



## GLOSSARY

# LEXICON - TRANSFORMATIONAL CSR STRATEGY

A glossary of terms to assist Strategy Owners and users with target setting

Sources: Public information including Wikipedia, United Nations, OECD, ISO, GRI, standard-setters such as RJC and FSC, and industry peers.

## A-Z

**ARTISANAL AND SMALL-SCALE MINING (ASM)** - Informal mining activities carried out using low technology or with minimal machinery. Practiced by individuals, groups or communities often in developing nations.

**ASPIRATIONAL COMMITMENTS** – ‘Aspirational’ commitments refer to Richemont’s expectations for all Maisons and operations entities to achieve in the medium term. Those commitments are described in Richemont’s 2019 Transformational CSR Strategy.

**AUDIT** – A systematic and independent examination of books, accounts, statutory records, documents and vouchers of an organisation to ascertain how far the financial statements as well as non-financial disclosures present a true and fair view of the concern.

**BETTER COTTON INITIATIVE (BCI)** - A non-profit organisation that aims to make global cotton production better for the environment, people who produce it and the future of the industry by bringing together cotton’s supply chain from farmers to retailers. [www.bettercotton.org](http://www.bettercotton.org)

**BETTER LUXURY** – Richemont’s movement for better luxury represents an aspiration to improve the way luxury is created, in a way that is more sustainable and responsible. ‘Better’ indicates that Richemont recognises it does not yet have all the answers, but is committed to a journey to improve how key issues across the luxury value chain are addressed e.g. reduced environmental impact, improved social conditions for supply chain workers, more opportunities for Richemont employees.

**BIODIVERSITY** - Also known as biological diversity, is the variety of all life on earth. Biodiversity can also be studied within a particular ecosystem.

**CARBON DIOXIDE EMISSIONS** - Carbon dioxide (CO<sub>2</sub>) emissions are caused by the combustion of fossil fuels (coal, natural gas, and oil) primarily for energy and transportation. CO<sub>2</sub> emissions can also be caused by industrial processes and burning forests and peatlands. CO<sub>2</sub>, one of a suite of greenhouse gases, is the major one emitted through human activity.

**CARBON FOOTPRINT** - Emissions of greenhouse gases (in carbon equivalent) for an activity or organisation over a given period of time.

**CARBON NEUTRAL** - Carbon neutral means achieving net zero carbon emissions by balancing carbon emitted with an equivalent amount sequestered or offset, or buying enough carbon credits to make up the difference.

**CARBON INSETTING** - Carbon insetting refers to the direct investment of a company within its own value chain (up-stream and down-stream) in order to reduce its carbon footprint.

**CARBON OFFSETTING** - Carbon offsetting is the reduction of net emissions greenhouse gases by purchasing credits, either through emissions reduction projects or through carbon trading schemes.

**CERTIFICATION** - Certification refers to the confirmation of certain characteristics of an object, person, or organisation. This confirmation is often provided by external review, education, assessment, or audit. Accreditation is a specific organisation's process of certification.

**CIRCULAR ECONOMY** - A circular economy is an economic system aimed at minimising waste and making the most of resources. This regenerative approach is in contrast to the traditional linear economy, which has a 'take, make, dispose' model of production. In a circular system resource input and waste, emission, and energy leakage are minimised through long-lasting design, maintenance, repair, reuse, remanufacturing, refurbishing, recycling and upcycling.

**CONVENTION ON INTERNATIONAL TRADE IN ENDANGERED SPECIES OF WILD FAUNA AND FLORA (CITES)** - CITES is an international agreement between governments that regulates international trade of wild animals and plant species to ensure trading does not threaten their survival. The list of species protected by CITES is regularly amended, the latest version may be found at [www.cites.org](http://www.cites.org)

**CORPORATE RESPONSIBILITY POLICY** – Richemont’s Corporate Responsibility Policy provides a common framework to pursue our CR objectives and overarching strategy.

**CORPORATE SOCIAL RESPONSIBILITY (CSR)** – Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns into their business operations.

**DEFORESTATION** - Deforestation is when forests are cut down permanently in order to make the land available for other uses. This is a major contributor to global warming.

**DEGRADATION** - Degradation is the deterioration of an environmental element such as soil, air or water. The change or disturbance has negative effects on the ecosystem and can lead to wildlife extinction.

**DIVERSITY AND INCLUSION** - Diversity is the range of human differences, including but not limited to race, ethnicity, gender, gender identity, sexual orientation, age, social class, physical ability or attributes, religious or ethical values system, national origin, and political beliefs. Inclusion is involvement and empowerment, where the inherent worth and dignity of all people is recognized.

