

# Compensation report



## Letter from the Chairman of the Compensation Committee

Clay Brendish, Chairman

### Dear Shareholders,

On behalf of the Compensation Committee, I am pleased to present our Compensation report for the year ended 31 March 2021.

The past year has been one of significant change and uncertainty for the Group, and the Committee has worked closely with Group management to address the impact of the Covid-19 pandemic on the Group's compensation arrangements. Ensuring that measures were implemented to share the consequences fairly at all levels of the organisation was paramount. This effort was led by our Chairman, Mr Johann Rupert, who volunteered to reduce his own salary by 50%. Senior Executive Committee members also proposed, and the Committee approved, an exceptional reduction in base salary of 20% which applied throughout the year ended 31 March 2021. Short-term incentives paid to Senior Executive Committee members in June 2020, with respect to performance in FY20, were also reduced by 25% while long-term incentives awarded in December 2020 were cut by 50%, in line with the reduction in dividend payment. Salaries for other senior executives were also reduced by 20% during the first half of the year. Fees paid to non-executive members of the Board of Directors were also reduced.

More globally, the Committee reviewed proposals to ensure that remuneration policies reward fairly the exceptional efforts of the Group's employees during this difficult year, while taking into account the wider economic circumstances in which cost reduction and conservation of cash are critical.

Looking to the future, the Group is working on a new proposal for the compensation of its most senior executives, including members of the Senior Executive Committee, with a focus on ensuring that performance, which is in line with the Group's strategic objectives, is rewarded and incentivised. More details on any changes as a result of this review will be communicated in next year's compensation report.

At the AGM in September 2020, shareholders once again approved the remuneration proposals by a large majority. Specifically, shareholders were asked to approve the maximum amount of fixed Board compensation from the 2020 AGM to the 2021 AGM; the maximum amount of fixed Senior Executive Committee compensation for the 2022 financial year and the variable compensation of the Senior Executive Committee for the 2020 financial year. The actual compensation paid to the Board for the period from the 2019 AGM to the 2020 AGM and to the Senior Executive Committee with respect to fixed compensation for the 2020 financial year was within amounts previously approved by the shareholders.

The Compensation report that follows describes the Group's guiding principles, philosophy and policies for setting the compensation of members of the Board and the Senior Executive Committee. The report complies with the relevant articles of the Swiss Code of Obligations, the Swiss Code of Best Practice, and the Ordinance against Excessive Compensation ('OEC'). The compensation for the financial year under review, as detailed on pages 72 to 74, has been audited by the Group's auditors, PricewaterhouseCoopers.

On behalf of the Board, we would like to thank you for your continued support on executive compensation matters.

We look forward to receiving comments from our investors.

**Clay Brendish**  
**Compensation Committee Chairman**

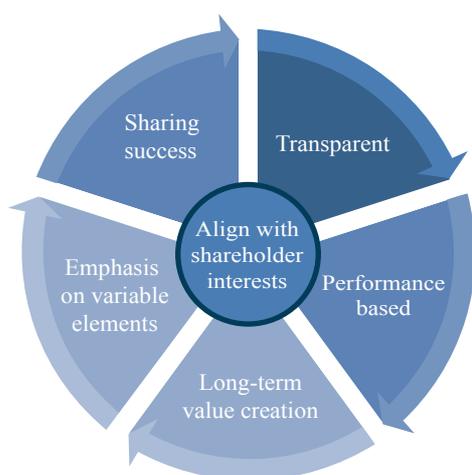
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## 1. Richemont's compensation principles

### *Our compensation-setting philosophy*

The primary objective of the Group's compensation strategy is to align variable compensation paid to senior executives to total shareholder returns over the long term, while attracting and retaining key talent in the face of competition from other multinational groups.



Members of the Senior Executive Committee are rewarded in line with the level of their authority and responsibility within the organisation. An executive's total compensation comprises both fixed and variable elements. Short-term incentives are paid in cash and are awarded to executives in May, based on performance during the previous financial year. These are complemented by long-term awards under the Group's share option and performance share unit plans, which serve to both retain key executives and to ensure that the interests of these executives are aligned to the values of the Group, including a focus on capital allocation for long-term strategic purposes and the development of a culture of creativity and responsibility within the Maisons.

The variable remuneration of each Senior Executive is dependent on performance against certain, pre-defined Key Performance Indicators ('KPIs'). These measures are both quantitative, reflecting the performance of the Group or Maison in terms of sales, operating profit and cash generation, and qualitative, with respect to individual and collective management performance.

Non-executive directors receive fixed compensation only and are not eligible for awards under the Group's short- or long-term incentive schemes.

### *Comparative group benchmarking*

To ensure that the Group remains competitive in its compensation arrangements, benchmarking surveys are periodically considered by the Committee. A comprehensive benchmarking survey was performed in early 2020 which covered both the Senior Executive Committee and other key positions within the Group, focusing on base salaries, target bonuses, long-term incentives, and total direct compensation levels.

In benchmarking the remuneration of these executives, the Group considered compensation practices in a selection of multinational groups which it considers to be its peers. The criteria for selection included: industry focus on luxury goods; size in term of revenue and headcount; listed companies; and international presence in relevant geographies. These peers were identified as follows:

- multinational Groups active in the Luxury Goods industry, such as LVMH, Kering and Hermès, amongst others; and
- international groups headquartered in Europe and Switzerland with significant global presence.

