RICHEMONT

CORPORATE SOCIAL RESPONSIBILITY REPORT 2018

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WELCOME

WELCOME TO RICHEMONT'S 2018 CORPORATE SOCIAL RESPONSIBILITY REPORT

Richemont has a long-standing commitment to doing business responsibly. The 2018 CSR Report demonstrates how we are meeting our commitments and describes how we manage our social, ethical and environmental impacts.

We welcome your feedback on our CSR performance and reporting. Please contact us with your comments and questions.

Our governance disclosures form part of our 2018 Annual Report and Accounts, being a separate document available on our website.

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VISION

VISION

INTRODUCTION

Burkhart Grund
Chief Finance Officer
Geneva, summer 2018

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 looked back on their implementation of the Group's first CSR three-year plan, launched in 2014, and looked ahead with the Group's second three-year plan: our CSR 2020 Plan. The 2020 Plan, launched in December 2017, reflects the knowledge we acquired from implementing the first plan and integrates the results of our first materiality matrix and wider business priorities. Together, they identify the key issues to be addressed, including targets and performance indicators. Accordingly, while it represents only a baseline, our second plan is significantly more detailed than our first plan. We hope that the baseline level of ambition which we have set for ourselves in the 2020 Plan will enable us to meet the evolving expectations of our clients, colleagues, investors and other stakeholders.

In the wider world, 2017/18 saw enhanced interest in women in the workplace. Accordingly, this report highlights some of Richemont's data and actions in this sphere, including the proportion of women in management roles (50 %). Actions include the Cartier Women's Initiative Awards, which is now in its twelfth year of supporting and accelerating innovative, impact-driven, women-led businesses, and Cartier's Make Your Mark leadership development programme for women managers.

As respectively supporter and members of the Responsible Jewellery Council ('RJC'), Richemont and its Maisons have been a driving force in ensuring trust and promoting responsible sourcing of diamonds, gold and other precious metals and best practices across the industry. With regard to certification to enhance trust, our Maisons have chosen the 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. More than 90 % 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.

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

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 2018 Annual Report.

SIGNIFICANT CHANGES IN 2017/18

During the year under review, a number of long-serving executive directors retired and a number of long-serving non-executive directors did not stand for re-election. As a consequence, seven of the eight current Senior Executive Committee members were appointed and eight of the 19 members of the Board of Directors were elected during the year under review.

In terms of business scope, there were no significant changes to the Group during the year under review. In the year ahead, the Group will complete the acquisition of the YOOX NET-A-PORTER GROUP, the world's leading online luxury retailer.

VISION

WHERE WE OPERATE

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

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

Richemont directly employed close to 29 000 people at the end of March 2018. 61% of this headcount is based in Europe, 30% in Asia, and 9% 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.

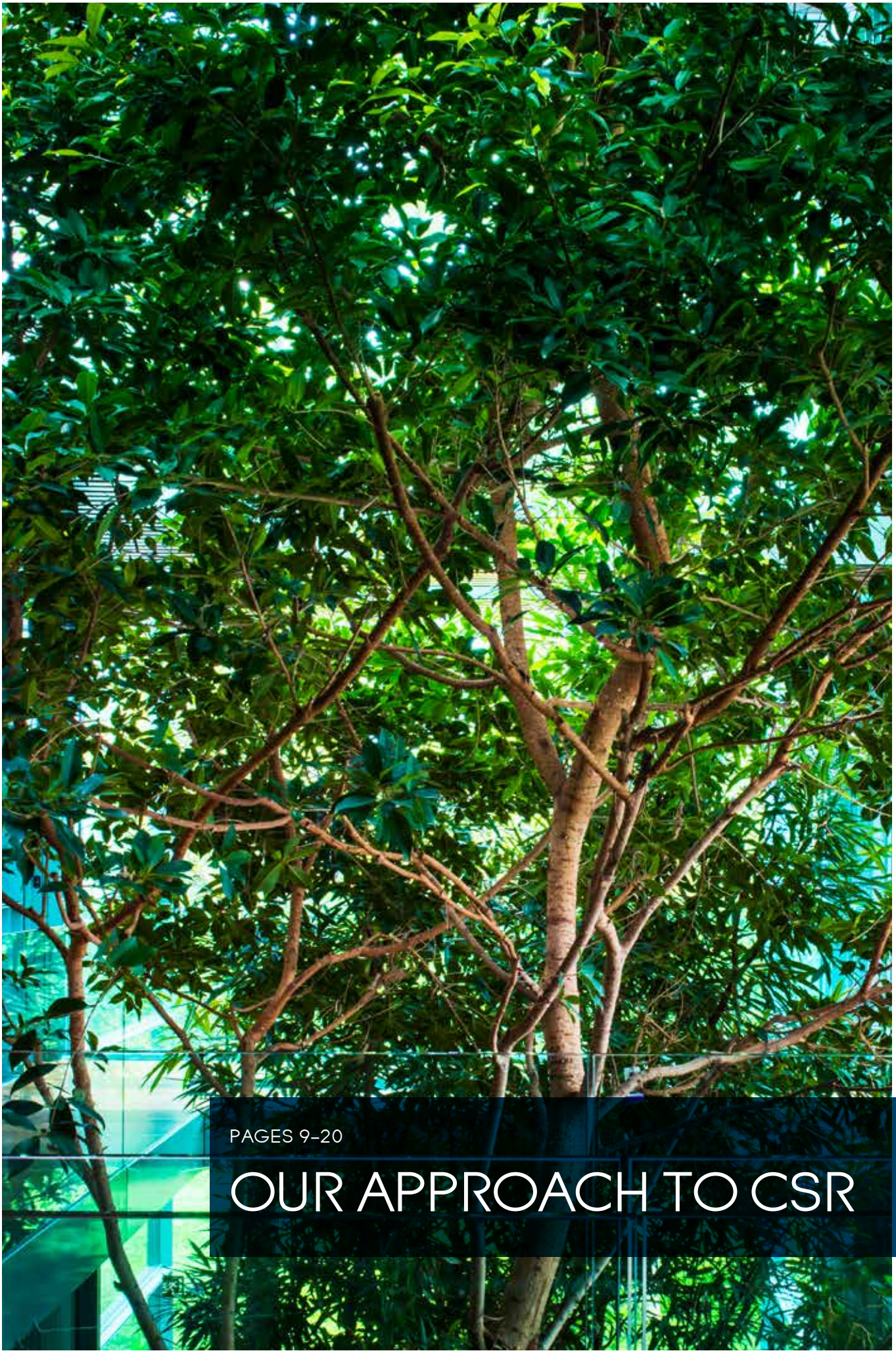
Each Maison has its own headquarters in Switzerland or elsewhere in Western Europe, except Peter Millar, which is headquartered in Raleigh, North Carolina.

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 2018	Financial Year to March 2017	Percentage difference
Sales (€ millions)	10 979	10 647	+3%
Operating profit (€ millions)	1 844	1 764	+5%
Net profit (€ millions)	1 221	1 210	+1%
Number of employees (Headcount)	28 740	28 580	+1%

Richemont's reported sales at constant exchange rates increased by 8 % during the year.
More information on the Group's economic impact is available in our 2018 Annual Report.



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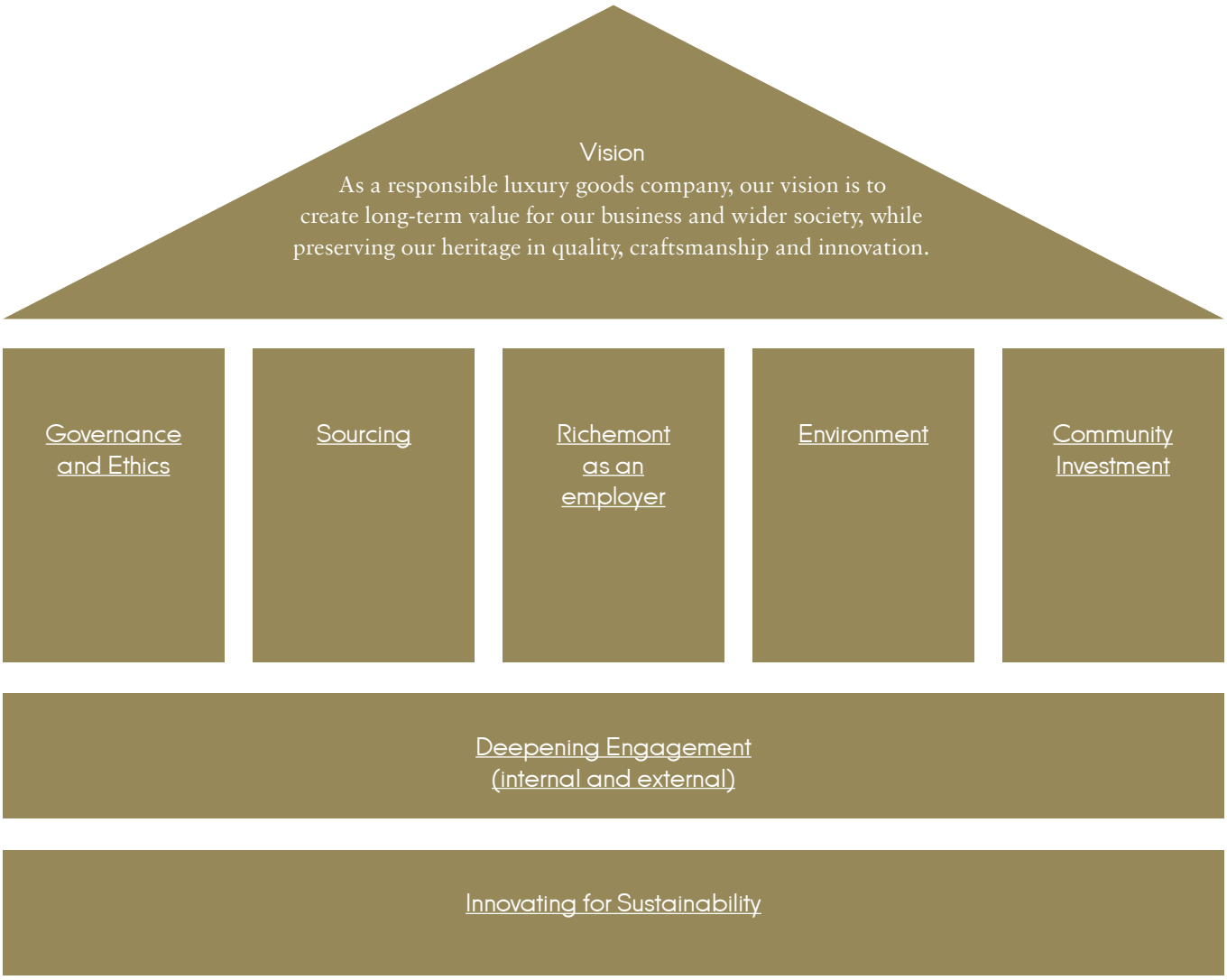
OUR APPROACH TO CSR

OUR APPROACH TO CSR



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 innovatin 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 industry organisations and our business partners to promote best practices across the full 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. To build the future of luxury with our people, developing their talents, ensuring excellence and performance at all levels.
To provide a secure and contemporary workplace for our people;

ENVIRONMENT
To reduce Richemont's environmental impact in three key areas: carbon intensity, packaging and logistics;

COMMUNITY INVESTMENT
To ensure that Richemont's community investment activities provide optimum benefit for wider society and Richemont.