**DODD-FRANK ACT** - The Dodd–Frank Wall Street Reform and Consumer Protection Act, was signed into United States federal law in 2010. Section 1502 of the Act requires publicly traded companies to ensure that the raw materials they use to make their products are not tied to the conflict in Congo, by tracing and auditing their mineral sustainable procurement. In 2012, the

Securities and Exchange Commission (SEC) issued its Conflict Minerals Rule along with guidance for how companies should report on the source of the conflict minerals in question: Tin, Tungsten, Tantalum, and Gold, also known as '3TG'.

**DUE DILIGENCE** - Due diligence is the investigation or exercise of care that a reasonable business or person is expected to take before entering into an agreement or contract with another party, or an act with a certain standard of care. It can be a legal obligation, but usually applies to voluntary investigations. Performing this type of investigation contributes significantly to informed decision making by (i) enhancing the amount and quality of information available to decision makers, and (ii) ensuring that this information is systematically used to deliberate on the decision at hand and all its costs, benefits, and risks.

**ECO-DESIGN** – Eco-design is an approach to designing products and packaging with consideration for its environmental impacts during its whole lifecycle, from procurement to use and disposal.

**ECOSYSTEM** - An ecosystem is a system formed by the interaction of a community of organisms with their physical environment (e.g. tropical forests, wetlands, and grasslands).

**ENVIRONMENTAL CODE OF CONDUCT** – Richemont's Environmental Code of Conduct confirms our commitment to environmental stewardship and elaborates the principles and practices that we follow in order to promote responsible environmental management. We require all our employees and business partners to contribute to our environmental performance by adopting those principles in their day-to-day activities.

**ENVIRONMENTAL MANAGEMENT SYSTEM (EMS)** - Environmental management system refers to the management of an organisation's environmental programmes in a comprehensive, systematic, planned and documented manner. The most commonly used EMS framework is the ISO 14001 standard.

**ENVIRONMENTAL STEWARDSHIP** - Environmental stewardship refers to responsible use and protection of the natural environment through conservation and sustainable practices.

**FAIRMINED (FM) GOLD** - FM Gold is a label that certifies gold coming from responsible practices of artisanal small-scale mining (ASM). It is an exchange between miners and markets, and guarantees fair prices for the minerals. [www.fairmined.org](http://www.fairmined.org)

**FAIRTRADE** - Fair trade is an institutional arrangement designed to help producers in developing countries achieve better trading conditions. Members of the fair trade movement advocate the payment of higher prices to exporters, as well as improved social and environmental standards.

**FAIRTRADE (FT) GOLD** - FT Gold is a standard that monitors human rights, chemicals, environmental protection and ensures that miners receive a premium (\$2,000/kg) to invest in better business or community projects such as health care, clean water and education. [www.fairgold.org](http://www.fairgold.org)

**FIVE FREEDOMS** - The Five Freedoms was developed by the World Organisation for Animal Health (OIE) to define the animal's welfare through its entire life cycle.

**FOREST STEWARDSHIP COUNCIL (FSC)** - The FSC is an organisation that sets its own global standards to promote environmentally sound, socially beneficial and economically prosperous management of the world's forests. [www.fsc.org](http://www.fsc.org)

## RICHEMONT

**FOUNDATIONAL COMMITMENTS** - 'Foundational' commitments refer to Richemont's expectations for all Maisons and operations entities to achieve in the short term. Those commitments are described in Richemont's 2019 Transformational CSR Strategy.

**FUR** - Many definitions for fur exist, but at its simplest, fur refers to the hair of mammals. In terms of luxury goods, 'fur' means the skins of animals which have been bred or captured for the value of the skin, rather than their nutritional value. Accordingly, the skins of cows, sheep, and similar animals are rarely considered to be 'fur' as the skin is a by-product, i.e. an incidental or secondary product.

**GLOBAL RECYCLED STANDARD (GRS)** - The Global Recycled Standard gives companies the ability to create a full product standard by providing a tool to ensure the identity of recycled materials throughout the production stages, as well as processing. [www.textileexchange.org/integrity](http://www.textileexchange.org/integrity)

**GLOBAL REPORTING INITIATIVE (GRI)** - The Global Reporting Initiative is an international independent standards organisation that helps businesses, governments and other organisations understand and transparently communicate their impacts on issues such as climate change, human rights and corruption. GRI's framework for sustainability reporting helps companies identify, gather and report this information in a clear and comparable manner.

**GREENHOUSE GAS EMISSIONS (GHG)** - GHGs are gases that trap heat in the atmosphere. They include carbon dioxide, methane, nitrous oxide, and fluorinated gases. They are responsible for the greenhouse effect, leading to global warming.