As a point of reference, the Group targets at least the median compensation level of the peer group, while maintaining the potential for above-average variable compensation for superior performance.

## 2. Compensation Committee

The Compensation Committee ('the Committee') is a committee of the Board of Directors, responsible for reviewing and establishing the Group's compensation policies and strategy. The core responsibilities of the Committee include agreeing the compensation of the executive director members of the Board and the Senior Executive Committee and setting the compensation of the non-executive directors and the Chairman of the Board of Directors. The compensation of all other members of senior management is regularly reviewed by the Committee.

The Committee considers the recommendations of the Chairman of the Board of Directors regarding compensation awards for the Senior Executive Committee and of management for all other members of senior management. The Committee may amend or reject these recommendations. The Chairman of the Committee reports to the full Board of Directors on the discussions and decisions taken at each Committee meeting.

# Compensation report continued

## 2. Compensation Committee continued

Members of the Committee are appointed by the shareholders of the Company for a term of one year. During the year ended 31 March 2021, the composition of the Committee was as follows:

### Compensation Committee

Clay Brendish (Chairman)

Keyu Jin

Guillaume Pictet

Maria Ramos

The Committee meets four times a year, with additional meetings scheduled as required. During the year ended 31 March 2021, the Committee met eleven times. The Group Chief Executive Officer, Group Chief Finance Officer and Group Human Resources Director (or equivalent) also attend Committee meetings but are not present when decisions are taken regarding their own compensation.

## 3. Long-term incentive plans

The Group operates the following long-term incentive plans for Group and Maison executives. Awards are made on an annual basis.

### Share options

The main features of the Group's share option plan are as follows:

Plan	Employee share option plan
Strike price	Market value of share on grant date
Vesting period	Tranches over periods of three to six years from grant date
Expiry date	Nine years from date of grant
Vesting conditions	<ul style="list-style-type: none"><li>Continued employment with the Group.</li><li>The share options granted between 2008 and 2015 include a performance condition correlated to other luxury goods companies upon which vesting is conditional; those granted from 2016 onwards do not have performance conditions.</li></ul>
Termination of employment	<ul style="list-style-type: none"><li>In the event that an option holder retires, all outstanding share options vest immediately.</li><li>All outstanding options vest immediately in the event that the option holder dies or has to end employment with the Group due to injury or permanent disability.</li><li>If an option holder terminates employment with the Group for another reason, unvested share options are forfeited.</li></ul>
Hedging of obligations	<ul style="list-style-type: none"><li>Buy-back of 'A' shares or warrants immediately prior to grant date, if needed.</li><li>Awards do not result in the issue of new share capital.</li></ul>
Dividends	No entitlement prior to exercise
Compensation value at date of grant	Based on valuation principles of IFRS 2, excluding employer's social security costs
Awards in year ended 31 March 2021	0.7 million share options were granted at strike price of CHF 75.84 Total award was reviewed and approved by the Committee, as were individual awards to Senior Executive Committee members

### Restricted and Performance Share Unit Plan

Under the Restricted Share Unit ('RSU') plan, employees receive 'A' shares after a fixed vesting period. Awards granted to senior executives are also subject to performance conditions which may reduce the number of shares vesting (Performance Share Units, or 'PSU'). The main features of this plan are as follows:

Plan	Restricted/Performance Share Unit Plan
Vesting period	Tranches over periods of three to five years from grant date
Vesting conditions	<ul style="list-style-type: none"> <li>Continued employment with the Group.</li> <li>For PSU only, achievement of quantitative performance conditions as set by the Compensation Committee for each grant.</li> </ul>
Termination of employment	<ul style="list-style-type: none"> <li>In the event that an unit holder retires, all outstanding RSU or PSU vest immediately, subject to local restrictions in the country of employment.</li> <li>All outstanding RSU or PSU vest immediately in the event that the unit holder dies or has to end employment with the Group due to injury or permanent disability.</li> <li>If a unit holder terminates employment with the Group for another reason, unvested RSU/PSU are forfeited.</li> <li>Accelerated vesting of RSU/PSU is never granted to any member of the Senior Executive Committee, even in the case of retirement.</li> </ul>
Hedging of obligations	<ul style="list-style-type: none"> <li>Buy-back of 'A' shares or warrants immediately prior to grant date, if needed.</li> <li>Awards do not result in the issue of new share capital.</li> </ul>
Dividends	No entitlement prior to vesting
Compensation value at date of grant	Based on valuation principles of IFRS 2, excluding employer's social security costs
Awards in year ended 31 March 2021	0.8 million RSU and PSU were granted. Total award was reviewed and approved by the Committee, as were individual awards to Senior Executive Committee members

The number of PSU awards made in 2021 which will ultimately vest depends on value creation within the Group over the three years following the grant date. The average growth in the value of the Group, based on a predefined formula of reported Operating Profit and Free Cash Flow, is compared to the value on the grant date and the number of awards which vest adjusted accordingly.

