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Our Transformational Strategy was launched in 2019. It reflects our ambition to see luxury create benefits for all and represents Richemont’s movement for better luxury.

During the year, we established detailed targets for our Strategy’s four focus areas: People, Communities, Sourcing and Environment. This report describes our progress against those targets, in particular our short-term targets due for completion by December 2020.

In addition to revealing our short-term targets and progress, this report also explores the findings of our Generation Z materiality assessment. That assessment explored whether the next generation of Richemont stakeholders, including customers and colleagues, had the same priorities as our current stakeholders. The study highlighted the much higher priority given to climate change and other environmental issues. Accordingly, we have accelerated environment-related projects, including our commitment to Science-Based Targets in line with the Paris Agreement, our first report in line with the TCFD recommendations, and our commitment to use 100% renewable electricity by 2025. This report also includes a description of Richemont’s contribution to the United Nation’s Sustainable Development Goals in the decade ahead.

The effects of the COVID-19 pandemic, which began to touch our customers, colleagues, partners and suppliers in January 2020, are described in a separate chapter. It covers the action we have taken to protect the health and wellbeing of all our stakeholders, to preserve employment and maintain financial capacity during this unprecedented time. With this report being published in July, we have included some of our actions since the March financial year-end. Without doubt, the crisis has paused not only regular business activities, such as making luxury goods and serving customers face to face, it has also paused some of our sustainability-related projects, such as supplier audits. We look forward to resuming our paused projects in the foreseeable future and pursuing our longer-term goal of crafting sustainable solutions in the luxury sector.

Our Maisons, Online Distributors, regional and central functions continued to develop their own responsible practices during the year, from innovative raw material sourcing to digital training. You may read more about each Maison on its own website and in our 2020 Annual 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 sustainability efforts and strive to improve each year.

We welcome your feedback on our sustainability performance and reporting. Please contact us with your comments and questions.
OUR APPROACH TO SUSTAINABILITY
In 2019 we launched our Transformational Strategy (‘Strategy’), which reflects our aspiration for Better Luxury – improving the way luxury is created, in a way that is more sustainable and responsible, and creating a positive impact for the many different stakeholders involved in our value chain. The Strategy builds upon our previous CSR Plans of 2014 and 2017 and more than a decade of continuous improvement.

Our Strategy is graphically outlined below. Our ‘Movement for Better Luxury’ is supported by four focus areas: People, Communities, Sourcing and Environment - 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. Our Strategy combines three levels of ambition over the short-, medium- and long-term, providing our Maisons with greater flexibility.

The Strategy was subsequently validated by two materiality assessment exercises in 2019. The second exercise involved only stakeholders aged 25 or younger.

REPORTING ON OUR TRANSFORMATIONAL STRATEGY

In our 2019 Report, we disclosed the basis of the Strategy as well as its short-term and medium term commitments. In the present 2020 Report, we are disclosing the targets linked to our short-term commitments and our progress against those targets. We are also disclosing some of our medium-term targets and certain long-term commitments. The details of those disclosures may be found in the respective focus area chapters of the report: People, Communities, Sourcing and Environment.
MATERIALITY

Following Richemont’s first materiality assessment in 2016, we conducted a second materiality assessment in mid-2019 – a comprehensive review to identify the key issues that matter most to our business and our stakeholders. The materiality assessment confirmed that our Strategy is focused on the right areas and that we continue to report on the sustainability topics that are important to our stakeholders.

Corporate Citizenship, an independent consultancy specialising in sustainability, conducted that process in four stages.

STAGE 1 – ISSUE IDENTIFICATION

A review of multiple sources of internal and external information to produce a mapping of relevant issues across our full value chain. The outcome was a list of issues from a social, economic and environmental dimension. The issues were also assessed in terms of Richemont’s impact on society and potential business impact on Richemont. 18 issue areas were identified, encompassing 63 sub-topics.

STAGE 2 – INTERNAL REVIEW AND ENGAGEMENT

Internal insights and analyses were gathered to determine the relative prioritisation of each issue area from a business impact perspective. The business impact perspective took into account the scale of Richemont’s impact on society and the issue’s impact on Richemont, including risks to its core business. The data was collated via a tailored online survey of internal stakeholders, representing different functions, regions and Maisons.

STAGE 3 – EXTERNAL ENGAGEMENT

A stakeholder mapping to provide a comprehensive picture of Richemont’s external stakeholder groups was conducted, ensuring an appropriate balance of different stakeholders were engaged. Interviews were conducted 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.

The findings were validated by the Group’s CSR Committee, comprising leaders with functional responsibilities
The results of our mid-2019 assessment are presented in the materiality matrix below.

**MATERIALITY MATRIX**

![Materiality Matrix Diagram]

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

Issues in the top right darker blue quadrant are our highest priority material issues. The top priority issues were i) Human rights and labour standards in the supply chain and ii) Transparency and traceability of raw materials.

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.

During its validation review of the mid-2019 assessment, the Group CSR Committee remarked that climate change had not been rated highly by stakeholders: it was in the green zone, not the dark blue zone. Following discussion, a second materiality assessment was conducted. To capture the concerns and views of the next generation, only stakeholders aged 25 and under were invited to participate in stages 2 and 3 above. The other parts of the process were unchanged to ensure a like-for-like comparison. The tailored assessment was called the ‘Gen Z Edition’.

Gen Z might not immediately seem like a key stakeholder group for Richemont, but this cohort of under-25s are already being employed across our Maisons and, for some, increasingly represent our customer base, particularly in the Asia-Pacific region. Moreover, in the coming years this generation will become ever-more important, and the perceptions they have of Richemont and luxury goods now will likely influence our future relationship. Therefore, understanding Gen Z is critical to the future of our business. We already know that Gen Z want to work for companies with purpose, buy from businesses that tackle social and environmental problems, and expect greater product and corporate transparency. But while independent reports give an indication of these general trends, we felt the only way to understand what this means for Richemont is by listening to them through a materiality exercise. Stakeholders included customers, sustainable luxury opinion-formers and influencers, luxury design professionals, founders of ethical luxury retail platforms and our own colleagues.
The results of the Gen-Z Edition are presented in the materiality matrix below.

<table>
<thead>
<tr>
<th>Importance to stakeholders</th>
<th>Impact on the business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower</td>
<td>Higher</td>
</tr>
<tr>
<td>Non-Governmental (NGO) &amp; civil society engagement</td>
<td>Community investment</td>
</tr>
<tr>
<td>Biodiversity</td>
<td></td>
</tr>
<tr>
<td>Circular economy</td>
<td></td>
</tr>
<tr>
<td>Diversity &amp; Inclusion</td>
<td></td>
</tr>
<tr>
<td>Positive social impact</td>
<td></td>
</tr>
<tr>
<td>Climate change &amp; other environmental impacts</td>
<td></td>
</tr>
<tr>
<td>Transparency &amp; traceability of raw materials</td>
<td></td>
</tr>
<tr>
<td>Craftsmanship</td>
<td></td>
</tr>
<tr>
<td>Customer experience</td>
<td></td>
</tr>
<tr>
<td>Data protection &amp; cyber security</td>
<td></td>
</tr>
<tr>
<td>Governance &amp; ethics</td>
<td></td>
</tr>
<tr>
<td>Health, safety &amp; employee well-being</td>
<td></td>
</tr>
<tr>
<td>Human rights &amp; labour standards in the supply chain</td>
<td></td>
</tr>
<tr>
<td>Packaging &amp; waste</td>
<td></td>
</tr>
<tr>
<td>Product design, creativity &amp; quality</td>
<td></td>
</tr>
<tr>
<td>Talent &amp; lifelong learning</td>
<td></td>
</tr>
<tr>
<td>Trade in protected species &amp; animal welfare</td>
<td></td>
</tr>
</tbody>
</table>

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

A comparison of the prioritisations between Gen Z’s and non-specific stakeholder’s sustainability issues highlighted a number of insights. First, climate change rose to the top of the list as the most significant issue for Richemont. While already considered a major issue by our stakeholders, Gen Z ranked this as their undisputed top priority. After a year of climate strikes, this finding was not surprising, but it added yet more weight to the Gen Z call for action on the issue. Similarly, the environmental concerns of biodiversity, animal welfare and a circular economy were all given greater importance by Gen Z than the stakeholders in our original assessment. Gen Z also gave higher ranking to diversity and inclusion, albeit not significantly higher. Being raised in a globalised world with a more fluid understanding of aspects of identity, including gender and ethnicity, it is not surprising that Gen Z are expecting organisations to demonstrate greater inclusivity.

Other findings challenged intergenerational assumptions about what is a priority issue and what is standard business practice. For instance, human rights and labour standards in the supply chain was a top priority issue in the original materiality assessment. For Gen Z, this was still important, but its final ranking and qualitative feedback suggested this was now a basic expectation of any business.

How we give to the community was another area where generational differences were apparent. For Gen Z, traditional models of philanthropy and community investment were considered low
priorities. However, achieving a positive social impact was considered important, highlighting an expectation for real social change to be embedded within regular business activities.

As a result of this comparative study, Richemont better understands the concerns of our stakeholders of today and of tomorrow. Whilst this may not radically change our strategic direction – climate change, human rights and social impact were already among our priorities – it will influence the way we phase our activities and communications.

REPORTING ON OUR MATERIAL ISSUES

The 2019 materiality assessments have steered our disclosures, including the mapping of the issues to the Sustainable Development Goals. It has also accelerated our project to set Science-Based Targets for decarbonising our business operations.

In parallel, 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 Strategy and are priorities for our stakeholders.
The 2030 Sustainable Development Goals (‘SDGs’ or ‘Global Goals’ or ‘Agenda 2030’) were set by the United Nations in 2015. The 17 Global Goals range from ending poverty to working in partnerships, with each Goal having agreed targets. Delivering the Global Goals is not reserved for governments, they are goals for individuals, organisations and companies of all sizes. The period starting in 2020 has been named the Decade of Delivery.

Richemont’s CSR Strategy includes a commitment to identify and align its operations with selected Global Goals. During the year, a detailed mapping was conducted using our materiality assessment.

This chapter focuses on the outcome of that mapping and the implications for our business. The chapter also draws attention to SDG mapping conducted by our partner organisations, including the Responsible Jewellery Council, TRACIT and United Nation Global Compact.

MAPPING OUR MATERIAL ISSUES TO THE SDGS

In 2019, Richemont conducted its second materiality assessment, which identified and ranked the 18 issues of most importance to our stakeholders. The issues are displayed in a Materiality Matrix and described in the Our Approach chapter of this report.

Following the identification of the 18 issues, being those areas which Richemont will report on each year, the next step was to map those issues to the 17 Global Goals to see which ones are most relevant. By seeking relevance, Richemont’s contribution to achieving the Global Goals will be more focused: opportunities to leverage its capacities will be identified and become part of Richemont’s future growth. Less relevant Global Goals will not be disregarded, but Richemont’s contribution to their achievement will be incidental to our main efforts.

The mapping was based on how strongly aligned Richemont’s material issues are linked to specific SDGs. Given the cross-cutting nature of the SDGs, the mapping was based on a high threshold of alignment i.e. material issues have been mapped to SDGs and their respective targets only where moderate or high connection was found. The SDGcompass.org was used as a reference point and the 169 SDG targets were also reviewed individually in order to determine the links to Richemont’s 18 material issues, including those issues’ 63 sub-topics.

For example, the ‘Diversity & Inclusion’ issue is ranked medium-medium in our Materiality Matrix. That issue includes sub-topics that are strongly linked to SDG 5, such as equal remuneration for women and men as well as childcare services and benefits. The same issue includes sub-topics which are moderately linked to SDG 8 and SDG 10, which covers the promotion of equal opportunities and diversity, including in the value chain. As another example, the ‘Health, safety & employee well-being’ issue is ranked high-medium in our Materiality Matrix. That issue includes sub-topics that are strongly linked to SDG 8, such as occupational health and promoting safe and secure working environments, including in the value chain. The issue is moderately linked to SDG 3, which includes other aspects of occupational health, such as reducing injury rates. The combined results of the mapping process are summarised in the following table.
Note: Material issues are listed alphabetically

**RESULTS AND IMPLICATIONS**

The five SDGs with the highest relevance for Richemont are SDG 5, 8, 12, 13 and 17. Each is summarised and Richemont’s current contribution is discussed below.

**SDG 5:** Achieve gender equality and empower all women and girls.

In particular, SDG 5.5 "Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.”

Our targets to promote Diversity and Inclusion and our progress to date are described in the People chapter. As an example, Richemont has expanded its benefits programme for childcare services, including parental leave. In our supply chain, we promote equal remuneration for women and men, equal opportunities and diversity through certification schemes such as the Responsible Jewellery Council.

**SDG 8:** Promote inclusive and sustainable economic growth, full and productive employment and decent work for all.

In particular, SDG 8.2 “Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors” and SDG 8.4 “Improve progressively global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation.”
Our targets regarding occupational health, safety and well-being are described in the People chapter. That chapter also describes the importance of talent and lifelong learning to preserve craftsmanship and employability in the luxury goods sector. As an example, Richemont has established luxury retail academies in Asia and North America.

Our policies to safeguard human rights and labour standards in the supply chain and the positive social impact we make are described in the Sourcing chapter. Implementing transparency and traceability in raw material sourcing, particularly materials which have positive biodiversity and environmental impacts such as American alligator leather, is included in the Environment chapter.

**SDG 12: Ensure sustainable consumption and production patterns.**

In particular: SDG 12.2 “Achieve the sustainable management and efficient use of natural resources”; 12.5 “Substantially reduce waste generation through prevention, reduction, recycling and reuse”; and 12.6 “Encourage transnational companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle”.

Our long-term goals include the crafting of fully sustainable business models based in circular economy principles. We have taken first steps with the international expansion of a specialist pre-owned watch business. In the meantime, we are primarily using recycled gold in our new watches and jewellery pieces to minimise our environmental impacts and are reviewing all aspects of product packaging to minimise waste in the production and consumption phases. An example is IWC Schaffhausen’s alternative packaging project, which offers customers smaller, lighter ways to travel with new watches.

**SDG13: Take urgent action to combat climate change and its impacts.**

We have committed to establish Science-Based Targets in line with the Paris Agreement. The targets will be set in the year ahead for Scope 1, 2 and 3. In parallel, we have also committed to lower our carbon emissions from business travel and to source 100% renewable electricity by 2025. Details of those commitments and our current emissions data may be found in the Environment chapter.

**SDG 17: Partnerships for the Goals.**

Through partnerships, Richemont is able to contribute to the SDGs beyond our own operations. Our partnerships can be through commercial relationships with suppliers and distributors, and through philanthropic relationships. The Communities chapter of this report describes many of our philanthropic relations and how they contribute to society on a thematic basis. An example is the Laureus Sports for Good Foundation and the benefits it brings to hundreds of thousands of disadvantaged children around the world each year.

Our partnership with standard-setting organisations enables us to build capacity beyond our operations as they promote dialogue and multi-lateral partnerships to achieve progress on the Global Goals.
PARTNER ORGANISATIONS

RESPONSIBLE JEWELRY COUNCIL (RJC)

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. To improve our watch and jewellery supply chain, Richemont works closely with the Responsible Jewellery Council (‘RJC’) and its two Standards: Code of Practices and Chain of Custody.

Membership of the RJC promotes a robust approach to 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.

The wider importance of the RJC and similar Voluntary Standard Systems to sustainability was recently underscored by a 2018 report prepared 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 is establishing an SDG Taskforce in 2020 to address both its 1’200 members wish to contribute to the SDGs and to respond to critical comments received from certain civil society representatives.

OTHER ORGANISATIONS

In addition to our work with the Responsible Jewellery Council (‘RJC’), we are also involved with the following organisations, which help us improve our social, economic and environmental performance:

- 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 sustainability 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.

TRACIT

Richemont is a member of the Transnational Alliance to Combat Illicit Trade (TRACIT). TRACIT is an independent, private sector initiative to drive change to mitigate the economic and social damages of illicit trade by strengthening government enforcement mechanisms and mobilising businesses across industry sectors most impacted by illicit trade. TRACIT provides a strong
partner for Richemont’s commitment to Corporate Social Responsibility (CSR), sustainability, human rights and fair labour conditions, giving us a platform to stand against illicit trade in all forms relevant to our company. As illicit trade weakens the viability and sustainability of industries, it simultaneously dilutes private sector contributions to achieving the SDGs.

