

RICHMONT

Corporate Social Responsibility 2017

Table of content

Welcome to Richemont's 2017 Corporate Social Responsibility Report.....	6
Vision.....	7
Introduction	7
About Richemont	8
Where we operate.....	8
Our approach to corporate social responsibility	10
How CSR is managed	11
Embedding CSR	12
Performance against the current Plan	12
Our approach to reporting	12
Global Reporting Initiative ('GRI')	12
Assurance.....	12
UN Global Compact Communication on Progress	13
Materiality	13
Our material issues	13
Reporting our material issues.....	14
Stakeholder engagement.....	14
Materiality of 'exclusion criteria'	16
External Recognition	16
Indices.....	16
Rating agencies.....	16
Governance & Ethics	17
Areas of progress and improvement in the three years to 2017	17
Governance and risk management	17
Policies.....	18
Anti Bribery and Corruption	18
Transparency	19
Public policy engagement.....	19
Tax.....	19
Data protection and information security	23
Looking ahead	23
Sourcing and product integrity.....	24

Areas of progress and improvement in the three years to 2017	24
Our commitment.....	24
Responsible sourcing of raw materials	25
Context	25
Our approach.....	25
Responsible gold sourcing.....	25
Chain of Custody.....	25
Conflict-free diamonds	26
Coloured gemstones	26
Trade in Protected Species and Animal Welfare	26
Animal testing.....	26
Supply chain management	26
Our approach.....	26
Supplier Code of Conduct	27
Compliance	27
Performance data.....	27
Human rights and labour standards in the supply chain.....	28
Context	28
Our approach.....	28
Slavery & human trafficking - Corporate Disclosure.....	28
Responsible Jewellery Council.....	29
The RJC Code of Practices System.....	29
The RJC's year	30
Working in partnership	31
Case Study: Towards 100% certified gold	31
Looking ahead	32
Richemont as an employer	33
Areas of progress and improvement in the three years to 2017	33
Our Commitment	33
Key performance data	33
Workforce	33
Employee turnover	35
Age and gender diversity.....	35
Management analysis	36
“Your journey with us”	37
Recruitment.....	37

Performance Management	37
Reward	38
Learning and Development	38
Career and Succession Planning	38
Fair and ethical labour practices	38
Training, development and fostering new talent	39
Context	39
Our approach	39
Training and development in the watchmaking industry	39
Training and development in retail	39
Training and development in design	39
Training and development in digital	40
Fostering new talent	40
Health, safety and well-being	40
Context	40
Our approach	40
Health and safety audits	41
Health and safety systems	41
Case Study – Pregnancy in manufacturing facilities	41
Looking ahead	41
Environment	43
Areas on improvement in the three years to 2017	43
Environmental management	43
Our Commitment	43
Context	43
Our approach	43
Engaging stakeholders	44
Climate change	44
Context	44
Our approach	45
Packaging and waste	48
Packaging	48
Context	48
Our approach	49
Product Stewardship	49
Logistics	49

Other environmental impacts	50
Biodiversity	50
Sustainable construction	50
Land use adjacent to protected areas	50
Water data	51
Case Study: Officine Panerai's buildings	51
Looking ahead	51
Community Investment	52
Areas on improvement in the three years to 2017	52
Our commitment.....	52
Community spend	53
Charitable Involvement	53
Sponsorship.....	55
Our economic impact.....	55
Case Study: Baume & Mercier and 1001 Fontaines	56
Looking ahead	56
Product innovation, design and quality.....	57
Product innovation	57
Anti-counterfeiting	57
Product advertising and labelling.....	58
UN Global Compact Communication on Progress	59
Global Reporting Initiative (GRI) Index	63

Welcome to Richemont's 2017 Corporate Social Responsibility Report

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 [2017 Annual Report](#).

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

Vision

Introduction

As a responsible luxury goods company, our vision is to create long-term value for our business and wider society, while preserving our heritage in quality, craftsmanship and innovation.

During the year under review, our Maisons and Platforms continued to implement the Group's first CSR three-year plan, launched in the summer of 2014. This report follows the structure of that plan. It also seeks to address the non-financial reporting expectations of our investors, employees and other stakeholders. As that three-year CSR Plan will come to an end in 2017, Richemont is developing a 2020 CSR Plan. The new Plan will reflect Richemont's latest materiality analysis and business priorities. We hope that it will enable the business to meet evolving stakeholder expectations.

We have reviewed progress against the targets we set ourselves in 2014 as part of our initial CSR Plan. This report discloses some of our achievements against those targets. Some have either been met or exceeded, particularly with respect to sourcing raw materials, while others have not. Environmental targets relating to business travel, for example, are unlikely to be reached. We have considered those areas where targets are unlikely to be met and have identified lessons to take forward for the 2020 Plan.

For many years, our Maisons have chosen the Responsible Jewellery Council ('RJC') certification standards, in conjunction with our own standards and policies. Together, those standards cover a wide range of sustainability issues, including: human rights and labour standards; environmental management; and business ethics. The overwhelming majority of the Group's sales were made by certified RJC members. Not only do we encourage our upstream suppliers and our downstream distribution partners to make the same choice, we also directly support the RJC's efforts with regard to gold and diamond supply chains. Further details may be found in the Sourcing Pillar Case Study, which further elaborates the 2014-17 targets, our achievements against them, and the wider benefits that has brought to the fine watch and jewellery sector.

We know that there is always more to do regarding such corporate and industry-wide CSR efforts and we strive to improve each year.

Gary Saage
Chief Financial Officer
Geneva, 14 July 2017

Burkhart Grund
Deputy Chief Financial Officer

About Richemont

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.

Our Maisons, products and services

The Group's Maisons and their respective operations are fully described from page 4 in the 2017 Annual Report.

Significant changes in 2016/17

There were no significant changes to the Group during the year under review. In the prior year, the Group completed the merger of the Net-A-Porter Group, a subsidiary, with YOOX Group. In the two prior years, the Net-A-Porter Group was reported as a discontinued operation.

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 29 000 people at the end of March 2017. 63% of this headcount is based in Europe, 30% in Asia, and 7% in the Americas. The majority of our employees in Europe work in Switzerland, France, Germany and Italy, 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. The Shanghai Tang business was sold on 30 June 2017.

As a Group, Richemont has staffed operations in 35 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.

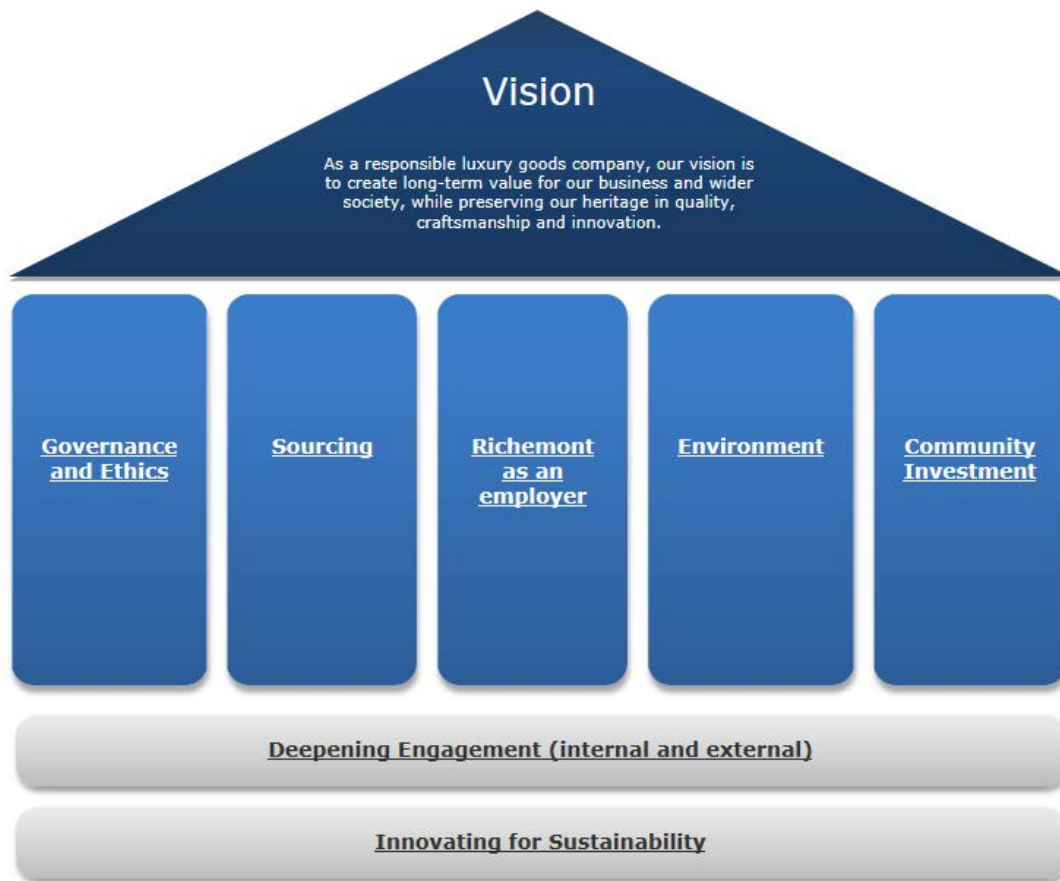
Key Figures

	Financial Year to March 2017	Financial Year to March 2016	Percentage difference
Sales (€ millions)	10 647	11 076	- 4%
Operating profit (€ millions)	1 764	2 061	- 14%
Net profit (€ millions)	1 210	2 227	- 47%
Average Number of employees	28 580	28 810	-1 %

Richemont's reported sales decreased by 4% both at actual and constant exchange rates during the year.

More information on the Group's economic impact is available in our [2017 Annual Report](#) on pages 29 to 33.

Our approach to corporate social responsibility



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 '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.

For every company, CSR has a particular meaning which relates to that company's operations and impacts. We have conducted a materiality assessment to identify our material issues - the issues that matter most to our business and our stakeholders. 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 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 and Product Integrity**- to source responsibly and ensure the integrity of our products, 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 recruit, develop and retain our people, to maintain their employability in a constantly changing environment and to grow craftsmanship;
- **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 activities provide optimum benefit for Richemont and wider society.

Two cross-functional considerations underpin our strategy:

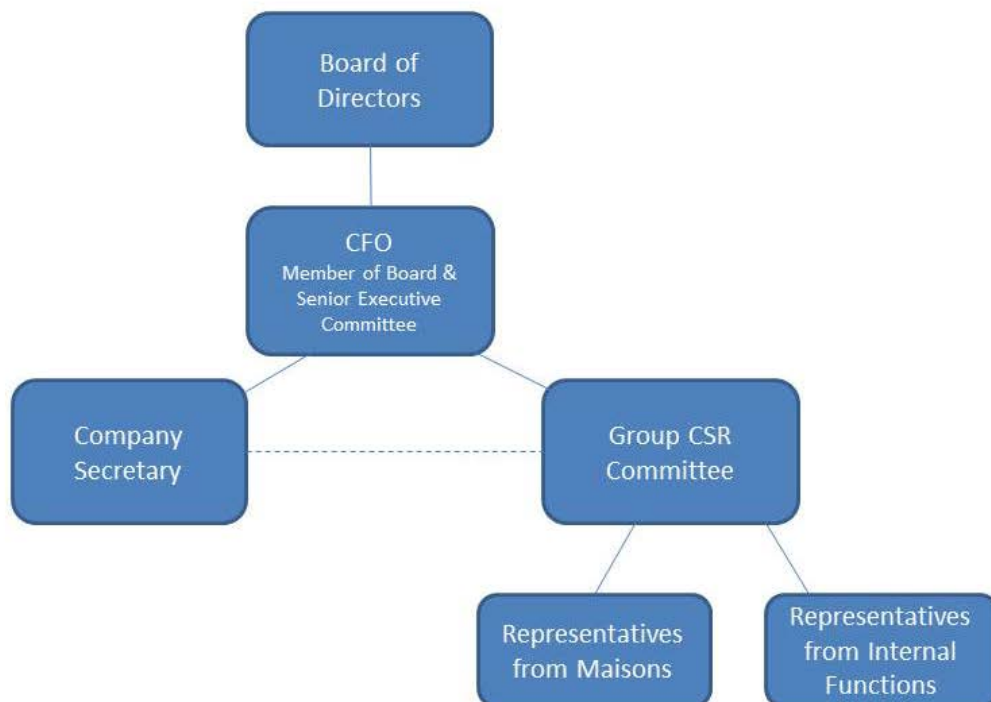
- **Deepening engagement** – we will engage with our employees, business partners and others to achieve our CSR goals; and
- **Innovating for sustainability** – we will continue to look for new opportunities to innovate our product design, materials and processes to become more sustainable.

In the prior year we deepened our materiality review to engage more extensively with internal and external stakeholders, the results of which can be found [here](#). That review has further informed our strategy and reporting.

How CSR is managed

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

The CFO is supported by the Company Secretary and the Group’s CSR Committee, comprising representatives from Group functions and Maisons. The Committee has established terms of reference and meets regularly to review progress of the Group’s three-year CSR plan, and to agree activities to support relevant programmes.



Embedding CSR

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

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

CSR representatives of each Maison and region participate in an annual CSR Conference 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 CSR Representatives. The CSR intranet had over 250 registered users at March 2017.