#### Long-term retention plan

The Long-term Retention Plan ('LRP') is a cash incentive plan primarily used as a retention tool for key positions within the Group. For each eligible participant, the awards are set at the grant date at between 50% and 150% of the target short-term cash incentive awarded for the previous year (which varies as a percentage of fixed salary depending on employment grade) and become payable, typically after three further years of service. The level of the award granted is determined based on the current position, as well as on the employee's individual performance and potential, while ensuring consistency across the Group. In exceptional circumstances a higher percentage may be awarded. Exceptionally in the year ended 31 March 2020, LRP were granted to certain employees in lieu of RSU awards. These LRP awards vest in tranches over three, four and five years.

#### Long-term incentive plan

Prior to March 2018, the Group also operated a cash-settled Long-Term Incentive Plan ('LTIP'), which linked a major part of the compensation packages of senior Maison executives to the increase in value of the business area for which they were responsible. LTIP awards were made annually and typically vested after three years, with the option for payment to be deferred by one year under certain circumstances. The executive received a percentage of the increase in value of the Maison from the date of grant to the vesting date, based on a fixed formula taking into account sales (with a weighting of 8% of total value), EBITDA (40%) and cash contribution (52%), with the vesting value being an average of the preceding two years' valuations. Cash contribution is calculated, for the purposes of the LTIP calculation, as changes in working capital, reduced by capital expenditure and adjusted for tax and the cost of capital. EBITDA is equal to the Maison's operating profit before depreciation and amortisation charges.

The cash payout made in July 2020 to Maison senior executives reflects the performance of the Maison during the three-year period from March 2017 to March 2020, as well as some payments which had been deferred from the previous year as permitted by the plan. Payments due in 2020 to certain senior executives of the Group were deferred by one year, as a result of the current Covid-19 outbreak and related disruption to the Group's activities and will be paid in summer 2021.

# Compensation report continued

## 4. Compensation of the Board of Directors

Compensation paid to non-executive directors for the period is summarised below.

	Fees and other benefits CHF	Consultancy fees CHF	Social security cost CHF	Total CHF	Prior year CHF
<b>Board of Directors</b>					
Johann Rupert (Chairman)	1 350 000	–	145 838	<b>1 495 838</b>	3 093 068
Non-executive directors	3 233 827	853 750	118 038	<b>4 205 615</b>	4 832 288
<b>Total</b>	<b>4 583 827</b>	<b>853 750</b>	<b>263 876</b>	<b>5 701 453</b>	<b>7 925 356</b>

Two Board members, Mr Magnoni and Mr Anton Rupert, have formally waived their entitlement to receive any fees or compensation in respect of their duties as non-executive directors.

### Chairman

The total compensation awarded to the Chairman of the Board of Directors, Mr Johann Rupert, is reviewed annually by the Committee. During the period under review, the fixed remuneration of the Chairman was reduced by 50%. No variable compensation was awarded.

### Non-executive directors

Non-executive directors are entitled to receive an annual base retainer of CHF 100 000, plus a fee of CHF 25 000 for each Board meeting attended. This fee is reduced to CHF 6 000 for participation by telephone. From April 2020, the attendance fee was reduced by 20% to CHF 20 000 per meeting. Fees were waived in full by all board members for any additional board meeting held outside of the normal cycle as a result of the Covid-19 pandemic; nine such meetings were held during the financial year for which no attendance fees were paid.

Non-executive directors who are also Committee members are entitled to receive further fees per meeting attended.

Committee attendance fees	Chairman	Member
Audit Committee	CHF 20 000	CHF 15 000
Ethics sub-committee	CHF 7 500	CHF 5 000
Compensation Committee	CHF 15 000	CHF 10 000
Strategic Security Committee	CHF 15 000	CHF 10 000

Non-executive directors are not eligible for performance-related payments and do not receive awards under the Group's share option plan or other long-term incentive plans. There is no scheme to issue shares to non-executive directors.

### Executive directors

The executive directors of the Board are all members of the Senior Executive Committee and do not receive any compensation for their role as members of the Board.

### Shareholder approval

At the annual general meeting, the shareholders of the Company will be asked to approve the compensation of the Board of Directors for the period from AGM 2021 to AGM 2022. Compared to the amount approved in the prior year, the remuneration of the Board of Directors is expected to increase.

## 5. Compensation of the Senior Executive Committee

In the year under review the members of the Senior Executive Committee were:

### Senior Executive Committee

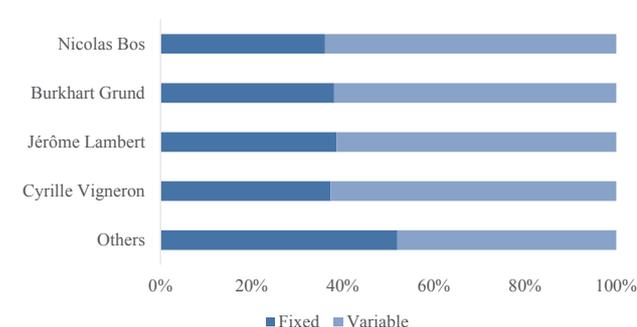
Nicolas Bos	President & Chief Executive Officer, Van Cleef & Arpels
Philippe Fortunato <sup>2</sup>	CEO of Fashion & Accessories Maisons
Burkhardt Grund	Chief Finance Officer
Jérôme Lambert	Group Chief Executive Officer
Emmanuel Perrin	Head Specialist Watchmakers Distribution
Cyrille Vigneron	President & Chief Executive Officer, Cartier
Frank Vivier	Chief Transformation Officer
Sophie Guieysse <sup>1</sup>	Former Group Human Resources Director

1. Until 12 June 2020.
2. From 1 September 2020.

The Chairman of the Board of Directors also attends meetings of the Senior Executive Committee when required.

