

**CORPORATE SOCIAL RESPONSIBILITY REPORT 2012**  
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# Welcome to Richemont's 2012 Corporate Social Responsibility Report

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Richemont has a long-standing commitment to doing business responsibly. This online report demonstrates how we are meeting our commitments and describes how we manage our social, ethical and environmental impacts. Our corporate governance report is presented on pages 38 to 52 in the [2012 Annual Report and Accounts](#).

We welcome your feedback on our CSR performance and reporting. Please [contact us](#) with your comments and questions.

## Chairman's introduction

Richemont has a long-standing commitment to doing business responsibly. Building trust in our Maisons and in the Group's operating companies lies at the heart of the way we work.

Richemont achieved another year of strong growth across all business segments and all geographic regions. You will find further details about our business developments in the 2012 Annual Report and Accounts.

During the year, six more of our Maisons completed an external certification process. To date seven of our Maisons - representing some 75 % of the Group's sales - have fulfilled the requirements of the Responsible Jewellery Council's Code of Practices. The Code of Practices covers a very wide range of sustainability issues, including: human rights and labour standards; environmental management; the impacts of mining; and business ethics.

In terms of improving our shared natural and business environments, we know there is always more to do. This report details Richemont's approach to corporate responsibility and how we manage our social, ethical and environmental impacts. It reflects our best endeavours and we hope you find it informative.

Johann Rupert  
Executive Chairman and Group Chief Executive Officer

## About Richemont

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Richemont owns some of the world's leading luxury goods 'Maisons', with particular strengths in jewellery, fine watches and premium accessories.

Each Maison represents a proud tradition of style, quality and craftsmanship and we seek to preserve the heritage and identity of each of our Maisons. At the same time, we are committed to innovation and designing new products which are in keeping with our Maisons' values, through a process of continuous creativity.

## Where we operate

Richemont's headquarters are in Geneva, Switzerland. The Group has four regional offices providing support services to our Maisons:

- in Geneva for Europe, the Middle East, India, Africa, and Latin America;
- in Hong Kong for Asia-Pacific, excluding Japan;
- in Tokyo for Japan;
- in New York for North America.

Richemont directly employed some 25 800 people at the end of March 2012. 16 800 or 65% of this headcount is based in Europe. 26 % is in Asia, and 9 % is in the Americas. The majority of our employees in Europe are based in Switzerland, France and Germany, where the manufacture of high quality goods is concentrated. We have no employees working in manufacturing in Asia. In all regions, employees are engaged in retail, distribution, after sales service and administrative functions.

Each Maison has its own headquarters in Switzerland or elsewhere in Western Europe, with one exception; Shanghai Tang, which is headquartered in Hong Kong.

As a Group, Richemont has staffed operations in 36 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 European goods generates income and employment.

### Significant changes in 2011/12

There were no significant changes to the Group's operations during the year.

### Our Maisons, products and services

The Group's Maisons and their respective operations are fully described on pages 4 to 27 of the [2012 Annual Report page](#).

## Our economic impact

### Key Figures

|  | Financial Year<br>to March 2012 | Financial Year<br>to March 2011 | Percentage<br>difference |
|--|---------------------------------|---------------------------------|--------------------------|
| Sales (€ millions)                                   | 8 867                           | 6 892                           | +29%                     |
| Operating profit (€ millions)                        | 2 040                           | 1 355                           | +51%                     |
| Net profit attributable to shareholders (€ millions) | 1 544                           | 1 090                           | +42%                     |
| Number of employees (Headcount)                      | 25 800                          | 22 600                          | +14%                     |

The 29 % sales growth was across all segments and all geographic regions, despite a volatile and diverse economic environment. The Group's Jewellery Maisons and its Specialist Watchmakers reported record sales and profits, despite the strength of the Swiss franc and the rising cost of precious materials and input costs. Montblanc continued to grow and reported increased profits. Richemont's Fashion and Accessories Maisons also performed well. Net-a-Porter continues to enjoy sales growth above the Group average, while at the same time investing in structural expansion. Accordingly, the Group's operating profit, at € 2 040 million, was 51 % above last year's level. These performances reflect the commitment and efforts of all our colleagues, the strength of our Maisons and the leverage provided by the Group's shared services. More information on the Group's economic impact is available in Richemont's [2012 Annual Report](#) on pages 28 to 33. No re-statements were reported by the Group in the current or prior year.

The economic impact of the Group's activities is wide and varied. The revenues and profits we earn from the production and sale of our high quality products benefit a range of stakeholders. These are delivered through the salaries we pay our employees, payments to our suppliers and business partners, dividends to shareholders and the taxes and community contributions we pay from the profits we earn.

We are a significant employer, directly employing and developing the skills of thousands of employees globally and helping to support more jobs and activity through our supply chain. We therefore contribute to local economic development in Europe, particularly where we have our manufacturing bases.

In South Africa, Richemont currently employs some 70 people. This figure represents less than 0.3 % of the Group's total headcount. Accordingly, the Group neither compiles data on nor reports on 'Black Economic Empowerment' matters. Nevertheless, the Group's operations in that country comply with all local regulatory requirements.

### Defined benefit plan obligations

The Group's defined benefit plan obligations primarily arise in Switzerland, the UK and Germany. To meet those obligations, assets amounting to € 1 067 million at 31 March 2012 are held in equities, bonds, property and other assets. Further details are disclosed in note 22 of the consolidated financial statements in the [Annual Report](#). <http://www.richemont.com/investor-relations/reports.html>



## Government assistance

The Group does not disclose the financial assistance received from governments in the form of grants for employee development or building construction as these amounts are immaterial.

## Our approach to corporate social responsibility

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For Richemont, corporate social responsibility ('CSR') is about how we manage our impact on society and the environment. We strive to operate responsibly and to act with integrity and thus make a positive contribution to the economy, our people and our local communities. This is particularly the case in Switzerland and France, where Richemont continues to make significant investments in its manufacturing base. In the year under review, we invested € 144 million in our manufacturing base (2011: € 82 million).

We seek to eliminate or mitigate CSR risks, where identified, in partnership with our employees, and other stakeholders through the application of good practices. When appropriate, such as with the [Responsible Jewellery Council](#), we also work in partnership with our peers and competitors. Equally, we seek opportunities, including ways to reduce our environmental impact and costs, and to develop employees during their careers.

More generally, Richemont has a risk management process which gives consideration to strategic and operational risks, including environmental, social and governance risks. All identified risks are quantified according to their probability of occurrence and potential impact and subsequently prioritised by Group management. A consolidated risk report, which includes action plans prepared by the Group executive directly responsible for addressing the risk, is reviewed annually by the Audit Committee and the Board of Directors.

An example of an action plan arising from this risk management process was the additional investment made by the Group to ensure that goods containing precious metals fully comply with importation documentation requirements, which may differ on a country-by-country basis. Another example is the decision to have the Group's environmental data assured by an independent body.

Regarding governance, the Board of Directors elected to give shareholders the opportunity to vote on the Richemont compensation report in 2011. This opportunity, which is considered best practice in Switzerland, will be given again at the 2012 annual general meeting. In response to suggestions from certain stakeholders, the content of the compensation report was further extended in 2012.

## Our issues

For every company, CSR has a particular meaning which relates to that company's operations and impacts. For Richemont, the key issues which we address through our CSR programme are:

- meeting the expectations of our clients for the delivery of high quality goods;
- understanding and minimising the environmental impacts of our business operations;
- helping our people to realise their potential in a supportive and stimulating environment;
- investing in local communities wherever we operate; and
- working with our business partners to foster sustainable practices in our supply chain.

Based on the assessments of the Corporate Social Responsibility Committee (the 'CSR Committee'), we seek to identify areas of CSR risk and opportunity for our businesses, as well as the relevant stakeholder audiences, and focus our efforts on those areas. In particular, we have focused on: the training of apprentices and employees in production techniques and customer service; supply chain issues linked to precious materials; and environmental concerns in general. Our issues and priorities are reviewed annually. [Global Reporting Initiative \('GRI'\)](#)

## How CSR is managed

Responsibility for CSR lies with the Director of Corporate Affairs, a member of the Group's Management Committee. He regularly liaises with Maison CEOs and regional heads. He reports CSR matters to the Board of Directors.

The Director of Corporate Affairs is supported by the CSR Committee, with representatives from Group functions including Human Resources, Internal Audit, Financial Control and Manufacturing as well as a representative from Cartier, the Group's largest Maison. The CSR Committee meets regularly to review progress against a framework and to agree activities to support relevant programmes.

Annually, the CSR Committee gathers data from each Maison and market. This data are reviewed, analysed, shared among peers and acted upon. That data largely forms the basis of this report.

The Group requires each Maison and shared service platform to designate a named person to take responsibility for CSR, which includes the implementation of Group standards and local initiatives.

We organise a yearly CSR Meeting and invite the CSR representatives of each Maison and region to share progress and best-practices, discuss activities and agree goals and priorities for the coming year. Tools are in place to facilitate information sharing.

In addition to these Group-directed efforts, our Maisons manage their own CSR agenda independently of the Group and one another. This generates innovative approaches to specific and general issues. As current members of the Responsible Jewellery Council ('RJC'), some of the Maisons have successfully coordinated their RJC Code of Practices certification projects during the year. This coordination will be used as a guide for other Maisons and Group manufacturing operations wishing to join the RJC and become certified against its Code of Practices framework.

All 'commercial members' of the RJC have committed to be audited by accredited, third party auditors to verify the company's conformance with the RJC's Code of Practices. The Code of Practices covers a very wide range of sustainability issues, including: human rights and labour standards; environmental management; the impacts of mining; and business ethics. The RJC Member Certification System is unmatched in any other industry for the quality and breadth of its scope and standards and the integrity and transparency of its developmental process.

## Governance and risk management

The Board of Directors (the 'Board') is responsible for the overall strategic direction of the Group and the appointment of senior management. In addition, it is responsible for establishing financial controls and appropriate procedures for the management of risk within the Group as well as the overall supervision of the business.

The Board oversees the company's management in terms of its economic, social and environmental performance. The Director of Corporate Affairs attends all Board and Audit Committee meetings. Both the Board and its Audit Committee regularly receive risk reports relating to economic, environmental, employee retention and other CSR issues as part of a regular review process. The Group's risk management process is described above.

A detailed corporate governance report is included in the [Annual Report](#) on pages 38 to 52 in accordance with the regulatory requirements for public companies in Switzerland. For reporting in detail on CSR topics, this website report is a more flexible and efficient way of communicating Richemont's progress each year.

## Stakeholder dialogue

The strategic approach to stakeholder engagement is summarised in the following table, which presents key stakeholder groups, their key issues of interests, and how we have engaged with them. These stakeholder groups were identified through a process involving external consultants, Group Internal Audit and discussions at the CSR Committee, together with feedback already collected from customers and other stakeholders. By working with our stakeholders we seek to understand external expectations and work to improve our CSR performance.

| <b>Stakeholder group</b>   | <b>Key issues of interest</b>   | <b>How we engage</b>   |
|--|---|--|
| <b>Clients/customers</b><br><i>to whom we provide high quality goods and services</i>  | <ul style="list-style-type: none"> <li>- Quality of our products</li> <li>- Customer service and satisfaction</li> <li>- Origin / traceability of product and raw materials</li> </ul>                                  | <ul style="list-style-type: none"> <li>- Customer surveys, meetings, briefings and events</li> <li>- Customer feedback through comprehensive after-sales service</li> </ul>  |
| <b>Employees</b><br><i>who drive the success of the business</i>   | <ul style="list-style-type: none"> <li>- Health, safety and well-being</li> <li>- Employee welfare (including remuneration, benefits, consultation)</li> <li>- Training and development</li> <li>- Diversity</li> </ul> | <ul style="list-style-type: none"> <li>- Interactive employee training</li> <li>- Employee newsletters, management briefings and intranet sites</li> <li>- Structured performance management</li> <li>- Employee Works Councils in some countries</li> </ul> |
| <b>Suppliers and business partners</b><br><i>who we rely on to deliver our quality products to our clients</i>                               | <ul style="list-style-type: none"> <li>- Responsible sourcing of raw materials</li> <li>- Ethical, social and environmental standards</li> <li>- Quality</li> <li>- Fair payment terms</li> </ul>                       | <ul style="list-style-type: none"> <li>- One-to-one meetings</li> <li>- Supplier audits</li> <li>- Through industry organisations</li> <li>- One-to-one meetings</li> <li>- Supplier audits</li> <li>- Through industry organisations</li> </ul>             |
| <b>Regulators and policy leaders</b><br><i>who provide the framework within which we operate</i>   | <ul style="list-style-type: none"> <li>- Compliance with laws and regulations</li> </ul>  | <ul style="list-style-type: none"> <li>- Corporate affairs representatives</li> <li>- Via industry organisations such as RJC and the Federation of the Swiss Watch Industry</li> </ul>   |
| <b>Shareholders</b><br><i>who underpin our business and to whom we seek to deliver value</i>   | <ul style="list-style-type: none"> <li>- Financial performance</li> <li>- Governance</li> <li>- Business risks and opportunities</li> </ul>   | <ul style="list-style-type: none"> <li>- General meetings</li> <li>- Investor presentations</li> <li>- One-to-one meetings</li> <li>- Investor surveys</li> <li>- CSR Report and comments thereon from specialist agencies and individuals</li> </ul>        |
| <b>Communities</b><br><i>local communities where our operations are based; the wider cultural community we engage through our activities</i> | <ul style="list-style-type: none"> <li>- Economic impact</li> <li>- Ethical, social and environmental practices</li> <li>- Employment opportunities</li> <li>- Financial and in-kind community investment</li> </ul>    | <ul style="list-style-type: none"> <li>- Through our citizenship activities</li> <li>- Meetings with our key NGO partners</li> </ul>   |
| <b>Industry organisations</b><br><i>with whom we share best practices</i>  | <ul style="list-style-type: none"> <li>- Ethical, social and environmental practices</li> <li>- Industry issues</li> </ul>  | <ul style="list-style-type: none"> <li>- Through the Responsible Jewellery Council ('RJC') and other industry bodies</li> <li>- Meetings and briefing</li> </ul>   |
| <b>Non-governmental organisations ('NGOs')</b><br><i>with whom we engage through our involvement in industry associations and activities</i> | <ul style="list-style-type: none"> <li>- Ethical, social and environmental practices</li> </ul>   | <ul style="list-style-type: none"> <li>- Meetings and progress reports</li> <li>- Carbon Disclosure Project ('CDP') survey</li> <li>- Via industry organisations such as the RJC</li> </ul>  |

We continuously review issues raised by stakeholders and, where appropriate, integrate these into our action plan and reporting. Examples include:

- Additional disclosures in the Group's [2012 Annual Report](#) in respect of executive compensation arrangements. This is in response to information requests from investors and their advisors and goes beyond the requirements of Swiss company law and SIX Swiss Exchange ('SIX') listing rules. The Group considers SIX to be a key stakeholder and representative of investors in general. Accordingly, representatives of the Group are in regular contact with SIX.
- Issuing trading statements for the five months to August and for the nine months to December each year. This discretionary reporting maintains an on-going dialogue with investors between SIX-regulated announcements.

- The development of the 2012 CSR Report. Its development reflects the observations of 'CSR report rating agencies' with regard to its 2011 CSR Report and seeks to clarify certain points, above all making it easier to locate the Group's existing disclosures.
- Encouraging our own and other businesses to become members or supporters of the RJC. Certain of our Maisons who are not already members, as well as certain of our independent manufacturing entities, have expressed their desire to join the RJC in 2012 and to be certified as complying with the RJC's Code of Practices in 2013.
- Direct participation in the discussions which led to the RJC's Chain of Custody standard for gold and other precious metals, which was published in March 2012.
- More and more recycling projects have emerged in offices and distribution centres around the world in response to employee suggestions, see [Richemont North America Business Improvement Committees](#)
- In response to employee and customer concerns, Cartier continuously reviews the materials it uses, not only in finished products, but also in packaging and the [uniforms](#) worn by boutique employees.

The examples above illustrate the degree to which stakeholder engagement has become formalised in recent years. Many of our Maisons have their own CSR Committee and use this to engage with their own stakeholders as well as acting as a conduit for CSR recommendations made by the Group.

## Public policy engagement

In March 2012, the Swiss National Council approved the 'Swissness' project and confirmed the minimum rate of Swiss value of 60 % for industrial products, including watches. Richemont expressed its views on this project through the Federation of the Swiss Watch Industry ('FH'), which was firmly in favour of the project. The National Council's decision is in line with the strong determination of the FH to reinforce the conditions of use of the 'Swiss made' label for watches. The project will go before Switzerland's Council of States and the FH will continue to make its voice heard in those proceedings.

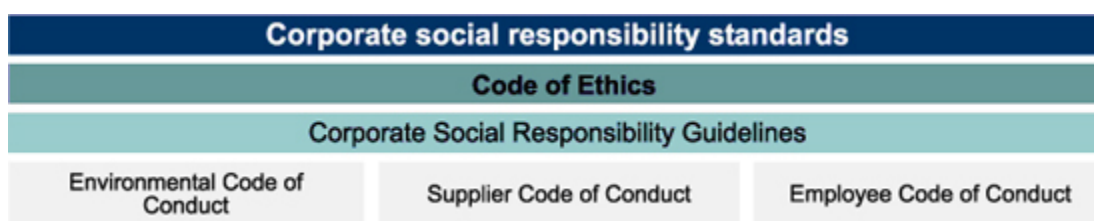
As described above, Richemont is a supporter of the RJC and seven of its Maisons are now certified members. Richemont and its Maisons contributed to the discussions which led to the [RJC's Chain of Custody standard](#) for gold and other precious metals. The standard was published in March 2012. An RJC Chain of Custody standard for diamonds is under development.

In 2009, the Group participated in the EU Commission's consultation on the review of its Block Exemption Regulation on Vertical Restraints. The Revised Block Exemption Regulation and its Guidelines have been in force since 1 June 2010. This Regulation and its Guidelines cover distribution and supply agreements, including internet aspects.

