EU TAXONOMY REPORT - Richemont International Holding S.A.

Background and objectives

As part of the European Green Deal, the European Union (EU) has placed the topics of climate protection, the environment and sustainability at the heart of its political agenda in order to achieve climate neutrality by 2050. In this context, the EU published the "Strategy for Financing the Transition to a Sustainable Economy" in 2021. One of the key modules in this Strategy is the EU Taxonomy (Regulation (EU) 2020/852) and its associated delegated acts.

The EU Taxonomy is a classification system for sustainable economic activities. An economic activity is considered taxonomy-eligible if it is listed in the EU Taxonomy and can therefore potentially contribute to realising at least one of the six environmental objectives.[1]

An activity is only considered environmentally sustainable, i.e. taxonomy-aligned, if it meets all three of the following conditions:

- The activity makes a substantial contribution to one of the environmental objectives by meeting the technical screening criteria defined for this economic activity, e.g. level of CO_2 emissions for the climate change mitigation environmental objective.
- The activity meets the Do Not Significant Harm (DNSH) criteria defined for this economic activity, meaning the activity does not significantly harm one or more of the other environmental objectives.
- The activity is carried out in compliance with the minimum safeguards criteria, which apply on organisation level and relate to human rights due diligence and social and labor standards, as well as fair competition, taxation, and anti-corruption and bribery laws.

Reporting for financial year 2023

Richemont International Holding S.A. (hereafter the "Company" or "RIHSA"), its subsidiaries and equity-accounted investments (together "the Group") is part of the Compagnie Financière Richemont SA ("CFR" or "Richemont"), one of the world's leading luxury goods groups. CFR's interests encompass several of the most prestigious names in the industry including Cartier, Van Cleef & Arpels, Buccellati, A. Lange & Söhne, Baume & Mercier, IWC Schaffhausen, Jaeger-LeCoultre, Panerai, Piaget, Roger Dubuis, Vacheron Constantin, Watchfinder, Yoox Net-a-Porter ('YNAP'), Alaïa, Chloé, Delvaux, dunhill, Montblanc, Peter Millar, Purdey, Serapian and AZ Factory.

RIHSA is reporting for the first time on alignment under the EU Taxonomy Regulation 2020/852, under Article 8, which includes undertakings in scope of Article 19a of the Non-Financial Reporting Directive (NFRD) 2013/34/EU. RIHSA reports on the activities of the Group.

For financial year 2023 (FY23), ended 31 March 2023, RIHSA is reporting the percentage of eligible and aligned Turnover, Capital Expenditures (CapEx), and Operating Expenditures (OpEx) under the climate change mitigation and adaptation objectives, as found in the Climate Delegated Act 2021/2139, Annex I and Annex II.

At the time of writing the report, the 'Environmental Delegated Act' containing the criteria for the remaining four environmental objectives has been adopted in June 2023 and are awaiting publication in the Official Journal to enter into force. RIHSA has not included an eligibility assessment under these objectives for its activities in the financial year 2023.

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1 The six environmental objectives of the Taxonomy are: (1) climate change mitigation, (2) climate change adaptation, (3) sustainable use and protection of water and marine resources, (4) transition to a circular economy, (5) pollution prevention and control, and (6) protection and restoration of biodiversity and ecosystems.

The figures reported on turnover, capital expenditure and operating expenditure relate to the companies consolidated into the Group’s consolidated financial statements. Financial data for the Group’s equity-accounted investments are excluded.

The wording and terminology used in the EU Taxonomy are still subject to some uncertainty in interpretation, which could lead to changes in the reporting when it is subsequently clarified by the EU.

Economic activities

Eligible activities

The analysis of the Group’s products and services shows that 0.03% of turnover, 76% of CapEx and 46% of OpEx can be classified as eligible under the EU taxonomy.

Turnover

The main turnover of the Group is in the luxury industry, which is not currently covered by the EU Taxonomy. However, the Group identified immaterial turnover related to educational and cultural activities which are deemed eligible under the EU Taxonomy. The total taxonomy eligible turnover for FY23 is broken down in the EU Taxonomy table 1.