The objective of the Group's compensation policy is to favour variable (short- and long-term incentives) over fixed compensation. The split for the Group's Senior Executives for the year ended 31 March 2021 was as follows:

### Variable compensation as a percentage of total



Compensation of the Senior Executive Committee for the period is summarised below.

	Fixed components		Variable components			Total CHF	Prior year CHF
	Salary and other employee benefits CHF	Post- employment benefits CHF	Short-term incentives CHF	Share-based awards CHF	Social security cost CHF		
<i>Variable paid in:</i>			<i>Cash</i>	<i>Equity</i>			
<b>Senior Executive Committee</b>							
Nicolas Bos	1 322 970	112 518	1 404 700	1 137 899	290 789	<b>4 268 876</b>	9 209 157
Burkhardt Grund	1 223 927	111 392	1 227 000	941 371	140 776	<b>3 644 466</b>	6 030 497
Sophie Guieysse <sup>1</sup>	360 913	42 893	–	–	15 031	<b>418 837</b>	3 057 031
Jérôme Lambert	1 595 573	111 395	1 515 000	1 192 393	174 987	<b>4 589 348</b>	8 058 405
Cyrille Vigneron	1 483 652	111 154	1 507 000	1 169 120	145 988	<b>4 416 914</b>	7 180 545
Other	3 425 435	322 425	1 955 000	1 882 691	264 413	<b>7 849 964</b>	7 851 447
<b>Total</b>	<b>9 412 470</b>	<b>811 777</b>	<b>7 608 700</b>	<b>6 323 474</b>	<b>1 031 984</b>	<b>25 188 405</b>	<b>41 387 082</b>

1. Sophie Guieysse stepped down from the Senior Executive Committee on 12 June 2020 and from the Board of Directors on 9 September 2020 but remained an employee of the Group until 31 March 2021. The amounts shown above represent salary and benefits paid to Ms Guieysse during the period in which she acted as a Director of the Company. All amounts paid to her subsequent to this period are included in the line 'Other SEC members'. This includes salary, other benefits and short-term incentives for the year ended 31 March 2021 and a non-compete agreement signed with Ms Guieysse on her departure. No share-based awards were made; however, share options awarded in prior years have vested on 31 March 2021 and Ms Guieysse retains her allocated PSU, which remains subject to the performance conditions described at page 65.

Changes in the level of compensation awarded to members of the Senior Executive Committee reflect the reduction in base salary mentioned above and a reduction in the value of long-term incentive awards.

### **Fixed compensation of the Senior Executive Committee**

#### **Base salary**

The base salary reflects the position, qualifications and responsibilities of the executive, taking into account the external market value for the position in the market in which the individual is based. It is paid on a monthly basis in cash. The level of base salary is reviewed annually in accordance with the Group's salary review process, which takes place in May. In determining the level of any increase to base salary, consideration is given to the Group's performance, the role and responsibilities of the individual and the results of benchmarking studies.

During the year ended 31 March 2021, base salaries of all Committee members were voluntarily reduced by 20%.

#### **Benefits**

Senior Executive Committee members also receive benefits in line with their duties and responsibilities and may include company car and medical insurance subsidy.

The Company also operates a retirement foundation in Switzerland which provides benefits on a defined contribution basis. Each executive has a retirement account to which the executive and the Group make contributions at rates set out in the foundation rules based on a percentage of salary. A Group contribution of up to 13.05% was applied in the year on salaries to a ceiling of CHF 860 400.

Executives are reimbursed for travel and other necessary business expenses incurred in the performance of their duties.

### **Variable compensation of the Senior Executive Committee**

Executives also benefit from a short-term cash incentive plan and awards granted under the Group's share option and PSU plans. The Committee considers these components in total to ensure there is an appropriate balance between reward for short-term success and

long-term retention. Targets used to determine the payout levels for both the variable short-term incentives and the variable long-term incentives are considered by the Committee on an annual basis prior to the start of the next financial year. The Group does not provide for any transaction-specific success fees for its executives.

#### **Short-term cash incentives**

Short-term incentives are paid in cash annually and relate to performance in the previous financial year.

The determination of the level of short-term cash incentive comprises both quantitative and qualitative components, each with a pre-set target and a maximum percentage of base salary. The mix of quantitative and qualitative targets are aligned with the Group's business priorities for the year ahead, encouraging individual creativity and business development, as well as delivering continued profit growth and value creation. The short-term incentive target is set at 75% of base salary, with a maximum cap of 150% of base salary.

The quantitative component of the short-term cash incentive is assessed on actual Group or Maison turnover, operating profit and cash generation, being operating cash flow after capital expenditure and lease payments, compared against the current year's budget. Each of these three measures has equal weighting in the calculation. As the budget for the year ended 31 March 2021 was prepared before the full impact of the Covid-19 pandemic was clear, the assessment of short-term incentive awards for the current period is compared to prior year results. The qualitative component is assessed on performance against both individual and collective strategic targets, measuring contributions towards growing brand equity, enhancing the client journey, driving initiatives on ESG and enhancing the people experience in the organisation.