## Policies

Our activities are guided by a common framework that reflects our values. The framework includes our Code of Business Ethics and Corporate Social Responsibility Guidelines, as well as codes of conduct for employees, suppliers and the environment, together 'the Codes'.

The framework helps Richemont's managers, employees and suppliers to understand our expectations.



These Codes may be adopted fully by our operations or, in agreement with the Group's CSR Committee, may be amended to reflect the operations of individual Maisons. The Codes have been made available to all our employees and translated into English, French, German, Chinese and Japanese. The Codes are regularly reviewed and amended as necessary to ensure they remain as relevant as possible.

The Codes include Richemont's clear opposition to all forms of bribery and corruption. The Group has communicated its position to every employee through a booklet in eight languages. Whistle-blowing procedures are in place to ensure 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 whistle-blowing procedures annually. The internal guidance sets out examples of the types of wrongdoing which should be raised by employees, including non-compliance with legal obligations or a breach of human rights, as well as identifying who to contact, such as the Head of Richemont's Internal Audit department. All concerns raised during the year were addressed in line with Group's Whistleblowing Policy and Procedure, including concerns raised by employees in partner organisations.

In addition to Richemont's own Codes, seven of our Maisons – representing some 75 % of Group sales - have also been certified for compliance with the [RJC's Code of Practice](#). The certification process has helped those Maisons define and formalise their respective approach to CSR issues, including employee welfare and supplier risk assessments.

## Our approach to reporting

This CSR web-report covers the financial year ended 31 March 2012. 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 a majority shareholding. As well as the information provided in this web-report, we include a CSR summary on page 34 of our Annual Report.

### Global Reporting Initiative ('GRI')

Our long term goal is to report comprehensively against GRI's G3 Sustainability Reporting Guidelines. We have therefore structured this report to reflect those GRI indicators which we have identified as material to our business. We include a [GRI Index](#) to provide readers of the report with signposts to where relevant information can be found.

As for other companies with diverse and decentralised businesses, it can be a challenge to collect consistent and comparable data from our Maisons. A large number of our boutiques and shop-in-shop premises are leased and, for some of them, utilities are included in the lease, making it difficult to gather certain information. There is also a cost associated with data gathering as it involves systems, resources and time. We therefore focus our efforts on collating 'material' information to shape decisions. We continue to work with our numerous sites to improve data quality and find practical solutions for data gathering.

The Group's consolidated carbon emission data has been independently assured.

In producing this report, we have also taken into consideration the GRI Reporting Principles for Defining Report Content.

During the year, we continued to refine our internal CSR reporting systems. Where possible we compare year-on-year performance and benchmark our operations to identify inconsistencies and scope for improvement. New businesses are included in the scope of the Richemont CSR reporting during the financial year in which they are acquired.

Most recently, Net-a-Porter became a subsidiary of Richemont in April 2010 (previously an associated company). Since April 2010, Richemont has shared its CSR framework and practices with Net-a-Porter's management. In turn, that business has appointed someone who is responsible for monitoring Net-a-Porter's CSR performance relative to Richemont and for leading its CSR agenda in collaboration with other Net-a-Porter executives.

# Environmental management

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## Context

We are committed to minimising our impact on the natural environment and to reducing our carbon footprint. We recognise national and international standards of environmental performance and provide relevant guidance both to our Maisons and to our suppliers in this regard.

Overall, the Group's activities have a very low direct exposure to climate change. The production of high quality goods is concentrated in Switzerland and their distribution is spread around the world. Nevertheless, the CSR Committee has considered this matter and has not identified weaknesses in our business model which would be worsened by gradual temperature changes, cases of extreme weather conditions or growing water scarcity. Similarly, the supply of precious raw materials, which is largely controlled by international mining enterprises, metal refiners and gemstone cutters and polishers, is not expected to be disrupted by gradual changes in the natural environment.

Notwithstanding these considerations, 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. In this way, we play our part in minimising our energy consumption and contribute to the long-term sustainability of our business.

## Our approach

Our Environmental Code of Conduct is built on national and international norms and standards for environmental management. The Code addresses industry-specific issues, such as the environmental impacts of using gold, gemstones and leather, as well as universal environmental issues.

The Code sets a minimum applicable 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. Improving the quality and scope of our environmental data remains an area of focus.

The 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. Procedures are in place to ensure that non-compliance with the Code is followed up with a programme of remedial action. With a view to improving the overall management of risks, environmental audits of specific manufacturing sites in Switzerland were begun during the prior year: the results are used to drive continuous improvement plans at each location.

The process to achieve certification with the RJC's Code of Practices, which includes a review of environment matters, has also helped our Maisons improve their international environmental management practices.

Environmental data are consolidated annually, including the energy we use in our buildings, the fuel consumed as we travel and other elements necessary to calculate our carbon footprint. The results are disclosed in this CSR report and are communicated internally to employees via the CSR representatives. Since 2011, Richemont's environmental data has been reviewed by an independent body and an [assurance report](#) has been duly issued.

Separately, the Maisons and Group operations have chosen to use Forestry Stewardship Council-certified paper and packaging materials wherever possible. PEFC-certified paper is sometimes used as an alternative (Programme for the Endorsement of Forest Certification schemes).

## Engaging Stakeholders

Our Maisons engage their employees directly on environment themes in a variety of ways. These range from communications on environmental good practice at work to financially incentivising employees to use public transport. The latter is commonplace within the Group.

Through its Model Supplier Code, the Group's operations encourage environmentally friendly practices among its direct suppliers and their suppliers. Separately, through the RJC, the seven member Maisons participate in industry-wide efforts to reduce the long-term environmental impact of both large-scale and artisanal mining.

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, Hong Kong and Switzerland. The initiatives range from reducing the consumption of electricity in offices to improving the thermal insulation of buildings.

The Group participates in the Carbon Disclosure Project's ('CDP') annual data collection process. Richemont's 2011 submission received the following ratings by the CDP's assessors: 83 % for disclosure and level C for performance. In the prior year, the disclosure score was less than 50 % and therefore, in accordance with the CDP's internal procedures, no performance score was given.

### Looking ahead

We continue to work on improving our infrastructure, energy management and travel policies to limit our emissions. Specifically, we will undertake further site studies to identify opportunities for improvement.

To further improve overall environmental performance, the voluntary setting of environmental targets and objectives will also be considered by the Maisons in due course. Such initiatives are in line with Richemont's 'Environmental, Health and Safety Policy', issued on 1 April 2012.

## Climate change

### Context

Richemont's carbon footprint is relatively small compared to that of energy-intensive industries. As discussed above, whilst we do not see climate change as a significant area of direct risk for the Group at present, we recognise that managing the issues arising from climate change helps us to reduce our energy costs. Accordingly, our policy is to focus on reducing our own carbon emissions.

We measure our emissions each year and aim to reduce them. As the business is growing in absolute terms, we purchase 'carbon offsets'. This has been our practice since 2008. We raise awareness of the cost of these offsets by re-invoicing the cost of carbon credits to each Maison within the Group. This approach allows a financial cost to be placed on carbon, which helps drive performance improvements, as does the motivation of employees in general.

### Our approach

#### Carbon footprint

We calculate our carbon footprint based on the internationally recognised Greenhouse Gas (GHG) Protocol of the World Business Council for Sustainable Development (WBCSD). This protocol is the internationally accepted template for accounting and reporting on GHG emissions.

The data covers our subsidiary companies where the Group has management control (defined as a shareholding of greater than 50%). Data has been collected through our financial control function as an integral part of our approach to business reporting. Data is not always available for some smaller retail outlets, in particular where we operate from shared sites. The scope of our measurement is estimated at covering operations representing 94 % of full time equivalent employees (FTE) in 2011/12.

In the year to March 2012, our global CO<sub>2</sub> emissions increased by 26 % in absolute terms to 99.8 Ktons compared to 79.3 Ktons one year earlier. The 26 % increase is comprised of a 15 % increase in buildings-related emissions and a 43 % increase in employee travel-related emissions. The significant increase in travel related emissions reflects a number of factors: (i) a 30 % increase in the distance travelled by air; (ii) a 9 % increase for the 'uplift factor', which takes into account the impact of air traffic control routes and taxiing; and (iii) greater precision for the class of travel for long-haul flights. Other factors had a less material impact.

This increase has been achieved against a backdrop of a 29 % increase in sales and a 14 % increase in employees over the same period. Moreover, a growing proportion of the Group's supply chain in fine jewellery, watchmaking and eyewear has been internalised. Such manufacturing processes consume more energy per person than assembly processes. The expansion of our boutique networks, and the energy consumed in lighting, heating and cooling such premises, has also contributed to the increase in emissions in absolute terms. Nevertheless, our work to promote good environmental practice means that the average CO<sub>2</sub> emissions per employee (FTE) have only risen by 10 %: from 3.70 CO<sub>2</sub>t/FTE to 4.06 CO<sub>2</sub>t/FTE.

We aim to reduce our emissions as much as possible and neutralise the rest by participating in offsetting projects. Our prior year CO<sub>2</sub> emissions were offset by a gold mine-related project in South Africa, the support of fuel efficient stoves in Ghana, and other projects linked to zero-carbon energy in Indonesia, India and China. To raise awareness, the centrally-purchased carbon offsets are re-invoiced to Richemont's individual Maisons based on their reported GHG emissions.

Since 2011: an independent assurance report has been provided on the Group's consolidated CO<sub>2</sub> emissions.

| GRI indicator | CO <sub>2</sub> emissions reference | Units                  | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|---------------|-------------------------------------|------------------------|---------|---------|---------|---------|---------|
|               | Total                               | 1 000 tCO <sub>2</sub> | 61.0    | 59.9    | 63.5    | 79.3    | 99.8    |
| EN16          | Scope 1                             | 1 000 tCO <sub>2</sub> | 11.7    | 11.3    | 18.3    | 20.8    | 19.3    |
| EN16          | Scope 2                             | 1 000 tCO <sub>2</sub> | 33.7    | 31.4    | 31.5    | 40.2    | 49.6    |
| EN17          | Scope 3                             | 1 000 tCO <sub>2</sub> | 15.6    | 17.2    | 13.7    | 18.3    | 30.9    |

#### Key definitions are:

**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 and the mileage from the use of commercial airlines for business travel.

The Group participates in the Carbon Disclosure Project ('CDP'). Richemont has reported its CO<sub>2</sub>-related information to CDP since 2007 and the most recent ratings are described above.

#### Other emissions and discharges

The Group does not collect data regarding ozone depleting substances, NO, SO or other significant air emissions. These are not material to the Group's businesses. Similarly, the Group does not collect data regarding the weight of waste by type and disposal method. As described above, the Group's 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.

#### Case studies

- [IWC Employee engagement](#)
- [Jaeger-LeCoultre employee transport](#)



## 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 increased by 6 % in the year to March 2012. Group sales increased by 29 % in the year and the overall surface area of our buildings increased by 3 %.

In the context of the Group's wider energy policy, the Maisons and distribution platforms are encouraged to switch to so-called 'green electricity' whenever possible, i.e. electricity generated from renewable sources such as hydro, solar or wind. In 2012, 23 % of the Group's purchased electricity was 'green electricity' (2011: 26 %). In absolute terms, the Group's green electricity consumption remained the same.

| GRI indicator reference | Energy                      | Units | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|-------------------------|-----------------------------|-------|---------|---------|---------|---------|---------|
|                         | Total energy consumption    | GWh   | 158     | 179     | 177     | 202     | 212     |
| EN3                     | Direct energy consumption   | GWh   | 31      | 38      | 36      | 44      | 37      |
| EN4                     | Indirect energy consumption | GWh   | 126     | 141     | 141     | 158     | 175     |

All Maisons have taken measures to limit their energy consumption. The reported consumption levels reflect both the level of trading and the initiatives taken by each Maison and the Group's distribution platforms during the relevant year.

### Transportation and logistics

The majority of the Group's products are transported from the place of manufacture – mainly Switzerland, France and Germany – to the retail network outside these countries by air. This reflects the very low weight, high value nature of fine watches, jewellery and premium accessories such as writing instruments. Product catalogues and similar high weight, low value materials are either purchased locally or are transported by land and sea, whenever possible.

## Sustainable construction

Our new building plans place a strong emphasis on environmental considerations. Richemont's Green Handbook was developed by Richemont's Real Estate Department and assists all project managers, architects and construction partners to this end. The Handbook considers on-going energy requirements, as well as the production and transport of construction materials and building waste produced. Specific recent examples of how the handbook has been used include the new buildings in Switzerland of Jaeger-LeCoultre's in Le Sentier and Manufacture Horlogère ValFleurier in Buttes. The planned new buildings in Switzerland for Officine Panerai in Neuchâtel and the Campus Genevois de Haute Horlogerie are further examples.

### Looking ahead

Improving energy efficiency forms a key part of our strategy to reduce carbon emissions. We will continue to evaluate the use of 'green electricity' contracts where they are available.

In the year ahead, we will conduct a Life Cycle Analysis for certain watch and jewellery products to better understand our external carbon footprint, i.e. the emissions generated by the so-called upstream and downstream activities of our business partners, including the mining of new raw materials. These products include a gold watch and bracelet, a jewellery piece with diamonds, and a steel watch with a leather strap.

The Group's Environment, Health & Safety manager will initiate energy audits at the largest consumers in Switzerland and review the proportion of 'green' electricity purchased by them. Separately, a study of the energy used for central logistics will be considered in the coming year.

The creation of the *Campus Genevois de Haute Horlogerie*, a teaching and manufacturing facility in Geneva dedicated to the arts and crafts of fine watchmaking, will be built between 2012 and 2014. The Campus, which is planned to employ more than 900 by 2020, incorporates a number of environmental innovations linked to energy saving in the building. Low emission transportation for students and employees has also been factored into this project. The Group's overall investment in this project amounts to some CHF 100 million (€ 83 million).

### Case studies

- [Jaeger-LeCoultre sustainability](#)
- [Cartier boutique lighting](#)
- [Lancel boutique concept](#)
- [Campus Genevois de Haute Horlogerie](#)

## Resource use and recycling

### Context

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 pieces and writing instruments account for some 80 % of the Group's sales. Such items, together with the original presentation box, are typically passed from one generation to the next. Alternatively, they are sold at auction to collectors. The great majority of the Group's products therefore have no 'end of life' in the normal sense of product life cycles. Other sales, accounting for some 20 % of Group sales, are primarily leather goods and clothing. The Group does not collect data regarding the percentage of other packaging materials that are recycled.

We limit our environmental impact through the [responsible sourcing of raw materials](#), limiting our contribution to climate change, and the responsible disposal of all waste materials. We encourage our Maisons to take individual responsibility for their own resource use and waste management. A number of our Maisons have factories that are located near rivers and lakes and we are committed to preserving the natural environment around all of our operations. The Group does not yet collect all data regarding the weight or volume of materials used in its production or other operating processes.

### Our approach

Our commitments to monitoring the consumption of resources and our commitment to reducing waste are set out in the [Environmental Code of Conduct](#). Hazardous materials are treated in accordance with local and international regulations. We encourage management and employees responsible for packing and transporting goods to adopt an energy efficient strategy by careful planning and organisation of shipments.

Following a review of CSR-related priorities, the Group stopped consolidating waste data in 2009. Nevertheless, the Group's approach to waste reduction and recycling is unchanged.

### Water data

Our environmental data collection includes municipal water usage. The scope covered remained stable at 74 % of our full time equivalent employees ('FTE'). Sites that use water-cooling systems represent a significant part of our water consumption. In the year to March 2012, our water consumption increased by 4 %.

| GRI Indicator reference | Water                  | Units                | 2007/08 | 2008/09 | 2009/10 | 2010/11          | 2011/12 |
|-------------------------|------------------------|----------------------|---------|---------|---------|------------------|---------|
| EN8                     | Total water withdrawal | 1 000 m <sup>3</sup> | 640     | 748     | 672     | 684<br>(updated) | 713     |

Specific projects have succeeded in reducing water usage at some of our sites. For example, an air conditioning system used in a Lancel boutique in Paris was replaced when it became apparent that it used a very large amount of water.

## Looking ahead

We will continue to work to improve the quality of our water data. Initiatives to recycle materials, to reduce printing and packaging where possible and to use sustainable sources of raw materials, such as FSC-certified paper, will remain a priority for us.

## Case studies

- [Chloé packaging](#)
- [Cartier printed and packaging material, greening the Cartier red gift boxes](#)
- [Packaging of after-sales service material](#)
- [Cartier textiles](#)

# Biodiversity

## Context

Richemont's direct operations are not considered to have a high impact upon biodiversity. The Group's Maisons make use of renewable and non-renewable raw materials, such as gold, gemstones, leather and woods. 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.

## Our approach

Our Environmental Code of Conduct and supplier guidelines set out our policies for protecting endangered species, leather products manufacturing, conflict-free diamonds and responsible gold sourcing. We fully comply with special 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 issued from endangered or protected species. More information about how we deal with suppliers' impacts can be found in [the section on supply chain](#).

We also consider how the environment is affected through the supply chain. Our suppliers also use resources such as water and generate waste. As users of leather and other animal products and through purchasing raw materials such as gold and diamonds, we have an indirect impact on biodiversity.

## Land use adjacent to protected areas

The Group does not collect data regarding land use adjacent to protected areas. The majority of the Group's manufacturing facilities are located in Switzerland, which sets high environmental standards and enforces them through national and local environmental legislation. The Group's Maisons seek to comply with all such legislation, whether in Switzerland or in other jurisdictions.

## Looking ahead

We will continue to source materials in a manner that is consistent with the protection of the environment.

Certain of our Maisons, notably Cartier, are supporting a multi stakeholder working group on biodiversity and exotic skin held under the auspices of the United Nations Conference on Trade and Development ('UNCTAD').

From 2013, all Cartier boutique staff uniforms will be manufactured using OEKO-TEX® Standard 100 certified material.