In addition to these Group-directed efforts, our Maisons manage their own CSR agenda independently of the Group and one another. All Maisons have their own CSR Committees. There are expert working groups across Richemont on specific topics such as Environment or Raw Materials, which review and determine best approach on such topics. 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. The Maisons have also initiated sourcing and community investment projects, and established cross-functional teams and internal newsletters.

Performance against the current Plan

Following its launch in 2014, the Plan has provided a robust framework to focus our CSR efforts and supported a more structured approach to planning and reporting. It has also been an effective tool for engaging our employees and external stakeholders.

We have made good progress against many of the commitments we set out in the CSR Plan. There are also areas where progress has been slower than we would have liked and emerging issues for the sector that have arisen. We have reviewed these areas to identify lessons to take forward into Richemont's next CSR Plan in the spirit of continuous improvement. Further details on progress can be found within the relevant sections of this report.

Our approach to reporting

This CSR report covers the financial year ended 31 March 2017. 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 from page 34 of our [2017 Annual Report](#).

This report is structured to reflect the priorities in Richemont's CSR strategy.

Global Reporting Initiative ('GRI')

Our 2017 CSR Report has been prepared 'in accordance' with the Core option of the Global Reporting Initiative's (GRI) G4 guidelines. See our full [GRI Index](#), which provides an overview of our reporting against the GRI G4 guidelines.

Assurance

The Group's consolidated carbon emission data has been independently assured since 2011. The SGS assurance statement may be found on the [Climate Change](#) page of this report.

UN Global Compact Communication on Progress

The Company became a participant in the United Nations Global Compact (UNGC) in 2013. Since then, Richemont has produced an annual Communication on Progress in line with the UNGC's requirements, which can be found [here](#).

Materiality

We undertook a comprehensive review to identify our material issues – the key issues that matter most to our business and our stakeholders. This report is structured to reflect the priorities for our business, in particular our CSR strategy as well as the key interests of our stakeholders.

Our material issues

Our material issues list has been reviewed again this year as part of the process for developing Richemont's CSR 2020 Plan. The materiality process has enabled us to focus our reporting and our CSR strategy on the areas that are of most relevance to our business and our stakeholders.

Corporate Citizenship, an independent specialist organisation, carried out a four- stage process, as outlined below:

Identification - conducted a review of multiple sources of internal and external information to produce an initial mapping of relevant issues. This included reviewing existing analyses from previous stakeholder engagements as well as looking at wider industry trends. This was consolidated into a long-list of 23 issues.

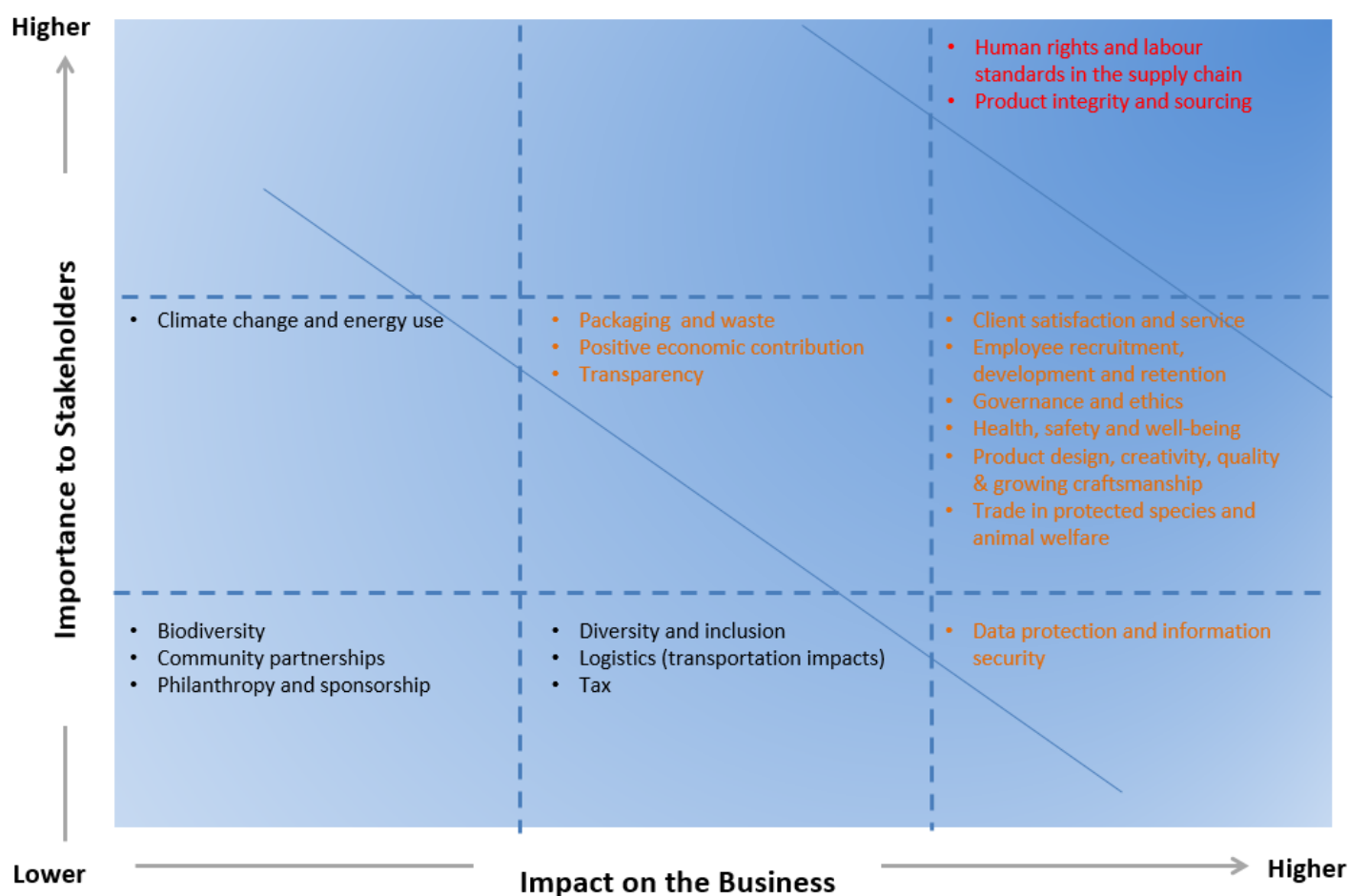
External engagement - conducted a stakeholder mapping exercise to provide a comprehensive picture of Richemont's stakeholder groups, ensuring an appropriate balance of different stakeholders were engaged. Conducted interviews with a cross-section of external stakeholders to determine the relative priority of different issues. The issues list was refined further to reflect stakeholder feedback.

Internal review – engaged with key internal functions such Human Resources, Consumer Insights and Employer Branding to gain further insights. Held a working session with representatives from key functions across the business to determine business impact prioritisation.

Validation – reviewed and finalised the materiality matrix based on feedback from key internal stakeholders, including the CSR Committee. Analysed implications for the CSR report, and wider CSR strategy and future performance metrics.

The results of the materiality review are presented in our materiality matrix below.

Materiality Matrix



Issues are listed in alphabetical order within each prioritisation category.

Red – top priority issues, Orange – medium priority issues for reporting, Black – other issues

Reporting our material issues

Our most important issues are positioned in the upper right hand corner of our materiality matrix. These are “Human rights and labour standards in the supply chain” and “Product integrity and sourcing”. We report on GRI G4 indicators that are relevant to these issues. We also continue to report on other issues that form part of our three-year CSR Plan, and are priorities for the business and our stakeholders.

Stakeholder engagement

Our approach to stakeholder engagement is summarised in the following table, which presents key stakeholder groups, their interests and how we regularly engage with them. In the prior year, we undertook a comprehensive stakeholder mapping and engagement exercise as part of our materiality review. We conducted a series of interviews with organisations and key opinion formers representing Richemont’s main stakeholder groups. The interviews gathered and prioritised perspectives on the key CSR issues, opportunities and challenges for Richemont. The results have informed the stakeholder axis of our materiality matrix and provided valuable insights that we are considering for our future strategy and reporting. See [Our Material Issues](#).

Stakeholder group	Key issues of interest	How we engage
Clients/customers <i>to whom we provide high quality goods and services</i>	<ul style="list-style-type: none"> - Quality, design and craftsmanship of our products - Customer service - Origin / traceability of product and raw materials - Data protection 	<ul style="list-style-type: none"> - Customer surveys, meetings, briefings and events - Customer feedback through after-sales service - Fair pricing of products around the world
Employees <i>who drive the success of the business</i>	<ul style="list-style-type: none"> - Health, safety and well-being - Employee welfare (including remuneration, benefits, consultation) - Training and development - Diversity and inclusion - Engagement 	<ul style="list-style-type: none"> - Employee engagement surveys - Newsletters, management briefings and intranet sites - Structured performance management - Learning Management Systems to support training, development and our Standards of Business Conduct - Employee Works Councils in some countries
Suppliers and business partners <i>who we rely on to deliver our quality products to our clients</i>	<ul style="list-style-type: none"> - Responsible sourcing of raw materials - Ethical, social and environmental standards - Quality - Fair payment terms 	<ul style="list-style-type: none"> - One-to-one meetings - Supplier Code of Conduct - Supplier audits - Through industry organisations
Regulators and policy leaders <i>who provide the framework within which we operate</i>	<ul style="list-style-type: none"> - Compliance with laws and regulations - Transparency - Responsible sourcing of raw materials 	<ul style="list-style-type: none"> - Corporate affairs representatives - Via industry organisations such as RJC and the Federation of the Swiss Watch Industry ('FH') - Participation in United Nations Global Compact and its Swiss Network
Shareholders and investors <i>who underpin our business and to whom we seek to deliver value</i>	<ul style="list-style-type: none"> - Financial performance - Governance & business ethics - Responsible sourcing in general - Data protection - Tax 	<ul style="list-style-type: none"> - AGM and annual/interim results - Investor presentations, broadcast and in person - One-to-one meetings - Investor surveys - Tax transparency

Communities <i>local communities where our operations are based; the wider cultural community we engage through our activities</i>	<ul style="list-style-type: none"> - Economic impact - Ethical, social and environmental practices - Employment opportunities - Community partnerships and philanthropy 	<ul style="list-style-type: none"> - Through our citizenship activities - Meetings with NGO partners
Industry organisations <i>with whom we share best practices</i>	<ul style="list-style-type: none"> - Ethical, social and environmental practices - Industry issues, including anti-counterfeiting 	<ul style="list-style-type: none"> - Through the RJC and other industry bodies such as Swiss Better Gold Initiative, Responsible Luxury Initiative - Meetings and briefings
Non-governmental organisations ('NGOs') <i>with whom we engage through our involvement in industry associations and activities</i>	<ul style="list-style-type: none"> - Ethical, social and environmental practices - Community partnerships and philanthropy 	<ul style="list-style-type: none"> - Meetings and progress reports - Carbon Disclosure Project ('CDP') survey - Via industry organisations such as the RJC and United Nations Global Compact and its Swiss Network
Media <i>Specialist and mainstream media who are interested in our business</i>	<ul style="list-style-type: none"> - Consumer attitudes to CSR and luxury - Advertising - Responsible sourcing & ethical standards 	<ul style="list-style-type: none"> - Press releases - Contributing to publications - Briefings

Materiality of 'exclusion criteria'

A number of investors apply 'exclusion criteria' to their portfolio decisions. To assist them, Richemont provides the following information regarding guns-, alcohol- and tobacco-related products.

Together, the sales of guns by James Purdey & Sons, the sales of alcoholic beverages in Alfred Dunhill's restaurants, and the sales of tobacco accessories such as Cartier lighters and Alfred Dunhill pipes, account for significantly less than 1% of Group sales. Accordingly, the sale of such products are not a material element of Richemont's business.

External Recognition

Indices

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

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/RobecoSAM; Vigeo EIRIS (Ethical Research Services); MSCI ESG Indices; and Sustainalytics.

Institutions which approach Richemont but which are not on this short-list are 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.

Governance & Ethics

Areas of progress and improvement in the three years to 2017

Key areas of progress include:

- Richemont Maisons and regional platforms produced their own CSR implementation plans identifying initiatives to support the achievement of the Plan's overall targets, while also reflecting their own priorities and culture.
- Richemont undertook a comprehensive materiality assessment in 2016 which involved extensive internal and external engagement. This identified current and emerging priority CSR issues and ensured the Group's efforts are focused on the areas that matter most.
- The Supplier Code of Conduct was reviewed and strengthened in 2015. Maisons and Regions have received training on this and have been implementing the new Code with their suppliers.

Richemont has identified the following key areas for improvement and will be focusing on these as part of the 2020 CSR Plan:

- Deepening processes and tools for on-going reporting against commitments within the Plan.
- Providing additional guidance to Maisons and Regions to adapt and implement the Plan.
- Reviewing and updating other CSR Group-related Codes.

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. The 2017 Annual Report contains an extensive description of the mechanisms used by the Board to exercise its governance duties: for more information, refer to pages 43-50 of the [Corporate Governance Report](#).

Richemont has a risk management process which gives consideration to strategic and operational risks across all Group functions, including CSR risks such as sourcing and supply chain risks. These are regularly reviewed, most recently as part of the materiality assessment undertaken in 2016. We seek to eliminate or mitigate CSR risks where identified, in partnership with our employees and other stakeholders through the application of good practices.

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. Our CSR strategy is the overarching framework.