In 2019, TRACIT published an extensive report entitled “Mapping the Impact of Illicit Trade on the UN Sustainable Development Goals”. TRACIT provides a platform for business and governments to collaborate holistically to mitigate the encumbrance of illicit trade and the associated human rights and labour abuses on the SDGs, and represents one of the ways Richemont contributes to the partnership approach embodied in SDG 17.

**UNITED NATIONS GLOBAL COMPACT**

The United Nations Global Compact (UNGC) is the world’s largest responsible business organisation. Richemont has been a UNGC Participant since 2013 and serves on the Board of the UNGC’s Swiss Network. The Swiss Network promotes the SDG Action Manager tool to guide companies’ efforts in achieving the Global Goals.

**LOOKING AHEAD**

Richemont will further develop its knowledge of the Global Goals by using the SDG Action Manager and identify opportunities to enhance its contribution.
OUR RESPONSE TO THE COVID-19 PANDEMIC
In March 2020, the World Health Organisation classified the COVID-19 outbreak as a pandemic. The wide variability in expected financial, social and epidemiological outcomes regarding the outbreak has led to significant levels of public health issues, partial or complete lockdowns and market uncertainty. The following chapter describes the actions Richemont has taken in response to the spread of COVID-19 between January and May 2020. It therefore differs from the other chapters of this report, which report on the year ended 31 March 2020.

To deal with these unique and challenging times, the Group adopted a four-stage approach: health and safety; business continuity; remediation; and restart measures.

HEALTH AND SAFETY MEASURES

First and foremost, the health, safety and wellbeing of our colleagues, clients, partners and communities have been our top priority. From the outset, we have taken strict precautions, always in alignment with the World Health Organisation, governmental and local health authorities’ guidelines. We have been in regular communication with our colleagues, in addition to providing a 24/7 helpline and wellbeing support.

As the pandemic spread from Asia Pacific across Europe and the Middle East and then to the Americas, we temporarily closed many of our boutiques and offices, some of our distribution centres, notably those at our Online Distributors, and most of our production facilities, either fully or partially.

Throughout, Richemont has been committed to supporting the communities where we operate. In addition to our early donation to the Red Cross in Wuhan, around 100 support initiatives have been implemented throughout the Group by our Maisons and businesses. There are too many to list, but a few help to illustrate our commitments:

- Serapian have pledged over 1 million masks to medical staff and frontline workers in Italy, in addition to the masks they are providing for our colleagues and their families.
- YOOX NET-A-PORTER partnered with local charities in London, New York, Hong Kong and Milan to repurpose their delivery fleet and deliver thousands of packages containing food,
medicine, additional items and personal protection equipment to those most in need and to hospitals.

- Cartier has made several donations to organisations and programmes worldwide, including Médecins Sans Frontières, Visiting Nurse Service of New York, the Red Cross Society of China and the Emirates Red Crescent.

**BUSINESS CONTINUITY MEASURES**

The second set of measures we have taken relates to ensuring business continuity. We have kept our operations running at a minimal level, to be ready to gain momentum when the situation improves.

A small number of production facilities remained open to serve essential operations and some distribution centres continued to serve our open stores and online customers, always following governmental and public health guidelines.

Many of us have also embraced working remotely. The ramp-up, from 1’000 colleagues to over 10’000 colleagues was done in less than ten days. Our past investments in digital infrastructure have allowed our teams to maintain direct contact with clients, either through our Maisons’ websites, call centres or through social media channels.

In parallel with Richemont’s own efforts, business organisations associated with Richemont, such as the Responsible Jewellery Council, have implemented their own business continuity measures in order to preserve high standards amongst their members.

**REMEDICATION MEASURES**

Richemont’s balance sheet allows us to stay agile and gives us the freedom to take a long-term view with our Maisons and businesses, keeping employment high and honouring our commitments to stakeholders.

To this end, we promptly implemented a range of remediation measures for cash preservation:

- We quickly tailored inventories to end-consumer demand and adjusted our production capacities and corresponding supply chain needs accordingly;
- We have restricted operating expenditures to business-critical matters only, while maintaining our focus on our New Retail operating model. New Retail consists of using big data to better know our clients and meet their expectations at anytime, anywhere and with any device;
- We are renegotiating third-party agreements where we can;
- A hiring freeze has been implemented, while capital expenditure is being reduced by postponing or cancelling projects, such as store openings and renovations; and
- We are limiting expenditure to only key strategic projects.

Our overarching goal during the period was to protect our people and preserve our ability to benefit from any improvement in the economic environment.
RESTART MEASURES

Our restart measures mainly consist of reopening facilities whenever allowed by the authorities, always maintaining strict safety protocols. For example with reduced opening hours and shift arrangements.

Restart measures also include focussing on New Retail in the USA, and allocating resources and reallocating inventories to markets where sales have resumed, such as China and Korea.

LOOKING AHEAD

In light of these COVID-related developments, in May the Board of Directors proposed to halve the cash dividend in 2020. That reduction will be compensated, in part, by a second instrument – an equity-based loyalty scheme - to be detailed prior to the shareholder meeting in September 2020. Such a scheme may take the form of a distribution entitling shareholders to acquire further shares on advantageous terms. It is hoped that a vaccine will become readily available during the period of the instrument, enabling Richemont shareholders to benefit from the consequential economic recovery.

The impact of COVID on long-term customer behaviour is uncertain and will differ between categories. For example, a number of fashion businesses are already evaluating changes to their business models, in part to make fashion more sustainable.

Our movement for better luxury remains unchanged, but we will review and adapt our strategy and projects to take account of the pandemic. For example, all colleagues were invited to take part in Richemont’s second ‘Visionnaire Challenge’ from June 2020. They will use their creativity and entrepreneurship to generate new product ideas and to rethink Richemont’s model for doing business, its ways of working and client experiences. The process will enable Richemont to craft the future.
Governance is one of three transversal areas encompassing our Transformational 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 and sustainability.

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 2020 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 specific risks such as sourcing and more general reputational and perception risks associated with sustainability. These risks are annually reviewed by the Board of Directors and are reflected in our materiality assessment. We seek to eliminate or mitigate risks where identified, in partnership with our colleagues and other stakeholders through the application of good practices.

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 Transformational Strategy provides an overarching framework, together with detailed commitments and targets, which helps Richemont’s managers, employees and suppliers to understand our expectations.

During the prior year, 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 Strategy. More recently, a Community Investment policy was prepared to clarify our engagements with philanthropic organisations. The Policy is described in the Communities chapter of this report.

The entire Standards of Business Conduct were published for the first time in 2019. That step was 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 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 at least four times per year 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, Communities, Sourcing and Environment - is led by a director within the business.
CSR COMMITTEE MEMBERSHIP

At 22 June 2020, the CSR Committee comprised:

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

The Chairman of the Ethics Sub-Committee is invited to attend all CSR Committee meetings.

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 73%.

ETHICS SUB-COMMITTEE

During the year the Board’s Audit Committee established an Ethics Sub-Committee. The purpose of the Ethics Sub-Committee is to review and recommend in an advisory capacity to the Audit Committee objectives, policies and procedures designed to maintain a business environment committed to high standards of ethics and business integrity. The Committee met four times during its first year.

The Ethics Sub-Committee members comprises two Audit Committee members - Messrs Clay Brendish (Chairman) and Guillaume Pictet – and the Director of Corporate Social Responsibility. To facilitate its review of particular matters, two consultants regularly attend Ethics Sub-Committee meetings: Ms Sandra Macleod, an Expert Witness on reputation and an international leader in communication research; and Ms Jasmine Whitbread, who also serves as a non-executive director of public companies including Standard Chartered and WPP.

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.

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. The Conference held in October 2019 focused on the Transformational Strategy over two days. It
provided an opportunity for CSR Representatives to understand the background, discuss the implications and deepen their personal engagement with the targets and those ultimately responsible for delivering them. The event helped to energise Maison and Regional actions in support of the targets.

Other tools are in place to facilitate information sharing among CSR Representatives on a continuous basis, including a CSR intranet and social media. As at March 2020, the internal social network had over 480 active users. In addition, Richemont, our Maisons and YOOX NET-A-PORTER use corporate intranets to reach much wider internal audiences and increase employee engagement.

In addition to these Group-directed efforts, each Maison manages its 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'. The Maisons have also established cross-functional teams, intranets and CSR-dedicated social media groups.

There are expert working groups across Richemont on specific topics such as diversity & inclusion, community investment, precious materials and the environment. Those working groups review and determine the best approach to such topics, generating innovative initiatives. Examples are given in the respective chapters of this report.

**CSR FACULTY**

To further embed expertise across the group, the Group CSR Function established a CSR Faculty during the year. The aim is to strengthen knowledge and skills around a wide range of sustainability topics among the Maison CSR Representatives and their respective Committee members.

The content of the Faculty is currently provided by the University of Cambridge Institute for Sustainability Leadership ('CISL'). CISL provides a range of online courses, ranging from four hours to more than one hundred hours of individual or supervised study. At March 2020, more than 150 CSR Representatives and Committee members have taken or have registered for such courses. Their knowledge will help to embed CSR in business operations.

In addition to the CISL content, the Group CSR Function is developing content to engage all of our colleagues in sustainability topics relating to the Transformational Strategy. Access to that content will be via the Group's Learning Management System, which is used for both voluntary and compliance training.

**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, our Standards of Business Conduct and performance against our previous CSR Plans. This year, in addition to disclosing the short-, medium and long-term commitments of our Transformational Strategy, we are disclosing the Strategy's short-term qualitative and quantitative targets and our performance to date across the four focus areas: People, Communities, Sourcing and Environment. In future years, we will also disclose our medium-term and long-term targets across the four focus areas.
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 the Sourcing chapter.

This report covers the financial year ended 31 March 2020. 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 report, we include a summary on pages 36 and 37 of our 2020 Annual Report.

**GLOBAL REPORTING INITIATIVE (‘GRI’)**

Our 2020 Sustainability 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 were independently assured from 2010/11 to 2018/19. The 2019/20 carbon emissions have not been assured as Richemont is giving priority to employment preservation during the COVID-19 pandemic crisis. Other assurance projects have also been postponed for the same reason.

**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 current Communication on Progress may be found on the UNGC website and alongside this report on our website.

Global Compact Network Switzerland and Liechtenstein (‘GCNSL’) is the local chapter of the UNGC. It promotes the UNGC’s 10 Principles within the Swiss economic sphere and provides local support to UNGC members. Members include companies, business associations, academic institutions and non-governmental organisations. Richemont’s Director of CSR has served as Vice-Chair of the GCNSL Board since 2014.

A GCNSL 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 Strategy includes a commitment to identify and align its operations with selected Global Goals. Details may be found in a dedicated chapter of this report.
CASE STUDY

RICHEMONT NORTH AMERICA

Richemont North America’s commitment to sustainability is focused on robust, genuine and meaningful projects that make a difference for our stakeholders, in particular our clients and colleagues.

In 2019, a CSR Task Force was established consisting of Maison 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 stemming from Richemont’s global Transformational Strategy. Regarding community investment, the CSR Task Force is committed to philanthropic actions, giving back to local communities and strengthening our long-term partnerships, including Laureus Sports for Good Foundation amongst various regional and local organizations. Further, a commitment has been made to team engagement projects that solidify volunteering opportunities and create an inclusive working environment.

LOOKING AHEAD

In terms of governance, the Transformational Strategy recognises an enhanced role for the CSR Committee. That role includes challenging the performance of each focus area against targets. It also includes ‘scanning the horizon’ for emerging cross-cutting issues such as business and human rights and how Richemont can best support the achievement of the Sustainable Development Goals.

The role of the Ethics Sub-Committee will be reviewed, taking into account the needs of the Audit Committee regarding the management of perceived Environmental, Social and Governance risks.

The next Richemont CSR Conference will bring together over 50 representatives from Maisons, functional departments and subject matter experts to deepen their engagement with the Transformational 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. Our Standards of Business Conduct describe the measures we take in cases of breach, misconduct or non-compliant behaviour.

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 2019 calendar year, 117 whistleblowing cases were notified. (2018: 124 cases. 2017: 85 cases.). Each case was followed-up accordingly.

ANTI-COUNTERFEITING

We seek to protect our clients from the 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 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 distribution of counterfeits 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 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 or use our general anti-counterfeiting email address.

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. The estimated global value of counterfeiting and piracy is 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. Further details may be found in the chapter on the Sustainable Development Goals.
PRODUCT ADVERTISING AND LABELLING

The Group’s Maisons advertise their products through a variety of media channels. Compliance with local advertising and product labelling laws is monitored. 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 data protection, Richemont’s 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. 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 Global Data Privacy Policy incorporates the requirements 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. The Policy exists in twelve languages. It defines how the Group must process personal data, including clients’ personal data. A related global eLearning 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: Cartier, Van Cleef & Arpels, Buccellati, A. Lange & Söhne, Baume & Mercier, IWC Schaffhausen, Jaeger-LeCoultre, Officine Panerai, Piaget, Roger Dubuis, Vacheron Constantin, Alaïa, Chloé, Dunhill, Montblanc, Peter Millar and Purdey. Each of Our Maisons™ represents a proud tradition of style, quality and craftsmanship which Richemont is committed to preserving. Richemont also owns YOOX NET-A-PORTER GROUP and Watchfinder & Co.
Richemont’s 2020 Annual Report describes each of the Group’s Maisons and their respective operations.

**SIGNIFICANT CHANGES IN 2019/20**

During the year under review, the Group acquired Buccellati, the renowned Italian jewellery Maison.

The COVID-19 pandemic in early 2020 and Richemont’s responses are described in a dedicated chapter of this 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 SAR, China for Asia Pacific, excluding Japan;
- in Tokyo for Japan; and

Richemont directly employed approximately 36'000 people at the end of March 2020, 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, USA.

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**

<table>
<thead>
<tr>
<th></th>
<th>Financial Year to March 2020</th>
<th>Financial Year to March 2019</th>
<th>Percentage difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (€ millions)</td>
<td>14'238</td>
<td>13'989</td>
<td>+ 2%</td>
</tr>
<tr>
<td>Operating profit (€ millions)</td>
<td>1'518</td>
<td>1'943</td>
<td>- 22%</td>
</tr>
<tr>
<td>Net profit (€ millions)</td>
<td>931</td>
<td>2'787</td>
<td>- 67%</td>
</tr>
<tr>
<td>Average number of employees (FTE)</td>
<td>35'657</td>
<td>35'640</td>
<td>0 %</td>
</tr>
</tbody>
</table>

More information on the Group’s economic impact is available in our 2020 Annual Report.

Richemont’s tax strategy may be found on our website.
STAKEHOLDER ENGAGEMENT
Engagement is one of the transversal issues encompassing our Transformational Strategy. It is cross-cutting for each focus area: People, Communities, Sourcing and Environment. 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. They were identified through a stakeholder prioritisation exercise. As described above, during the year we undertook two stakeholder mapping and engagement exercises as part of our materiality review: a standard exercise and the Gen-Z Edition. The results guide our strategy and annual reporting.