## Case studies

- [Cartier sourcing of gold](#)
- [Cartier - Sustainable Luxury Working Group](#)
- [Chloé – Animal Welfare Principles](#)
- [Cartier fragrances](#)
- [Jaeger-LeCoultre – UNESCO partnership](#)
- [IWC Schaffhausen – Charles Darwin Foundation partnership](#)
- [Cartier support of Pro Natura International](#)

## Employees

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Richemont's 24 700 people (full time equivalents ('FTE')) around the world at the year-end are instrumental to the success of the business. Through our suppliers and business partners, we also provide employment opportunities for many more.

Our employees work in three main areas:

- Maisons – headquarters, from creation, marketing and communications to product development, Maison-related manufacturing, retail and distribution;
- Component manufacturing and regional shared services – business services provided to the Maisons both in terms of Group component manufacturing services and services provided in the regions including logistics, customer service, finance and human resources;
- Central functions – head office functions including marketing services, finance, operations, IT, real estate, legal and human resources.

Our long-standing strategic priorities are:

- Performance management;
- Health, safety and well-being;
- Training and development;
- Consulting and communicating with employees;
- Diversity and equal opportunities.

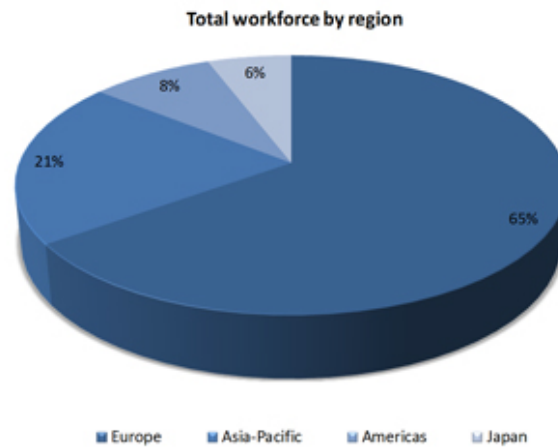
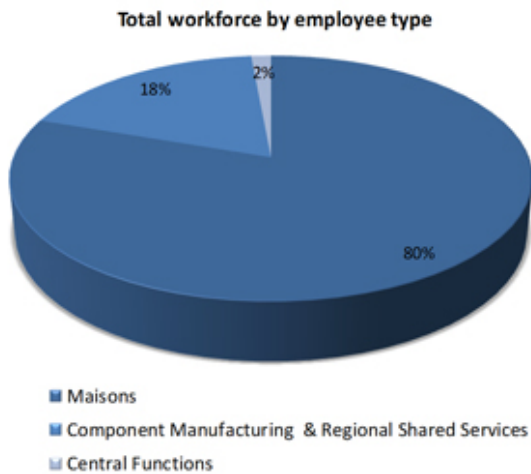
The last three years have seen sales growth in most markets and an increase in the number of people employed by the Group. Globally, the *average* number of FTEs over the three-year period has risen from 19 571 (2008/9) to 24 609 (2011/12), an increase of 26 %. Given the unstable economic environment during the year under review, particularly in Western Europe and the USA, the Group took a prudent approach to hiring. This approach was aimed at avoiding a repetition of short-time working practices, which were adopted in certain Swiss manufacturing businesses in 2009/10.

Local hiring forms part of the Group's strategic approach and is acted upon whenever feasible. Our manufacturing operations are concentrated in Switzerland, France and Germany whereas our retail activities are spread worldwide. Accordingly, the great majority of the Group's employees were hired locally.

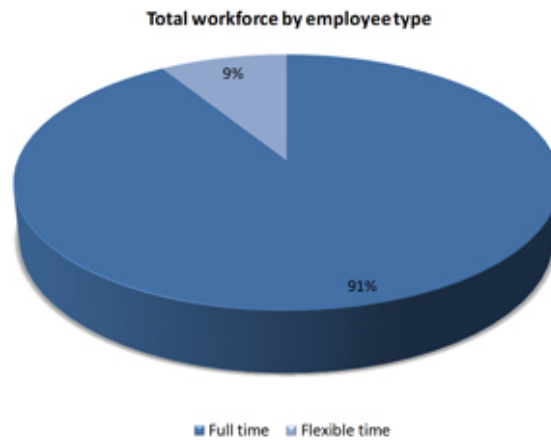
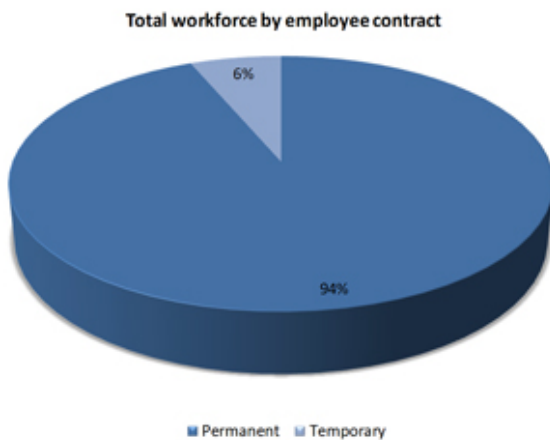
At the same time, the Group's size, diversity and geographic spread allows employees to develop careers across a variety of positions and international locations: internal promotion is favoured over external recruitment in most cases. This also applies to senior management positions at significant operations.

## Key performance data

Detailed below is a split of our total workforce by employee type, by geographical region and by employment contract.



Europe includes the Middle East Africa.



## Performance Management Process

### Context

Regular performance management review and annual individual development plans are a critical element of our strategy to retain, motivate and develop our staff. Our emphasis in this area provides our employees with opportunities for continuous personal and professional development as well as helping us to recognise and reward talent.

### Our approach

Managers in Maisons, regions and functions are responsible for managing the performance of individual employees. They are guided by the Group's Performance Management Process which supports transparent compensation and rewards decision-making using clear job responsibilities, annual strategic individual objectives and the development of personal competencies. All managers and virtually all other employees at Richemont undergo formal performance management reviews leading to individual development plans.

## Values and competencies

Our nine common core competencies, which are shared Group-wide and are based on the Group's five values, set out the common behavioural standards and skills that will help optimise the success of the individual in the Group.



These core competencies form a central part of the individual development plans for our employees.

The Group has also developed a specific Performance Management learning and development programme specifically for managers, aiming to support them in implementing the process within their teams. The programme is designed to be an on-going and incremental learning path.

In addition, support toolkits are provided and distributed to Group employees electronically. These toolkits include manager and employee handbooks and a database of key learning solutions. The database provides a source of inspiration and concrete ideas for employees when building their individual development plans, such as tips for on-the-job actions, self-directed learning and external training.

### Retaining talent

Alongside our continued investment in learning and development, the Human Resources departments across the Group work with managers to facilitate opportunities for employees to transfer between Maisons. This internal mobility has mutual benefits, providing greater career development opportunities for employees and helping to retain skills and talent within the Group.

In addition, to ensure equitable treatment across markets, the Group's corporate Human Resources function performs a number of internal and external benchmark studies comparing reward and compensation practices. This information is used in an annual salary review to ensure both equitable treatment between employees, and that salaries and benefits remain competitive relative to our peers.

Disclosures concerning executives' compensation, including fixed and variable components as well as short-term and long-term benefits, may be found in Part 5 of the Group's Corporate Governance Report. That report, which also describes the Compensation Committee's role, may be found within the [2012 Annual Report](#).

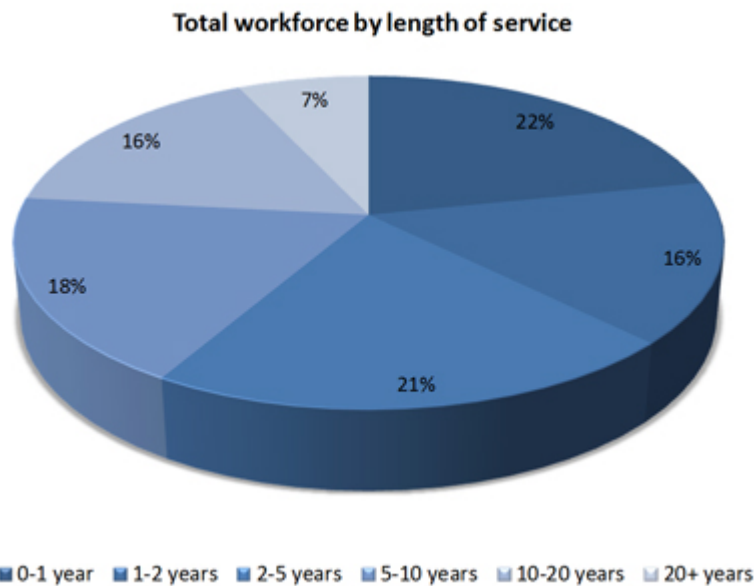
## Key performance data

### Employee turnover

Employee turnover and retention data is closely monitored by country, Maison, functional area and type of employee contract. Naturally, the turnover rates vary by Maison by country and by function. For example, in Switzerland where one third of the Group's permanent employees are based, the turnover rate is below 10 %. This is in line with market averages. The turnover rate is higher in countries where retail activities predominate, such as mainland China and Hong Kong. However, through Group-wide efforts with respect to new employee induction programmes, on-going performance management and retention strategies, employee turnover rates in those countries are expected to stay below market averages.

### Length of service

The following chart shows a breakdown of the workforce by length of service (seniority). 42% of employees have worked for the Group longer than five years and the average length of service for employees is 6.4 years (previous year: 43 %; 6.8 years). These figures reflect the expansion in the underlying businesses over the last decade or so, in particular in terms of geographic coverage and the growth in the Group's distribution and retail activities. Moreover, the recent acquisition of the fast-growing Net-a-Porter business has reduced the average length of service reported by the Group.



## Training and Development

### Context

Training is a key component of our Maisons' success. The quality of our goods relies on highly skilled craftspeople and our customer satisfaction on passionate retail staff.

### Our approach

The Group has no single prescription for training but encourages individual development through on-the-job experience. In addition, each Maison and Richemont platform develops the formal training structure that most closely fits its culture, strategy and process.

The Group has dedicated training academies to foster design, development or customer service skills. In addition, the Maisons – either independently or together – operate schemes with industry or government sponsored programmes to train the next generation of craftsmen and women.

Training and development is not limited to any particular channel. In some instances there is no substitute for on-the-job training or for learning from experienced, skilled colleagues. In other cases employees benefit significantly from external training opportunities. The number of hours of training received by employees in each financial year is not currently consolidated. However, a Learning Management System will be deployed in the coming year and consolidated data will be made available in future CSR reports. The deployment of such a system reflects the formalisation of the Group's approach to training and development and is an extension of the Performance Management Process described above.

### Training and development in the watchmaking industry

We are very active in building education and training capability for the global watchmaking industry, thus securing the long-term sustainability of many of our Maisons' core businesses. Mindful of the growing number of mechanical watches which will need regular servicing in the years to come, the Group opened the China Institute of Swiss Watchmaking in October 2011. Further details of this initiative may be found in the case study shown below.

In addition to the watchmaking training schools in Dallas, Hong Kong, Manchester and Shanghai, which are detailed in the WOSTEP case study below, Richemont currently employs some 450 apprentices and trainees. This includes watchmakers, technicians and polishers working in Richemont's after-sales service centres around the world.

### Training and development in retail

The [Richemont Retail Academy](#) in Shanghai was inaugurated in November 2011. It provides a platform for recruiting and training personnel for our Maisons' boutiques in China. See case study below.

### Advanced Business Certificate in Digital

In October 2011, the Advanced Business Certificate in Digital ('ABCD') programme was launched. The programme is a ten-month course designed in cooperation with the British Institute of Direct Marketing ('IDM') to provide Richemont's e-Business Managers with best practice, practical, hands-on knowledge of all aspects of digital communications and commerce, including the latest techniques and principles from around the world and from within Richemont.

### Looking ahead

We will continue to encourage self-learning and development, and emphasise on-the-job training where appropriate.

As outlined above, a Learning Management System will be deployed across the Group. Data from this global system will be disclosed in future CSR reports.

The *Campus Genevois de Haute Horlogerie*, a teaching and manufacturing facility in Geneva dedicated to the arts and crafts of fine watchmaking, is to be built between 2012 and 2014. The Campus is planned to employ more than 900 by 2020. Linked to this innovative project, 45 new apprentice positions will be created in 2012. Further details are in the case study below.

The Careers section of Group's website may be developed during the year ahead, with a view to improving Richemont's ability to attract and retain talented individuals.

### Case Studies

- [Richemont Retail Academy](#)
- [Cartier international retail training programme \('OSCAR'\)](#)
- [Chloé - 'Connaissance du vêtement' training](#)
- [The Montblanc Academy retail staff training](#)
- [A. Lange & Söhne in-house watchmaking school](#)
- [Watchmakers of Switzerland Training and Education Programme \('WOSTEP'\)](#)
- [Montblanc 'We love art!'](#)
- [Campus Genevois de Haute Horlogerie](#)



# Health, Safety and Well-being

## Context

Good practice in health and safety is a responsibility that Richemont shares with all of its employees. For the vast majority of the Group's offices, distribution centres and shops, the risk of serious injury is limited.

We have identified our manufacturing sites as having the greatest range of health and safety issues to address and a detailed mapping of health and safety risks at those sites has been carried out. The results of the risk-mapping are not disclosed.

## Our approach

The Group's Environment, Health and Safety Committee meets four times per year to review performance and agree priorities. Members include representatives from human resources functions and manufacturing sites.

Ultimate responsibility for health and safety issues resides with the managing director of each business and region. The applicable law provides us with the minimum standard to follow and it is the responsibility of each business to set policies and procedures based on guidance from the relevant regulatory body. Where relevant, these policies are supported by codes of conduct and specific training programmes. Each business has individuals responsible for health and safety issues, either as a dedicated role or, for smaller businesses, as part of a wider remit.

The Group holds an annual environment, health and safety forum where all health and safety managers have an opportunity to share best practice, present progress at their respective site and consider audit findings.

## Health and safety audits

We use an external consultancy to conduct regular audits of our manufacturing sites and service centres. In 2011/12, 21 audits were conducted, assessing compliance with health and safety regulations together with the effectiveness of translating policy into operating procedure and practice (previous year: 28 audits). The results are used to drive continuous improvement plans at each location.

## Health and safety systems

We have developed systems to comprehensively measure, monitor and report accident data across the entire organisation. Maisons are required to record any accidents via the global HR system and provide an action plan for improvement. The systems are based on OHSAS 18001. Health and safety data are monitored across the Group.

The Group has set itself global quantitative targets in respect of health and safety improvement – e.g. lost days due to accidents - and monitors performance against those targets. Neither the data nor the Group's targets are publicly disclosed. There were no fatal accidents during the year under review.

Regarding serious diseases which may afflict employees and their wider community, Richemont does not organise any Group-wide education and risk control programmes. This reflects the geographic spread of its employees around the world. Nevertheless, contingency plans exist for events which may cause business interruption, including public health-related events.

## Looking ahead

We will continue to assess the quality of our data and improve our performance through coordinated training, particularly in the Group's manufacturing facilities.

## Case Studies

- [Montblanc health, safety and environment day](#)
- [Stern Créations - le Prix 'Santé au travail'](#)

# Consulting and communicating with our employees

## Context

We take great pride in the people who contribute to the success of the Group and remain committed to resolving issues which could affect employees' work or personal welfare.

## Our approach

The Richemont Employees Code of Business Conduct (the 'CoBC') provides guidance on ethical standards of behaviour that our employees should adopt at work. It sets out universal guiding principles that all staff in the Maisons and Regional units should follow in the business workplace. It is complementary to local 'Codes of Conduct' or Employee Handbooks, if they already exist in business units. The CoBC sets out the Group's procedures for whistle-blowing and reporting grievances. To the extent practicable and permissible by local law, Richemont will respect the privacy and confidentiality of employee reports. Employees will not be discriminated against because they have reported suspected breaches in good faith. Whistle-blowing reports are followed up by the Group's Internal Audit function, independent of the whistle-blower's line management. To make it accessible to all, the CoBC has been published in eight languages (English, French, German, Spanish, Italian, Japanese, Chinese and Russian) and is available as an interactive booklet on the Group's HR Intranet, our main channel for communicating human resources information within the Group. In addition, each Maison undertakes its own engagement activities with its employees.

## Employee participation

Maisons comply with local legislation in recognising union membership amongst employees. We have a European Works Council for our European employees, with appointed staff representatives. Richemont respects legislation regarding collective bargaining. To the best of our knowledge, there was no significant industrial action incident during the last three years.

In China, where 9 % of Group employees are currently employed in service functions, primarily in boutiques and back-office functions, the formation of a union is currently under consideration.

The Group's Performance Management Process, which may be used to address issues between managers and their direct reports, described more fully [above](#).

## Looking ahead

Maisons and Regional units will continue to communicate the CoBC and relevant policies to all employees and newcomers through a variety of channels, including induction programmes, ad hoc training sessions, emails and the intranet.

## Case studies

- [Richemont North America Business Improvement Committees](#)
- [Richemont North America business workforce training](#)
- [Piget CSR Newsletter](#)
- [Baume & Mercier Yearbook](#)

# Diversity and equal opportunities

## Context

Diversity and equal opportunities means creating a work environment which allows all our employees to fulfil their potential.

We seek to foster a culture in which our employee-related decisions, whether it be hiring, training or promotion, are taken based solely on an individual's ability and contribution to Richemont's success, irrespective of gender, age, ethnicity, disability, sexual orientation or any other aspect of their identity.

## Our approach

As detailed in the Employees Code of Business Conduct (the 'CoBC'), we do not tolerate harassment or any behaviour which creates a hostile, offensive or intimidating environment for our employees. The CoBC makes clear our approach to breaches of policy, which will lead to a process of investigation and, when appropriate, dismissal.

