

# CORPORATE SOCIAL RESPONSIBILITY REPORT 2014

## TABLE OF CONTENTS

<b>Welcome to Richemont's 2014 Corporate Social Responsibility Report</b>	<b>1</b>
Chairman's introduction	1
<b>About Richemont</b>	<b>1</b>
Where we operate	1
Significant changes in 2013/14	2
Our Maisons, products and services	2
<b>Our economic impact</b>	<b>2</b>
Key figures	2
Defined benefit plan obligations	3
Government assistance	3
<b>Our approach to corporate social responsibility</b>	<b>3</b>
<b>Our issues</b>	<b>4</b>
<b>How CSR is managed</b>	<b>4</b>
<b>Governance and risk management</b>	<b>5</b>
<b>Stakeholder dialogue</b>	<b>6</b>
<b>Public policy engagement</b>	<b>8</b>
<b>Policies</b>	<b>9</b>
<b>Our approach to reporting</b>	<b>9</b>
Global Reporting Initiative ('GRI')	10
Looking ahead	10
<b>Environmental management</b>	<b>10</b>
Our Commitment	10
Context	10
Our approach	11
Engaging stakeholders	11
Looking ahead	12
<b>Climate change</b>	<b>12</b>
Context	12
Our approach	12
Key definitions	13
Other emissions and discharges	13
Looking ahead	14
Case studies	14
<b>Energy use</b>	<b>14</b>
Transportation and logistics	15
Case studies	15

<b>Sustainable construction</b>	<b>15</b>
Case studies	16
<b>Resource use and recycling</b>	<b>16</b>
Context	16
Our approach	16
Product Stewardship	16
Water data	16
Packaging	17
Looking ahead	17
Case studies	17
<b>Biodiversity</b>	<b>18</b>
Context	18
Our approach	18
Land use adjacent to protected areas	18
Looking ahead	18
Case studies	18
<b>Employees</b>	<b>18</b>
<b>Performance management process</b>	<b>20</b>
Context	20
Our approach	20
Key performance data	21
<b>Training and development</b>	<b>22</b>
Context	22
Our approach	22
Training and development in the watchmaking industry	23
Training and development in retail	23
Advanced Business Certificate in Digital	23
Careers Microsite	23
Looking ahead	24
Case studies	24
<b>Health, safety and well-being</b>	<b>24</b>
Context	24
Our approach	24
Health and safety audits	24
Health and safety systems	25
Looking ahead	25
Case studies	25
<b>Engaging employees</b>	<b>25</b>
Context	25
Our approach	25
Employee participation	26
Looking ahead	26
Case studies	27

<b>Diversity and equal opportunities</b>	<b>27</b>
Context	27
Our approach	27
Flexible working practices	27
Key performance data	27
Management analysis	28
Case studies	28
<b>Fostering new talent</b>	<b>28</b>
Case studies	29
<b>Communities</b>	<b>29</b>
Our commitment	29
Community spend	30
Looking ahead	30
<b>Charitable involvement</b>	<b>30</b>
Case studies	31
<b>Sponsorship</b>	<b>32</b>
Case studies	32
<b>Marketplace</b>	<b>32</b>
<b>Customer service and satisfaction</b>	<b>32</b>
Context	32
Our approach	33
Product innovation, design and quality	33
Staff training and customer service	33
After-sales service	33
Advertising	34
Counterfeiting	34
Product information and labelling	34
Looking ahead	34
Case studies	34
<b>Supply Chain</b>	<b>34</b>
Our commitment	34
Supply chain management	35
Context	35
Our approach	35
Supplier Code of Conduct	35
Compliance	35
Chain-of-Custody	36
Animal testing	36
Local procurement	36
Performance data	37
Looking ahead	37
Case studies	37
Human rights, ethical labour and employment practices	37
Context	37

Our approach	37
California Transparency in Supply Chains Act of 2010 - Corporate Disclosure	38
Case studies	39
Responsible sourcing of raw materials	39
Context	39
Our approach	39
Responsible gold sourcing	40
Conflict-free diamonds	40
Endangered or protected species	40
Leather finished products	40
Other areas	40
Responsible Jewellery Council	40
Code of Practices	41
The RJC Code of Practices System	41
The RJC's year	41
Looking ahead	41
<b>Working in partnership</b>	<b>42</b>
Context	42
Our approach	42
<b>External recognition</b>	<b>42</b>
Indices	42
Rating agencies	42
Innovation and design	42
IWC Schaffhausen - Walpole sustainability award (November 2012)	43
Vacheron Constantin - The Florens Foundation (November 2012)	43
The Net-A-Porter Group - Various awards (2012, 2013 and 2014)	43
Richemont China - CITES award	43
Richemont International Distribution TAPA certified	43
Piaget – Watch of the Year 2013 award (October 2013)	44
Cartier – Walpole Corporate Social Responsibility award (November 2013)	44
Vacheron Constantin – ' <i>Meilleure entreprise formatrice</i> ' award (November 2013)	44
A. Lange & Söhne and Van Cleef & Arpels – ' <i>Grand Prix d'Horlogerie de Genève</i> '	44
Roger Dubuis – Temporis Gala Awards 2014 (May 2014)	44
Roger Dubuis – Silver Medal at ADC Awards 2014 (February 2014)	45
<b>Case studies</b>	<b>45</b>
<b>Environment</b>	45
Jaeger-LeCoultre - Employee transport	45
IWC Schaffhausen – Employees and the environment	45
IWC Schaffhausen - Systematic environmental protection	45
Richemont Japan – Project 15 Energy saving plan	45
Manufacture Horlogère ValFleurier – Environmental commitment	46
Donzé Baume – Green electricity supply	46
Cartier - Boutique lighting	46

Lancel - Boutique concept	47
Officine Panerai - Green building in Canton Neuchâtel	47
Cartier – Environmental buildings (Manufacture Couvet)	47
Richemont Dubai – Green building certification	47
A. Lange & Söhne - CO <sub>2</sub> neutral building	48
Richemont Italy - Low environmental impact headquarters	48
Jaeger-LeCoultre – Sustainable building technologies	48
Richemont Korea – LEED certificate	48
Montblanc - FSC certified	48
Piaget - Innovative recycling 2014	49
Cartier - Textiles	49
Chloé - Packaging	49
IWC Schaffhausen - Environmental friendly recycling	49
Cartier - Printed and packaging material, greening the Cartier red gift boxes	49
Piaget – Gold sourcing	50
Cartier – Gold sourcing	50
Cartier - Sustainable Luxury Working Group	51
Chloé - Animal welfare principles	51
Cartier - Fragrances	51
Jaeger-LeCoultre – UNESCO partnership	52
IWC Schaffhausen – Charles Darwin Foundation partnership	52
Cartier - Support of Pro Natura International	52
<b>Employees</b>	<b>52</b>
Vacheron Constantin Institute	52
Montblanc - Customer Service	53
Piaget - CSR training	53
Richemont Retail Academy	53
Richemont - Digital training and development	54
IWC Schaffhausen - Employee engagement training and development	54
Chloé - ' <i>Connaissance du vêtement</i> ' training	54
' <i>Chloé Moments</i> ' training	54
The Montblanc Academy - Retail staff training	55
Montblanc - Arts and culture activities	55
A. Lange & Söhne - In-house watchmaking school	55
Watchmakers of Switzerland Training and Education Programme ('WOSTEP')	55
Purdey – New factory	56
Van Cleef & Arpels - 360° programme	56
Manufacture Horlogère ValFleurier – OHSAS 18001 certification	56
Richemont Employee Benefits - 'Think global, act local'	57
Montblanc - Health, Safety and Environment day	57
Richemont China – CSR Committee	57

Cartier - CSR personal objectives for Executive Committee members	57
Van Cleef & Arpels - Employees Engagement Barometer	58
Piaget - CSR Newsletter	58
Richemont North America - Business Improvement Committees	58
IWC Schaffhausen - Charitable work	58
Richemont Hong Kong-Macau – CSR communication and education	59
Richemont South Africa – Employee development	59
Richemont North America - Workplace training	59
Cartier - Preservation of skills and fostering new talent	60
The Creative Academy - Developing design talent	60
<i>Campus Genevois de Haute Horlogerie</i>	60
<b>Communities</b>	<b>61</b>
Richemont and its Maisons – Geneva Marathon for UNICEF	61
Chloé - Race against breast cancer	61
Officine Panerai – Charity programmes	62
Cartier Charitable Foundation	62
A. Lange & Söhne - Supporting the local community	62
Alfred Dunhill - World Community Project 2014	63
Richemont North America - Employee volunteer day	63
Roger Dubuis – Blood donation	63
Montblanc and the John Lennon Educational Tour Bus	64
<i>Fondation de la Haute Horlogerie</i>	64
Piaget Awards - New partnership with HEAD-Genève	64
Vacheron Constantin and ECAL - A partnership for watchmaking arts and crafts' perpetuation	64
Vacheron Constantin – Sponsor of 'Journées Européennes d'Art 2014'	65
Tribute to the Mont Blanc	65
Richemont Japan – Fundraising for Tohoku Recovery	65
Richemont China – Involvement with NGOs	65
IWC Schaffhausen – <i>Succession Antoine de Saint-Exupéry - d'Agay</i> partnership	66
Purdey – Conservation awards	66
Montblanc - Signature for Good	66
IWC Schaffhausen – Climate Group	66
Shanghai Tang – Hong Kong Cancer Fund	66
Piaget - Altiplano-Artères	67
Baume & Mercier – Charity programmes in Japan	67
Richemont Dubai – 2014 'Philippines Aid Fund'	67
<b>Marketplace</b>	<b>67</b>
Cartier - Customer service	67
Cartier - Customer service barometer	67
Peter Millar - Vendor compliance manual	68

Alfred Dunhill - Product training kits	68
IWC Schaffhausen – CSR boutique package	68
Richemont and EPFL – Creation of a new academic chair	68
Responsible Jewellery Council ('RJC') Certifications	68
Cartier - Supplier audit programme	69
Lancel - Social audit programme	69
Peter Millar - Fair Labor Certificate	69
<b>UN Global Compact Communication on Progress</b>	<b>70</b>
<b>Statement of continued support by the Co-Chief Executive Officers</b>	<b>70</b>
<b>Human Rights Principles</b>	<b>70</b>
<b>Labour Principles</b>	<b>71</b>
<b>Environmental Principles</b>	<b>71</b>
<b>Anti-Corruption Principles</b>	<b>72</b>
<b>Global Reporting Initiative ('GRI') Index</b>	<b>73</b>

# Welcome to Richemont's 2014 Corporate Social Responsibility Report

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Richemont has a long-standing commitment to doing business responsibly. This report demonstrates how we are meeting our commitments and describes how we manage our social, ethical and environmental impacts. Our governance disclosures form part of our [2014 Annual Report](#).

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.

You will find details about our business developments in the [2014 Annual Report](#).

With over 90 % of the Group's sales made by Responsible Jewellery Council ('RJC') members and with 100 % RJC certification for our businesses which use gold and diamonds by next year, this year we have concentrated our efforts on our supply chain partners becoming RJC members too. The RJC's Code of Practices covers a wide range of sustainability issues, including: human rights and labour standards; environmental management; and business ethics.

Other notable developments this year included the establishment of a CSR three-year plan for the Group and Richemont becoming a participant in the United Nations Global Compact. Richemont also saw the first year of the Cartier Charitable Foundation's operations.

In terms of improving our shared natural and business environments, we know there is always more to do.

Yves-André Istel  
Chairman of the Board  
Geneva, 30 June 2014

## 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 29 980 people at the end of March 2014. 19 248 or 64 % 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 two exceptions; Shanghai Tang, which is headquartered in Hong Kong, and Peter Millar, which is headquartered in Raleigh, North Carolina.

As a Group, Richemont has staffed operations in 37 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 2013/14

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 31 of the [2014 Annual Report](#).

## Our economic impact

### Key figures

	Financial Year to March 2014	Financial Year to March 2013	Percentage difference
Sales (€ millions)	10 649	10 150	+5 %
Operating profit (€ millions)	2 419	2 426	-
Net profit (€ millions)	2 067	2 005	+3 %
Number of employees (Headcount)	29 980	28 400	+6 %

Richemont's reported sales increased by 5 % during the year, or by 10 % at constant exchange rates.

The Jewellery Maisons and the Specialist Watchmakers reported growth, despite the continuing strength of the Swiss franc. Among our other Maisons, Net-A-Porter continues to enjoy sales growth above the Group average. Montblanc and the Fashion and Accessories Maisons faced challenging conditions in their major markets.

The Group's operating profit was in line with the prior year after negative exchange rate effects. The net profit increased by 3 %.

More information on the Group's economic impact is available in our [2014 Annual Report](#) on pages 32 to 37. No re-statements were reported by the Group in either the current or the 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. For example, Richemont's employment costs were € 2 025 million in the year and a cash dividend of CHF 804 million (€ 640 million) has been proposed for approval by shareholders at the annual general meeting, to be held on 17 September 2014. Richemont continues to make significant investments in its manufacturing base. In the year under review, we invested € 203 million in our manufacturing base (2013: € 201 million).

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. Richemont therefore contributes to economic development in Europe, particularly where we have our manufacturing bases. In the rest of the world, Richemont's employee-base is concentrated in boutiques. The global network of directly-operated boutiques reached 1 056 at March 2014. The skills developed to meet customer expectations in those boutiques are complemented by professional employees in logistics, IT, finance, after-sales services and other support functions. Moreover, we pay all duties, sales, income and other taxes in countries where we do business.

In South Africa, Richemont currently employs some 70 people. This figure represents 0.2 % 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.

In other emerging markets, including Brazil, Russia, India and China, Richemont's distribution and after sales businesses also created wealth for our employees.

## Defined benefit plan obligations

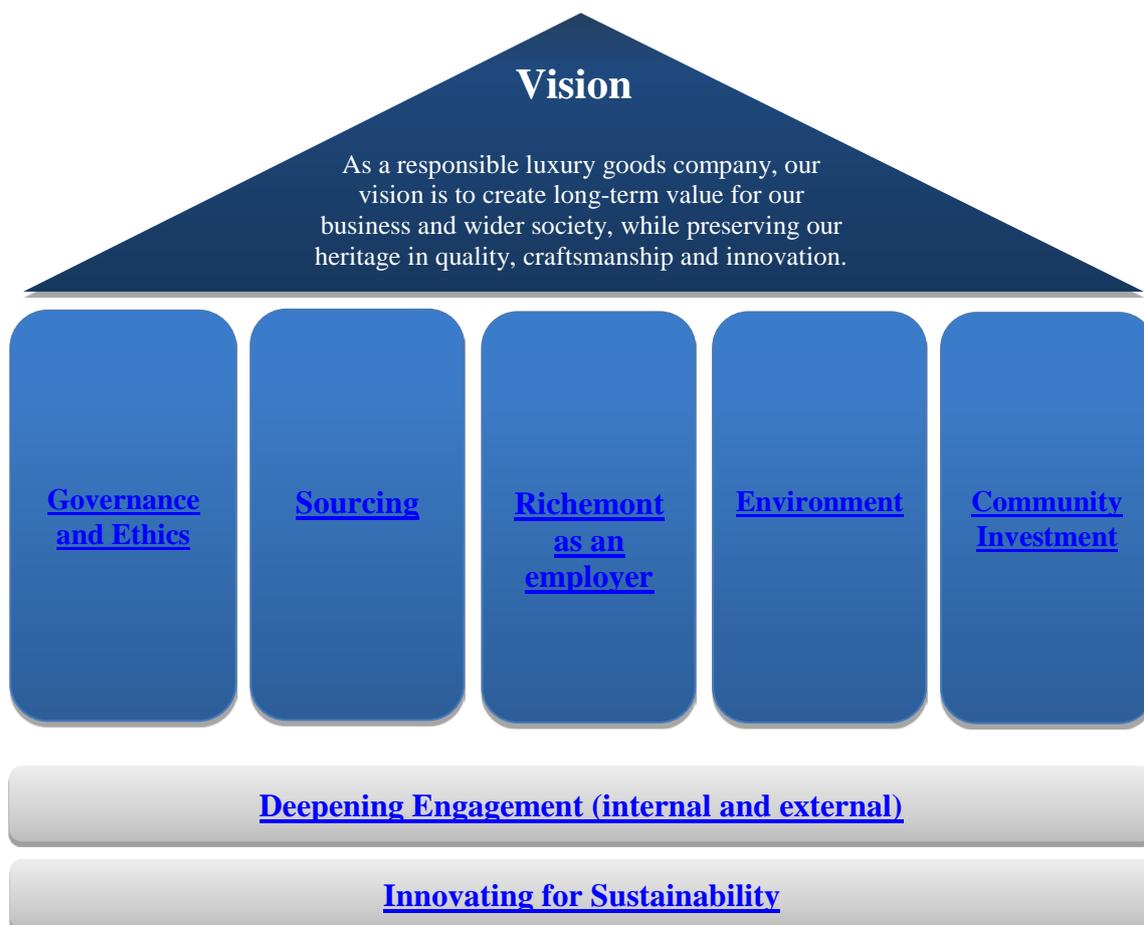
The Group's defined benefit plan obligations primarily arise in Switzerland, the UK and Germany. To meet those obligations, assets amounting to € 1 315 million at 31 March 2014 are held in equities, bonds, property and other assets. Further details are disclosed in note 20 of the 2014 consolidated financial statements.

## 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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Our overarching CSR strategy supports our vision to create long-term value for our business and wider society, while preserving our heritage in quality, craftsmanship and innovation. Our strategy has five key 'pillars', which provide focus to our efforts and two cross-functional considerations - deepening engagement and innovating for sustainability - which apply to all aspects of our business.

Throughout this report, the term CSR is predominantly used. There are other terms used for reporting by issuers, including 'ESG' (Environment, Social and Governance) and 'SEE' (Social, Economic and Environmental). Richemont considers these three terms to be broadly interchangeable.

Richemont has a risk management process which gives consideration to strategic and operational risks across all Group functions, including CSR risks. We seek to eliminate or mitigate CSR risks where identified, in partnership with our employees and other stakeholders through the application of good practices. Further information can be found in the [Governance and Risk Management](#) section.

## Our issues

For every company, CSR has a particular meaning which relates to that company's operations and impacts. During 2014 we undertook a process to identify our 'material' issues - the issues that matter most to our business and our relevant stakeholder audiences. This involved prioritising areas of CSR risk and opportunity through a process of consultation with key internal and external stakeholders as well as reviewing the external landscape. Based on this assessment, we have identified the following five areas or 'pillars' on which to focus our efforts:

- **Governance and Ethics** - to ensure a robust governance process and high ethical standards across our business;
- **Sourcing** - to source responsibly, respecting ethical business practices, human and labour rights and the environment. To work collaboratively with our business partners to promote best practices across the full spectrum of the supply chain, both upstream and downstream;
- **Richemont as an employer** - to develop and engage our people, to keep their employability in a constantly changing environment and to pay them fairly in line with performance;
- **Environment** – to reduce Richemont's environmental impact in three key areas: carbon intensity, packaging and logistics; and
- **Community investment** - to ensure that Richemont's community investment activity provides optimum benefit for Richemont and wider society.

Our cross-functional considerations underpin our strategy:

- **Deepening engagement** – we will engage with our employees, business partners and others to achieve our CSR goals; and
- **Innovating for sustainability** – we will continue to look for new opportunities to innovate our product design, materials and processes to become more sustainable.

These issues are material to the Group's long-term objectives and the reputation of Richemont and its individual Maisons. Richemont is in the process of developing detailed three-year targets for priority issues within each pillar. Further details of our commitments in each area can be found in the relevant section within this report.

We report using the [Global Reporting Initiative \('GRI'\) framework](#).

## How CSR is managed

Responsibility for CSR lies with the Chief Financial Officer ('CFO'), a member of the Board of Directors. He regularly liaises with Maison Chief Executive Officers ('CEOs'), function and regional heads. He reports CSR matters to the Board of Directors. He is also a member of the Group Management Committee.

The CFO is supported by the Company Secretary and the Group's CSR Committee, comprising representatives from Group functions including Corporate Affairs, Manufacturing, Human Resources and Internal Audit, as well as representatives from Cartier, Piaget and IWC Schaffhausen. Together, those three Maisons represent over 50 % of Group sales. The Committee has established terms of reference regarding its duties and meets regularly to review progress against a framework, including the recently developed three-year plan, and to agree activities to support relevant programmes. Policies are established when appropriate.