<table>
<thead>
<tr>
<th>Stakeholder group</th>
<th>Key issues of interest</th>
<th>How we engage and frequency (#)</th>
</tr>
</thead>
</table>
| **CLIENTS/CUSTOMERS**<br>*to whom we provide high quality goods and services* | ▪ Quality, design and craftsmanship of our products  
▪ Customer service  
▪ Origin / traceability of product and precious materials  
▪ Data protection | ▪ Customer surveys, meetings, briefings and events (>20)  
▪ Customer feedback through after-sales service (> 000s)  
▪ Fair pricing of products around the world, subject to exchange rate movements |
| **EMPLOYEES**<br>*who drive the success of the business* | ▪ Health, safety and well-being  
▪ Employee welfare (including remuneration, benefits, consultation)  
▪ Training and development  
▪ Diversity and inclusion  
▪ Engagement | ▪ Employee engagement surveys and barometers  
▪ Management briefings (dozens)  
▪ Intranet sites (1 Group and more than 10 Maison sites. Most are refreshed daily)  
▪ Structured performance management (over 35’000)  
▪ Learning Management Systems to support training and development, Employee Works Councils in some countries |
| **SUPPLIERS AND BUSINESS PARTNERS**<br>*who we rely on to deliver our quality products to our clients* | ▪ Responsible sourcing of materials  
▪ Ethical, social and environmental standards  
▪ Quality  
▪ Fair payment terms | ▪ One-to-one meetings  
▪ Supplier Code of Conduct (see Sourcing chapter)  
▪ Supplier audits (between 100 and 200)  
▪ Through industry organisations (> 3) |
<table>
<thead>
<tr>
<th>Stakeholder group</th>
<th>Key issues of interest</th>
<th>How we engage and frequency (#)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REGULATORS AND POLICY LEADERS</strong>&lt;br&gt;who provide the framework within which we operate</td>
<td>• Compliance with laws and regulations&lt;br&gt;• Transparency&lt;br&gt;• Responsible sourcing of materials</td>
<td>• Corporate affairs representatives&lt;br&gt;• Via industry organisations such as the RJC (&gt;15) and the Federation of the Swiss Watch Industry (&gt;2)&lt;br&gt;• TRACIT (&gt;3)&lt;br&gt;• Participation in United Nations Global Compact and its Swiss Network (&gt;9)</td>
</tr>
<tr>
<td><strong>SHAREHOLDERS, INVESTORS, ANALYSTS AND NON-FINANCIAL RATING ORGANISATIONS</strong>&lt;br&gt;with whom we seek to develop long-term relationships based on trust and value creation</td>
<td>• Strategy and capital allocation&lt;br&gt;• Financial performance&lt;br&gt;• Governance &amp; business ethics&lt;br&gt;• Embedding sustainability in operations&lt;br&gt;• Responsible sourcing&lt;br&gt;• Diversity and inclusion&lt;br&gt;• Philanthropy</td>
<td>• AGM and carbon-free AGM roadshows&lt;br&gt;• Interim/annual results presentations and their webcasts&lt;br&gt;• Carbon-free and in-person roadshows and meetings&lt;br&gt;• Sustainability investor conferences&lt;br&gt;• Responding to investor surveys and to rating agency questionnaires on sustainability matters</td>
</tr>
<tr>
<td><strong>COMMUNITIES</strong>&lt;br&gt;local communities where our operations are based; the wider cultural community we engage through our activities</td>
<td>• Economic impact&lt;br&gt;• Ethical, social and environmental practices&lt;br&gt;• Employment opportunities&lt;br&gt;• Community partnerships and philanthropy</td>
<td>• Through our citizenship activities (not collected)&lt;br&gt;• Meetings with NGO partners (&gt;2)</td>
</tr>
<tr>
<td><strong>INDUSTRY ORGANISATIONS</strong>&lt;br&gt;with whom we share best practices</td>
<td>• Ethical, social and environmental practices&lt;br&gt;• Industry issues, including anti-counterfeiting</td>
<td>• Through the RJC and other industry bodies&lt;br&gt;• Participation in Swiss Better Gold Association (&gt;6)&lt;br&gt;• Participation in the Coloured Gemstones Working Group (&gt;6)&lt;br&gt;• BSR’s Responsible Luxury Initiative and related working groups (&gt;3)</td>
</tr>
<tr>
<td>Stakeholder group</td>
<td>Key issues of interest</td>
<td>How we engage and frequency (#)</td>
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<td>-------------------</td>
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</tr>
</tbody>
</table>
| NON-GOVERNMENTAL ORGANISATIONS ('NGOS') with whom we engage through our involvement in industry associations and activities | ▪ Ethical, social and environmental practices  
▪ Community partnerships and philanthropy  
▪ Biodiversity | ▪ Meetings and progress reports, primarily via industry organisations such as the RJC and United Nations Global Compact  
▪ Carbon Disclosure Project survey (1)  
▪ WWF or the World Wide Fund for Nature (2) |
| MEDIA Specialist and mainstream media who are interested in our business | ▪ Strategy and financial performance  
▪ Consumer attitudes to luxury and sustainability  
▪ Advertising  
▪ Responsible sourcing & ethical standards  
▪ Diversity and inclusion  
▪ Philanthropy | ▪ Refer to the row above regarding 'Shareholders, investors, analysts and non-financial rating organisations' |

**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 gun-, alcohol- and tobacco-related products.

Together, the sales of guns by James Purdey & Sons, the sales of 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.

**SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)**

During the year, in light of emerging good practice, Richemont reviewed the priority areas identified in the Materiality Matrix against the Sustainability Disclosure Topics in the Sustainability Accounting Standards Board (SASB) standard for Richemont’s classification in the
‘Apparel, Accessories & Footwear’ industry. All of the high-level topics listed for Richemont’s classification are encompassed in Richemont’s list of 18 material issues. In 2020-21, Richemont will review the relevant indicators contained in the Transformational Strategy against the Accounting Metrics in the SASB classification and any significant gaps will be considered as part of the review of the Strategy in January 2021.

PUBLIC POLICY ENGAGEMENT

Richemont engages with organisations on key issues affecting the industry. Those engagements include:

- Legislation related to the “Swiss made” label specific to watches and “Swissness” standards through the Federation Horlogère (FH);
- Standards relating to the sourcing, processing and description of precious metals, diamonds and coloured gemstones through the Responsible Jewellery Council (RJC);
- Animal welfare for alligators through the International Crocodilian Farmers Association (ICFA).

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; Ethos; FTSE Russell (FTSE4Good); Glass Lewis; ISS ESG; MSCI ESG Indices; S&P Global (SAM); Sustainalytics; and Vigeo Eiris.

Other 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 Sustainability Report.
CASE STUDY

IWC SCHAFFHAUSEN’S ENGAGEMENTS

Within the luxury watch sector, through its wide-ranging actions and disclosures IWC Schaffhausen has established itself as a sustainability leader. Amongst its recent engagements, the following actions and accolades have helped the Maison to deepen its stakeholder engagements on sustainability matters.

IWC was the first luxury watch brand to sign the Ellen MacArthur Foundation’s New Plastic Economy Global Commitment, committing to the reduction of plastic waste. Shortly thereafter, IWC introduced new packaging, which contains 90% less plastic than before and reduced the average packaging weight and volume by 30%. The Maison continues to work with suppliers to reduce the volume of single-use plastics for logistics and ensures that shopping bags are both recyclable and are made of 100% post-consumer Forest Stewardship Council-certified paper.

In January 2020, IWC was the first luxury watch brand to achieve certification to the stringent 2019 Code of Practice standard of the Responsible Jewellery Council (RJC). The fine gold used in its watches is from recycled sources and is Chain of Custody-certified by the RJC.

IWC became the first luxury watch brand to receive “Great Place to Work” certification within Switzerland, demonstrating a culture of trust and high employee engagement. Employee benefits are also provided with environmental impact in mind. For example, in Schaffhausen the food prepared in IWC’s canteens is locally sourced, seasonal and includes vegan options, and the Maison subsidises commuting by public transport.

Looking ahead, in summer 2020 IWC will publish its latest GRI-standards sustainability report, describing progress against its 2020 targets and setting new targets for 2022.

LOOKING AHEAD

In terms of deepening engagement, the Transformational Strategy recognises the importance of transparency and public disclosure. This is reflected in the current report and will be enhanced in future years. With our new corporate website, we will also provide interim information about 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 and United Nations Global Compact.

A long-term, internal communication and engagement plan will be further developed during the coming year. That plan builds on our ‘movement for better luxury’ theme and remains relevant to the specialist working environment of our craftsmen and women, our sales associates and the other skilled colleagues who enable them to serve our customers.
Innovation is one of three transversal areas encompassing our Transformational Strategy. The following chapter details our approach to innovation in terms of sustainability. In particular, it provides examples of the innovations which will enhance the sustainability of our products and processes. Innovations linked to the ‘circular economy’ may be found in the Environment chapter.

**OUR VISION**

Our clients, our colleagues, our external partners and our investors expect our Maisons’ creations and operations to be sustainable. Beyond customer-centric needs and corporate responsibility, we believe that sustainability is an opportunity to invent new differentiating products and new client experiences, and to implement new ways of developing our activities.

Building on a strong legacy of long-lasting, high-quality products and of craftsmanship, our Maisons embed sustainability within their identities. By further strengthening their creativity and know-how, they contribute to a better society by inventing more sustainable versions of beauty and luxury.

The mission of Research & Innovation teams is to support our Maisons in this sustainability-driven journey by delivering the required scientific expertise, technologies and methodologies as well as by developing open innovation networks with relevant external partners (universities, start-ups, etc.). Well aware of the pressing challenges raised by climate change, most of our current and future efforts towards sustainability will be focused on the quantification and improvement of the environmental performance of our Maisons’ products and operations.

In this context, the Group and its Maisons are following recommendations from well-recognized international initiatives like UN Sustainable Development Goals and Science-Based Targets Initiative. Taking seriously our responsibilities towards our clients, our colleagues, our external partners and society in general, we anchor our sustainability-driven innovation strategy based on scientific facts, high-quality data and cutting-edge scientific methodologies in order to develop new sustainable solutions balancing environmental, social and economic objectives.

**OUR STRATEGY**

Research & Innovation teams support our Maisons in switching towards eco-design by accounting for sustainability considerations from the very beginning of the product development process. In partnership with leading academic institutions and other external partners, we aim at creating databases and at developing decision-aid modelling tools to be able to accurately measure and to compare the environmental performances of materials, products and industrial processes, mostly based on life cycle analysis (LCA) approaches.

Based on these databases and models, our Maisons will have the opportunity to scout for new materials or to adapt the materials they already use as well as their manufacturing and distribution processes in order to improve the overall environmental performance of their activities. While being client-centric and product-centric, our strategy encompasses our entire
supply chain, from our suppliers to our networks of distributors through our internal manufacturing capabilities.

During the past year, we have dedicated specific attention to recent developments in alternatives to animal-based leather, in new environmental-friendly tanning processes and in new supply chains based on recycled metallic materials. Even if further environmental performance analyses are required to formally assess the environmental benefits of these new solutions, these recent developments illustrate that sustainability is an opportunity for innovation and product differentiation.

ILLUSTRATIVE PROJECT 1 – PANERAI ECOTITANIUM®

Panerai launched the Submersible Mike Horn Edition in 2019 using for the first time a new alloy offering a high environmental performance: ECOTITANIUM®.

This grade 5 titanium offers very good mechanical properties, such as corrosion resistance and lightness, and was therefore mainly used in the aerospace industry. Being also highly biocompatible, this metal is suitable for high-end watchmaking as well.

The ECOTITANIUM® used by Panerai is made out of a minimum of 80% of recycled materials, coming from the aerospace industry. Its production therefore leads to a significant decrease in energy consumption and environmental impact compared to traditional titanium.

With the support of Research & Innovation teams, Panerai has been able to demonstrate that an alloy made from recycled materials possesses similar or even better mechanical properties than traditional metals. This type of initiative contributes to the creation of new circular economy supply chains able to source and recycle metallic scraps, potentially without limit.

ILLUSTRATIVE PROJECT 2 – BLOCKCHAIN FOR DIGITAL TRUST

Richemont has been a pioneering luxury player in the adoption of blockchain as a technology providing new ways for our Maisons to interact with their clients and partners. In 2019, Vacheron Constantin became the first Maison in the world of high-end watchmaking to present a digital certificate of product authenticity stored in a blockchain.

Richemont and its Maisons are still investigating the upcoming developments linked to this technology. We believe in its potential to create digitally-secured and privacy-preserving interactions, based on digital trust technologies with clients and partners.

Our strategy is to continue to adopt the technology across our Maisons for different use cases, bringing benefits to our clients. In particular, the main priorities include the use of blockchain for offering more customized services (maintenance, accessories, second-hand, etc.) to clients and for improving transparency in our supply chains.

ILLUSTRATIVE PROJECT 3 – VISIONNAIRE SPRINT 2020

In response to the crisis brought by the COVID-19 pandemic, Richemont has launched a dedicated innovation program open to all colleagues in order to foster creativity and intrapreneurship during these challenging times. The main objective of this initiative is to help our colleagues to connect and to support each other by formulating concrete ideas to overcome the challenges brought by this unprecedented crisis.

Sustainability was selected as one of the six strategic areas of focus in the framework of this initiative as we believe that expectations from all stakeholders regarding sustainability will be strongly reinforced by the health crisis. Positive and forward-looking energy and engagement
from all our colleagues will certainly act as a powerful catalyst to accelerate our efforts towards sustainability.

LOOKING AHEAD

The Transformational 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. Moreover, the development of environmental performance methodologies, such as Life-Cycle Analysis, will provide our Maisons with decision-making tools for eco-friendly product design.

Richemont’s display of innovative approaches are widely recognised and ensure that Richemont is perceived as an innovative Group.

Dr Michaël Thémans
Group Research & Innovation Director
Richemont’s Transformational Strategy was launched in 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.

The commitments in the Strategy were divided into three sections:

- Foundational – to be achieved within first 12 months
- Aspirational – to be achieved within 3 years
- Transformational – Maisons will select the most relevant long-term targets to be achieved within 5 years.

The focus of this chapter is to update on progress against the Strategy during 2019/2020. This will be predominantly focusing on Foundational Commitments which are due to be completed by December 2020, together with any significant progress on other commitments within the Strategy.

All focus areas also have a set of targets, with timescales, agreed by the CSR Committee in October 2019. Progress against these targets will also be included in this chapter.

Within the Strategy our People focus areas are:

- 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

Richemont is committed to diversity and the principles of equal opportunity and equality of treatment through non-discriminatory procedures and practices.

During 2020/21 we will complete work on the Foundational targets in the Strategy and will begin to report progress against the longer-term Aspirational and Transformational commitments. More detail can be found in the Looking Ahead section.

### KEY AREAS OF PROGRESS IN 2019/20

<table>
<thead>
<tr>
<th>Foundational</th>
<th>Measure</th>
<th>Target by December 2020</th>
<th>Progress to 31st March 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comply with relevant employment regulations worldwide</td>
<td>Local inputs</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>External databases</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Compliance Officer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Connect all people to our Learning Management System (LMS) and the digital workplace</td>
<td>Local inputs</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>LMS / GIS Reporting</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Google Analytics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Explorer” programme for fast-track development</td>
<td>LMS</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Group HR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implementation of Remote working / flexible working offer in different countries and Maisons</td>
<td>Local HR input</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Engagement Barometer</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Foundational Measure

<table>
<thead>
<tr>
<th>Measure</th>
<th>Target by December 2020</th>
<th>Progress to 31st March 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roll-out the global volunteering framework and intensify volunteering</td>
<td></td>
<td></td>
</tr>
<tr>
<td>activities worldwide</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SAP HR</td>
<td>100%</td>
<td>80%</td>
</tr>
<tr>
<td>Local HR input</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local CSR input</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Identify a tool to list the hazardous chemicals used within the Group</td>
<td>Tool in place</td>
<td>100%</td>
</tr>
<tr>
<td>and to manage hazardous chemicals safety data sheets</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Tool in place</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Identify a tool to improve incident reporting and data quality in order</td>
<td>Tool in place</td>
<td>100%</td>
</tr>
<tr>
<td>to obtain reliable information, including RIR (Reportable Incident</td>
<td></td>
<td>30% - Temporary solution</td>
</tr>
<tr>
<td>rates) and LWD (Lost Work Days)</td>
<td></td>
<td>implemented</td>
</tr>
<tr>
<td>Tool in place</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### PROGRESS AGAINST FOUNDATIONAL COMMITMENTS:

**Comply with relevant employment regulations worldwide**

Our Group has a strong commitment to complying with all relevant employment regulations globally. Indeed, the Group has put in place a clear governance framework within which local and central Human Resources and Legal teams closely collaborate, monitor and implement any changes to applicable employment regulations within appropriate timings.