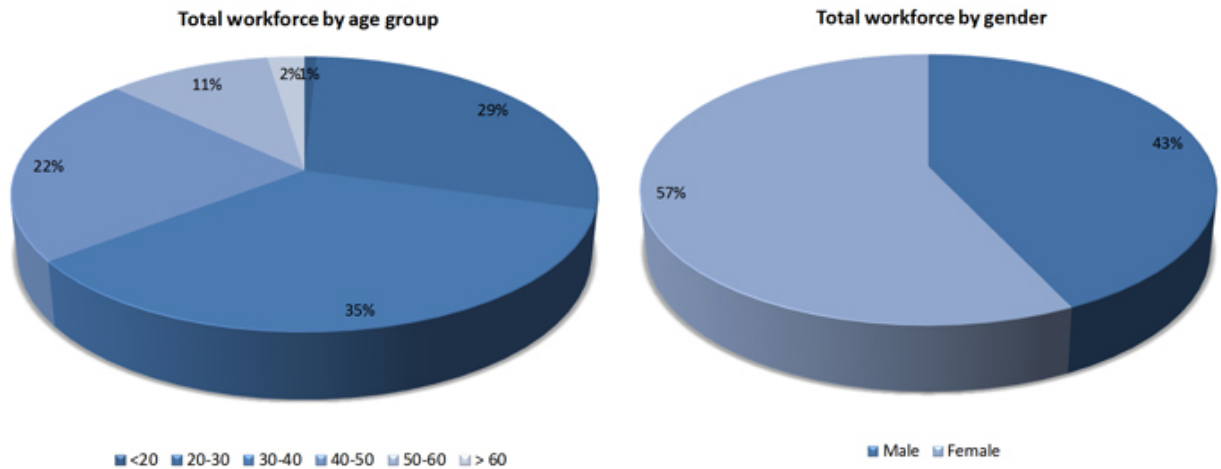
## Flexible working practices

Richemont recognises the importance of enabling employees to balance the needs of work and life outside work. Flexible working is an option that many of our Maisons offer to employees. Currently, some 9 % of Group employees are making use of such offers.

## Key performance data

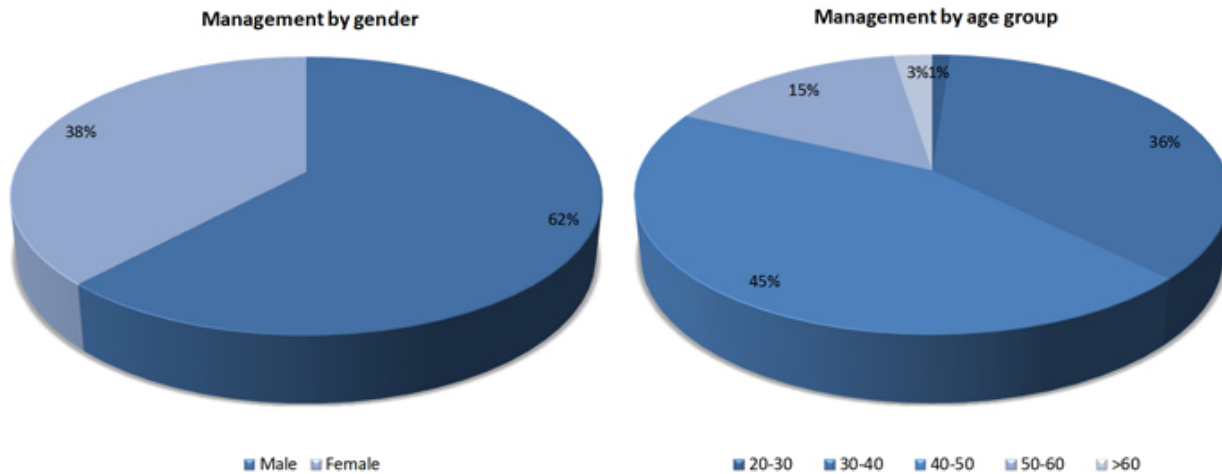
It is important to monitor the age profile of our workforce to understand industry-specific and professional working experience, which is likely to vary with age. It also helps us with future planning, helping us understand our potential exposure to retirement costs and 'knowledge drain' from employees nearing retirement age.

We also monitor the gender balance in the workforce to promote diversity amongst staff.



## Management analysis

We analyse our management population by age, gender and length of service to better manage our talent and help with succession planning. 'Management' includes those positions which are ranked, according to a Group-wide job ranking methodology, depending on scope of job responsibilities, recognised experts with a high level of specific expertise, responsibility for leading a functional team or a market, and so on.



## Case study

- [Richemont North America Business Workforce Training](#)

## Fostering new talent

The long-term success of Richemont depends on recruiting and retaining talented people. Accordingly, Richemont and its Maisons have established academies, partnerships and apprenticeship programmes which are closely aligned with its strategic goals and medium-term business needs.

For example, the [Campus Genevois de Haute Horlogerie](#) will host 45 new watchmaking apprentice positions in Geneva. The Group has partnered with the [WOSTEP](#) programme to establish watchmaking apprenticeship programmes around the world. The [Richemont Retail Academy](#) in Shanghai addresses specific skill shortages in China. Following graduation, trainees and apprentices typically continue to work for one of the Maisons, bringing long-term benefits to the Group.

The following are other examples of our partnerships:

- **Piaget** sponsors "Les Ecoles de la rue du Louvre" in Paris which is managed by the French Jewellery Association. The traditional know-how and skills required by high level jewellery work is becoming more scarce. Piaget's policy is to develop new talent that will meet the Maison's future requirements through supporting the school and providing the best students with training opportunities.
- **A.Lange & Söhne's** apprenticeship programme has been running since 1997. It addresses the scarce supply of specialists in the German watchmaking industry. Each year the Maison engages around a dozen young men and women for three-year apprenticeships as watchmakers or toolmakers at its own watchmaking school. In addition, the "F. A. Lange Scholarship & Watchmaking Excellence Award" promotes talented young watchmakers. In a combination of summer academy and competition, eight talented young watchmakers from all over the world were able to gain inspiration from the world of chronometry and put their skills to the test.

The numbers of apprentices going through the various programmes supported by Richemont increases each year. At March 2012, some 450 employees were defined as trainees or apprentices. They represented some 2 % of all employees.

Some Maisons also work to support and encourage new talents in the arts, though not for employment purposes.

- **Cartier's** "[Fondation Cartier pour l'art contemporain](#)" has promoted the work of contemporary artists since 1984. Over the years, it has placed a particular focus on supporting the work of young artists at the start of their careers. Taking advantage of the Fondation's well-established international network, many exhibitions tour the world taking up residency in prestigious art venues.
- **Montblanc** has a long history of supporting arts and culture. Each year, the "Montblanc de la Culture Arts Patronage Award" is conferred on outstanding art patrons whose personal commitment and achievements deserve wider recognition. Montblanc's Young Artist World Patronage gives artists a platform to reach a broader public and the international art scene.
- **Vacheron Constantin** established new three-year partnership with the Orchestre de la Suisse Romande ('OSR') in 2011. The Maison became the patron of the OSR's new training programme as well as providing support for the OSR's international tours. Unique in the symphonic world, the programme leads to a Diploma of Advanced Studies in orchestral practice ('DAS'), in collaboration with the *Haute Ecole Spécialisée de Suisse Occidentale*.

### Case studies

- [Cartier preservation of skills and fostering new talent](#)
- [The Creative Academy developing design talent](#)
- [Campus Genevois de Haute Horlogerie](#)

## Communities

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Richemont and its Maisons seek to contribute to the health, well-being and sustainable economic development of the wider community.

*Globally*, our customers increasingly expect companies to support social and environmental causes in imaginative ways.

*Locally*, we depend on the communities around many of our manufacturing plants. Some communities depend on us as a source of employment and tax revenue.

The Group's approach to community activities is set out in our [Corporate Social Responsibility Guidelines](#). These guidelines provide a framework within which Maisons can select appropriate activities to support. Our Maisons and our employees have a long history of supporting a wide range of charitable causes. Similarly, our Maisons embody the essence of arts and crafts and benefit from operating in societies that are culturally rich.

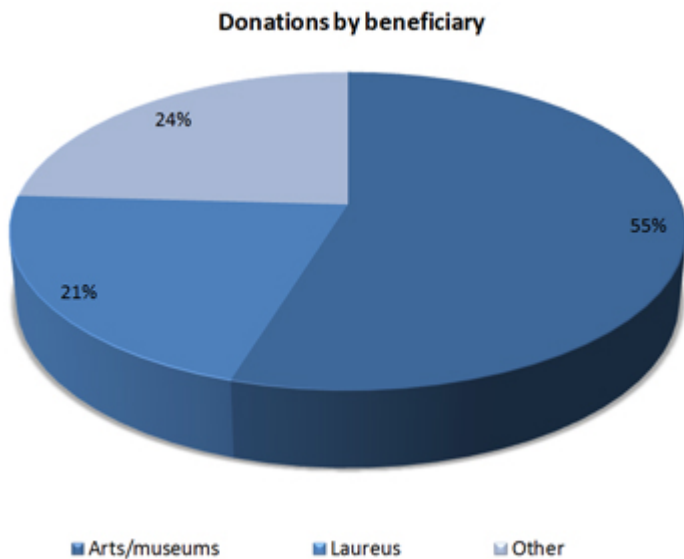
The four broad areas in which we contribute are:

- Charitable involvement;
- Sponsorship activities;
- Fostering new talent by way of training programmes, including apprenticeships;
- Responsible citizenship, e.g. through the payment of local and national taxes.

### Community spend 2011/12

This year our total community spend was € 18 million (prior year: € 18 million). This equates to 1.0 % of our profit before tax. Some 95 % of community spend takes the form of cash donations. The remainder is in the form of donated products and charitable events.

The largest beneficiary of community investments is Laureus (see 'Charitable involvement' section). The arts and museums, including the Fondation Cartier pour l'art contemporain are also important beneficiaries. Other beneficiaries include charities concerned with medical research, child welfare and education. Recognising its close relationship connection with Japan, the Group made a special donation in that country following the earthquake and tsunami in March 2011. That donation is not included in the 2011/12 figures summarised above. Further donations were made in 2011/12 linked to relief for that disaster.



As a Group, we continue to review the systems we use to gather information about charitable activities and other community investments.

The Group has not invested in infrastructure projects or provided services which help the wider community in the areas in which it operates: such projects are financed through the tax contributions by our operating companies. Due to the relatively small scale of operations associated with the manufacture of high quality goods in Western Europe, no assessments of the impact on communities of entering and operating are carried out.

## Charitable involvement

For our Maisons, building strong relationships with their local communities is integral to the way in which they operate and many organise local fundraising activities. Employees are also supported in fundraising and volunteering for charitable causes. Certain of our Maisons have established long-term links to UNICEF and UNESCO. More information is given in each Maison's review of the year, included in the Richemont Annual Report, and in the following 'Sponsorship' section.

At the Group level, Richemont continues to support a number of charitable foundations. Below are some details of five of these:

- **Laureus**, established in 1999. This organisation 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. IWC is Richemont's nominated business which partners with Laureus and supports Laureus events.
- **Cognigni Foundation for Artistic Craft Professions** ([Fondazione Cognigni dei Mestieri](#)) established in 1995. This foundation is geared towards generating a "new Renaissance" of the Métiers d'Art (or Artistic Craft Professions) Its activities are mainly aimed at training new generations of artisans and saving outstanding crafts from the risk of oblivion. The foundation also identifies the new craft professions of our times, highlighting their defining characteristics and new features. To this end, it promotes, supports and finances a series of cultural, scientific and informative initiatives such as publishing books, organising conferences and exhibitions, and financing scientific research through the Arti e Mestieri Research Centre, in partnership with the Cattolica University of Milan.

- **Peace Parks Foundation**, established in 1997. This [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** ('FHH'), established in 2005. The Geneva-based [Foundation](#) 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. The foundation's worldwide activities are supported by its partner-brands, the Federation of the Swiss Watch Industry and a number of renowned Swiss museums. Richemont's support of the FHH is through its Maisons.
- **Teacher of Ten Thousand Generations Foundation**, established in 2003. This [Foundation](#) assists underprivileged children and their families in China, by providing children with educational opportunities and therefore offering them a greater choice in determining their future. The foundation has an association with a number of schools in Southern China. Richemont's Chief Legal Counsel is President of the Foundation.

### Case studies

- [A. Lange and Söhne supporting the local community](#)
- [Alfred Dunhill World Community Project 2012](#)
- [Richemont North America employee volunteer day](#)
- [Montblanc and the John Lennon Educational Tour Bus](#)

## Sponsorship

Richemont and its Maisons sponsor certain initiatives and causes around the globe. Such sponsorship helps to support the Maison's strategic objectives, including raising brand awareness. The following are examples.

- **Cartier [Women's Initiative](#)** Awards launched in 2006 in partnership with the Women's Forum, McKinsey & Company and INSEAD Business School. The Awards promote entrepreneurship and focus on the most vulnerable category of entrepreneurs in their most vulnerable phase: women entrepreneurs with start up businesses.
- **Officine Panerai** is sponsoring South African explorer [Mike Horn's](#) 'Pangaea' expedition. The expedition will take him to all the continents and seeks to raise awareness of the current state of our planet.
- **Piaget** has supported [Action Innocence](#) since its creation over 10 years ago. Action Innocence works to combat the global problem of child pornography on the internet through raising awareness of the issue via school visits and supporting the development of technological solutions. In 2011, Piaget also began support for a telemedicine project in the Altiplano region of South America. See case study below.

Music Festivals: a number of Maisons actively support music and musicians. These include:

- **Montblanc's** de la Culture Arts Patronage Awards;
- **A. Lange & Söhne's** support of the Salzburg Whitsun Festival; and
- **Vacheron Constantin's** support of the *Orchestre de la Suisse Romande*.

### Case study

[Piaget-Altiplano-Artères](#)

# Marketplace

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The success of our business is reliant on the relationships we build with our customers and our suppliers.

In this section you can read about:

- Our commitment to customer service and satisfaction;
- Our approach to responsible sourcing and supply chain management;
- Our key partnership initiatives.

## Customer service and satisfaction

### Context

Over the decades, each Maison has developed a distinct and unique design identity which makes their products recognisable and desirable. Above all, each of our Maisons shares a commitment to producing goods of the highest quality.

### Our approach

We believe there are three elements to achieving excellent customer satisfaction:

- Product innovation, design and quality: an appreciation of the look, feel and inherent quality of the product;
- Staff training and customer service: customer experience in our stores;
- After-sales service: our responsiveness to customer enquiries and complaints.

### Product innovation, design and quality

The Maisons' innovative designs and their creative application of new materials, including ceramics and alloys, are recognised by customers and critics. The Group's financial performance is testimony to our customers' appreciation of innovative designs as well as classic models. Critical appreciation is marked by the awards received by our Maisons each year, particularly in the watchmaking domain. New materials are tested to ensure conformity with applicable regulations.

The registering of patents and similar intellectual property is further testimony to the innovative culture within the Group's European *manufactures*.

Maisons have dedicated quality control teams responsible for ensuring that products meet the high standards we set ourselves. The teams conduct regular assessments of product ranges, which may include visits to suppliers and manufacturers across the world. The production process from initial design to the finished product involves various parties. Our design, manufacturing and quality control teams work in close collaboration throughout the process.

Watches, items of jewellery, writing instruments and leather goods do not represent any significant health and safety risk. Therefore the Group does not collect data on the number of products that go through an assessment for health and safety impacts: safety and ease of use are integral design considerations for all of our products. The Group has not been subject to any fines or non-monetary sanctions for non-compliance with laws and regulations concerning the use of its products.

In terms of sustainability, the great majority of the Group's products have no 'end of life'. As treasured heirlooms, jewellery, watches and writing instruments are passed from generation to generation.

Separately, Net-a-Porter now retails a number of eco-conscious fashion brands and is closely monitoring demand.



## Staff training and customer service

Many of our Maisons have established training academies to foster design, development and customer service skills. Retail employees also receive comprehensive, product-specific training so that they are able to knowledgeably respond to customer questions. This type of training often covers areas such as the responsible sourcing of raw materials, including gold, diamonds and exotic leathers.

Each of our Maisons has comprehensive systems in place to assess levels of customer satisfaction. The systems include 'mystery shoppers' and the close monitoring of customer queries, particularly online.

## After-sales service

Some of our products, watches in particular, require regular servicing and in some instances repairs will be necessary. We offer a comprehensive after-sales service for all of our products, regardless of age, and have established local centres for most basic watch servicing. Whilst the majority of watch servicing can be carried out close to the customer, more complex or unusual servicing and repair requests are only carried out at the place of manufacture. The standards of product servicing, including speed, quality and price, are coordinated globally by the Group.

## Advertising

In terms of external communications, the Group's Maisons advertise their products through a variety of media channels. Compliance with local laws with regard to advertising and promotion is respected. No material instance of non-compliance was brought to the Group's attention during the year under review.

## Counterfeiting

Counterfeiting is the unauthorised copying of an item when the clear intention is to pass that item off as being the genuine product. The counterfeiting phenomenon is not new and Richemont is working hard at all levels to minimise the impact of counterfeiting on its business and to inform consumers about the dangers of buying counterfeit product. Richemont continues to work with industry bodies and with law enforcement authorities and customs offices worldwide to tackle this industry issue.

## Product information and labelling

The Group's Maisons label their products in compliance with local laws. No material instance of non-compliance was brought to the Group's attention during the year under review.

## Looking ahead

Offering customers innovative, high quality products and excellent service will continue to be a priority.

Our Maisons will communicate their CSR policies to a growing number of authorised dealers.

## Case studies

- [Cartier customer service](#)
- [Cartier customer service barometer](#)
- [Alfred Dunhill product training kits](#)
- [WOSTEP](#)

## Supply Chain

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, 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 and office equipment.

The social and environmental impact of the goods and services we buy often lies outside our direct control. Nevertheless, Richemont seeks to promote and influence responsible behaviour wherever possible. This is largely achieved through the dissemination of the Group's Supplier Code of Conduct. The Code sets out our approach in this area and provides guidance to Maisons, our suppliers and business partners regarding ethical labour, employment practices and human rights and the Group's approach to the responsible sourcing of raw materials.