These Codes may be adopted fully by our operations or, in agreement with the Group's CSR Committee, may be amended to reflect the operations of individual Maisons. The Codes have been made available to all employees and are available in at least eight languages. The Codes are regularly reviewed and amended to ensure they remain as relevant as possible. The revised Supplier Code of Conduct was published in December 2015. The Standards of Business Conduct was revised in the prior year and all employees followed its mandatory eLearning modules.

Related documents

- [Code of Business Ethics](#)
- [Corporate Social Responsibility Guidelines](#)
- [Environmental Code of Conduct](#)
- [Supplier Code of Conduct](#)
- [Standards of Business Conduct](#)

Anti Bribery and Corruption

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. Whistleblowing procedures are in place to ensure that 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 Head of Internal Audit. 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 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.

During the 2016 calendar year, 91 whistleblowing cases were notified (2015: 102 cases).

Transparency

We believe that transparent reporting and communications with external stakeholders is an important element in building trust. There are a number of ways in which Richemont aims to do this.

We regularly review our CSR reporting to ensure that it meets the changing expectations of our stakeholders. Following our materiality review and in response to feedback from stakeholders, we are reporting on new issues within our report. For example, last year for the first time we report on our approach to Data Protection and Information Security as well as Tax.

Enhancing product transparency and the traceability of raw materials used in luxury goods, such as jewellery and watches, is an important focus area for Richemont and the wider industry. Our work in this area is described in detail [here](#)

Public policy engagement

In 2013, Switzerland's Council of States and National Council adopted the draft bill of the revised "Swissness" legislation, the purpose of which was to preserve the added value of the "Swiss" designation by clarifying its conditions of use and by strengthening its protection. For industrial products such as watches, 60% of the manufacturing costs must take place in Switzerland. The implementation of the "Swissness" legislation requires four Ordinances to be either revised or drafted. With regard to the watch industry, in 2014, the Federation of the Swiss Watch Industry ('FH') adopted a draft revision of the Ordinance for the "Swiss made" label specific to watches. This text was submitted by the FH to the Swiss Federal Institute of Intellectual Property with the full support of Richemont. The new "Swissness" standards comes into effect in 2017.

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 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.

Richemont is an active supporter of the [RJC](#) and all of its Maisons manufacturing or selling products containing diamonds, platinum group metals or gold are members. Richemont and its Maisons contributed to the discussions which led to the [RJC's Chain of Custody \('CoC'\) standard](#) for gold and other precious metals, which was first published in 2012. Richemont continues to collaborate with the RJC and its 2016-2017 consultative review of its CoC standard.

Tax

Richemont Tax Strategy and Tax Risk Management

This Tax Strategy paper Applies to the Fiscal Year ending 31st March 2018

Introduction

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

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

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

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

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

Our Tax Strategy is based upon the following pillars:

1. Tax Governance and Risk Management framework

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

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

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

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

The tax strategy is executed through the following actions:

- **Tax Planning:**

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

- **Structures:**
 - We plan and implement the creation of simple and efficient legal entity structures that reflect the operating model and the commercial activity of the group in the jurisdictions where we operate.
- **Supply Chain and Operations:**
 - We proactively participate, with the other relevant group functions, in the definition and implementation of consistent and robust operating models, embedding the tax rules into the group ERP systems for enhanced control.
- **Transfer Pricing:**
 - We conduct transactions between Richemont group companies on an arm's-length basis and in accordance with current OECD principles, as well as international and local rules;
 - We formulate clear Transfer Pricing policies, we communicate and explain them within the group, we maintain proper Transfer Pricing documentation, and automate the Transfer Pricing risk assessment process;
 - We formally document the intercompany arrangements to reflect the actual operations of our subsidiaries.
- **Tax Audits:**
 - We adhere to relevant tax law in all jurisdictions and we seek to minimize the risk of uncertainty or disputes.
 - We carefully manage tax audits and disputes when required in order to prove the foundations of our compliant behavior;
 - We consider the opportunity to activate the request of Bilateral Advanced Pricing Agreements where relevant, in order to pursue certainty on our Transfer Pricing policies.
- **Transparency:**
 - We maintain open and constructive contacts and communication with Tax Authorities around the world to understand Governments' tax policy objectives and Tax Authorities' own objectives;
 - We support the principles behind multilateral moves towards greater transparency (eg the OECD-led BEPS project) that increase the understanding of tax systems and build public trust.

2. Tax Compliance

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

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

Annex 1 to the Richemont Tax Strategy

Tax Responsibilities at Richemont - 2017					
	Strategic Planning	Plannin and implementation	Accounting and Reporting	Compliance	Audit defense
Corporate Income tax and withholding tax	Group Tax	Group Tax	Central and Local Finance Group Tax sign off on Consolidated Tax accounts	Local Finance Functions	Group Tax Local Finance Functions
Transfer Pricing	Group Tax	Group Tax Brands	Local Finance Functions	Group Tax (Documentati on) Local Finance Functions	Group Tax Local Finance Functions
VAT / Sales tax	Group Tax (Central VAT Monitoring and Guidance)	Local Finance Functions Group Tax (1)	Local Finance Functions	Local Finance Functions	Local Finance Functions Group Tax (2)
Social Taxes	Human Resources	Human Resources	Local Finance Functions	Human Resources	Local Finance Functions Human Resources
Customs duties		Logistics Functions Group Tax (3)	Local Finance Functions	Logistics functions	Logistics Functions Local Finance Functions Group Tax (3)
Environmental & Other taxes			Local Finance Functions	Local Finance Functions Operations	Local Finance Functions

- (1) Advance VAT planning on special projects (SAP Gemini, new business models, new international flows)
- (2) Large amounts, VAT on International flows or Disputes on legal principles
- (3) Group Tax intervenes on Customs Valuation matters related to Transfer Pricing

Updated: 14 December 2017

Data protection and information security

Recognising growing public concern around this topic, in 2013 the Board of Directors created a sub-committee to address Richemont's security awareness and preparedness. Since its formation, the Strategic Security Committee has focused on this wide-reaching and complex matter.

The Strategic Security Committee aims to provide a secure environment and to protect Group assets and operations against attack and other forms of breach. In particular, the Committee seeks to protect confidential business information, including customer data, against hacking and other intrusive actions. It also oversees the physical protection of employees.

Following extensive analyses and consultations, Richemont launched its first Group Security Policy in November 2015. Details regarding the Policy's tailor-made, holistic approach may be found in the 2016 CSR Report Case Study.

In summary, the Policy strengthened those which went before it. Given the complexity of security, the Policy has taken a collaborative approach, putting physical, electronic and information security under the same roof. Being dependent upon all employees adopting good habits, the 2015 launch was the first time every Richemont employee had seen a singular security statement. Richemont's culture is a trusting and creative one, with relatively few policies compared with other work environments. Richemont was eager to preserve that spirit, while still making sure that everything was safe. The Policy booklet for all employees is available in eleven languages, in both desktop and mobile versions. Training around the '7 attitudes to first-class security', which had been a precursor to the Policy's launch, contributed to a rapid acceptance.

Looking ahead

Our focus for the year ahead will be the launch and implementation of the Richemont 2020 CSR Plan. As part of this, we will be reviewing internal CSR governance and reporting processes to put in place effective structures to embed and deliver the 2020 Plan.

Maisons and Regional platforms will be essential to the achievement of the commitments we have set in the Plan, and therefore we will be providing additional guidance and tools to help them with this.

We have identified other key priorities for the Group which will be reflected in the 2020 CSR Plan. These include reviewing and updating CSR-related policies, such as the Environmental Policy and conducting further research into our customers' perspectives on CSR topics.

To be held in autumn 2017, the Richemont CSR Conference will bring together representatives from Maisons, functional departments and subject matter experts to discuss and plan for important CSR topics.

Sourcing and product integrity

Areas of progress and improvement in the three years to 2017

Key areas of progress include:

- All Maisons were successfully re-certified by the Responsible Jewellery Council ('RJC') during the three-year period. This involved being audited by an independent third-party to ensure RJC best practice standards have been met.
- Richemont increased the proportion of gold and diamonds sourced from suppliers that are certified under the RJC Code of Practices Standard. The overwhelming majority gold and diamonds now come from RJC-certified sources. A growing proportion of the gold itself is certified under the Chain of Custody Standard.
- For other key raw materials, including coloured gemstones and leather, Richemont has conducted preliminary risk analyses to better understand their environmental and social risks.
- The Group has established a more coordinated approach to CSR audits. This involved appointing a Group external auditor and developing a common referential tool to drive a consistent approach to CSR audits, in line with the new Supplier Code. It has facilitated better sharing of audit risks, opportunities and learnings between Maisons.

Richemont has identified the following key areas for improvement and will be focusing on these as part of the 2020 CSR Plan:

- Increasing engagement with suppliers and monitoring of compliance against the new Supplier Code.
- Conducting more coordinated audits and promoting greater sharing of audit results.
- Continuing to focus on traceability, including further increases in the proportion of key raw materials sourced from certified suppliers.
- Providing additional Group-wide tools to support Maisons with implementing responsible sourcing policies.

Our commitment

To source responsibly, ensuring the integrity of our products, and 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.

During our Stakeholder Engagement exercise, Sourcing issues were identified as being most material to our business.

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, other precious stones and leather.

- procurement of other types of goods and services to support the day-to-day running of our operations, such as energy, manufacturing and office equipment.

The social and environmental impact of the goods and services we buy often lies outside our direct control. Nevertheless, Richemont seeks to promote and influence responsible behaviour wherever possible. This is largely achieved through active involvement and promotion of the Responsible Jewellery Council 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.

Responsible sourcing of raw materials

Context

The responsible procurement of industry-specific raw materials such as gold, diamonds, leather, exotic skins and precious stones is a priority for the Group. Historically, for the luxury goods industry, there have been issues surrounding the sourcing of gold and diamonds, which include conflict, e.g. social & human rights as well as environmental issues, as these are often mined in regions affected by conflict or instability.

Our approach

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 are working closely with our suppliers and industry partners towards that goal.

Our Supplier Code of Conduct sets out our position on the following issues. The issues stem from our analysis of risks in our 'upstream' supply chain, in particular raw materials.

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.



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 to improve transparency in general and the sourcing decisions of manufacturers in particular. Among those projects was the RJC's 2012 Gold Chain of Custody standard applicable to gold and platinum group metals. The RJC standard is aligned with the OECD Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas and its Supplement on Gold.

As a long-term supporter of the RJC, Richemont is actively participating in the review of the RJC's standard during 2016 and 2017. Consultative Phases 1 and 2 were completed by May 2017. Consultative Phase 3 begins in the summer of 2017. The consultation has been extended due to the volume and nature of comments received by the RJC's Standards Committee.

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. 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.

Coloured gemstones

As part of a multi-stakeholder working group, the Jewellery Maisons Cartier and Van Cleef & Arpels have actively contributed to the RJC's first coloured gemstones standard, which will be published by the end of 2018.

Trade in Protected Species and Animal Welfare

We require suppliers to comply with international and local legislation, e.g. the Convention on International Trade of Endangered Species ('CITES').

We also pay attention to other international and local fish and wildlife regulations. Moreover, an internal list is being constructed to support our Maisons in either contentious materials or instances when prior authorisation may be required in certain markets.

Animal testing

Neither Richemont nor its Maisons conduct any testing of its products on animals. Our Maisons have policies for fragrances and cosmetic products, animal testing and product information and labelling.

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 European Regulation.

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

Supply chain management

Our approach

We seek to influence our suppliers and sub-contractors by sharing our own standards and expectations with 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 those Codes. Following an extensive revision process, our Supplier Code of Conduct was re-launched in December 2015. Details of that process may be found in our 2016 CSR Report: Sourcing Pillar Case Study.

Compliance with the Richemont Code is incorporated into our procurement decisions and all regular or significant 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 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 the responsible sourcing of gold and diamonds, animal testing, and the preservation of endangered and protected species.

The Code of Conduct includes an Acknowledgment of Terms that requires suppliers to: accept and agree to the Code's principles; to report on the individual responsible for the supplier's compliance; the procedures in place to fulfil the Code's requirements; discrepancies between the supplier's operations and the Code; and any similar policy used by the supplier.

Since its re-launch in December 2015, the Group has been tracking the progress of Codes signed by Suppliers. In value terms, some 45 % of Suppliers are currently recorded as Code signatories. In volume terms, they represent some 25 % of our supplier base. We expect these figures to progress year-on-year for two reasons: (i) our systems for recording signed Codes will improve, enabling better data capture; and (ii) our long-term target is for all suppliers, which provide either regular or significant goods and services to us, to sign our Code.

Compliance

Each Maison and operating company is responsible for working with its own suppliers and to formally share the Code content with them. Using a risk-based approach our Maisons conduct third-party external audits of key suppliers' compliance with the Code as part of their internal risk management processes. The Group has unified its supplier audits under a single, independent, globally-respected firm. The scope of the auditor's questionnaire and the results of such audits are determined by the Maisons' purchasing strategies. Where audits identify areas for improvement, Maisons follow up with remedial action plans as part of the on-going supplier relationship. As part of a coordinated approach across the Group, the Maisons share their supplier auditing efforts; some 200 third-party audits were conducted in the year (prior year: some 200); and duplicated effort for new audits was prevented. Neither supplier audit findings nor the remedial action plans arising from them are publicly disclosed.

Many suppliers to the Group's businesses are also members of the RJC. 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. RJC members are independently recertified at least once every three years.