**Digitally connect all people to our Learning Management System (LMS) and the digital workplace**

One of the main strategic objectives in the organisation is to allow our entire workforce to have access to information, development and career opportunities and all necessary tools via a digital workplace, accessible from any device. In 2019/20, considerable effort has been put in place in terms of technology and integration to make this goal a reality. Even before the COVID 19 crisis started, this objective was reached and allowed us to support our entire workforce digitally during the challenging months which followed. Numerous initiatives were delivered through our online collaboration and Learning Management System. This resulted in over 700 active communities on our Social Enterprise Network (Yammer) and over 22,500 SharePoint users as part of our O365 suite. In March 2020 alone, over 39 million documents were uploaded into OneDrive, our Cloud storage solution, which represents an increase of 1400% since January 2019 when it was launched.

A major initiative called "Oxygen" was created to modernise the global employee experience. Early adopter locations (Switzerland, United Kingdom, France, Germany, Hong Kong SAR China, United Arab Emirates and United States of America) continued to pilot and lead new initiatives before adoption across the wider organisation including:

- Online self-access for personal information and for Human Resources (HR);
- Online self-maintenance for employee data;
- Online pre-boarding for new hires.

Our guiding principles remain: anytime, anywhere, any device.
“Explorer” programme for fast-track development for employees with 2-8 years’ work experience

Explorer 2020 was successfully launched as the first global program to move internal talent across the world. Results generated not only international diversity through global rotations, but also increased visibility on female talent. 73% of global applicants were female and of the 20 shortlisted candidates, 19 were female.

Participants’ feedback have shown an amazing learning curve and unique opportunity for their personal development and career. The missions were also much appreciated by the receiving entities who raised their hands to continue welcoming new participants. However, the unique economic and travel situation during COVID-19 has forced us to postpone the second wave to 2021.

Implementation of remote working / flexible working offer in different countries and Maisons

Remote working has seen a strong acceleration in 2020 partially due to the COVID-19 situation. Regardless of this, the Group continues to recommend remote working up to 20% of the time, whenever this is appropriate. The exceptional times the world is experiencing has influenced the acceptance of remote working and we will maintain this after the crisis. Exceptions are employees who cannot work from a remote location, for example manufacturing and boutique employees. For these populations, more flexible arrival and departure time slots have been offered to reduce stress linked to commuting to work and other personal constraints.

Remote working is now adopted in all Regions and across all Maisons.

Roll-out the global volunteering framework and intensify volunteering activities worldwide

During 2019/20, we have rolled out the global volunteering framework to encourage and better capture the volunteering initiatives that are happening across our Regions and Maisons. The objective is to achieve greater impact as a Group and to allow all employees to participate in volunteering activities, regardless of their work location or function. Virtual volunteering initiatives have been largely promoted as employees have shown great interest in giving back to communities.

The results of this effort is seen in the increase of volunteering hours in 2019/20. Richemont employees contributed to a combined 5,203 hours of their time to volunteering initiatives in 2019/20 which represents double the time in 2018/19 (2,567 hours). More information can be found in the Communities chapter.

Identify a tool to list the hazardous chemicals used within the Group and to manage hazardous chemicals safety data sheets

A suitable online chemical management tool has been identified and made available. Prioritizing operations in Switzerland first, the tool is being rolled out to high users of hazardous chemicals. Rollout has been delayed due to the impact of COVID-19. However, project resumption has been planned for July 2020. The need for this tool will aid Richemont to understand the chemicals used and provide relevant safety and environmental information to users. It will also aid legal compliance for hazardous chemical control.
Identify a tool to improve incident reporting and data quality to obtain reliable information, including RIR (Reportable Incident rates) and LWD (Lost Work Days)

The previous online tool for reporting physical security and Health, Safety and Environment (HSE) related incidents was decommissioned in March 2020 as the tool would not meet Richemont’s ongoing needs. A temporary tool was implemented, using an existing platform where manipulation and enhancements can be mostly implemented in-house. The new tool will be enhanced in phases to meet our reporting, analysis and investigation needs.

OUR FOCUS AREAS

LIFELONG LEARNING TO PRESERVE CRAFTSMANSHIP AND ENHANCE THE EMPLOYABILITY OF OUR PEOPLE

As a strong foundation to our talent strategy, we enable all our colleagues to take ownership of their own career development. The further enhancement of a feedback culture aims to offer an inclusive and accessible way for each individual to grow within the Group. Maisons and regional HR teams will animate activities across their headquarters, manufactures and markets on the topic of “Grow with Feedback”.

Digital upskilling initiatives are continuing through online certification programmes, coding workshops and masterclasses across the organisation with a focus on HR and manufacturing functions.

CONTRIBUTING TO THE OVERALL WELL-BEING OF OUR EMPLOYEES

In order to better assess and prioritise initiatives to increase well-being for our people, the Group has selected a global survey platform which allows for constant feedback and data analysis. Robust roll out plans for Engagement surveys have seen some delays due to the COVID-19 situation, but the pilot launch in North America has shown a very good response rate at 76%. More surveys are planned for the coming year, including topics such as Inclusion Index, Onboarding / Exit surveys and Engagement.
In addition to the global implementation of the Employee Assistance Programme "WeCaRe", many local markets have developed specific programmes to bring awareness about Mental Health issues in the workplace. As an illustration, Richemont in the UK developed a programme "Be Kind To Your Mind", which gives practical advice to employees and has generated considerable engagement.

Following the review of the health and safety policy and the roll out of the Security Policy Library tool, Richemont has set up the minimum health and safety standards acceptable to the Group. In 2020, as part of the Richemont commitment to continuous improvement with regards to providing a healthy and safe workplace, Group Security is in the process of developing best practice guidance on key high-risk activities in order to mitigate such risks.

In parallel, Richemont has continued to partner with a health and safety legal specialist to conduct self-assessments of our legal compliance with Health and Safety legislation in countries where we operate. Regular external assessments to ensure that health and safety standards are maintained were continued and 21 assessments were undertaken during the year.

2019 was the last year that saw the current incident reporting tool in use, this will be replaced by a tool with enhanced functionalities to facilitate the administrative work subsequent to incident reporting and investigation and trends analysis. This will support our efforts on the prevention of recurrence. The incident trends have shown the following:

- A decrease of 32 % compared to the previous year of total incidents, which occurred in the workplace; but
- An increase of 37 % compared to the previous year in the number of days lost following a workplace accident.

To ensure communication and cooperation across the organisation, Richemont will continue to discuss health and safety at all levels and across entities on a regular basis. In addition, Richemont is currently collecting data based on the new GRI 2018 Occupational Health and Safety Standard. The data will be included in our next report.

PROMOTING DIVERSITY AND INCLUSION WITHIN OUR WORKFORCE

2019/20 has seen the definition of a global Diversity and Inclusion (D&I) strategy for the Group, which aims to provide every employee with an inclusive and respectful work environment where each individual can thrive.

The focus was on delivering a base line of trainings that address topics such as Discrimination and Harassment in the workplace as well as Unconscious bias awareness. eLearnings around these topics were rolled out to the entire workforce covering all our colleagues and will be fully integrated in the global onboarding programmes for newcomers. In addition, Richemont Regions have been tasked to deliver workshops for senior management and people managers.
One tangible result has been the publicly disclosed Equality Index in France ("Index égalité hommes/femmes") where our French entities published positive figures reaching between 90 and 97 points versus the industry average of 87 points.

2019/20 also saw the launch of the employee-led network ConnectHER, which addresses gender topics in the workplace and empowers women within the Group. The network was established in the Richemont Regional Function teams with 130 individuals across the regions. 9 events were held in markets (Paris, Tokyo, Singapore, Dubai, Toronto, Munich, Johannesburg, New York, London) with over 325 attendees. This resulted among others in pilot mentoring programmes in China, Hong Kong and Taiwan, SAR China. ConnectHER will remain a strategic objective and will be rolled-out to all the Maisons in the coming year.

Several Maisons invested in initiatives around diversity and inclusion, among which Chloé’s new UNICEF partnership that assists girls to access higher education and helps them learn to dare. As a #GirlsForward initiative, Chloé will support UNICEF’s programmes over three years to equip adolescent girls and young women with the digital skills, entrepreneurial spirit and confidence that leads to greater freedom, limitless possibilities and equal opportunities.

Yoox Net-A-Porter’s commitment to gender equity is showcased by their Incredible Girls of the Future project, a competition launched in May 2019 to find the female fashion entrepreneurs of tomorrow.
CASE STUDY

WOMEN’S ENPOWERMENT PRINCIPLES

In 2019, Cartier signed the Women’s Empowerment Principles (WEPs), a set of guiding principles established by United Nations (UN) Global Compact and UN Women to promote gender equality and women’s empowerment in the workplace, marketplace and community. The WEPs are grounded in the recognition that businesses have a stake in, and a responsibility for gender equality and women’s empowerment.

Empowering women and helping them achieve their full potential has long been a Maison Cartier commitment, notably with the development of the worldwide Cartier Women’s Initiative Programme and Cartier Philanthropy.

By joining the WEPs community of over 3’000 companies, Maison Cartier signals its strong willingness to foster responsible business practices that empower women.

LOOKING AHEAD

During 2020/21 we will continue to focus on the Foundational commitments and targets contained in the Strategy. We expect to achieve all the Foundational targets by December 2020. Despite the difficult situation at the beginning of 2020, we are confident that we will be able to start making progress on longer-term targets contained in the Strategy. We are always mindful, during this COVID-19 pandemic, of our responsibilities to our colleagues, suppliers, customers, partners and the communities in which we operate. It is likely, during this difficult and unprecedented period, that some short-term changes may be necessary in our sustainability priorities.

Diversity and inclusion will continue to get increased attention shown by the Equal Pay Certification efforts that have already been started in 2019/20. Two of our Maisons are in the process of finalising the certification and others have included it in their strategic business plans for the year ahead.

Efforts to increase local representation in decision-making positions, such as Brand Managers, have shown first results in the past year with an increase of 7% within this job function. Specific attention will be given to the promotion and hiring of Chinese talent with a fully dedicated programme to be rolled-out in China. A more international talent focus will be implemented in Europe.

As mentioned above, 2019/20 saw the successful roll-out of the Employee Assistance Programme to allow all our colleagues to benefit from a confidential support in various life situations. We will continue to implement global and more flexible benefits schemes for all our colleagues that cover areas such as primary / secondary care-giver leave, a comprehensive business travel insurance and a minimum coverage for death and disability for all staff.

The continued effort to provide our colleagues with reskilling opportunities, especially in the industrial environment, will remain a key priority.

Patricia Gandji

Group Human Resources
DATA

As of 31 March 2020, Richemont employed 36,400 people across 37 countries, of which 8,500 in Switzerland. Through our suppliers and business partners, we provide employment opportunities for many more people.

The number of employees covered by collective bargaining agreements can vary from country to country. In Switzerland, where a majority of our people are employed, 75% are covered by the “Convention Collectives des Industries Horlogère et Microtechnique”.

The Group’s employee turnover rate for 2019/20 was 12.5%.

OVERALL WORKFORCE

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

The average length of service in the Group is 7 years and within a position is 4 years. The average age of our people is 39.

Our people work mainly in three distinct areas, as shown in the table. Our Manufacturing operations, employing 21% of the workforce, are concentrated in Switzerland, France, Germany and Italy. Similarly, our Maisons’ and Group headquarters are concentrated in those countries.

<table>
<thead>
<tr>
<th>BY WORKING AREAS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales &amp; Distribution</td>
<td>55%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>21%</td>
</tr>
<tr>
<td>HQ &amp; Regional Functions</td>
<td>24%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BY REGION</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EUROPE</td>
<td>60%</td>
</tr>
<tr>
<td>of which Switzerland</td>
<td>23%</td>
</tr>
<tr>
<td>APAC</td>
<td>21%</td>
</tr>
<tr>
<td>NORTH AMERICA</td>
<td>10%</td>
</tr>
<tr>
<td>JAPAN</td>
<td>6%</td>
</tr>
<tr>
<td>MEIA</td>
<td>3%</td>
</tr>
</tbody>
</table>

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.
DIVERSITY FIGURES BY EMPLOYEE CATEGORIES

<table>
<thead>
<tr>
<th></th>
<th>Permanent</th>
<th>Temporary</th>
<th>Total HC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>55%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>APAC</td>
<td>21%</td>
<td>0.5%</td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>10%</td>
<td>0.2%</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>5%</td>
<td>0.5%</td>
<td></td>
</tr>
<tr>
<td>MEIA</td>
<td>3%</td>
<td>0.1%</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>93%</strong></td>
<td><strong>7%</strong></td>
<td><strong>36’386</strong></td>
</tr>
</tbody>
</table>

The following figures are excluding Yoox Net-A-Porter, Watchfinder & Buccellati, i.e. total of 30’536 employees, unless indicated otherwise.

<table>
<thead>
<tr>
<th></th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent</td>
<td>57%</td>
<td>43%</td>
</tr>
<tr>
<td>Temporary</td>
<td>62%</td>
<td>38%</td>
</tr>
</tbody>
</table>

Temporary workers include trainees. In terms of total headcount, women represent 4% of the total and men 3%.

<table>
<thead>
<tr>
<th></th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-Time</td>
<td>55%</td>
<td>45%</td>
</tr>
<tr>
<td>Part-Time</td>
<td>79%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Compared to the total headcount 8% of women work in part-time roles and men 2%.

<table>
<thead>
<tr>
<th></th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>43%</td>
<td>57%</td>
</tr>
<tr>
<td>Specialists</td>
<td>55%</td>
<td>45%</td>
</tr>
<tr>
<td>Non-Exempt</td>
<td>62%</td>
<td>38%</td>
</tr>
<tr>
<td>No Level</td>
<td>55%</td>
<td>45%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baby Boomer</td>
<td>46%</td>
<td>54%</td>
</tr>
<tr>
<td>Generation X</td>
<td>54%</td>
<td>46%</td>
</tr>
<tr>
<td>Generation Y</td>
<td>61%</td>
<td>39%</td>
</tr>
<tr>
<td>Generation Z</td>
<td>58%</td>
<td>42%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Women</th>
<th>Men</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>External Recruitment</td>
<td>61%</td>
<td>39%</td>
<td>3’712</td>
</tr>
<tr>
<td>Internal Mobility</td>
<td>57%</td>
<td>43%</td>
<td>3’063</td>
</tr>
</tbody>
</table>

Out of the open opportunities within the Group, 45% were filled through internal mobility.
**NATIONALITIES**

<table>
<thead>
<tr>
<th>Nationality</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>French</td>
<td>22%</td>
</tr>
<tr>
<td>Chinese*</td>
<td>16%</td>
</tr>
<tr>
<td>Italian</td>
<td>8%</td>
</tr>
<tr>
<td>Swiss</td>
<td>8%</td>
</tr>
<tr>
<td>American</td>
<td>7%</td>
</tr>
<tr>
<td>German</td>
<td>6%</td>
</tr>
<tr>
<td>British</td>
<td>6%</td>
</tr>
<tr>
<td>Others</td>
<td>27%</td>
</tr>
</tbody>
</table>

*includes all China locations not only Chinese from Mainland China (CN, HK, MO, TW)

Being a truly diverse Group is illustrated also by some 125 nationalities working together. In Switzerland, we employ people from over 75 different national backgrounds.

In 2019/20, an effort was made to promote people with more diverse backgrounds. Figures show that, looking at overall internal mobility 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 45% of open positions internally.

**GENDER**

**Overall Workforce**

Overall, women represent 58% of our total workforce, which represents an increase of 1% compared to the previous year.

*The following figures are excluding Yoox Net-A-Porter, Watchfinder and Buccellati:*

<table>
<thead>
<tr>
<th>People Managers</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers with at least 1 direct report (who is not an intern) were equally represented between men and women.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Top Management</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women represent 34% of the Group's 440 Top Management positions. In addition, 17% of the Group's CEOs are women, including Maisons &amp; Regional functions.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**LEARNING & DEVELOPMENT**

The following figures were captured in the Learning Management System and exclude mandatory modules such as Compliance Training. Other training sessions may have taken place but were not captured in that system. Overall, the figures confirm Richemont's commitment to provide our colleagues with learning and development opportunities.
66’724 completed training sessions (+24% versus prior year):

- 80% (53’090) online learning
- 20% (13’634) classroom training
- 1’701 classroom sessions were organized during the year
- 46% of our workforce (14’181) completed at least 1 training.