The Group maintains a dialogue with metal refiners and suppliers and, through the Responsible Jewellery Council, with mining houses and other supply chain participants.

### Supply chain management

#### Context

Our supply chain is characterised by high quality and specialised products and long-term relationships with our suppliers. This puts us in a position to be able to promote good practice among suppliers.

The responsible sourcing of certain raw materials, such as gold and diamonds, involves a long and complex supply chain and requires a partnership approach. Working collaboratively with industry partners means we are better able to effect long-term change in those supply chains.

#### Our approach

We seek to influence our suppliers and sub-contractors by sharing our own standards and expectations of them. These are set out in our Supplier Code of Conduct. Maisons collaborate internally and make use of tools to share information and identify common suppliers who have been advised of Richemont's Code. Compliance with the Code is incorporated into our procurement decisions and all suppliers are expected to acknowledge the Code.

Business partners are treated fairly and in line with our code of business ethics; see [Working in partnership](#). We also work closely with industry organisations such as [the Responsible Jewellery Council \('RJC'\)](#).

#### Supplier Code of Conduct

Richemont's 'Model' Supplier Code of Conduct (the 'Code') forms part of the Group's CSR Guidelines. The Code covers labour relationships, employment practices, human rights and ethical business principles. The Code is based on internationally-recognised principles such as the International Labour Organisation Conventions and the Universal Declaration of Human Rights. It also addresses specific industry-related issues such as animal testing, preservation of endangered and protected species and responsible sourcing of gold and diamonds.

#### Compliance

Each Maison is responsible for working with its own suppliers and to formally share the Code content with them.

Using a risk-based approach, some of our Maisons conduct third party external audits of key suppliers' compliance with the Code as part of their internal risk management processes. The results of the audits are directly linked to the Maisons' purchasing strategies. Where audits identify areas for improvement, Maisons follow up with remedial action as part of the on-going supplier relationship. During the year under review, certain Maisons elected to share their supplier auditing efforts. Neither supplier audit findings nor the remedial actions arising from them are publicly disclosed.

Certain suppliers to the Group's businesses are also [members of the RJC](#). Certain of them have completed their own RJC membership certification, involving the RJC's Code of Practices. Other suppliers in the precious metals and diamonds industry are being encouraged to join the RJC and have their own responsible business practices independently certified.

Each Maison has different products and different supply chains. They are free to tailor the Code to their own business needs to ensure its effectiveness, including compliance with REACH (European Union regulation concerning the registration, evaluation, authorisation and restriction of chemical substances).

### **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 during the year under review to improve consumer transparency in general and the sourcing decisions of manufacturers in particular. Among the completed projects was the RJC's Chain-of-Custody standard applicable to gold and platinum group metals. The RJC Chain-of-Custody standard aims to assist businesses' compliance with the requirements of the US Dodd-Frank Act regarding eligible material. The RJC Initiative is also aligned with the OECD Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas and its Supplement on Gold.

[The RJC's Chain-of-Custody standard](#) is voluntary for RJC members. Certified compliance with the standard will enable businesses to confirm responsible, conflict-free supply chains. It is based on the principle of segregation for eligible material.

As a long-term supporter of the RJC, Richemont has encouraged the development of the RJC's Chain-of-Custody standard and participated in the consultation phases. The Chain-of-Custody Standard for gold and platinum group metals was issued in March 2012 and the first certifications against the Standard were confirmed in May 2012.

Due to the specificities of diamond mining, sorting, polishing and trading, a separate RJC Chain-of-Custody standard for the diamond supply chain is currently under development.

### **Animal testing**

Neither Richemont nor its Maisons conduct any testing of its products on animals.

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 Perfumes and Cosmetic European Regulation.

Van Cleef & Arpels, Montblanc, Alfred Dunhill and Chloé 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.

These Maisons' practices accord with Richemont's Supplier Code of Conduct, which states that 'Suppliers should adhere to the principles of Corporate Standards of Compassion for Animals ensuring that no animal testing is conducted or commissioned during any stage of product development or manufacture'. See case study below.

More generally, Richemont's Supplier Code of Conduct makes specific reference to full compliance with special international and local regulations, for example the Convention on International Trade of Endangered Species ('CITES'), related to the procurement, import, usage and export of raw materials sourced from endangered or protected species. This extends to the sourcing of exotic skins and certain of our Maisons are supporting research to improve standards in that area.

### **Local procurement**

Many of our Maisons have a tradition of supporting a particular region through purchasing raw materials and employing local people from the area. This is particularly true of the Maisons that are involved in the art of watchmaking in Switzerland and Germany.

## Performance data

Some 75 external supplier audits were performed across the Group in 2011/12, well above last year's level (60 audits). The number of audits is expected to increase following the Risk Assessments carried out by those businesses which are members of the RJC. Moreover, the Group's businesses have strengthened their procedures with regard to the Supplier Code validation in general, through training of procurement personnel and, in certain cases, incorporating the Code in their terms and conditions of business.

The Group does not record the percentage of 'surprise' audits carried out. As a consequence of audit findings, certain of the Group's businesses have changed supplier or worked with suppliers on remediation plans.

The Group does not disclose the percentage of suppliers that have been screened in respect of human rights, nor does it disclose incidents of Supplier Code non-compliance nor the remedial action taken. The decision to audit a given supplier is based on a risk-based assessment.

## Looking ahead

A further 50 supplier audits are likely to take place in the coming year.

Other Maisons plan to become members of the RJC in the year ahead and commence their self- assessment against the RJC's Code of Practices. Certification by an accredited third party auditor must be completed within two years of becoming a member.

## Case studies

- [Cartier's Responsible Jewellery Council \('RJC'\) Certification in 2010/11](#)
- [Responsible Jewellery Council \('RJC'\) Certifications in 2011/12](#)
- [Chloé - Animal Welfare Principles](#)

## Human rights, ethical labour and employment practices

### Context

Adopting fair and ethical labour practices and promoting human rights is central to our reputation and on-going success. We require our business partners to adhere to the high standards we set ourselves.

### Our approach

In common with accepted good practice, Richemont's Supplier Code of Conduct includes an endorsement of International Labour Organisation Conventions, the Universal Declaration of Human Rights and other internationally recognised labour practice standards.

The Code covers the following areas:

- Healthy and safe working conditions – providing a healthy and safe working environment in accordance with applicable laws and regulations;
- Wages and working hours – complying with local legislation on minimum wages, working hours and employee benefits;
- Freedom of association – allowing workers to associate with lawful and peaceful workers' associations;
- No discrimination – not subjecting people to discrimination based on factors including ethnicity, age, religion and sexual orientation, amongst others;
- No child labour – not employing people under the age of 15 or younger than the age for completing compulsory education;
- No forced employment – not using forced labour and not using employment where terms are not voluntary;
- No disciplinary treatment – not subjecting people to harassment, violence or intimidation;
- Responsible environmental management – fully complying with local legislation, industry regulations and endeavouring to comply with the Richemont Environmental Code of Conduct.

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. Supplier-screening data are not disclosed. The audit of suppliers is described elsewhere in this report. In addition, the RJC Code of Practices certification processes undertaken by Richemont's Maisons, which together represent some 75 % of the Group's sales, require compliance with the RJC's standards relating to human rights.

| Maison   | Financial year of RJC certification | Percentage of Group sales represented by certified Maisons |
|--|-------------------------------------|--|
| Cartier  | 2010/11                             | Less than 50 %   |
| Van Cleef & Arpels, Baume & Mercier, Jaeger-LeCoultre, Piaget, Vacheron Constantin, Montblanc. | 2011/12                             | More than 25 %   |
| Cumulative total   |                                     | Some 75 %  |

### California Transparency in Supply Chains Act of 2010 - Corporate Disclosure

On 1 January 2012, the California Transparency in Supply Chains Act of 2010 (SB 657) went into effect in the State of California. This law was designed to increase the amount of information made available by manufacturers and retailers 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.

Richemont is opposed to slavery and human trafficking and desires that its supply chain to be free of these scourges. Richemont's Corporate Social Responsibility Committee ('CSR Committee') has the internal responsibility for evaluating this area and, with the full support of the Maisons, has evaluated the Group's supply chain activities.

The CSR Committee has developed and disseminated its Group [Supplier Code of Conduct](#), which sets out Richemont's approach in this area and provides guidance to our suppliers and business partners regarding responsible sourcing. The Code of Conduct includes an endorsement of the International Labour Organisation Conventions and the Universal Declaration of Human Rights. Among other issues, the Code of Conduct specifically forbids the use of forced or involuntary labour of any kind, including employment of people under the age of 15 or before they have completed compulsory education. The Code of Conduct includes an Acknowledgment of Terms that requires, among other things, identification of the individual responsible for the supplier's compliance, procedures in place to meet the Code of Conduct, any discrepancies between the supplier's operations and the Code of Conduct, and any similar policy used by the supplier.

Richemont also monitors on-going compliance and adherence of suppliers to its standards related to slavery and human trafficking. In particular, the Maisons have initiated third-party audits of their suppliers in recent years. During 2011/12, approximately 75 external supplier audits were carried out across Richemont's Maisons. Richemont does not record the percentage of 'surprise' audits or disclose the specific results of its audits. The audits may be announced or unannounced. Where concerns related to the Supplier Code of Conduct have been identified, Richemont has held its suppliers accountable through dialogue and follow-up audits. For more information on Richemont's audit efforts, see the case studies below.

Richemont, through its involvement in the Responsible Jewellery Council ('RJC'), also seeks to ensure compliance with the RJC's standards relating to slavery and human trafficking. The RJC was established in 2005 to promote responsible ethical sourcing, human rights, social and environmental practices in the gold and diamond supply chains.

The RJC's certification process is rigorous, including independent, third-party audits regarding the member's compliance with human rights standards. The RJC has grown to include more than 375 members, from miners to retailers. All of the Richemont Maisons who are members of the RJC (Cartier, Van Cleef & Arpels, Baume & Mercier, Jaeger-LeCoultre, Piaget, Vacheron Constantin and Montblanc) have been audited by an accredited third-party to verify compliance with the RJC's Code of Practices, thereby obtaining RJC certification. Many Richemont suppliers are also members of the RJC and complete their own RJC certification. Additional information on the RJC can be obtained [here](#).

Richemont and its Maisons have also taken specific steps to increase employee awareness and compliance regarding slavery and human trafficking issues. Richemont's [Corporate Social Responsibility Guidelines](#), which articulate the standards Richemont expects its managers, employees and suppliers to uphold, specifically articulate Richemont's zero-tolerance policy regarding forced labour. Richemont's Maisons have undertaken specific training programmes regarding supply chain issues. For instance, Alfred Dunhill has incorporated training on responsible sourcing into [its standard training brochures](#).

For more information on Richemont's commitment to eradicate and prevent slavery and trafficking in its supply chains, visit the [Supply Chain Management](#) page.

### Case studies

- [Alfred Dunhill CSR audits](#)
- [Cartier supplier audit programme](#)
- [Lancel social audit programme](#)

### Responsible sourcing of raw materials

#### Context

The responsible procurement of industry specific raw materials such as gold and diamonds is a priority for the Group. Historically, for the luxury goods industry as a whole, there have been issues surrounding the sourcing of gold and diamonds, as these are often mined in regions affected by conflict or instability.

#### Our approach

Our Model Supplier Code of Conduct sets out our position on the following issues:

#### Responsible gold sourcing

As far as possible, Richemont requests its suppliers to provide assurance that the gold being supplied has been mined in a way which respects human and labour rights and the environment. We continue to work with suppliers and refiners in this respect to seek to improve controls over the supply chain, where possible.

We continue to work closely with the [RJC](#) to help improve the gold supply chain. In addition to this industry-wide approach, we work with our gold suppliers to strengthen the inclusion of ethical criteria at all levels of our gold sourcing supply chain. Membership of the RJC promotes a robust approach to these supply chain issues for our Maisons and other businesses in the jewellery industry, from mines to retail.

#### 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. We adhere to responsible diamond procurement practices. Since 2003, the international trade in rough diamonds has been governed by the Kimberley Process Certification Scheme 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.

All diamonds purchased by Group companies are Kimberley Process compliant. Moreover, we require our suppliers to comply with the 'System of Warranties', a continuation of the Kimberley Process Certification Scheme which 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.

Recognising the concerns raised by certain observers of the Kimberley Process Certification Scheme in respect of mining activities in the Marange region of Zimbabwe, Richemont's Maisons have instructed their suppliers not to supply diamonds to them from that region.

## Endangered or protected species

We require suppliers to comply with international and local legislation, e.g. the Convention on International Trade of Endangered Species ('CITES'). Maisons are also working to achieve a better understanding of their supply chain in this area.

## Leather finished products

Suppliers involved in leather products manufacturing are expected to adhere to the European Leather Association ('COTANCE') policies.

## Other areas

Cartier, Van Cleef & Arpels and Piaget stopped purchasing precious stones which may have been mined in Myanmar (formerly Burma).

In addition, we also have policies for perfumes and cosmetic products, animal testing and product information and labelling.

## Responsible Jewellery Council

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.

Richemont plays an active role in the RJC. Cartier was one of the 13 founding members and today RJC has grown to include over 375 members, including six other Richemont Maisons: Van Cleef & Arpels, Piaget, Baume & Mercier, Vacheron Constantin, Jaeger-LeCoultre and Montblanc.

## Code of Practices

The RJC has developed a Code of Practices, based on established international principles, which sets out requirements against which members must be certified. The scope of the Code of Practices captures:

- Business Ethics practices;
- Human Rights and Social Performance;
- Environmental Performance;
- Management Systems.

## The RJC Code of Practices System

The Council has developed the RJC Code of Practices System, a certification system applicable to all members' businesses that contribute to the gold and diamond jewellery supply chain. Certification will help to strengthen 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. Further information can be obtained at: <http://www.responsiblejewellery.com/certification/>

In 2010, Cartier was the first retailer to receive [certification under the RJC system](#). The certifications of Van Cleef & Arpels, Piaget, Baume & Mercier, Vacheron Constantin, Jaeger-LeCoultre and Montblanc were confirmed during the year under review. As a percentage of Group sales, the proportion of Richemont's businesses which have been audited regarding these non-financial criteria has therefore increased from zero in 2009/10, to less than 50 % in 2010/11, to some 75 % in 2011/12. Further details are provided [here](#).

## The RJC's year

During the year under review, in addition to certifying well over 100 members' compliance with its Code of Practices, the RJC's achievements included:

- Becoming an Associate Member of the ISEAL Alliance. ISEAL Members are standards organisations that commit to transparency, co-operation and good governance;
- Developing programmes to improve labour standards and working conditions in India's jewellery supply chain with Social Accountability International;
- Launching collaborative efforts with the Alliance for Responsible Mining ('ARM') and the Diamond Development International Initiative ('DDII'). These efforts include the improvement of social, environmental and labour practices in artisanal and small-scale mining, and the artisanal diamond mining sector, respectively;
- Increasing its number of Trade Associations, including the Dutch Federatie Goud en Zilver and the Antwerp World Diamond Centre, Belgium;
- Launching its Chain-of-Custody standard for precious metals; and
- Increasing its membership from some 300 to more than 375 businesses.

These various achievements underscore the RJC's growing reputation within the jewellery industry.

## Working in partnership

### Context

The supply chain for jewellery products is often long and complex. For example, the supply chain for a diamond ring can include gold mining houses, refiners and banks as well as diamond trading houses, cutters and polishers. Given the complexity of the supply chain, we are working with industry partners to bring about improvements.

### Our approach

We work with a number of partner organisations to help us improve our social, economic and environmental performance. In addition to our work with the RJC, we are also involved with the following organisations:

- [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 corporate social responsibility 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, 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](#) 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.



## External Recognition

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### Indices

Since March 2010, Richemont has been included in FTSE4Good, a global responsible investment index.

### Innovation and design

The Group's Maisons regularly receive product awards for innovation and design. During the year under review, awards were received for product excellence, customer service and employer-of-choice. These included:

#### A. Lange & Söhne - Prizes in Vienna, Die Presse gala (December 2011)

First prize in the "Grande Complication" category for the RICHARD LANGE TOURBILLON "Pour le Mérite" model, presented at both the MunichTime and ViennaTime fairs. In the "Classic Elegance" category, the SAXONIA THIN won first prize at MunichTime and second prize at ViennaTime.

The timepieces were voted by readers of the Austrian daily newspaper "Die Presse", the supplement "Watchtime" of the German newspaper "Süddeutsche Zeitung", the watch magazine Chronos Germany and visitors to the exhibitions "MunichTime" and "ViennaTime", both held in November 2011. Altogether, 36.400 watch enthusiasts took part in the election.

#### A. Lange & Söhne - Prizes in Bucharest (November 2011)

Walter Lange and A. Lange & Söhne were awarded the "Caesar Best Honoris" Award, the leading distinction for luxury brands in Romania.

Walter Lange was recognised for his impressive achievements in the international watch industry and his contribution to the A. Lange & Söhne brand.

#### Baume & Mercier - Watch Campaign of the Year Awarded by the Public (November 2011)

The new Baume & Mercier advertising campaign won the public's heart as the Watch Campaign of the Year, organised by Montres Passion magazine.

This campaign's lifestyle vision is expressed in the "casual chic" world of family and friends who, together, form the close clan of loved ones, the first and most important circle that gives every shared moment its true meaning.

#### Baume & Mercier – Watch awards (December 2011)

Second prize in the "Sporty Dynamics" category for the Capeland Flyback Chronograph presented at the ViennaTime fair; Fourth prize for the same watch at the MunichTime fair.

#### IWC Schaffhausen - "International Event" Elite Award 2011 (March 2012)

IWC Schaffhausen received Hong Kong's Ming Pao Weekly magazine's Elite Award 2011 in the category "International Event". The winning international event was the Portuguese Sidérale Scafusia launch presentation, held in August 2011 at the Paranal Observatory in Chile. During the event, media professionals lived as astronomers, experiencing the daily life of a scientific researcher.