Performance data

Some 200 external supplier audits were performed across the Group in 2016/17 (prior year: some 200). 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. The increased coordination of supplier audits within the Group has benefited all stakeholders by building confidence and eliminating duplicated effort. Moreover, the RJC certification of certain suppliers every three years has reduced the need to arrange a Richemont audit.

The decision to audit a given supplier is based on a risk-based assessment. As a consequence of audit findings, certain Group businesses have changed supplier or have worked with suppliers on their remediation action plans.

Human rights and labour standards in the supply chain

Context

Adopting fair and ethical labour practices and promoting human rights is vital for society as well as for Richemont's 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 practices, 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. It is also aligned with the UK Modern Slavery Act.

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 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.

Richemont is a participant in the [UN Global Compact and supports its Ten Principles](#).

Slavery & human trafficking - Corporate Disclosure

The California Transparency in Supply Chains Act of 2010 and the United Kingdom Modern Slavery Act 2015 require certain businesses to provide information 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 its supply chain to be free of these scourges.

Richemont and its Maisons have developed and disseminated the Group [Supplier Code of Conduct](#), which sets out our 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 suppliers to: accept and agree to the Code's principles; to report on the individual responsible for the supplier's compliance; the procedures in place to fulfil the Code's requirements; discrepancies between the supplier's operations and the Code; 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 regularly conduct third-party audits of their suppliers. During 2016/17, some 200 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.

Through its involvement in the Responsible Jewellery Council (RJC), Richemont also seeks to ensure compliance with the RJC's standards relating to slavery and human trafficking. 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 979 corporate members at 31 March 2017, from miners to retailers. The 17 Richemont Maisons and independent manufacturing entities which are certified members of the RJC have been audited by an accredited third-party to verify compliance with the RJC's Code of Practices, thereby obtaining RJC certification. Many of Richemont's suppliers are also members of the RJC and complete their own RJC certification. Additional information on the RJC may be obtained [below](#).

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.

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 in 2005. At 31 March 2017, the RJC counted 979 corporate members, including all of Richemont's Maisons which make products containing diamonds and gold, and a significant number of their suppliers. Representatives from certain Maisons serve as unpaid officers of the RJC.



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. 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 the
- Responsible Mining Sector.

Certification helps to strengthen responsible business practices and 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 all other relevant 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 more than 90 % in 2016/17.

Maison or Independent Manufacturing Entity	Financial year of first RJC certification	Cumulative percentage of Group sales represented by certified entities
Cartier, Baume & Mercier, Jaeger-LeCoultre, Montblanc, Piaget, Vacheron Constantin, Van Cleef & Arpels, Varinor	2010/11, 2011/12	More than 75 %
IWC Schaffhausen, Manufacture Horlogère ValFleurier, Officine Panerai, Ralph Lauren Watches and Jewelry	2012/13, 2013/2014	More than 85 %
A. Lange & Söhne, Donzé-Baume, Roger Dubuis, Giampiero Bodino	2014/2015, 2015/16	More than 90 %
ProCadrans	2016/17	More than 90 %

Some 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. These businesses include Alfred Dunhill, Chloé, Lancel and Peter Millar.

Linked to Richemont's support of the RJC, in recent years it has collaborated with the Graduate Institute on two published studies: (i) RJC's supply chain for coloured gemstones, specifically emeralds, rubies and sapphires; and (ii) The obstacles to certification faced by small and mid-sized enterprises.

The RJC's year

During the year under review, the RJC has recruited nearly 200 new members. 643 members have been certified against the Code of Practices. Those members directly employ some 380 000 people across more than 8 000 facilities, from the USA to China and from Switzerland to India. Other RJC's achievements included:

- The first bank to join RJC and achieve certification (Sparkasse Pforzheim).
- Material scope expansion to coloured gemstones, which will be incorporated to the Code of Practices during the 2017/18 review period.
- Revamped auditor training.
- Diamond producer Alrosa joined the RJC in September 2016. In terms of carats, Alrosa's Russian mines account for some 29% of global production.

More detailed information can be found in the [RJC 2017 Annual Progress Report](#).

Working in partnership

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](#) (UFBJOP), 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](#) (FHS) 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. Richemont serves as a Board Member.

Case Study: Towards 100% certified gold

The first three-year CSR plan sought to reinforce best practices amongst the suppliers to our Jewellery Maisons and Specialist Watchmakers. The targeted results of those efforts have included the following substantial changes.

- More than 90 % of their gold is delivered from suppliers that have been independently certified against the RJC Code of Practices. The high level of achievement reflected the Group's collaborative approach: first communicating the benefits of the RJC, then coaching certain smaller suppliers prior to them being independently certified.
- Richemont's refinery in Switzerland has developed alternative sources of gold supplies, which are either certified or will become certified against the RJC Chain of Custody Standard. This alternative supply has focused on recycled material, such as 'scraps' from the watchmaking industry, rather than newly mined gold or bullion stocks from banks. As a supplier to external customers, the Richemont refinery has had an active communication strategy regarding the structure and participants in the global market.
- Richemont has contributed extensively to the RJC's consultation processes in respect to its Standards applicable to gold and coloured gemstones. The Group has volunteered expertise from its refinery and its Jewellery Maisons.
- Where suppliers to the above-mentioned Maisons are not already members of the RJC, some 30 - 40 suppliers are selected for audit each year. The selection follows close collaboration between the Group's central manufacturing support function and the Maisons. The results of the independent audits are coordinated and actions plans are monitored.
- The number of suppliers which have been independently certified against SA8000 continues to grow. That standard encourages organisations to develop, maintain and apply socially acceptable practices in their own workplace.

Positive certification experiences, both for the supplier and the customer, have contributed to a snowball effect in the supply of gold and diamonds to the luxury goods sector. The effect has helped to strengthen the RJC, both from within and through hundreds of new corporate members joining the RJC each year.

Looking ahead

During the year ahead, Richemont will be increasing its engagement with suppliers and monitoring compliance against the 2015 Supplier Code. The Group will also coordinate more third-party audits and promote the greater sharing of audit findings amongst Maisons. Those audits will use the Group's new Referential, which will be piloted during the year ahead.

The 2020 CSR Plan will include quantitative targets relating to the traceability of raw materials such gold, diamonds, coloured gemstones and leather. Further risk analyses is also planned, as well as on-going monitoring of emerging industry issues.

Tools to support our Maisons with the implementation of their own responsible sourcing policies are to be developed. These tools will complement a reference database for all raw materials, enabling sourcing decisions and providing additional guidelines on specific topics such as packaging, marketing materials and boutique furniture.

Richemont as an employer

Areas of progress and improvement in the three years to 2017

Key areas of progress include:

- Richemont has invested significantly in developing the know-how and skills to build a future luxury workforce.
- The Campus Genevois de Haute Horlogerie was inaugurated in 2016 and hosts watchmaking apprentices in Geneva. The number of young employees who have participated in apprenticeship programs in the last 3 years is significant.
- Richemont has developed new Research and Development partnerships with leading academic institutions.
- Work has been undertaken to identify the digital needs and challenges facing the current and future workforce. This has informed the development of a strategy to enable all parts of the business, regardless of where employees are located, to access appropriate digital tools.

Richemont has identified the following key areas for improvement and will be focusing on these as part of the 2020 CSR Plan:

- Providing an efficient, contemporary workplace through increased use of digital tools and promoting new ways of working. This includes connecting all employees to Group online tools.
- Focusing on gender and international diversity to support the business, including reviewing the numbers of women in senior management and leadership roles, and developing forums to promote diversity initiatives.
- Reducing occupational incident rates and creating local awareness campaigns on key non-occupational and other well-being topics.
- Giving more visibility to employees participating in CSR initiatives, including the development of a Volunteering Policy.

Our Commitment

Our goal is to recruit, develop and retain our people and to maintain their employability in a constantly changing environment. We are also committed to growing craftsmanship and future talent.

Key performance data

Workforce

Richemont currently employs some 29 000 people around the world and, through our suppliers and business partners, we provide employment opportunities for many more.

Richemont recognises the importance of enabling employees to balance the needs of work and life outside work. Part-time working is an option that many of our Maisons offer to employees.

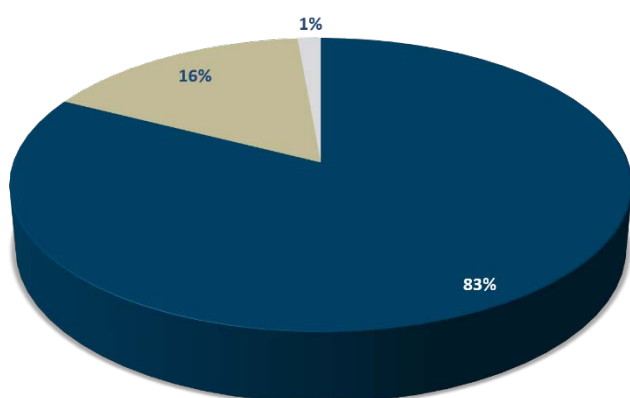
Our average number of Full Time Equivalents (FTE) over the five-year period has increased by 3.3%. Our employees work in three main areas:

- 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.

Manufacturing operations are concentrated in Switzerland, France, Germany and Italy. Our retail activities are spread worldwide.

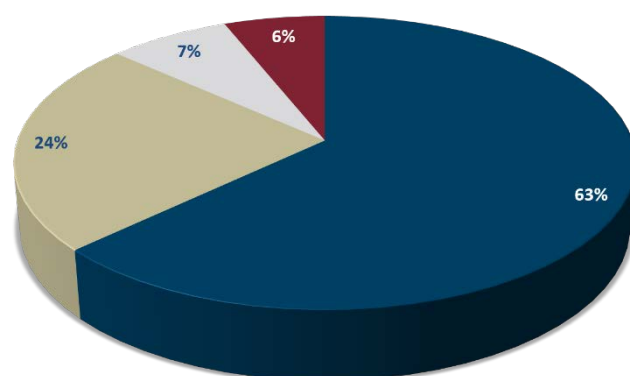
Detailed below is a split of our total workforce by employee type, by geographical region and by employment contract.

Total workforce by employer



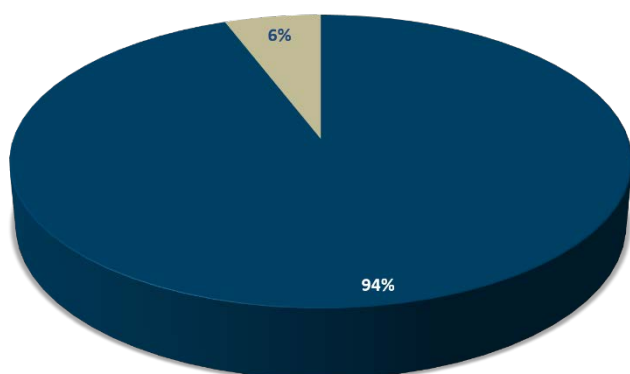
■ Maisons
■ Component Manufacturing & Regional Shared Services
■ Central Functions

Total workforce by region



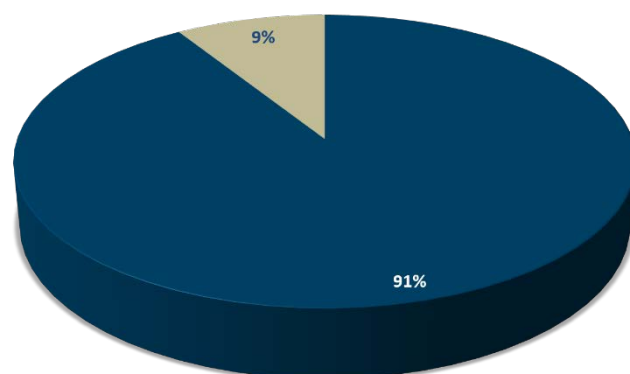
■ Europe ■ Asia Pacific ■ Americas ■ Japan

Total workforce by employment contract



■ Permanent ■ Temporary

Total workforce by employment type



■ Full time ■ Flexible time

The number of apprentices going through the various programmes supported by Richemont changes each year but remains significant. In the year under review, some 607 employees were defined as trainees or apprentices, representing some 2 % of all employees.

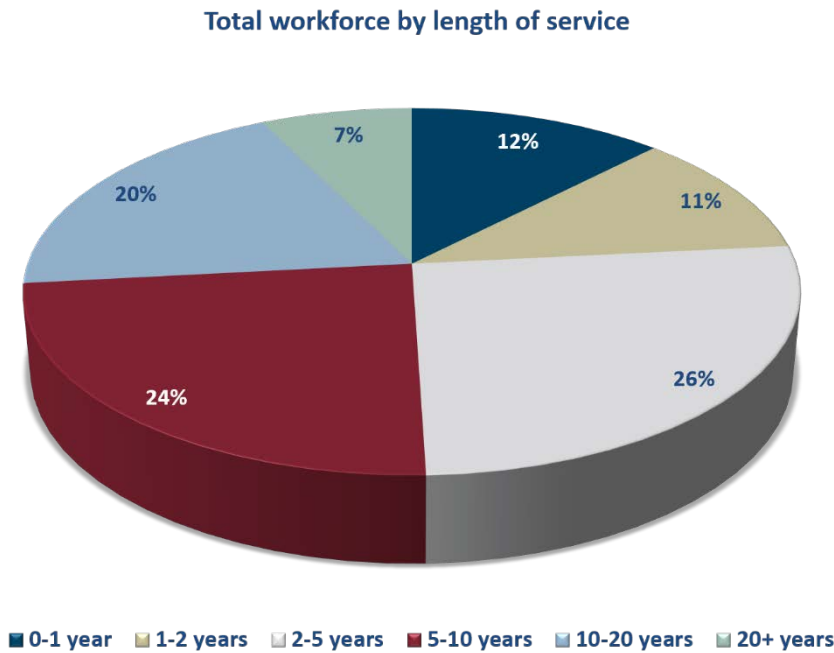
Employee turnover

Employee turnover and retention data is closely monitored by country, Maison, functional area and type of employee contract. In Switzerland where one third of the Group’s permanent employees are based, the turnover rate was 11.5%. During the year under review, the rate exceed 10% for the first time in many years, reflecting the reorganisation of certain watchmaking facilities. The turnover rate is higher in countries where retail activities predominate, such as mainland China, Hong Kong, Macau and the USA. The turnover rate for the Group as a whole was 15 % in the year, excluding transfers and employees on temporary contracts.