Two cross-functional considerations underpin our strategy:

DEEPENING ENGAGEMENT
We will engage with our employees, business partners and others to achieve our CSR goals;

INNOVATING FOR SUSTAINABILITY
We will continue to look for new opportunities to innovate our product design, materials and processes to become more sustainable.

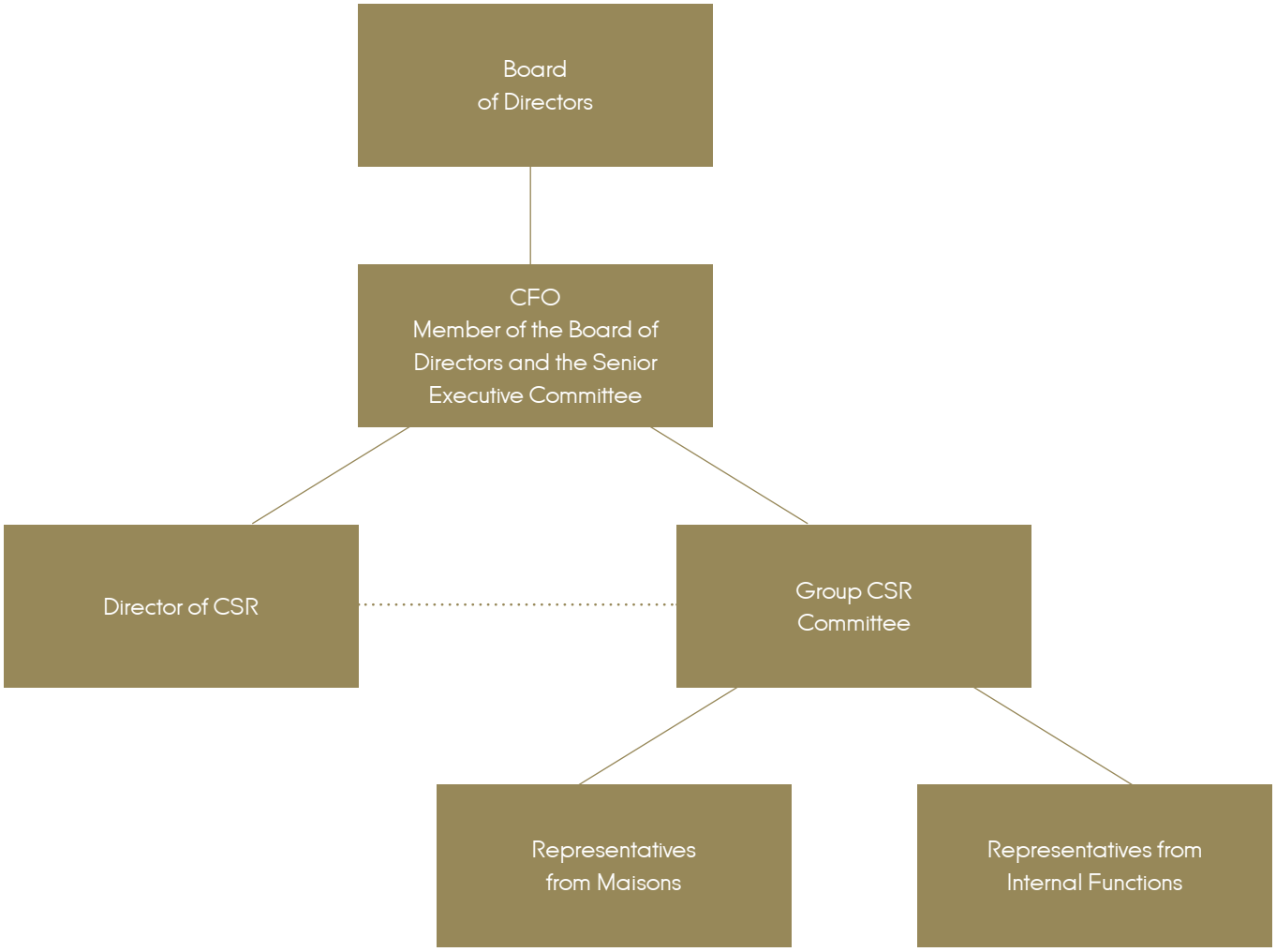
We used our materiality review to engage more extensively with internal and external stakeholders, the results of which can be found on pages 16 and 17. That review has further informed our strategy and reporting.

The overarching CSR strategy shaped our first three-year CSR Plan (2014/2017) and has shaped our second three-year plan (CSR Plan 2020). The five pillars did not change in the period, although the areas of focus within each pillar have evolved, reflecting the results from our first Materiality Matrix and the first plan's implementation. The 2020 Plan was approved by the Board of Directors in November 2017 and launched during the Group CSR Conference in December 2017.

The year in review was therefore one of transition. The current year will see the emergence of more qualitative and quantitative data. The year ahead will see further changes.

OUR APPROACH TO CSR

HOW CSR IS MANAGED



Responsibility for CSR lies with the Group Chief Finance 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 Director of CSR and the Group's CSR Committee, comprising representatives from Group functions and Maisons. Committee membership is detailed on next page. The Committee has established terms of reference and meets quarterly to review progress of the Group's three-year CSR plan, and to agree activities to support relevant programmes. The composition and frequency of meetings changed significantly during the year, reflecting both the level of CSR ambition of the Group as a whole, and the growing urgency of the CSR challenges it faces.

CSR COMMITTEE MEMBERSHIP

At 19 July 2018, the CSR Committee comprised:

- Cartier Chief of Staff, Transformation & CSR;
- Group CFO (Chairman);
- Group CSR Manager (Secretary);
- Group Director of Corporate Communications;
- Group Director of CSR*;
- Group Director of Public Relations;
- Group Employer Branding Director;
- Group Health, Safety and Environment Manager;
- Group Operations Chief of Staff;
- Group Procurement Manager;
- Group Senior Compliance Officer;
- Group Sourcing Intelligence & Industrial Compliance Manager;
- IWC Corporate Sustainability Manager;
- Research & Innovation Breakthrough Manager;
- Van Cleef & Arpels Director of Compliance & Risk Management.

Internal and external specialists are invited to attend the Committee on an ad hoc basis. The average attendance rate for the CSR Committees was 81% during the year under review.

EMBEDDING CSR

The Group requires each Maison and shared service platform to designate a 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 major 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 among CSR Representatives. As at March 2018, the CSR intranet had over 350 registered users.

In addition to these Group-directed efforts, our Maisons manage their own CSR agenda independently of the Group and one another. Each Maison and Regional Platform has its own CSR Committee or equivalent. For the Maisons, the annual strategic planning process requires a formal description of CSR objectives linked to its unique characteristics or 'DNA'.

There are expert working groups across Richemont on specific topics such as environment, precious materials, or community investment. Those working groups review and determine the best approach to such topics, generating innovative initiatives. The Maisons have also established cross-functional teams and internal newsletters.

* The position of Group Director of CSR, and a Group CSR function, were established during the year under review. Previously, the coordination and reporting of Group CSR matters was carried out by the Company Secretary on a part-time basis. The change reflected the increasing importance given to CSR by the Group's stakeholders.

PERFORMANCE AGAINST THE CURRENT CSR PLAN

Following its launch in December 2017, the 2020 Plan has provided a robust framework to focus our efforts. The 2020 Plan continues to support a structured approach to planning and reporting and, like the previous three-year plan, it is an effective tool for engaging our employees and external stakeholders.

After only half a year, it is too early to assess performance against the targets we have set ourselves for 2020. Nevertheless, we believe we are on track to meet the many ambitious targets detailed in the relevant sections of this report. That belief is based on the results of an annual CSR Survey sent to each Maison, major market and 'hubs' such as the Group headquarters and logistics centre located in Geneva and Fribourg, respectively. The Survey contains questions which evaluate governance and achievements. Those questions were substantially revised to reflect the 2020 CSR Plan. Survey completion is mandatory and, with more than 40 survey responses, the preparation of this report is founded on a highly representative self-assessment of progress.

We are aware that unforeseen CSR matters may emerge during the Plan's three-year period. One example is our use of plastic in packaging materials. Accordingly, we will seek to promptly integrate emerging matters into our 2020 Plan on an ad hoc basis.

Finally, our stakeholders may raise new questions about our practices and goals about which we had not previously reported. We compile those questions in an annual 'wish list' and seek to address them in our subsequent CSR Report. Whilst some of those questions are not answered for reasons of confidentiality, such questions help us to develop longer-term reporting strategies.

OUR APPROACH TO REPORTING

This CSR report covers the financial year ended 31 March 2018. 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 financial control. As well as the information provided in this report, we include a CSR summary from page 32 of our 2018 Annual Report.

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

GLOBAL REPORTING INITIATIVE ('GRI')

Our 2018 CSR Report has been prepared 'in accordance' with the Core option of the Global Reporting Initiative's (GRI) G4 guidelines. Our full GRI Index displayed on pages 94 to 104 provides an overview of our reporting against the GRI G4 guidelines.

ASSURANCE

The Group's consolidated carbon emissions data has been independently assured since 2011. The SGS assurance statement may be found on the Climate Change page 66 of this report.

UNITED NATIONS GLOBAL COMPACT

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 pages 89 and following. Global Compact Network Switzerland ('GCNS') is the Swiss chapter of the UNGC. It promotes the UNGC's 10 Principles within the Swiss economic sphere and provides local support to members of UNGC based in Switzerland. Members include companies, business associations, academic institutions and non-governmental organisations. Since 2014, a Richemont representative has served on the Board of GCNS.

SUSTAINABLE DEVELOPMENT GOALS

The 2030 Sustainable Development Goals ('SDGs' or 'Global Goals') were set by the United Nations in 2015. Richemont's CSR Plan 2020 includes a commitment to identify and align its operations with selected Global Goals before 2020. By aligning initiatives to specific Global Goals, Richemont's impact as a Group will be more significant to their collective achievement by 2030.