**GREEN IT** - Green Information Technology refers to a systematic application of ecological sustainability criteria to the creation, sourcing, use and disposal of IT infrastructure as well as within the IT human and managerial practices that address environmental sustainability in organisations.

**ICEC** - The Institute of Quality Certification for the Leather Sector. [www.icec.it/en](http://www.icec.it/en)

**ICFA** - The International Crocodilian Farmers Association (ICFA). ICFA is developing a global standard for farming crocodilians. The draft standard focuses not only on the sustainability and humane treatment of crocodiles, but also quality assurance, traceability, biosecurity, and the welfare of people working in the trade.

**ISEAL** - ISEAL is the global membership association for credible sustainability standards, including the RJC and FSC.

**ISO 14001** - ISO 14001 is an International Standard that sets out criteria for an Environmental Management System (EMS).

**ISO 26000** - ISO 26000 is an International Standard providing guidelines for social responsibility. Its goal is to contribute to global sustainable development by encouraging business and other organisations to practice social responsibility.

**KIMBERLEY PROCESS CERTIFICATION SCHEME (KPCS)** - The Kimberley Process Certification works on the basis that only diamonds certified as 'conflict free' in line with KPCS guidelines may be exported from producing member countries or imported by other KPCS member countries. [www.kimberleyprocess.com](http://www.kimberleyprocess.com)

KPI/EKPI - Key performance indicator or environmental key performance indicator is a metric used to track progress towards sustainability targets.

LABORATORY-GROWN DIAMOND - A laboratory-grown diamond, also known as a synthetic diamond, is a diamond produced by a controlled process, as contrasted with a natural diamond created by geological processes.

LEATHER WORKING GROUP - The Leather Working Group is a multi-stakeholder group that monitors and assesses the environmental compliance and performance of leather tanneries and promotes sustainable business practices within the leather industry. [www.leatherworkinggroup.com](http://www.leatherworkinggroup.com)

LIFE-CYCLE ASSESSMENT (LCA) - Life-Cycle Assessment, also known as Life-Cycle Analysis, eco-balance, and cradle-to-grave analysis, is a technique to assess environmental impacts associated with all the stages of a product's life from raw material extraction through materials processing, manufacture, distribution, use, repair and maintenance, and disposal or recycling.

LONDON BULLION MARKET ASSOCIATION (LBMA) - The London bullion market is a wholesale over-the-counter market for the trading of gold and silver. Most of the members are international banks or bullion dealers and refiners. It sets requirements for the LBMA Good Delivery List of approved refineries.

MILLENNIALS – Millennials is a term used by demographers for people born between the early 1980s and the late 1990s.

MOVEMENT – Richemont's movement for better luxury describes our corporate journey towards sustainable operational practices. The movement uses the design, manufacture and distribution of luxury goods to create benefits for a wide range of stakeholders.

MRSL - The Manufacturing Restricted Substances List outlines the chemicals that cannot be used intentionally in the manufacturing of our Maisons' products.

NATURAL CAPITAL - The world's stock of natural assets, including geology, soil, air, water and all living things.

OECD DUE DILIGENCE GUIDANCE FOR RESPONSIBLE SUPPLY CHAINS OF MINERALS FROM CONFLICT-AFFECTED AND HIGH-RISK AREAS - The OECD Due Diligence Guidance provides detailed recommendations to help companies respect human rights and avoid contributing to conflict through their mineral purchasing decisions and practices. The Guidance is used by any company potentially sourcing minerals or metals from conflict-affected and high-risk areas. The OECD Guidance is global in scope, and applies to *all* mineral supply chains. <http://www.oecd.org/corporate/mne/mining.htm>

OHSAS 18001/2 - The OHSAS 18001/2 is an internationally applied British Standard for occupational health and safety management systems. (ISO 45001 is an ISO standard for management systems of occupational health and safety (OH&S), published in March 2018. The goal of ISO 45001 is the reduction of occupational injuries and diseases.)

PARIS AGREEMENT – The Paris Agreement is an agreement within the United Nations Framework Convention on Climate Change (UNFCCC), dealing with greenhouse-gas-emissions mitigation, adaptation, and finance. Reached during COP21 in 2015, the Paris Agreement's long-

term goal is to keep the increase in global average temperature to below 2°C above pre-industrial levels, ideally below 1.5°C, in order to substantially reduce the risks and negative effects of climate change.

**POSITIVE SOCIAL IMPACT** - A positive social impact is the result of a deliberate set of activities to bring about significant, positive change to a pressing social challenge.