The average number of training hours per learner was 9.4 hours:

- Online: 0.9 hours average
- Classroom: 17.1 hours average

The average number of training hours per employee, including employees who did not complete any training, was 4.3 hours.
Richemont’s Transformational Strategy was launched in 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.

The commitments in the Strategy were divided into three sections:

- **Foundational** – to be achieved within 12 months
- **Aspirational** – to be achieved within 3 years
- **Transformational** – Maisons will select the most relevant long-term targets to be achieved within 5 years.

The focus of this chapter is to update on progress against the Strategy during 2019/2020. This will be predominantly focusing on Foundational Commitments, which are due to be completed by December 2020, together with any significant progress on other commitments within the Strategy.

All focus areas also have a set of targets, of varying timescales, agreed by the CSR Committee in October 2019. Progress against these targets is included in this chapter.

During 2020/21 we will complete work on the Foundational targets in the Strategy and will begin to report progress against the longer-term Aspirational and Transformational commitments. More detail can be found in the Looking Ahead section.

### KEY AREAS OF PROGRESS IN 2019/20

<table>
<thead>
<tr>
<th>Foundational</th>
<th>Target by December 2020</th>
<th>KPIs</th>
<th>Progress at March 31(^{st}) 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communities Toolkit</td>
<td>Update and share the <em>Communities Toolkit</em> with all relevant stakeholders.</td>
<td>done/ not done</td>
<td>100% done</td>
</tr>
<tr>
<td>Communities Policy</td>
<td>Share and communicate the <em>Communities Policy</em> with all relevant stakeholders.</td>
<td>done/ not done</td>
<td>100% done</td>
</tr>
<tr>
<td>Communities Themes</td>
<td>Review existing community investment-related Maison initiatives and advise on the strategic alignment of themes with objectives.</td>
<td>done/ not done</td>
<td>Work in progress 25%</td>
</tr>
<tr>
<td></td>
<td>Work to develop Communities themes.</td>
<td>done/ not done</td>
<td>100% done</td>
</tr>
<tr>
<td>Group Volunteering</td>
<td>Validation of the <em>Volunteering Framework</em>.</td>
<td>done/ not done</td>
<td>80%</td>
</tr>
<tr>
<td></td>
<td>Support in raising awareness of the <em>Volunteering Framework</em>.</td>
<td>done/ not done</td>
<td>Once validated</td>
</tr>
<tr>
<td></td>
<td>Research and propose a way forward for the improvement of volunteering reporting.</td>
<td>done/ not done</td>
<td>70%</td>
</tr>
</tbody>
</table>
OUR APPROACH

Our overarching goal is to positively impact the communities we touch through our Maisons and people. Communities are the geographical areas where we work, 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. As a focus area, our efforts contribute towards:

- 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

COMMUNITIES POLICY & COMMUNITIES TOOLKIT

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.

Recognising our Maisons, business functions and regions have a long tradition of actively supporting the communities in which they operate, we formalised the Richemont Community Investment Policy and revised the Community Investment Toolkit.

Thus, our revised Toolkit and inaugural Policy are valuable strategic tools for our Maisons and businesses, which set out a common framework to guide our community investment.

COMMUNITIES THEMES

Richemont is directing more of its community investment into the following focus areas:

- Education, including social and economic development
The Climate Emergency
- Diversity, Inclusion & Representation

This enables us to have a greater impact with the resources we have. These themes address societal and environmental issues that are aligned with our DNA, heritage and values as well as our business, supply chain and communities. Our communities themes, commitments and targets are outlined in our Transformational Strategy.

OUR COMMUNITY INVESTMENT SUPPORT IS PRIMARILY DELIVERED IN FOUR WAYS:

<table>
<thead>
<tr>
<th>Strategic Philanthropy</th>
<th>Richemont’s financial support to registered charities, foundations and community partners to create longer-term change on key societal issues.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charitable Donations</td>
<td>One-off financial donations to specific charitable causes and organisations.</td>
</tr>
<tr>
<td>Charitable (non-commercial) Sponsorship</td>
<td>Support of an event, activity, person, or organisation financially or through the provision of products or services. For example, Richemont frequently supports arts and cultural events.</td>
</tr>
<tr>
<td>Employee Volunteering</td>
<td>Richemont employees can dedicate their time in working hours to support local communities through our employee volunteering programme.</td>
</tr>
</tbody>
</table>

COMMUNITY DONATIONS

For 2019/20, our total donations to community investment-related initiatives amounted to over €34 million, against €43 million for FY19 (including €12 million donated to Homo Faber) and €30 million in FY18. Over 90% of community spend takes the form of cash donations. The remainder is in the form of in-kind donations.

€34 million equates to 2.8% of our profit before tax (comparative year 2.4%, excluding an accounting gain linked to Richemont’s acquisition of YNAP).

Our beneficiaries include charities concerned with healthcare, social and economic development, education, women’s welfare and children. Richemont does not seek to influence public policy through its charitable donations.

CHARITABLE INVOLVEMENT

For our Maisons and employees, building strong relationships with our communities and volunteering for charitable causes is integral to the way in which we operate and thrive.
Volunteering is a significant part of Richemont’s Group culture. In 2019/20, we chose to encourage a greater focus on giving back to the community and supporting those who need it most both locally as well as engaging in virtual volunteering globally.

As an integral part of the Community Investment focus area, the Group has defined and started to roll-out a global framework with the aim to encourage even more local volunteering initiatives, while allowing for more collaboration between employees from different Maisons and functions. Our belief is that volunteering significantly contributes to creating more awareness around topics affecting communities and, at the same time, increases purpose-driven activities and engagement levels of our colleagues.

Richemont employees contributed to a combined 5'203 hours of their time to volunteering initiatives in 2019/20 supporting causes around the world, in comparison to 2,567 in 2018/19.

At Group level, Richemont continues to support a number of charitable foundations. The following section includes details of 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.

**Cologni Foundation for Artistic Craft Professions** (Fondazione Cologni 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 theatre and classical music. Its initiatives include the globally recognised 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.

**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.

**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. In 2019, Laureus Sport for Good supported 341,027 children and young people in more than 40 countries across the world. 51% were boys and young men, and 49% were girls and young women.

COMMUNITY 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 Maison community investment-related initiatives carried out in 2019/20 include:

**A. Lange & Soehne** is committed to making a sustainable contribution to the future of haute horlogerie by promoting young talents. For this purpose, the Maison launched a competition for upcoming watchmakers in 2010. Discovering the art of fine watchmaking with curiosity and enthusiasm: That is the goal of the "Walter Lange Watchmaking Excellence Award", a two-stage programme that offers the best students of the world’s leading watchmaking schools the opportunity to become acquainted with Lange’s understanding of fine watchmaking. The subsequent competition, endowed with a prize of €10’000, allows them to convert the impressions they have gained into constructive ideas by designing and crafting a different horological complication every year. The top-class entries submitted within the last decade prove that aspiring watchmakers around the world are capable of developing elaborate, exceptional, and original solutions.

**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.

Twenty-one finalists were selected from almost 2’900 applicants from 142 countries, including Japan and Switzerland for the first time. The finalists distinguished themselves by the impact they are making in improving healthcare and social care systems and in optimising the use of technology towards better education and professional opportunities worldwide. The laureates were announced at the international awards ceremony held in San Francisco, with an event featuring a 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 is committed to improving the lives of the most vulnerable women and children in the world’s poorest regions. Cartier Philanthropy currently partners with 40 organisations working in 29 low-income countries and operates in the following areas: access to basic services (water & sanitation, education, health and nutrition); women’s social and economic development; sustainable livelihoods and ecosystems; and emergency response and preparedness.
One example of this is in Zambia with the Healthy Learners NGO which improves the health of school-age children by helping public schools operate as child health access points, training and equipping select teachers to become front-line health workers. The trained teachers are able to monitor student health, assess children who are unwell, administer basic medical care and refer sick children, as well as girls in need of sexual and reproductive care, to health facilities. Healthy Learners’ intervention results in a 44% decrease in child disease morbidity and 48% increase in vitamin A supplementation and deworming coverage. Furthermore, 90% of schools report a decrease in absenteeism. Cartier Philanthropy is contributing to Healthy Learners’ efforts to provide improved healthcare access to 285,000 children attending public primary schools in Zambia by 2022.

Chloé has signed a 3-year partnership with UNICEF to focus on gender equality programmes. The Maison supports UNICEF in its global aim to provide 6.5 million girls with skills to advance in the workplace. The partnership was announced on 11th October 2019 to honour the International Day of the Girl Child. On International Women’s Day (March 8th), Chloé and UNICEF launched the Girls Forward campaign to promote education and empowerment for young women globally. Chloé designed three cause-related products for the Girls Forward campaign, including a bracelet, a necklace and a t-shirt. The proceeds of these products raised funds for UNICEF’s programmes to promote gender equality.

To manage the significant charitable funds raised by the annual Alfred Dunhill Links Championship, dunhill founded the Alfred Dunhill Links Foundation (ADLF) in 2011. To this day, dunhill remains a key supporter and member of the ADLF, which focuses on causes that have been closely associated with the Championship and its wider community. The ADLF distributes funds raised by the Championship through grants to local and international charities and other benevolent bodies selected by the Trustees in support of worthy causes each year. These include the development of amateur golf in Scotland and in South Africa, postgraduate research scholarships through the University of St Andrews and the preservation of the historic town of St. Andrews, Scotland, where the Championship is held.

Established in 2009, the Antoine de Saint-Exupéry Youth Foundation (FASEJ) works to preserve the humanist values of the famous French pilot and author. IWC begun a collaboration with the heirs of Antoine de Saint-Exupéry in 2006 and became a partner to FASEJ on its inception in 2009. To celebrate their successful partnership, IWC and FASEJ organised a “10 years, 10 days” event in Paris, including an exhibition at the IWC boutique on Rue de la Paix in June 2019. The special exhibition featured a selection of historic artefacts and original photographs, and also honoured the Foundation’s vital work in various countries around the world over the last decade. FASEJ is faithful to the spirit of the author and aviator when he encouraged us to build a society based on respect for our fellow humans, on cultural diversity, on solidarity, on universal fraternity, on commitment, and on personal responsibility. Its philanthropic actions in the fields of education and culture, and its aim to combat illiteracy, are
undertaken to improve the daily lives of young people, helping them gain skills for a more successful future.

Jaeger-LeCoultre is committed to support a special initiative at the core of its identity – the Vallée de Joux and watchmaking. Rooted in the Valley since 1833, the Manufacture is involved in many local activities including the local watchmaking museum the Espace Horloger. This space is open to the public and contributes to developing awareness of the creativity and craftsmanship behind fine watchmaking and its history through the centuries. Jaeger-LeCoultre is proud to have contributed to its modernisation and reopening in December 2019. This space displays more than 100 pieces of watchmaking patrimony, specifically watchmaking complications. Jaeger-LeCoultre contributed to the renovation with a CHF 75,000 donation and will contribute annually in the coming years.

The Purdey Awards for Game and Conservation have been running since 1999, when James Purdey & Sons took over the annual Game and Conservation Awards first established in 1986. The prime purpose of the Purdey Awards is to reward and give recognition to those who are involved in the world of conservation, and whose efforts have achieved outstanding results in improving bird habitats and the biodiversity of the land. Since 1999, over 250 estates and properties from every corner of the UK have entered the Purdey Awards. Entries have ranged from grouse moors restoration to bird projects, from fenland wild pheasant to wildfowling and even a superbly restored one acre wild duck pond. Over 75 individuals, estates and properties have to date won Awards and shared more than £100'000 in prize money. We are very proud of the heather moorland restoration, woodland plantings and the effectiveness of new ponds in attracting biodiversity.

For several years, Panerai has been supporting child-related projects, such as Tadra, which aims to improve the difficult living conditions of children in Eastern Tibet and its education and health systems. Panerai also supports SOS Children and thus offers psychological and parental support to families. With Des Soleils Pour Princesse Mimi, Panerai is committed to medulloblastoma by helping the families of sick children and also by contributing to research at the Bern hospital.

Piaget has committed to positively benefit society and the environment through donating to and collaborating with The Barefoot College. This NGO nurtures and supports empowerment, one village at a time, one woman at a time, through demystifying and decentralising technology and putting new tools in the hands of the rural poor with a single objective of spreading self-sufficiency and sustainability. With a geographic focus on the least developed countries, Piaget will be working with the NGO to train women worldwide as solar engineers, innovators and educators, who then return to their villages to bring light and learning to their community. Through this collaboration, the Maison’s intention is to deepen the meaning of the sun emblem associated with the Piaget identity. As the sun is the
focal point for Piaget, working on solar projects to support communities and the planet is a long-term theme.

Peter Millar is proud to have a long-term relationship with Pros Fore Clothes. Pros Fore Clothes is an organisation that helps to provide clothing for those in need both locally and around the world. The foundation's goal is to provide more than one million pounds (approx. 454 kilos) of clothing to individuals in need. Peter Millar also supports The First Tee, a network that provides educational programmes that impact the character and values of young people through the game of golf.

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 2019/20, together with the Campus Genevois de Haute Horlogerie in Meyrin, the Maison trained 7 apprentices at Swiss-level CFC (3 years) and 6 apprentices at Swiss-level AFP (2 years). In addition to this, the manufacture promotes employment integration by offering jobs or traineeships to differently-abled talent, including the IT department and the Maison restaurant.

Van Cleef & Arpels In keeping with its mission to share the jewellery culture and “métiers” with a wider audience, L'École des Arts Joailliers, supported by Van Cleef & Arpels, has developed a partnership with Bibliothèques Sans Frontières or Libraries Without Borders, over the two past years. Libraries Without Borders is an NGO whose objective is to bring education and knowledge wherever it is lacking, in France and around the world.

This partnership with L’École as well as the Maison Van Cleef & Arpels rolled-out through various initiatives:

- L'École conducted tailor-made experiential workshops in French suburbs to make children from underprivileged areas discover gemmology, the art of jewellery and its know-how. The participants were truly amazed and enchanted by this quite unique experience.
- Team members participated in the Annual Gala Dinner (over 250 guests including 40 famous writers) giving financial support for the development of the NGO's actions on the field.

Watchfinder has continued to support the future of watchmaking by leading the development of a government-backed Trailblazer Apprenticeship Scheme. The pioneering programme seeks to increase the number of skilled watchmakers in the UK through high quality on-the-job training designed specifically to meet the needs of the modern watch industry.

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In July 2019, YNAP launched "GreenRoots", an employee-led grassroots movement aimed to bring employees together who are passionate about environmental conservation. Since the initiative was set up, more than 150 team members globally have collaborated on meaningful local initiatives. In September 2019, in honour of World Clean Up Day, GreenRoots teams organised litter pick-up events across Milan, Bologna and London. In December 2019, an internal initiative focused on sustainability and helping those less fortunate was organised in the Italian and UK offices, with the goal of collecting clothes from employees and donating them to homeless and vulnerable communities to help them cope with the cold winter days. GreenRoots also organised internal speaker events, inviting sustainable designers to YNAP offices to share their inspiring experiences: Mara Hoffman was welcomed to the London office, Matteo Ward in Milan and Maria Silvia Pazzi in Bologna. Moreover, teams in London and Milan organised internal clothing swap events for employees to showcase the importance (and the fun!) of sharing pre-loved clothes rather than throwing them away.

**REGIONAL INITIATIVES**

**ASIA PACIFIC**

As a response to the devastating Australian bushfires in January 2020, Richemont APAC launched its first regional CSR initiative with a fundraising campaign to support those in need. With millions of hectares of land burnt, billions of native animals killed, homes and buildings destroyed, towns evacuated and dozens of lives claimed, Richemont APAC came together as a region and took action. Employees were encouraged to donate money to selected charities and Richemont as well as several Maisons matched all donations made. To align with the region's CSR values, Richemont APAC focused on supporting people, animals and the environment by choosing three charitable organisations:

- Red Cross Australia – The Red Cross provides emergency shelter, food and services to those in need
- Rural Fire Service RFS – The RFS are the fire fighters on the front line
- WIRES Wildlife Rescue – WIRES rescues, rehabilitates and cares for injured animals and wildlife

The region successfully collected AUD 96'617, of which AUD 40'394 came from employee contributions.
EUROPE AND LATIN AMERICA

In 2019/20, Richemont Europe & Latin America was active on a broad range of topics across all of its markets with more than 100 CSR initiatives. A few of them are highlighted below:

- Donation of more than 700kg of clothing in countries such as Russia and in The Netherlands to support charities including Second Breath, We are not for Sale and the Salvation Army
- Support of Save the Children in Mexico
- Funds raised for the Wings For Life run for spinal cord research in Miami
- Donation by Richemont Iberia to the Randstad Foundation to promote inclusive workforces for people with special needs
- Strong involvement of Richemont Italy with Laureus to celebrate sporting excellence and use the power of sport to transform the lives of children and young people

Total community investment donations to different organisations in 2019/20 totalled €86,000. Richemont Europe also donated more than 1,400 volunteering hours in 2019/20 and aims to increase this number in the year ahead.