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 2016 material issues were reviewed in 2017 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 the following four-stage process in 2016:

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

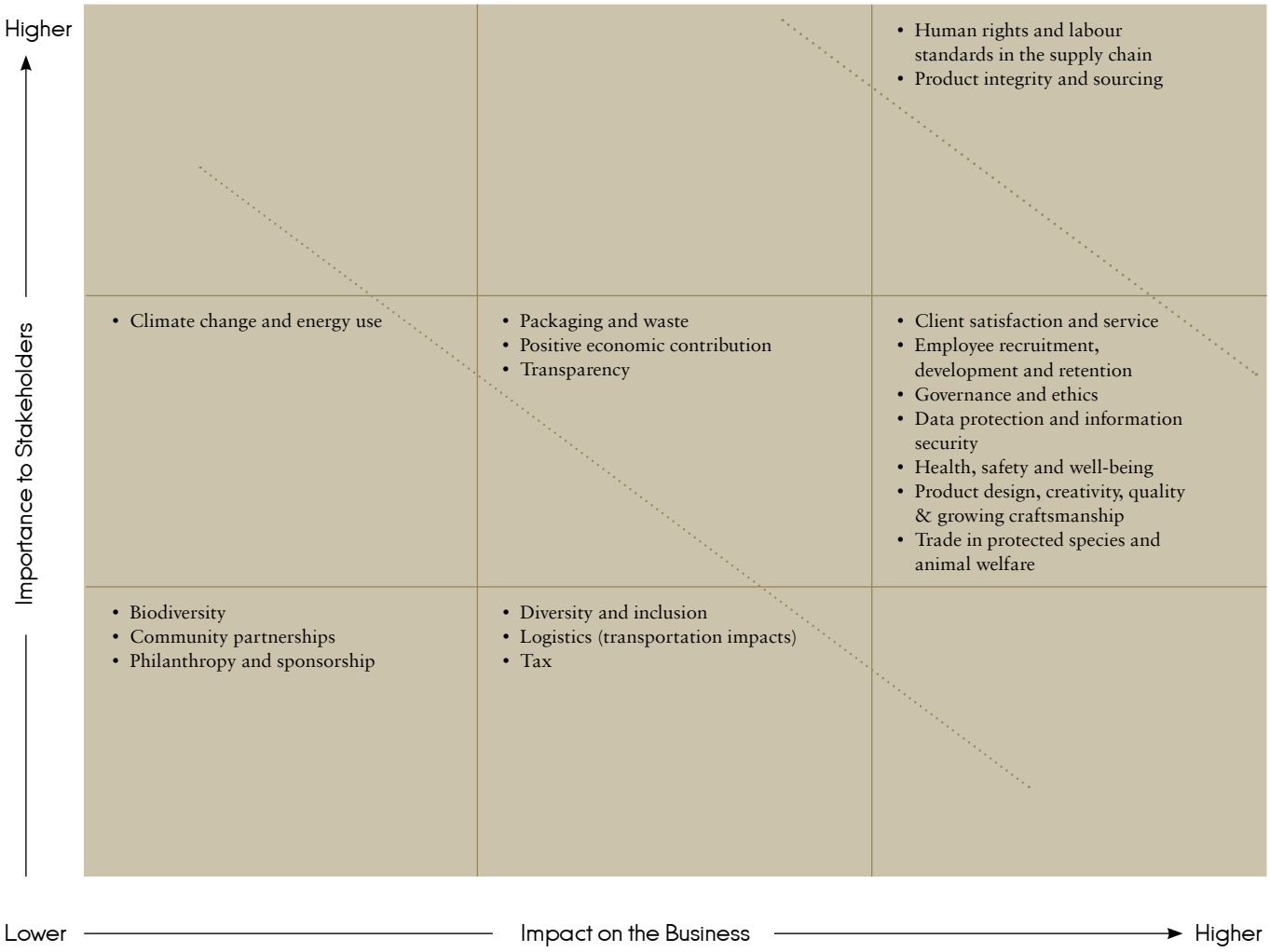
Engaged with key internal functions such Human Resources, Consumer Insights and Employer Branding to gain further insights. Held a working session with representatives from key functions across the Group to determine business impact prioritisation.

VALIDATION

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

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

MATERIALITY MATRIX



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 CSR Plan and are priorities for 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. As described before we recently undertook a comprehensive stakeholder mapping and engagement exercise as part of our materiality review. The results guide our CSR Plan and annual reporting.

STAKEHOLDER GROUP	*KEY ISSUES OF INTEREST*	*HOW WE ENGAGE*
CLIENTS/CUSTOMERS *to whom we provide high quality goods and services*	• Quality, design and craftsmanship of our products • Customer service • Origin / traceability of product and precious materials • Data protection	• Customer surveys, meetings, briefings and events • Customer feedback through after-sales service • Fair pricing of products around the world
EMPLOYEES *who drive the success of the business*	• Health, safety and well-being • Employee welfare (including remuneration, benefits, consultation) • Training and development • Diversity and inclusion • Engagement	• Employee engagement surveys ('barometers') • Newsletters, management briefings and intranet sites • Structured performance management • Learning Management Systems to support training, development and our Standards of Business Conduct
SUPPLIERS AND BUSINESS PARTNERS *who we rely on to deliver our quality products to our clients*	• Responsible sourcing of precious materials • Ethical, social and environmental standards • Quality • Fair payment terms	• One-to-one meetings • Supplier Code of Conduct • Supplier audits • Through industry organisations

STAKEHOLDER GROUP	*KEY ISSUES OF INTEREST*	*HOW WE ENGAGE*
REGULATORS AND POLICY LEADERS *who provide the framework within which we operate*	• Compliance with laws and regulations • Transparency • Responsible sourcing of precious materials	• 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 *who underpin our business and to whom we seek to deliver value*	• Financial performance • Governance & business ethics • Responsible sourcing in general • Data protection • Tax	• AGM and carbon-free AGM roadshow • Interim/annual results presentations and their webcasts • Carbon-free and in-person road-shows and meetings • CSR investor conferences • Investor surveys
COMMUNITIES *local communities where our operations are based; the wider cultural community we engage through our activities*	• Economic impact • Ethical, social and environmental practices • Employment opportunities • Community partnerships and philanthropy	• Through our citizenship activities • Meetings with NGO partners
INDUSTRY ORGANISATIONS *with whom we share best practices*	• Ethical, social and environmental practices • Industry issues, including anti-counterfeiting	• Through the RJC and other industry bodies such as Swiss Better Gold Association, Responsible Luxury Initiative • Meetings and briefings
NON-GOVERNMENTAL ORGANISATIONS ('NGOS') *with whom we engage through our involvement in industry associations*	• Ethical, social and environmental practices • Community partnerships and philanthropy	• 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 *Specialist and mainstream media who are interested in our business*	• Consumer attitudes to CSR and luxury • Advertising • Responsible sourcing & ethical standards	• Company announcements • Media calls (interim/annual results) • Press meetings/briefings (including carbon-free engagements)

MATERIALITY OF 'EXCLUSION CRITERIA'

In addition to widespread investor-demand for environmental, social and governance disclosures, a number of investors apply 'exclusion criteria' to their portfolio decisions. To assist them, Richemont provides the following information regarding guns-, pork-, alcohol- and tobacco-related products.

Together, the sales of guns by James Purdey & Sons, the sales of pork-based food and 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

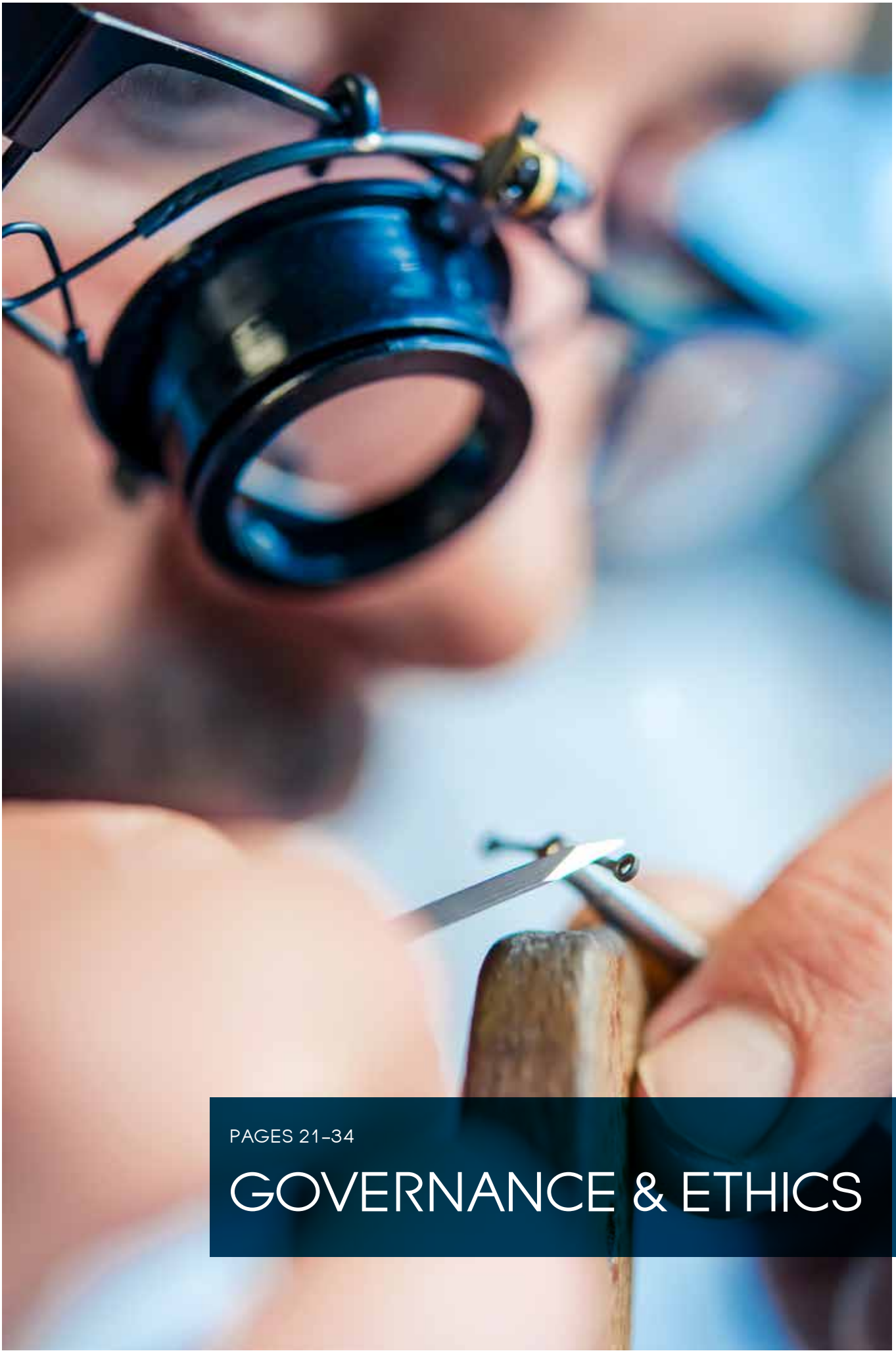
INDICES

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; MSCI ESG Indices; Vigeo Eiris; Sustainalytics and ISS-oekom.

Institutions which approach Richemont but which are not on this 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 our website.



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GOVERNANCE & ETHICS

The period covered by this report was one of transition. During the year, Richemont concluded its first CSR Plan (2014/2017) and developed its second CSR plan (the 2020 Plan) which was approved and launched in late 2017. Next year we will report on specific progress against the targets contained in the 2020 Plan.

KEY AREAS OF PROGRESS AND IMPROVEMENT

Key areas of progress include:

- The Group's 2020 CSR Plan was elaborated and approved by the Board of Directors
- Each Richemont Maison has prepared its own CSR plan, consistent with its marketing strategy, identifying initiatives to support the achievement of the Group Plan's overall targets, while also reflecting their own priorities and culture

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

- Increased support for the implementation of CSR principles across the Group
- Deepening our 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, capital allocation and the appointment of senior management. The 2018 Annual Report contains an extensive description of the mechanisms used by the Board to exercise its governance duties: for more information, refer to 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'. Our CSR strategy provides an overarching framework, which helps Richemont's managers, employees and suppliers to understand our expectations.

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 relevant. For example, the revised Supplier Code of Conduct was first published in December 2015 and was updated during the year under review. The Standards of Business Conduct was revised in the prior year and all employees followed its mandatory eLearning modules.