Capital Expenditures (CapEx)

Part of the Group’s CapEx related to eligible activities as defined by the EU Taxonomy Regulation are investments related to real estate assets. The total EU Taxonomy eligible CapEx for FY23 is broken down in the EU Taxonomy table 2.

Operating Expenditures (OpEx)

OpEx related to direct non-capitalised costs related to research and development, building renovation measures, short-term lease, maintenance and related, and any other direct expenditures relating to the day-to-day servicing of assets of property plant and equipment can be deemed eligible. Therefore, a part of the Group’s OpEx in relation to its real estate assets can be defined as eligible by the EU Taxonomy Regulation. The total EU Taxonomy eligible OpEx for FY23 is broken down in the EU Taxonomy table 3.

The below table summarizes the identified eligible activities and indicates under which objective of the EU Taxonomy these activities are claimed.

EU taxonomy activity	Related NACE Code	Contributing to the objective
7.7 Acquisition and ownership of buildings	L68	Climate change mitigation
7.1 Construction of new buildings	F41.1; F41.2 & F43	Climate change mitigation
7.2 Renovation of existing buildings	F41 & F43	Climate change mitigation (transitional activity)
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	H49.32; H49.39 & N77.11	Climate change mitigation (transitional activity)
11. Education	P85	Climate change adaptation (enabling activity)
13.2 Libraries, archives, museums and cultural activities	R91	Climate change adaptation (enabling activity)

Real estate renovation activities

The EU Taxonomy also includes activities related to (1) Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) (2) Installation, maintenance and repair of energy efficiency equipment (3) Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling energy performance of buildings and (4) Installation, maintenance and repair of renewable energy technologies which could be applicable to the Group.

However, the current data system does not enable a full assessment of the specifics related to the renovation projects and to what extent they fall under identified eligible activities. Therefore, for the financial year 2023, all renovation projects have been included in the broader ‘Renovation of existing buildings’ activity.

As the EU Taxonomy Regulation is a ‘living framework’, the current activities and their criteria might be subject to changes. In addition, the technical screening criteria and DNSH criteria for the remaining four environmental objectives are approved but awaiting publication in the Official Journal and are expected to come into force as of calendar year 2023, reporting in 2024 on eligibility and in 2025 on eligibility and alignment. For the next reporting cycle, RIHSA will need to include an assessment of the ‘Environmental Delegated Act’ to determine eligibility and alignment under all six environmental objectives.

Alignment

Reporting on EU Taxonomy alignment is new and substantiating compliance and collecting the required data and information to prove EU Taxonomy alignment requires the adoption of improvement plans, among others, in terms of data categorisation. This will enable the assessment of technical screening criteria and DNSH criteria.

RIHSA has therefore performed a preliminary assessment of its compliance with the required Climate Risk assessment and the Minimum Safeguards criteria as these criteria apply to all eligible activities identified.

Climate Risk and Vulnerability Assessment (CRVA)

One of the DNSH criteria that applies for all eligible activities is the CRVA under the Climate Change Adaptation objective. It requires companies to assess the physical risks applicable and material to the identified eligible activities and to implement adaptation solutions for the identified risks.

The approach to risk assessment is based on the Enterprise Risk Management (ERM), a Group-level framework set by CFR to identify strategic and operational risks, including Environmental, Social and Governance factors. CFR is currently working on the continuous improvement of its ESG risks assessment methodologies, including processes to identify and mitigate physical risks per eligible activity. This supports the ambition towards a progressive alignment with the EU Taxonomy Regulation.

Minimum safeguards

The Minimum Safeguards criteria requires companies to perform a human rights due diligence process based on the OECD Due Diligence Guidance for Responsible Business Conducts, the UN Guiding Principles on Business and Human Rights (UNGPs) and the ILO Declarations on Fundamental Principles and Rights at Work.

Compliance with taxation, fair competition, and anti-corruption and bribery laws, is also part of the Minimum Safeguards criteria; additional details on Richemont's management approach on these topics can be found in the ESG Report 2023 published by CFR.