Each entity in the region has created a cross-functional CSR committee who will define the most appropriate actions to deepen involvement at a local level.

NORTH AMERICA

Richemont North America’s commitment to community investment is focused on robust, impactful and meaningful projects that make a difference for our stakeholders, our employees and the communities where we work and live. Their mission stems in the belief of: One Planet, One Community, One Richemont.

Richemont North America continues its support of Laureus Sport for Good, which works to use the power of sport to change the world. Laureus Sport for Good supports more than 200 sports-based community programmes in over 40 countries, helping to address the many social challenges facing children and young people around the world. Led by the Richemont North America CSR Task Force, 2019 marked an expansion of the partnership through increased volunteering and donation opportunities, participation in community design sprints and by bringing together local organisations, Laureus and our Maisons. The CSR Task Force organised panel discussions to cultivate a sustainable learning culture for its employees by hosting and participating in internal and external events with Laureus Academy Members and at the United Nations.

Richemont North America also supports Red Nose Day, which aids partners tackling child poverty in numerous ways, such as vaccinations, homeless shelters, food banks and supporting education. One of those partners is Laureus Sport for Good, which has been a grant partner of Red Nose Day for the past three years, using the funds received to help hundreds of thousands of children around the world overcome the challenges of violence, discrimination, and disadvantage.
OUR ECONOMIC CONTRIBUTION

For 2019/20, our total donations toward community investment-related initiatives amounted to over €34 million.

2019-20 FIGURES BY CATEGORY

- Arts & Culture 32%
- Social & Economic Development 22%
- Natural Resources 18%
- Sports 17%
- Health & Welfare 11%
- Natural Resources 18%

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 value 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.

The global network of directly-operated boutiques was 1,175 in March 2020. 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 the communities in which Richemont invests and operates. Now, more than ever before, we must seek to add greater value through the work we do. Investing in communities encourages cooperation which, in turn, cultivates a sense of support and empathy through nurturing lasting partnerships. The Communities focus area revives the
human-to-human connection, giving back to those who benefit most. Our goal is to go beyond profit, to turn our attention to people and the planet in order to drive positive impact.

**OUR THREE FOCUS AREAS ARE:**

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

Stemming from those three areas, we have confirmed a number of commitments. During 2019/20, we focused on the Foundational commitments and targets contained in the Strategy. We expect to achieve all the Foundational targets by December 2020. However, we are mindful, that during the COVID-19 pandemic, our responsibilities to protect and nurture our employees, suppliers, customers, partners and the communities in which we operate remain a priority.

Thus, it is likely, that during this difficult and unprecedented period that some short-term changes may be necessary in our sustainability priorities and some targets may need to be readjusted to factor in safety and protection. Below, we have highlighted what we intend to achieve in the short, mid- and long-term:

**COMMITMENTS IN THE COMING YEAR:**

- Collaborate with Maisons and Regions to review their current investment initiatives portfolio in light of the Communities Policy and support them in defining their own priorities and objectives
- Support Maisons in developing and investing in social and community programmes and partnerships aligned to their strategic objectives
- Use the new Volunteering Framework to raise further awareness of themes
- Regular monitoring of progress and measuring impact of key programmes, including input-output-impact metrics

**MEDIUM-TERM COMMITMENTS (IN THE COMING THREE YEARS):**

- Engage proactively with internal and external audiences, including communities around sites and offices, using Communities-related communications
- Maisons to develop and invest in community programmes and partnerships aligned to strategic objectives and Richemont’s Communities Policy

**LONG-TERM COMMITMENTS (IN THE COMING FIVE YEARS):**

- Develop and deliver high-impact programmes aligned to Maison priorities, working alongside long-term partners to demonstrate measurable, transformative positive change on specific societal or environmental issues
- Create a visible leadership platform on specific societal or environmental issues, convening opinion formers and external stakeholders to drive best practices
- Engage customers and wider society through innovative communications and campaigns

Hortense de Geoffroy du Rouret
Group Director, Public Relations
Richemont’s new Transformational Strategy was launched in 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 Strategy, we will focus our Sourcing efforts on:

- Embedding circularity in our products and business models
- Ensuring a high level of environmental stewardship across all activities
- Minimising our greenhouse gas, water and waste footprint

The commitments in the Strategy were divided into three sections:

- Foundational – to be achieved within first 12 months
- Aspirational – to be achieved within 3 years
- Transformational – The Group and Maisons will select the most relevant long-term targets to be achieved within 5 years.

The focus of this chapter is our progress against the Strategy during the year. This will be predominantly focusing on Foundational and certain Aspirational commitments, which are due to be completed by December 2020.
### KEY AREAS OF PROGRESS IN 2019/20

<table>
<thead>
<tr>
<th>Topic</th>
<th>KPI</th>
<th>Target</th>
<th>Progress at March 31 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Supplier Code of Conduct</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplier Code of conduct signed - Watch/jewellery</td>
<td>% of purchases covered by suppliers having signed or are RJC certified</td>
<td>95%</td>
<td>96%</td>
</tr>
<tr>
<td>Supplier Code of conduct signed - Leather</td>
<td>% of purchases covered by suppliers having signed</td>
<td>95%</td>
<td>94%</td>
</tr>
<tr>
<td>Supplier Code of conduct signed – Marketing material</td>
<td>% of purchases covered by suppliers having signed</td>
<td>90%</td>
<td>86%</td>
</tr>
<tr>
<td><strong>RJC Certifications and CSR audits</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RJC COP certification jewellery</td>
<td>% of purchases covered by RJC COP certified</td>
<td>95%</td>
<td>98%</td>
</tr>
<tr>
<td>RJC COP certification watches</td>
<td>% of purchases covered by RJC COP certified</td>
<td>95%</td>
<td>94%</td>
</tr>
<tr>
<td>Leather: all manufacturers and networks are audited</td>
<td>% of turnover covered by CSR audits</td>
<td>94%</td>
<td>98%</td>
</tr>
<tr>
<td>Leather: all tanneries and networks mapped</td>
<td>% of turnover covered by CSR audits</td>
<td>90%</td>
<td>94%</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gold</td>
<td>In place Y/N</td>
<td>Implemented</td>
<td>Yes. Gold sourcing committee</td>
</tr>
<tr>
<td>Leather</td>
<td>In place Y/N</td>
<td>Implemented</td>
<td>Yes. Leather CSR committee</td>
</tr>
<tr>
<td>Diamonds</td>
<td>In place Y/N</td>
<td>Implemented</td>
<td>No. In progress</td>
</tr>
<tr>
<td>Colored stones</td>
<td>In place Y/N</td>
<td>Implemented</td>
<td>No. Starting</td>
</tr>
</tbody>
</table>

**PROGRESS AGAINST FOUNDATIONAL COMMITMENTS**

**Supplier Code of Conduct**

The signature of the Supplier Code of Conduct remains a pillar of our responsible Sourcing strategy. For the Specialist Watchmakers and Jewellery Maisons’ supply chains, we achieved our objectives several years ago, recognising that RJC-certified suppliers are not required to sign. For our leather goods activities, we have almost reached our target. For other suppliers, the overall figure is lower, as it is weighed down by very low rates for some categories.

**RJC certifications and CSR audits**

RJC certifications are a key objective and continuous efforts are made to continue the deployment of RJC Standards. When a supplier is not within the RJC scope, such as leather, it must be audited.
Accordingly, a significant number of audits have been performed in our leather supply chain at Tiers 1 and 2. This has increased our knowledge and understanding of this activity.

**Governance**

To improve coordination and monitoring, in particular that our responsible sourcing requirements are implemented, two Richemont management committees have been implemented to oversee our gold and leather supply chains. The same governance process is in progress for diamonds and gemstones, but more time will be needed to implement equivalent Richemont committees.

During 2020-21 we will complete work on the Foundational targets and will begin to report progress against the longer-term Aspirational and Transformational commitments.

**Materiality assessment**

As indicated in our materiality assessment, our stakeholders are increasingly concerned by human rights and climate change issues. Adopting fair and ethical labour practices and promoting human rights is vital for society as well as for Richemont’s long-term success. Therefore, we have increased our efforts on the following topics:

- **Modern slavery:** 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. Our related Statement may be found on our website.
- **Due Diligence in strategic supply chains,** in particular the OECD due diligence guidance for responsible supply chains of minerals from conflict-affected and high-risk areas.
- **Environment:** reducing our footprint is key to preserving resources for future generations.

**OUR COMMITMENTS**

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 and leather.
Procurement of other types of goods and services to support the day-to-day running of our operations, such as energy, manufacturing, office equipment and marketing material.

We focus our efforts on improving responsible practices in those raw material supply chains as well as the procurement of other goods and services.

**RESPONSIBLE SOURCING**

**The 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 and coloured gemstones, which include social & human rights as well as environmental issues, as these are often mined in regions affected by conflict or instability.

The social and environmental impact of the goods and services we buy often lies outside our direct control.

**Our approach**

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 includes our expectations of suppliers regarding ethical business practices, labour conditions, employment practices, human rights and the environment.

Compliance with the Richemont Code is incorporated into our procurement decisions and all regular or significant suppliers are expected to acknowledge the Code.

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.

In addition, Richemont has been a Participant in the United Nations Global Compact since 2013 and supports its Ten Principles.

To fulfil our commitments and to increase sustainability, we will deploy our resources to improve transparency at all steps in our supply chains. We define transparency as the capacity to identify all organisations in our supply chains, and to be able to determine whether they comply with our Supplier Code. 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. The OECD due diligence guidance ('Guidance') provides a framework for detailed due diligence for responsible supply chain management of minerals. The purpose of the Guidance is to help companies respect human rights and avoid contributing to conflict through their sourcing decisions, including the choice of their suppliers. The recommendations of the Guidance are part of the UE regulation 2017/821. The Guidance is also recognized by the SEC Final Rule on Section 1502 of the Dodd Frank Act as an international framework available to companies to perform due diligence for responsible mineral sourcing and thereby help them meet their reporting obligations under the Act.
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.

THE SUPPORTS WE RELY ON

Supplier Code of Conduct

We work with suppliers to strengthen the inclusion of ethical criteria at all levels of our sourcing supply chains.

Richemont’s Supplier Code of Conduct (‘Code’) forms part of the Group’s Corporate Responsibility Policies. The Code covers labour relationships, employment practices, human rights and ethical business and environmental principles. The Code includes an Acknowledgment of Terms that requires suppliers to accept and agree to the Code’s principles. We also recognise certain similar policies or frameworks such as the Responsible Jewellery Council certifications used by a supplier as equivalent to the Code.

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

The Code may be found on the Richemont website. It covers the following areas: Healthy and safe working conditions; Wages and working hours; Freedom of association; No discrimination; No child labour; No forced employment; No disciplinary treatment; Responsible environmental management, including fully complying with local legislation and industry regulations.

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.

**Responsible Jewellery Council (RJC)**

To improve our watch and jewellery supply chain, we work closely with the Responsible Jewellery Council (‘RJC’) and its two Standards: Code of Practices and Chain of Custody.

**The RJC Code of Practices System**

The Council has developed the RJC Code of Practices System ('CoP'), a certification system applicable to all members’ businesses that contribute to the precious metals, diamonds and coloured gemstones supply chain. The scope of the Code of Practices captures:

- General Requirements;
- Responsible Supply Chains, Human Rights and due diligence;
- Labour Rights & Working Conditions;
- Health, Safety & Environment;
- Diamonds, Gold, Silver, Coloured Gemstones & Platinum Group Metal Products; and
- 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.

Many suppliers to the Group’s Maisons at Tier 1, including internal manufacturers and metal refiners, Tier 2 and beyond, are certified 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.

The due diligence requirement, fully consistent with OECD guidance, is included in the COP 2019 edition and therefore mandatory for all RJC members. It increases the responsibility of its members to improve their own due diligence processes. Moreover, the CoP 2019 standard extends to coloured gemstones (rubies, sapphires, emeralds) and silver. The OECD recognises the due diligence mechanism contained in the RJC CoP 2019 as a valid mechanism.

**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 standard-setters.

A list of CoC-certified members is maintained on the [RJC website](#).
The Swiss Better Gold Association (SBGA)

SBGA facilitates Artisanal and Small-scale Mining ('ASM') access to the international market and encourages progress toward better social and environmental conditions. The SBGA brings ASM within reach of RJC certification, thus improving local livelihoods and the environment around the mine.

Through Cartier’s and Richemont’s SBGA membership, we support ASM development towards responsible mining practices.

Kimberley Process Certification Scheme

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.

The Coloured Gemstones Working Group

The Coloured Gemstones Working Group (CGWG) is an industry-led body seeking to improve working conditions across the supply chain of coloured gemstones. The CGWG offers free resources and tools to enable individuals and companies, from small-scale mining operators to retailers, to learn more about and implement responsible business practices in a continuous improvement approach.

The RJC Code of Practices 2019 includes rubies, sapphires and emeralds within its scope. The CGWG tool may help relevant suppliers to prepare for RJC COP certification.

Other certifications

For other responsible sourcing activities, such as leather, we favour suppliers who are ISO14001 or LWG certified. When we trade with companies in countries designated as being higher risk, we also encourage ISO45001 and SA8000 certifications.

Supplier audits

Richemont monitors on-going compliance to our Supplier Code of Conduct. In particular, the Maisons regularly conduct third-party audits of their suppliers. During the year, 157 supplier audits 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.

ICFA

Richemont is following the progress of the International Crocodilian Farmers Association (ICFA), a standard-setter for crocodilian animal welfare.

SARCA

The Southeast Asia Reptile Conservation Alliance (‘SARCA’), 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. Through Cartier, Richemont participates in SARCA.
RESPONSIBLE SOURCING OF RAW MATERIALS

We are building appropriate due diligence processes to assess and mitigate risks in our gold, diamonds, coloured gemstones and leather supply chains, based on the OECD 5-Step framework for responsible supply chains of minerals from conflict-affected and high-risk areas.

Suppliers of gold, diamond-related products and now coloured gemstones are systematically encouraged to become certified members of the Responsible Jewellery Council (RJC).

Transparency is the first step to understand, analyse the risks and define the rules to improve a supply chain and make it more sustainable.

Suppliers out of RJC scope, such as leather related suppliers are regularly followed up and audited by third parties. We use SMETA audits in most cases. We aim to source our raw materials from supply chains where each step can be controlled for alignment with our Supplier Code.

RESPONSIBLE GOLD SUPPLY CHAIN

Fine gold current situation

Richemont has established a Gold Sourcing Committee to govern the implementation of our gold sourcing strategy. This includes risk assessment, the elaboration of sourcing rules and the monitoring of their application.

The gold sourcing strategy is based on industrial scraps and old jewellery recycling. The source is selected according to the transparency level. On this basis, we can control whether the due diligence process is well applied in all steps of the supply chain. Benefiting from expertise at Varinor, a wholly-owned precious metal refinery, the Group is able to implement a robust due diligence process. As far as possible, Richemont requests its suppliers, in particular gold refiners, to provide assurance that the gold being supplied has been sourced in accordance with our policy.

Over 90% of our fine gold supply chain has been mapped to its origin. The Group has defined a KPI to measure the transparency of the supply chain, with the ambition to reach a transparency rating of 95% by 2022. The current level is around 70%.