In light of the new CSR 2020 Plan, all of the Codes are currently being reviewed. Any substantive changes will be presented to the Board for review and approved during the current financial year and published shortly thereafter. The publication may be found alongside the 2018 CSR Report. Accordingly, earlier versions of the Codes, previously published on the website and extant at July 2018, may be replaced during the months ahead. Revisions and new policies are expected to include: CSR Policy; Environmental Code of Conduct; Community Investment Policy; and Standards of Business Conduct. The latter may be published in its entirety.

ANTI-BRIBERY & 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 such as suppliers. Our opposition to conflicts of interest, facilitation payments and many other matters which may arise in the course of business are detailed in our Standards of Business Conduct.

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 2017 calendar year, 85 whistleblowing cases were notified. (2016: 90 cases. 2015: 102 cases). No reports of sexual harassment were received in 2017.

TRANSPARENCY IN REPORTING

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. 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 came into effect in 2017.

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. In 2017, Richemont contributed to the CoC public consultations which concluded with the revised CoC being published in December 2017.

In 2018, Richemont is contributing to the RJC's consultative review of its Code of Practices (CoP) standard. That review is expected to expand the CoP's scope for coloured gemstones and silver, as well as its alignment with (i) the OECD Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas and (ii) the United Nations Guiding Principles on Business and Human Rights ('UNGP'). The UNGP are cited in Richemont's Supplier Code of Conduct.

ANTI-COUNTERFEITING

Richemont is determined to protect the intellectual property assets of its Maisons and businesses as creativity, innovation and craftsmanship are core values that we share with our clients. 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. In addition to this Richemont is committed to a programme of civil enforcement using strategic litigations to highlight the issue and hopefully defer others from infringing our key assets.

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. If you think you have seen counterfeit products which infringe the creative rights of our Maisons, then please alert us at g-fakes@richemont.com.

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.

Counterfeiting and piracy are highly pervasive across countries and sectors, representing a multi-billion dollar industry that continues to grow globally. Recent estimates evaluate the global economic effects and social impacts of counterfeiting and piracy to be some USD 1.9 trillion. According to Interpol, criminal organisations are frequently behind counterfeits and pirate products. Those organisations are complicit in child labour, modern slavery, illicit distribution, fraud and tax evasion. Further information may be found on Interpol's website.

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.

RICHEMONT TAX STRATEGY AND TAX RISK MANAGEMENT

THIS TAX STRATEGY PAPER APPLIES TO THE FISCAL YEAR ENDING 31ST MARCH 2019

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. CORPORATE TAX GOVERNANCE AND TAX RISK MANAGEMENT FRAMEWORK

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

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

The Richemont Tax team is part of the Central Finance function reporting to the Group Chief 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 (e.g. the OECD-led BEPS project) that increase the understanding of tax systems and build public trust.
- We fully comply with the "Country-by-Country Reporting" disclosure requirements defined in the frame of the BEPS project. Compagnie Financière Richemont files the full set of required data, for the Group, with the Swiss Federal Tax Administration who then automatically shares this with all relevant foreign Tax Administrations in the framework of the established and official exchange of information protocols.

2. TAX COMPLIANCE

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

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

ANNEX 1 TO THE RICHEMONT TAX STRATEGY

Tax Responsibilities at Richemont – 2018					
	STRATEGIC PLANNING	PLANNING AND IMPLEMENTATION	ACCOUNTING AND REPORTING	COMPLIANCE	AUDIT DEFENSE
CORPORATE INCOME TAX AND WITHHOLDING TAX	Group Tax	Group Tax	Central and Local Finance Group Tax sign off on Consolidated Tax accounts	Local Finance Functions	Group Tax Local Finance Functions
TRANSFER PRICING	Group Tax	Group Tax Brands	Local Finance Functions	Group Tax (Documentation) Local Finance Functions	Group Tax Local Finance Functions
VAT / SALES TAX	Group Tax (Central VAT Monitoring and Guidance)	Local Finance Functions Group Tax (1)	Local Finance Functions	Local Finance Functions	Local Finance Functions Group Tax (2)
SOCIAL TAXES	Human Resources	Human Resources	Local Finance Functions	Human Resources	Local Finance Functions Human Resources
CUSTOMS DUTIES		Logistics Functions Group Tax (3)	Local Finance Functions	Logistics functions	Logistics Functions Local Finance Functions Group Tax (3)
ENVIRONMENTAL & OTHER TAXES			Local Finance Functions	Local Finance Functions Operations	Local Finance Functions

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

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

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

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.

Richemont's Group Security Policy was launched in 2015. Details regarding the Policy's tailor-made, holistic approach may be found in the 2016 CSR Report Case Study. In summary, the Policy takes a collaborative approach, putting physical, electronic and information security under the same roof. The Policy booklet for employees is available in eleven languages, in both desktop and mobile versions. In 2017-18, the Policy was enhanced through the creation of a 'one stop shop' for all security matters, providing better support to operations around the world.

During the year under review, the Group completed its two-year General Data Protection Regulation (GDPR) implementation plan. The new European laws were designed to harmonize data protection and privacy laws across Europe, to protect and empower all EU citizens with respect to their personal information and to reshape the way organizations approach data protection and privacy. Other regulators around the world are expected to follow the GDPR standard and Richemont's approach to data protection and privacy seeks to achieve a global standard. Richemont's Global Data Privacy Policy, an internal document, exists in twelve languages. It defines how the Group must process personal data, including clients' personal data. To promote best practice, a global e-learning programme was launched in February 2018 and is mandatory for all Group employees. Moreover, help is at hand from Privacy Representatives across the Group's Maisons, markets and functions.

CASE STUDY: IWC SCHAFFHAUSEN SUSTAINABILITY REPORT 2018, INCLUDING GRI

IWC's commitment to corporate social responsibility is exemplified by its measurement and management of key topics related to this important area. The Maison's 2018 report is the Swiss luxury watch industry's first corporate sustainability report aligned to Global Reporting Initiative ('GRI') Standards.

The report follows the Group's five-pillar framework, with respective sections on its approach to governance, sourcing and other pillars. Equally, the report discloses its CSR goals and targets for the coming years.

Regarding governance, IWC realises its commitment to corporate social responsibility and corporate sustainability by determining areas in which the business impacts society and by which the business is impacted. By measuring and managing its progress on these topics of relevance, or materiality, IWC can assess and improve its impact on society. Moreover, by integrating sustainable business practices, IWC embodies those principles in each watch it creates and manufwactures. Among other international platforms, IWC is committed to contributing to the agenda set out in the United Nations Sustainable Development Goals.

Further information may be found here.

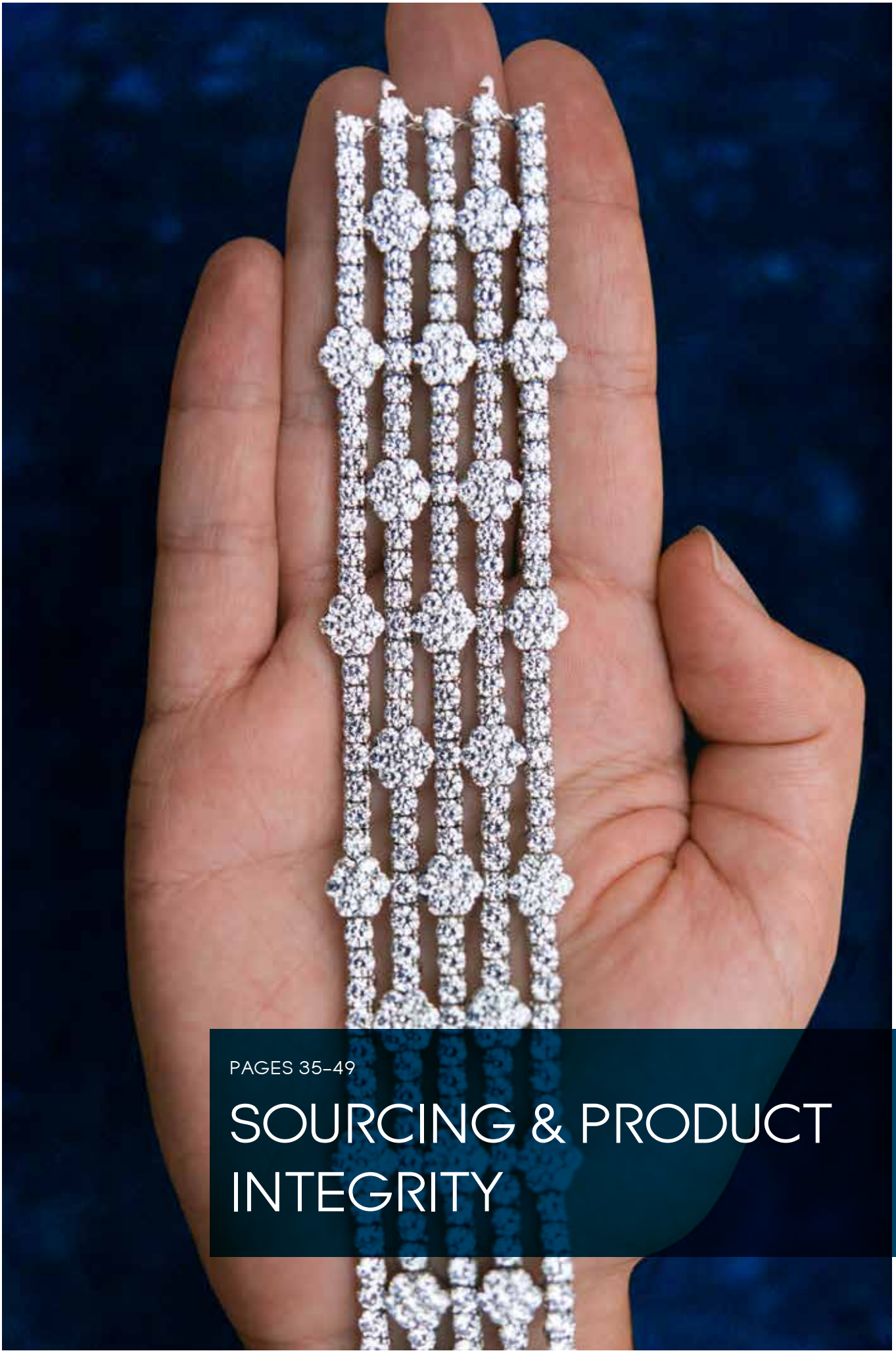
LOOKING AHEAD

Our focus for the year ahead will be the implementation of the baseline Richemont 2020 CSR Plan. As part of this, we will be revising our published policies and improving internal communication.

As the Maisons and Regional platforms are essential to the achievement of our commitments, we will strengthen the role of their CSR Representatives. To better integrate their customers' perspectives on CSR topics, each of our Maisons will align its marketing strategy to its CSR strategy.

We will explore ways to link the favourable 'sustainability ratings' given to our CSR Report and Annual Report to the Richemont's cost of capital.

The Richemont CSR Conference, to be held in December 2018, will bring together some 50 representatives from Maisons, functional departments and subject matter experts to define and refine their own CSR 2020 actions plans.



PAGES 35–49

SOURCING & PRODUCT INTEGRITY

The period covered by this report was one of transition. During the year, Richemont concluded its first CSR Plan (2014/2017) and developed its second CSR plan (the 2020 Plan) which was approved and launched in late 2017. Next year we will report on specific progress against the targets contained in the 2020 Plan.