To improve retention levels and employee engagement in general, the Group uses an ‘employee engagement barometer’, a bespoke survey of employees’ views within defined areas, such as a Maison or a specific market. To reduce employee turnover rates, the barometer results are used by the respective Maison and Richemont management to set priorities and action plans.

Length of service

The following chart shows a breakdown of the workforce by length of service. 51% of employees have worked in the Group at least five years. The average length of service for all employees is 7.5 years.



Age and gender diversity

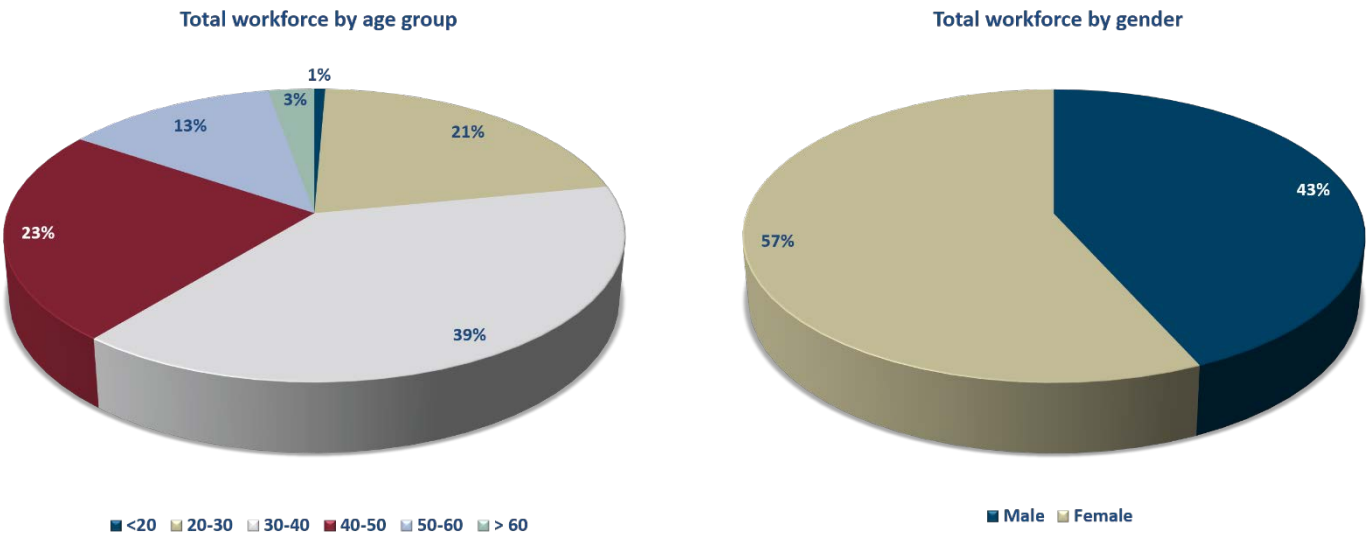
It is important to monitor the age profile of our workforce to understand industry-specific and professional working experience, which is likely to vary with age. It also helps us with future planning, helping us understand our potential exposure to retirement costs and ‘knowledge drain’ from employees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

To promote diversity amongst staff, we also monitor the gender balance in the workforce.

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

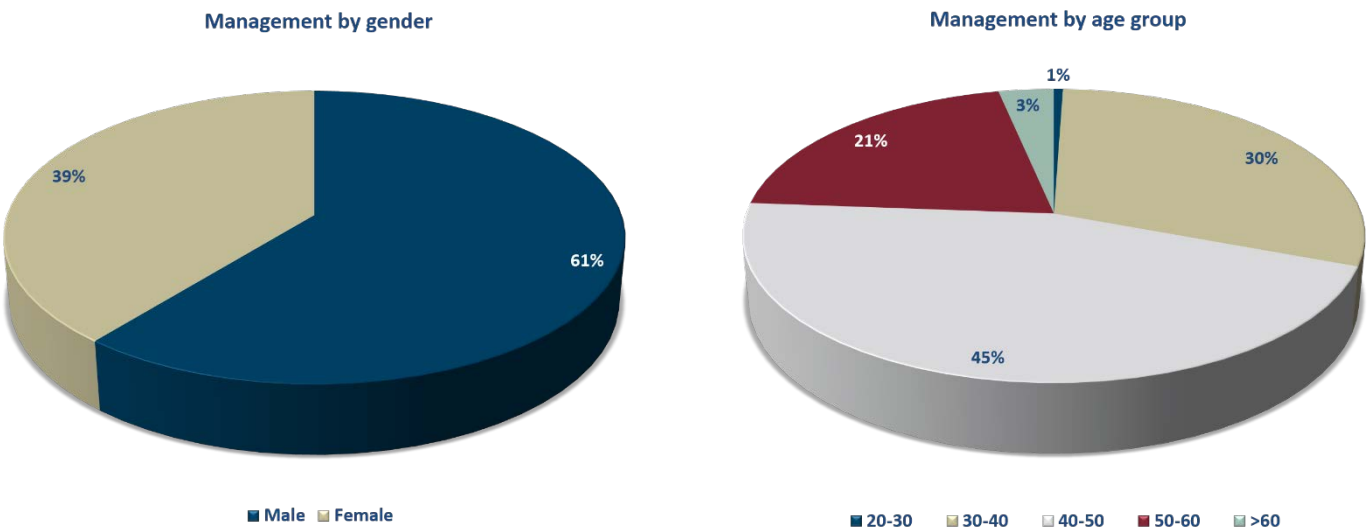
decisions, whether it be hiring, training or promotion, are taken based solely on an individual's ability and contribution to Richemont's success, irrespective of gender, age, ethnicity, disability, sexual orientation or any other aspect of their identity. We do not tolerate harassment or any behaviour which creates a hostile, offensive or intimidating environment for our employees. The Standards of Business Conduct makes clear our approach to breaches of policy, which will lead to a process of investigation and, when appropriate, dismissal.

Two particular areas the Group will be focusing on in the year ahead include i) providing an efficient, contemporary workplace through increased use of digital tools and ii) growing the knowhow and talent of our people.



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. As shown in the chart below, 39% percent of managers are female.



“Your journey with us”



“After a careful sourcing and selection process (Recruitment), we engage in identifying your strength, uniqueness and performance (Performance Management), commit to a providing you with fair and equitable return for your contribution (Reward), help you to develop your natural assets and potential (Learning & Development), and choose the right setting for your well-built career (Career & Succession Planning).”

The foregoing text and image are taken from the Richemont Intranet. It describes how each employee’s journey develops within the Group. The following sections provide further detail of each step on ‘Your journey with us’.

Recruitment

We seek to recruit, both from external candidates or from an internal move, for a career, not just to fill a position. Therefore we put a great deal of emphasis in the selection process, allowing both the business and the candidate to make sure this is the right person for the right job at the right time. We seek to recruit people who not only fit into our organisation, but also have the required skills to succeed in their new role.

Performance Management

The Performance Management Process is key to the successful alignment of employees’ individual expertise and competencies with the Group’s objectives. Our managers are trained to provide employees with on-going qualitative feedback, to support them in their daily tasks, and to foster their longer-term development, including professional aspirations. At least once per year, a formal Performance Management Meeting is used to discuss each individual’s performance and contribution. That meeting is also used to define the employee’s Individual Development Plan for the year to come.

Nine core competencies form a central part of each employee’s Individual Development Plan. These competencies are Group-wide and are based on the Group’s five values, which set out the common behavioural standards and skills that will help optimise the success of the individual in the Group.



Reward

Richemont's reward strategy is based on the Management By Objectives ('MBO') concept. This allows the Group to align employees' performance with its strategic goals, to attract and retain the right talent and ensure that employees have a stake in the Group's success.

Fair and equitable reward is based on thorough grading and a 'pay-for-performance model'. It rewards not only individuals' contribution and their team's success, but also provides the opportunity to participate in the Group's performance. A base salary is the foundation of all compensation packages. It reflects the scope of responsibilities, is benchmarked with external market data, and seeks to ensure team equity beyond specific departments. The base salary is complemented with different incentive schemes, which aim to reward performance and encourage each employee to contribute to the Group's success. The Group long-term incentive programs are designed to retain executives as well as key employees and to reward them for their commitment and contribution to the creation of shareholder value.

In emerging markets Richemont seeks to compensate its employees at or above the market average to ensure the lowest possible levels of employee turnover.

Disclosures concerning senior executives' compensation may be found in the Compensation Report within the [2017 Annual Report](#).

Learning and Development

As performance is directly linked with continuous learning, a strong 'Learning and Development culture' is fostered throughout the Group. Employees are expected to take the lead in their professional growth and to follow Richemont's '70-20-10' concept: 70% of learning takes place on-the-job; 20% from self-directed learning opportunities provided within the professional environment; and 10% of learning from classroom training. Richemont's Learning Management System ('LMS') supports this concept.

Further details are provided in the [Training and development](#) section below.

Career and Succession Planning

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. Richemont aims to recruit 70% of management-level employees internally. This target is closely monitored and was confirmed during the year under review.

Through identifying and developing our own employees today, we can fill key positions in the future. Our Succession Planning helps us to have an overview of available internal talent, which is ready-to-move when positions become vacant. Succession Planning is supported by 'Career Committees' and a permanent 'Talent Mindset' among our top management.

Fair and ethical labour practices

Richemont is committed to respecting fair and ethical labour practices and protecting the human rights of all of its employees wherever they are located in the world. As set out in our Code of Ethics, we follow international best practice labour standards including the International Labor Organisation Conventions and Universal Declaration on Human Rights.

As a minimum, employee conditions, including wages and working hours comply with national laws and applicable industry standards. We aim to recognise the value that each employee brings to the business and to provide rewards on an equitable basis in line with a common framework across the Group.

Richemont is against all forms of forced and child labour within its own operations and across its supply chain, and monitors compliance on this issue. The Group is an equal opportunities employer and offers equal treatment to all applicants and employees, without any form of discrimination or prejudice. Employees are free to form associations for the protection of their interests and to bargain collectively.

Training, development and fostering new talent

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 encourages individual development through on-the-job experience which accounts for 70% of training. Each Maison and Richemont shared service platform develops the formal training structure that most closely fits its culture, strategy and process.

Employability is a shared duty. Therefore managers discuss each employee's development path and look at the training offered in the Local Training Catalogue. The Learning Management System (LMS) is Richemont's tool to support each employee in the management of their on-going training.

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

Training and development in the watchmaking industry

Richemont is 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, Richemont currently employs more than 600 apprentices and trainees. This includes watchmakers, technicians and polishers working in Richemont's after-sales service centres around the world.

The Campus Genevois de Haute Horlogerie was inaugurated in 2016 and hosts watchmaking apprentices in Geneva. The Vacheron Constantin Institute was inaugurated in 2013 and also hosts watchmaking and Métiers d'Art apprentices.

Training and development in retail

The Richemont Retail Academy in Shanghai was inaugurated in 2011. In 2015, a second Academy was opened in Macau. Together they provide a platform for recruiting and training employees for our Maisons' boutiques across mainland China.

Training and development in design

The Creative Academy in Milan provides Masters-level programmes. Each year, the programme gives some 20 talented young designers the opportunity to transition directly from the classroom into Richemont. With both theory and professional training, the Academy helps students apply their creativity to the creation of luxury items.

Training and development in digital

The Digital Institute comprises a series of professional development programmes, in-house bespoke training, including on-the-job initiatives and events. It enables Richemont and Maison employees to enhance their knowledge about digital and thereby raise the level of digital excellence in our organisation.

One of the lead training courses, The Advanced Business Certification in Digital ('ABCD'), trains around 20 e-Business and Digital Managers over a 12-month period each year.

Fostering new talent

In addition to the Group's dedicated training academies, the Maisons also operate schemes with industry or government sponsored programmes to train the next generation of craftsmen and women.

The following examples describe four of our Maison's partnerships to foster new talent:

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 for high jewellery work has become scarce. Piaget's policy is to foster 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 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.

Vacheron Constantin has sponsored the European Artistic Crafts Days since 2011. Through its sponsorship it supports the activities of the Arts and Crafts French National Institute and its efforts to safeguard, promote and transmit the culture of the 217 sometimes centuries-old trades listed by the Institute.

Maison Chloé has offered the Chloé Prize for design during the Hyères Festival since 2011. The Festival promotes young artists in the fields of fashion and photography.