#### IWC Schaffhausen - Watch Brand of the Year, Quintessentially Awards Asia Pacific (November 2011)

Quintessentially Hong Kong celebrated those brands which have gone the extra mile to make an impression in the Asia Pacific region. Winners in each category reflected the pinnacles of luxury lifestyle, exclusivity and elegance. Voting was restricted to Quintessentially Members, who selected their favourites from a group of luxury brands across 22 categories.

#### **Jaeger-LeCoultre – Watch of the Year, Netherlands (July 2011)**

The Duomètre à Quantième Lunaire was awarded Watch of the Year in the category “€ 10 000 to € 25 000” by the Dutch magazine 00/24 Horloges. The jury comprised 10 recognised watchmakers, watch experts and enthusiasts.

#### **Montblanc - Grand Prix d’Horlogerie de Genève (November 2011)**

Montblanc received with the “Grand Prix d’Horlogerie de Genève” for the Montblanc Star World-Time GMT Automatic in the category “Petite Aiguille”.

Since 2001, the Geneva Watchmaking Grand Prix rewards the finest creations and the most important figures in the watchmaking world, chosen by a jury of notable watchmaking professionals.

#### **Roger Dubuis - Lady Watch of the Year 2011 (November 2011)**

Awarded by the Swiss magazine “Montres Passion”, Roger Dubuis’ EXALIBUR LADY watch won first place in the Lady Watch category. Praised for its elegance, the quality and craftsmanship of its automatic movement and stone setting, the watch stood out for its harmonious curves, its accentuated dial and a movement bearing the Hallmark of Geneva.

Since 1994, Montres Passion magazine has distinguished the year’s best watches, judging both on technical and aesthetic criteria. The independent jury comprises watchmaking professionals.

#### **The Net-A-Porter Group – two awards**

MR PORTER was winner of the Luxury Brand Online Award at the Walpole Awards for Excellence (November 2011) and winner of the Type Design Prize at Tokyo Type Director’s Club Awards for MR PORTER’s unique handwriting font (December 2011).

#### **Vacheron Constantin – Second place, Watch of the Year 2011 (November 2011)**

The Maison’s Patrimony Traditionnelle Heures du Monde received the second prize awarded by the Swiss magazine “Montres Passion”. The watch was praised for the originality of its complications as well as the elegance for the wearer and finesse of the dial.

#### **Vacheron Constantin – honoured by the Geneva Chamber of Commerce (November 2011)**

Awarded by the Chamber of Commerce and Industry of Geneva (‘CCIG’), the Maison was recognised for its promotion of the city’s wider reputation and its economic growth. The Maison was particularly noted as being “emblematic of the excellence and know-how ” associated with the city.

#### **Van Cleef & Arpels - two Geneva watch prizes (November 2011)**

The Maison was awarded accolades at the Grand Prix du Public 2011 and Grand Prix d’Horlogerie de Genève 2011.

The Maison’s Butterfly Symphony watch, from its Poetic Complications collection, was awarded the Ladies watch prize at Grand Prix du Public, the only watch prize judged by the public

The Lady Arpels Polar Landscape seal decor was given the jewellery and artistic crafts watch prize at the Grand Prix d’Horlogerie de Genève, which was set up to encourage creativity and introduce new watchmaking talent.

#### **Van Cleef & Arpels – media campaign awarded (December 2011)**

Van Cleef & Arpels and its agency, BETC Luxe, were awarded the Grand Prix Stratégies-Amaury Médias du luxe for the international print campaign “La nature s’y tromperait” or “Nature be deceived”.

## Several Maisons were awarded during the 7th Middle East Watches, Jewellery and Pen Awards (November 2011)

In the watches categories: Best Multi-Time Zone Watch: Vacheron Constantin; Best Classical Watch: Piaget; Best High-End Jewelled Watch: Van Cleef and Arpels; Best Ladies Watch: Cartier; Best Chronograph Watch: Jaeger-LeCoultre.

In the jewellery categories: Best Diamond-Studded Necklace: Cartier; Most Colourful Jewellery Set: Van Cleef and Arpels.

In the pens categories: Best Arts & Craftsmanship and Best Diamond Pen Collection: Montblanc.

Hosted by MPP ME, publishers of the industry magazine Arabian Watches and Jewellery ('AWJ'), the awards were decided through online public voting and the analysis of an elite committee comprising watch, jewellery and pen experts. A total of 483 entries from around the world were received.

### Human Resources

#### The Net-a-Porter Group

For the fourth year running, The Net-a-Porter Group (formerly Net-a-Porter) was awarded a place in the '100 Best Companies to Work For' by the UK's Sunday Times. The 2012 employee-nominated competition considered leadership, wellbeing and personal growth amongst the eight criteria used to evaluate their employer. The Net-A-Porter Group employs more than 1 000 people in the UK.

## Case Studies

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### Environment

#### IWC employee engagement

IWC runs a successful programme to engage and support its employees in their efforts to be more environmentally responsible outside work. The programme provides positive incentives to encourage employees to take carbon reduction measures when travelling and at home.

Since 2008, IWC has subsidised 80 % of the cost of public transport for its employees and provided financial support to those who purchase low CO<sub>2</sub> emission cars. IWC employees use public transport for business meetings within Switzerland, wherever possible.

Employees who invest in energy-saving or alternative energies in their homes, e.g. solar panels, are financially supported through IWC subsidies. The IWC intranet includes a feature to allow employees to calculate their personal carbon footprint and offset this by investing in environmental projects. IWC then matches 50 % of this contribution.

Bicycle stands have been installed at all locations and are positioned closer to the workplace than car parking spaces. Finally, a trophy exists for the person who climbs the most stairs every month

#### Jaeger-LeCoultre sustainability

Jaeger-LeCoultre recently completed an extension at its manufacturing site. The new 9 000 square-metre building, in addition to the existing 16 000 square metres, was built to meet the demands imposed by the Maison's continuous growth.

Jaeger-LeCoultre's commitment to sustainable development, including the protection of its setting in the Vallée de Joux, is reflected by the award of two environment certificates - the Minergie certificate and the hydrolocale label.

The Minergie standards combine ideal working conditions with low energy consumption. The building has an airtight protective shell to prevent cold air seeping in, as well as excellent thermal insulation in order to avoid heat loss in winter or excessive heat in summer. There is also a controlled ventilation system to ensure air renewal without the need to open windows and thus reduce the benefits created by the protective shell and insulation.

Thanks to the installation of solar panels, the new building produces one third of the energy required for hot water. All electricity is generated by a hydroelectric power station which uses the natural resources in the Vallée de Joux and is certified with the hydrolocale label awarded by the Romande Energie electricity company.

### **Cartier boutique lighting**

Jewellery and watches require high-quality, powerful and concentrated display lighting. Recognising the environmental and economic impact of boutique lighting, Cartier has redesigned its lighting concept. Looking for responsible solutions, collaboration and research with suppliers began in 2002. Cartier's partners developed LED technology which consumes less than half of the energy due to lower heat release, without diminishing quality.

The boutique also stays cooler. The energy saving is therefore significant and complies with the latest building construction standards. The aim is to equip all boutiques with low-energy bulbs within three years, as the evolution of the technology allows.

Cartier was one of the first brands to choose LEDs for lighting watches and jewellery. The new lights were first deployed in 2009 in display cases and from 2010 for wall lighting. From 2012, LEDs will equip all new Cartier boutiques. With 50,000 hours life (approximately 10 years) for LED sources, maintenance is minimal and the LEDs provide a reliable 'colour temperature' and a very good colour rendering.

These measures, coupled with advocacy work of employees hired since 2007, showcase not only the Maison's expertise, but also its environmental commitment.

### **Lancel boutique concept**

Lancel's current boutique concept features eco-friendly lighting, integrating the principles of energy saving and sustainable development.

The lighting is provided exclusively through LED and iodides lamps which are significantly more energy-efficient and improve the 'index of returned colours', which is important for emphasising the products' distinctive qualities.

Compared to the previous boutique design, boutique power consumption has been halved and, as the lifespan of LED lamps is 10 years, replacement requirements have been significantly reduced.

### **Chloé packaging**

Following its review of packaging materials and suppliers, Chloé is working with a supplier that uses paper from sustainable and Forest Stewardship Council ('FSC')-certified sources: over 80 % of Chloé's printed material is manufactured from FSC-certified materials.

Chloé's 'foldable' gift boxes have also been a success. These boxes use less packaging material than rigid boxes and also have a lower volume during transportation, thereby reducing transport-related impacts. They are also popular with boutiques as they are easier to store.

Finally, garment bags for ready-to-wear are made from biodegradable materials.

### **Cartier printed and packaging material, greening the Cartier red gift boxes**

To ensure consistency and quality, Cartier manages the printing of its product catalogues and similar materials centrally. Printing is carried out in France, Switzerland and Italy. To reduce the environmental impact of logistics and to avoid unnecessary transshipments, as a general rule the printed material is shipped directly from the printer to each market, either by road or by sea, depending on the destination.

Since 2008, 100 % of Cartier's product catalogues and after-sales brochures have been printed on 'FSC' (Forest Stewardship Council) or 'PEFC' (Programme for the Endorsement of Forest Certification schemes) paper. This was subsequently extended to cover all printing activities and paper materials.

For packaging activities, Cartier engaged a specialist firm to carry out complete life cycle analyses for two of its iconic packaging products: the Cartier red bag and the Cartier red gift boxes. Both items were selected as they are emblematic of the brand and transcend a single product. The life-cycle analysis encompassed an extensive information-gathering exercise in areas such as raw materials usage, production processes and transportation.

The studies highlighted areas for potential environmental improvements and have acted as a catalyst, encouraging the buying team to work with suppliers to investigate alternative, sustainable fibre materials as a replacement material. All Cartier red shopping bags are now made of FSC or PEFC certified paper.

Since the end of 2009, the Cartier red box is made of more environmentally-friendly material for the covering and overlap, and uses coatings which are solvent and plastic free. The paper used to cover the red boxes contains 30 % of PCW recycled fibres and is FSC certified.

#### **Cartier sourcing of gold**

Since 2009 Cartier has been purchasing gold from Goldlake's Eurocantera mine in Honduras. The integrated, responsible business model which Goldlake implemented in Honduras is unique. Eurocantera extracts alluvial gold deposits using an innovative process which require no hard rock blasting and with a cyanide-free extraction process which uses only water. Waste material such as gravel and clay is 100 % recycled. A small-scale community mining group, which pans gold using traditional environmentally-safe, mercury-free methods, is responsible for approximately one-third of Eurocantera's production.

The mine benefits the community in a number of ways, including: a reforestation program; a clinic providing free health services to Eurocantera's employees as well as the wider community; the creation of a road infrastructure for isolated villages; and training and education programmes for artisanal miners as well as for the people of the neighbouring communities.

While this production represents a fraction of Cartier's annual sourcing of gold, it sends a signal to the mining industry that Cartier will favour innovative and forward-thinking techniques in its sourcing and supplier strategy.

Cartier continues to seek the next 'partner' who can demonstrate similar high standards and mutually support the Cartier strong bond with its customers and sustainable development. Goldlake is a member of the Responsible Jewellery Council.

#### **Richemont packaging of after-sales service material**

Since 2008, the Group's global logistics centre in Switzerland has been replacing the PVC packaging used to protect after-sales service material with PET material. Some 50 000 packages are used annually to ship spare parts to service centres around the world. The PET is separated from the paper and cardboard packaging and all such materials are recycled.

#### **Cartier textiles**

As part of Cartier's commitment to environmental stewardship, the Maison extended its analysis of the resources and materials used to textile materials. Such an extension is in keeping with Cartier's approach to social responsibility. Since 2011, the after-sales red pouches used for jewellery, time-pieces and accessories are made of a material that is certified in accordance with the OEKO-TEX® Standard 100.

From 2013, all boutique staff uniforms will be manufactured using OEKO-TEX® Standard 100 certified material

#### **Cartier - Sustainable Luxury Working Group**

Cartier has been working on the development of a deeper and more comprehensive understanding of the global production, processing and trade in leather and exotic skins. This is in order to develop, promote and implement sustainable management and supply practices in this area.

In 2009 Cartier joined The Sustainable Luxury Working Group ('SLWG'). The SLWG is comprised of companies in the luxury industry committed to advancing good social, environmental and animal welfare practices in their business operations, including sustainable sourcing practices. The working group has been convened by Business for Social Responsibility, facilitator for the SLWG.

The group is committed to discussing common environmental, social, and governance challenges facing the luxury sector, to promote transparency, knowledge sharing, and collaboration across common global supply chains. The SLWG approach is based on:

- Research on the social and environmental impacts of product sourcing;
- Consultation with stakeholders on supply chain system dynamics and potential solutions to sustainability issues;
- Collaboration with peers to explore emerging issues and determine common approaches.

In 2011, the SLWG developed a set of Animal Sourcing Principles. These principles set out expectations and aspirations and are being rolled out across Cartier's leather supply chain.

### **Chloé - Animal Welfare Principles**

Chloé seeks to exceed the expectations of its customers by offering not only the most fashionable and elegant collections, but also ensuring that they respect the environment. Chloé is sensitive to the nature and quality of its materials, leather and exotic skins and takes the most up to date measures to ensure that ethical values are maintained.

In 2010, Chloé joined the Sustainable Luxury Working Group ('SLWG'), which promotes sustainable sourcing best practices in global supply chains. The SLWG developed a set of Animal Sourcing Principles for sourcing of fur, leather and exotic skins. By adopting the SLWG's Animal Welfare Principles, Chloé is committed to ethical practices in the catching, maintaining, breeding, raising, transportation, handling and slaughter of animals. Chloé works with suppliers that commit to respect those principles in terms of treatment throughout the animal sourcing supply chain.

### **Cartier fragrances**

Cartier's social responsibility policies go beyond jewellery and watches. They extend to its perfume business. Cartier perfumes and their scented derivatives are not tested on animals, neither in Europe nor outside Europe, and are in strict accordance with applicable European regulations. Cartier has defined and applied a list prohibiting or restricting the use of so-called 'sensitive' ingredients.

All Cartier perfumes contain now exclude material of animal origin, such as civet or castoreum, although they are not currently prohibited by the regulations. In line extensions - body lotion, shower gel, and so on - only neutral derivatives from the animal world, like honey, are present in Cartier's formulations. Cartier also works closely with its partners and suppliers regarding botanical materials, recognising the importance of biodiversity.

### Jaeger-LeCoultre – UNESCO partnership

In 2011, Jaeger-LeCoultre renewed its partnership with UNESCO and the International Herald Tribune, initiated in 2008. The Tides of Time project and the World Heritage Marine Programme raise international awareness of threatened marine environments which are of major importance for the preservation of biodiversity. Seven marine sites selected by the UNESCO World Heritage Centre feature at the heart of the Tides of Time campaign for 2012/13:

- Islands and Protected Areas of the Gulf of California (Mexico)
- Three Parallel Rivers of Yunnan (China)
- Aeolian Islands (Italy)
- Socotra Archipelago (Yemen)
- Ogasawara Islands (Japan)
- Brazilian Atlantic Islands
- East Rennell (Solomon Islands, South Pacific)

The International Herald Tribune provides detailed descriptions of these sites in its Tides of Time supplement and on its website. For its part, Jaeger-LeCoultre makes its web portal available in favour of this environmental cause by allowing Internet users from all over the world to view reports dealing with the selected sites.

### IWC Schaffhausen – Charles Darwin Foundation partnership

The Charles Darwin Foundation for the Galapagos Islands is an international not-for-profit organisation that provides scientific knowledge and technical assistance to ensure the conservation of the Galapagos Islands. Founded under the auspices of UNESCO, the Charles Darwin Foundation has studied the fragile Galapagos biotope since 1959 and is the leading scientific adviser to the Ecuadorean Government on the preservation of this stunning archipelago and first natural World Heritage Site.

Since 2009, when the scientific world celebrated the bicentenary of Charles Darwin's birth, IWC Schaffhausen has been one of the patrons and guardians of this jewel. IWC supports the work of the Foundation with a sizeable contribution generated by proceeds from the sale of its Aquatimer Chronograph Edition Galapagos Islands diver's watch.

### Cartier support of Pro Natura International

For several years Cartier has been supporting Pro-Natura International ('PNI') in a community-driven, sustainable development project in the north of Brazil, Amapá State. The project has the potential to benefit those people in particular who make a living from gold washing. The objective is to improve living conditions and create alternative and sustainable sources of revenue for the people who dwell on the edge of the tropical forest reserve, Tumucumaque Mountains National Park near the border with French Guiana, where the social, economic and ecological consequences of gold mining are significant. This area has major environmental and human development issues, linked mainly to gold mining and the expansion of industrial wood plantations, such as eucalyptus plantations.

The main aim of PNI is to provide the local communities with alternatives to gold washing and raise their awareness about the problems of pollution and the build-up of mercury in the food chain. PNI's programme has three main strands, namely: (i) health education and environmental protection; (ii) developing and marketing traditional craft trades, and eco tourism; and (iii) diversifying the farming offer and conserving biodiversity through agricultural and agroforestry activities.

Since the start of the project in 2006, PNI has set up the Brazilian association Natureza da Amazônia and is currently exploring ways to add a cross-border dimension to the project by extending it along the Oyapock River between French Guiana and the state of Amapá

## Jaeger-LeCoultre employee transport

Jaeger-LeCoultre actively supported carpool schemes for many years. Since October 2007, the Manufacture has also covered the operating cost of a bus service for employees between home and the Manufacture. Studies have indicated that together, the carpooling and the bus service keep 270 cars off the road, each of which would cover an average daily distance of around 50 kilometres, 220 days per year. The total number of kilometres reduced amounts to some 3 million per year. In recognition of its innovative approach, the Manufacture was awarded the "Cantonal Mobility Prize" in 2008.