KEY AREAS OF PROGRESS AND IMPROVEMENT

Key areas of progress include:

- Richemont further increased the proportion of gold and diamonds sourced from certified suppliers. More than 95% of 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 conducted risk analyses to better understand their environmental and social risks.
- Richemont established a Chemical Competence Centre in Switzerland.

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 sharing of results and show actions taken
- Continuing to focus on traceability, including quantitative 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
- Reaching the target of 90% of Richemont Procurement-supported suppliers signing the Supplier Code of Conduct

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, steel 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, diam onds, 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. Accordingly, all key materials are included in the scope of the CSR 2020 Plan: gold, diamonds, leather, exotic skins and precious stones.

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 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, in particular gold refiners, to provide assurance that the gold being supplied has been sourced in a way which respects human and labour rights and the environment. We continue to work with suppliers and refiners in this respect and we 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. A number of our Maisons' representatives occupy seats in the RJC's governing bodies, including its Board of Directors and its Committees. Moreover, we have taken note of the critical comments, made by certain civil society representatives during the year, directed towards the RJC's governing arrangements. We also note that the RJC reviews not only its standards but also itself in the light of evolving best practices. Accordingly, we work with the RJC on any recommendations it makes to its 1100 members regarding the composition of its Board and other governing bodies. Our ambition is 100% certified gold. The RJC's certification standards are favoured as they provide flexibility on the origin of gold, including recycled gold, and build trust in the supply chain itself. The great majority of gold delivered to our operations is both recycled and certified. We expect the proportion to remain stable in the near-term, but to rise towards 100% in the longer term. When we have reached our goal of 100% CoC certified gold, which may take more than three years, then our Maisons will consider related product claims.

In parallel, through Cartier's direct participation in the Swiss Better Gold Association ('SBGA'), which seeks to support Artisanal and Small-scale Mining ('ASM') development towards responsible mining, facilitate ASM access to the international market and financing and encourage progress toward better social and environmental conditions. The SBGA brings such mines within reach of RJC, Fairmined and Fairtrade International certifications, thus improving local livelihoods and the environment around the mine.

Lastly, the role of responsible large-scale gold mining is being addressed through the RJC's revised standards.

The new Chain of Custody standard, may be applied to a specific large-scale mine, or a restricted number of equivalent certifications may be recognised. In all such cases, the role of independent auditors remains critical to safeguarding the supply chain's good reputation.

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.

During the year, the Diamond Producers Association enlarged its own public reporting. Its website now includes the latest sustainability reports of its members, together representing the overwhelming majority of worldwide diamond mining operations.

MITIGATING RISKS STEMMING FROM SYNTHETIC DIAMONDS

Many of our Maisons' watches, jewellery pieces and writing instruments are set with diamonds. Historically, we have taken steps to ensure the integrity of those naturally-occurring stones through the use of certifications, testing equipment, process controls and customer warranties. An international standard (ISO 18323) defines naturally-occurring diamonds.

More recently, synthetic or laboratory-grown diamonds have been developed for the retail market using technological innovations. The producers of those synthetic diamonds, including companies historically associated with naturally-occurring diamonds, have deployed communication tools to widen their appeal among potential customers.

Our policy is to neither buy nor sell synthetic diamonds. In line with of that policy, the Group has taken further technical steps to ensure that no mixing of the two types – naturally-occurring diamonds and synthetic diamonds - takes place: neither in its supply chain, nor in its own operations. We believe that this position is aligned with our ultimate customers' expectations regarding accuracy and transparency, and with all applicable laws linked to consumer protection rights.

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, scheduled for publication during the current year.

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'). That international convention protects biodiversity around the world.

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.

SOURCING & PRODUCT INTEGRITY

LEATHER AND 'FUR'

The growing importance of leather goods, both for the Group's Maisons and for the luxury industry in general, has focused attention on responsible leather sourcing initiatives. Richemont's sales of leather goods in the year amounted to € 780 million or 7% of turnover. Replacement watch straps are not included in that figure, but do not have a material impact on the percentage of sales.

Through Cartier, Richemont participates in the advancement of responsible and transparent supply chains of reptile skins from Southeast Asia through The Southeast Asia Reptile Conservation Alliance ('SARCA'), which seeks to drive improvements in the trade's operating environment by maintaining wild reptile populations, supporting local and national economies and promoting animal welfare principles.

Richemont has undertaken a mapping of its leather goods supply chain to better understand the strengths and weaknesses it represents, and to take action to mitigate risks where they have been identified. In due course, a responsible leather sourcing policy may be established to clarify areas of uncertainty, such as 'fur'. A number of our Maisons, including Cartier, Chloé, Montblanc, Peter Millar and Purdey have chosen to stop buying or selling 'fur'.

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.

CHEMICAL COMPETENCE CENTRE

During the year under review, Richemont established a Chemical Competence Centre in Switzerland. The Centre was envisaged during the development of the CSR 2020 Plan. The Centre seeks to ensure full compliance with chemical regulations and Richemont's Product Restricted Substance List ('PRSL'), thereby securing continuous product-access to worldwide markets.

The Centre maps the Group's chemical compliance challenges, and coordinates signatories of the Supplier Chemical Compliance Commitment ('SCCC'). The SCCC follows the approach of Richemont's Supplier Code of Conduct and, due to evolving chemical and data-related matters, it must be re-signed by applicable suppliers at least once every two years.

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.

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.

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 are responsible for defining an appropriate due diligence process, including encouraging suppliers to be certified under the relevant scheme, in particular with RJC for gold and diamond suppliers, conducting third-party audits of suppliers or conducting verifications as part of supplier visits or regular reviews. Where audits identify areas for improvement, Maisons follow up with remedial action plans as part of the on-going supplier relationship. Neither supplier audit findings nor the remedial action plans arising from them are publicly disclosed.

To facilitate, the Maisons individual efforts, the Group has established a number of tools, including risk analysis for some common supply chains, pre-selected auditors, an Audit Referential and the organisation of audits for common suppliers.

Many suppliers to the Group's businesses at Tier 1, Tier 2 and beyond are also members of the RJC. At Tier 1, 95% of the diamonds and 97% of the gold entering our jewellery, watch and writing instrument manufacturing processes are supplied by RJC members. Tier 2 and other indirect suppliers in the precious metals and diamonds industry are 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.

In order to assess compliance risks in general, we are mapping the supply of other goods and services regarding certifications. That information will be used to complement our RJC certified suppliers in particular and our Supplier Code of Conduct signatories in general.

SOURCING & PRODUCT INTEGRITY

PERFORMANCE DATA

Since its revision in 2015, the Group has been tracking the progress of Codes signed by Suppliers. The scope subject to the following consolidated data is 90% of Group operations. The remaining 10% are also tracking progress, albeit on un-consolidated systems. All figures relate either to our Code, or to equivalent principles including RJC-certification.

In value terms, implementation is at 55% (2017: 45%) of suppliers. We expect the figure to progress year-on-year for two reasons: (i) better data capture; and (ii) our long-term targets.

135 supplier audits, including some Tier 2 suppliers, were performed across the Group during the year (prior year: 198). The decision to audit a given supplier is based on a risk-based assessment. The lower number of audits reflects operational developments at certain Maisons as well as the growing number of RJC-certified suppliers. 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.

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 accordance with 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 and during any subsequent inspections and audits. Supplier-screening data are not disclosed. The audit of suppliers is described on pages 41 and 42.

Richemont is a participant in the UN Global Compact and supports its Ten Principles.

SLAVERY & HUMAN TRAFFICKING

The California Transparency in Supply Chains Act and the United Kingdom Modern Slavery Act 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. Our complete corporate disclosures regarding Slavery and human trafficking may be found here.

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 2018, the RJC counted more than 1'100 corporate members (2017: 979), 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 CoP certifications of all other relevant Maisons have been confirmed. Currently, Richemont's refinery in Switzerland is the only Group entity which has been both CoP- and CoC-certified. 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% by 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, Richemont's refinery in Switzerland	2010/11, 2011/12	More than 75%
IWC Schaffhausen, Manufacture Horlogère ValFleurier, Officine Panerai	2012/13, 2013/14	More than 85%
A. Lange & Söhne, Donzé-Baume, Roger Dubuis, Giampiero Bodino	2014/15, 2015/16	More than 90%
ProCadrans	2016/17	More than 90%*

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 Group's fashion and accessories businesses are not qualified to join the RJC as they do not manufacture or distribute products containing gold or diamonds. These businesses include Alfred Dunhill, Chloé, and Peter Millar.

SOURCING & PRODUCT INTEGRITY

THE RJC 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 ('CoC') 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.

A list of CoC-certified members is maintained on the RJC website.

During the year under review, the previous CoC was revised and re-issued in December 2017 as part of a scheduled plan. That plan reflects best practices and is required, on a periodic basis, by ISEAL Alliance standard-setters. As a long-term supporter of the RJC, Richemont actively participated in that revision process during the calendar years 2016 and 2017.

THE RJC'S YEAR

During the year under review, the RJC has recruited more than 100 new corporate members. Cumulatively, the overwhelming majority of members have been certified against the Code of Practices. Together, they directly employ some 400 000 people, from the USA to China and from Switzerland to India. Some other of RJC's achievements have included:

- Issuance of a revised Chain of Custody standard for gold
- Material scope expansion to coloured gemstones, which will be incorporated to the Code of Practices during the current review period
- New Executive Committee members, including the Chair, the Vice-Chair and the Honorary Secretary

More detailed information can be found in the most recent RJC 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 2020 CSR Plan builds on those best practices. The combined results of those efforts include the following:

- 97% of the 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.
- 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 Swiss refinery and from its Jewellery Maisons.

Positive certification experiences, both for the supplier and the customer, have contributed to a snowball effect in the supply of materials to the luxury goods sector. The effect has helped to strengthen the RJC, with the addition of more than one hundred new corporate members each year.

LOOKING AHEAD

During the year ahead, Richemont will be increasing its engagement with suppliers and monitoring compliance against the Supplier Code. The Group will prepare and pilot a new Audit Referential.

The 2020 CSR Plan includes quantitative targets relating to the traceability of raw materials such gold, diamonds, coloured gemstones and leather.

Further risk analyses are planned, as well as on-going monitoring of emerging industry issues.

Richemont will contribute to the revision of the RJC Code of Practices, ensuring that the new scope reflects its wish for responsibly-sourced coloured gemstones – emeralds, rubies and sapphires – as well as diamonds and gold.

The new Supplier Chemical Compliance Commitment will be progres-sively extended to all applicable suppliers.

Our review of packaging linked to logistics, wholesale and retail activities will encompass our use of plastic-based materials and take steps to reduce, re-use, recycle or replace such materials.

SLAVERY & HUMAN TRAFFICKING

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 the year, 135 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 some 1'100 corporate members at 31 March 2018, from miners to retailers. The 17 Richemont Maisons and independent manufacturing entities, whose sales represent some 90% of Group sales, 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. Further information on the Maisons year of certification may be found in this report. Equally, additional information on the RJC may be obtained here.