Annually, the CSR Committee gathers data from each Maison and market. These data are reviewed, analysed, shared among peers and acted upon. The data gathered largely form the basis of this report.

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

Richemont organises a yearly CSR Conference and invites 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 on a continuous basis, including a CSR intranet developed to facilitate knowledge-sharing between representatives. There are both 'push' and 'pull' functions in the intranet, which had over 90 registered users at March 2014. A significant number of new users are expected in the year ahead.

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. For example, as members of the Responsible Jewellery Council ('RJC'), the Maisons have successfully coordinated their own RJC Code of Practices certification projects, initiated sourcing and philanthropic projects, and established cross-functional teams and internal newsletters.

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 wide range of sustainability issues, including: human rights and labour standards; environmental management; the impacts of mining; and business ethics. The RJC's Member Certification System is validated by the ISEAL Alliance, reflecting the quality and breadth of its scope and standards and the integrity and transparency of its development processes. Richemont continues to explore the application of the RJC's Certification System to its other businesses, i.e. those excluded from membership as they do not use gold or diamonds in their processes or products.

## 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 2014 Annual Report contains an extensive description of the mechanisms used by the Board to exercise its duties, including Committees. It may be in the [Corporate Governance Report](#) (Pages 41-60). That report follows the principles laid down in the Swiss Code of Best Practices for Corporate Governance as well as the requirements of the Directive on information relating to Corporate Governance issued by SIX Swiss Exchange. For reporting in detail on CSR topics, this website report is a more flexible and efficient way of communicating Richemont's progress each year.

The full Corporate Governance Report contains comprehensive disclosure on the Group: capital structure and significant shareholders; membership of the Board, its Committees and senior management; compensation arrangements and amounts; the Group's auditor; and its Information Policy.

The Group's auditor, PwC, has access to all Board minutes, including the results of the Board's annual self-assessment and each of its Committees. The independence of the non-executive members of the Board and its Audit, Compensation, Nominations and Strategic Security Committees is addressed in the 2014 Corporate Governance Report.

The Board oversees the company's management in terms of its economic, social and environmental performance. The Chief Financial Officer attends all Board and Audit Committee meetings. Both the Board and its Audit Committee regularly receive risk reports relating to non-financial risks, for example economic, environmental, employee retention and other CSR issues as part of a regular review process. All identified risks are quantified according to their probability of occurrence and potential impact and are subsequently prioritised by Group management.

In the context of Enterprise Risk Management, the Group does not disclose the key risks which it has identified and which it closely monitors, or the steps being taken by the responsible executive to mitigate those risks. Richemont considers such information to be commercially sensitive.

Richemont has recognised supply chain and other sourcing risks and has therefore invested significantly in this area, for example, through RJC certifications of its own businesses and, increasingly, its first and second tier suppliers. It has also strengthened Group-wide risk assessments and [audit systems](#) during the year.

In addition to Richemont's own Codes, 12 of our Maisons – representing over 90 % of Group sales - have been certified for compliance with the RJC's Code of Practice. The remaining 10 %, which use diamonds or gold in their products, will be certified in the year ahead. That certification process has helped our Maisons define and formalise their respective approach to CSR issues, including employee welfare and supplier risk assessments.

An example is the decision to have the Group's environmental data assured by an independent body. The Group seeks to make continuous improvements to its whistleblowing policies and practices and, to alert management to potential problem areas, regularly communicates to all employees the available whistleblowing tools. Whistleblowing may also relate to suspicions of irregular practices by suppliers, prompting further investigation by external agencies. Richemont's whistleblowing services are open to its suppliers.

Regarding governance, the Board of Directors elects to give shareholders the opportunity to vote on the Richemont compensation report each year. Furthermore, in response to the 'share blocking' practices linked to bearer shares, the Company's Articles of Incorporation were amended in September 2013, thus ending 'share blocking'.

Mr Johann Rupert, formerly Chairman of the Board, who had served as Chief Executive Officer since the retirement of Mr Norbert Platt in March 2010, handed over that role to Messrs Bernard Fornas and Richard Lepeu. They were both appointed Co-Chief Executive Officer, with effect from April 2013. Mr Rupert began a sabbatical year of absence in September 2013.

## 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, Internal Audit and discussions at the Group 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.

Stakeholder group	Key issues of interest	How we engage	Examples
<b>Clients/customers</b> <i>to whom we provide high quality goods and services</i>	<ul style="list-style-type: none"> <li>- Quality and design 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>	<ul style="list-style-type: none"> <li>- Surveys are managed by each of our Maisons</li> <li>- After sales service data in respect of watches are closely monitored</li> </ul>
<b>Employees</b> <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> <li>- Engagement</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>	<ul style="list-style-type: none"> <li>- An 'employee engagement barometer' was piloted during the prior year and is being progressively rolled out to all employees</li> <li>- Newsletters are managed by each Maison. The Group has a variety of specialist intranets, e.g. manufacturing, human resources, finance</li> <li>- All employees receive a personal annual performance review ('PMP')</li> </ul>
<b>Suppliers and business partners</b> <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> </ul>	<ul style="list-style-type: none"> <li>- More than 200 independently conducted audits at our suppliers' premises</li> <li>- For diamonds, the Kimberley Process Certification Scheme; for gold, the London Bullion Market Association and the Swiss Better Gold Association</li> </ul>

Stakeholder group	Key issues of interest	How we engage	Examples
<b>Regulators and policy leaders</b> <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 ('FH')</li> </ul>	<ul style="list-style-type: none"> <li>- The development of 'Swissness' legislation via the FH</li> </ul>
<b>Shareholders</b> <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>	<ul style="list-style-type: none"> <li>- AGM 2013</li> <li>- Annual and interim results</li> <li>- Investor road shows in over 15 countries</li> <li>- Surveys in October 2012 and February 2013</li> <li>- More than 10 CSR rating agency surveys</li> <li>- Registered shares from September 2014</li> <li>- Ad hoc announcements</li> </ul>
<b>Communities</b> <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>	<ul style="list-style-type: none"> <li>- Cartier Charitable Foundation</li> <li>- Cartier Fondation pour l'art contemporain</li> <li>- Cologni Foundation for Artistic Craft Professions</li> </ul>
<b>Industry organisations</b> <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>	<ul style="list-style-type: none"> <li>- Responsible Jewellery Council, Swiss Better Gold Initiative, Diamond Development Initiative International, Sustainable Luxury Working Group, Sustainable Luxury Forum</li> </ul>
<b>Non-governmental organisations ('NGOs')</b> <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>	<ul style="list-style-type: none"> <li>- CDP reporting for many years</li> <li>- Participation in the United Nations Global Compact Swiss Network.</li> </ul>

We continuously review issues raised by stakeholders and, where appropriate, integrate these into our CSR strategy and disclosures.

Examples include:

- **Employees:** 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](#);
- **Employees:** The Employee Barometer, first deployed in the prior year, was used to identify opportunities for better employment conditions in a number of Maisons and Richemont platforms during the year under review;
- **Regulators:** Additional disclosures in our 2014 Annual Report in respect of executive compensation arrangements. This is in response to requests for information 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;
- **Regulators:** Issuing trading statements for the five months to August and for the nine months to December each year. This voluntary reporting maintains an on-going dialogue with investors between SIX-regulated twice-yearly announcements;
- **Shareholders:** Changing from bearer to registered shares in September 2013. The registered shares are traded on SIX Swiss Exchange. This change brings shareholders closer to the Company through the creation of a share register. It also ends the need for 'share blocking' prior to the shareholder meetings for investors wishing to exercise their voting rights;
- **Community:** The Cartier Charitable Foundation was established to enable the Maison Cartier to achieve its philanthropic goals outside the day-to-day operations of its creative and distribution business;
- **Industry organisations:** Encouraging our own and other businesses to become members or supporters of the RJC. Specifically, our Swiss partners which process gold or diamonds are joining the RJC at our suggestion;
- **Industry organisations and NGOs:** 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, and revisions to the RJC'S Code of Practices ('CoP'). The revised CoP was issued in November 2013 after an 18-month multi-stakeholder review process;
- **NGOs:** The development of the 2014 CSR Report reflects the observations of 'CSR report rating agencies' with regard to its 2013 CSR Report.

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

## 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 went before Switzerland's Council of States in June 2013. The FHS (*Fédération Horlogère Suisse*) is responsible for proposing specific application rules relative to Swiss watches. Richemont is preparing for such rules by undertaking analyses of its Swiss products, in particular the importance, if any, of parts sourced from first tier and second tier suppliers outside Switzerland.

As described elsewhere in this report, Richemont is an active supporter of the RJC and all of its Maisons manufacturing or selling products containing diamonds or gold are now 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, published in March 2012. An RJC Chain of Custody standard for diamonds is under development but no publication date has been scheduled.

Many of Richemont's Maisons are members of the Federation of Swiss Watch Industry and of the *Fondation de la Haute Horlogerie*. Both of these Swiss-based organisations are active in the field of anti-counterfeiting via public campaigns to raise awareness of the criminal networks frequently found behind such products and the risks of prosecution which face the buyers of fakes in general.

## 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, first adopted in their current form by the Board of Directors in 2005, 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 employees and are available in English, French, German, Chinese and Japanese. The Codes are regularly reviewed and amended to ensure they remain as relevant as possible. A comprehensive review of these policies is being conducted with relevant revisions to strengthen the Codes. The revisions will be proposed to the Board in the year ahead.

The Codes include Richemont's clear opposition to all forms of bribery and corruption. The Group has communicated its position on this topic to every employee through a booklet produced in eight languages. Whistleblowing 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 whistleblowing 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, namely the Chief Compliance Officer. All concerns raised during the year were addressed in line with the Group's Whistleblowing Policy and Procedure, including concerns raised by employees in partner organisations, including suppliers.

Richemont measures compliance with its Codes of Conduct through two channels: for suppliers, the Maisons organise audits on a risk-weighted basis and the Group assists the Maisons; for employees, each Maison conducts comprehensive training of new employees and annually reconfirms that all employees are familiar with Richemont's whistleblowing policy.

In addition to Richemont's own Codes, 12 of our Maisons and Manufactures – representing over 90 % of Group sales - have 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 report covers the financial year ended 31 March 2014. 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 38 of our [2014 Annual Report](#).

Compagnie Financière Richemont SA is a Swiss company with its primary listing on the Swiss Stock Exchange. Although Richemont has a secondary listing on the Johannesburg Stock Exchange and is sometimes included in the JSE SRI index, it is not a South African company and does not report in accordance with South African company law, corporate governance or social responsibility guidelines in accordance with the 'King' codes.

During the year, the Company became a participant in the UNGC and, for the first time, has produced a [Communication on Progress](#) in line with the UNGC's requirements.

## Global Reporting Initiative ('GRI')

Our long term goal is to report comprehensively against GRI's G3 Sustainability Reporting Guidelines and its successors. 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 may be found.

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

The Group's consolidated carbon emission data has been independently assured since 2011. The most recent PwC assurance statement may be found on the [Climate Change](#) page of this report. In the year under review, we enlarged our Scope 3 reporting to include the most significant logistics-related emissions.

We focus our efforts on collating 'material' information to shape our decisions, in line with our 'pillars'. 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 continuous improvement.

### Looking ahead

Richemont is monitoring the Global Reporting Initiative's developments, including 'G4', and the focus those developments are bringing to materiality.

In addition, Richemont may report on progress against its CSR three-year plan and the targets which it is in the process of setting for itself.

## Environmental management

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### Our Commitment

To reduce Richemont's environmental impact in three key areas:

- Carbon intensity
- Packaging
- Logistics

### Context

We are committed to minimising our impact on the natural environment and to reducing our carbon footprint. In this regard, Richemont established specific, measurable targets for the five years ending March 2018 in respect of carbon intensity for all buildings worldwide and business travel. These targets are among our strategic objectives: achieving them will require the participation of almost every employee. The base line is the average of two years' data (2011/12 and 2012/13), excluding scope changes. The five-year targets are:

- To reduce our buildings' carbon intensity by 10 % (based on emissions per surface area and employee)
- To reduce business travel intensity by 20 % (based on emissions per employee)

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 the impact of climate change. The production of high quality goods is concentrated in Switzerland and their distribution is spread around the world. Nevertheless, the Group 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. Richemont has not quantified the financial risks associated with climate change.

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, provide agreeable working spaces for our employees, and thus 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 Group CSR Committee reviews environmental performance, determines new initiatives and reports progress to the Board. The targets described in the introduction to this section, ('context'), were validated by the Committee.

Richemont's Internal Audit function includes environmental considerations within its systematic [risk analysis](#) and monitors compliance with the Code. In addition, an independent auditor specialised in Environment, Health and Safety matters undertakes a scheduled programme each year. Procedures are in place to ensure that non-compliance with the Code is followed up with a remedial action programme.

With a view to improving the overall management of risks, Richemont has established an Environment, Health and Safety audit programme applicable to significant manufacturing, operational and administrative sites. The results from those audits are used to drive continuous improvement plans. Some 30 site audits are conducted each year.

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. Examples include Cartier's sourcing of packaging materials and Piaget's efforts to recycle a wide range of its manufacturing waste products. See case studies for further details.

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.

Environmental data are consolidated annually, including the energy we use in our buildings, the fuel consumed as we travel, the impact of major logistics streams for the first time in 2013/14, and other elements necessary to calculate our carbon footprint. The data include our subsidiary companies where the Group has management control (defined as equity share approach). 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 PwC. The assurance report may be found on the [Climate Change](#) page of this report.

Whereas no manufacturing sites are currently registered to ISO 14000, Richemont's EMS (Environmental Management System) is fully based on the principles of ISO 14000.

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 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 and boutiques to improving the thermal insulation of buildings.

The Group participates in the Carbon Disclosure Project's ('CDP') annual data collection process. Richemont's 2013 submission received the following ratings by the CDP's assessors: 79 % for disclosure (2012: 79 %) and level B for performance (2012: level C).

## Looking ahead

Richemont has committed to specific carbon intensity targets over a five-year period. Richemont is also in the process of setting focused targets in areas of packaging and logistics – the two other priority environmental impact areas that have been identified during the development of a wider CSR three-year plan.

In parallel, 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 improve energy efficiency and identify opportunities for improvements in personal travel and logistics. We will also reduce non-essential business travel through the greater use of communication technologies, such as video conferencing.

## Climate change

### Context

Richemont's carbon footprint is relatively small compared to that of energy-intensive industries. As discussed elsewhere in this report, 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 and travel 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 at least 50 %). Data has been collected 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. Richemont uses energy estimations (per m<sup>2</sup>) to estimate the impact of these locations. The scope of our measurement is estimated at covering operations representing more than 90 % of full time equivalent employees ('FTE') in 2013/14 and includes retail outlets, offices, research and manufacturing sites, and distribution centres.

In the year to March 2014, our global CO<sub>2</sub> emissions on a comparative basis increased by 20 % in absolute terms to 118 Ktons compared to 98 Ktons one year earlier. The calculation methodology established, in the 2011/12 financial year, was unchanged in the 2012/13 and 2013/14 years. In addition, the Scope 3 was increased, leading to an additional 61 Ktons being reported in respect of third-party freight logistics.

The 20 % increase is comprised of a 22 % increase in buildings-related emissions and an 18 % increase in employee travel-related emissions. The significant increase in buildings-related emissions reflects constructions in manufacturing and distribution, partly offset by the voluntary purchase of renewable electricity in most of our European manufacturing sites and North American distribution operations.

This increase has been achieved against a backdrop of a 10 % increase in sales in local currency terms and a 6 % increase in employees over the same period. A growing proportion of the Group's supply chain in fine jewellery and watchmaking has been internalised. Such manufacturing processes consume more energy per person than assembly processes, in particular a gold refinery in Switzerland, which was acquired in the second half of the comparative year. At the same time, the expansion of our boutique networks in both floor area and count, and the energy consumed in lighting, heating and cooling such premises, has contributed to overall emissions. Despite our work to promote good environmental practices, the average CO<sub>2</sub> emissions per employee ('average FTE') on a comparative basis increased by 11 % in the year: from 3.5 CO<sub>2</sub>t/FTE to 3.9 CO<sub>2</sub>t/FTE. The Group's five-year intensity target for buildings related to surface and FTE, whereas the business travel target relate to FTE only. Our targets are for long-term reductions in carbon intensity, therefore the increase in the first year was undesirable.

We aim to reduce our emissions as much as possible and neutralise the rest by participating in offsetting projects. The new Scope 3 emissions will be offset with effect from 2014/15. 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, reforestation in Colombia 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. Moreover for 2013/14, Maisons may choose the offset projects most suited to them from a menu, thus deepening their engagement and promoting both internal and external communication.

Since 2011: an independent assurance report has been provided on the Group's consolidated CO<sub>2</sub> emissions. The 2014 report from PwC was issued on 16 June, and included the logistics developments described above.

The Group participates in the Carbon Disclosure Project's ('CDP') annual data collection process. Richemont's 2013 submission received the following ratings by the CDP's assessors: 79 % for disclosure (2012: 79 %) and level B for performance (2012: level C).

GRI indicator reference	CO <sub>2</sub> emissions	Units	2009/10	2010/11	2011/12	2012/13	2013/14
	Total	1 000 tCO <sub>2</sub>	63.5	79.3	99.8	98.2	179.3
EN16	Scope 1	1 000 tCO <sub>2</sub>	18.3	20.8	19.3	18.6	18.3
EN16	Scope 2	1 000 tCO <sub>2</sub>	31.5	40.2	49.6	45.2	56.8
EN17	Scope 3	1 000 tCO <sub>2</sub>	13.7	18.3	30.9	34.4	42.9
EN17	Scope 3 Logistics (new for 2013/14)	1 000 tCO <sub>2</sub>	-	-	-	-	61.3

### Key definitions

**Scope 1:** Direct GHG emissions from sources that are owned or controlled by the company. It includes energy use from buildings and emissions associated with the vehicles we operate.

**Scope 2:** Indirect emissions associated with purchased electricity, heat and steam.

**Scope 3:** All other indirect emissions that are a consequence of the activities of the reporting company but occur from sources owned or controlled by another company. We have measured emissions resulting from the usage of private cars and the mileage from the use of commercial airlines for business travel.

For the first time in 2013/14, our Scope 3 emissions data for freight logistics have been measured. Whilst being far from comprehensive, it encompasses: (i) for watches and jewellery, from the European manufactures to the Group's distribution centres located around the world; (ii) Net-A-Porter's distribution centres to final customers; and (iii) Alfred Dunhill and Lancel. Note that Alfred Dunhill and Lancel were out of scope for the independent assurance report for the 2013/14 year.

### 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. 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.

Following the preliminary findings from a Screening Life Cycle Analysis of certain watch and jewellery products carried out during the previous year, Richemont has a better understanding of our overall carbon footprint, i.e. the emissions generated by the so-called upstream and downstream activities of our business partners, including the mining of raw materials. The screening analysis findings will be used in other projects linked to product development and environmental efforts beyond our own operations.

### Looking ahead

The Group's five-year targets to reduce the carbon intensity (kilo/FTE) of buildings and business travel were first communicated to all Maisons and shared service platforms on 29 April 2013. Each reporting unit is elaborating its own plan to contribute to the achievement of those targets. In the meantime, carbon emissions will continue to be offset through the purchase of certified carbon credits.

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.

The Group is also reviewing the potential to offset and re-invoice the carbon emissions generated by the Maisons' freight logistics carried out by third parties, which were measured for the first time in the current year.

### Case studies

- [Jaeger-LeCoultre - Employee transport](#)
- [IWC Schaffhausen – Employees and the environment](#)
- [IWC Schaffhausen – Systematic environmental protection](#)

## 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 4.7 % in the year to March 2014. To provide context, in the same period, Group sales increased by 10 % in local currency terms and the overall surface area of our buildings also increased.

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 2014, 35 % of the Group's purchased electricity was 'green electricity' (2013: 35 %; 2012: 23 %). In absolute terms, the Group's green electricity consumption increased to 63 GWh.

GRI indicator reference	Energy (buildings only)	Units	2009/10	2010/11	2011/12	2012/13	2013/14
	Total energy consumption	GWh	177	202	212	215	225
EN3	Direct energy consumption	GWh	36	44	37	37	37
EN4	Indirect energy consumption	GWh	141	158	175	178	188

Our Maisons have taken measures to limit their energy consumption. The reported consumption levels above reflect both the level of trading, business acquisitions and the building of new manufacturing facilities in Switzerland, partly offset by the initiatives taken by our Maisons and the Group's distribution platforms.