## Employees

### Richemont Retail Academy

The Richemont Retail Academy opened its doors on 11 November 2011 in Shanghai. A one-of-a kind recruitment-selection and sales development centre, the Retail Academy was created to source, select and train the next generation of sales personnel for our Maisons' boutiques in China, including so-called second and third tier cities.

Student trainees follow an intensive, eight-week programme, following a curriculum created specifically for the Academy. Held entirely in Chinese, the course blends classroom training with 'on the job' work in boutiques. The course covers etiquette and the importance of service as well as a technical knowledge of watches and jewellery. The programme is run five times per year and graduates some 200 new boutique sales professionals.

### Cartier preservation of skills and fostering of new talent

Cartier's training centre for watchmaking, "l'Institut Horlogerie Cartier", was founded in 1993. Originally, watchmaking apprenticeships were offered to two young school leavers each year. Subsequently, apprenticeships were also offered in the skills of polisher and micro-mechanic. Changes in activities then led to the establishment of training aimed at an adult audience. The Institute is now able to propose training tailored to specific audiences, ensuring a successful integration at the end of the training process. Currently, the training centre has five trainers and 30 apprenticeships.

The contest of l'Institut Horlogerie Cartier. The contest is open to all Swiss watchmaking apprentices who complete their third year of training, the contest and allows them to stage both their technical know-how and their creativity. The contest theme is changed each year. On a watch movement presented by Cartier, apprentices are required to provide a technical and aesthetic solution by adding a mechanism or by adapting the display systems. Contestants have 32 hours to complete their task. Since its inception, more than 1 000 participants have had the opportunity to express their capabilities.

l'Institut Joaillerie Cartier. In the early 2000s, Cartier observed a skills shortage in the trades of polishing. In order to enhance the quality of trainee polishers and upgrade this skill in the eyes of the whole profession, Cartier created its own training centre in 2002, open to all: l'Institut Joaillerie Cartier (Cartier Jewellery Institute). Between 2002 and 2005, 43 people were trained in polishing and some 90% of them remained with Cartier. Cartier then made another observation: training schools in jewellery was not enough to satisfy the expectations of the profession and the required levels of the Maison. For this reason, since 2005, young jewellers from other schools joined the Institute for a training course of 20 months. In addition, the Institute also put in place a cycle of continuing education for Cartier employees. Today, the Institute continues its mission of initial training and continuing education. Recognising the challenges posed by the conservation and development of expertise, Cartier continues to develop close relationships with the surrounding jewellery industry, including jewellery schools, to preserve the jobs of yesterday and detect those of tomorrow.



### **Cartier international retail training programme ('OSCAR')**

OSCAR stands for Overseas Sales programme for Chinese Associates in Retail. This initiative was launched in 2011 by Cartier China to increase the number of qualified boutique employees. The programme applies to all Chinese staff worldwide as the need for good staff being able to respond to Chinese clients has increased considerably. The objectives of the programme are to:

- Allow Chinese employees to develop their sales skills;
- Retain employees and develop their sense of belonging;
- Develop Cartier's boutique network in China; and
- Improve client relationships with Chinese clients.

Target population: individuals who are already employed by Cartier China for at least six months; and newly hired retail employees, e.g. young graduates of top international universities or people with at least one year of work experience from the retail, hotel or airline sectors. Chinese graduates are offered a detailed training and development opportunity, including a local and an international assignment of between six and twelve months in a Cartier boutique located in one of the following participating countries: France, UK, Switzerland, Germany, Italy and the USA. Each participant has a mentor to guide him or her through the programme and receive support from the Retail / Boutique manager and Human Resources.

### **Chloé - 'Connaissance du vêtement' training**

In partnership with l'Ecole de la Chambre Syndicale de la Couture Parisienne – Paris couture dedicated school, Chloé developed a bespoke training program to foster fashion knowledge amongst its employees. This one-day program is open to all Chloé permanent employees in Paris. The morning's conference covers history of fashion, of the main Parisian Fashion Maisons, fabrics history and evolution of couture technics. The afternoon is dedicated to a practical workshop: preparing a dress on a model, guided by a pattern maker.

113 employees participated to the two annual sessions organised in FY12 and expressed very positive feedback from all participants. This program will continue to welcome Chloé's employees twice a year.

### **The Montblanc Academy retail staff training**

The Montblanc Academy serves as a 'Think-Tank' and knowledge centre within the Maison. It is responsible for developing content-specific training objectives and programmes in order to strengthen Montblanc's product and sales performance. It operates on a worldwide basis through a 'Train-the-Trainer' network of over 40 trainers, who tailor and deliver training in local languages. The network is also supported by a group of independent experts and trainers, who focus on the more complex training issues.

As well as addressing marketing and sales issues, the Academy provides development training for high potential employees. Since its opening more than 10 years ago, over 70 nationalities have visited and participated in its tailor-made training programmes and events.

### **The Creative Academy developing design talent**

Richemont supports The Creative Academy, the Milan based postgraduate school created by the Group in 2003, which offers students a Master's programme in Arts in Design. Each year, the Academy welcomes some 20 students.

The Academy's course has openings for those who have already completed a course of studies in disciplines related to design. The programme gives young designers specialised training in applied arts, in particular in the fields of jewellery, watchmaking and accessories. The degree offers seven months of studies in Milan, involving contributions from the CEOs of Maisons and other experts, as well as three-month internships across the Group's businesses. A Master's Degree is awarded upon successful completion of the programme.

The school has close strategic ties with Poli.Design, a consortium of the Politecnico di Milano, which actively participates in the planning of the courses, and with the SDA Bocconi School of Management in Milan, a leading international management institution. Having successfully completed their Master's course, the majority of the alumni work for Richemont's Maisons. Many others work as freelancers or as employees in other branches of the luxury goods industry.

**Managing creativity** - Richemont also offers training for our senior management dedicated to fostering creativity in the workplace and effective management of creative people. Bespoke courses are developed specifically for our management population and are held at the Creative Academy in Milan. Further information on the Creative Academy can be obtained at [www.creative-academy.com](http://www.creative-academy.com)

#### A. Lange & Söhne's in-house watchmaking school

Since 1997, A. Lange & Söhne's in-house watchmaking school has offered about eight apprenticeships annually. The apprentices embark on a three-year program during which they are trained at the school by three experienced teachers and by master craftsmen and women during practical weeks in the manufacture. More than 100 apprentices have graduated since 1997 and are now working in different departments of the manufacture.

#### Watchmakers of Switzerland Training and Education Programme ('WOSTEP')

Richemont works closely with the Watchmakers of Switzerland Training and Education Programme ('WOSTEP') Foundation, a neutral and independent Swiss institution, which offers an internationally recognised training methodology and quality standard in the field of watchmaking.

In 2008/09 Richemont, partnering with WOSTEP, opened its first training schools in Dallas, Texas (the North American Institute of Swiss Watchmaking) and Hong Kong (the Hong Kong Institute of Swiss Watchmaking). Both of these facilities are fully funded by Richemont and offer the well-known WOSTEP 3 000 hour training programme. During the year under review, the China Institute of Swiss Watchmaking was opened in Shanghai.

The local training of watchmakers ensures a local pool of talent for the Group's after-sales service centres. The following is an update on developments:

- **USA/Hong-Kong:** Both schools are now working at full speed. Two classes of the 3 000-hour programme (six students/class, two years duration) and one class of Encasing Technician (four to six students/class, four months duration).
- **Shanghai:** The China Institute of Swiss Watchmaking opened its doors in October 2011 and is located in the Richemont repair centre. The Institute has a capacity of two classes of 12 students each for the 3 000-hour programme and a class of six students for the Encasing Technician Course.
- **Japan:** This is the fifth year of the Richemont Award, which was established to support the training of future watchmakers attending the Watch Course at the Hiko Mizuno College of Jewelry. The selection and the ceremony took place in March 2012. This year, a student from Korea, who is in the second year of a WOSTEP course, won the award. He will receive a two week training programme at the Vacheron Constantin *manufacture*.
- **UK:** The British School of Watchmaking has increased the number of places available from six to eight. Richemont UK currently sponsors two of its students. The school celebrated its fourth graduation ceremony in September 2011.

#### Richemont North America Business Improvement Committees

Richemont North America ('RNA') Business Improvement Committees began in response to requests from employees who simply wanted to "get involved." Employees in New York, Shelton and Dallas sought to participate in initiatives that would promote social responsibility within the local community and enhance engagement at RNA. Additionally, employees in New York were interested in networking opportunities to build relationships with colleagues outside of their Maisons and functions. As a result, Committees were formed with representatives from each Maison and function.

Though some employee engagement activities differ in New York, Shelton and Dallas, based on the size of each workforce and logistics of each workplace, each Committee is designed with the same goal in mind: to help further position RNA as an "employer of choice" in the luxury industry.

## **Richemont North America workplace training**

Richemont North America ('RNA') is committed to training its employees in respect to ethical behaviour and professional business conduct. This is demonstrated through its launch of mandatory e-learning courses for managers and employees in the region.

All management level employees are required to complete RNA's online Sexual Harassment Prevention training within their first 30 days of employment. This interactive course, conducted by way of an e-learning platform, explains what specifically constitutes a complaint of harassment; specifies how and when a supervisor should involve Human Resources; and provides strategies for recognising, responding to and resolving complaints of sexual harassment and unlawful discrimination.

Additional online training for management level and non-management level employees is also required, including Richemont Employees Code of Business Conduct and Workplace Harassment Awareness. These mandatory courses are designed to further foster a harassment-free workplace in RNA.

## **Piaget CSR Newsletter**

Piaget communicates regularly with its employees on a range of environmental, supply chain and related matters via its Corporate Social Responsibility Newsletter.

The newsletter contains updates on special projects, such as the Maison's RJC Certification or the installation of solar panels for water heating at the Geneva manufacture.

Wider newsletter topics include year-on-year emissions reductions and sponsorship programmes. The year-end newsletter also outlines CSR goals for the year ahead.

## **Baume & Mercier Yearbook**

Baume & Mercier's first CSR Yearbook was circulated to all employees in December 2011. It followed the Maison's 2010 leaflet about its CSR commitments. The Yearbook summarises the issues facing the Maison and the initiatives it has undertaken during the last year.

Whilst the Maison's RJC Certification was the most significant event, the Yearbook also discusses specific supply chain issues, such as exotic leathers and diamonds, as well as universal efforts to reduce, reuse and recycle.

## **Montblanc 'We love art!'**

For more than 20 years Montblanc has maintained a very active relationship with the world of arts and culture. One of the most intriguing things about the Maisons' Headquarters in Hamburg is the unique art collection called the Montblanc Cutting Edge Art Collection. Each piece of art shows or interprets the Montblanc Star emblem in a way which is typical for the creating artist. The collection of more than 140 pieces is on display all over the premises, in the CEO's office as well as on the manufacturing floor, in the aisles of administration and at the distribution centre. Thus, Montblanc employees are surrounded by contemporary art.

As an extension of this contemporary art culture within the Maisons, the Montblanc Academy developed a series of After Hours Events called WE LOVE ART! In each event, employees learned something about specific pieces and artists. They then create some art of their own, including prints or three dimensional objects. The highlight of the event series was the visit to an artist's workshop. Under the artist's guidance, they could use the original machines and create something in the artist's style. The events were a great success and the employees expressed their wish to continue this kind of activity.

## Montblanc health, safety and environment day

The guarantee of safety, health and environment of its employees is an essential commitment of Montblanc. For some years, Montblanc has promoted these topics by implementing an annual 'HSE day', featuring workshops, health consultations and safety advice to improve the daily working and home environment for Montblanc's employees. Also included was a lecture regarding 'Hazardous Substances in Manufacturing Companies'. The event raises awareness and further improves health and safety compliance and environmental protection.

Other information events linked to the HSE day included health insurance-related topics, supported by a sports scientist who explained how to move more safely at work.

## Stern Créations - le Prix 'Santé au travail'

In February 2011, Stern Créations, the Geneva-based specialist watch dial maker, was awarded the Health at Work prize (Prix 'Santé au travail') by the Swiss section of the European association for health promotion (l'Association européenne pour la promotion de la santé) thanks to its innovative programme. The programme targets the specific work-related health needs of women during pregnancy and in the period following the birth of the child.

## Campus Genevois de Haute Horlogerie

Inspired by its unique watchmaking heritage in Geneva, willing to ensure the sustainability of the profession, and motivated by the increasing demand for exceptional timekeepers, Richemont launched a large and innovative project in April 2012: the "Campus Genevois de Haute Horlogerie".

The Group reinforces its roots in Geneva and its involvement in the local economy with an investment of over CHF 100 million. The project will result in the creation of a 30 000 square metres integrated work site in Meyrin, built in accordance with ambitious environmental and socially responsible standards. The total Campus population should reach 900 by 2020, with 400 new staff being hired between now and then.

The Campus will bring together several major high-end Geneva watchmakers in their own premises: the headquarters of Roger Dubuis, the watchmaking workshop of Van Cleef & Arpels, production workshops of Vacheron Constantin and Manufacture Stern.

At the heart of the Campus, a brand new concept will come to life to develop the capabilities of our Maisons: the Learning and Apprenticeship Centre for Haute Horlogerie. With 45 places available from the start and the ability to deliver official certifications, the Centre will ensure the sustainability of the watchmaking profession and of traditional craftsmanship, the recognition of our Maisons' legacy, and the development of the Group's employees.

In addition, the Campus will host a Research Centre for Watchmaking, with the mission to develop new technologies to sustain the impressive level of innovation and quality of our Maisons. Richemont will invest approximately CHF 60 million on training and research over ten years.

While each entity will preserve its independence and autonomy, the objective of the Campus is to promote interaction and exchange, and enable the transformation of ideas into extraordinary products, such as those bearing the prestigious Hallmark of Geneva

Richemont would like to thank the State of Geneva, and more specifically the Department of Public Education, for its active participation in the creation of the Learning and Apprenticeship Centre for Haute Horlogerie, due to open in autumn 2012. The Learning Centre is the cornerstone of the Campus which will be inaugurated in autumn 2014.

## Communities

### A. Lange & Söhne supporting the local community

A. Lange & Söhne is based in Glashütte, Saxony and has played an important role in the economic and social regeneration of the town. Originally established in the 19th century, Lange was re-launched following the reunification of Germany in the late 20th century and the closure of the former state-owned watchmaking factory

The company and town have worked together to rebuild wealth and confidence based on a shared commitment to the values of tradition, precision and craftsmanship. The company now works to develop its network of local suppliers by helping them build the skills and knowledge necessary to meet the exacting standards of the company.

The company is also a major source of tax revenue and employment for the community and promotes the town and its employees as an integral part of its brand of outstanding quality based on individual craftsmanship. A. Lange & Söhne supports a range of local causes, from parenting courses through to amateur sports events in the town.

### Alfred Dunhill World Community Project 2012

The Alfred Dunhill World Community Project 2012 brought together 50 employees from across the world in May 2012 to deliver real and lasting change to a community in need. Anyone working for Alfred Dunhill could apply. For the 2012 project, Shanghai was chosen, being the location of Alfred Dunhill's China office and its Twin Villas 'Home'. Participants came together to build an adventure playground and to renovate all five classrooms within a poorly funded migrant workers' school for over 160 children

For two days, they sawed and hammered, painted and sanded, bolted and built. It was hot, hard work. On the last afternoon, when eighty of the children arrived to see the outcome of their work, the rewards were huge. To see so many delighted children running around; to receive the heartfelt and emotional thanks of parents and teachers; was hugely satisfying. But most of all perhaps, to have come together from across the brand, to have made new friends, and then to have joined together as one team to deliver such a positive impact in so many children's lives. For everyone involved, that is what made the Alfred Dunhill World Community Project 2012 such an inspiring, energising and never-to-be-forgotten experience. One brand, one team, delivering real change.

Alfred Dunhill has organised two other community days to date: in 2010 and 2011. Both days were held in London and similar construction projects were accomplished through volunteered team effort.

### Richemont North America employee volunteer day

In May 2012, Richemont North America 'RNA' hosted an employee volunteer day for all office employees in partnership with New York Cares, the largest volunteer organisation in New York City. New York Cares runs programmes for 1 200 non-profits, public schools, and city agencies to help people in need throughout the five boroughs. Similar programmes were held in the Shelton, Connecticut offices as well as the Warehouse and Technical Center in Dallas, Texas. Employees volunteered for activities, both in the office and off-site, including:

- Mural Painting in Public School
- Surgi-Dolls and Get Well Cards for Hospitalized Children
- Community Garden Revitalization
- Creative Costumes for Traveling Play Performed at Children's Hospitals
- Volcano Science Project
- Photography Workshop and Photo Album

Approximately 200 employees volunteered across all programmes. This was an excellent team building opportunity and a way to give back to the community. Richemont North America plans to make this an annual event.

### Montblanc and the John Lennon Educational Tour Bus

Montblanc shares many of John Lennon's convictions about the responsibility of art and culture to society. For more than 20 years, Montblanc has actively been involved in nurturing, preserving and developing artistic talent through its numerous initiatives across the world. With such a history, Montblanc, also known as the 'culture brand', honoured John Lennon's life, his music and his dreams by donating proceeds of the John Lennon Edition writing instrument to selected cultural projects supporting music education around the world, such as the [John Lennon Educational Tour Bus](#), a US non-profit organisation providing young people with the means to learn how to compose, play, perform, record and produce songs and music videos.

### Piaget-Altiplano-Artères

The RAFT/ Altiplano project developed by Geneva University Hospitals and Fondation Artères sends telemedicine tools to the high plains of the Andes Cordillera in Bolivia to provide universal access to healthcare using new technologies. The project is expected to grow and last for years, based on local needs. The project will open five new stations between April 2012 and March 2013 for obstetrics and dermatology purposes. Linked to this, Piaget funded the first symposium for Telemedicine in La Paz and in the Altiplano countries (Peru, Bolivia, Chile, Argentina) in April 2012.