Richemont and its Maisons have taken specific steps to increase employee awareness and compliance regarding slavery and human trafficking issues. Richemont's Corporate Social Responsibility Guidelines, which articulate the standards Richemont expects its managers, employees and suppliers to uphold, specifically articulate Richemont's zero-tolerance policy regarding forced labour. Richemont's Maisons have undertaken specific training programmes regarding supply chain issues.

For more information on Richemont's commitment to eradicate and prevent slavery and trafficking in its supply chains, read the Supply Chain Management pages.

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RICHEMONT AS AN EMPLOYER

The period covered by this report was one of transition. During the year, Richemont concluded its first CSR Plan (2014/2017) and developed its second CSR plan (the 2020 Plan) which was approved and launched in late 2017. Next year we will report on specific progress against the targets contained in the 2020 Plan.

KEY AREAS OF PROGRESS AND IMPROVEMENT

Key areas of progress include:

- A Digital Identity for all employees, enabling access online information, digital collaboration tools and self-service applications through professional devices
- Increased internal mobility across the Group, with 48% of overall hirings filled through internal mobility
- Global framework to adapt physical workspaces to meet contemporary working styles, fostering collaboration, creative thinking and space optimisation
- Provided more visibility on CSR activities with strong support given to employees for local initiatives
- Increased learning offer through a Global Learning Management System, accessible to all employees. Topics include digital upskilling and training in languages, products and leadership.
- Pushed a Learner-centric experience through diverse learning styles: online, blended and social learning

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

- Ensure a competitive benefits offer including increased maternity and paternity coverage worldwide
- Rolling out of a global Employee Assistance Programme to further support employees' well-being
- More transparent communication delivered through online, total-rewards dashboards for each employee
- Further enhance collaboration through a structured approach of deploying a social enterprise network within the Group
- Define Diversity & Inclusion initiatives in line with local requirements
- Successfully measure Employee Net Promoter scores as well as Engagement data and correlate with existing data sets to further support strategic objectives and client-centricity
- Further enhance life-long employability of all employees, regardless of their position, to guarantee knowledge transfer and appropriate upskilling in line with future industry developments, including Artificial Intelligence and robotics

WHAT WE STAND FOR

INTEGRITY
We share a family feeling, promoting integrity and responsibility inside and outside our organization

EMPOWERMENT
We promote innovative thinking, openness and accountability, believing in people not processes

TRANSPARENCY
We believe only a transparent organisation, enabling a free mind-set and communication, is a modern organisation

LONG - TERM
We are building the future on the strong foundations of the past

CURIOSITY
We stand for creativity, curiosity and agile thinking

DESIRABILITY
We have a sense for art and craftsmanship, recognizing the true essence of luxury

OUR COMMITMENT: REVEAL THE EXCEPTIONAL

We believe in the true essence of luxury, spreading culture and beauty into the world, revealing the exceptional in our people who indulge our clients in unforgettable experiences.

Our people make the difference and this is why as a Group we are engaged to accelerate transformation and a forward-looking mind-set through motivating, developing and stimulating our people, while delivering a thoughtful, trustful and caring work environment.

Every day, we are building on the diversity of our Maisons and their distinctive DNA. Our people bring great expertise and share the passion for these unique cultures, craftsmanship and story-telling. At the same time, they are curious and innovative, wanting to deliver outstanding products and moments to our clients. This is why we do not compromise on talent and look for people who can imagine the future of our industry while staying true to our heritage.

We place a special emphasis on a seamless and value-adding employee experience, delivering easy to use, fast and efficient processes to our people inside the organisation: well-being and engagement being the main drivers. The entire employee life cycle should deliver on our engagement. This is why, even beyond our organisation, we try to deliver a smooth and attractive candidate journey for potential employees.

Based on the Corporate Social Responsibility Plan 2020, we are translating our engagements into tangible initiatives as illustrated in the following key areas of focus:

WORK ENVIRONMENT: an inclusive, secure and attractive workplace for all our people

One of our biggest responsibilities is to make sure that we protect all our employees and keep our business safe, ensuring it is done in an intelligent way. This is why an important effort has been made in the past year in terms of employee awareness around health and safety ("Be Aware, Be Secure"). That effort will continue in the year ahead.

DIGITAL WORKPLACE

We now provide all our people with a way to digitally connect with our corporate network. This ensures that they can access, maintain, share and consume information and knowledge within the Group. This is especially important when it comes to people that are not necessarily connected through an individual corporate device. Spaces with shared company devices are being put in place to allow our people to stay connected to what matters. State-of-the art tools are deployed globally to facilitate employee access to people-relevant information. Those collaborative, self-service tools include easy-to-use, cloud-based suites as well as intranets.

PHYSICAL WORKPLACE

With regards to physical workspace, an important initiative is refurbishing office spaces in a more contemporary fashion to increase productivity of our employees, make more efficient use of square meters, and provide ergonomic and modern furniture to foster well-being and social exchange within an among teams.

Contemporary workplaces and connectivity are the premise to deliver more flexible working styles for all our people. Home office pilots are being rolled out across all relevant functions and entities.

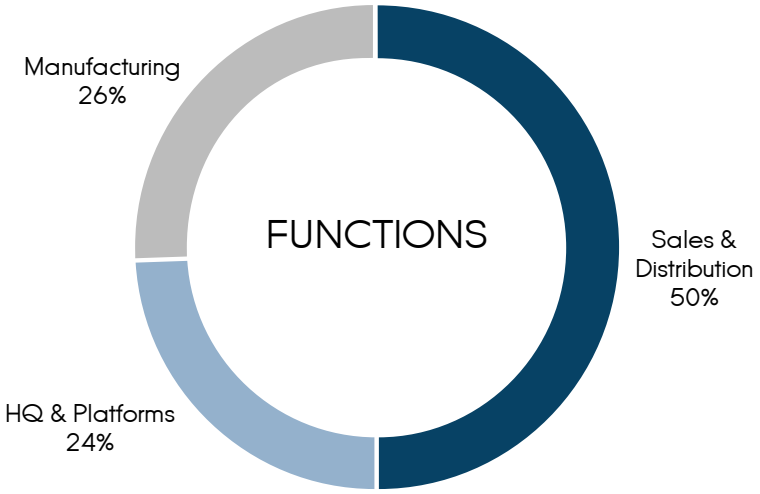
RICHEMONT AS AN EMPLOYER

DIVERSITY & INCLUSION:
align initiatives in this area beyond gender and nationalities

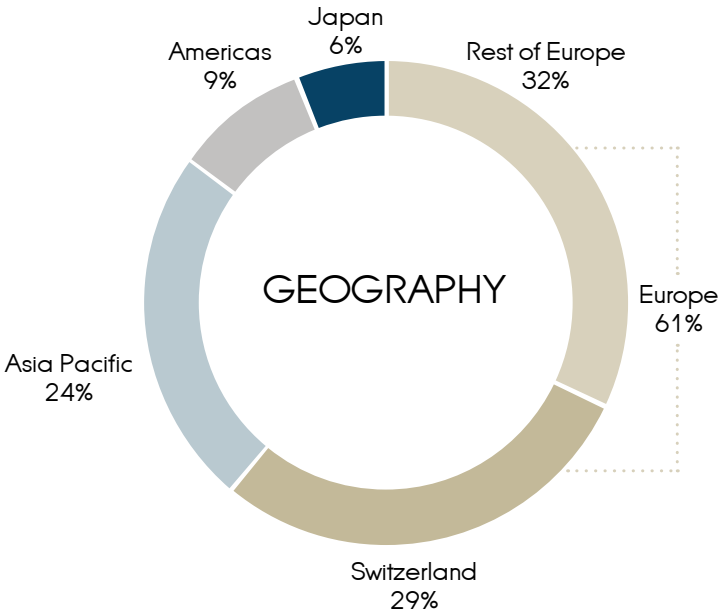
Richemont employed some 29 000 people around the world at 31 March 2018. Over the five-year period, our average number of Full Time Equivalents (FTE) increased by 3.3%.

Through our suppliers and business partners, we provide employment opportunities for many more people.

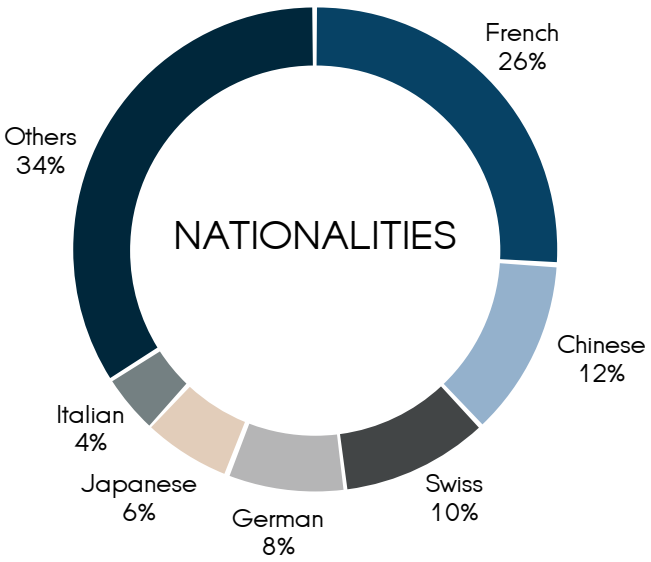
Our people work mainly in three distinct areas, as shown in the chart. Our Manufacturing operations, employing 26% of the workforce, are concentrated in Switzerland, France, Germany and Italy. Similarly, our Maison and Group headquarters are concentrated in those countries. Those concentrations explain why 61% of our workforce is employed in Europe. This evidences our commitment to delivering high quality products and services and our investment in developing the local know-how and expertise of our people.



The average seniority in the Group is 7.6 years and within a position is 4.7 years. With the wealth of opportunities that are offered to our employees during their time with us, we manage to fill over 48% of open positions through internal moves.



RICHEMONT AS AN EMPLOYER



NATIONALITY
Encouraging diversity in all respects, the organisation counts over 130 nationalities. At 12%, Chinese nationals are the second largest representa tive group within our workforce,with French nationals being the largest at 26%.

GENDER
Overall, women represent 57% of our total workforce, a number that is in line with last year's data.

Of some 5'175 people management roles*, 50% are occupied by female colleagues. Moreover, we have increased the number of female top executives by 16% during the year under review. More than ever, we focus on building female talent by recruiting professionals early in theircareer, with women representing 61% of the millennial generation within Richemont. (* Richemont defines 'People Management' roles as those positions who manage at least 1 direct report).

Our Maisons frequently take the lead in driving the increase in women occupying management roles. Initiatives to foster in-house gender diversity include the Cartier Women Leadership Program "Make your Mark @ Cartier", in collaboration with INSEAD, France. Women occupying strategic position within the Maison are supported in two key areas - leadership development and personal branding - to help them towards their full potential. In parallel, IWC Schaffhausen recently launched "Very Important Women", a programme to create more professional exchange among female leaders. IWC aims to double the share of women inmanagement roles by 2020 compared to 2017.

RICHEMONT AS AN EMPLOYER

OVERALL
In order to better prepare our organisation, we continue to monitor our management population overall in terms of age, gender and length of service with the aim to anticipate skill gaps and better manage our succession planning for key positions.

ENGAGEMENT & RECOGNITION: ensure that our people have a strong sense of belonging to the Group, beyond the Maisons

Sharing a sense of belonging and a common vision allows every single employee in our organisation to thrive individually, while contributing to the overall success of our Group.

