings of the Board or to recuse himself from discussions on a particular topic.
  - 3.3.2.4 Transactions between the Group and members of the Board or corporate bodies or persons with whom they are related should at all times be carried out on an arms length basis and should be approved by the Board without the participation of the party concerned. All material related party transactions shall be advised to the Company's auditors and disclosed, as appropriate and as required by law or applicable accounting standards, in the financial statements;

- 3.3.2.5 It is recognised that directors and executives should be encouraged to become shareholders in Richemont. Through the Group's long-term share-based compensation scheme, many executives have become shareholders. Directors and executives may hold shares in their private portfolios. However, the ownership of Richemont shares may, in itself, put a director or executive in a position where he may find himself in a conflict of interest situation.
- 3.3.2.6 It is inappropriate, potentially in breach of the law and could be damaging to the Group for directors or executives to deal in Richemont shares or related securities at a time when they would be in possession of price sensitive information. In this context, the Board has adopted a Code of Conduct for Dealings of Directors and Employees of the Company in Richemont Shares and Related Securities (the 'Code'). A copy of the Code is attached at Appendix A to this document.
- 3.3.2.7 Compliance with the terms of the Code is mandatory for all those to whom a copy has been distributed.
- 3.3.3 Resolutions of the Board
- 3.3.3.1 The Board may pass resolutions if the majority of its members is present at the meeting. Voting by proxy is not permitted.
- 3.3.3.2 In the event of an equal numbers of votes for and against a motion, the Chairman shall have the casting vote.
- 3.3.3.3 Resolutions may be passed by way of 'round-robin' resolutions circulated by mail, fax or e-mail by written consent of the majority of the members of the Board. The Company Secretary shall be charged with ensuring the validity of messages received by fax or email. Round-robin resolutions may only be adopted provided that they have been circulated to all members of the Board and under the proviso that no member requests a formal discussion of the matter.

### 3.3.4 Minutes of meetings

- 3.3.4.1 Minutes shall be kept of all deliberations of and resolutions adopted by the Board. The minutes shall record a summary of the deliberations, any specific points that a director may ask to be minuted together with resolutions proposed and the result of any vote thereon.
- 3.3.4.2 The minutes of the previous meeting shall be tabled for consideration by the Board at its next meeting. Copies of round-robin resolutions adopted by the Board in the interim period since the last meeting shall also be tabled to be noted by the Board.
- 3.3.4.3 The minutes will be signed by the Chairman of the meeting and the Company Secretary as an accurate record of the meeting after approval by the Board at its subsequent meeting

### 3.3.5 Right of information

- 3.3.5.1 Swiss Company Law and the Articles provide that any director may at any time request information with regard to all areas of the Company's operations. Such requests may be made either at meetings of the Board or, in the interim, through the Chairman.

## 3.4. The Executive Chairman's role

### 3.4.1 General

- 3.4.1.1 The Executive Chairman shall oversee the convening of meetings of the Board including, inter alia, circulating the timetable for the meetings, determining the agenda and the preparation of financial and related information for distribution to directors in advance of the meeting. He is also responsible for the organisation of and chairing general meetings of shareholders.
- 3.4.1.2 The Executive Chairman shall also be responsible for liaison between the Board, the Chairman's Committee and the Group Management Committee.

### 3.4.2 Representation of the company

3.4.2.1 The Executive Chairman shall also act as the principal point of contact between the Board and the Company's shareholders, government and regulatory agencies, the general public and the media.

3.4.2.2 In negotiations with third parties, the Executive Chairman shall be authorised to represent the Company in accordance with such limits as the Board may from time to time or in each specific case determine.

### 3.5 Committees of the Board

3.5.1 The Board shall establish the following standing committees:

- Audit Committee
- Compensation Committee
- Nominations Committee

The majority of members on each of these committees shall be non-executive directors.

3.5.2 The standing committees are appointed by the Board, which will also appoint the Chairman of each of the committees, taking into account any recommendations of the Nominations Committee.

3.5.3 The duties and responsibilities of each of the standing committees shall be established by the Board, which shall retain the overall responsibility for those matters delegated to a committee. The Chairman of each of the committees shall report to the Board on the activities of the committee.

3.5.4 As necessary, the Board may establish from time to time ad hoc committees charged with specific tasks. Ad hoc committees should generally be composed of at least two directors of the Company or at least one director and an officer of the Company.

#### 3.5.5 Audit Committee

The terms of reference of the Audit Committee shall be as set out in Appendix B to this document.

#### 3.5.6 Compensation Committee

The terms of reference of the Compensation Committee shall be as set out in Appendix C to this document.

### 3.5.7 Nominations Committee

The terms of reference of the Nominations Committee shall be as set out in Appendix D to this document.

## 4. Management

### 4.1 Chairman's Committee

The Executive Chairman will establish a Chairman's Committee comprising the Executive Chairman and other executive members of the Board as the Executive Chairman sees fit. Other executives may be invited to participate on an ad hoc basis. The Committee will meet regularly, on a basis to be determined by the Chairman.

### 4.2 Duties

The management is charged by the Board with implementing the strategic policies determined by the Board. Members of the management are empowered to conduct the day-to-day strategic and operational administration of the Group including, inter alia, financial management. The management is responsible for the management of the Group's underlying businesses and investments, subject at all times to an obligation to provide adequate information on the development of those businesses to the Board. Management will, at all times, operate within the guidelines as set out in the Richemont Commitment Approval Procedures document and such other policies and procedures as may from time to time be laid down by the Board.

In addition, the management will provide the Board with such support as it may require to consider and evaluate strategic alternatives.

### 4.3 Group Management Committee

The Executive Chairman will establish a Group Management Committee comprising the Executive Chairman, executive directors of the Board and certain other heads of key businesses and functions within the Group. The Committee need not formally meet in any given year, but its members shall participate in various other Board and management committees and interact with the Group's Maisons and regional platforms as necessary.

### 4.4 Duties

The Committee's duty is to consider business related issues and the policies to be adopted by companies within the Group in accordance with the strategies determined by the Board.

## **5. Auditors**

The statutory audit of the financial statements of the Company and of the Group shall be performed by an appropriately qualified and experienced, independent firm of auditors recognised as one of the worldwide leading firms. The Board shall be responsible for making a proposal in this respect to the shareholders for approval at the annual general meeting.

In making its proposal, the Board shall take account of the performance of the auditors, the efficiency and diligence applied to the work and their degree of independence. The auditors will be eligible for re-election on an annual basis. No time limit is set for the mandate to be held by any one firm of auditors.

## **6. Risk management and internal control**

As part of its responsibility for achieving the Group's strategic objectives, the Board is responsible for controlling risk through the operation of an effective system of risk management and internal control. To assist them in fulfilling this responsibility, the Board shall establish an Internal Audit function to monitor risk within the Group and to provide them with an appraisal of the quality of internal control across the Group.

The Head of Internal Audit shall report to the Chairman of the Audit Committee, with a functional reporting line to the Chief Financial Officer. The Head of Internal Audit has the authority to inform the Chairman of the Audit Committee of any significant matters where, in his or her opinion, management's response is inappropriate or inadequate.

## **7. Effective date**

These regulations were adopted by the Board on 26 March 2003, with revisions adopted on 7 June 2006 and 8 September 2010.