## Compensation report continued

The total short-term incentive awards achieved represented on average 81% of base salary (before voluntary reduction). The individual figures for the Group's executive directors are as follows:

	Quantitative (% of salary)		Qualitative (% of salary)		Total (% of salary)	
	Target	Actual	Target	Actual	Target	Actual
Nicolas Bos	41%	42%	34%	44%	75%	86%
Burkhardt Grund	41%	43%	34%	39%	75%	82%
Jérôme Lambert	41%	43%	34%	37%	75%	80%
Cyrille Vigneron	41%	47%	34%	37%	75%	84%

In addition, the Compensation Committee may decide to use its discretion in assessing the qualitative aspect of performance to take into account exceptional performance during the year.

### Long-term variable components

The target long-term variable award is set at 112.5% of base salary with a maximum cap of 150% of base salary. The number of share options and performance share units awarded will depend on value creation of the business area for which they are responsible. The Committee has discretion to adjust the final award to take into account current market conditions, long-term and strategic decision-making, amongst other factors. For awards made in December 2020 with respect to performance during the year ended 31 March 2020, the Committee accepted a proposal by management that the value of the long-term incentive award be further reduced by 50%.

Long-term variable incentives are awarded under the Group's share option and PSU plans, with the award based on the estimated fair value of a share option at the time of the award.

The share options and PSU vest in tranches after three, four and five years. The cost to the Group of this plan is equal to the fair value of the share options or PSU awards, which is charged to net profit over the vesting period. The total fair value of share options granted to members of the Senior Executive Committee during the year was CHF 2.0 million and of PSU was CHF 4.3 million. There may also be a cash outflow on grant, as the Group repurchases its own shares and warrants in order to meet its obligations under this plan.

Gains made by executives on exercising the share options depend on changes in the share price since the date of the award and, other than employer's social security contributions thereon, do not represent a cost to the Group. Once vested, share options can be exercised at any time until expiry, nine years after initial grant.

The award of share options and PSU requires retrospective approval from shareholders at the AGM. Following such approval, a revised fair value is determined for accounting purposes only.

Seven members of the Senior Executive Committee received share options and PSU in December 2020. Based on the fair value at grant dates, the value of these awards was as follows:

	Options awarded	PSU awarded	Total IFRS value (CHF)	Multiple of base salary <sup>1</sup>
Nicolas Bos	17 988	10 793	1 137 899	70%
Burkhardt Grund	14 881	8 929	941 371	63%
Jérôme Lambert	18 849	11 310	1 192 393	63%
Cyrille Vigneron	18 482	11 089	1 169 120	65%
Other SEC members	29 763	17 857	1 882 691	63%

1. Calculated on full salary, before reduction of 20% for the year ended 31 March 2021.

Long-term incentive awards are approved by the Compensation Committee after the end of the financial year to which the award relates. The grant date is determined by the date on which the award, including any performance conditions and/or strike price, is communicated to the recipient, which falls after the date of the Compensation report. For this reason, this report presents details of awards made during the period under review, which relate to performance in the previous year.

Details of options held by members of the Board and the Senior Executive Committee under the Group's share option plan at 31 March 2021 were as follows:

	Number of options				31 March 2021	Average strike price CHF	Earliest exercise period
	1 April 2020	Granted	Exercised	Lapsed			
<b>Board of Directors</b>							
Nicolas Bos	247 013	17 988			<b>265 001</b>	84.23	Apr 2021
Burkhardt Grund	247 582	14 881	20 000		<b>242 463</b>	82.66	Apr 2021
Jérôme Lambert	259 937	18 849			<b>278 786</b>	84.47	Apr 2021
Gary Saage	715 000		280 000		<b>435 000</b>	79.61	Apr 2021
Cyrille Vigneron	283 571	18 482			<b>302 053</b>	84.14	Apr 2021
<b>Senior Executive Committee</b>							
Senior Executives	286 079	29 763	13 334		<b>302 508</b>	85.36	Apr 2021
	<b>2 039 182</b>	<b>99 963</b>	<b>313 334</b>	–	<b>1 825 811</b>		

The share options held by Mr Gary Saage, Non-executive Director, were awarded in his previous role as an executive director of the Company.

Details of Performance Share Units held by members of the Board and the Senior Executive Committee under the Group's PSU plan at 31 March 2021 were as follows:

	Number of units				31 March 2021	Earliest vesting date
	1 April 2020	Granted in year	Vested in year	Cancelled in year		
<b>Board of Directors</b>						
Nicolas Bos	43 208	10 793	–	–	<b>54 001</b>	Aug 2022-Dec 2025
Burkhardt Grund	40 549	8 929	–	–	<b>49 478</b>	Aug 2022-Dec 2025
Jérôme Lambert	47 629	11 310	–	–	<b>58 939</b>	Aug 2022-Dec 2025
Cyrille Vigneron	46 809	11 089	–	–	<b>57 898</b>	Aug 2022-Dec 2025
<b>Senior Executive Committee</b>						
Senior Executives	67 314	17 857	–	–	<b>85 171</b>	Aug 2022-Dec 2025
	<b>245 509</b>	<b>59 978</b>	–	–	<b>305 487</b>	

### Shareholder approval

At the annual general meeting, the shareholders of the Company will be asked to approve the fixed compensation of the Senior Executive Committee for the next full financial year, being the twelve months to 31 March 2023. Total fixed compensation is expected to remain stable over the period then ended.