**PRSL** - The Product Restricted Substances List outlines the chemicals which cannot be detected or must meet certain limits in our Maisons' products.

**RAW MATERIAL** - Raw materials are an unprocessed first input (for example, diamonds, gold, cotton, leather, etc.) which will be transformed into the finished product through the various stages of processing, manufacturing and assembly.

**RECYCLING** - Recycling is the process of converting waste materials into new materials and objects. It is an alternative to conventional waste disposal that can save material and help lower greenhouse gas emissions.

**RENEWABLE** - A renewable resource is a natural resource that overcomes depletion caused by usage and consumption, either through natural reproduction or other recurring processes in a finite amount of time and on a human time scale.

**RESPONSIBLE BUSINESS CONDUCT (RBC)** - Responsible business conduct (RBC) entails above all compliance with laws, such as those on respecting human rights, environmental protection, labour relations and financial accountability, even where these are poorly enforced. Private voluntary initiatives addressing this RBC are often referred to as corporate social responsibility. (Source: OECD.)

**RESPONSIBLE LUXURY INITIATIVE (ReLI)** - BSR's Responsible Luxury Initiative provides a platform for all luxury sector companies to discuss, explore and develop collaborative solutions to sustainability issues in their value chains. <https://www.bsr.org/en/collaboration/groups/responsible-luxury-initiative>

**RESPONSIBLE JEWELLERY COUNCIL (RJC)** - The RJC is a standards and certification organisation for the whole jewellery supply chain, from mine to retail. [www.responsiblejewellery.com](http://www.responsiblejewellery.com)

**RESPONSIBLE SOURCING** - Responsible Sourcing is a voluntary commitment by companies to take into account social and environmental considerations when managing their relationships with suppliers (Source: International Chamber of Commerce).

**RELEVANT SUPPLIERS.** - Relevant suppliers are those supplying the Group with either 20 orders per year or cumulative orders exceeding € 20'000 per year.

**RJC CHAIN-OF-CUSTODY (COC)** - COC is a certification that supports gold, platinum, palladium, and rhodium that is conflict-free and responsibly produced at each stage of the supply chain. These standards include human rights, labour standards, business ethics and environmental impact. [www.responsiblejewellery.com/chain-of-custody-certification](http://www.responsiblejewellery.com/chain-of-custody-certification).

**RJC CODE OF PRACTICES (COP)** - The RJC Code of Practices Certification provides members with evidence of their responsible business practice, which can be communicated to suppliers, customers and other stakeholders. Certification against the RJC Code of Practices is compulsory

for all RJC Commercial members. <https://www.responsiblejewellery.com/files/RJC-COP-April-2019.pdf>

SA8000 - SA8000 is an auditable certification standard that encourages organisations to develop, maintain, and apply socially acceptable practices in the workplace.

SAFETY DATA SHEET - A safety data sheet (SDS), material safety data sheet (MSDS), or product safety data sheet (PSDS) is a document that lists information relating to occupational safety and health for the use of various substances and products. SDSs are a widely used system for cataloging information on chemicals, compounds and mixtures.

SCIENCE-BASED TARGETS INITIATIVE (SBTI) – The Science Based Targets Initiative helps companies transition to a low-carbon economic profile by setting greenhouse gas emission reduction targets in line with climate science. It is a collaboration between CDP, the United Nations Global Compact (UNGC), World Resources Institute (WRI), and the World Wide Fund for Nature (WWF).

SMETA - Sedex Members Ethical Trade Audit (SMETA) is a widely used ethical audit format. SMETA is an audit methodology, providing a compilation of best practice ethical audit techniques. It is designed to encompass all aspects of responsible business practice, covering Labour, Health and Safety, Environment and Business Ethics. SMETA is designed for suppliers to share one audit with multiple customers, meeting multiple customer requirements and reducing duplication in ethical auditing.

STANDARDS OF BUSINESS CONDUCT – Richemont’s Standards of Business Conduct is an internal booklet. It describes the standards we expect of each other in the way we conduct our business. The standards are derived from our values, including integrity, honesty and respect.

SUB-SUPPLIER - A sub-supplier is a supplier to a supplier; a second tier supplier.

SUPPLIER CODE OF CONDUCT – Richemont’s Supplier Code of Conduct comprises 39 Principles covering General Requirements, Responsible Supply Chains, Labour Practices and Human Rights, Environment, Sustainable Product Development, and Application and Compliance. We require our suppliers to adhere to this Code and ensure the compliance of their own operations with all of its applicable principles. We expect that our suppliers encourage their own contractors and vendors to incorporate these principles into their business practices.