## Transportation and logistics

The majority of the Group's products are transported from the place of manufacture – mainly in 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.

Logistics are outsourced to specialist companies and their energy use was captured by Richemont for the first time this year. In collaboration with Richemont's main business partners, this capture will first measure principal emissions, then seek to reduce and lastly to offset the impact of freight on the Group's overall energy use and related carbon emissions. This is of growing importance as the proportion of Group sales outside Western Europe is increasing year-on-year.

Richemont is developing logistics-related targets to reflect its CSR three-year plan. Targets may include improving the measurements used to monitor logistics, as well as offsetting the reported carbon emissions which the company controls or directs via its global logistics partners.

### Case studies

- [Richemont Japan – Project 15 Energy saving plan](#)
- [Manufacture Horlogère ValFleurier – Environmental commitment](#)
- [Donzé Baume – Green electricity supply](#)
- [Cartier - Boutique lighting](#)
- [Lancel - Boutique concept](#)

## 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 any building waste produced.

Specific recent examples of how the Green Handbook has been used include the completed new buildings in Switzerland of Jaeger-LeCoultre in Le Sentier and Manufacture Horlogère ValFleurier in Buttes. The new buildings in Switzerland for Cartier and Officine Panerai in Neuchâtel, for Vacheron Constantin in Geneva and the *Campus Genevois de Haute Horlogerie* are further examples. Those buildings incorporate, amongst other things, low-energy heating and lighting systems. The new building of A. Lange & Söhne in Germany incorporates leading technologies, representing the first of its kind in Saxony.

The construction of the *Campus Genevois de Haute Horlogerie* ('Campus'), a teaching and manufacturing facility in Geneva dedicated to the arts and crafts of fine watchmaking began in 2012 and is due to be completed by 2015. The Campus, which is planned to employ more than 900 people by 2020, incorporates a number of environmental innovations linked to energy saving in the building. Low-emission public 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 (€ 80 million).

## Case studies

- [Officine Panerai - Green building in Canton Neuchâtel](#)
- [Cartier - Environmental buildings \(Manufacture Couvet\)](#)
- [Richemont Dubai – Green building certification](#)
- [A. Lange & Söhne - CO<sub>2</sub> neutral building](#)
- [Richemont Italy – Low environmental impact headquarters](#)
- [Jaeger-LeCoultre - Sustainable building technologies](#)
- [Richemont Korea – LEED certificate](#)

## 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 Group's sales. Such items, together with the original presentation box, are typically passed from one generation to the next. Alternatively, they may be 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 through 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 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 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.

The Group does not collect data regarding the weight of waste by type and disposal method. 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.

### Product Stewardship

Richemont's Maisons are considering the environmental impacts at the design stage for new products. Those considerations are informed by various factors, including: (i) the screening life cycle analyses performed in the prior year; (ii) presentations made at the Group's 2013 management conference; and (iii) the sensibilities of the Maisons' designers and their customers.

As product stewardship is at a very early stage, no information has been gathered on either the number or type of products which have been assessed. Nevertheless, the Maisons are well aware of their obligations regarding product safety and expect their suppliers to provide pertinent information regarding REACH (European regulations linked to chemical hazards) and its international equivalents. As experience in this area grows, our Maisons are taking a proactive approach to identify and phase out any chemicals that may be regulated in the future.

### Water data

Our environmental data collection includes municipal water usage. Data is not always available for some smaller retail outlets, in particular where we operate from shared sites and estimations of water usage per full time equivalent employees ('FTE') are applied in these locations. The scope of our measurement is now estimated at covering operations representing some 60 % of FTE. It includes retail outlets, offices, manufacturing sites and distribution centres.

The reporting systems behind the figures disclosed below have undergone changes during the last two years, leading to an estimation of some 40 % for the Group's overall water withdrawal figures. Accordingly, the reporting process will be reviewed in the year ahead to determine the impact from: (i) like-for-like increases or decreases at major sites; (ii) the net growth in the number of Group operating sites; and (iii) changes in Group-level estimation.

For example, in the prior year, the increase from 713 000 to 933 000 m<sup>3</sup> included an increase of just 2 % on a like-for-like basis.

GRI indicator reference	Water	Units	2009/10	2010/11	2011/12	2012/13	2013/14
EN8	Total water withdrawal	1 000 m <sup>3</sup>	672	684	713	933	820

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 largely because it used a very large amount of water.

The Group does not currently report on waste water or on the proportions of reused or recycled water. None of the Group's manufacturing facilities are in water-stressed areas of the planet. Nevertheless, new buildings in Switzerland typically incorporate rainwater capture systems.

CDP is developing its water reporting tools and scoring methodology and Richemont was asked to be a pilot reporter in 2014.

### Packaging

As one of its CSR three-year plan's environmental priorities, Richemont is reviewing its current approach to packaging. In summary, we have committed to a reduction in packaging overall, with a wider focus on 'Reduce, Reuse and Recycle'. Our key packaging categories are freight for wholesale distribution, and for retail there are disposable bags and non-disposable presentation boxes. Experience shows that customers keep the presentation boxes for watches and jewellery for ever, passing them from one generation to the next alongside the watch or jewellery piece.

Richemont and its Maisons are in the process of defining appropriate measures and targets in this area.

### Looking ahead

Richemont will develop packaging priorities with its Maisons and report on progress in future years.

We will continue to work to improve the quality and coverage 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. The life cycle of all materials, including packaging, will be an area of growing focus in the years ahead.

### Case studies

- [Montblanc - FSC certified](#)
- [Piaget - Innovative recycling 2014](#)
- [Cartier - Textiles](#)
- [Chloé - Packaging](#)
- [IWC Schaffhausen – Environmental friendly recycling](#)
- [Cartier - Printed and packaging material, greening the Cartier red gift boxes](#)

# 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 specific international and local regulations such as the Convention on International Trade in Endangered Species ('CITES') related to the procurement, import, usage and export of raw materials issued from endangered or protected species. More information about how we deal with suppliers' impacts may be found in the section on [supply chain](#).

We 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.

## Case studies

- [Piaget – Gold sourcing](#)
- [Cartier – Gold sourcing](#)
- [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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## Our Commitment

As we consider employment as a long-term commitment, our goal is to develop and engage our people to keep their employability in a constantly changing environment and to pay them fairly in line with performance.

Richemont's 29 980 people (headcount) 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 – 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, IT, customer service, finance and human resources;
- Central functions – head office functions including finance, legal, human resources, IT, real estate and marketing services.

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.

Richemont has reported sales growth in most markets and an increase in the number of people employed. Globally, the *average* number of Full Time Equivalents ('FTE') over the five-year period has risen from 19 137 to 29 101, an increase of 52 %. The growth has been in the Maisons' manufacturing positions, in their growing boutique networks, and in Richemont's international support services.

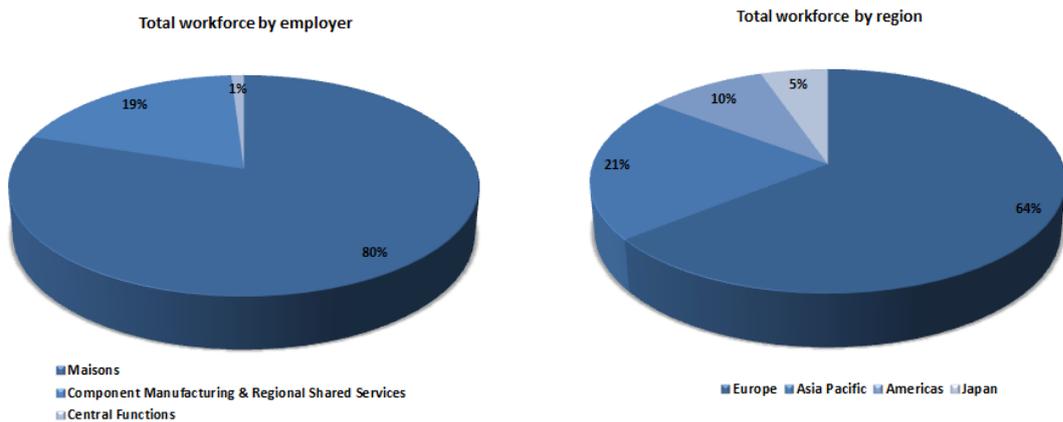
Local hiring forms part of the Group's strategic approach and is acted upon whenever feasible. Our manufacturing operations are concentrated in Switzerland, France and Germany whereas our retail activities are spread worldwide. Accordingly, the great majority of the Group's employees were hired locally.

The Group's size, diversity and geographic spread allow employees to develop careers across a variety of positions and international locations: internal promotion is favoured over external recruitment in most cases. Richemont aims to recruit 70 % of management-level employees internally. This also applies to senior management positions at significant operations.

As a participant in the UN Global Compact, Richemont abides by the Compact Ten principles as they relate to employees.

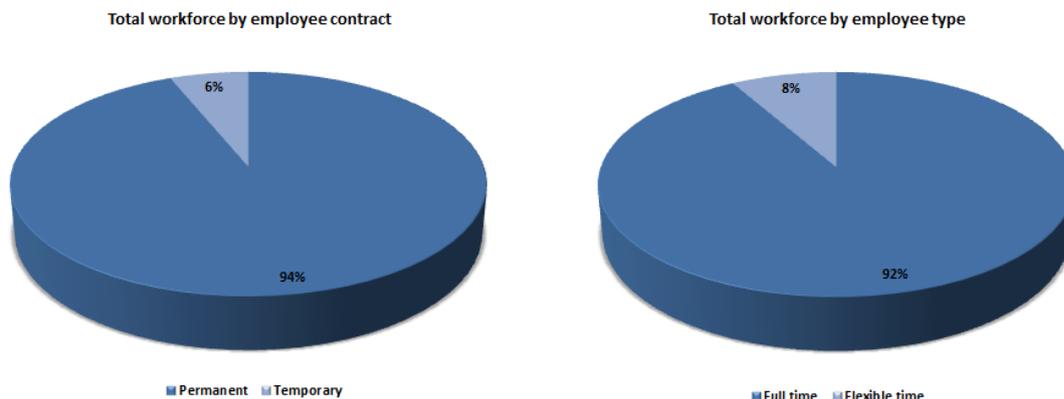
### Key performance data

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



Europe includes the Middle East and Africa.

Average employment figures ('FTE') in Switzerland increased by 4 % during the year under review and by 38 % over the past five years. The strong growth largely reflected global demand for Swiss watches with mechanical movements, prompting our Maisons to expand their in-house manufactures.



## Performance management process

### Context

Regular performance management reviews 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 employees undergo formal performance management reviews leading to individual development plans.

### Values and competencies

Our nine 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 that employees are treated equitably, and that salaries and benefits remain competitive relative to our peers. Equally, in emerging markets where Richemont operates, to ensure the lowest possible levels of turnover, Richemont seeks to compensate its employees at or above the market average.

Richemont's reward strategy is based on the Management By Objectives concept. This allows the Group to align employees' performance with its strategic goals, to attract and retain the right talents, ensures that employees have a stake in the Group's success, and enables Richemont to control costs.

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 [2014 Annual Report](#).

### **Key performance data**

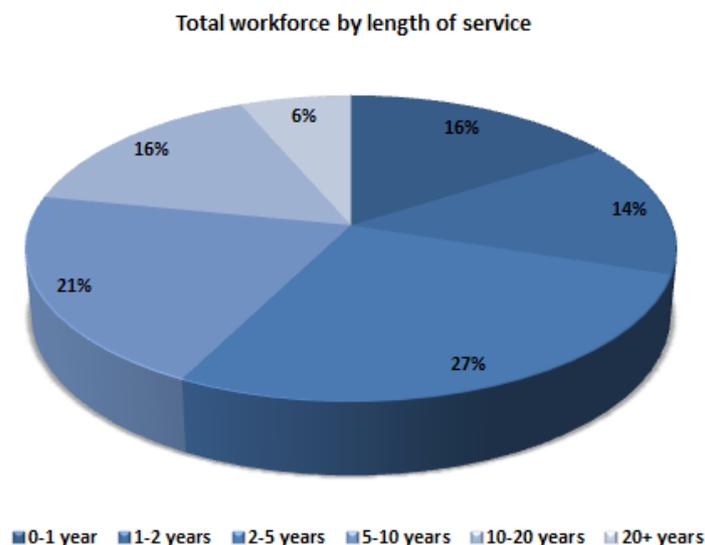
#### **Employee turnover**

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 remains below 10 %. This is in line with market averages. The turnover rates in Germany and Italy were even lower, but in France the rate was still above 10 %. The turnover rate is higher in countries where retail activities predominate, such as mainland China, Hong Kong and the USA. 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. The turnover rate for the Group as a whole was 13 % in the year, excluding transfers and employees on temporary contracts.

To improve retention levels and employee satisfaction in general, the Group sponsored an 'employee engagement barometer' pilot study at Van Cleef & Arpels during the previous year. The results of that study were used by the Maison and by the Group Human Resources specialist to help to lower employee turnover rates in the longer term. Following the success of the pilot, a number of barometer studies have since been conducted by Maison and by market

## Length of service

The following chart shows a breakdown of the workforce by length of service (seniority). 43 % of employees have worked in the Group at least five years and the average length of service for all employees is 6.5 years (previous year: 43 %; 6.3 years). These relatively low figures reflect the expansion in the underlying businesses over the last decade, particularly in terms of growth as a retailer, new manufacturing facilities and business combinations. Moreover, the relatively recent acquisition of the fast-growing Net-A-Porter and Peter Millar businesses has reduced the average length of service reported by the Group.



## Training and development

### Context

Training is a key component of our Maisons' success; therefore the Group aims to train and develop for long-term employability.

### 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 and 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. Formal training forms just a small element of overall training: 70 % of total training is 'on the job'.

The number of hours of training received by employees in each financial year is not currently consolidated. However, a Learning Management System ('LMS') was deployed for the first time in the prior year at certain Group operations. The LMS has so far reached over 10 % of Group employees, namely headquarter employees and certain retail associates. A comprehensive roll-out is expected to take a number of years and reporting will be improved during that time. The deployment of such a system reflects the formalisation of the Group's approach to training and development and is an extension of Richemont's Performance Management Process. Further consolidated data may therefore be made available in future CSR reports, including the total spend on training and the number of training hours per employee.

The LMS deployment is partly driven by Richemont's overarching need to protect its customers' data. This need, which is common to all businesses, is at the forefront of Richemont's Strategic Security Committee priorities and its policy developments. More information regarding this Committee may be found in section 4 of the Corporate Governance report (2014 Annual Report and Accounts).

### **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 2011.

In addition to the watchmaking training schools in Dallas, Hong Kong, Manchester and Shanghai, which are detailed in the WOSTEP case study, Richemont currently employs 586 apprentices and trainees. This includes watchmakers, technicians and polishers working in Richemont's after-sales service centres around the world.

The Vacheron Constantin Institute opened its doors on 17 September 2013. It trains watchmaking and Métiers d'Art apprentices and offers personalised and targeted learning programmes for Vacheron Constantin's employees. See the case study for further details.

### **Training and development in retail**

The [Richemont Retail Academy](#) in Shanghai was inaugurated in 2011. It provides a platform for recruiting and training employees for our Maisons' boutiques across mainland China. See case study for further details.

### **Advanced Business Certificate in Digital**

The Digital Institute comprises a series of professional development programmes, in-house bespoke training, including on-the-job initiatives and events. The Digital Institute was set up with a mandate to enable Richemont and Maisons employees to enhance their knowledge about digital and thereby raise the level of digital excellence in our organisation.

The catalogue of training currently proposes five different programmes, all tailor-made to suit the specificities of the industry and the Group. Since the initiative began three years ago, the Institute has welcomed more than 500 managers and staff from across multiple functions and has initiated an international deployment of its offer.

One of the lead training courses, The Advanced Business Certification in Digital ('ABCD'), trains each year around 20 e-Business and Digital Managers over a 12-month course designed specifically for them. This training ensures that our e-Business and Digital Managers are ready to help the Group define and face the challenges of this ever-changing environment.

### **Careers Microsite**

A dedicated [Careers Microsite](#) was launched during the year to ensure that Richemont keeps pace with industry best practice.

The Microsite provides a place for talented and future candidates to experience a clear, simple and effective communication about Richemont's unique qualities in a multilingual approach. The main objectives are: (i) recruitment and candidate relationship management to support market-specific growth needs and to better match supply and demand on an international basis; (ii) communication: to create a space in which we can clearly communicate and further develop the attributes that differentiate Richemont. The effectiveness of these objectives is being monitored by Richemont's Corporate Human Resources team.

## Looking ahead

We will continue to encourage self-learning and development, and emphasise on-the-job training where appropriate. We will continue to recruit 70 % of management-level employees internally.

As outlined in this section, Richemont's Learning Management System will be further deployed across the Group until 100 % coverage has been achieved. Data from this global system will be progressively disclosed in future CSR reports.

The *Campus Genevois de Haute Horlogerie* ('Campus'), a teaching and manufacturing facility in Geneva dedicated to the arts and crafts of fine watchmaking, is under construction and will be operational by 2015. The Campus is planned to employ more than 900 people by 2020.

## Case studies

- [Vacheron Constantin Institute](#)
- [Montblanc - Customer Service](#)
- [Piaget - CSR training](#)
- [Richemont Retail Academy](#)
- [Richemont - Digital training and development](#)
- [IWC Schaffhausen - Employee engagement training and development](#)
- [Chloé 'Connaissance du vêtement' training](#)
- ['Chloé Moments' training](#)
- [The Montblanc Academy - Retail staff training](#)
- [Montblanc - Arts and culture activities](#)
- [A. Lange & Söhne - In-house watchmaking school](#)
- [Watchmakers of Switzerland Training and Education Programme \('WOSTEP'\)](#)

## Health, safety and well-being

### Context

Good practice in health and safety is a responsibility that Richemont shares with all of its employees.

### Our approach

The Group's Health, Safety and Physical Security Committee meets regularly 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 both the relevant regulatory body and the Group's directives. 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 a biennial health, safety and physical security 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. Independent audits were conducted during the year to assess compliance with health and safety regulations together with the effectiveness of translating policy into operating procedure and practice. The internal auditor also examines health and safety during site visits. The results of all such audits and employee suggestions 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 and prompt action is taken whenever improvements are identified. There were no fatal accidents either during the year under review or in the preceding years.

As a consequence of the sincere commitment of its employees to H&S Manufacture Pelletteria Montblanc in Florence, Italy, Manufacture Horlogère ValFleurier ('Valfleurier'), Switzerland recently obtained the OHSAS 18001 certification.

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.

## Targets

During the prior year, the Group established a five-year target to reduce by March 2018 the Recordable Incident Rate (Occupational Injury and Illness) by 20 % per 200 000 hours worked, e.g. recordable incident rate, lost days due to accidents, and monitors performance against those targets. The related data is not publicly disclosed at present. Nevertheless, data for the 2013/14 year indicated that the Group is on track to achieve its target, and certain sites have exceeded the Group target.

## Looking ahead

We will continue to assess the quality of our data and improve our performance, particularly in our manufacturing facilities, in the Maisons' boutiques and for travellers.

Progress against the target set in 2012/13 will be closely monitored at a consolidated and Maison-level, best practices will be shared within the Group.

The audit of sites will be extended to include Physical Security testing, to bring greater well-being to our employees who may otherwise be exposed to distressing events as a consequence of handling precious metals and other high value goods.

## Case studies

- [Purdey – New factory](#)
- [Van Cleef & Arpels - 360° programme](#)
- [Manufacture Horlogère ValFleurier – OHSAS 18001 certification](#)
- [Richemont Employee Benefits - 'Think global, act local'](#)

## Engaging 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 all employees should adopt at work. The contents are not published. It sets out universal guiding principles that all staff in the Maisons and shared services should follow in the business workplace. It is complementary to local 'Codes of Conduct' or Employee Handbooks.

The CoBC sets out the Group's procedures for whistleblowing 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. Whistleblowing reports are followed up by the Group's Chief Compliance Officer, independent of the whistleblower's line management. To make it accessible to all, the CoBC has been distributed to employees in at least 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.

Compliance with the CoBC is not measured. Rather, all employees receive regular reminders about their duties regarding the CoBC and in particular the Group's whistleblowing policy and procedure. New employees are trained on CoBC as part of their induction programme.