Shareholders will also be requested to retrospectively approve the variable compensation paid and accrued during the current year to 31 March 2021, as follows.

	CHF
<b>Variable remuneration for the year to 31 March 2021</b>	
Short-term incentives for the year ended 31 March 2021	<b>7 608 700</b>
Long-term incentive awards	<b>6 323 474</b>
Employer's social security	<b>971 460</b>
<b>Total</b>	<b>14 903 634</b>

Compared to the prior year, changes in the total amount of variable compensation are due to a reduction in the number of share options and PSU, which were awarded in December 2020 in relation to performance in the financial year ended 31 March 2020.

# Compensation report continued

## 6. Compensation governance

### Severance

There are no arrangements in place to provide for any severance benefit or other special departure payments for any director or any member of the Senior Executive Committee, other than their contractual and legal rights. In general, the duration of the contractual notice period is six months. In certain cases, the employing entity is required to provide twelve months' notice.

### Clawback

In addition to applicable statutory provisions, the Group's long-term incentive plans include provisions allowing the Group to reclaim, in full or in part, distributed compensation as a result of special circumstances.

Upon termination of employment as a result of serious misconduct, including fraud as defined by the applicable criminal law and violation of the Group's Standards of Business Conduct, all awards granted and outstanding, whether vested or unvested, lapse immediately without any compensation.

In the event of termination of employment for another reason, other than retirement, death or disability, awards which are unvested at the date of termination of employment lapse immediately without any compensation.

### External consultants

The Group also uses external consultants for advice on remuneration matters. During the year, external advice was received from a number of professional firms including PricewaterhouseCoopers, Deloitte and Lenz & Staehelin. None of these firms received any additional remuneration-related mandates from those consultations; however, Lenz & Staehelin also received fees for legal and tax advice (see page 129). PricewaterhouseCoopers is the Company and Group's external auditor.

### Change of control

The rules of the share option plan for executives in the Group contain specific provisions in respect of a change of control of the Group. These provisions are typical in terms of such plans and would result in the vesting of benefits due to participants in the event of a change of control taking place.

### Management contracts

There are no contracts between the Group and any third parties for the management of the Company or any subsidiary in the Group.

### Allotment of shares

No shares were allotted to directors or members of senior management during the year under review.

### Share ownership

Details of the shareholdings of the members of the Board of Directors in the Company are disclosed on page 132 of this report. Directors are encouraged to acquire and hold shares in the Company.

### Trading in Richemont shares

The exercise of options and transactions in Richemont shares and related securities by any current director or member of the Senior Executive Committee and their related parties is promptly notified to the SIX Swiss Exchange ('SIX'). These notifications are simultaneously published by SIX.

### Governance

The Company's Articles of Association contain provisions relating to compensation-related articles with respect to compensation principles (Article 38) and the binding votes of the annual general meeting (Article 39). Shareholders are required to approve prospectively the remuneration of the Board of Directors and the fixed compensation of the Senior Executive Committee, while variable compensation is approved retrospectively. The Articles also include provisions for the remuneration of new members of the Senior Executive Committee (Article 39).

The following compensation will be proposed to the shareholders for approval at the AGM:

	<b>Period covered</b>
<i>Board of Directors</i>	
Fixed compensation	AGM 2021 – AGM 2022
<i>Senior Executive Committee</i>	
Fixed compensation	April 2022 – March 2023
Variable compensation	April 2020 – March 2021

The Articles of Association can be found at: [www.richemont.com/corporate-governance](http://www.richemont.com/corporate-governance)

## 7. Compensation report for the financial year under review

The Ordinance against Excessive Compensation ('OEC') allows the Board of Directors to identify a corporate body to which management can be delegated for the day-to-day management of the organisation. This is deemed to be the Senior Executive Committee, which is chaired by the Chairman of the Board and comprises the following executives:

Nicolas Bos	President & Chief Executive Officer, Van Cleef & Arpels
Philippe Fortunato	CEO of Fashion & Accessories Maisons
Burkhardt Grund	Chief Finance Officer
Jérôme Lambert	Group Chief Executive Officer
Emmanuel Perrin	Head of Specialist Watchmakers Distribution
Cyrille Vigneron	President & Chief Executive Officer, Cartier
Frank Vivier	Chief Transformation Officer

The former Group Human Resources Director, Sophie Guieysse, also served as a member of the Senior Executive Committee for the period to 12 June 2020.

Members of this Committee are considered to be subject to the various disclosure and approval requirements imposed by the OEC.

The total compensation of the members of the Board of Directors and the Senior Executive Committee amounted to CHF 5.7 million and CHF 25.2 million respectively, including pension contributions, benefits in kind and all other aspects of compensation. The highest paid executive was Jérôme Lambert, with a total compensation of CHF 4.6 million.

The measurement basis for each component of compensation is described below:

- Salary and other short-term benefits: accruals basis.
- Short-term incentives: accruals basis.
- Pension: contributions paid or increased in accrued value depending upon the pension plan type.
- Share options and PSU: total fair value, as determined at the date of award of the share options granted in the year, the share option value being determined in accordance with the valuation methodology of IFRS 2.
- Employer's social security: amounts are presented on a cash paid basis for short-term compensation and estimated, based on fair value at grant date and mandatory employer social security contributions which provide rights up to the maximum future state benefit, for long-term incentives.