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 Health, Safety and Physical Security Committee meets on a quarterly basis to review performances and agree on priorities. Members include representatives from human resources, insurance, region and manufacturing sites.

In January 2016, a set of Health & Safety Policies and Directives were launched. They are supported by a worldwide structure and employee training.

Ultimate responsibility for health and safety issues resides with the Managing Director of each business. The applicable law and a risk-based approach provide us with minimum standard to follow. 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 Policies and Directives. They are supported by codes of conduct and specific training programmes. In each business there is a person in charge of health and safety issues, either as a dedicated role or, for smaller businesses, as part of a wider remit.

The Group holds an annual health, safety and physical security forum where managers have an opportunity to share best practices, present progress made on their respective sites, and consider audit findings.

Health and safety audits

We use an external consultancy to conduct regular audits of our manufacturing sites, distribution centres, offices, key boutiques and customer repairs centres. Independent audits were conducted during the year to assess compliance with health and safety regulations together with the effectiveness of translating Richemont's policies into operating procedures and practices. The results of 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 global systems and provide an action plan for improvement.

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.

Case Study – Pregnancy in manufacturing facilities



Procadrans is a Swiss manufacturer of watch components. Its employees include a number of pregnant women. It is necessary to ensure that their work does not affect their pregnancy. There are many chemical products at Procadrans, some of which might harm fertility, the foetus or nursing.

Many of these products are especially dangerous during the first quarter of pregnancy (deformity or miscarriage). This is why all the women are informed when joining Procadrans about this danger. Rooms concerned are forbidden to pregnant women and clearly indicated by the following sign:

Women working in the potentially harmful areas are advised to announce their pregnancy as soon as possible. This will allow management to provide them with another working place free of hazardous chemicals.

Broader dangers are also communicated to pregnant women, including: room temperature, working time, working in an upright position, lifting heavy loads and machine vibrations. Danger identification helps to reassure pregnant women because it allows them to work in a safe environment for their future baby. Managers are also positive about this initiative.

This initiative was promoted within the Group and also at a Human Resources convention about health and safety topics in Switzerland.

Looking ahead

In the year ahead, two areas of focus will be (i) providing an efficient, contemporary workplace through increased use of digital tools and (ii) growing the knowhow and talent of our people.

As part of this, Richemont is defining and promoting digital tools that connect all employees ("Digital Identity for all") and also encouraging new ways of working (e.g. online meetings). Linked to this, the Group is also establishing a global framework for more flexible working arrangements.

Richemont will continue to provide a contemporary training offer through blended learning and will invest in educational programmes for apprentices and specific craftsmanship skills. It will also be looking to further invest in Research and Development, building on existing partnerships.

On health and safety, Richemont will work towards achieving its target for reductions in recordable incidents and lost work days. Maisons will also be working with Human Resources to set up local awareness campaigns for the prevention of non-occupational incidents and will promote well-being topics.

Environment

Areas on improvement in the three years to 2017

Targets 2014-2017

Carbon intensity over a five-year period

- Reduce CO2 intensity from buildings by 10% (kg per m2 and kg per FTE) by March 2018
- Reduce CO2 intensity from business travel by 20% (kg per FTE) by March 2018
- Develop and purchase Carbon offsets for all scope 1 and 2 emissions

Packaging:

- For each of the three categories: Freight; Retail; Everlasting (e.g. presentation boxes)
 - Define a model policy at Group level to reduce the total amount of packaging used with a focus on 'Reduce, Reuse, Recycle'
 - Use the Group policy to define a policy at the Maison level
 - Share best practices between Maisons
 - Develop appropriate measures at the Group and Maison level

Logistics

- Measure the Group scope 3 emissions, estimating if necessary
- Seek to minimise the percentage of scope 3 emissions which are estimated
- Offset all scope 3 emissions over which Richemont has direct control

Environmental management

Our Commitment

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

- Climate change
- Packaging
- Logistics

Context

We are committed to minimising our impact on the natural environment and to reducing our carbon footprint. 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 detailed at the beginning of the Environment section.

We recognise national and international standards of environmental performance and provide relevant guidance both to our Maisons and to our suppliers.

Our approach

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

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.

Richemont's Internal Audit function includes environmental considerations within its systematic risk analysis and monitors compliance with the Code. With a view to improving the overall management of risks, Richemont has established an Environment, Health and Safety audit programme for significant manufacturing, operational and administrative sites: some 25 site audits are conducted each year by a specialised independent auditor. The results from those audits are used to drive continuous improvement plans.

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 the sourcing of packaging materials and efforts to recycle a wide range of manufacturing waste products.

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, and other elements necessary to calculate our carbon footprint. The results are disclosed in this CSR report and are communicated internally to employees via the CSR representatives. The independent assurance report may be found on the Climate Change section here below.

Whereas no manufacturing sites are currently registered to ISO 14001, Richemont's Environmental Management Systems are based on the principles of that standard.

Engaging stakeholders

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

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.

Through its 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.

Climate change

Context

Richemont's carbon footprint is relatively small compared to that of energy-intensive industries. 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 and those of our logistics service providers.

We measure our emissions each year and aim to reduce them. As the business continues to grow in absolute terms over the long-term, 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. This approach allows a financial cost to be placed on carbon, which helps drive performance improvements, as does the motivation of employees in general.

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. The case study at the end of this section provides an example.

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 recyclers and 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.

Our approach

Carbon footprint

During the year, it was decided to change the twelve-month period for data capture from April-March (financial year) to January-December (calendar year). The decision reflected the ease of data collection from service providers such as energy utilities. No change has been made to previous years' data.

We calculate our carbon footprint based on the internationally recognised Greenhouse Gas (GHG) Protocol of the World Business Council for Sustainable Development (WBCSD). The calculation methodology, first established in the 2011/12 financial year, was unchanged.

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 m²) 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) and includes retail outlets, offices, research and manufacturing sites, and distribution centres.

In the year under review, our global CO₂ emissions have increased by 5% to 134 Ktons, excluding logistics. The 5% increase comprises:

- Buildings +9%. The increase in buildings is mostly due to an improved data collection process. That has enabled us to cover nearly 100% of our real estate, including manufactures, boutiques, shop-in-shops, logistics centres and offices. This improvement in data quality was not offset by the growth in 'green' electricity contracts, which now accounts for more than half of our electricity consumption. We seek to further increase the proportion of 'green' electricity consumed.
- Travel +2%. The increase in our travel emissions is linked to the rollout of Group-wide projects in markets far away from our base in Switzerland.
- Scope 3 Logistics +3%. The progressive growth in the scope of reported data is described in more detail [below](#).

We have internalised a growing proportion of the Group's supply chain in fine jewellery and watchmaking. Such manufacturing processes consume more energy per person than assembly processes. The progressive 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 CO₂ emissions per employee (average FTE) on a comparative basis has increased by 7% in the year: from 4.5 CO₂t/FTE to 4.8 CO₂t/FTE, while our average FTE has decreased by 1%.

With respect to renewable energy, our solar energy production has increased by 146%. Nevertheless, at some 0.8 GWh, this represents less than 1% of the electricity consumed by the Group as a whole.

We aim to reduce our emissions as much as possible and neutralise the rest by participating in certified offsetting projects. Our Scope 3 Logistics emissions indicated below are not offset. Our other CO₂ emissions were offset by three projects:

- two forest conservation projects: in the Democratic Republic of Congo and in Colombia; and
- one energy efficiency project in China.

To raise awareness, the centrally-purchased carbon offsets are re-invoiced to Richemont's individual Maisons based on their own GHG emissions. A Committee, with both Maisons and Regions representatives, selected the three offset projects above, deepening our engagement and promoting both internal and external communication.

Since 2011: an independent assurance report has been provided on the Group's consolidated CO₂ emissions. The 2017 report from SGS was issued on 28 June 2017, and included the logistics developments described above.

The Group participates in the CDP annual data collection process. Richemont's 2016 submission received a C rating by the CDP's assessors (2015: D rating).

CO ₂ emissions	Units	2013/14	2014/15	2014/15*	2015/16	2016/17
Total	1 000 tCO ₂	179.3	202.4	171.8	171.5	179.4
Scope 1	1 000 tCO ₂	18.3	20.0	18.0	13.6	15.4
Scope 2	1 000 tCO ₂	56.8	65.5	60.1	57.3	62.8
Scope 3	1 000 tCO ₂	42.9	51.2	50.2	56.9	55.6
Scope 3 Logistics	1 000 tCO ₂	61.3	65.6	43.4	43.7	45.6

2014/15* - Re-presented results, excluding The Net-A-Porter Group, a discontinued operation.

Key definitions

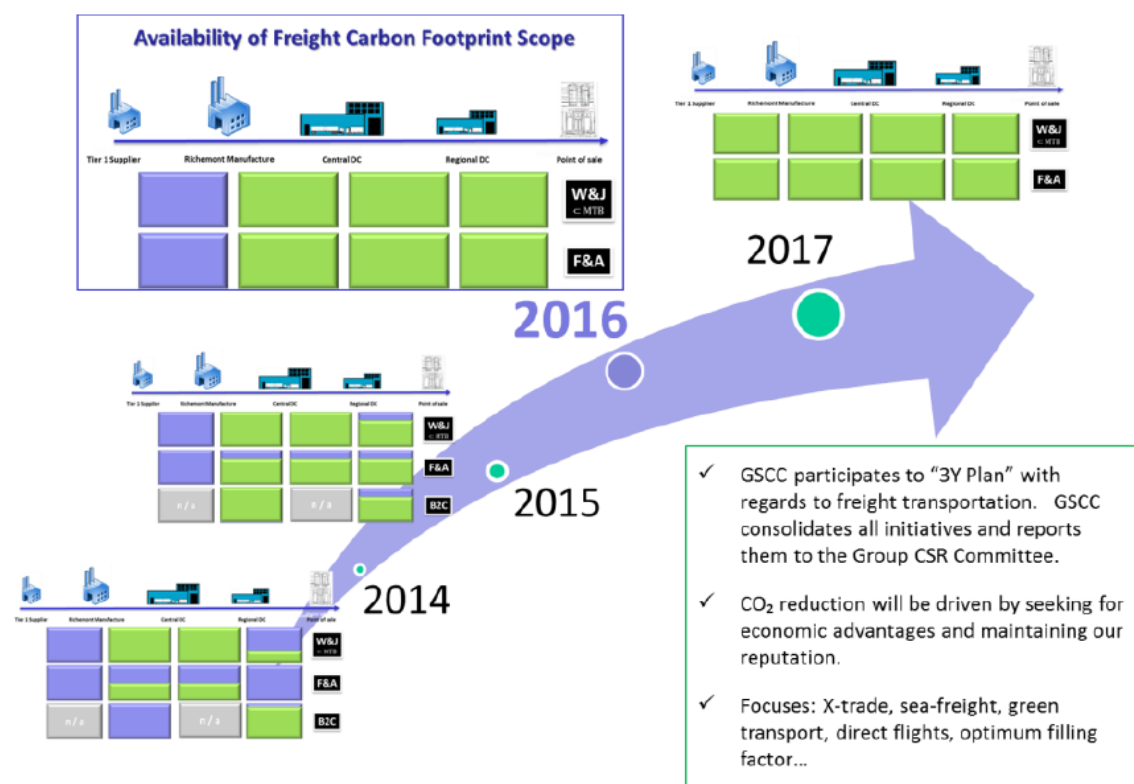
Scope 1: Direct GHG emissions from sources that are owned or controlled by the company. It includes energy use from buildings and emissions associated with the vehicles we operate.

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

Scope 3 Logistics: Since 2013/14, our Scope 3 emissions data for freight logistics has been progressively measured. What began as a limited scoping exercise, encompassing only our Jewellery Maisons and Specialist Watchmakers, from their European manufactures to their

international network of boutiques and wholesaler partners, has continued to grow. The chart below indicates the year-on year scope progression. In 2016/17 the scope includes all relevant logistics, from Tier 1 suppliers to downstream retailers and for all Maisons. This approach to measurement enables us to better manage our environmental impacts.



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

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 11%. The increase largely reflects efforts by our Real Estate Department to further improve reported data quality from our retail network in Department Stores. It also reflects an increase of 4 % in the Group’s total surface area.

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 the year under review, 53 % of the Group's purchased electricity was 'green' (2016: 45%; 2012: 23 %). In absolute terms, the Group's green electricity consumption increased to 109 GWh. We continue to seek 'green' electricity contracts in countries as they become available.

Energy (buildings only)	Units	2013/14	2014/15	2014/15*	2015/16	2016/17
Total energy consumption	GWh	225	238	229	227	245
Direct energy consumption	GWh	37	31	30	28	32
Indirect energy consumption	GWh	188	207	198	196	212
Alternative energy	GWh	-	-	-	3	1

2014/15* - Re-presented data excluding The Net-A-Porter Group, a discontinued operation.

The Group has published an internal guide on LED lighting for its worldwide operations, in particular its boutiques. The aim of the guide is to enhance product display and employees' working conditions. In the longer term, Richemont intends to be 100 % LED.

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 construction of new manufacturing facilities in Switzerland, partly offset by energy-saving initiatives.

Packaging and waste

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 (i) freight for wholesale distribution, and (ii) retail shopping bags and presentation boxes for jewellery, watches and other products. Experience shows that customers tend to keep the presentation boxes, passing them from one generation to the next alongside the watch or jewellery piece.