Specifically on human rights, Richemont's ambition is to embed the respect for human rights into its relationships with direct and indirect suppliers, through the implementation of management systems and human rights due diligence process. Richemont applies its best intentions to advance human rights practices and it remains humble recognising that transforming human rights practices in global supply chains requires collective efforts at all levels of the value chain.

CFR is closely monitoring the rapidly evolving legal requirements in this area and it is refining its human rights management system based on the three main pillars defined by the UNGPs: policy commitment, due diligence processes and grievance mechanisms.

Based on the preliminary compliance review of the Minimum Safeguards and the Climate Risk and Vulnerability Assessment, RIHSA is unable to confirm alignment over financial year 2023 for its identified eligible activities.

Key performance indicators in accordance with the EU Taxonomy regulation

Accounting Policy

The EU Taxonomy defines turnover, capital expenditure and operating expenditure as the key performance indicators that must be reported on. These are explained below. The tables required by the EU Taxonomy are included at the end of the section.

The financial figures relevant for the Group are taken from the IFRS consolidated financial statements for the FY23 and include amounts related to YNAP, classified as Held for Sale and Discontinued Operations at 31 March 2023. As the Group differentiates between economic activities, it has avoided double counting. Where possible, the figures have been directly allocated to an economic activity.

Turnover

The definition of turnover in the EU Taxonomy corresponds to sales revenue as reported in the IFRS consolidated financial statements. This amounted to € 17 billion[2] in financial year 2023 (see also notes on "Revenue" (note 22) and "Discontinued operations" (note 15) in the notes to the consolidated financial statements).

Of this total, € 5 million[3], or 0.03% of the Group sales, was classified as taxonomy-eligible.

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2 This figure includes the financial information of YNAP which is classified as discontinued operations as of 31 March 2023.
3 This figure includes the financial information of YNAP which is classified as discontinued operations as of 31 March 2023.

Capital expenditure

Capital expenditure for the purpose of the EU Taxonomy refers to the following items in the IFRS consolidated financial statements: additions to intangible assets, additions to property, plant and equipment, and additions to Right of Use assets, including additions made by YNAP which are classified as Assets of Disposal Groups Held for Sale at 31 March 2023. These are reported in the notes to the 2023 consolidated financial statements in the notes on "Other Intangible assets", "Property, plant and equipment" and "Right of Use assets". By contrast, additions to goodwill are not included in the calculation.

In financial year 2023, the additions in the Group as defined above amounted to

- € 86 million from intangible assets,
- € 567 million from property, plant and equipment and
- € 488 million from Right of Use assets (mainly leases of boutiques, offices, and production facilities).

Total capital expenditure to be included in accordance with the EU Taxonomy therefore amounts to € 1 140 million[4]

Of the Group's total capital expenditure in financial year 2023, € 865 million[5], or 76%, was taxonomy-eligible capital expenditure.

Operating expenditure

The operating expenditure reported for the purpose of the EU Taxonomy comprises non-capitalized research and development costs, which can be taken from the note on "Operating profit" (note 24). The Group also includes the expenditure for short-term leases recognised in its consolidated financial statements, which can be found in the note on "Leases" (note 9), property management expenditures and expenditure for maintenance and repairs. The allocation of operating expenditure to the economic activities followed the same logic as that described for capital expenditure.

Of the Group's total operating expenditure in financial year 2023, €97 million[6], or 46%, was taxonomy-eligible operational expenditure.

4 This figure includes the financial information of YNAP which is held for sale as of 31 March 2023.
5 This figure includes the financial information of YNAP which is held for sale as of 31 March 2023.
6 This figure includes the financial information of YNAP which is classified as discontinued operations as of 31 March 2023.