### 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 provide European examples, where Richemont has its greatest concentration of employees and therefore pays particular attention to employees' direct feedback and the proposals of nominated representatives, a permanent dialogue is in place to promote the best possible working environment. Richemont believes that the best working environment creates the best conditions for business development.

Some 10 % of Group employees are currently employed in mainland China in service functions, primarily in boutiques and back-office functions. In mainland China there is a mandatory requirement for labour unions, but not for collective agreement. Accordingly, a preparatory committee for the establishment of union was formed in 2012 but, as a consequence of subsequent legal developments, did not conclude. In the meantime, Richemont has: (i) organised a local CSR Committee to collect employee's opinion before a labour union is formally established; (ii) organised different task forces which serve the same purpose as a CSR Committee, namely to collect employees' opinions before a labour union is formally established.

Elsewhere in the Asia Pacific region, where legislative requirements rarely exist, Richemont is voluntarily encouraging participation as follows:

- In Hong Kong, through regular communication between management and staff at the Maison and functional level;
- In Taiwan, through a welfare fund committee comprising employees from Maisons and functions;
- In Korea, through a management committee to establish fair and impartial labour-management relations. The Committee comprises equal numbers of employee and company representatives.

In addition to these country-specific examples, the Group's [Performance Management Process](#) may be used to address issues between all managers and all of their direct reports.

There were no significant industrial action incidents during the last four years.

### 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.

Richemont will also be engaging the Maisons and their employees on the new Group CSR three-year plan.

## Case studies

- [Richemont China – CSR Committee](#)
- [Cartier - CSR personal objectives for Executive Committee members](#)
- [Van Cleef & Arpels - Employees Engagement Barometer](#)
- [Piaget - CSR Newsletter](#)
- [Richemont North America - Business Improvement Committees](#)
- [IWC Schaffhausen - Charitable work](#)
- [Richemont Hong Kong-Macau – CSR communication and education](#)

## 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.

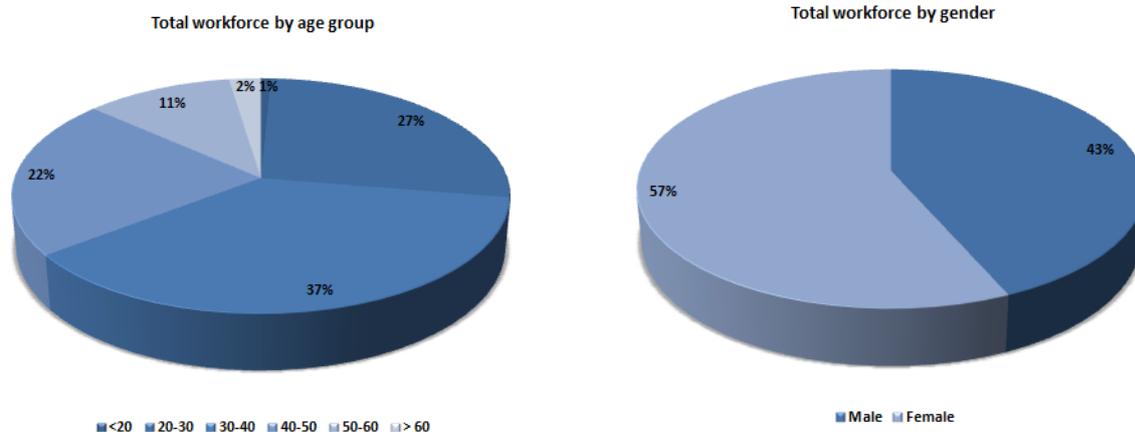
### Flexible working practices

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. 8 % of Group employees are currently making use of such offers.

### Key performance data

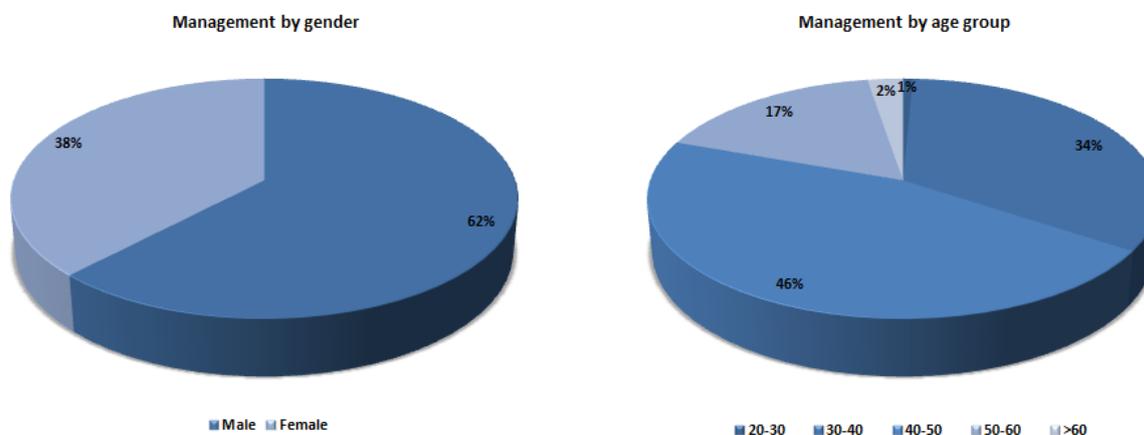
It is important to monitor the age profile of our workforce to understand industry-specific and professional working experience, which is likely to vary with age. It also helps us with future planning, helping us understand our potential exposure to retirement costs and 'knowledge drain' from employees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



At the level of Richemont's Board of Directors, 5 % are female as at 31 March 2014. Subject to shareholder approval, this level may rise in due course.

The Board's 19 directors comprise seven nationalities, including Swiss and South African, and a range of industry experience including luxury goods, law, banking, engineering and international relations.

## Case studies

- [Richemont South Africa – Employee development](#)
- [Richemont North America - Workplace 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, institutes, 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](#) now hosts some 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 [Creative Academy](#) in Milan is another example, providing Masters-level programmes to young designers.

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. Some 586 employees are defined as trainees or apprentices, representing 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.
- **Vacheron Constantin** established a 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 ('DAS') in orchestral practice, in collaboration with the *Haute Ecole Spécialisée de Suisse Occidentale*. Separately, in March 2013 Vacheron Constantin began supporting the Master of Advanced Studies in Design for Luxury and Craftsmanship programme with '*ECAL*', *L'Ecole Cantonale d'Art de Lausanne*.

#### Case studies

- [Cartier - Preservation of skills and fostering new talent](#)
- [The Creative Academy - Developing design talent](#)
- [Campus Genevois de Haute Horlogerie](#)
- [Vacheron Constantin Institute](#)

## Communities

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### Our commitment

To ensure that Richemont's community investment activity provides optimum benefit for Richemont and wider society.

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 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.

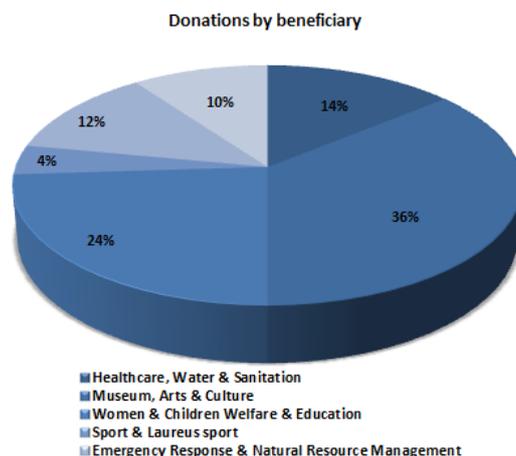
The four broad areas in which we contribute are:

- 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

This year our total community spend was € 22 million (prior year: € 17 million). This equates to 0.9 % of our profit before tax (prior year: 0.7 %). Over 95 % of community spend takes the form of cash donations. The remainder is in the form of donated products and charitable events. The deployment of additional reporting tools during the year has enabled the Maisons to have, for the first time, a consolidated view of their worldwide donations.

The largest single beneficiary of community investments is Fondation Cartier pour l'art contemporain, with arts and museums being among the most important beneficiaries (see [Charitable involvement](#) section). Other beneficiaries include charities concerned with healthcare, sanitation, women's welfare and children's sports.



The Group has not invested in infrastructure projects nor 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. Richemont does not seek to influence public policy through the charitable donations it makes. 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.

Examples of our commitment to local employment are addressed in the Employees section of this report. Examples of how Richemont is supporting the local communities in which it operates, from Switzerland to China, are in the case studies section of this report.

## Looking ahead

As a Group, we continue to review the systems we use to gather information about charitable activities and other community investments. The year ahead will see the implementation of metrics and reporting tools better suited to the Group's level of donations. We expect those tools to follow the recommendations of LBG (formerly the London Benchmarking Group).

In the year ahead, linked to the CSR three-year plan, Richemont will communicate its policies internally and support them with a 'community investment toolkit'. The Group will encourage and monitor employee engagement, including volunteering, at its Maisons and shared service platforms as appropriate.

## 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. A multitude of local employee initiatives take place each year, for example in sports events and education. Employees are also supported in fundraising and volunteering for charitable causes. For example, Alfred Dunhill employees have organised annual volunteer days to build children's playgrounds in underprivileged areas. Richemont North America has organised certain of its charitable activities in collaboration with Laureus.

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 our [2014 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 seven of these:

- **Cartier Art Foundation**, established in 1984. The foundation promotes discovery, by revealing young artists to the public or by unveiling the secret side of world-renowned artists, and also creation through the commissioning and production of works. By opening up to the most diverse realms of creation and knowledge, it stimulates curiosity and discovery through its exhibitions. For one year, from May 2014 to March 2015, the foundation invites people to share in its celebration of 30 years of free and generous patronage. The exhibition Vivid Memories (May to September 2014), accompanied by concerts and events, presents some of the most emblematic works of the Cartier Art Foundation's collection, all related to its history.
- **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. Further details about Peace Parks may be found on page 39 of our 2014 Annual Report.
- **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 Schaffhausen is Richemont's nominated business which partners with Laureus and supports Laureus events. Further details about Laureus may be found on page 40 of our 2014 Annual Report.
- **Cologni Foundation for Artistic Craft Professions** (*Fondazione Cologni 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.
- **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; (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.
- **Cartier Charitable Foundation**, established in 2012. The Foundation strives to improve the livelihoods of the most vulnerable communities through partnerships with non-profit organizations active in four priority areas: humanitarian assistance towards the plight of children; promotion of women empowerment; support to responsible management of natural resources; and access to basic services. During the year, the Foundation made grants to 14 bodies to support projects in 22 developing countries.

#### Case studies

- [Richemont and its Maisons – Geneva Marathon for UNICEF](#)
- [Chloé - Race against breast cancer](#)
- [Officine Panerai – Charity programmes](#)
- [Cartier Charitable Foundation](#)
- [A. Lange & Söhne - Supporting the local community](#)
- [Alfred Dunhill - World Community Project 2014](#)
- [Richemont North America - Employee volunteer day](#)
- [Roger Dubuis – Blood donation](#)
- [Montblanc and the John Lennon Educational Tour Bus](#)
- [Fondation de la Haute Horlogerie](#)

## 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 focuses on the most vulnerable category of entrepreneurs in their most vulnerable phase: women entrepreneurs with start-up businesses.
- **Officine Panerai** has sponsored South African explorer [Mike Horn's 'Pangaea' expedition](#). The expedition took him to all the continents 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. Since 2011, Piaget has supported a telemedicine project in the Altiplano region of South America. See case study below.
- **IWC Schaffhausen** has supported the Charles Darwin Foundation since 2009, making it one of the major patrons and guardians of the Galapagos Islands, a UNESCO World Heritage Site
- **Jaeger-LeCoultre** partnered with the UNESCO World Heritage Centre in 2008. It continues to support the preservation of outstanding threatened marine sites and to raise international awareness of this environmental cause.

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

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

### Case studies

- [Piaget Awards – New partnership with HEAD-Genève](#)
- [Vacheron Constantin and ECAL – A partnership for watchmaking arts and crafts' perpetuation](#)
- [Vacheron Constantin – Sponsor of 'Journées Européennes d'Art 2014'](#)
- [Tribute to the Mont Blanc](#)
- [Richemont Japan – Fundraising for Tohoku Recovery](#)
- [Richemont China – Involvement with NGOs](#)
- [IWC Schaffhausen – Succession Antoine de Saint-Exupéry - d'Agay partnership](#)
- [Purdey – Conservation awards](#)
- [Montblanc - Signature for Good](#)
- [IWC Schaffhausen – Climate Group](#)
- [Shanghai Tang – Hong Kong Cancer Fund](#)
- [Piaget - Altiplano-Artères](#)
- [Baume & Mercier – Charity programmes in Japan](#)
- [Richemont Dubai – 2014 'Philippines Aid Fund'](#)

## 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: the customer experience in our Maison's stores and call centres;
- After-sales service: our responsiveness to customers' 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. New manufacturing techniques are being explored and the Group has inaugurated a Chair at the EPFL, Switzerland in pursuit of such innovations.

The registering of patents and similar intellectual property is further testimony to the innovative culture within the Group's European *manufactures*. Most of our Maisons' product innovations are showcased at the annual Salon International de la Haute Horlogerie ('SIHH') held in Geneva. To name just two examples from recent SIHH events: the *ID Two* watch from Cartier; and the *Quatuor* from Roger Dubuis.

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.

Further information on our approach to Product Stewardship can be found [here](#).

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 identical copying of a genuine product. The counterfeiting phenomenon is not new and Richemont is taking appropriate measures to diminish the impact as and where we consider it necessary.

## 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.

The Screening Life Cycle Analysis completed during the prior year and broadly described in the [Environment](#) section of this report may result in further product developments in the coming years.

It is suggested that research overseen by the New Chair at the EPFL, Switzerland, will bear fruit for the whole watch industry.

## Case studies

- [Cartier - Customer service](#)
- [Cartier - Customer service barometer](#)
- [Peter Millar- Vendor Compliance manual](#)
- [Alfred Dunhill - Product training kits](#)
- [IWC Schaffhausen – CSR boutique package](#)
- [Watchmakers of Switzerland Training and Education Programme \('WOSTEP'\)](#)
- [Richemont and EPFL – Creation of a new academic chair](#)

## Supply Chain

### Our commitment

To source responsibly, respecting ethical business practices, human and labour rights and the environment. We will continue to work collaboratively with industry organisations and our business partners to promote best practices across the full supply chain.

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. We also work closely with industry organisations such as the [Responsible Jewellery Council](#) ('RJC');
- 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 promoting the RJC and the dissemination of the Group's Supplier Code of Conduct (the 'Code'). 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 RJC, with mining houses and other supply chain participants. The RJC's Code of Practices was substantially revised during the year under review. The November 2013 edition fulfils the RJC's wider obligations as a full ISEAC Alliance member. Richemont's Maisons renewing their certifications, and its suppliers undergoing their first-time certification, are following the revised Code's requirements.

## 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 and, to a large degree, in the RJC's Code of Practices. Maisons collaborate internally and make use of tools to share information and identify common suppliers who have been advised of Richemont's and the RJC's respective Codes. Compliance with the Richemont Code is incorporated into our procurement decisions and all suppliers are expected to acknowledge the Code. Suppliers of gold and diamond-related products are encouraged to become certified members of the RJC.

Business partners are treated fairly and in line with our code of business ethics; see [Working in partnership](#) section.

### Supplier Code of Conduct

Richemont's 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.

In value terms, over 80 % of the Maisons' suppliers have signed the Supplier Code. That figure is expected to rise each year.

The Code is being updated in light of recent developments and will be communicated to suppliers in due course.

### 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 prior year, certain Maisons elected to share their supplier auditing efforts; over 200 audited sites were identified and duplicated effort for new audits was prevented. Neither supplier audit findings nor the remedial actions arising from them are publicly disclosed.

As a next step, the Group initiated a project to unify its supplier audits under a single, independent, globally-respected firm. The selection process, which included proposals for system management as well as the development of a Richemont-tailored 'referential', is to be concluded in July 2014.

Certain suppliers to the Group's businesses are also members of the RJC and some of them have completed their own RJC certification. As described above, 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. Given the strength of the RJC's certification process, members of the RJC which supply to Richemont, e.g. diamonds and small gold parts, are not audited as any risk they pose to our Maisons is considered to be remote.

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 each year to improve consumer transparency in general and the sourcing decisions of manufacturers in particular. Among the recently 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, conflict-free 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. Since then, a further eight certifications have been announced and more are in the pipeline.

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. No publication date has been communicated.

### **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 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 materials and employing 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

Over 100 external supplier audits were performed across the Group in 2013/14 (prior year: 80 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 employees and, in certain cases, incorporating the Code in their terms and conditions of business. Accordingly, the overwhelming majority of suppliers in value terms have signed the Richemont Supplier Code of Conduct or have published an equivalent code of their own.

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 or the remedial action taken. The decision to audit a given supplier is based on a risk-based assessment.

## Looking ahead

Detailed three-year targets are in the process of being set. These will look at developing a responsible sourcing framework, continue with sourcing risk analyses and action plans for identified high-risk suppliers and the further coordination of supplier audits across the Group.

Between 50 and 100 supplier audits are anticipated in the coming year.

Linked to the CSR three-year plan, the review of the Model Supplier Code will be completed and communicated to suppliers by the independent Maisons. Tools for managing signed supplier codes will also be developed in order to simplify internal record keeping and to minimise the risk of duplicate requests being sent to common suppliers.

## Case studies

- [Responsible Jewellery Council \('RJC'\) Certifications](#)
- [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 (the 'Code') includes an endorsement of International Labour Organisation Conventions, the Universal Declaration of Human Rights and other internationally recognised labour practice standards. In December 2013, Richemont became a participant in the UN Global Compact and supports its Ten Principles.

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 over 90 % of the Group's sales, require compliance with the RJC's standards relating to human rights.

Maison or Independent Manufacturing Entity	Financial year of first RJC certification	Percentage of Group sales represented by certified entities	Percentage of Group sales represented by uncertified Maisons
Cartier, Baume & Mercier, Montblanc, Jaeger-LeCoultre, Piaget, Vacheron Constantin, Van Cleef & Arpels, Varinor	2010/11, 2011/12	More than 75 %	n/a
Ralph Lauren Watches and Jewelry	2012/13	Less than 5 %	n/a
IWC Schaffhausen, Manufacture Horlogère ValFleurier, Officine Panerai	2013/2014	More than 10 %	n/a
A. Lange & Söhne, Donzé-Baume, Giampiero Bodino, Roger Dubuis, Stern 1898, The Net-A-Porter Group	n/a	n/a	Less than 10 %
Cumulative total		Over 90 %	Less than 10 %

The table above indicates that the current 90 % certification level will reach 100 % next year. Certain of our Maisons, notably the fashion and accessories businesses, are disqualified from joining the RJC as they do not manufacture or distribute products containing gold or diamonds. Excluding such businesses, e.g. Alfred Dunhill, Chloé and Lancel, the Group's relevant businesses will become 100 % RJC certified by 2014-15.

### 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 (the '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 2013/14, over 100 external supplier audits were carried out on behalf of 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.

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 some 500 members, from miners to retailers. The Richemont Maisons which are certified members of the RJC (Cartier, Van Cleef & Arpels, Baume & Mercier, Jaeger-LeCoultre, Piaget, Vacheron Constantin, Ralph Lauren Watches and Jewelry, Montblanc, IWC Schaffhausen and Officine Panerai) 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 may be obtained [here](#).

Richemont and its Maisons have 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 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

- [Cartier - Supplier audit programme](#)
- [Lancel - Social audit programme](#)
- [Peter Millar – Fair Labor Certificate](#)

### 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. Therefore, our long-term goal is the traceability of all raw materials used in our products. We understand many of the challenges associated with achieving full traceability and will work closely with our suppliers and industry partners towards that goal.

#### 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 [Responsible Jewellery Council](#) ('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.

In addition, we 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 14 founding members and today the RJC has grown to include some 500 members, including all of Richemont's Maisons which produce or distribute products containing diamonds and gold, and a growing number of their suppliers. Representatives from certain Maisons serve as unpaid officers of the RJC.

## 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:

- General Requirements;
- Responsible Supply Chains & Human Rights;
- Labour Rights & Working Conditions;
- Health, Safety & Environment;
- Diamonds, Gold & Platinum Group Metal Products; and
- Responsible Mining Sector.