ENGAGEMENT
In order to better understand and align our people with our global vision, we periodically run Engagement barometers throughout the Group and, to better engage and motivate the teams, encourage our managers to use ore frequent pulse surveys. Such barometers and pulse surveys offer our people the opportunity to provide timely feedback and share their ideas. By addressing potential issues and setting priorities for global and local action plans, these initiatives seek to improve retention.

Fostering engagement through co-creation became a priority for the Group during the year under review. In our transformation to become ever more client-centric, we are convinced that enabling our people is a critical success factor. This is why more and more employee-centric initiatives are being implemented within the Group. One example is the launch of an internal Innovation Challenge that encourages our people to share their insights and ideas about how to improve our services, products and internal processes. The challenge will be piloted in three markets, then extended in the medium term across the Group.

REWARD
We believe that recognizing our people through fair and equitable reward is key to engaging them with our overall strategy. This is why our reward strategy is based on the Management By Objectives ('MBO') concept, which allows us to align employees' performance with our strategic goals, to attract and retain the right talent and ensure that our people have a stake in the Group's success.

Our compensation packages not only reward individuals' contribution and their team`s success, but also provide 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. The Group long-term incentive programmes ('LTIPs') are designed to retain our key people. We strongly believe that allowing our people to participate in share ownership is key for engagement, recognition and a sense of belonging.

Employees eligible for LTIPs as % of total		
RICHEMONT	*LUXURY INDUSTRY*	*GENERAL*
4%	1%	2%

Disclosures concerning senior executives' compensation may be found in the Compensation Report within the 2018 Annual Report.

Furthermore, we continue to improve our overall benefits packages, which include competitive coverage in terms of maternity and paternity leave, life and long-term disability coverage, and medical coverage.

VOLUNTEERING
For our Maisons and the Group, building strong relationships with local communities is integral to the way in which we operate. Those relationships generate many 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, Cartier Philanthropy has continued its employee engagement programme "Everyone Matters" in collaboration with Kiva, an international non-profit organization that con-nects people through micro-lending to alleviate poverty in developing countries.

Another example, at Richemont Japan, is a new Volunteer Leave Policy: the organisation encourages employees to take volunteer leave at least once a year, i.e. employees are now allowed to take volunteer leave on weekends and take a holiday in exchange.

EMPLOYABILITY: provide lifelong employability to our people and ensure successful upskilling

We believe it is our responsibility to offer our people continuous learning opportunities based on the 70/20/10 principle: 70% on-the-job learning, 20% self-learning and 10% classroom learning.

During the year under review, over 36'500 training units were completed, covering some 16'800 employees, or 58% of the workforce. The Group's Learning Management System ('LMS') offer comprises over 2'250 trainings including events, online courses, videos and different curricula coming from all of our Maisons, the Regional Platforms and the Group.

Given the diversity of our workforce and the rapid evolution of marketable skills linked to new technologies, we are constantly developing our LMS offer. We provide a special focus on digital upskilling of all employees, ensuring that they all have access to our LMS and can follow learning modules on mobile and at their own pace.

DIGITAL UPSKILLING
Supporting the digital transformation of our business, we are also providing specific upskilling for three different target populations:

- IMD Digital Leadership Program: An executive leadership course specifically created by Richemont and IMD, Switzerland to prepare our senior management to address the strategic challenges of a fast-changing world. This programme is being cascaded to the next level of management in the organisation;
- Digital Marketing Program for our Marketing and Communication teams: A robust online learning tool that hosts everything marketing professionals need to acquire new skills, such as benchmark testing, Advanced Skills Academies and progress tracking;
- Digital Culture Course for all our people, enabling the whole workforce to become familiar with the basics of digital culture through online courses.

As a Group, we acknowledge the importance of safeguarding unique expertise and passing it on to the next generation, thus preparing the future for our internal talents. This is why we are investing in different schools and academies. Some examples are:

- Richemont Creative Academy, Italy (Product designers) Last year, 19 students from 12 different nationalities graduated with the Master degree in Arts of Design. All 19 took up positions within our Maisons, signalling the importance for the Group to invest in young, creative talent.
- Richemont Retail Academy, China and Macau (Retail staff & Boutique Managers)
- Since its opening, 1'657 people have been trained in the Retail Academy in China and Macau. Programmes include Sales Associate courses as well as a Boutique Manager Master, a blended programme for our Boutique managers.
- Institute of Swiss Watchmaking (IOSW), USA, Hong Kong, China
- Ecole des Métiers et Artisans de Haute Horlogerie, Switzerland
- Ecole des Arts Joailliers (with the support of Van Cleef & Arpels), France & Hong Kong
- L'Institut de Joaillerie (with the support of Cartier), France

Moreover, our different Maisons recruit and train close to 600 trainees and apprentices each year, ensuring that unique know-how in many areas is being passed on to younger generations.

PARTNERSHIPS
Conscious of the importance of technical innovation, the Group is also establishing a partnership with Ecole Polytechnique Fédérale de Lausanne (Switzerland) in the form of an Academic Chair in Microtechnology.

Furthermore, we have recently joined our Agile Academy with the Haute Ecole d'Ingénierie Arc in Neuchâtel, Switzerland. This new training centre is inspired by the principles of Lean Manufacturing and will offer training modules aiming at making processes more efficient, while reducing waste and optimising resources.

We are convinced that maintaining a continuous learning culture will help increase the employability of all our employees, even beyond their time with us.

OVERALL WELL-BEING: ensuring good practice in terms of health, safety and overall well-being for all our people

Our employees' well-being is a priority across the Group. Different stake-holders work together to ensure that all aspects of well-being are being considered (financial, emotional, social, physical and professional well-being).

Many local initiatives encourage a healthy way of life including:

- regular exercise (access to gym facilities, subsidies to sport clubs, gym and yoga classes, and sports communities among colleagues)
- promoting healthy eating habits within the Group's restaurants and during working hours (fruit baskets, delivery of vegetable baskets)
- smoking cessation programmes
- introducing different working styles such as working remotely whenever the job function allows it and in line with local regulations
- car-sharing opportunities and subsidies for public transport

EMPLOYEE ASSISTANCE PROGRAMME (WECARE)
Although many countries already have employee assistance programs in place, we have decided to ensure that all our people will be able to benefit from such a benefit. This is why we have launched a global programme under the name of WeCare (Well-being & Care for Richemont Employees). Employees have the possibility of confidentially contacting an external provider that offers the support of professionals who are completely independent from the Group.

HEALTH & SAFETY
In the past year, we have continued to conduct regular audits of our manufacturing sites, distribution centres, offices, key boutiques and customer service centres. 26 independent audits were conducted during the year to assess compliance with health and safety regulations together with the effectiveness of translating our Group policies into operating procedures and practices. The results of audits and employee suggestions are used to drive continuous improvement plans at each location.

We use systems to comprehensively measure, monitor and report accident data across the entire organisation. Our Maisons are required to record any accidents via global systems and provide an action plan for improvement.

CASE STUDY: MAKE YOUR MARK AT CARTIER

The Make Your Mark program is Cartier's first leadership development program for women. The goal is to unleash women leaders' potential by developing their soft skills.

In March 2018, 19 women occupying strategic position within Maison Cartier participated to the first session of the programme. The programme has been designed with the support of INSEAD and is focusing on two key areas: leadership development and personal branding.

The programme included coaching and inspirational sharing from finalists in the Cartier Women's Initiative Awards.

LOOKING AHEAD

Richemont believes in the importance of a continuous learning organisation. This is why our engagement will continue to work on our people's skill sets and increase their competencies in line with market needs, ensuring overall employability for our people in a fast-changing world.

PAGES 59–74

ENVIRONMENT

The period covered by this report was one of transition. During the year, Richemont concluded its first CSR Plan (2014/2017) and developed its second CSR plan (the 2020 Plan) which was approved and launched in late 2017. Next year we will report on specific progress against the targets contained in the 2020 Plan.

KEY AREAS OF PROGRESS AND IMPROVEMENT

Key areas of progress include:

- A review of performance against our five-year targets, set in 2013
- Policies linked to reduction of printers and printing were developed
- With Peace Parks Foundation, offsetting our carbon emissions through an innovative seven-year agreement to protect forests around the Zambezi river

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

- Set carbon emissions targets for the next three years
- Revise our Environmental Codes and Policies
- Establish policies to reduce business travel
- Research the environmental and social impacts of alternative gold sourcing strategies, including recycled gold

ENVIRONMENTAL MANAGEMENT

OUR COMMITMENT

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

- Climate change
- Packaging
- Logistics

CONTEXT

In 2013, we set five-year targets to minimise our impact on the natural environment by reducing our carbon footprint.

- Reduce CO_2 intensity from buildings by 10% (kg per m^2 and kg per FTE) by March 2018
- Reduce CO_2 intensity from business travel by 20% (kg per FTE) by March 2018

We can now conclude that we did not achieve those targets and have analysed the reasons. The lessons learned have been incorporated into our 2020 CSR Plan regarding carbon targets and initiatives.

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. As detailed in the Policies section of this report, the Code is being reviewed and will be published during the 2018/19 financial year.

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: more than 20 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.

Whilst no manufacturing sites are currently registered to ISO 14001, Richemont's Environmental Management Systems are based on the principles of that standard. Similarly while no manufacturing sites are currently registered to ISO 50001, energy efficiency is a guiding principle in the construction of new buildings and the refurbishment of existing buildings and interiors.

ENVIRONMENT

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, China and Switzerland. The initiatives range from reducing the consumption of electricity in offices and boutiques to improving the thermal insulation of buildings. Initiatives and best practices are communicated through the Richemont intranet, through management feed-back on the consolidated results of the annual CSR Survey, and through case studies in the annual CSR Report. An example is Panerai's Shanghai Plaza 66 boutique, which received GOLD LEED certification in July 2017 and was featured in the 2017 CSR report. LEED stands for Leadership in Energy and Environmental Design.

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 and in 2013 we set ourselves long-term targets regarding carbon intensity. (* Watch straps manufactured from alligator-leather may be exposed to changing rainfall and flood patterns in Louisiana.)

We measure our emissions each year and aim to reduce them. As the business continues to grow in absolute terms, we purchase carbon offsets. That 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.

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 considers this matter annually 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 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 welcomes the work done by the Task Force on Climate-related Financial Disclosures ('TCFD') to help drive transparent and consistent reporting on business risks and opportunities from climate change. We will endeavour to increasingly align our climate-related governance, management and reporting practices with the Recommendations made by the TCFD in their June 2017 report. Initially, this will involve understanding where there are gaps in our current disclosures and highlighting specific actions to address these. Richemont has not quantified the financial risks associated with climate change.

OUR APPROACH

CARBON FOOTPRINT

In March 2017, the Group decided to change the twelve-month period for data capture from April-March (financial year) to January-December (calendar year). That 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 data covers our subsidiary companies where the Group has financial control, defined as a shareholding of at least 50%. Data has been collected as an integral part of our approach to business reporting. Data is not always available for some smaller retail outlets, in particular

where we operate from shared sites. Richemont uses energy estimations (per m^2) 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, excluding logistics our global CO_2 emissions decreased by 11% to 119 Ktons. The 11% decrease comprises:

- Updated emissions conversion factors, reflecting the beginning of our CSR 2020 Plan. We believe that a baseline measurement, which applies updated factors and measurement criteria, will make any subsequent target-setting plan more compelling for our operations.
- Buildings emissions decreased by 21%, partly due to the growing number of entities which have switched to 'green' or renewable electricity. Green electricity now accounts for 55% of our overall electricity consumption (53% in FY17) and we seek to further increase that proportion each year. The standard electricity consumption decreased by 2%.
- Business travel emissions decreased by 11% and the total distance travelled by air increased by 9%. We saw an increase in total distance travelled by air in connection with to the rollout of Group-wide projects in markets far away from our base in Switzerland.