Tabular presentation in accordance with the EU Taxonomy

EU Taxonomy table 1

Turnover				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic Activities (1)	**Code(s) (2)**	**Absolute turnover (3)**	**Proportion of Turnover (4)**	**Climate Change Mitigation (5)**	**Climate Change Adaptation (6)**	**Water and marine resources (7)**	**Circular Economy (8)**	**Pollution (9)**	**Biodiversity and ecosystems (10)**	**Climate Change Mitigation (11)**	**Climate Change Adaptation (12)**	**Water and marine resources (13)**	**Circular Economy (14)**	**Pollution (15)**	**Biodiversity and ecosystems (16)**	**Minimum Safeguards (17)**	**Taxonomy-aligned proportion of turnover, year N (18)**	**Taxonomy aligned proportion of turnover, year N-1 (19)**	**Category (enabling activity) (20)**	**Category (transitional activity) (21)**
		€m	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
			0%	0%	0%					N	N	N	N	N	N	N	0%	-		
			0%	0%	0%					N	N	N	N	N	N	N	0%	-		
			0%	0%	0%					N	N	N	N	N	N	N	0%	-		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0%**	**0%**	**0%**					**N**	**N**	**N**	**N**	**N**	**N**	**N**	**0%**	-	**0%**	**0%**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Education	11.	5	0.03%																	
Libraries, archives, museums and cultural activities	13.2	0	0%																	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**5**	**0.03%**																	
Total (A.1+A.2)		**5**	**0.03%**																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		**17 207**	**99.97%**																	
Total (A+B)		**17 212**	**100%**																	

EU Taxonomy table 2

CapEx

Economic Activities (1)	Code(s) (2)	Absolute Capex (3)	Proportion of Capex (4)	Substantial Contribution Criteria: Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water and marine resources (7)	Circular Economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	DNSH criteria ('Does Not Significantly Harm'): Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water and marine resources (13)	Circular Economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Safeguards (17)	Taxonomy aligned proportion of Capex, year N (18)	Taxonomy aligned proportion of Capex, year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		€m	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
			0%	0%	0%					N	N	N	N	N	N	N	0%	-		
			0%	0%	0%					N	N	N	N	N	N	N	0%	-		
			0%	0%	0%					N	N	N	N	N	N	N	0%	-		
Capex of environmentally sustainable activities (Taxonomy- aligned) (A.1)		**0**	**0%**	**0%**	**0%**					**N**	**N**	**N**	**N**	**N**	**N**	**N**	**0%**	-	**0%**	**0%**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	2	0%																	
Construction of new buildings	7.1	12	1%																	
Renovation of existing buildings	7.2	352	31%																	
Acquisition and ownership of buildings	7.7	496	44%																	
Education	11.	2	0%																	
Libraries, archives, museums and cultural activities	13.2	1	0%																	
Capex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**865**	**76%**																	
Total (A.1+A.2)		**865**	**76%**																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Capex of Taxonomy-non-eligible activities (B)		**275**	**24%**																	
Total (A+B)		**1 140**	**100%**																	

EU Taxonomy table 3

OpEx

				Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic Activities (1)	Code(s) (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water and marine resources (7)	Circular Economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water and marine resources (13)	Circular Economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Safeguards (17)	Taxonomy aligned proportion of OpEx, year N (18)	Taxonomy aligned proportion of OpEx, year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		€m	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
			0%	0%	0%					N	N	N	N	N	N	N	0%	-		
			0%	0%	0%					N	N	N	N	N	N	N	0%	-		
			0%	0%	0%					N	N	N	N	N	N	N	0%	-		
OpEx of environmentally sustainable activities (Taxonomy- aligned) (A.1)		**0**	**0%**	**0%**	**0%**					**N**	**N**	**N**	**N**	**N**	**N**	**N**	**0%**	-	**0%**	**0%**
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	0	0%																	
Renovation of existing buildings	7.2	32	15%																	
Acquisition and ownership of buildings	7.7	64	30%																	
Education	11.	1	0%																	
Libraries, archives, museums and cultural activities	13.2	0	0%																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**97**	**46%**																	
Total (A.1+A.2)		**97**	**46%**																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		**116**	**54%**																	
Total (A+B)		**213**	**100%**																	