## 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.

In 2010, Cartier was the first retailer to receive certification under the RJC system. The certifications of many other Maisons have been confirmed. 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 over 90 % in 2013/14. Further details are provided [here](#).

In the year under review, in collaboration with the Graduate Institute of Geneva, Richemont sponsored the RJC's study of the supply chain for coloured gemstones, specifically emeralds, rubies and sapphires. A copy of that study may be found on the RJC's website.

## The RJC's year

During the year under review, in addition to recruiting a further 66 new members and certifying a further 77 existing members' compliance with its initial Code of Practices, the RJC's achievements included:

- Reviewing its Code of Practices, resulting in a set of revisions that emphasise the RJC's comprehensive approach to CSR issues from mine to retail and the growing importance of responsible supply chains;
- Continuing to work on further development and implementation of a harmonisation programme with the London Bullion Market Association, the Conflict-Free Sourcing Initiative, the Dubai Multi Commodity Centre and the Fairtrade and Fairmined standards;
- Signing in 2013 a Memorandum of Understanding ('MOU') with CIBJO, the World Jewellery Confederation, to entrench a solid understanding and commitment from the jewellery industry in the areas of human rights, social and environmental performance and ethical business practice;
- Commencing in September a new engagement focus with the Indian industry which aims to increase support, awareness and implementation for RJC programmes;
- Increasing its membership from 404 to 470 businesses.

These various achievements underscore the RJC's established position across the jewellery industry.

## Looking ahead

The remaining certifications are expected to take the proportion of certifications to over 90 % of total Group sales, and 100 % of sales by those Maisons which produce or distribute products containing diamonds or gold.

In the year ahead, in collaboration with the Graduate Institute of Geneva, Richemont will sponsor the RJC's study of the obstacles facing small and medium sized enterprises in achieving RJC certification. A copy of that study will be made available on the RJC's website in January 2015.

## 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 which will mitigate risks and enhance the industry's reputation.

### 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 Responsible Jewellery Council ('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.

The Group participates in the Carbon Disclosure Project's ('CDP') annual data collection process. Richemont's 2013 submission received the following ratings by the CDP's assessors: 79 % for disclosure (2012: 79 %) and level B for performance (2012: level C).

In partnership with Corporate Knights Capital and leading sustainability minds from non-governmental organisations and the academic and accounting communities, *Newsweek* has ranked the world's largest companies on corporate sustainability and environmental impact. In this Green Rankings 2014, Richemont ranked 33<sup>rd</sup> out of 500 of the world's largest companies by market capitalisation.

### Rating agencies

Following a review of the CSR ratings landscape and the use to which agencies' reports are put, in 2014 Richemont established a short-list of preferred institutions. It will continue to engage with those institutions and answer their questionnaires. The following institutions are currently included: CDP; DJSI / Robeco Sam; EIRIS (Ethical Research Services); InRate; MSCI ESG Indices; and Sustainalytics.

Institutions which approach Richemont but which are not on this short-list will be invited to refer to the contents of Richemont's annual report and accounts and its annual CSR report, both of which are available on the website.

### Innovation and design

The Group's Maisons regularly receive product awards for innovation and design. Recently, awards were received for product excellence, customer service and employer-of-choice, including:

#### **IWC Schaffhausen - Walpole sustainability award (November 2012)**

IWC Schaffhausen won the Walpole Award for Excellence, having impressed 60 judges with its efforts in corporate social responsibility ('CSR'). The 2012 Walpole Awards for Excellence took place in London, with individuals and companies who have, in the views of the judges, members and industry representatives, 'achieved the pinnacle of excellence across 10 categories'.

IWC Schaffhausen's work under the banner of CSR has included ecological responsibility and social commitment on both a global and local level. It has supported various projects of the Laureus Sport for Good Foundation, the *Fondation Antoine de Saint-Exupéry – d'Agay* and the Charles Darwin Foundation. The brand has also launched timepieces tailored to specific projects, with proceeds put towards key initiatives, while at a local level it has lowered and offset its CO<sub>2</sub> emissions with modern building technology and has been certified as a carbon-neutral enterprise since 2007.

#### **Vacheron Constantin - The Florens Foundation (November 2012)**

During 'Florens 2012', the International Biennial Cultural and Environmental Heritage Week, Vacheron Constantin's CEO, Juan Carlos Torres, was awarded the Florens prize for his Maison's commitment to the promotion and protection of artistic crafts. The award was attributed to 10 international personalities for their commitment to Artistic Crafts.

Building on over 250 years of uninterrupted activity, Vacheron Constantin senses a duty to bind successive eras together by perpetuating time-honoured and sometimes forgotten forms of craftsmanship. Behind the skills passed on from generation to generation lie human challenges that artisans take on daily by combining their talents and that Vacheron Constantin unceasingly promotes by continuing the practice and transmission of Artistic Crafts. In order to develop these exceptional crafts, the watchmaking manufacturer has created a collection called *Métiers d'Art*. Each limited edition pays tribute to one or more skills linked to watchmaking. Today, in the very heart of the Manufacture, a gem-setter, a *guillocheur*, an engraver and an enamelling artist continue to exercise their talents, sometimes jointly.

#### **The Net-A-Porter Group - Various awards (2012, 2013 and 2014)**

Notable awards in recent years have included Decoded (Achievement in Fashion & Technology), Creativity Media Awards for the KARL Karl Lagerfeld launch (Honourable Mention) and Net-A-Porter's Window Shop for Fashion's Night Out (Gold Award), E Consultancy (Innovation in Mobile Marketing Grand Prix), The Sunday Times 2012 '100 Best Companies to Work For', British Inspiration Awards (Fashion Category - Natalie Massenet) and Grazia Middle East Style Awards 2013 (Best Online Retailer).

MR PORTER.COM received the following awards: The British Society of Magazine Editors (Editors of the Year – Digital Men's Title) and WGSN Global Fashion Awards (E-Store Pure Play).

The launch of the Beauty category has been a marked success with the addition of 80 beauty brands featuring the quintessential beauty edit, which received the Best New Launch and Best Packaging Awards from the In Style Magazine (UK) Beauty Awards in July 2013.

In October 2013, Net-A-Porter was nominated for the Best Online Store for the Racked Awards and THE OUTNET was awarded 'Best E-Store' in the WGSN Global Fashion Awards.

#### **Richemont China - CITES award**

Richemont China Logistics obtained the CITES Management Award from the Shanghai CITES Bureau in 2013. Richemont China achieved 'TOP #1 ranking' among more than 500 companies in Eastern China.

#### **Richemont International Distribution TAPA certified**

TAPA (Transported Asset Protection Association) is a recognised international body certifying the security of logistics chains, from operating site to freight, including processes and procedures. To guarantee the smooth flow of goods across international borders, security certification of our Richemont Logistics chains is very important. TAPA, AEO (Agreed Economic Operator) for Europe and C-TPAT for the USA are the key certifications to be obtained by Richemont Logistics sites.

### **Piaget – Watch of the Year 2013 award (October 2013)**

The independent jury of professionals from the watchmaking industry appointed by 'Montres Passion' magazine for the 20<sup>th</sup> 'Montre de l'Année' award has chosen the Altiplano Date by Piaget as Watch of the Year 2013.

The Altiplano Date by Piaget was honoured with the First Jury Prize for the Watch of the Year 2013. This watch was described as 'impeccable', 'perfect', 'with such a restrained and balanced design that we forget what an enormous feat it is to produce such a masterpiece'.

Since 1994, the purpose of the Watch of the Year Prize has been to promote the best watch creations of each year, in terms of technology as well as aesthetics.

### **Cartier – Walpole Corporate Social Responsibility award (November 2013)**

In November 2013, Cartier took home first prize from the Walpole Awards for Excellence in association with Coutts. The annual awards are run by Walpole, a not-for-profit organisation founded in 1990 to promote British luxury goods at home and worldwide, and are designed to recognise the best in the British luxury industry.

Cartier picked up the Corporate Social Responsibility Award, which recognises luxury brand or institution that has made CSR an inherent part of its business ethic, incorporating sustainable sourcing, supplier and employee relationship, product design and development and environmental impact reduction.

### **Vacheron Constantin – 'Meilleure entreprise formatrice' award (November 2013)**

In November 2013, the 'Département de l'instruction publique, de la culture et du sport', the 'Association Cité des métiers' and the 'Communauté genevoise d'action syndicale' have awarded eight firms which are involved in training.

Vacheron Constantin has been awarded 'Meilleure entreprise formatrice' in the technical field. This award recognised the Manufacture's support and willingness to foster the passing-on of clock-making and technical know-how.

### **A. Lange & Söhne and Van Cleef & Arpels – 'Grand Prix d'Horlogerie de Genève'**

In 2013, on the occasion of the 13th edition of 'Grand Prix d'Horlogerie de Genève' ('GPHG'), two Maisons were awarded the following first prizes:

- A. Lange & Söhne: 'Prix de la grande complication' and 'Prix du public'
- Van Cleef & Arpels : 'Prix de la complication pour dame'

### **Roger Dubuis – Temporis Gala Awards 2014 (May 2014)**

At the 3rd Edition of the TEMPORIS Gala Awards, the only event in Romania and Central Eastern Europe dedicated to genuine watches and to the famous people in Haute Horlogerie, Roger Dubuis won double recognition.

Dan Vardie, founder of TEMPORIS, has also established the 'TEMPORIS Hall of Fame': a unique gallery gathering the most important master watchmakers, inventors and designers of Haute Horlogerie. This year, Mr Roger Dubuis has been honoured a place in the 'TEMPORIS Hall of Fame' alongside Philippe Dufour and Carole Forestier Kasapi. During the Gala, Mr Dubuis collected a second award this time for the incredible Hommage Double Flying Tourbillon with Hand-made Guilloché in pink gold. This exceptional timepiece, revealed in January 2014, won the 'TEMPORIS Watch of the Year 2014' award.

## Roger Dubuis – Silver Medal at ADC Awards 2014 (February 2014)

The Arts Directors Club ('ADC') Switzerland, an association of creative leaders in communication, honoured the best works published in 2013 during a prize-giving gala ceremony on 1 February.

Roger Dubuis was rewarded with a Silver Medal in the 'Photography & Illustration' category for its outstanding 'Daphne Guinness for Roger Dubuis' pictures captured by internationally renowned photographer Nick Knight, one of the true masters of fashion imagery.

A unique achievement - as such prestigious awards are usually granted to communication agencies and only rarely to brands - and recognition for the work of Roger Dubuis' in-house Creative Centre and its Creative Director, Alvaro Maggini. Daphne Guinness joined in 2013 the exclusive circle of friends of Roger Dubuis. To mark this collaboration, the photographer Nick Knight captured Daphne Guinness wearing the Velvet models. This exceptional photo shoot produced a series of highly creative images.

## Case studies

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### Environment

#### Jaeger-LeCoultre - Employee transport

Jaeger-LeCoultre has actively supported carpool schemes for many years. Since 2007, the manufacture has covered the operating cost of a bus service for employees between home and the manufacture. Currently, three bus lines have been financed by the manufacture, which is always looking for new solutions to promote green mobility. Studies have indicated that together the carpooling and the bus service keep 500 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 5.5 million per year.

#### IWC Schaffhausen – Employees and the environment

IWC Schaffhausen runs a scheme that fosters environmental awareness among its employees and rewards those who make individual efforts to reduce their own CO<sub>2</sub> footprint. The company offers financial incentives to use public transport and to buy environmental friendly cars. Additionally the programme encourages employees to take carbon reduction measures when travelling during work. IWC Schaffhausen employees use public transport for business meetings within Switzerland, wherever possible.

#### IWC Schaffhausen - Systematic environmental protection

IWC Schaffhausen documents and reduces its CO<sub>2</sub> emissions not only at infrastructure level but also the entire way across to the value-added chain. The company adopts measures that are designed to reduce CO<sub>2</sub> emissions generated by suppliers, production sites, business trips and events.

IWC Schaffhausen liaises closely with the relevant departments and authorities to develop and implement initiatives, such as the installation of photovoltaic cells on IWC Schaffhausen's rooftops, the use of energy-saving lighting in boutiques and shops-in-shop or the use of an electric car when travelling from one manufacture side to another.

#### Richemont Japan – Project 15 Energy saving plan

In 2011, Richemont Japan faced serious power shortages due to nuclear shutdowns after the March tsunami. To prevent a blackout, the Japanese government passed energy-restriction policies targeting a 15 % reduction of energy use compared to 2010 summer peak. In order to deal with this governmental request, Richemont Japan implemented a 'Project 15' team, combining employees from various Maisons and functions. Thanks to their commitment, the result for 2011 far exceeded its original target of 15 %: the company reached 26 % electricity saving compared to July and August 2010.

The following year, Richemont Japan continued to follow its internal saving guidelines to reduce CO<sub>2</sub> emissions and become a more sustainable society. This strong commitment led to a 20 % reduction of electricity consumption (July-September 2010 vs 2012). The key success factors for the second year were consistent communication, confidence by experience, regularised practice and better understanding of the stakes.

Richemont Japan puts a lot of effort in this project which is fully integrated in employees' daily life.

## Manufacture Horlogère ValFleurier – Environmental commitment

Manufacture Horlogère ValFleurier ('ValFleurier') considers environmental commitment as crucial to ensure its sustainable development and acts accordingly for building construction and operations.

ValFleurier is a 15 000 m<sup>2</sup> industrial site, producing watch movements and components of movements. Its buildings were built according to a no fossil energy concept: 'CO<sub>2</sub> free'. Primary energy sources are the neighbouring river 'Le Buttes' and the surrounding underground waters. Water goes through reverse cycle heat pumps in order to either cool or heat buildings and production equipment.

As part of the company's willingness to continually improve, ValFleurier is also focusing on environment footprint in the course of its production processes. For instance, in 2014, ValFleurier realised on its biggest production integrated line (milling, decoration, stone-setting) a full Energy Consumption Mapping. It has made it possible to identify energy wastes to eliminate and optimise levers. Moreover, compressed air consumption on all NC machines was reduced. In order to go further in these improvements, ValFleurier signed a partnership with Group E to optimise energy consumption, under the supervision of the Canton de Neuchâtel.

In addition to its intent to decrease the quantity of energy consumed, ValFleurier is also willing to contribute to sustainable energy and is purchasing green energy. A 'green current certificate' was issued by Group E to ValFleurier.

The concrete results of ValFleurier environmental commitment played an important role in its successful RJC certification at the beginning of 2014.

## Donzé Baume – Green electricity supply

Donzé Baume has built in 2012 in Les Breuleux, Switzerland, a 7 500 m<sup>2</sup> manufacture using Minergie standards, which combine ideal working conditions with low energy consumption. Principal features of this building are:

- Geothermal energy used for heating and cooling;
- Very good insulation levels and mechanical ventilation system with highly efficient heat recovery;
- Green roof;
- Artificial light regulated over motion detectors; and
- Monitoring and controlling of heating, cooling, ventilation, lighting and blinds.

Donzé Baume purchases green electricity for his two sites in Les Breuleux. The power is generated by hydroelectric power plants.

## 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.

With LED, the energy saving is therefore significant and complies with the latest building construction standards. Modern LED lights allow Cartier to halve a boutique's energy consumption while maintaining an excellent standard of lighting throughout. In addition, Boutiques stay cooler. Significant heat emissions from halogen and iodine lamps are more taxing in terms of air-conditioning requirements. Where LED lamps are used, only one-quarter of the amount of hot air is produced, which valuably reduces the impact on air conditioning.

With 50 000 hours life (approximately 10 years) for LED sources, maintenance is minimal and the LEDs provide a very good colour rendering. Indeed, LED bulbs also offer reliable colour temperature and an excellent colour rendering index.

Cartier was one of the first 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. LEDs now equip all new Cartier boutiques and are being rolled out to all distributors worldwide. 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.

### **Officine Panerai - Green building in Canton Neuchâtel**

Ten years on from the inauguration of its Neuchâtel manufacture, Officine Panerai inaugurated the new plant where all activities linked to development, production and assembly of the movements and the watches were transferred. This project represents the most ambitious one in terms of eco-sustainability and eco-compatibility.

The new manufacture fulfils CSR requirements for many reasons, such as:

- the water recovery system enables the Maison to recover rainwater in bathroom fittings and to water plants;
- a project based on eco-friendly mobility and on polluter-payer principle has been implemented to reduce the number of people who come by car to work;
- a company restaurant with CSR initiatives (local supply, etc.) has been selected to provide foods in the new Manufacture restaurant.

The goal for this new manufacture is to improve in term of CO<sub>2</sub> emissions until become a 'zero carbon emission' building.

### **Cartier – Environmental buildings (Manufacture Couvet)**

The Manufacture Couvet, located in the district of Val-de-Travers in the canton of Neuchâtel in Switzerland, illustrates Cartier's active approach towards environmentally friendly buildings. Features are broad and include, but are not limited to, the following:

- Heat recovery from hot emissions produced by installations processes (air compressors, air cooled liquid chillers, etc.). The system provides for 100 % of the heat consumption;
- Noise processing: ergonomic measures in place to enhance workers' well-being;
- Reversible heat pump which uses the Areuse River's water nearby covers the cooling requirements;
- Large glazed surfaces in order to maximise the amount of natural light;
- Energy consumption monitoring per manufacture or per production machine: consumption data, decision-support tool;
- LED and fluorescent light sources;
- Green roof;
- Rectangular-shaped building inherently maximising energy savings; and
- Recovery of rainwater in order to use non-drinking water for sanitation purposes.

### **Richemont Dubai – Green building certification**

In line with the Dubai Strategic Plan 2015 and the October 2007 directive set by Dubai's authorities, the main Richemont Dubai offices are covered by the green building certification process.

Receiving the certificate is dependent on a set of economic, environmental, social and cultural standards.

The economic standards, with regards to the construction of sustainable buildings, highlight the requirement for contractors to implement the standards and specifications set by Dubai Municipality and Dubai Electricity and Water Authority (Dewa) and to follow also the international green building standards (LEED Neighbourhood Developments). Moreover, the environmental standards require contractors to use construction materials that reduce negative effects on the environment and to efficiently consume natural resources.

#### **A. Lange & Söhne - CO<sub>2</sub> neutral building**

A. Lange & Söhne's new manufactory, due for completion by the end of 2014, will be supplied with environmentally friendly geothermal energy. 57 geothermal tubes in a depth of 125 metres will be set up during new building's construction. In summertime, the system will lead away heat from the air conditioner to the underground, where it will be stored in the rocks. In wintertime, the stored heat will be used to heat the building. The heating pumps will then run on green energy. With the biggest geothermal plant in Saxony, A. Lange & Söhne could save up to 50 % of energy costs, compared to conventional heating systems. The use of geothermal and green energy will enable the company to have an energy supply of the building which is free of CO<sub>2</sub>.

#### **Richemont Italy - Low environmental impact headquarters**

Richemont Italy consolidated seven separate buildings, which were being used as the Italian headquarters for our Maisons, into one building in Milan, where nine Maisons as well as Shared Services are now based.

The new 6 400 m<sup>2</sup> location is a 'Class A' building which has received a High Environmental Quality ('HEQ') certification. The low environmental impact offices, which feature an interior design concept created by the architect Riccardo Salvi, are the new headquarters for 300 employees.

#### **Jaeger-LeCoultre – Sustainable building technologies**

True to the heritage bequeathed by the founder of the Manufacture Jaeger-LeCoultre, Antoine LeCoultre, conscious of the necessity of ensuring healthy growth for the manufacture, the Maison remains particularly concerned and involved in its integration within its natural environment.

In 2009, Jaeger-LeCoultre completed an extension at its manufacturing site. The 9 000 m<sup>2</sup> building, in addition to the existing 16 000 m<sup>2</sup>, was built to meet the demands imposed by the Maison's continuous growth.

Jaeger-LeCoultre has demonstrated its concrete commitment to sustainable development by earning two labels attesting the eco-friendly quality of its new architectural achievement: on the one hand, the Minergie certificate granted to buildings ensuring a high level of comfort with low energy consumption, and on the other hand, the hydrolocale label which guarantees a supply of electricity produced by a renewable hydraulic energy, locally produced with water from the Lac de Joux.

In terms of energy consumption, the Manufacture is equipped with solar panels which produce part of the energy required for hot water, as well as with a free cooling system. This is an economical way of using low external air temperatures of the Vallée de Joux to help chill water, which then can be used for industrial process or air conditioning systems.