Our ambition is to source 100% RJC COC certified gold, only from recycling and mines. The RJC’s Chain of Custody certification standards is favoured as it provides flexibility on the origin of gold, including recycled gold, and builds trust in the supply chain.
Current situation: 90% of fine gold sourced by the Group is RJC COC certified gold, all coming from industrial scrap and old jewellery.

Mined gold

Mined gold is also part of our strategy. Whilst we don’t source from mines currently, we are investigating artisanal and small-scale mines through the Swiss Better Gold Association (SBGA).

Components

Alloyed gold (e.g. 18 carat) is used to produce components internally and by external suppliers. More than 95% of our gold component purchases are supplied by RJC COP certified suppliers.

Some suppliers are already RJC COC certified, but it may take more than three years to reach our goal of 100% RJC COC certified gold components delivered to the Group.

RESPONSIBLE DIAMOND SUPPLY CHAIN

Our ambition is to source our diamonds from RJC COP certified suppliers. Currently: 98% of purchases are from RJC COP certified suppliers.

Investigations are in progress to identify and analyse upstream supply chains for diamonds as we have done for gold. Investigations are also in progress to implement traceability in those supply chains.
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.

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.

RJC members need to comply with the KPCS and System of Warranty requirements, as do our suppliers.

The Diamond Producers Association (DPA), renamed the Natural Diamond Council on 1st June 2020, 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. That report may be found on the Council’s website.

Undisclosed synthetic diamonds

Our policy is to neither buy nor sell any synthetic diamonds, also known as laboratory-grown diamonds. In line with that policy, the Group has taken technical steps to ensure that all diamonds sold to the customers are natural, including procedures, specifications, testing and audits. These technical steps are aligned with the RJC Code of Practices 2019, which includes requirements with regard to synthetic diamond disclosures.

RESPONSIBLE COLOURED GEMSTONES SUPPLY CHAIN

Our ambition is to source our rubies, sapphires and emeralds from RJC COP certified suppliers. The supplier on-boarding process is in its earliest stage, as those stones were incorporated into the RJC Code of Practices in 2019 for the first time.

We also rely on the tools developed by the Coloured Gemstones Working Group (CGWG), in which the Group, Cartier and Van Cleef & Arpels participate. They actively contributed to the first coloured gemstones supply chain responsible practices tool set. We encourage our suppliers to use those tools whenever it is possible. That process is also in its earliest stage as the CGWG tools – the Gemstones and Jewellery Community Platform - were made available in May 2020 for the first time.
RESPONSIBLE LEATHER GOODS
SUPPLY CHAIN

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 € 1’415 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.

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 comply with other international and local fish and wildlife regulations.

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.

All of our manufacturers and their network (Tiers 1 and 2) are known and audited. The majority are based in Italy. All of our tanneries and their networks are known and are being audited. More than 70% of our tanneries have an environmental certification (ISO14001 or LWG). The majority of our tanneries are also located in Italy.

To manage the sourcing strategy, Richemont’s Leather CSR Committee measures risks, defines rules and monitors their implementation.

As mentioned above, Richemont also participates in SARCA and follows the developments of ICFA regarding reptilian and crocodilian animal welfare standards, respectively.

**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.

**Fur**

A number of our Maisons, including Cartier, Chloé, Montblanc and Peter Millar as well as Y NAP have chosen to stop buying or selling fur. For the other Maisons using fur, the WellFur certification is mandatory.

**PROCUREMENT OF OTHER TYPES OF GOODS AND SERVICES**

Our policy and ambition is to integrate CSR in all our sourcing and procurement activities in order to minimise As part of our global procurement activities, we organise a number of category-specific procurement forums with buyers, and CSR is a systematic topic on the agenda, helping to educate, share best practices and collectively find new, more sustainable solutions.

Multiple sourcing projects conducted this year contributed to improve sustainability, most notably to:

- decrease the environmental impact of product, e-commerce and logistics packaging, either by decreasing its plastic content or by using sustainably sourced paper, recycled plastics or other alternatives;
- our environmental, social and economic adverse impacts, and seek to deliver positive impacts. increase the share of renewable energy;
- secure sustainable practices in our packaging supply chain.

**PERFORMANCE DATA**

Since 2015, the Group has been tracking the progress of Codes signed by Suppliers. The following consolidated data represents some 90% of Group operations, excluding businesses acquired in the past two years: YOOX NET-A-PORTER, Watchfinder and Buccellati. Those acquisitions are also tracking progress, albeit on un-consolidated systems. All figures relate either to our Supplier Code, or to equivalent principles such as RJC-certification.

In value terms, overall implementation is at 71% of suppliers (2019: 66%. 2018: 55%. 2017: 45%). Progress is tracked on a category-by-category basis. For example, suppliers of Watch and Jewellery direct materials were at 96% in March 2020 (2019: 92%). For other suppliers, the
overall figure is much lower, as it is weighed down by very low rates for some categories such as leased real estate, an important category in value terms.

157 supplier audits, including some Tier 2 suppliers, were performed across the Group during the year (prior years: between 100 and 200). The decision to audit a given supplier is based on a risk-based assessment. Moreover, certain of the Group’s businesses have strengthened their procedures with regard to the Supplier Code validation in general, through training of procurement employees and incorporating the Code in their terms and conditions. The increased coordination of supplier audits within the Group has benefited all stakeholders by building confidence and eliminating duplicated effort.

CASE STUDY

TOWARDS 100% CERTIFIED GOLD

Our path towards 100% RJC-certified gold began during Richemont’s 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 components, 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, 90% 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 COP certified members, some of them already RJC COC certified or on the way to becoming certified. 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 the Swiss Better Gold Association.

Looking ahead, we believe that we are on track for 100% CoC-certified gold, be it recycled or 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 2025, our Maisons will have the opportunity to engage with their customers about the gold used in their jewellery, watches and writing instruments.
LOOKING AHEAD

During 2020-21 we will continue to focus on our Foundational and Aspirational commitments and targets. Implementing transparency in all key supply chains as well as due diligence and risk mitigation measures remain a priority. We will pursue our audit process of the Tier 2 suppliers and we will continue to deploy the RJC CoC certification along the gold supply chain, targeting more than 95% of our purchases.

During the year ahead, we will also continue to work on the longer-term targets contained in the Strategy. Working closely with Richemont's Research & Innovation Department (R&I), we will continue to analyse and test potential solutions to implement traceability in the strategic supply chains. In parallel, we will also use the tools proposed by R&I, such as Life-Cycle Assessment, to integrate criteria aligned with our Science-Based Targets and commitments for the selection of new materials and new sources. On this basis, we aim to progressively integrate new environmental Key Performance Indicators to measure the evolution of our supply chain's footprint.

In the longer term, our Transformational commitments include the fostering of circular economy principles and delivering positive social impacts in our supply chains.

Karlheinz Baumann

Group Director for Industry and Services
Richemont’s Transformational Strategy was launched in 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.

The commitments in the Strategy were divided into three sections:

- Foundational – to be achieved within first 12 months
- Aspirational – to be achieved within 3 years
- Transformational – Maisons will select the most relevant long-term targets to be achieved within 5 years.

The focus of this chapter is to update on progress against the Strategy during 2019/20. This will predominantly focus on Foundational commitments, which are due to be completed by December 2020, together with any significant progress on other commitments within the Strategy.

All focus areas also have a set of targets, of varying timescales, agreed by the CSR Committee in October 2019. Progress against these targets are included in this chapter.

Within the Strategy our environmental focus areas are:

- Embedding circularity in our products and business models
- Ensuring a high level of environmental stewardship across all activities
- Minimising our greenhouse gas, water and waste footprints

During 2020-21 we will complete work on the Foundational targets in the Strategy and will begin to report progress against our longer-term Aspirational and Transformational commitments. More details can be found in the Looking Ahead section.

### KEY AREAS OF PROGRESS IN 2019/20

<table>
<thead>
<tr>
<th>Foundational</th>
<th>Target</th>
<th>Measure</th>
<th>Progress to 31st March 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish a waste taxonomy, including plastic</td>
<td>All industrial sites</td>
<td>done/not done</td>
<td>100% completed</td>
</tr>
<tr>
<td>Inventory of systems in place for waste recycling</td>
<td>All industrial sites</td>
<td>done/not done</td>
<td>0% completed</td>
</tr>
<tr>
<td>Implement Energy Management checklist</td>
<td>Group HS&amp;E audits (20 p.a.)</td>
<td>done/not done</td>
<td>25% completed</td>
</tr>
<tr>
<td>Reduce plastic in branded packaging</td>
<td>Monitoring of branded packaging &amp; Action plan</td>
<td>Yearly consumption by category &amp; documented plan</td>
<td>80% completed</td>
</tr>
</tbody>
</table>
Establish a waste taxonomy, including plastic

A waste taxonomy has been prepared not only for manufacturing sites and warehouses, as originally planned, but also for boutiques and offices. It was applied for the first time in the year-end environmental reporting process. The preliminary findings indicate that the taxonomy needed very few amendments and that it has encouraged our businesses to further engage with their landlords on waste management.

The waste taxonomy was a Foundational goal on which to build future waste management targets in the Aspirational and Transformational periods, and to effectively monitor such targets.

Inventory of systems in place for waste recycling

The inventory of existing local infrastructure and systems in place for waste recycling will start in all our industrial sites during autumn 2020.

Implement Energy Management checklist

The Energy Management checklist was published in April 2019 and was initially adopted by manufacturing and other larger operations on a voluntary basis. An implementation plan, linked to the annual on-site audits for health, safety and environmental matters at some 20 site was scheduled to begin in January 2020. The subsequent public health emergency shifted operational focus to safe working practices during and after confinements around the world. Accordingly, the implementation of energy management matters has been postponed until operations can be run at near-normal capacity. In the meantime, energy consumption levels are lower due to temporary closures and safe working practices, such as working from home.

Reduce plastic in branded packaging

Many of the Maisons’ presentation boxes use plastic components. Whilst some presentation boxes are kept for a lifetime and are passed on with the watch or jewellery piece, not all boxes are kept safely. Indeed, some customers prefer to have only a small travelling pouch with their purchase. Such preference can generate unwanted boxes in warehouses, in boutique storerooms and in homes. Richemont was therefore interested to both reduce the amount of plastic used in its packaging and to broaden the choice available to its Maisons’ customers.

As part of a wider review of plastic used across Richemont’s operations, the Plastic Shift Initiative, branded packaging was one focus area. Other areas including catering and logistics. During the year, the types and volumes of plastics used by all Maisons were analysed by material type, by carbon emissions and by Maison. A pilot study by one specialist watchmaker was started, focusing on alternative materials. Whilst that pilot study has been slowed down by the pandemic, other Maisons are learning from the preliminary findings and expect to apply them in the years ahead, applying common decision-making tools. The result will be a reduction in the volume of plastic components used in branded packaging and a broader choice for customers.
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 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.

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 also includes a review of environment matters.

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 report and are communicated internally to employees. For many years, the environmental data was independently audited and the limited assurance opinion (ISO 14064-3:2006) was published alongside this report. As Richemont is prioritising employment preservation during the COVID-19 economic downturn, no independent assurance of the 2019/20 data was conducted. To compensate, additional data quality checks were made during the 2019/20 closing process. We will review our external assurance decision later in the current financial year. In the meantime, we remain confident that our data is of good quality and consistent with the prior years’ audited figures.

As indicated in the Foundational target discussion above, during the year Richemont has developed a plan to measure and reduce our waste in all its forms. This resulted in a standard waste taxonomy.
EMBED CIRCULARITY IN OUR PRODUCTS AND BUSINESS MODELS

CIRCULAR ECONOMY

We are assessing the implications the circular economy in a number of areas, including new product and service developments and precious metals. Together, these efforts seek to minimise our overall impact on the environment.

Richemont’s acquisition of Watchfinder in 2018 represented 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. Watchfinder was an independent, UK-only company. Since joining Richemont, it has developed operations in France, Germany, Switzerland, Hong Kong SAR, China and the USA. It has also partnered with certain Maisons, enabling the trade-in of pre-owned watches for new watches.

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. Further details may be found in the Sourcing chapter.

RESOURCE USE AND RECYCLING

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 73% 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 through Watchfinder or 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 27% of Group sales, are primarily ready-to-wear clothing and leather goods.

As noted above, the Group has implemented the first steps in a comprehensive waste-management strategy, with the ultimate goal of zero waste to landfill from any major manufacturing and warehousing site. Our commitments to monitoring the consumption of resources and to reducing waste are set out in our Environmental Code of Conduct. Hazardous and toxic materials are treated in accordance with local and international regulations. We strongly encourage management and employees responsible for packing and transporting goods to adopt an energy-efficient strategy through the planning and organisation of shipments.

A Group-wide water measurement and management project also started during the year as part of our Aspirational commitment.
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 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 the European REACH regulations and California Proposition 65. As experience in this area grows, our Maisons are progressively taking a proactive approach to identifying and phasing out certain toxic chemicals in order to ensure the security of its employees, customers and the environment.

PAPER AND PACKAGING

For 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’ 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.

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.

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 50% 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 and work has already started at a number of sites.
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.

Some ten boutiques have been certified using BREEAM and LEED (Leadership in Energy and Environmental Design). An example is Cartier’s One Peking Road boutique in Hong Kong SAR, China, which received GOLD LEED certification. As the Group has committed to 10% of all new buildings and refurbishments being certified each year by 2025, many more boutiques will be added.

**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 transport 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 one day per week, 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.

Responding to a growing number of internal requests, Richemont prepared Sustainable Event Guidelines during the year. The guidelines are based on a related International Standard (ISO 20121:2012) and help event organisers to design events with a holistic view of environmental impacts, ranging from how far the event guests need to travel to the type of hospitality offered.

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 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 regarding WWF Switzerland.

**PLASTIC USED IN CATERING, PACKAGING AND LOGISTICS**

During 2019, 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 as soon as possible and
have evaluated alternatives, including reusable and recyclable materials. These processes connect to our circular economy projects and to our logistics carbon footprint.

Our progress on product packaging, specifically presentation boxes, is described above. Our progress on logistics followed pilot studies in Switzerland, with best practices shared with our e-commerce hubs in Italy, UK, Netherlands and USA. This has already reduced the weight of plastics used for logistics packaging by one third. In catering, the shift from single-use plastic cups in manufacturing spaces and washable materials in restaurants was welcomed by employees. All single-use plastics in catering are being phased out in 2020 and 2021, with Switzerland our priority due to the number of employees and staff restaurants.

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 wood which have biodiversity impacts. Through our value chain, 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. We are also reviewing our use of plastics with the intention to eliminate single-use wherever possible.

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 from protected species. More information about how we deal with suppliers’ impacts may be found in the Sourcing chapter.

Other actions taken by Richemont have a positive impact on biodiversity, as the following examples illustrate.

- We seek to reduce environmental impacts in our supply chain and sourcing recycled, RJC-certified gold is our preferred option. Recycled gold has the lowest impact on biodiversity as neither land disturbance nor heavy trucks and plant are associated with re-processing. Currently, we source 100% recycled gold, which is primarily derived from old jewellery, industrial plating processes and manufacturing scraps. Whereas 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 future.
- Richemont’s carbon offsets are primarily purchased in support of a REDD+ scheme along the Zambezi River. The scheme preserves the wild forests by bringing a steady flow of cash...
to the communities who live there. By publicising our long-term agreement with the agents of the forest and its links to Peace Parks Foundation, Richemont has motivated other companies to follow, including a twenty-year agreement covering one million hectares of Zambezi forest.

- Many of our Maisons use American alligator leather for making watch straps. The alligator farming methods, including animal welfare certification, has helped to return the species’ population to safe levels in recent decades. In parallel, the farmers conserve the biotopes on which 8,000 species depend, including the alligators. Moreover, the Louisiana wetland biotopes are critical for climate change mitigation as they sequester a significant amount of carbon. These observations regarding biodiversity preservation and carbon sequestration have encouraged our Maisons’ efforts to source American alligator leather.

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 majority of the Group’s manufacturing facilities are located in Switzerland, France and Germany. Those countries set high environmental standards and enforce them through national and local environmental legislation. The Group’s Maisons comply with all such legislation.

MINIMISE OUR GREENHOUSE GAS, WATER AND WASTE FOOTPRINTS

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 Strategy. Moreover, our Generation Z materiality assessment highlighted the importance of this topic to younger stakeholders.