All amounts are stated gross before the deduction of any related tax or amounts due by the employee.

# Compensation report continued

## Compensation for the financial year to 31 March 2021

	Fixed fees CHF	Consultancy fees CHF	Other CHF	Post-employment benefits CHF	Social security cost <sup>5</sup> CHF	Total CHF
<b>Board of Directors</b>						
Johann Rupert	1 350 000	–	–	–	145 838	<b>1 495 838</b>
Josua Malherbe	300 000	–	–	–	23 942	<b>323 942</b>
Nikesh Arora	200 000	233 750	–	–	–	<b>433 750</b>
Clay Brendish	417 500	–	–	–	–	<b>417 500</b>
Jean-Blaise Eckert	245 000	–	–	–	–	<b>245 000</b>
Keyu Jin	250 000	–	–	–	–	<b>250 000</b>
Wendy Luhabe <sup>3</sup>	110 000	–	–	–	9 304	<b>119 304</b>
Ruggero Magnoni <sup>2</sup>	–	–	–	–	–	–
Jeff Moss	240 000	–	–	–	–	<b>240 000</b>
Vesna Nevistic	245 000	–	–	–	–	<b>245 000</b>
Guillaume Pictet	320 000	–	–	–	24 348	<b>344 348</b>
Alan Quasha	200 000	–	–	–	–	<b>200 000</b>
Maria Ramos	250 000	–	–	–	20 955	<b>270 955</b>
Anton Rupert <sup>2</sup>	–	–	–	–	–	–
Jan Rupert	240 000	–	–	–	18 378	<b>258 378</b>
Gary Saage	200 000	620 000	16 327	–	21 111	<b>857 438</b>
<b>Total</b>	<b>4 567 500</b>	<b>853 750</b>	<b>16 327</b>	<b>–</b>	<b>263 876</b>	<b>5 701 453</b>

	Fixed components		Variable components			Total CHF
	Salary and other employee benefits CHF	Post- employment benefits CHF	Short-term incentives CHF	Share-based awards <sup>1</sup> CHF	Social security cost <sup>5</sup> CHF	
			Cash	Equity		
<i>Variable paid in:</i>						
<b>Senior Executive Committee</b>						
Nicolas Bos	1 322 970	112 518	1 404 700	1 137 899	290 789	<b>4 268 876</b>
Burkhart Grund	1 223 927	111 392	1 227 000	941 371	140 776	<b>3 644 466</b>
Sophie Guieysse <sup>4</sup>	360 913	42 893	–	–	15 031	<b>418 837</b>
Jérôme Lambert	1 595 573	111 395	1 515 000	1 192 393	174 987	<b>4 589 348</b>
Cyrille Vigneron	1 483 652	111 154	1 507 000	1 169 120	145 988	<b>4 416 914</b>
Other SEC members	3 425 435	322 425	1 955 000	1 882 691	264 413	<b>7 849 964</b>
<b>Total</b>	<b>9 412 470</b>	<b>811 777</b>	<b>7 608 700</b>	<b>6 323 474</b>	<b>1 031 984</b>	<b>25 188 405</b>
<b>Total compensation</b>						<b>30 889 858</b>

1. Share-based compensation is recognised at the total fair value at the date of the award. These incentives are settled in equity (either shares or share options) after completion of the vesting period of between 3 and 5 years. Details of the share-based compensation valuation model and significant inputs to this model are found in note 33 to the consolidated financial statement.

2. Mr Magnoni and Mr Anton Rupert have formally waived their entitlement to receive any fees or compensation in respect of their duties as non-executive directors. The table above includes compensation for other services.

3. From 9 September 2020.

4. Sophie Guieysse stepped down from the Senior Executive Committee on 12 June 2020 and from the Board of Directors on 9 September 2020 but remained an employee of the Group until 31 March 2021. The amounts shown above represent salary and benefits paid to Ms Guieysse during the period in which she acted as a Director of the Company. All amounts paid to her subsequent to this period are included in the line 'Other SEC members'. This includes salary, other benefits and short-term incentives for the year ended 31 March 2021 and a non-compete agreement signed with Ms Guieysse on her departure. No share-based awards were made; however, share options awarded in prior years have vested on 31 March 2021 and Ms Guieysse retains her allocated PSU, which remains subject to the performance conditions described at page 65.

5. Social security costs are the employer's contribution on all components of compensation (see above).

## Compensation for the financial year to 31 March 2020

	Fixed fees CHF	Consultancy fees CHF	Other CHF	Post-employment benefits CHF	Social security cost <sup>4</sup> CHF	Total CHF
<b>Board of Directors</b>						
Johann Rupert	2 700 000	–	–	–	393 068	<b>3 093 068</b>
Josua Malherbe	335 000	–	–	–	26 368	<b>361 368</b>
Nikesh Arora	181 000	637 500	–	–	–	<b>818 500</b>
Clay Brendish	435 000	–	–	–	–	<b>435 000</b>
Jean-Blaise Eckert	270 000	–	–	–	–	<b>270 000</b>
Keyu Jin	246 000	–	–	–	–	<b>246 000</b>
Ruggero Magnoni <sup>2</sup>	–	–	–	–	–	–
Jeff Moss	275 000	–	–	–	–	<b>275 000</b>
Vesna Nevistic	270 000	–	–	–	–	<b>270 000</b>
Guillaume Pictet	325 000	–	–	–	23 395	<b>348 395</b>
Alan Quasha	200 000	–	–	–	–	<b>200 000</b>
Maria Ramos	246 000	–	–	–	19 321	<b>265 321</b>
Anton Rupert <sup>2</sup>	–	–	–	–	–	–
Jan Rupert	275 000	–	–	–	21 631	<b>296 631</b>
Gary Saage	224 895	775 000	24 228	–	21 950	<b>1 046 073</b>
<b>Total</b>	<b>5 982 895</b>	<b>1 412 500</b>	<b>24 228</b>	<b>–</b>	<b>505 733</b>	<b>7 925 356</b>