#### **Richemont Korea – LEED certificate**

In November 2011, the State Tower of Namsan, where Richemont Korea's offices are located, was awarded LEED Gold certification.

The Leadership in Energy & Environmental Design ('LEED') is a green building certification programme that recognises best-in-class building strategies and practices. To receive LEED certification, building projects satisfy prerequisites and earn points to achieve different levels of certification.

#### **Montblanc - FSC certified**

In 2013, Montblanc successfully acquired the FSC certification. All paper bags sourced by Montblanc are already FSC-certified, even its export cartons utilised to ship to distribution partners. In addition, since more than one year, Montblanc is using a FSC-certified coverage material for most of its covered boxes. Indeed, it changed supplier for the covering material and implemented a new supply chain for related suppliers. Furthermore, most of its service guides, folding boxes, refills packaging, paper refills and brochures are based on FSC material.

Montblanc wooden boxes are respecting the Lacey Act regulations and therefore are made of non-tropical wood. The Maison offers a second usage choice by proposing removable trays to its customers for most of the wooden boxes.

## Piaget - Innovative recycling 2014

Following the success of previous recycling efforts, Piaget implemented a plan to ecologically destroy 12.5 tonnes of obsolete advertising and communication material. Some 90 % of waste (11.5 tonnes) was rehabilitated instead of being incinerated, thus reducing atmospheric and CO<sub>2</sub> emissions. Moreover, thanks to the project, the cost of treatment was divided by three in comparison to the cost of incineration.

## 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.

The Oeko tests for harmful substances covers:

- Legally banned and controlled substances;
- Chemicals known to be harmful to the health (but not yet legally controlled);
- Parameters for health protection.

Taken in their entirety, the requirements go far beyond existing national legislation. This means less pollution during the production process (no use of harmful substances) and traceability. From 2013, all boutique staff uniforms are manufactured using OEKO-TEX® Standard 100 compliant material.

Finally, OEKO-TEX® Standard 100 compliant material are used as often as possible regarding point-of-sale advertising and other sales supports. Moreover, work is being conducted to increase the traceability of all textiles used.

## 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.

## IWC Schaffhausen - Environmental friendly recycling

IWC Schaffhausen strives to keep its operations as sustainable and environment-friendly as possible. The consumption of water, gas, electricity and other operating materials (for heating, lighting, ventilation, and air-conditioning) is kept as low as possible, as are pollution, emissions and waste. Nevertheless, the environmental impact of waste and in particular plastic waste remains a global problem. To limit the impact of plastic waste, IWC Schaffhausen has implemented a new plastic recycling system. This concept allows ecological recycling of plastic into fuel, using the most energy efficient technology available. This new recycling concept extends the life cycle of plastic in a useful way and results at the same time in quality oil.

## 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. Furthermore, carton packing is optimised to avoid empty space and is reused when possible.

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.

For several years now, 100 % of Cartier's paper product is made with paper from well-managed forests and FSC or PEFC certified (shopping bags, boxes, perfume packaging, catalogues, books, etc.).

For packaging, such as shopping bags and boxes, Cartier goes further by using certified materials that contains PCW recycled fibres. Since 2009, the paper used to cover the red boxes contains 30 % to 50 % of PCW recycled fibres. This initiative has been rolled out to boxes for watchmaking, jewellery and eyewear.

### Piaget – Gold sourcing

Piaget is involved in the 'gold traceability' project launched by Richemont two years ago. This project aims to visit and audit all suppliers upstream and to encourage them to join the Responsible Jewellery Council.

The Responsible Jewellery Council Code of practices certification is now recognised by the ISEAL and considered by Solidaridad as the best standard system available for Piaget's industry. More than 90 % in value of the Piaget gold components are now delivered by RJC certified suppliers. The virtuous circle is moving on and each new supplier is encouraged to join the RJC. The next step will be to be able to guarantee the gold component itself. The 'gold traceability project' will then be completed.

### Cartier – Gold sourcing

Cartier's sourcing decisions have an effect that ripples beyond its corporate walls. From whom the Maison buys its gold, and the criteria it uses to ensure its standards are met has a lasting influence on the gold supply chain. Cartier takes its catalytic role seriously and is careful to initiate change that is ecologically, socially and economically sustainable.

As a responsible business, we seek first to understand the challenges faced by our industry, and how best our business partners and Cartier together can act to address these. Over the last decade one of our goals has been to deepen our knowledge and find solutions to the social and environmental issues associated with gold production, both with large industrial extraction and with small-scale mining. Raising industry standards of operating practice is one effective lever to reduce to a minimum the negative effects of mining and to maximise the opportunity for positive community development.

Cartier was a founding member of the Responsible Jewellery Council ('RJC') – the industry benchmark for corporate best practice standards – and the first retailer to achieve certification against its leading Code of Practices. The Maison's stand for international best practices has been followed by our gold suppliers, who are recognised by the RJC and the London Bullion Market Association's ('LBMA') Responsible Gold Guidance.

At the same time as raising the bar on corporate sustainability performance, we proactively look for and engage with new partners in our supply chain whose approach to gold production will inspire others in the industry. In 2009 Cartier broke the 'business-as-usual' mould by reaching beyond the 1st tier in its supply chain and connected with the Eurocantera mine in Honduras.

Eurocantera's economically integrated and environmentally benign business model is unique. The operator recovers alluvial gold from the banks of the Guayape River with an innovative method that is cyanide-free, waste-neutral, and will leave more trees on exit than were there when it arrived. The mine benefits the community not only because it protects its neighbours' natural surroundings, but also through including small-scale mining co-operatives as business partners on the concession, as well as providing free health services to all.

Recognising the importance of artisanal and small-scale mining ('ASM') for local economies – it employs over 20 million people worldwide – and how many ASM groups are left outside mainstream supply chains and fail to benefit from legitimate export markets, Cartier is proud to have joined the Swiss Better Gold Association ('SBGA'). The SBGA was founded with the support of the Swiss State Secretariat for Economic Affairs to create a forum for business, donors and NGOs to collectively scale efforts to improve standards at mines and facilitate a flow of ethical gold to the Swiss jewellery and watch industry. Cartier's membership aims to support the SBGA in stimulating the much-needed supply of certified ASM mines and making payments to local mining communities in Peru.

One such operation participating in the SBGA is the Peruvian producer-owned *Sociedad de Trabajadores Mineros S.A.* ('SOTRAMI'). The arrangement between the SBGA, SOTRAMI, Cartier and one of its refiners, agreed in September 2013 supports a remarkable organisation that has grown from a loose assembly of small diggers in 1989, to what it is today: a FairTrade and Fairmined certified operation and small commercial enterprise that is a leader in responsible mining in Peru.

SOTRAMI is distinguished by its rigorous approach to ethical gold mining that respects the rights of employees, safe working conditions, democratic decision-making, and the social development of the community. This arrangement with SOTRAMI, through the SBGA, has opened the door for the small producer to forge new international links and opportunities, and to communicate the message of responsible small-scale production.

At Cartier we have learned that the best way to instigate change that endures and inspires adoption by others in the industry is to work with our long-standing suppliers to improve practices, and also to enter into new partnerships that are built on a clear alignment with our core values of responsibility and quality. We will continue with these efforts to support and improve the way gold is sourced, produced and refined.

#### **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 BSR (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.

The SLWG's Animal Sourcing Principles set out expectations and aspirations and have been being rolled out across Cartier's leather supply chain over the past years.

#### **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.

Chloé is a member of 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 Sourcing 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.

#### **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 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

When Jaeger-LeCoultre launched its collection of diver's watches, the Maison discovered magnificent and pristine underwater environments. The brand soon became aware of the urgent need to preserve these fragile environments and their biodiversity. In this regard, since 2008, Jaeger-LeCoultre has partnered with the UNESCO World Heritage Centre to support the preservation of outstanding threatened marine sites and to raise international awareness on this environmental cause.

Through the World Heritage Marine Programme, Jaeger-LeCoultre is contributing to the protection of the 46 marine sites internationally recognised for their conservation status, thanks to their inscription on the UNESCO World Heritage List.

In 2013 Jaeger-LeCoultre made a donation to the Brazilian Atlantic Islands: Fernando de Noronha and Atol das Rocas Reserves. This donation has been dedicated to the purchase of a fully equipped rubber dinghy to enable the implementation of a regular monitoring programme. It aimed at evaluating the state of conservation of its exceptionally rich marine life and at countering illegal fishing activities by facilitating swift interception of non-authorised boats.

### IWC Schaffhausen – Charles Darwin Foundation partnership

The Charles Darwin Foundation is the oldest organisation of its kind in the Galapagos Islands, and has worked tirelessly since 1959 to protect this UNESCO World Heritage Site. As official scientific and technical advisor to the Government of Ecuador, it is strategically positioned to ensure that its work directly affects the decision-making of the relevant authorities. The Research Station's 100 local and international staff conducts independent research and restoration programmes, and works on finding solutions to the most pressing threats to the islands' unique biodiversity.

IWC Schaffhausen has supported the Charles Darwin Foundation and thus has been one of the major patrons and guardians of the Galapagos Islands since 2009. To further consolidate its strong commitment to preserving the environment, IWC Schaffhausen launches special editions of its Aquatimer watches that refer specifically to the Charles Darwin Foundation. These watches act not only as ambassadors for good causes: a portion of the proceeds from their sale also makes a welcome financial contribution to the activities of the foundation.

### Cartier - Support of Pro Natura International

For several years, Cartier has supported 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: health education and environmental protection; developing and marketing traditional craft trades, and eco-tourism; 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.

### Employees

### Vacheron Constantin Institute

'L'Institut Vacheron Constantin' opened its doors on 17 September 2013, paying tribute to a young and talented watchmaker, Jean-Marc Vacheron, who founded his Maison on 17 September 1755. The creation of the Institute on this anniversary date reinforces the company's commitment to its core values. For 259 years, Vacheron Constantin has been creating an uninterrupted chain for the transmission of watchmaking knowledge and know-how to generations of craftsmen and talented people.

'L'Institut Vacheron Constantin' is active, among others, in:

- Perpetuating knowledge and watchmaking know-how. The Institute trains and mentors 30 watchmaking and Métiers d'Art apprentices today in a real '*filière d'excellence*'.
- Developing and strengthening partnerships and/or knowledge sharing with graduate schools, higher vocational, artistic, technical and watchmaking schools, in and outside Switzerland such as ECAL, Ecole Boule Paris, EPFL, Université de Genève, Watchmaking schools.
- Developing the talents, the employability and the potentials of Vacheron Constantin's employees through personalised and targeted learning programmes.
- Promoting fine watchmaking and its crafts by offering 'discovery journeys' through workshops visits, customer personalised care and contacts with watchmakers and craftsmen.

Vacheron Constantin hereby emphasises its commitment to Corporate Social Responsibility, considering it as a central point and giving the priority to the development of Human Capital and Crafts.

Separately, the Maison collaborates with the University of Geneva, founded in 1559. For example, the prestigious Vacheron Constantin Prize has been awarded each year since 1948 for the doctoral work of a student in the Faculty of Science. The prize is to encourage young students to continue their studies and carry out scientific research. It is awarded on a rotating basis to the writer of a particularly commendable work on astronomy, the physical sciences or mathematics.

#### Montblanc - Customer Service

CSR related issues have been incorporated in Montblanc's standard training material that is available in the online Academy Campus for every trainer worldwide. All retail teams are trained on that matter; it is part of the general induction training for all new retail staff and it enforces each trainee on the different product categories. The Academy also provides development training for boutique managers and high potential employees.

#### Piaget - CSR training

Piaget pays a specific attention to CSR approach and has developed various tools in order to train its staff worldwide: induction and retail trainings; a dedicated CSR part on the Piaget website; a CSR e-learning module; CSR chapters in the masterline; a CSR section in the Staff guide; CSR presentations during in-house world-wide events.

#### 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 employees for our Maisons' boutiques in China, including so-called second and third-tier cities.

Students 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. In 2012, the global course programme was fine-tuned to provide more fashion-specific knowledge for those trainees dedicated to join Richemont's Fashion and Accessories business.

Since its inception, more than 430 sales associates and boutique managers have completed the programme and are successful sales associates in our Maisons' boutiques across China.

The programme runs four to five times per year to fulfil the needs of our Maisons for new boutique sales professionals.

## Richemont - Digital training and development

The Digital Institute comprises a series of professional development programmes; in-house bespoke trainings; and other learning and development events including on-the-job initiatives. The Digital Institute was set up with a mandate to enable Richemont and Maisons staff to enhance their knowledge about digital and thereby raise the level of digital excellence in our organisation.

With four programme types currently operating and catering to various audiences, each programme is either tailor-made or adapted to suit the specificities of the industry and the Group. Since the initiatives began two years ago, the Institute has welcomed managers and staff from across multiple functions, countries and Maisons.

For example, some 30 e-Business and Digital Managers are trained in the ABCD programme each year. The Advanced Business Certification in Digital ('ABCD') is a year-long course designed specifically for the Maisons' e-Business and Digital Managers. The course is delivered in association with The Institute of Direct and Digital Marketing who provide professional accreditation and industry certification at the end of the programme.

## IWC Schaffhausen - Employee engagement training and development

IWC Schaffhausen runs a successful programme to engage and support its employees. The following are examples:

**Employee Welfare:** IWC Schaffhausen recognises the importance of enabling employees to balance work needs and life outside work. Therefore, IWC implemented a programme to support paternity leaves and the re-entry into working life for mothers. The programme encourages parents with young children to combine childcare with their working life by offering them different kinds of support.

**Health and Safety:** It is of high interest for IWC Schaffhausen to support the well-being of its people as well as to encourage their health. To this end, IWC Schaffhausen uses various approaches to promote fitness and good health of its people. For example, IWC Schaffhausen encourages sporting activity through its own IWC Schaffhausen sports club and contributes to the cost of gym membership.

**Training and Development:** IWC Schaffhausen employs various methods to enhance the development of its people: on-the-job support from managers or specialists in the team, shadowing in related departments or in one of its international subsidiaries, participation in team projects as well as in-house or external training with experts in their fields. Additionally, IWC Schaffhausen encourages employees from all departments and levels to learn from one another. Typical programmes focus on IWC Schaffhausen's history and craftsmanship or on general work- and life-related issues.

## 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 programme to foster fashion knowledge amongst its employees. This one-day programme 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.

Between 40 and 110 employees per year have participated to the two annual sessions organised and gave very positive feedback. This programme will continue to welcome Chloé's new employees twice a year.

## 'Chloé Moments' training

To provide the customer with the best experience, Chloé has created a specific training program for sales teams: this personalised clients approach is named '*Chloé Moments*'. This is a holistic approach, keeping away from the usual selling ceremony, instead emphasising what makes Chloé different.

'*Chloé Moments*' is both training and attitude linked with the Brand DNA, the codes and values that will guide and empower its sales teams in every client interaction, and will help them to build a unique client relationship based on trust and expertise.

Chloé's sales teams have to drive each customer visit differently: always with joy, humour, kindness, styling advice, and treasure their guests like family members. This means some pampering, but not only: they try to exceed their customers' expectations. This is the only way for Chloé to be able to touch its clients emotionally and garner loyalty over time.

## The Montblanc Academy - Retail staff training

The Montblanc Academy serves as a knowledge centre within the Maison. It is responsible for developing content-specific training objectives and programmes in order to strengthen Montblanc's customer service and sales performance. It operates on a worldwide basis through a 'Train-the-Trainer' network.

The train-the-trainer concept functions within the customer service department to ensure that all markets have the knowledge compatible with the service levels expected by customers.

## Montblanc - Arts and culture activities

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 180 pieces is on display all over the premises, in the CEO's office as well as on the manufacturing floor, in the office corridors and at the distribution centre. Thus, Montblanc employees are surrounded by contemporary art. The world of art and culture is present within the daily life of the Montblanc corporation because this is the only way that it becomes part of the corporate culture, and be experienced in-house by everyone.

Guided tours as well as the Montblanc Art catalogue and a short guide provide overviews of the collection and also provide information on new acquisitions for the Montblanc Gallery and in our glass staircase, the Montblanc Staircase Gallery.

Besides the collection, the Montblanc *Kulturkarte*, introduced in 1997, makes it possible for all members of Montblanc's corporate family in Hamburg headquarters to purchase tickets for opening nights at Thalia Theater, Hamburg's State Opera, exhibitions at *Hamburger Kunsthalle*/Gallery of Contemporary Art and all concerts of the Philharmonia of Nations at an 80 % reduced ticket price. The difference to the regular price is covered by Montblanc. Every employee receives this *Kulturkarte* for the annual price of € 10 and this in turn is donated to one of the projects Montblanc sponsors.

## A. Lange & Söhne - In-house watchmaking school

Since 1997, A. Lange & Söhne's in-house watchmaking school has offered about ten apprenticeships annually. The apprentices embark on a three-year programme during which they are trained at the school by five 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. Currently, A. Lange & Söhne educates 37 watchmaker-apprentices and four toolmaker-apprentices.

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

Richemont works closely with the Watchmakers of Switzerland Training and Education Programme Foundation ('WOSTEP'), 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. In 2011, 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 16 students each for the 3 000 hour programme and a class of six students for the Encasing Technician Course.
- **Japan:** This is the seventh 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.
- **UK:** The British School of Watchmaking has eight places available. Richemont UK currently sponsors two of its students. The school will celebrate its seventh graduation ceremony in September 2014.

#### Purdey – New factory

Purdey's new factory is expected to be completed in September/October 2014. The new factory is very much a gun making factory designed by gun makers, with the craftsmen having been involved in all important aspects, from the lighting and the layout of the benches, to the flow and order of equipment.

The health and well-being of its factory employees was paramount in the plans for the factory. An incentive scheme to encourage Purdey's staff to use environmentally friendly forms of transport has also been established.

#### Van Cleef & Arpels - 360° programme

Within the framework of finalising its successful recruitment process of its future CSR Manager, the Van Cleef & Arpels Maison is developing a 360° programme. The objective is to design a CSR framework approved by company management by March 2015 and defined around the following pillars:

1. Client satisfaction
2. Employee well-being
3. Supplier compliance
4. Community support and engagement
5. Environmental policy and environmental impact limitation

All existing CSR activities, such as the sponsorship activities in the field of ballet or the support of the BCRF in the US, will be revisited in order to be fully integrated into the Van Cleef & Arpels Maison's CSR framework.

#### Manufacture Horlogère ValFleurier – OHSAS 18001 certification

Health & Safety ('H&S') is a core value of Manufacture Horlogère ValFleurier ('ValFleurier'). For the last five years, the H&S approach evolved from ensuring conformity (full compliance to legal requirements) to a continuous improvement process.

ValFleurier put in place a full set of consistent and relevant actions to achieve this intent:

- Compliance to law regulation is defined from the acquisition of machines and buildings (request for quotation, safety control during machine construction and formal safety reception) to the operation (systematic risk analysis on process and jobs). In order to maintain a permanent compliance with regulations, ValFleurier is using a legal database.
- Programmes to get employees aware of their active role in safety have been fostered such as STOP™ by Dupont®, a behavioural safety programme (visiting at job place, strengthening good practice, and encouraging people to get involved in a safety corrective action). ValFleurier also communicates once a month on a professional or domestic safety theme; posters are deployed in the plant and discussed by the employees within meetings; managers equipped with supportive document can complete the exchange.

- ‘Safety’ positive initiatives are awarded through a Safety trophy.
- Safety commitments are also promoted to ValFleurier’s partners through audit and coaching.

As a consequence of the sincere commitment of its employees to H&S, Manufacture Horlogère ValFleurier obtained this year the OHSAS 18001 certification.

#### **Richemont Employee Benefits - ‘Think global, act local’**

Richemont has concluded a global business travel insurance and assistance programme, through an extensive partnership with International SOS. All employees travelling for business are automatically covered for any medical or security related issues.

The Group has implemented a global reinsurance structure aiming to improve employee benefits coverage whilst reducing the costs of employee benefits plans by eliminating some layers of costs.

#### **Montblanc - Health, Safety and Environment day**

It is at the heart of Montblanc’s philosophy to offer a safe, healthy and environmentally-friendly work space to its employees. To underline its commitment Montblanc has, for some years, promoted these topics by implementing an annual ‘HSE day’, featuring workshops, health consultations and safety advice to improve the daily working and also home environment for Montblanc’s employees. The event raises awareness and further improves health and safety compliance and environmental protection.