To set science-based emission reduction targets in line with the Paris Agreement, during the year Richemont calculated and analysed its overall carbon footprint. The analysis encompassed not only its buildings, travel and logistics, but also its purchased goods and services and other relevant Scope 3 categories. Our overall carbon footprint is likely to be five times greater than our analysis of buildings, travel and logistics only. By March 2020, the Scope 3 analysis was sufficiently developed for Richemont to commit to developing Science-Based Targets. The actual targets will be developed during the 2020-21 period and be submitted for independent review and validation. 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.

To date, our policy is to focus on reducing our own carbon emissions and those of our logistics service providers. From 2008 to 2020, we have purchased carbon offsets to neutralise our
measured footprint for buildings, business travel and more recently logistics. That development reflected the quality of logistics data and the acquisition of YOOX NET-A-PORTER GROUP (YNAP) in 2018. 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. Its relative importance is indicated in the table below.

The cost of carbon offsets varies depending on the volume of carbon credits and the average price per offset. The cost of offsetting our prior year footprint was some €1.1 million. We raise awareness of the cost by re-invoicing 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 1’200 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 2019**

Our overall carbon footprint for the year amounted to 284,227 tCO₂e. The latest year covered the twelve months from January to December 2019. The overall footprint increased by some 4,000 tCO₂e or 1%. The following table identifies the Group footprint by reporting segments and by source.

<table>
<thead>
<tr>
<th>000 tCO₂e</th>
<th>Buildings</th>
<th>Travel</th>
<th>Logistics</th>
<th>Total 2019</th>
<th>Total 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jewellery Maisons</td>
<td>19</td>
<td>24</td>
<td>18</td>
<td>61</td>
<td>56</td>
</tr>
<tr>
<td>Specialist Watchmakers</td>
<td>9</td>
<td>13</td>
<td>7</td>
<td>29</td>
<td>31</td>
</tr>
<tr>
<td>Online Distributors</td>
<td>10</td>
<td>3</td>
<td>91</td>
<td>104</td>
<td>100</td>
</tr>
<tr>
<td>Fashion &amp; Accessories</td>
<td>15</td>
<td>8</td>
<td>43</td>
<td>65</td>
<td>68</td>
</tr>
<tr>
<td>Corporate</td>
<td>9</td>
<td>15</td>
<td>0</td>
<td>24</td>
<td>27</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>61</strong></td>
<td><strong>63</strong></td>
<td><strong>160</strong></td>
<td><strong>284</strong></td>
<td><strong>281</strong></td>
</tr>
</tbody>
</table>

Further details regarding the scope of reporting across our business operations, our Scope 1, 2 and 3 data, as well as long-term trends may be found at the end of the Environment chapter under the title ‘Carbon footprint reporting’.

**Buildings**

Our carbon footprint from buildings decreased by 6% during the year. The percentage of renewable electricity used increased to 64% for the year (prior year 60%). This progressive increase, from a base of just 23% in 2012, reflects two initiatives: local actions to switch 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, our carbon footprint linked to electricity consumption is falling year on year.
Based upon our success in this area, Richemont has committed to reach 100% renewable electricity no later than 2025. In the meantime, we will offset our remaining building-related carbon footprint. We intend to join the Renewable Energy 100% initiative (‘RE100’) in due course. YNAP was one of the earliest members of that Initiative and the case study in this chapter describes YNAP’s experience. Richemont is learning from YNAP, Van Cleef & Arpels and other pioneers, which has also purchased Renewable Energy Certificates via the RECS system.

We recognise that buying renewable energy and offsetting are partial solutions to mitigate climate change. The better solution is to reduce our buildings’ energy consumption in absolute terms. 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 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. The implementation process is being managed by the Facilities Manager of each site, in particular the larger manufacturing and warehouse sites. Our annual energy measurement process signals where such action has been most effective.

To ensure that environmental considerations are factored into every capital project, including lease commitments, Richemont’s Commitment Approval protocol was updated during the year. The change encourages managers to identify environmental aspects such as building certification at the earliest stages, e.g. LEED or BREEAM.

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 10% and the total distance travelled by air increased by 3% to 348 million kilometres. During the equivalent period to March 2020, Group sales amounted €14’238 million and were in line with the comparative in constant currency terms.

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.

During the year a Sustainable Travel Policy was finalised, making business travel the last option for better business. In the longer-term, the implementation of that policy will lower the frequency of business trips, in particular long-haul flights. In addition, incentives to reduce business travel will be explored as part of the Group’s decarbonisation efforts. In parallel, videoconference facilities in our offices and other meeting places will be improved. During the pandemic, the abrupt shift to working from home for most office workers focused attention on the benefits and limits of videoconference and related technologies.

**Logistics**

Our logistics business models fall broadly into two types: Business to business (B2B) and business to consumer (B2C). The B2B model relates to our Maisons, which primarily distribute to their products from the place of manufacture to their own boutiques and wholesale partners. The B2C model relates to e-commerce activities, being YNAP, Watchfinder and some e-commerce activities
of our Maisons. YNAP arranges doorstep delivery of fashion, accessories, watches and jewellery in more than 150 countries.

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. 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 larger presentation box for collectors. The array has reduced its product-to-packaging weight ratio by 30%.

Together, these efforts seek to reduce the impact of our logistics on the environment in general and, for protective packaging, on waste in particular. During the year, logistics plastic packaging was reduced by some 30%.

**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 CO₂ emissions were offset by one major project and a variety of other projects:

- The major project 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](#).

- Other projects include forest conservation in Peru, small hydro-electricity generation in China, safe water for better health in Cambodia and cook stoves in India.

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 engagement on climate change matters through internal and external communication.

As described in this chapter, the carbon footprint for the year under review will be offset using the REDD+ project above and other projects.

**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.

**Water and waste data**

Water data has been consolidated for the first time in 2019/20. This reflects our commitment to identify and measure material water-using activities. In the first year, our focus was 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. As described above, we are also eliminating single-use plastics from our employee restaurants in 2020 and 2021.

Data will be made available in the coming 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.

CASE STUDY

YOOX NET-A-PORTER (YNAP) AND RE100

RE100 groups the world’s most influential companies committed to 100% renewable power and is led by The Climate Group in partnership with CDP. YNAP was among the first companies to join RE100 in 2015, inspired by its goal to accelerate change towards zero carbon grids at global scale by increasing corporate demand for – and in turn supply of – renewable energy.

Since the beginning, YNAP set an ambitious target committing to 100% renewable energy by 2020, to be reached through a strategy based on: renewable energy purchasing; self-generated energy via solar panels; and collaboration with landlords. As a last option, where the previous actions proved to be not viable, the company has bought Renewable Energy Certificates.

In 2018 all Italian operation were already using 100% renewable energy, while globally YNAP renewable energy use increased from 45% in 2017 to 65% in 2018. In 2019 YNAP achieved 93% of renewable energy sourced globally and is on track to succeed in its plan of being 100% renewable by the end of 2020.

To progress successfully in this journey, YNAP faced many challenges, such as the difficulties encountered in shifting from standard contracts into green energy procurement contracts and the regional price differences for green energy certificates in different markets.

Shifting to renewable energy is only one part of the YNAP commitment to improve sustainability. At the same time, YNAP is working on reducing its global emissions and energy demand as much as possible, by constantly exploring new technologies and processes.

YNAP is proud to be among the first companies that joined RE100 and its contribution to the growth of the group that today includes companies from all over the world. YNAP is also proud of what has been achieved so far, and experienced the same sense of pride for this programme coming from its employees, who always warmly welcome communications regarding new achievements.

The rest of Richemont has learned from the YNAP experience and is targeting 100% renewable electricity worldwide by 2025.
LOOKING AHEAD

During 2020-21 we will continue to focus on the Foundational commitments and targets contained in the Strategy.

We expect to achieve all the Foundational targets by December 2020, depending on the economic impacts of the pandemic. As indicated above, the impacts have slowed the implementation of two projects: the energy management checklist and plastic components in branded packaging.

During this year we will also continue to work on the medium-term targets contained in the Strategy. In particular, we will focus on the Aspirational targets to be achieved by 2022. They include: reporting waste and water for all industrial sites; elaborating Scope 3 reports for our Science-Based Targets; following responsible construction and renovation principles; eliminating single-use plastics in catering; and setting further environmental targets for logistics.

Our long-term, transformational commitments include: new approaches to circularity, such as closing the loop on waste materials towards ‘zero waste to landfill’; measuring the lifecycle impacts of our products and minimising their impact through innovative eco-design; reaching 100% renewable energy; certifying construction and renovation projects to green building standards; and embedding sustainable logistics and travel policies.

Matthew Kilgarriff

Group Director, Corporate Social Responsibility
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. 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. Nevertheless, the Group CSR Committee regularly considers those risks.

During the year, Richemont aligned its climate-related strategic governance, management and reporting practices with the TCFD recommendations. TCFD, the Task Force on Climate-related Financial Disclosures, was established in 2017 and is driving transparent and consistent reporting on business risks and opportunities from climate change. The alignment exercise identified gaps in our current disclosures and highlighted specific actions to address those gaps. Richemont has neither quantified the financial risks associated with climate change nor identified weaknesses in our business model which would be worsened by gradual temperature changes, cases of extreme weather conditions or growing water scarcity.

The following table presents the TCFD recommendations and Richemont’s corresponding disclosures.

Table key

<table>
<thead>
<tr>
<th>TCFD Recommendations</th>
<th>Richemont’s corresponding Disclosures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Theme area</strong></td>
<td><strong>Recommended Disclosures</strong></td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td>a) Description of boards’ oversight of climate-related risks and opportunities.</td>
</tr>
<tr>
<td></td>
<td>b) Description of management’s role in assessing and managing climate-related risks and opportunities.</td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td>a) Description of the climate-related risks and opportunities the organization has identified over the short, medium and long term.</td>
</tr>
<tr>
<td></td>
<td>b) Description of the impact of climate-related risks and opportunities on the organization’s businesses, strategy and financial planning.</td>
</tr>
<tr>
<td></td>
<td>c) Description of the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</td>
</tr>
<tr>
<td></td>
<td>b) Description of the organization’s processes for managing climate-related risks.</td>
</tr>
<tr>
<td></td>
<td>c) Description of how processes for identifying, assessing and managing climate-related risks are integrated into the organization’s overall risk management.</td>
</tr>
<tr>
<td><strong>Metrics and Targets</strong></td>
<td>a) Disclosure of the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</td>
</tr>
</tbody>
</table>
The following sections provides further details about our carbon footprint and energy consumption.

CARBON FOOTPRINT REPORTING

2019

Our 2019 environmental data to 2018 was independently verified by SGS. The 2019 data has not been independently verified as priority has been given to the preservation of employment during the pandemic.

We calculate our carbon footprint based on the internationally recognised Greenhouse Gas (GHG) Protocol of the World Business Council for Sustainable Development (WBCSD). Specifically, we use the 2019 DEFRA conversion factors to convert our Scope 1 (own vehicles, fuel, gases, heat and steam) and our Scope 3 (Business Travel and Logistics) activity data to emission numbers. For market-based emissions, we use: AIB conversion factors for Europe; Green-e conversion factors for North America; and IEA conversion factors for the rest of the world.

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. The Buccelatti acquisition took place shortly before the reporting period-end and was therefore not included in the 2019 data. Data is not always available for some smaller retail outlets, in particular where we operate from shared sites. Richemont uses energy estimations (per m²) 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, our global CO₂e emissions increased by 1% to 284 Ktons. The 1% increase comprises:

- Buildings emissions decreased by 6%. Renewable electricity now accounts for 64% of our overall electricity consumption (Prior year: 60%) and we seek to further increase that proportion to 100% by 2025.
- Business travel emissions increased by 10% and the total distance travelled by air increased by 3%. The increase is due to more long-haul air travel in business class. The longer-term impact of the new Sustainable Travel Policy will not be evident until such travel restrictions have been lifted in the majority of countries.
- Logistics emissions (scope 3) increased by 4%. This increase is primarily due to YNAP.

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.

With respect to renewable energy, in-house solar energy production continued to increase. However, at some 1.6 GWh, this represents less than 1% of the electricity consumed by the Group as a whole.
Since 2011: an independent assurance report had been provided on the Group’s consolidated CO₂ emissions. The most recent report, from SGS, was issued on 12 July 2019 and included Scope 3 Logistics.

<table>
<thead>
<tr>
<th>CO₂e emissions (kt CO₂e)</th>
<th>2015/16</th>
<th>CY 2016</th>
<th>CY 2017</th>
<th>CY 2018</th>
<th>CY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>171.5</td>
<td>179.4</td>
<td>179.0</td>
<td>280.7</td>
<td>284.2</td>
</tr>
<tr>
<td>Scope 1</td>
<td>13.6</td>
<td>15.4</td>
<td>13.4</td>
<td>19.5</td>
<td>15.9</td>
</tr>
<tr>
<td>Scope 2</td>
<td>57.3</td>
<td>62.8</td>
<td>55.3</td>
<td>58.5</td>
<td>54.8</td>
</tr>
<tr>
<td>Scope 3 w/o Logistics</td>
<td>56.9</td>
<td>55.6</td>
<td>50.6</td>
<td>49.1</td>
<td>53.8</td>
</tr>
<tr>
<td>Scope 3 Logistics only</td>
<td>43.7</td>
<td>45.6</td>
<td>59.7</td>
<td>153.6</td>
<td>159.7</td>
</tr>
</tbody>
</table>

**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 and now covers all relevant logistics, including e-commerce.

**OTHER EMISSIONS AND DISCHARGES**

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.
**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 4%.

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, 64% of the Group’s purchased electricity was renewable (Prior year: 60%; 2012: 23%). In absolute terms, the Group's renewable electricity and alternative energy consumption increased to 154 GWh. We continue to prioritise renewable energy procurement in all of our operations.

**Energy**

<table>
<thead>
<tr>
<th>(buildings only) GWh</th>
<th>2015/16</th>
<th>CY 2016</th>
<th>CY 2017</th>
<th>CY 2018</th>
<th>CY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total energy consumption</td>
<td>227</td>
<td>245</td>
<td>236</td>
<td>270</td>
<td>281</td>
</tr>
<tr>
<td>Direct energy consumption</td>
<td>28</td>
<td>32</td>
<td>32</td>
<td>33</td>
<td>34</td>
</tr>
<tr>
<td>Indirect energy consumption</td>
<td>196</td>
<td>212</td>
<td>203</td>
<td>236</td>
<td>245</td>
</tr>
<tr>
<td>Alternative energy</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

‘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’.

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.

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. 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, surveys have indicated that progress in most cases is either ‘good’ or ‘complete’, suggesting 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’.

**BUILDINGS DESIGNED TO THE HIGHEST ENVIRONMENTAL STANDARDS**

The following buildings in Switzerland have been designed to the highest environmental standards. The respective energy used for heating or cooling purposes is indicated. Certain buildings still need a variable portion of fossil fuel for heating, depending on the availability of renewable sources.

- Cartier Components Manufacture, Couvet, Switzerland – no fossil fuel
- Cartier Stamping, Glovelier, Switzerland – no fossil fuel
- IWC Manufacture, Merishausen, Switzerland – gas, but converting to bio-gas
- Panerai Manufacture, Neuchâtel, Switzerland – no fossil fuel
- Vacheron Constantin Manufacture, Le Brassus, Switzerland – no fossil fuel
- Valfleurier Components Manufacture, Buttes, Switzerland – gas as secondary heating source

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

- Campus Genevois de Haute Horlogerie, Meyrin, Switzerland
- Cartier Jewellery Manufacture, Le Locle, Switzerland
- A Lange & Soehne Manufacture, Glasshütte, Germany

Since its inception, Campus Genevois de Haute Horlogerie has acted as a role model for our 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 m² 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.

**GLOSSARY**

A Glossary of terms used in this Sustainability Report may be found on the Richemont website.
GLOBAL REPORTING INITIATIVE ('GRI') INDEX

PAGES 102-113
Richemont’s Sustainability Report 2020 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 this report and our Annual Report and Accounts 2020. The Group’s Sustainability Report 2020 has not been verified by an independent body.

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