Richemont and its Maisons have defined appropriate measures and targets in this area, following a study of Shopping Bags regulations around the world. Concerning paper and packaging materials, Maisons and Group operations have chosen, whenever possible, to use sustainable sources of materials through recognised certification schemes, such as the Forestry Stewardship Council (FSC).

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 and writing instruments account for some 85 % 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 products, accounting for some 15 % 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 seek to minimise 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. The Group does not collect data regarding the weight or volume of materials used in its production or other operating processes, but will study best practices and area of improvement in the foreseeable future.

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 through the 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) a screening life cycle analyses; and (ii) the sensibilities of the Maisons' designers and their customers.

Product stewardship and regulatory compliance are consistent with the core values of Richemont's Maisons. In order to ensure the compliance and sustainability of their products, Richemont's Maisons are further developing their traceability tools while fostering the environmental and social responsibility of their suppliers. Richemont's Maisons set high standards for themselves to reach sustainability and compliance excellence within their internal production processes. The Maisons are particularly committed to ensure the compliance of their products towards all international chemical regulations, such as EU REACH and California Proposition 65. As experience in this area grows, our Maisons are progressively taking a proactive approach to identify and phasing out certain chemicals in order to ensure the security of its employees, customers and the environment.

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. Their energy use was captured by Richemont for the first time in 2013/14. In collaboration with Richemont's main business partners, this capture will first measure emissions, then seek to reduce 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. Accordingly, Richemont has developed logistics-related targets to reflect its CSR three-year plan.

Other environmental impacts

Biodiversity

Context

Richemont's direct operations are not considered to have a high impact upon biodiversity. However, the Group's Maisons make use of renewable and non-renewable raw materials, such as gold, gemstones, leather and woods which have biodiversity impacts. 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 Code of Conduct](#) set out our policies for sourcing responsible gold and conflict-free diamonds, manufacturing leather products, and protecting endangered species. 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. We seek to source recycled gold from certified suppliers as this has less impact on our environment.

A number of our Maisons have factories that are located near rivers and lakes. We are committed to preserving the natural environment around all of our operations.

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 Swiss examples of how the Green Handbook has been used include Officine Panerai in Neuchâtel, Manufacture Horlogère ValFleurier in Buttet, and the Campus Genevois de Haute Horlogerie in Meyrin. Those buildings incorporate, amongst other things, low-energy heating and lighting systems. The new building of A. Lange & Söhne in Germany incorporated 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, was completed in 2015. The Campus incorporates a number of environmental innovations linked to energy saving in the building. Low-emission public transportation for students and employees was factored into the project.

The Group has published an internal guide on LED lighting for its worldwide operations, in particular its boutiques. The aim of the guide is to enhance product display and improve employees' working conditions.

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 comply with all such legislation, whether in Switzerland or in other jurisdictions.

Water data

Water data is not consolidated at present. However, this may change in the future. In the meantime, individual projects across the Group are being managed to reduce water usage whenever possible.

Case Study: Officine Panerai's buildings

Shanghai Plaza 66 is the first Panerai boutique in China to be awarded LEED certification by USGBC.

Leadership in Energy and Environmental Design ('LEED') is a rating system devised by the United States Green Building Council ('USGBC') to evaluate the environmental performance of buildings and encourage the market towards sustainable design. LEED is a globally recognised symbol of excellence in green building, guaranteeing electricity cost savings, lower carbon emissions and healthier environments for the places in which we live and work. The Panerai boutique was inaugurated in February 2017. After further support from the Richemont Real Estate department, the boutique also received GOLD LEED certification in July 2017, becoming the first store in the Group to do so.

In parallel, Panerai's new manufacture in Neuchâtel, Switzerland conforms to the highest international environmental standards.

Conceived to emit zero CO₂ and to maximise energy efficiency, the manufacture also captures rainwater for use in the washrooms and to irrigate the hundreds of plants in its green spaces. The systems used to cool the manufacturing machinery are the same as those used to heat the hot water for the washrooms and to heat the building in winter. Other heating and cooling systems use 36 geothermal pumps and 50m² of solar panels. They combine with other innovations to create a stable and agreeable working environment. Beyond the walls, the manufacture offers incentives to its employees to use public transport whenever possible.

Officine Panerai's approach to environmental matters is as innovative and technology-driven as the timekeeping instruments it creates.

Looking ahead

As part of the 2020 CSR Plan, we will be setting meaningful and realistic carbon reduction targets based on an analysis of the Group carbon footprint. Our reduction efforts will focus on areas such as renewable energy, LED lighting for boutiques and encouraging less business travel.

While continuing to offset our carbon emissions, we will also be exploring new approaches to incentivise Maisons and functions to implement reductions. These include learnings from a 'carbon insetting' pilot project at one of our Maisons.

Building on our efforts in logistics and packaging, we will be setting quantitative targets to reduce emissions related to logistics and for the sustainable sourcing of packaging materials. Guidelines will be issued to support Maisons with implementing best practices in these areas.

Other key priorities include reviewing and updating the Group Environmental Policy, and extending the scope of our environmental reporting to identify and measure material waste and water data.

Community Investment

Areas on improvement in the three years to 2017

Key areas of progress include:

- A Community Investment Toolkit, providing guidance to Maisons in developing and implementing community programs with NGO partners. This has helped the Group to form more strategic partnerships and improved the reporting of community data.
- Overall community investment spend across the Group has risen since 2014. Maisons have continued to support a range of programs that contribute positively to Arts and Culture, Health and Welfare, Protecting Natural Resources, and Social and Economic Development.

Richemont has identified the following key areas for improvement and will be focusing on these as part of the 2020 CSR Plan:

- Reviewing the measurement and reporting systems for community investment data.
- Promoting more employee volunteering through the development of a Group-wide Volunteering Policy.
- Considering how programmes contribute to the wider sustainable development agenda – the Sustainable Development Goals.

Our commitment

To ensure that Richemont's community investment activities provide 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 an important source of employment and tax revenue.

The Group's approach to community activities is set out in our Community Investment Toolkit. It provides 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. The four broad areas in which we contribute are:

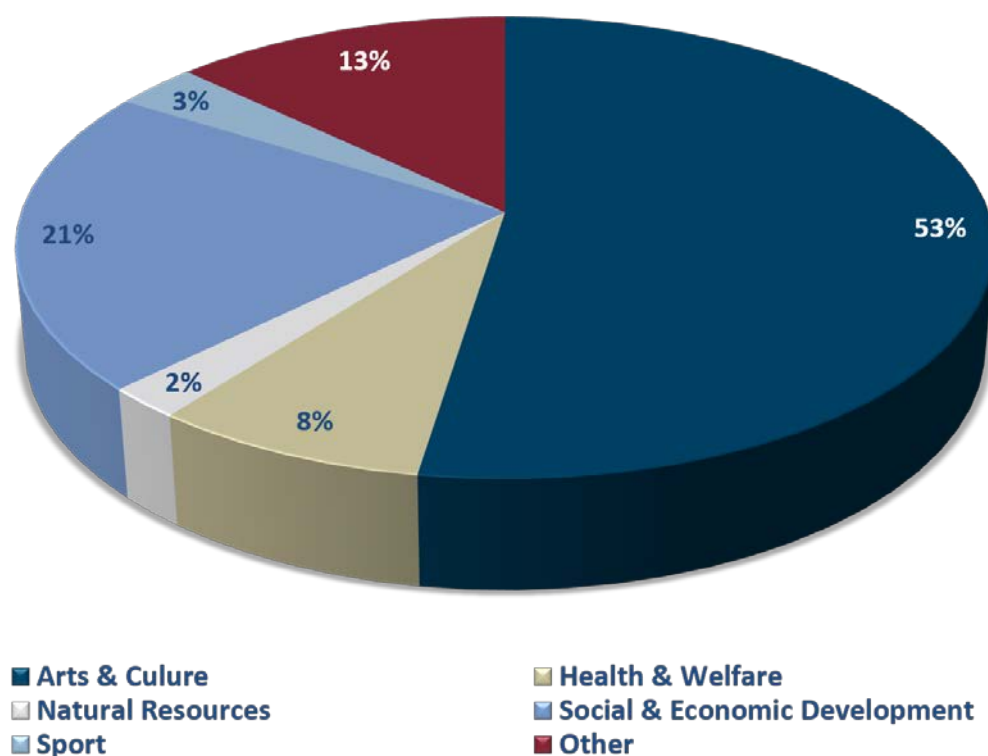
- Charitable involvement;
- Sponsorship activities;
- Fostering new talent by way of training programmes, including apprenticeships;
- Responsible citizenship – having a positive economic impact, e.g. through the payment of local and national taxes.

Community spend

This year our total community spend was € 28 million (prior year: € 30 million). This equates to 1.8% of our profit before tax (prior year: 1.5 %). 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 has enabled our Maisons to have 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. Other beneficiaries include charities concerned with healthcare, sanitation, women's welfare and children's sports. Richemont does not seek to influence public policy through its charitable donations.

Donations by beneficiary



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, Richemont North America has organised many 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 [2017 Annual Report](#), and in the [Sponsorship](#) section of this report.

At the Group level, Richemont continues to support a number of charitable foundations. Below are some details of seven of these. Richemont or one of its Maisons either founded or co-founded those indicated with an asterisk (*).

Fondation Cartier pour l'art contemporain* 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.



Cologni Foundation for Artistic Craft Professions (*Fondazione Cologni dei Mestieri*) 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.



Peace Parks 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.



Laureus* 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 to partner with Laureus.



Teacher of Ten Thousand Generations Foundation assists underprivileged children and their families in China by providing educational opportunities, thereby offering them a greater choices in their futures. The foundation has an association with a number of schools in Southern China.



The Fondation de la Haute Horlogerie* fosters and promotes fine watchmaking's values of creativity, culture and tradition at an international level. It has three goals: (i) to provide information about fine watchmaking; (ii) to train fine watch professionals; and (iii) to affirm its role as a Think Tank for the fine watch industry.



Cartier Charitable 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.

Sponsorship

Richemont and its Maisons sponsor initiatives and causes around the globe. Such sponsorship helps to support the Maison's strategic objectives. Examples include:

- **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. To mark its 10th anniversary, the Women's Initiative published a special report 'Assessing a Decade of Impact'.
- **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.
- **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.

A number of Maisons actively support music and musicians. These include:

- **Vacheron Constantin's** support of the Orchestre de la Suisse Romande,
- **A. Lange & Söhne's** support of the Salzburg Whitsun Festival.

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

- **Montblanc** has a long history of supporting arts and culture. Since 1992, the 'Montblanc de la Culture Arts Patronage Award' is conferred on outstanding art patrons whose personal commitment and achievements deserve wider recognition.
- **Vacheron Constantin** fosters educational partnerships with various schools in specialized art, crafts and technical institutions. These include Ecole Boulle in Paris and the Ecole Cantonale d'Art de Lausanne "ECAL". Vacheron Constantin also supports the JEMA (European Artistic Craft Days).

Our economic impact

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. Richemont continues to make significant investments in its manufacturing base. In the year under review, we invested € 126 million in our European manufacturing base (2016: € 185 million). Our Community Investment spend amounted to € 28 million.

We are a significant employer, directly employing and developing the skills of tens 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 1 117 at March 2017. 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.

Case Study: Baume & Mercier and 1001 Fontaines



Since 2004, 1001fontaines has been working in Cambodia to allow isolated rural populations to obtain access to clean drinking water through social enterprise. The three pillars of the model are water quality, accessibility (including affordability for beneficiaries) and sustainability.

Small water kiosks are set up and entrusted to local entrepreneurs, hired and trained by in-country partners. Water is produced locally using a low-cost technology (UV treatment and solar energy). It is then bottled and sold at an affordable price to villagers. The water bottles are delivered at home to guarantee quality to the end-users and save valuable time for women and children generally in charge of water collection. Currently, 170 water kiosks work in Cambodia, creating some 500 sustainable jobs and 400,000 beneficiaries.

Beyond entrepreneurship, 1001fontaines ensure that the entrepreneurs deliver free water in schools. Thanks to this 'Water in School' programme, more than 100,000 children receive safe drinking water every school day.

Baume & Mercier has developed a strong CSR policy with a vision to create long-term value for their business and wider society, while preserving the heritage in quality, craftsmanship and innovation. This vision is expressed by deepening engagement and by innovating for sustainability. In December 2015, Baume & Mercier became a strategic partner to develop and strengthen the 'Water in School' programme. It uses Baume & Mercier's creative, marketing, communications and sales strengths to develop teaching materials, organise promotional events and fund water given to the schools through 1001fontaines.

In February 2016, a working group went to Cambodia to better understand local culture. This trip was fully funded by Air Miles donated by the CEO and CFO. Beyond financial support, this partnership is really the expression of a profound and philanthropic commitment among Baume & Mercier directors and employees.

Looking ahead

As part of the 2020 CSR Plan, Richemont will be reviewing its community investment portfolio to further identify strategic focus areas and deepen its measurement and reporting of community programmes. This will build upon the Community Investment Toolkit already implemented across the Group.

The Group will develop a volunteering policy to promote further active employee involvement in charitable and community activities.

Building on progress to date, Richemont will be establishing forums to share community best practices across the Group, and also consider how programs contribute to the wider sustainable development agenda, in particular the Sustainable Development Goals.

Product innovation, design and quality

Product innovation

Innovation runs through our business, from the design of our products and the application of new materials such as ceramics and alloys, through to the processes we use. This innovation is fundamental to the sustainability of our business. Critical appreciation is marked by the awards received by our Maisons each year, particularly in the watchmaking domain.