Activities of the 2013 HSE day included workshops on healthy food and weight management. Various health insurances introduced their concepts and offered consultations. Furthermore, the restaurant offered healthy food and snacks. Additionally, ‘Fresh-up’ massages were offered and fitness exercises were demonstrated. Employees were trained on every day energy efficiency and had the chance to win a fitness bike.

#### **Richemont China – CSR Committee**

With the rapid development of the Chinese economy, environmental pollution has become a key issue impacting the quality of life of people in nearly all parts of China. In December 2013, over 80 % of the 47 main cities studied had failed to meet the national air quality standard for more than half of the month.

In order to improve the environment, the Chinese Government has established policies and implemented practical actions. For example, the heavy air polluting industries are now required to be equipped with smoke-stack-scrubbers, encouraged to increase the use of cleaner coal, or other clean fuel alternatives as an attempt to reduce the reliance on coal.

In this context, Richemont China CSR Committee has made efforts in improving the working environment, including installing air purifiers in office and boutique areas, providing 3M anti-pollution masks to employees, and providing antimicrobial hand lotion in public areas to improve office hygiene standards. During the past few years, Richemont China’s CSR Committee has also promoted and conducted CSR activities to increase employees’ environmental awareness. Since 2011, Richemont employees have participated in Earth Hour and the Recycle Design Campaign.

The Committee will continue its efforts to foster greater awareness of environment issues among Richemont employees and the community and to encourage the development of eco-friendly life styles. Richemont China will also ensure that its staff is properly supported through one-on-one consultations. Moreover, benchmark monitoring into practices, such as hardship pay or perquisites related to the pollution levels, will also be undertaken to keep pace with market standards.

#### **Cartier - CSR personal objectives for Executive Committee members**

Since April 2014, Cartier has implemented a system of Corporate Responsibility related personal objectives for the members of its Executive Committee.

The objectives and relative KPIs are determined jointly by the Executive Committee member and the Corporate Responsibility Director.

The Corporate Responsibility objectives are aligned with the Maison’s corporate strategy.

The specific objectives are an integral part of the Maison's global Corporate Responsibility framework.

The objectives cover the following four priority areas:

- Responsible sourcing (with specific objectives linked to precious materials supply chain);
- Responsible operations (incl. reduction of CO2 emissions, reduction of paper consumption);
- People Practices (working conditions); and
- Sustainable product development (such as life-cycle analysis and product eco-design).

#### **Van Cleef & Arpels - Employees Engagement Barometer**

In 2012, Van Cleef & Arpels rolled out the Employee Engagement Barometer for the first time in order to identify engagement drivers on a global level and to define action plans to increase engagement within the worldwide population. The response rate among the Maison's 1 000 employees was over 85 %. The findings have contributed to a significant improvement in turnover rates, particularly in the Asia-Pacific region.

#### **Piaget - CSR Newsletter**

Four years ago, Piaget published its first newsletter dedicated to Corporate Social Responsibility (CSR) topics, such as supply chain, product integrity, environment, employee well-being, sponsorship, and philanthropy.

This practice has evolved and Piaget's CSR team now publishes a quarterly newsletter to keep the Maison's employees worldwide up to date with all new developments. It contains updates on special projects, such as the Maison's RJC Certification or the recycling of obsolete communication materials. Wider newsletter topics include year-on-year emissions reductions and Piaget's sponsorship programmes such as Action Innocence and the Altiplano telemedicine project. The year-end newsletter also outlines CSR goals for the year ahead.

The CSR newsletter is distributed internally in English, French, Chinese and now Japanese.

#### **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 have been formed by office location. As this is a relatively new initiative, we continue to work towards stabilising and strengthening the role of the committees within every day work life.

Although 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.

#### **IWC Schaffhausen - Charitable work**

IWC Schaffhausen gives its employees the opportunity to commit themselves to charitable work by offering them the chance to volunteer during events organised by the Laureus Switzerland Foundation. IWC Schaffhausen is one of its founding partners and helped to establish the guiding principles of the Laureus Sport for Good Foundation.

This foundation raises funds to provide financial and practical support to more than 150 projects which use the power of sport to coach disadvantaged young people, or give them an education, helping them to surmount the pressing social challenges they are facing. For instance, in Ghana, the foundation supports the OrphanAid Africa project which creates an environment where vulnerable children can grow up in safe, permanent and loving family settings. A variety of sports activities, led by trained coaches, is providing for the inhabitants of Ayenyah community and the foster children in the surrounding area. They also receive additional life-skills courses on literacy, health and HIV awareness. 2150 children have benefited from the project's work so far.

## **Richemont Hong Kong-Macau – CSR communication and education**

Richemont Hong Kong-Macau ('RHKM') has taken the decision to strengthen CSR communication and education. Indeed, it is key for RHKM to ensure that employees, shareholders, authorities and customers are conscious of the implementation of functional corporate governance mechanisms and an enforced code of conducts, and of its business contribution to the greater well-being and prosperity of society. Having this in mind, RHKM made CSR an understandable topic, practical and integrated into working life and also an ongoing learning process.

First and foremost, RHKM communicates on its two CSR partnerships: Hong Kong Breast Cancer Fund and WWF. With this, each employee can stay abreast of the well-being and environmental protection initiatives through seminars, publication and links to HK Breast Cancer Fund and WWF's websites. Attending activities, such as photo taking competition for Earth Hour, Pink Walk and recreational activities designated for fundraising, participate also in raising awareness on CSR topics.

To reinforce the understanding of CSR, RHKM developed and implemented the Boutique Manager Master programme. This is a module related to compliance and boutique operations, which covers also Richemont compliance, the code of conduct guidelines and Richemont involvement in Responsible Jewellery Council. RHKM re-launched the Green Book with the objective to share different methods on how to develop knowledge and skills on sustainable construction, given that new stores are implemented in Asia and new team members are hired.

Using the power of communication and education to connect RHKM's team members in the aspect of CSR encompasses the paradigm shift in attitudes towards this important subject matter.

## **Richemont South Africa – Employee development**

In South Africa, Richemont currently employs some 80 people. This figure represents 0.2 % of the Group's total headcount. 60 % of the employees are previously disadvantaged individuals.

In this regard, Richemont South Africa is acting in line with the Black Economic Empowerment ('BEE'), a governmental policy that aims to realise the country's full economic potential while helping to bring the black majority into the economic mainstream. Indeed, Richemont has focused on the support of social institutions providing care to children and women and on the skills development of watch technicians.

## **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 implementation of mandatory e-learning courses and classroom-style training for managers and employees in the region.

All management level employees are required to complete RNA's Sexual Harassment Prevention training within their first 30 days of employment. This two-hour 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.

Employment Law training for management level employees is also required by way of live instruction, facilitated by external Legal Counsel. This two-hour course is designed to help managers supervise, coach and hold their teams accountable in accordance with federal and state legal guidelines and Richemont employment policies.

An additional e-learning course, Workplace Harassment Awareness, is also required for both management level and non-management level employees to complete within their first 30 days of employment. This mandatory training is designed to further foster a harassment-free workplace in RNA.

Furthermore, RNA has introduced a new professional development course titled Making The Most of a Multi-Generational Workforce – the new 'diversity' topic of today. Hosted live by an external consultant, this interactive training is made available to all levels of employees with the goal of helping them understand why each generation has certain identifiable characteristics and how to best work with each one.

From April 2014, all RNA e-learnings will be hosted on Richemont's Learning Management System ('LMS').

## Cartier - Preservation of skills and fostering 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'* is open to all Swiss watchmaking apprentices who complete their third year of training 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. The latest ceremony celebrated its 20<sup>th</sup> edition.

In 2002, Cartier founded its private jewellery-making institute, *'l'Institut Joaillerie Cartier'*, with the vision of passing on exceptional skills to future generations and developing innovative methods and techniques. Since 2007, a high-level specialist training programme in jewellery-making crafts has been aimed at graduates and young apprentices that have completed the French BMA or CAP vocational diplomas. Courses are taught by specialists active in their respective fields. The programme offers optimal conditions for training and the opportunity to join a high-level team in the atelier. Starting July 2014, the Institute will be used only to train specialists from in-house ateliers seeking to build on their skills in jewellery-making, high-end gem-setting and jewellery finishing. These courses equip students with the expertise required to work on exceptional pieces.

## 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.

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](#).

## Campus Genevois de Haute Horlogerie

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

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 m<sup>2</sup> 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 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's Department of Public Education for its active participation in the creation of the Learning and Apprenticeship Centre for Haute Horlogerie. The Learning Centre is the cornerstone of the Campus which will be inaugurated in the year ahead.

## Communities

### Richemont and its Maisons – Geneva Marathon for UNICEF

Richemont and its Maisons asserted their presence in Geneva by supporting the Geneva Marathon for UNICEF, which celebrated its 10<sup>th</sup> anniversary on 4 May 2014. Over 10 000 runners representing 110 nationalities registered for this edition. Funds raised will go to support the installation and the working of water pumps in areas of the world where clean drinking water is not available.

Richemont covered the registration fees as well as the access to dedicated areas. Part of the registration fees was donated to UNICEF.

For its first participation, Richemont and its Maisons were largely mobilised; the registration figures speak for themselves:

- 14 Group entities: Baume & Mercier, Campus Genevois de Haute Horlogerie, Cartier, Jaeger-LeCoultre, Stern, Officine Panerai, Piaget, Richemont, Richemont Europe, Richemont International Distribution, Roger Dubuis, Vacheron Constantin, ValFleurier, Van Cleef & Arpels; and FHH
- 309 runners
- 43 teams for the relay marathon
- 65 half marathon runners
- 10 marathon runners

This event constitutes a great team-building opportunity, not only for experienced marathon and semi-marathon runners, but for less experienced runners as well.

### Chloé - Race against breast cancer

As a member of the global community, Chloé strives to act as a responsible corporate company. Founded by a woman, the spirit of the Maison is an attitude.

On the occasion of its 60<sup>th</sup> anniversary, the Maison set up an employees' team composed of 60 women volunteers to participate in September 2013 in a race in '*La Parisienne*'. The race raises funds for women with breast cancer. Weekly coaching sessions were organised by Chloé to prepare the runners for the race.

This event demonstrated an amazing mobilisation, team motivation and spirit and was an outstanding human experience with women sharing and supporting a common cause, totally in line with Chloé's values and commitment towards the community.

## Officine Panerai – Charity programmes

For years, Officine Panerai has encouraged initiatives whose ultimate goal is social responsibility both in Italy and abroad. The brand is regularly committed in various associations' actions: Fondazione De Marchi and Magica Cleme Onulus (Italy), Les Enfants de Frankie (France), Action for Children (UK), Sailing Heals (USA).

'Captain for a day', the principle initiative organised on board Eilean, gives starring roles to children and young adults facing illness and hospital treatment. Real sailing lessons characterise the various activities of this 'exceptional crew'.

Officine Panerai also promotes other, non-sailing initiatives, such as entertainment, laboratory time and excursions, with the aim of improving the health and well-being of patients from the associations while giving continuity to the collaborations born in recent years.

## Cartier Charitable Foundation

Cartier has a long standing commitment to charity. Already a founding member of the Responsible Jewellery Council and initiator of the Cartier Women's Initiatives Awards, Cartier further stepped up its social commitment by creating the Cartier Charitable Foundation in 2012.

The Foundation strives to foster positive change and enable people to live a meaningful and fulfilling life in a more equitable and safer environment in developing countries. It implements a coherent need-based and result-oriented philanthropic strategy, aimed at building the capacities of communities, and women in particular, through initiatives enabling socio-economic transformations. The Foundation promotes women's social and economic empowerment, provides humanitarian assistance to children when disasters strike, and engages with communities to encourage a more responsible management of natural resources.

The Foundation establishes partnerships and delivers grants to international non-profit organisations that excel in their field of expertise, whose mandate and programmes align with both the Foundation's values and core funding areas. It supports innovative and impactful initiatives to obtain measurable long-term results. Development projects are undertaken by our partners in consultation with governments, enabling communities to strengthen their capacity and acquire knowledge to design and implement interventions that best meet their needs.

The selection of programmes is evidence-based to ensure that resources will be used in the most effective way to achieve the highest impact. The following success factors are key to the selection's process: capacity strengthening, scalability, substantial and lasting impact, innovation, cross-sectoral thinking.

14 partnerships have been developed by the Cartier Charitable Foundation to support projects in 22 countries, e.g. with UNICEF in India, Action against Hunger in Myanmar, Care in Haiti, Women for Women International in Rwanda and the World Food Programme in Burkina Faso.

## 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 2014**

In February, the Alfred Dunhill Community Day 2014 brought together 30 employees from the UK to deliver real and lasting change to a community in need. Anyone working for Alfred Dunhill UK could apply.

Alfred Dunhill's team of 30 volunteers were tasked with building a tree house, footbridge and stage for pupils at the Hugh Myddelton Primary School in Islington all in one day! Time was tight and a lot of sweat, energy and enthusiasm were poured into the work to ensure that the playground was completed on time. Despite some earlier concerns, with a last minute flurry of activity and a dash to the 5pm deadline, the whole project was completed on time, much to the delight of the school children who had come into the school during their holidays to be the first to enjoy their new play area. To see the pleased children running around and to receive the heartfelt and emotional thanks of parents and teachers, both on the day and by correspondence afterwards, was hugely satisfying.

The borough in which the school is situated has a large number of impoverished families and also has the lowest amount of green space anywhere in the UK. And what little open space there is, is often off limits to children, so the only outdoor space for them to play in is usually the school grounds. Alfred Dunhill constructed a much needed safe, exciting and functional area for the pupils of the Hugh Myddelton School and the children in the wider community, so the work done by our team of volunteers will have a long and lasting impact to the lives of the children in that area.

### **Richemont North America - Employee volunteer day**

In May 2014, Richemont North America ('RNA') continued an annual tradition and hosted an employee volunteer day for all office employees. RNA has partnered with Laureus Sport for Good Foundation USA. This year, the company is working with two organisations in the New York Area. One is the Mary Mitchell Youth and Family Center whose goal is to improve the lives of families and youth in the Crotona section of the Bronx through programmes expanding opportunities, developing leadership and building community. The other organisation RNA is working with is Row New York, whose mission is to empower young people from New York City's under-resourced communities to build strength, gain confidence and pursue excellence through the unique sport of rowing.

Similar volunteer activities were held in the Shelton, Connecticut offices as well as the Warehouse and Technical Center in Dallas, Texas.

Approximately 200 employees volunteered across all programmes. This was an excellent team building opportunity and a way to give back to the community. RNA holds employee volunteer days annually in the spring and will continue to partner with the Laureus Sport for Good Foundation.

### **Roger Dubuis – Blood donation**

Roger Dubuis has partnered with the Blood Transfusion Centre ('CTS') at the University Hospitals of Geneva ('HUG') and has committed to two blood donation campaigns at the Manufacture every year, in order to help fight against the shortage of donors affecting major hospitals.

The first campaign organised at the Manufacture in December 2013 strongly mobilised employees as well as the executive management teams from Roger Dubuis, Manufacture Stern, Van Cleef & Arpels, Campus Genevois de Haute Horlogerie and Richemont, resulting in 180 employees volunteering to give their blood and in the collection of 93 units.

In addressing the Manufacture teams, Roger Dubuis CEO Jean-Marc Pontroué urged everyone, emphasising that 'by giving your blood, you directly contribute to saving lives, you allow children to finally receive treatment or accident victims to be transfused. Because these are the main uses that will be made of your kind contribution!' He added that 'The success of such an operation is a demonstration of the strength of our values and the ability of our team to mobilise for a humanitarian cause'.

## 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 been actively 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.

## Fondation de la Haute Horlogerie

The *Fondation de la Haute Horlogerie* ('FHH') enjoyed a resounding success in Japan.

In 2013, Switzerland and Japan celebrated the 150th anniversary of diplomatic relations between their two countries, a bond that was further reinforced in 2009 by a free trade agreement. Festivities, which continued over several months, began in Tokyo in February, and the Swiss Confederation invited the FHH to be part of this special occasion.

The FHH joined in the opening ceremony, which was attended, among others, by the President of the Swiss Confederation, the Swiss ambassador to Japan and the Japanese ambassador to Switzerland. The FHH presented *The Mastery of Time*, an exhibition of some one hundred historically significant timepieces, paid homage to this pivotal moment in Japanese-Swiss relations. This event was seen by more than 2 000 people in six days.

Other important events overseen by the FHH included the *Salon International de la Haute Horlogerie* in Geneva and the first *Watches & Wonders* exhibition in Hong Kong.

## Piaget Awards - New partnership with HEAD-Genève

In November 2013, Piaget inaugurated its new partnership with the local high school for arts and design 'HEAD-Genève'.

Piaget is now actively supporting students and new graduates of the Jewellery, Watch and Accessory Design Bachelor and Master programmes. The first edition of this new partnership included two sections: a Piaget Workshop, related to Piaget-specific projects, and a *Prix Piaget Jeunes Talents* contest, on the theme of each student's choice.

The two winners of the first *Workshop Montre* and *Piaget Jeunes Talents* prizes were awarded a three-month internship at the Piaget creation studio in Geneva.

## Vacheron Constantin and ECAL - A partnership for watchmaking arts and crafts' perpetuation

Within the framework of Vacheron Constantin's commitment to perpetuate watchmaking crafts, *Métiers d'Art* and applied arts, the partnership between the Maison and ECAL (Ecole Cantonale d'Art de Lausanne) aims to develop a 'Master of Advanced Studies in Design for Luxury and Craftsmanship', which should welcome each year about 12 students graduated in design from all over the world and selected by a jury of experts.

The programme offers educational tours in the Vacheron Constantin workshops, Heritage, Museum and Boutiques, as well as talks with craftsmen, Design and Retail teams. After this immersion into the world of *Haute Horlogerie* (Fine Watchmaking), students are assigned a design project on the theme of time, products and/or boutiques environment, based on the decision of Vacheron Constantin and ECAL.

A Master's Degree is awarded on successful completion of the programme and a long-lasting internship opportunity is offered by the Maison to one of the young graduates.

### Vacheron Constantin – Sponsor of 'Journées Européennes d'Art 2014'

For Vacheron Constantin, contributing to the vitality of Artistic Crafts is not only a commitment, but also a duty. Each year, rare crafts are orphaned due to training schemes' abandon: knowledge, promotion and transmission of such crafts are sadly lacking today. Keenly aware of this issue, Vacheron Constantin has undertaken to make these artistic crafts better known and understood, essentially through exhibitions around the world.

For several years, Vacheron Constantin has been developing a network of '*Métiers d'art institutions*' all around the world and partnerships with key leading artistic crafts institutions. The Maison supports specific projects with these institutions, mainly during the '*Journées Européennes des Métiers d'Art 2014*' (Artistic Crafts Days 2014).

- In France: The French National Arts & Crafts Institute (INMA);
- In Italy: *Fondazione Cologni dei Mestieri d'Arte*;
- In the UK: Walpole and the Crafts Council; and
- In Switzerland: The Department of Culture of the City of Geneva.

Through its partnerships, Vacheron Constantin wishes to encourage training and transmission of expertise, support excellence in craftsmanship and highlight the Artistic Crafts by demonstrating the important role they play within contemporary design.

### Tribute to the Mont Blanc

The '[Tribute to the Mont Blanc](#)' collection is a fascinating homage to Europe's highest mountain – and at the same time, an expression of Montblanc's commitment to protect and preserve the natural beauty and uniqueness of the Mont Blanc massif.

### Richemont Japan – Fundraising for Tohoku Recovery

The March 2011 earthquake in Japan has caused the Tohoku area severe damages and hence the rebuilding of the region will last many years and cost a lot. Therefore, on 23 May 2013, Richemont Japan organised an event to raise funds for Tohoku Recovery which has gathered together more than 300 Richemont Japan's employees from all Maisons and regions. Thanks to great commitment of all employees, sales proceeds of raffles amounted to JPY 1 485K. After adding the company contribution, the total reached JPY 2 970K. This amount was donated to the KIBOW foundation, which is working on a reconstruction assistance project.

### Richemont China – Involvement with NGOs

As China speeds in its economic growth, the third sector or the non-profit sector has also rapidly developed since the beginning of the economic reform. It is estimated that there are more than 541 000 NGOs and cumulatively they raised more than 110 billion RMB in 2013. Most of these NGOs are government-sponsored and are involved in social welfare activities aimed to fill the gap in government activities to improve the social conditions of the impoverished regions around China. Given the existing restrictions on fundraising, these NGOs depend largely on corporate sponsorship to fund their projects.