#### Marketplace

### Cartier's Responsible Jewellery Council ('RJC') Certification in 2010/11

In November 2010, Cartier was certified against the ethical, social, human rights and environmental standards established by the RJC's Certification System. Cartier was a founding member of the RJC, the first certified founding member and the first certified retailer.

Cartier's RJC Member Certification results from a successful verification assessment conducted by SGS, a highly regarded and international auditing company. Cartier acts as a role model within the international jewellery industry.

### Responsible Jewellery Council ('RJC') Certifications in 2011/12

The following Maisons completed their own certification process during the year. All were certified following separate assessments conducted by SGS.

|                     |                 |
|---------------------|-----------------|
| Baume & Mercier     | 12 August 2011  |
| Piaget              | 30 August 2011  |
| Jaeger-LeCoultre    | 11 October 2011 |
| Van Cleef & Arpels  | 19 October 2011 |
| Vacheron Constantin | 20 January 2012 |
| Montblanc           | 24 January 2012 |

For further details about the RJC and the certification process, please refer to the main report or to the Cartier case study above.

## Alfred Dunhill CSR audit

In 2008, Alfred Dunhill commissioned an independent audit company to train senior managers and to help identify and prioritise their main social, ethical and environmental impacts in order to enable them to develop a CSR strategy. The training raised awareness of corporate responsibility issues and the importance of audit procedures and had several benefits for the organisation:

- Clarity on the scope and parameters of CSR;
- An understanding of how to analyse CSR performance;
- Measurement of the Maison's performance against the key aspects of CSR good practice;
- A recognition of CSR as something that adds value to the business;
- Enabled a discussion about CSR impacts and future strategy with the Maison's Executive Committee.

As a result of the audit, the Maison's CSR Committee has developed and implemented a strategy.

- 2008 - Suppliers were asked to complete a self assessment and submit their Supplier Code of Conduct.
- 2009 - No third party audit activity.
- 2010 - three trial audits on suppliers of finished products.
- 2011 - 22 audits were completed and a further five re-audits were undertaken in response to initial findings. Suppliers include finished products, packaging and store furniture manufacturers.
- 2012 - 19 audits have been planned for the year ahead and further re-audits are anticipated.

## Cartier customer service

Running since 2007, the KISMIE programme was set up with the aim of embedding a culture of excellent customer service across all of Cartier's boutiques and customer service centres around the world. The programme uses a combination of tools to develop practical customer relationship skills and provides employees with an in-depth understanding of Cartier. 'Mystery shoppers' are used to test performance.

The results of the programme have been positive, both for the business and its customers, demonstrating how the programme can lead to a direct improvement in customer service levels.

## Cartier customer service barometer

Cartier's Service Charter sets out the standards of service that customers should expect in its boutiques and how it will respond to issues that are raised by its clients. The charter is a living document and is evolving as Cartier develops new products and services. The charter provides a focus for the company to develop its customer service training, covering issues such as managing 'high density' periods. Staff training is tailored to the training needs and customer demographics for individual stores.

## Alfred Dunhill product training kits

Consumers are increasingly aware of sourcing issues. It is vital that all front-line sales staff understand Richemont's stance on the sourcing of raw materials and are able to confidently respond to customers' questions on these issues. Alfred Dunhill has incorporated specific training on sourcing into its training brochures, one of which is available for each category of product sold. Training brochures cover the key issues associated with the supply of raw materials particular to that product, for example exotic leather and conflict-free diamonds.

### **Cartier supplier audit programme**

Cartier has continued with its programme of supplier audits, using an independent specialist to audit suppliers against its Corporate Responsibility Policy which covers ethical, social, and environmental performance. 36 external audits were performed during the year ended 31 March 2012. The comprehensive programme covers suppliers from all product lines and areas of the business, ranging from raw materials to manufacturing as well as packaging and boutique furnishings. Importantly, the programme has been developed in the spirit of partnership with suppliers and to this end Cartier has invested significant time and resources to communicate the programme to its suppliers.

Suppliers who have taken part in the programme have responded positively, justifying the investment

Another notable feature of the programme is that Cartier ensured that its own manufacturing sites were audited using the same methodology, before extending audits to external suppliers: tier 1 suppliers and, starting in 2011/12, tier 2 suppliers.

### **Lancel social audit programme**

Since 2007, Lancel has implemented a social audit programme, conducted by an independent specialist. The programme involves detailed checking of supplier performance in the ethical and employment areas outlined in the Supplier Code of Conduct. Initially applied to the existing supplier portfolio, the audit programme is now systematically conducted before working with a potential new supplier. In the year ended 31 March 2012, 11 audits were performed.

Audit results are always shared with suppliers so that they are able to take action to improve their performance where this is required.

The programme demonstrates that compliance with the Code is essential when working with new suppliers and a key element of Lancel's sourcing strategy.



# Global Reporting Initiative ('GRI') Index

In putting together this Corporate Social Responsibility report, Richemont was guided by the G3 Sustainability Reporting Guidelines prepared by the Global Reporting Initiative. The Group's 2012 CSR report has not been verified by an independent body. The Group self-declares this report to GRI application level C. Our goal is to continue report our progress against these Reporting Guidelines which are used worldwide by companies to benchmark their performance.

In this report, we have concentrated on those GRI indicators which we have identified as material to our business. We have provided information in narrative format where it is available. This table provides a guide on the extent of our reporting against the G3 Sustainability Reporting Guidelines.

## Menu

[Strategy And Analysis](#)

[Environmental performance Indicators](#)

[Organisational Profile](#)

[Labour Practices Performance Indicators](#)

[Report Parameters](#)

[Human Rights Performance Indicators](#)

[Governance, Commitments, and Engagements](#)

[Society Performance Indicators](#)

[Economic performance Indicators](#)

[Product responsibility Indicators](#)

## Richemont CSR Roadmap - GRI Index

| GRI Index | Description  | Location   |
|-----------|--|--|
| <b>0</b>  | <b>Profile</b>   |  |
| <b>1</b>  | <b>Strategy and Analysis</b>   |  |
| 1.1       | Statement from the most senior decision-maker of the organisation (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and its strategy | <a href="#">Chairman's introduction</a>                                  |
| 1.2       | Description of key impacts, risks, and opportunities   | <a href="#">Our issues</a><br><a href="#">Stakeholder dialogue</a>       |
| <b>2</b>  | <b>Organisational Profile</b>  |  |
| 2.1       | Name of the organisation   | <a href="#">About Richemont</a>  |
| 2.2       | Primary brands, products, and/or services  | <a href="#">About Richemont</a>  |
|           |  | <a href="#">About Richemont - Our Maisons, products and services</a>     |
| 2.3       | Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures   | <a href="#">About Richemont</a>  |
| 2.4       | Location of organisation's headquarters  | <a href="#">About Richemont - Where we operate</a>                       |
| 2.5       | Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report  | <a href="#">About Richemont - Where we operate</a>                       |
| 2.6       | Nature of ownership and legal form   | <a href="#">About Richemont</a>  |
|           |  | <a href="#">Group structure (About Richemont) - Main company website</a> |

|          |  |   |
|----------|--|---|
| 2.7      | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)  | <a href="#">About Richemont - Our economic impact</a>   |
| 2.8      | Scale of the reporting organisation  | <a href="#">About Richemont</a><br><a href="#">About Richemont - Our economic impact</a>  |
| 2.9      | Significant changes during the reporting period regarding size, structure, or ownership  | <a href="#">About Richemont - significant changes in 2011/12</a>  |
| 2.10     | Awards received in the reporting period  | <a href="#">External recognition</a>  |
| <b>3</b> | <b>Report Parameters</b>   |   |
| 3.1      | Reporting period   | <a href="#">Our approach to reporting</a>   |
| 3.2      | Date of most recent previous report (if any)   | 2010/2011   |
| 3.3      | Reporting cycle (annual, biennial, etc.)   | Annual<br><a href="#">Our approach to reporting</a>   |
| 3.4      | Contact point for questions regarding the report or its contents   | <a href="#">Welcome to Richemont's 2012 Corporate Social Responsibility Report</a>  |
| 3.5      | Process for defining report content  | <a href="#">Our approach to reporting</a><br><br><a href="#">Stakeholder dialogue</a>   |
| 3.6      | Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)  | <a href="#">Our approach to reporting</a>   |
| 3.7      | State any specific limitations on the scope or boundary of the report  | <a href="#">Our approach to reporting</a>   |
| 3.8      | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations | <a href="#">Our approach to reporting</a>   |
| 3.9      | Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information                        | <a href="#">Our economic impact</a><br><br><a href="#">Environmental management</a>   |
| 3.10     | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement   | <a href="#">Our approach to reporting</a><br><br><a href="#">Climate change</a>   |
| 3.11     | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report   | <a href="#">Our approach to reporting</a><br><br><a href="#">Climate change</a>   |
| 3.12     | Table identifying the location of the Standard Disclosures in the report   | <a href="#">GRI index</a>   |
| 3.13     | 3.13 Policy and current practice with regard to seeking independent assurance for the report   | <a href="#">Our approach to reporting</a><br><br><a href="#">Assurance report</a>   |
| <b>4</b> | <b>Governance, Commitments, and Engagements</b>  |   |
| 4.1      | Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight                            | <a href="#">How CSR is managed</a>  |
| 4.2      | Indicate whether the Chair of the highest governance body is also an executive officer   | <a href="#">Corporate Governance - Board of directors CFR SA</a><br><br><a href="#">Corporate Governance - Group Management Committee</a> |
| 4.3      | For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members  | <a href="#">Corporate Governance - Board of directors CFR SA</a>  |

|      |   |  |
|------|---|--|
| 4.4  | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body  | <a href="#">Stakeholders dialogue</a><br><br><a href="#">Consulting and communicating with our employees</a><br><br><a href="#">Investor relations</a> |
| 4.5  | Linkage between compensation for members of the highest governance body, senior managers and executives and the organisation's performance (including social and environmental performance)   | <a href="#">How CSR is managed</a><br><br><a href="#">Compensation and share ownership</a>   |
| 4.6  | Processes in place for the highest governance body to ensure conflicts of interest are avoided  | <a href="#">Corporate governance</a>   |
| 4.7  | Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics  | <a href="#">How CSR is managed</a><br><br><a href="#">Corporate governance</a>   |
| 4.8  | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation   | <a href="#">How CSR is managed</a>   |
| 4.9  | Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles                                 | <a href="#">Policies</a>   |
| 4.10 | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance  | <a href="#">How CSR is managed</a>   |
| 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organisation Article 15 of the Rio Principles introduced the precautionary approach. A response to 4.11 could address the organisation's approach to risk management in operational planning or the development and introduction of new products | <a href="#">How CSR is managed</a>   |
| 4.12 | Externally developed, economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or endorses  | <a href="#">Governance and risk management</a>   |
| 4.13 | Memberships in associations   | <a href="#">Responsible sourcing of raw materials</a><br><br><a href="#">Responsible Jewellery Council</a><br><a href="#">Working in partnership</a>   |
| 4.14 | List of stakeholder groups engaged by the organisation  | <a href="#">Responsible Jewellery Council</a><br><a href="#">Stakeholders dialogue</a><br><br><a href="#">Working in partnership</a>                   |
| 4.15 | Basis for identification and selection of stakeholders with whom to engage  | <a href="#">Stakeholders dialogue</a>  |
| 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group  | <a href="#">Stakeholders dialogue</a>  |
| 4.17 | Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting  | <a href="#">Stakeholders dialogue</a>  |

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| <b>PI</b> | <b>Performance Indicators</b>          |
| <b>EC</b> | <b>Economic Performance Indicators</b> |

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| EC1 | Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments (Core) | <a href="#">About Richemont - Our economic impact</a><br><br><a href="#">Annual Report and Accounts 2012</a><br><br><a href="#">Communities</a> |
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| EC2       | Financial implications and other risks and opportunities for the organisation's activities due to climate change (Core)   | <a href="#">Climate change</a>                              |
| EC3       | Coverage of the organisation's defined benefit plan obligations (Core)  | <a href="#">Our economic impact</a>                         |
| EC4       | Significant financial assistance received from government (Core)  | <a href="#">Our economic impact</a>                         |
| EC6       | Policy, practices and proportion of spending on locally based suppliers at significant locations of operation (Core)  | <a href="#">Supply chain management - Local procurement</a> |
| EC7       | Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation (Core)                                     | <a href="#">Employees</a>                                   |
| EC8       | Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro-bono engagement (Core)              | <a href="#">Communities</a>                                 |
| <b>EN</b> | <b>Environmental Performance Indicators</b>   |   |
| EN1       | Materials used by weight or volume (Core)   | <a href="#">Resource use and recycling</a>                  |
| EN2       | Percentage of materials used that are recycled input materials (Core)   | <a href="#">Resource use and recycling</a>                  |
| EN3       | Direct energy consumption by primary energy source (Core)   | <a href="#">Climate change - Energy use</a>                 |
| EN4       | Indirect energy consumption by primary source (Core)  | <a href="#">Climate change - Energy use</a>                 |
| EN5       | Energy saved due to conservation and efficiency improvements. (Additional)  | <a href="#">Climate change - Energy use</a>                 |
| EN7       | Initiatives to reduce indirect energy consumption and reductions achieved. (Additional)   | <a href="#">Climate change - Energy use</a>                 |
| EN8       | Total water withdrawn by source (Core)  | <a href="#">Resource use and recycling - Water</a>          |
| EN11      | Location and size of land owned, leased or managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas (Core)                      | <a href="#">Biodiversity</a>                                |
| EN12      | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas (Core) | <a href="#">Biodiversity</a>                                |
| EN16      | Total direct and indirect greenhouse gas emissions by weight (Core)   | <a href="#">Climate change</a>                              |
| EN17      | Other relevant indirect greenhouse gas emissions by weight (Core)   | <a href="#">Climate change</a>                              |
| EN18      | Initiatives to reduce greenhouse gas emissions and reductions achieved. (Additional)  | <a href="#">Climate change</a>                              |
| EN19      | Emissions of ozone depleting substances by weight (Core)  | <a href="#">Climate change</a>                              |
| EN20      | NO SO and other significant air emissions by type and weight (Core)   | <a href="#">Climate change</a>                              |
| EN21      | Total water discharge by quality and destination (Core)   | <a href="#">Resource use and recycling - Water</a>          |
| EN22      | Total weight of waste by type and disposal method (Core)  | <a href="#">Resource use and recycling</a>                  |
| EN23      | Total number and volume of significant spills (Core)  | <a href="#">Climate change</a>                              |
| EN26      | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation (Core)  | <a href="#">Resource use and recycling</a>                  |
| EN27      | Percentage of products sold and their packaging materials that are reclaimed by category (Core)   | <a href="#">Resource use and recycling</a>                  |
| EN28      | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations (Core)                                | None this reporting year                                    |
| EN29      | Significant environmental impacts of transporting goods and materials used for organisation's operations, and transporting members of the workforce (additional)                | <a href="#">Energy use</a>                                  |
| <b>LA</b> | <b>Labour Practices Performance Indicators</b>  |   |
| LA1       | Total workforce by employment type, employment contract, and region (Core)  | <a href="#">Employees</a>                                   |
| LA2       | Total number and rate of employee turnover by age group, gender, and region (Core)  | <a href="#">Employees</a>                                   |

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| LA4       | Percentage of employees covered by collective bargaining agreements (Core)   | <a href="#">Consulting and communicating with our employees</a>  |
| LA7       | Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region (Core)   | <a href="#">Health, safety and well-being</a>  |
| LA8       | Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases (Core)                         | <a href="#">Health, safety and well-being</a>  |
| LA10      | Average hours of training per year per employee by employee category (Core)  | <a href="#">Training and development</a>   |
| LA11      | Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings (Additional)   | <a href="#">Training and development</a><br><a href="#">Fostering new talent</a>                                 |
|           |  | <a href="#">Performance management process</a>   |
| LA12      | Percentage of employees receiving regular performance and career development review. (Additional)  | <a href="#">Performance management process</a>   |
| LA13      | Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity (Core)                                  | <a href="#">Diversity</a>  |
| <b>HR</b> | <b>Human Rights Performance Indicators</b>   |  |
| HR2       | Percentage of significant suppliers and contractors that have undergone screening on human rights and action taken (Core)  | <a href="#">Human rights, ethical labour and employment practices</a>  |
| HR4       | Total number of incidents of discrimination and actions taken (Core)   | <a href="#">Diversity</a>  |
| HR6       | Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour (Core)   | <a href="#">Human rights, ethical labour and employment practices</a>  |
| HR7       | Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour (Core)                           | <a href="#">Supply chain management</a><br><a href="#">Human rights, ethical labour and employment practices</a> |
| <b>SO</b> | <b>Society Performance Indicators</b>  |  |
| SO1       | Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting (Core)                          | <a href="#">Communities</a>  |
| SO2       | Percentage and total number of business units analysed for risks related to corruption (Core)  | <a href="#">Policies</a>   |
| SO5       | Public policy positions and participation in public policy development and lobbying (Core)   | <a href="#">Public policy engagement with regulators</a>   |
| SO8       | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations (Core)   | <a href="#">Customer service and satisfaction</a>  |
| <b>PR</b> | <b>Product Responsibility Indicators</b>   |  |
| PR1       | Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures (Core) | <a href="#">Customer service and satisfaction</a><br><a href="#">Climate change</a>                              |
| PR4       | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes (Additional)                                  | <a href="#">Customer service and satisfaction</a><br><a href="#">Responsible sourcing of raw materials</a>       |
| PR5       | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction (Additional)  | <a href="#">Customer service and satisfaction</a>  |
| PR6       | Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship (Core)   | <a href="#">Customer service and satisfaction</a>  |

- PR7 Total number and type of incidents of non-compliance with regulations and voluntary codes, concerning marketing communications including advertising, promotion and sponsorship (Additional) [Customer service and satisfaction](#)
- PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services (Core) [Customer service and satisfaction](#)