SUPPLIERS - Suppliers are all of the entities that touch the raw material in its transformation from its natural state to finished product including those that are involved in the processing, manufacturing and assembling of the material.

SUSTAINABILITY / SUSTAINABLE DEVELOPMENT – Sustainable development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Sustainable development encompasses three dimensions: economic, environmental and social. Richemont uses the terms ‘sustainability’ and ‘sustainable development’ interchangeably.

SUSTAINABLE DEVELOPMENT GOALS (SDGs) - The Sustainable Development Goals (SDGs) (or the Global Goals for Sustainable Development, the 17 Global Goals, the Global Goals or simply the Goals) are a collection of 17 global goals set by the United Nations General Assembly in 2015 for the year 2030. The SDGs are part of Resolution 70/1 of the United Nations General Assembly: ‘Transforming our World: the 2030 Agenda for Sustainable Development’. That has been shortened to ‘the 2030 Agenda’.

**SUSTAINABLE LOGISTICS** - Sustainable logistics describes our attempts to measure and minimise the ecological impact of logistics activities. This includes all activities of the forward and reverse flows of products, information and services between the point of origin and the point of consumption.

**SUSTAINABLE PRODUCTS** - Sustainable products are products that provide environmental, social and economic benefits while protecting public health and the environment over their whole life cycle, from the extraction of raw materials until the final disposal.

**SUSTAINABLE TRAVEL** - Sustainable travel is business travel which takes into account the impacts on the business, the environment and on the well-being of the traveller.

**SWISS BETTER GOLD ASSOCIATION (SBGA)** - The Swiss Better Gold Association (SBGA) is a not-for-profit association created by Swiss companies involved in the gold supply chain, from refiners to retailers. SBGA's aim is to create a simple market-driven mechanism that enables formalised gold mining entities to adopt more socially inclusive and better environmental practices.

**SWISS BETTER GOLD INITIATIVE (SBG)** - SBG is an integrated supply chain project that aims at improving the social and environmental condition of Artisanal, Small and Medium Scale Gold Mining (ASM) throughout the world. <https://www.swissbettergold.ch/en/about>

**TRACEABILITY** - Traceability is the ability to identify and trace the history, distribution, location, and application of products, parts, and materials. In the sustainability context, traceability is a tool to assure and verify sustainability claims associated with commodities and products, ensuring good practice and respect for people and the environment all along the supply chain.

**TRANSFORMATIONAL COMMITMENTS** – ‘Transformational’ commitments refer to Richemont's expectations for all Maisons and operations entities to achieve in the long term. They comprise the actions needed to reach our vision of ‘Better Luxury’. Those commitments are described in Richemont's 2019 Transformational CSR Strategy.

**TRANSFORMATIONAL CSR STRATEGY** - Richemont's transformational CSR strategy is a long-term plan of action, which aims to shift the Group towards sustainable operational practices.

**TRANSPARENCY** - Transparency describes the extent to which Richemont's actions are observable to employees, shareholders and other stakeholders. Transparency may be defined as the perceived quality of intentionally shared corporate information. Perceptions are shaped by the level of information disclosed, its clarity, and its accuracy. ‘Full supply chain transparency’ means that all actors along the supply chain have been identified.

**VOLUNTEERING** – Volunteering is an altruistic activity, where an individual or group of employees provide a service to benefit another person, group or organization for no financial or social gain.

**WELL-BEING** – Well-being refers to the physical and psychological good health of individuals, in particular Richemont employees. For managing this broad and complex topic, Richemont uses the following five dimensions: career; social; financial; physical; and community wellbeing.

**WORLD DIAMOND COUNCIL** - The World Diamond Council represents the diamond industry in the development and implementation of systems to control the trade in diamonds embargoed by the United Nations or covered under the KPCS. [www.worlddiamondcouncil.com](http://www.worlddiamondcouncil.com)

## RICHEMONT

WORLD DIAMOND COUNCIL SYSTEM OF WARRANTIES STATEMENT - The World Diamond Council System of Warranties Statement reads: 'The Diamonds herein invoiced have been purchased from legitimate sources not involved in the funding of conflict and in conformance with United Nations resolutions. The seller hereby guarantees that these Diamonds are conflict free, based on personal knowledge and/or written guarantees provided by the Supplier of these Diamonds.'

WORLD GOLD COUNCIL - The World Gold Council is the market development organisation for the gold industry. It publishes research for investors and countries and on the industry. Its members comprise the world's leading gold mining companies. It helps its members to mine in a responsible way and developed the Conflict Free Gold Standard.