

RICHEMONT TAX STRATEGY AND TAX RISK MANAGEMENT

This Tax Strategy paper applies to the Fiscal Year ending 31 March 2021

INTRODUCTION

Richemont is one of the world's leading luxury groups and owns a unique portfolio of some of the world's best-known and prestigious luxury Maisons, which design, manufacture, market and distribute a range of high quality products.

The economic impact of the Group's activities is wide and varied. The revenues and profits we earn from the development, manufacturing and sale of our 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.

Our operations span across some 35 countries, in which we fully and transparently comply with our statutory obligations in both the spirit and the letter of the law. Besides corporate income taxes on profits, our Group companies pay: social contributions and social security taxes on wages; applicable withholding taxes on dividends, interest, services as applicable; import duties and luxury consumption taxes upon the importation of our luxury products into the markets; environmental taxes; and a variety of other miscellaneous taxes on assets, revenues, transactions and expenditures. In addition to those taxes borne by the Group, we fulfil our legal duty to collect: value added taxes; sales taxes; other consumption taxes; and payroll taxes on behalf of Governments. Switzerland is our largest operating base and a significant proportion of our of total tax bill is paid in

Switzerland, with other major jurisdictions including France, Hong Kong, Korea, Germany, China, Japan and the United States. Import duties and luxury consumption taxes on our products are particularly significant in several markets, including China and India.

Taxes affect two key measures of our financial performance: net income and cash flow. But first and foremost it is a matter of compliance and good governance. We believe that the way in which we manage our tax obligations must actively and compliantly contribute to the Group's strategic aim of growing value for shareholders over the long-term, safeguarding our critical assets, our reputation and the distinct identity of our Maisons. Our overall aim remains to deliver and implement a tax strategy which is proactively and fully compliant, competitive, sustainable, transparent, aligned with Group corporate objectives, embedded in the daily operations and projected to anticipate the envisaged evolution in the global tax environment, characterized as never before, by complex dynamics of economic, financial and political nature.

Richemont is committed to conducting its business activities in accordance with accepted principles of good Corporate Governance. Within such framework, Richemont's Standards of Business Conduct set out the rules and policies to be adhered to throughout the Group. Our approach to tax aligns with that.

Our Tax Strategy is based upon the following pillars:

1. CORPORATE TAX GOVERNANCE AND TAX RISK MANAGEMENT FRAMEWORK

The Group Tax Team is responsible for proposing and implementing the Richemont tax strategy, Central in the scope of the strategy is the definition of the Tax Risk framework: this identifies processes and actions -fully embedded in the daily operations of the Group- in order to identify, assess and mitigate the tax risks for the Group. The Tax Strategy and Risk management actions are annually reviewed and approved by the Audit Committee.

The Tax Team is also responsible for ensuring -in coordination with the other relevant functions in the Group- that policies and procedures that support the strategy are in place, maintained and used consistently.

The Richemont Tax team is part of the Central Finance function reporting to the Group Chief Finance Officer.

The split of tax responsibilities within Richemont is illustrated in Annex 1.

The tax strategy is executed through the following actions:

Tax Planning:

- We engage in a tax planning activity that supports our business and aligns to the actual commercial and economic activity, in order to ensure fully compliant transactions, minimize any tax risk exposure, and avoid situations of double taxation. Consistently with the very limited tax risk appetite as endorsed by the Audit Committee, we do not engage in artificial or aggressive tax arrangements.

Structures:

- We plan and implement the creation of simple and efficient legal entity structures that reflect the operating model and the commercial activity of the group in the jurisdictions where we operate.

Supply Chain and Operations:

- We proactively participate, with the other relevant group functions, in the definition and implementation of consistent and robust operating models, embedding the tax rules into the group ERP systems for enhanced control.

Transfer Pricing:

- We conduct transactions between Richemont group companies on an arm's-length basis and in accordance with current

OECD principles, as well as international and local rules;

- We formulate clear Transfer Pricing policies, we communicate and explain them within the group, we maintain proper Transfer Pricing documentation, and automate the Transfer Pricing risk assessment process;
- We formally document the intercompany arrangements to reflect the actual operations of our subsidiaries.

Tax Audits:

- We adhere to relevant tax law in all jurisdictions and we seek to minimize the risk of uncertainty or disputes.
- We carefully manage tax audits and disputes when required in order to prove the foundations of our compliant behavior;
- We consider the opportunity to activate the request of Bilateral Advanced Pricing Agreements where relevant, in order to pursue certainty on our Transfer Pricing policies.

Transparency:

- We maintain open and constructive contacts and communication with Tax Authorities around the world to understand Governments' tax policy objectives and Tax Authorities' own objectives;
- We support the principles behind multilateral moves towards greater transparency (e.g. the OECD-led BEPS project) that increase the understanding of tax systems and build public trust.
- We fully comply with the "Country-by-Country Reporting" disclosure requirements defined in the frame of the BEPS project. Compagnie Financière Richemont files the full set of required data, for the Group, with the Swiss Federal Tax Administration who then automatically shares this with all relevant foreign Tax Administrations in the framework of the established and official exchange of information protocols.

2. TAX COMPLIANCE

The Tax Compliance at Richemont is assured through the following comprehensive systems of controls:

- a. The Internal Control System (ICS) procedures;
- b. The Tax Risk Management actions, as described in Section 1;
- c. The new Richemont Legal and Regulatory Compliance Committee, of which Tax is a permanent member;
- d. With specific reference to the UK entities, through the Senior Accounting Officer procedures.

ANNEX 1 TO THE RICHEMONT TAX STRATEGY

Tax Responsibilities at Richemont					
	Strategic Planning	Planning and implementation	Accounting and Reporting	Compliance	Audit defense
Corporate Income tax and withholding tax	Group Tax	Group Tax	Central and Local Finance Group Tax sign off on Consolidated Tax accounts	Local Finance Functions	Group Tax Local Finance Functions
Transfer Pricing	Group Tax	Group Tax Brands	Local Finance Functions	Group Tax (Documentation) Local Finance Functions	Group Tax Local Finance Functions
VAT / Sales tax	Group Tax (Central VAT Monitoring and Guidance)	Local Finance Functions Group Tax (1)	Local Finance Functions	Local Finance Functions	Local Finance Functions Group Tax (2)
Social Taxes	Human Resources	Human Resources	Local Finance Functions	Human Resources	Local Finance Functions Human Resources
Customs duties		Logistics Functions Group Tax (3)	Local Finance Functions	Logistics functions	Logistics Functions Local Finance Functions Group Tax (3)
Environmental & Other taxes			Local Finance Functions	Local Finance Functions Operations	Local Finance Functions

(1) Advance VAT planning on special projects (SAP Gemini, new business models, new international flows)

(2) Large amounts, VAT on International flows or Disputes on legal principles

(3) Group Tax intervenes on Customs Valuation matters related to Transfer Pricing