As a responsible corporate citizen operating in China, Richemont has partnered with a prominent NGO, The China Youth Development Foundation ('CYDF') to carry out its community investment. The company has committed 2 million RMB to three projects:

- Construction of one Project Hope School in the Ya'An area impacted by a severe earthquake.
- Sponsorship of Richemont Secondary Education Scholarships for children in impoverished rural areas. Richemont will provide a scholarship of RMB 1 000 per year per student through their secondary education in either or both their junior high school or high school education.
- Funding of art and music equipment purchases for migrant workers schools nearby Shanghai or Beijing. These schools for children of migrant workers are typically outside of the public education system and are poorly funded. Private donations help to provide additional resources to the schools and students.

In conjunction with the financial support, Richemont China will support its employees' involvement in CSR activities. Indeed, Richemont is going ahead to build its presence in China and continues to act as a responsible corporate citizen and partner with Chinese NGOs to make it a better place for its host country, customers, employees and shareholders.

### **IWC Schaffhausen – Succession Antoine de Saint-Exupéry - d'Agay partnership**

IWC Schaffhausen has opened two school buildings with a library in Roluos, Cambodia. Those constructions were made possible partly by the auction proceeds of a platinum IWC Schaffhausen watch, which went under the hammer for CHF 173 000 in November 2013. In the future, the company's commitment will give 1200 children access to a school education. A new mobile library is also part of the joint efforts undertaken by IWC Schaffhausen in conjunction with the Antoine de Saint-Exupéry Youth Foundation and the Sipar organisation to combat illiteracy in the country.

Under the aegis of the Fondation de France, the Foundation was created by Antoine de Saint-Exupéry's heirs to promote the great French writer's humanist philosophy. Liaising closely with companies that share its values and aims, the Foundation works primarily to help disadvantaged young people all over the world: by encouraging and financing local initiatives designed to provide education and training across a broad spectrum of areas; by instilling a sense of purpose into young people and teach them to live together as part of their communities; by finding fulfilment in work and to access culture through reading and writing. IWC Schaffhausen has helped sponsored the outstanding work of the Foundation since 2005.

### **Purdey – Conservation awards**

The Purdey Awards for game and conservation have been running since 1999, when James Purdey & Sons took over the annual Game and Conservation Awards first established in 1986. They recognise and reward those who are involved in projects in the world of shoot management and conservation within the United Kingdom and whose efforts have achieved outstanding results in improving game bird habitats and the biodiversity of their land.

The Awards are open to any type or size of shoot within the UK and entries can be made by individuals, syndicates, estates, farm shoots and wildfowling clubs. They highlight the efforts of farmers, gamekeepers and landowners to protect flora and fauna, improve natural diversity and raise overall land management standards.

### **Montblanc - Signature for Good**

Cultural commitment and helping others has always been an integral part of Montblanc's philosophy. That's why Montblanc initiated the 'Signature for Good Programme' to actively support UNICEF's educational projects, which benefit children around the globe. Every 4 years, Montblanc makes significant donations for marketing purposes within its partnership with UNICEF: approximately 5m US\$ were donated in 2013/14.

Quality education will end generational cycles of illiteracy and will equip children with the knowledge and skills they need to realise their full potential and make a difference in social, economic and political decision-making throughout their lives.

### **IWC Schaffhausen – Climate Group**

IWC Schaffhausen has donated a limited edition watch in platinum for a charity auction on behalf of The Climate Group. The Climate Group is an award-winning, international non-profit. It works with corporate and government partners to create a prosperous, low carbon future. The proceeds from the auction were entirely dedicated to the work of the organisation to help develop innovative solutions to tackle climate change around the world.

### **Shanghai Tang – Hong Kong Cancer Fund**

Since 2005, Shanghai Tang had supported Hong Kong Cancer Fund ('HKCF') in its campaign of raising awareness on breast cancer through its products. This year, the company collaborated with HKCF in support of the Pink Revolution Campaign 2013: the limited edition *Eternity Bracelet*, specially designed for HKCF, was launched in September ahead of October Breast Cancer Awareness Month and on sale till January 2014. One-of-a-kind, the *Eternity Bracelet* features the Chinese Eternity knot, known to bring good luck in life and career, and symbolises infinity and longevity. A portion of the proceeds from this product's sale was donated to HKCF. Moreover, to kick off the start of breast cancer awareness month and support HKCF's mission in drawing attention to cancer, Shanghai Tang organised a buzz-generating event on September 2013.

## Piaget - Altiplano-Artères

At the initiative of Piaget and in collaboration with the *Artères Foundation* and the University Hospitals of Geneva, the RAFT telemedicine network has been developed in the Bolivian Altiplano since 2011. The aim of the RAFT/Altiplano project is to provide universal access to healthcare using new technologies, especially telemedicine tools.

Piaget financed the equipment of 16 healthcare centres and the connection to the Internet and to the RAFT network. These facilities offer patients access to nine medical specialties, among which the main ones are obstetrics, cardiology and dermatology.

In 2014, two Piaget volunteers will travel on-site in order to help the Maison strengthen its commitment and its links with the local project team. Four new healthcare centres in the Potosi region will be equipped.

## Baume & Mercier – Charity programmes in Japan

Baume & Mercier started as a family business in Switzerland in 1830 and continues to support programmes in favour of mothers and children. The Maison unveiled Lady's Linea watch to support sustainable care for women and children affected by the 2011 earthquake and tsunami.

The Swiss Maison d'Horlogerie Baume & Mercier has also decided to donate JPY 5 million to JOICFP (Japanese Organization for International Cooperation in Family Planning), a NGO based in Japan, in order to support their rehabilitation programmes operated to help mothers and children in affected areas. The donation will be used to support mothers and children's living, especially to provide support for mothers.

## Richemont Dubai – 2014 'Philippines Aid Fund'

In November 2013, Typhoon Haiyan devastated the Philippines. Millions of people across the central Philippines were affected and left without food, shelter or safe drinking water in the aftermath of one of the worst storms ever.

In this context, Richemont Dubai ran a successful programme to engage its employees in their efforts to support Richemont Philippines Aid Fund. Thanks to their collective efforts, the Company collected 300 kg of food and 400 kg of non-food items: bed linen, blankets, towels, dry food, used clothes and shoes, and first aid have reached the respective relief camps.

## Marketplace

### Cartier - Customer service

Since 2007, an 'On the Job' Retail coaching programme aiming to develop the culture of excellence in sales and service has been implemented in all of Cartier's boutiques and customer service centres around the world.

In 2014, an evolution of this programme has been launched to continue to deliver stellar experience to Cartier customer providing an exceptional and personalised level of service through the 'Cartier Touch' of each Cartier associates and Ambassador.

'Mystery shopping' is used to measure the implementation of the programme. The results are very positive for the business, boutique staff development and customer's satisfaction.

### 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.

The client experience is measured every year for different geographical locations through the on-line Client experience barometer. In 2013/14, 16 000 clients have been interviewed.

### **Peter Millar - Vendor compliance manual**

Peter Millar has employed a Vendor Compliance Manual with all active vendors for the past three years. While the process of updating the Vendor Compliance Manual annual has been performed since the Manual's inception, the company has streamlined the process this year and hired an additional resource within the Production (purchasing) team to coordinate this administrative task. In addition, the 'chargeback' process for vendor non-compliance has been strengthened with the Manual. It has allowed providing more timely feedback to vendors which, in turn, enhances vendor compliance.

### **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.

### **IWC Schaffhausen – CSR boutique package**

IWC customers expect not only supreme precision and exclusive design but also respectfulness of the highest standards in sustainable industry practice. For IWC Schaffhausen, Corporate Social Responsibility ('CSR') is therefore not only to strive for sustainable actions but also to promote the CSR engagement all the way down to the customer. To achieve this, IWC Schaffhausen has recently implemented a specific CSR boutique kit focusing on documenting the 10 things to remember and the partnerships that IWC Schaffhausen has cultivated for many years with various institutions. The CSR boutique kit is part of the overall sales employee training and available at all time in the back office of every boutique.

### **Richemont and EPFL – Creation of a new academic chair**

In April 2014, Richemont and EPFL announced the creation of an academic chair in 'Multi-scale Manufacturing Technologies.' The future professor will work at EPFL's Neuchâtel Microcity Campus, home to its Institute of Microengineering.

The continuous optimisation of manufacturing processes for mechanical components is one of the key success factors of the Swiss watchmaking industry. While traditional machining and stamping processes will continue to play an important role, emerging technologies such as laser machining, 3D printing and plasma etching are pushing the current limits to new heights of quality and performance. In order to capture this outstanding potential, Richemont and EPFL are creating an academic chair in 'Multi-scale Manufacturing Technologies'. Richemont, a key Swiss player in the watchmaking and jewellery industry, will sponsor the activities of the future professor in EPFL's Institute of Microengineering. The recruitment process has already started.

By investing in this high-potential sector, Richemont and EPFL confirm their determination to play a leading role in innovation. The future professor, who will start at the Institute of Microengineering in 2015, will create an integrated platform of the very latest manufacturing technologies for the benefit of the high precision industry.

### **Responsible Jewellery Council ('RJC') Certifications**

In 2010, Cartier was certified against the ethical, social, human rights and environmental standards established by the RJC's Certification System. Cartier is a founding member of the RJC, the first certified founding member and the first certified retailer. Certification results from a successful verification assessment conducted by SGS, a highly regarded and international auditing company.

The following Richemont Maisons have completed their own certification processes; all were certified following separate assessments conducted by SGS.

Cartier	8 November 2010	Recertified on 28 October 2013
Baume & Mercier	12 August 2011	
Piaget	30 August 2011	
Jaeger-LeCoultre	11 August 2011	
Van Cleef & Arpels	19 October 2011	
Vacheron Constantin	20 January 2012	
Montblanc	24 January 2012	
Ralph Lauren Watch and Jewelry Co	7 March 2013	
IWC Schaffhausen	15 January 2014	
Officine Panerai	19 January 2014	

A. Lange & Söhne, Roger Dubuis, Net-A-Porter, Manufacture Stern 1898 and Donzé Baume are members of the RJC with the aim to be certified in 2014. Giampiero Bodino will be certified in 2015.

Amongst Richemont manufacturing entities, Manufacture Horlogère ValFleurier and Varin Varinor SA are also RJC certified.

#### **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. These audits cover a wide range of criteria to assess the suppliers' ethical, social and environmental performance. The programme applies to suppliers from all product lines and areas of the business, ranging from raw materials to manufacturing as well as packaging and boutique furnishings. It has been developed in the spirit of partnership with suppliers and encourages a process of continuous improvement through the sharing of best practices. 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. Since the launch of the programme, Cartier has increased the number of suppliers audited each year. Another notable feature of the programme is that it has been extended to cover both tier 1 and tier 2 suppliers.

#### **Lancel - Social audit programme**

Since 2007, Lancel has implemented a social audit programme, conducted by independent specialists. 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 conducted before working with a potential new supplier if located in a high-risk area. In the year ended 31 March 2014, 13 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 is a key element of Lancel's sourcing strategy.

#### **Peter Millar - Fair Labor Certificate**

Although Peter Millar had previously registered with the Fair Labor Certificate ('FLA') and earned a FLA Category B designation, the company had to go this year through a lengthy application and self-assessment process across a number of parameters, as well as provide proof of its CSR programme(s). The detailed nature of the assessment process coupled with the desire to strengthen its already existing vendor audit programme enabled Peter Millar to increase the amount of third-party vendor audits conducted.

To date Peter Millar's audits have been targeted to those vendors producing product for its 'collegiate' collection; however, aspiring to obtain full partner-company status with the FLA, the company will be working to expand the scope of audits across the entire vendor base in the coming years.

For more information about the FLA licensee categories and obligations, please check the FLA website at [www.fairlabor.org](http://www.fairlabor.org)

## UN Global Compact Communication on Progress

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Richemont signed the UN Global Compact in December 2013.

This communication covers the period from 1 December 2013 to 31 March 2014.

### Statement of continued support by the Co-Chief Executive Officers

To our stakeholders:

We are pleased to confirm Richemont's support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

This is our first Communication on Progress in which we describe our actions to begin the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders as part of our annual CSR report.

Yours faithfully  
Bernard Fornas and Richard Lepeu  
Co-Chief Executive Officers  
31 March 2014

### Human Rights Principles

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses

### Assessment, Policy and Goals

Richemont has an internal Code of Business Ethics and a Supplier Code which both include Human Rights considerations. These Codes were first adopted in their current form by the Board of Directors in 2005. The Code of Business Ethics has been made available to all employees and is available in English, French, German, Chinese and Japanese. The Codes are regularly reviewed and amended to ensure they remain as relevant as possible.

In addition to Richemont's own Codes, 12 of our Maisons and Manufactures – representing over 90 % of Group sales - have been certified for compliance with the [RJC's Code of Practices](#). The certification process has helped those Maisons define and formalise their respective approach to CSR issues, including human rights and supplier risk assessments.

### Implementation

Whistleblowing 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 whistleblowing 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, namely the Chief Compliance Officer.

### Measurement of outcomes

All concerns raised during the year were addressed in line with the Group's Whistleblowing Policy and Procedure, including concerns raised by employees in partner organisations, including suppliers.

Richemont measures compliance with its Codes of Conduct through two channels: for suppliers, the Maisons organise audits on a risk-weighted basis and the Group assists the Maisons; for employees, each Maison conducts comprehensive training of new employees and annually reconfirms that all employees are familiar with Richemont's whistleblowing policy.

## Labour Principles

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation.

### Assessment, Policy and Goals

Suppliers and partners: 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 labour relationships, employment practices, human rights and ethical business principles.

Employees: In Richemont, 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.

### Implementation

Suppliers and partners: In value terms, over 80 % of the Maisons' suppliers have signed the Supplier Code. That figure is expected to rise each year.

Employees: As detailed in the Employee Code of Business Conduct Richemont, does not tolerate harassment or any behaviour which creates a hostile, offensive or intimidating environment for its employees. The Code has been made available to all employees and is available in English, French, German, Chinese and Japanese. It makes clear our approach to breaches of policy, which will lead to a process of investigation and, when appropriate, dismissal.

### Measurement of outcomes

Suppliers and partners: Over 100 external supplier audits were performed across the Group in 2013/14. 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 or the remedial action taken. The decision to audit a given supplier is based on a risk-based assessment.

Employees: Data on age diversity and gender diversity are published annually in our CSR Report.

## Environmental Principles

Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies

### Assessment, Policy and Goals

Overall, the Group's activities have a very low environmental impact. The production of high quality goods is concentrated in Switzerland and their distribution is spread around the world. 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.

Our environmental impact can be classified into in three key areas:

- Carbon intensity
- Packaging
- Logistics

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.

## Implementation

The Environmental Code of Conduct 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 Group CSR Committee reviews environmental performance, determines new initiatives and reports progress to the Board.

Richemont's Internal Audit function includes environmental considerations within its systematic risk analysis and monitors compliance with the Code. In addition, an independent auditor specialised in Environment, Health and Safety matters undertakes a scheduled programme each year. Procedures are in place to ensure that non-compliance with the Code is followed up with a remedial action programme.

## Measurement of outcomes

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.

Environmental data are consolidated annually, including the energy we use in our buildings, the fuel consumed as we travel, the impact of major logistics streams for the first time in 2013/14, and other elements necessary to calculate our carbon footprint. The data include our subsidiary companies where the Group has management control (defined as equity share approach). The results are disclosed in the annual CSR report and are communicated internally to employees via the CSR representatives. Since 2011, Richemont's environmental data has been assured by PwC. The assurance report may be found in the Climate Change section of the CSR report.

## Anti-Corruption Principles

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

## Assessment, Policy and Goals

Richemont has an internal Code of Business Ethics. The Code has been made available to all employees and is available in English, French, German, Chinese and Japanese.

The Code includes Richemont's clear opposition to all forms of bribery and corruption. The Group has communicated its position on this topic to every employee through a booklet produced in eight languages.

## Implementation

Whistleblowing 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 whistleblowing 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, namely the Chief Compliance Officer.

## Measurement of outcomes

All concerns raised during the year were addressed in line with the Group's Whistleblowing Policy and Procedure, including concerns raised by employees in partner organisations, such as suppliers.

Richemont measures compliance with its Codes of Conduct through two channels: for suppliers, the Maisons organise audits on a risk-weighted basis and the Group assists the Maisons; for employees, each Maison conducts comprehensive training of new employees and annually reconfirms that all employees are familiar with Richemont's whistleblowing policy.

## 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 2014 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 to 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](#)

[Organisational Profile](#)

[Report Parameters](#)

[Governance, Commitments, and Engagements](#)

[Economic Performance Indicators](#)

[Environmental Performance Indicators](#)

[Labour Practices Performance Indicators](#)

[Human Rights Performance Indicators](#)

[Society Performance Indicators](#)

[Product Responsibility Indicators](#)

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> <a href="#">Our approach to Corporate Social Responsibility</a>
1.2	Description of key impacts, risks, and opportunities	<a href="#">Our issues</a> <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</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 - Our economic impact</a>
2.9	Significant changes during the reporting period regarding size, structure, or ownership	<a href="#">About Richemont - significant changes in 2012/13</a>
2.10	Awards received in the reporting period	<a href="#">External recognition</a>

<b>GRI Index</b>	<b>Description</b>	<b>Location</b>
<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)	2012/2013
3.3	Reporting cycle (annual, biennial, etc.)	Annual <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 2014 Corporate Social Responsibility Report</a>
3.5	Process for defining report content	<a href="#">Our approach to reporting</a> <a href="#">Our issues</a> <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> <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> <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> <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	Policy and current practice with regard to seeking independent assurance for the report	<a href="#">Our approach to reporting</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> <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>

GRI Index	Description	Location
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	<a href="#">Stakeholder dialogue</a> <a href="#">Engaging employees</a> <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> <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> <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="#">Our approach to CSR</a> <a href="#">Policies</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="#">How CSR is managed</a> <a href="#">Governance and risk management</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="#">Governance and risk management</a>
4.12	Externally developed, economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or endorses	<a href="#">Responsible sourcing of raw materials</a> <a href="#">Responsible Jewellery Council</a>
4.13	Memberships in associations	<a href="#">Working in partnership</a> <a href="#">Responsible Jewellery Council</a>
4.14	List of stakeholder groups engaged by the organisation	<a href="#">Stakeholder dialogue</a> <a href="#">Working in partnership</a>
4.15	Basis for identification and selection of stakeholders with whom to engage	<a href="#">Stakeholder dialogue</a>
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	<a href="#">Stakeholder 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="#">Stakeholder dialogue</a>

<b>GRI Index</b>	<b>Description</b>	<b>Location</b>
<b>PI</b>	<b>Performance Indicators</b>	
<b>EC</b>	<b>Economic Performance Indicators</b>	
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 government (Core)	<a href="#">Our economic impact</a> <a href="#">Annual Report and Accounts 2014</a> <a href="#">Communities</a>
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</a> <a href="#">Energy use</a>
EN4	Indirect energy consumption by primary source (Core)	<a href="#">Climate change</a> <a href="#">Energy use</a>
EN5	Energy saved due to conservation and efficiency improvements (Additional)	<a href="#">Climate change</a> <a href="#">Energy use</a>
EN7	Initiatives to reduce indirect energy consumption and reductions achieved (Additional)	<a href="#">Climate change</a> <a href="#">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 area. (Core)	<a href="#">Biodiversity</a>
EN16	Total direct and indirect greenhouse gas emissions by weight (Core)	<a href="#">Climate change</a>

<b>GRI Index</b>	<b>Description</b>	<b>Location</b>
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 - Product stewardship</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="#">Climate change – Transportation and logistics</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="#">Performance management process</a>
LA4	Percentage of employees covered by collective bargaining agreements (Core)	<a href="#">Engaging 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> <a href="#">Fostering new talent</a>
LA12	Percentage of employees receiving regular performance and career development reviews (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 and equal opportunities</a>

<b>GRI Index</b>	<b>Description</b>	<b>Location</b>
<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 and equal opportunities</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> <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</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> <a href="#">Resource use and recycling - Product stewardship</a> <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> <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)	<a href="#">Customer service and satisfaction</a>
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services (Core)	<a href="#">Customer service and satisfaction</a>