	Fixed components		Variable components			Total CHF
	Salary and other employee benefits CHF	Post- employment benefits CHF	Short-term incentives <sup>5</sup> CHF	Stock option award <sup>1</sup> CHF	Social security cost <sup>4</sup> CHF	
<i>Variable paid in:</i>			<i>Cash</i>	<i>Equity</i>		
<b>Senior Executive Committee</b>						
Nicolas Bos <sup>3</sup>	1 686 296	114 799	3 220 000	3 783 914	404 148	<b>9 209 157</b>
Burkhardt Grund	1 521 576	113 180	542 000	3 507 593	346 148	<b>6 030 497</b>
Sophie Guieysse <sup>4</sup>	809 615	93 818	266 000	1 753 834	133 764	<b>3 057 031</b>
Jérôme Lambert <sup>3</sup>	2 005 684	112 947	1 442 000	4 164 872	332 902	<b>8 058 405</b>
Cyrille Vigneron	1 834 015	114 834	826 000	4 079 666	326 030	<b>7 180 545</b>
Other SEC members <sup>3</sup>	2 402 590	272 002	636 000	4 103 562	437 293	<b>7 851 447</b>
<b>Total</b>	<b>10 259 776</b>	<b>821 580</b>	<b>6 932 000</b>	<b>21 393 441</b>	<b>1 980 285</b>	<b>41 387 082</b>
<b>Total compensation</b>						<b>49 312 438</b>

1. Share-based compensation is recognised at the total fair value at the date of the award. These incentives are settled in equity (either shares or share options) after completion of the vesting period of between 3 and 5 years. Details of the share-based compensation valuation model and significant inputs to this model are found in note 33 to the consolidated financial statements.

2. Mr Magnoni and Mr Anton Rupert have formally waived their entitlement to receive any fees or compensation in respect of their duties as non-executive directors. The table above includes compensation for other services.

3. During the year to 31 March 2020, Mr Nicolas Bos, Mr Jérôme Lambert and Mr Emmanuel Perrin also received a cash payout as a result of a long-term incentive award made in 2016 as compensation for their positions as brand executives at that time; these amounts are not included in the above table.

4. Social security costs are the employer's contribution on all components of compensation (see above).

# Compensation report continued

AUDITED

## 8. Related party transactions

In addition to their duties as non-executive directors, Mr Gary Saage and Mr Nikesh Arora provided consultancy services to the Group during the year. Fees for those services, amounting to CHF 0.6 million and CHF 0.2 million respectively, are included in the compensation disclosures above. The consultancy services provided to the Group are in connection with the Group's business development, digital and business transformation strategies.

Maître Jean-Blaise Eckert, a non-executive director, is a partner of the Swiss legal firm Lenz & Staehelin. During the year under review, Lenz & Staehelin received fees totalling CHF 1.3 million from Group companies for advice on legal and taxation matters.

During the year the Group gave donations of CHF 0.2 million to the Fondazione Giuliano e Maria Carmen Magnoni, a charitable organisation supporting initiatives for young people in disadvantaged conditions. Mr Ruggero Magnoni is Vice-Chairman of the Foundation.

In the prior year, M&M Capital Limited, a company in which Mr Ruggero Magnoni is Chairman and shareholder, received a fee of CHF 2.5 million. No such transactions took place in the current year.

## Payments to former directors

Mr Alain-Dominique Perrin, a former director of the Group, provided consulting services to the Group during the year. Fees for these services amounted to CHF 4.6 million. The consultancy services provided to the Group are in connection with business development and marketing-related activities, in particular ensuring that matters related to communication, products and distribution are appropriate and consistent with the identity and strategy of the Group's Maisons.

## Loans to members of governing bodies

As at 31 March 2021, there were no loans or other credits outstanding to any current or former executive, non-executive director or member of the Senior Executive Committee. In accordance with the Group's Articles of Association (Article 38), the Group does not extend loans to current or former members of the Board or Senior Executive Committee. There were also no non-business-related loans or credits granted to relatives of any member of the Board or Senior Executive Committee.

# Report of the statutory auditor

## to the General Meeting of Compagnie Financière Richemont SA

### Bellevue, Switzerland

We have audited the pages 72 to 74 of the accompanying compensation report of Compagnie Financière Richemont SA for the year ended 31 March 2021.

#### **Board of Directors' responsibility**

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Opinion**

In our opinion, the compensation report of Compagnie Financière Richemont SA for the year ended 31 March 2021 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

Guillaume Nayet  
Audit expert  
Auditor in charge

Louise Rolland

Geneva, 20 May 2021