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 Salon International de la Haute Horlogerie (SIHH) held each year in Geneva and at the Watches & Wonders exhibitions held in Hong Kong.

Recruiting and developing talented designers and craftsmen is integral to maintaining our pipeline of innovative products. We therefore invest significantly in training academies, partnerships and apprenticeship programmes to build the capabilities of our current and future workforce. See [Fostering New Talent](#) for more details.

Each Maison has 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 include visits to suppliers and manufacturers across the world. New materials are tested to ensure conformity with applicable regulations. New manufacturing techniques are being explored, including additive manufacturing. The Group supports a Chair at the EPFL, Switzerland in pursuit of such innovations. 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.

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. However, we will continue to look for new opportunities to innovate our product design, materials and processes to become more sustainable.

Anti-counterfeiting

Counterfeiting and piracy are highly pervasive across countries and sectors, representing a multi-billion dollar industry that continues to grow globally. Latest estimates evaluate the global economic effects and social impacts of counterfeiting and piracy to USD 1.87 trillion in the next few years.

Richemont is determined to protect the intellectual property assets of its Maisons and businesses against this phenomena. Working with customs, police and administrative authorities around the world, Richemont organises daily raids and seizures to contain the spread of counterfeit products and send a strong message to pirates and counterfeiters.

Collaboration with the Maisons and their local platforms is a key factor to ensuring such anti-counterfeiting actions are targeted and efficient. As the problem of online counterfeiting has

grown rapidly in the last few years, digital protection and enforcement have been essential elements in maintaining the exclusivity of our Maisons' products in the Internet environment. Millions of fake products and infringing online listings are removed every year by Richemont, both off and online.

Product advertising and labelling

The Group's Maisons advertise their products through a variety of media channels. Compliance with local advertising laws is monitored. No material instance of non-compliance was brought to the Group's attention during the year under review.

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.

UN Global Compact Communication on Progress

HE António Guterres
Secretary-General
United Nations
New York, NY 10017
USA

11 July 2017

Dear Mr Secretary-General,

This communication covers the period from 1 April 2016 to 31 March 2017.

We are pleased to confirm Richemont's continuing 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 fourth Communication on Progress in which we describe our actions integrating the Global Compact and its principles into our business strategy, culture and daily operations.

We continue to commit to share this information with our stakeholders as part of our annual CSR report.

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 Standards of Business Conduct and an external Supplier Code which both include Human Rights considerations. These Codes were first adopted by the Board of Directors in 2005. The Standards of Business Conduct has been made available to all employees and is available in their working languages. The Codes are regularly reviewed and amended to ensure they remain as relevant as possible.

In addition to Richemont's own Standards and Codes, 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

A comprehensive review of these policies has been conducted, incorporating relevant revisions to strengthen the Standards & Codes. A fully revised Supplier Code was published in December 2015 and a revised Standards of Business Conduct was circulated internally in February 2016.

Whistleblowing procedures are in place to ensure any suspicions of inappropriate conduct can be voiced. All employees are systematically made aware of the 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 Head of Internal Audit.

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 and Standards 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. Each employee within the Group received Compliance training via our eLearning platform.

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: At Richemont, diversity and equal opportunities means creating a working 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: We have extensively revised the Supplier Code this year to ensure that it continues to encompass recognised practice in this area. This revised Code was published in December 2015 and is being progressively communicated to our suppliers. Tools for managing signed Supplier Codes have been developed in order to simplify internal record keeping and to minimise the risk of duplicate requests being sent to common suppliers.

Employees: As detailed in the Standards 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 their working languages. 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:

Some 200 external supplier audits were performed across the Group in 2016/17 (prior year: some 200). The Group's businesses have also strengthened procedures with regard to the Supplier Code validation, through the training of procurement employees and, in certain cases, incorporating the Code into their terms and conditions of business.

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. 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 three key areas: climate change; packaging; and 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.

Richemont seeks to promote greater environmental responsibility within the supply chain, and environmental considerations are contained within the Supplier Code of Conduct.

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.

As part of the revision of the Supplier Code, the environmental requirements were enhanced to reflect current scope and practices in environmental management.

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, and other elements necessary to calculate our carbon footprint. The data include our subsidiary companies where the Group has management control. The results are disclosed in the annual CSR report, disclosed in further detail to CDP and are communicated internally to employees via the CSR representatives. Since 2011,

Richemont's environmental data has been assured independently. The assurance report may be found in the Climate Change section of our 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 Standards of Business Conduct. The Standard is distributed to all employees and is available in their respective working languages. The Standards include Richemont's clear opposition to all forms of bribery and corruption.

Implementation

Whistleblowing procedures are in place to ensure any suspicions of inappropriate conduct can be voiced. All employees are systematically made aware of the 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 Head of Internal Audit.

As part of the revised Supplier Code, any individual who is concerned about actual or suspected misconduct with regard to the terms of the Supplier Code of Conduct may report their concerns directly to Richemont's Head of Internal Audit.

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.

We encourage you to read our CSR Report for more detailed information.

Yours sincerely,

Gary A. Saage
Chief Financial Officer

Burkhart Grund
Deputy Chief Financial Officer

Global Reporting Initiative ('GRI') Index

In putting together this Corporate Social Responsibility report, Richemont has referenced G4 Sustainability Reporting Guidelines prepared by the Global Reporting Initiative. The Group's 2017 CSR report has not been verified by an independent body. The Group self-declares this report to GRI G4 'in accordance core'. 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. This table provides a guide on our reporting against the G4 Sustainability Reporting Guidelines.

General Standard Disclosures

Strategy and Analysis

Organisational Profile

Identified Material Aspects and Boundaries

Stakeholder Engagement

Report Content

Governance

Ethics and Integrity

Specific Standard Disclosures

Economic Indicators

Environmental Indicators

Social Indicators

GRI Index	Description	Location
General Standard Disclosures		
Strategy and Analysis		
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	Introduction
G4-2	Provide a description of key impacts, risks, and opportunities	Our Approach to Corporate Social Responsibility Materiality Stakeholder Engagement

Organisational Profile

G4- 3	Report the name of the organization	About Richemont
G4- 4	Report the primary brands, products, and services	About Richemont
G4- 5	Report the location of the organization's headquarters	About Richemont Where We Operate
G4- 6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	Where we operate
G4- 7	Report the nature of ownership and legal form	Corporate Governance - Group Structure
G4- 8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	Where we operate
G4- 9	Report the scale of the organization	Where we operate
G4- 10	Employee breakdown	Richemont as an Employer – Key performance data
G4- 11	Report the percentage of total employees covered by collective bargaining agreements	Richemont as an Employer
G4- 12	Describe the organization's supply chain	Supply Chain Management
G4- 13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	About Richemont
G4- 14	Report whether and how the precautionary approach or principle is addressed by the organization	Governance and Risk Management Environmental management Product innovation, design and quality

G4- 15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	UN Global Compact Communication on Progress Our approach to reporting - GRI Responsible Sourcing of Raw Materials Responsible Jewellery Council
G4- 16	List memberships of associations (such as industry associations) and national or international advocacy organizations	Public policy engagement Working in Partnership Responsible Jewellery Council
Identified Material Aspects and Boundaries		
G4- 17	Entities included in the organization's consolidated financial statements or equivalent documents	About Richemont
G4- 18	Process for defining report content	Our Approach to Corporate Social Responsibility Our Approach to Reporting Materiality Stakeholder Engagement
G4- 19	List all the material Aspects identified in the process for defining report content	Materiality Stakeholder Engagement
G4- 20	Aspect boundary within the organisation	Materiality
G4- 21	Aspect boundary outside the organisation	Materiality
G4- 22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	N/A

G4- 23	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	About Richemont
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Stakeholder Engagement

G4- 24	List of stakeholder groups engaged	Stakeholder Engagement
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G4- 25	Basis for identification and selection of stakeholders to engage	Stakeholder Engagement
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G4- 26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Stakeholder Engagement
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G4- 27	Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key issues and concerns, including through its reporting	Stakeholder Engagement Materiality
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Report Content

G4- 28	Reporting period for information provided	Our Approach to Reporting
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G4- 29	Date of most recent previous report	2015/16
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G4- 30	Reporting cycle	Annual
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		Our Approach to Reporting
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G4- 31	Contact point for questions regarding the report or its contents	Welcome to Richemont's 2017
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		Corporate Social Responsibility Report
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G4- 32	GRI Content Index	Global Reporting Initiative ('GRI') Index
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G4- 33	Report the organization's policy and current practice with regard to seeking external assurance for the report	Our Approach to Reporting
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Governance

G4-34	Report the governance structure of the organization, including committees of the highest governance body	How CSR is Managed Governance and Risk Management Board of Directors, Annual Report
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	How CSR is Managed Our Approach to Reporting
G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	How CSR is Managed Our Approach to Reporting
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	Stakeholder Engagement
G4-38	Report the composition of the highest governance body and its committees	Governance and Risk Management Board of Directors, Annual Report Corporate Governance, Annual Report
G4-39	Report whether the Chair of the highest governance body is also an executive officer	Corporate Governance, Annual Report
G4-40	Report the nomination and selection processes for the highest governance body and its committee	Corporate Governance, Annual Report
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed	Corporate Governance, Annual Report
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	How CSR is Managed Governance and Ethics

G4-45	Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities	Governance and Risk Management Corporate Governance, Annual Report
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	How CSR is Managed Governance and Ethics
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	How CSR is Managed Governance and Ethics
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	How CSR is Managed Governance and Ethics
G4-49	Report the process for communicating critical concerns to the highest governance body	Policies
G4-51	Report the remuneration policies for the highest governance body and senior executives	Corporate Governance, Annual Report
G4-52	Report the process for determining remuneration	Corporate Governance, Annual Report
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration	Corporate Governance, Annual Report

Ethics and Integrity

G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Policies
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	Governance and Ethics Policies
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	Governance and Ethics Policies

Specific Standard Disclosures		
Economic Indicators		
Economic Performance		
G4-EC1	Direct Economic value generated and distributed	Our Economic Impact Tax
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Climate Change
G4-EC3	Coverage of organisation's defined benefit plan obligations	Consolidated financial statements Annual Report
Indirect Economic Impacts		
G4-EC7	Development and impact of infrastructure investments and services provided	Community Investment
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Our Economic Impact
Environmental Indicators		
Energy		
G4-EN2	Percentage of materials used that are recycled input materials	Climate Change
G4-EN3	Energy consumption within the organisation	Climate Change
G4-EN6	Reductions in energy consumption	Climate Change
Biodiversity		
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Other Environmental Impacts
G4-EN12	Description of significant impact of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Other Environmental Impacts

Emissions		
G4-EN15	Direct Greenhouse Gas (GHG) emission (scope 1)	Climate Change
G4-EN16	Direct Greenhouse Gas (GHG) emission (scope 2)	Climate Change
G4-EN17	Direct Greenhouse Gas (GHG) emission (scope 3)	Climate Change
G4-EN19	Reduction of Greenhouse Gas (GHG) Emissions	Climate Change
G4-EN20	Emissions of ozone depleting substances (ODS)	Climate Change
Effluents and Waste		
G4-EN23	Total weight of waste by type and disposal method	Climate change - Packaging and waste
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Climate change - Packaging and waste
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	Climate change - Packaging and waste
Compliance		
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for, non-compliance with environmental laws and regulations	Product innovation, design and quality Climate Change
Transport		
G4-EN30	Significant environmental impacts of transporting goods and materials used for organisation's operations, and transporting members of the workforce	Climate Change - Logistics
Supplier Environmental Assessment		
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	Responsible sourcing of raw materials

Social Indicators

Labour Practices and Decent Work

G4-LA1	Total number and rates of new employment hires and employee turnover by age group, gender and region	Richemont as an Employer Key performance data
G4-LA6	Types of injury, rates of injury, occupational diseases, lost days and absenteeism and total number of work related fatalities by region and by gender	Health, Safety and Well-being
G4-LA9	Average hours of training per year per employee by gender and by employee category	Training, development and fostering new talent
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Richemont as an Employer Training, development and fostering new talent
G4-LA11	Percentage of employees receiving regular performance and career development reviews by gender and by employee category	Richemont as an Employer Your journey with us
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	Richemont as an Employer – Key performance data
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	Human Rights and Labour Standards in the Supply Chain

Human Rights

G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour and measures taken to contribute to the effective abolition of child labour	Human Rights and Labour Standards in the Supply Chain
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour	Human Rights and Labour Standards in the Supply Chain

G4- HR10	Percentage of new suppliers that were screened using human rights impacts criteria	Human Rights and Labour Standards in the Supply Chain
G4- HR11	Significant actual and potential negative human right impacts in the supply chain and actions taken	Human Rights and Labour Standards in the Supply Chain
Society		
G4- SO1	Percentage of operations with implemented local community engagement, impact assessment, and development programmes	Community Investment
G4- SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Policies
G4- SO4	Communication and training on anti-corruption policies and procedures	Policies
G4- SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Product innovation, design and quality Climate Change
Produce responsibility		
G4- PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by types of outcome	Policies Product innovation, design and quality
G4- PR3	Type of product and service information required by the organisations procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements	Product innovation, design and quality
G4- PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling	Product innovation, design and quality
G4- PR6	Sale of banned or disputed products	Materiality of 'exclusion criteria'
G4- PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Product innovation, design and quality