In the same period, our logistics emissions (scope 3) increased by 31%. The growth in the scope of reported data is described in more detail on page 66.

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 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 in recent years. However, as a consequence of our efforts to promote good environmental practices, the average CO_2 emissions per employee (average FTE) on a comparative basis has decreased by 11% during the year under review: from 4.8 CO_2t/FTE to 4.28 CO_2t/FTE, while our average FTE has decreased by only 0.2%.

With respect to renewable energy, in-house solar energy production has increased by 2%. 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 2017 CO_2 emissions will be offset by one major project and a variety of minor projects:

- The major project (57 Ktons) relates to forest preservation in support of transfrontier conservation areas ('TFCAs') facilitated by Peace Parks Foundation. Specifically, the 'Lower Zambezi REDD+ Project' and 'Luangwa Community Forests Projects'. This tranche of 57'000 carbon credits, purchased by Richemont in 2018, represents the first in a seven-year agreement with BioCarbon Partners, a leading African developer. By buying directly from the developer, the communities protecting these forests and Peace Parks Foundation will derive greater long-term security and financial benefits, thus enabling sustainable conservation efforts at scale. For more information about Peace Parks Foundation, which Richemont has supported for two decades, please follow this link.
- Minor projects include our continued support of forest conservation in Peru, energy efficient cook stoves in China, and water kiosks in Cambodia. The choice of Cambodian water kiosks stems from Baume & Mercier's support of 1001 Fontaines.

To raise awareness, the centrally-purchased carbon offsets are re-invoiced to Richemont's individual Maisons based on their own GHG emissions. The CSR Committee selects the offset projects, deepening our engagement and promoting both internal and external communication.

Our Scope 3 Logistics emissions are currently not offset. However, the Group is keeping this position under review as both the measurement scope increase (see below) and as the quality of measurement data improves year-on-year.

Since 2011, an independent assurance report has been provided on the Group's consolidated CO2 emissions. The 2018 report, from SGS, has been issued on 18 July and includes Scope 3 Logistics.

The Group participates in the CDP annual data collection process. Richemont's 2017 submission received a C rating by the CDP's assessors (2016: C rating). In 2018, CDP has revised its annual questionnaire and it is uncertain whether Richemont's answers will continue to receive a C rating.

CO_2 emissions	Units	2014/15	2014/15*	2015/16	CY 2016	CY 2017
TOTAL	1 000 tCO_2	202.4	171.8	171.5	179.4	179.0
SCOPE 1	1 000 tCO_2	20.0	18.0	13.6	15.4	13.4
SCOPE 2	1 000 tCO_2	65.5	60.1	57.3	62.8	55.3
SCOPE 3	1 000 tCO_2	51.2	50.2	56.9	55.6	50.6
SCOPE 3 LOGISTICS	1 000 tCO_2	65.6	43.4	43.7	45.6	59.7

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

KEY DEFINITIONS

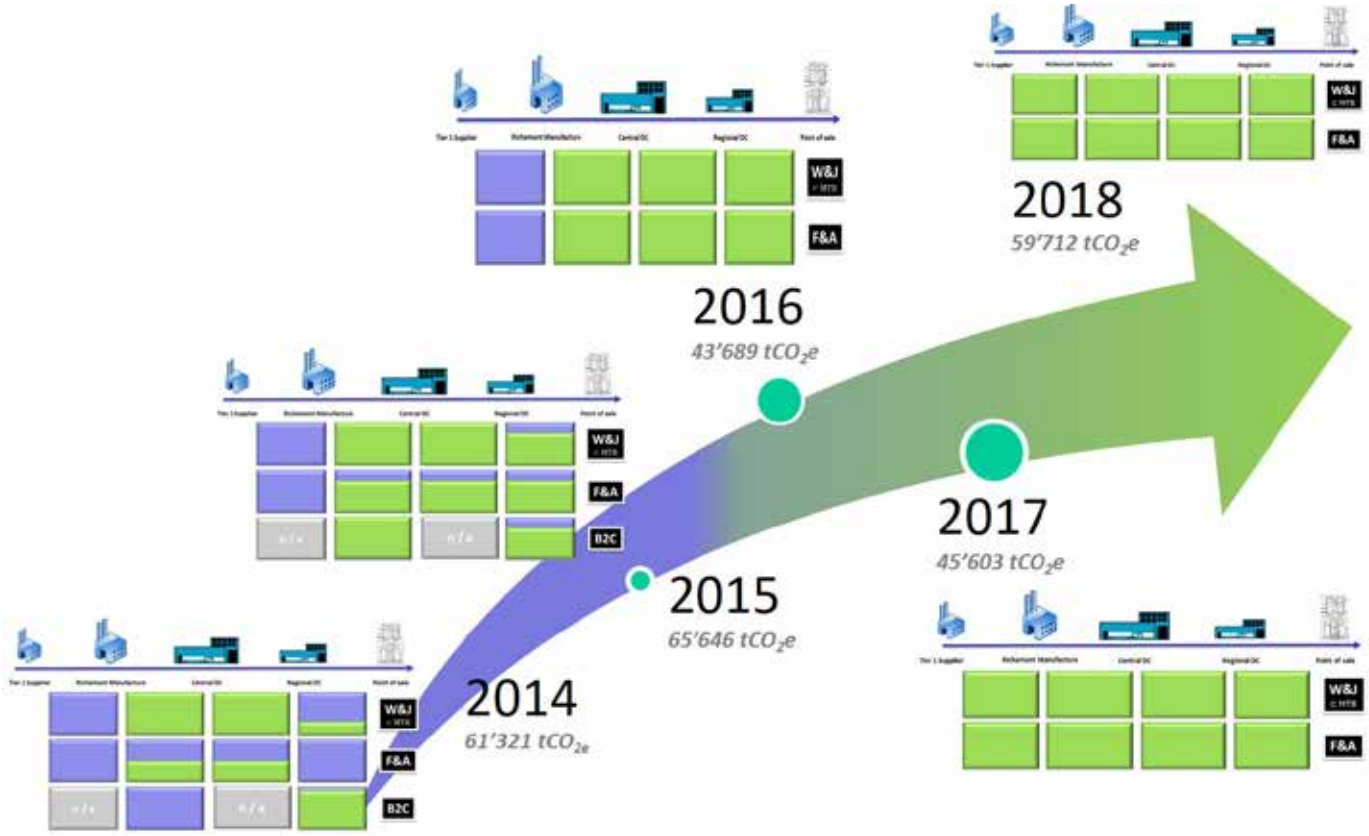
SCOPE 1:
Direct GHG emissions from sources that are owned or controlled by the company. It includes energy use from buildings and emissions associated with the vehicles we operate.

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 2014, 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 on page 66 indicates the year-on year scope progression. In 2017 the scope included 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.
The 2017 scope continued in 2018.

AVAILABILITY OF FREIGHT CARBON FOOTPRINT SCOPE



OTHER EMISSIONS AND DISCHARGES

The Group does not collect data regarding ozone depleting substances, NO, SO or other significant air emissions as 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 2014 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. That initial analysis has focused our Maisons' attention on the emissions generated by mining activities in general, and that lower-impact alternatives to newly-mined gold and platinum group metals exist. In particular, recycled precious metals. More information may be found here.

ENERGY USE

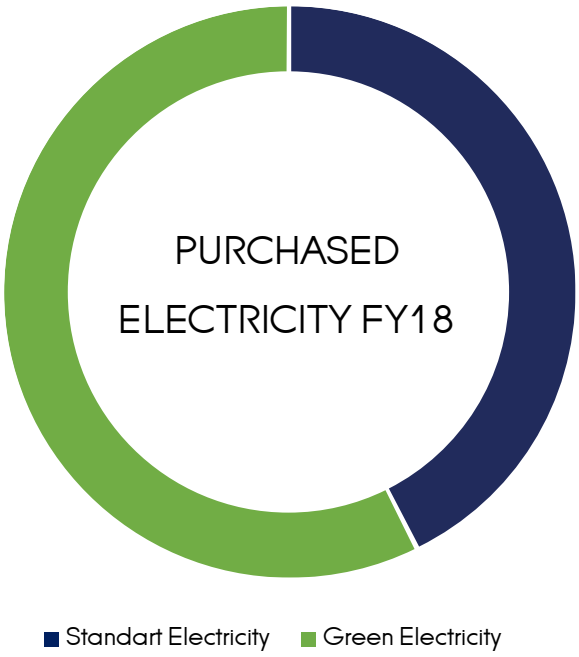
Our key energy usage relates to fuels, natural gas, electricity and heat that the Group consumes for the buildings and vehicles it operates. Electricity continues to be the most significant energy source. Our energy use in the year increased by 1.8%.

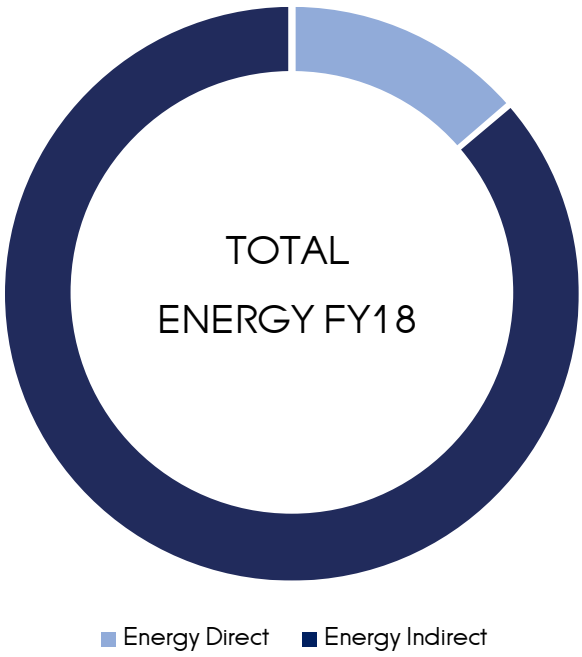
In the context of the Group's wider energy policy, the Maisons and distribution platforms are encouraged to switch to so-called 'green' electricity whenever possible, i.e. electricity generated from renewable sources such as hydro, solar or wind. In the year under review, 57% of the Group's purchased electricity was 'green' (2017: 53%; 2012: 23%). In absolute terms, the Group's green electricity and alternative energy consumption increased to 113 GWh. We continue to prioritise renewable energy procurement in all of our operations.

Energy (buildings only)	Units	2014/15	2014/15*	2015/16	CY 2016	CY 2017
TOTAL ENERGY CONSUMPTION	GWh	238	229	227	245	236
DIRECT ENERGY CONSUMPTION	GWh	31	30	28	32	32
INDIRECT ENERGY CONSUMPTION	GWh	207	198	196	212	203
ALTERNATIVE ENERGY	GWh	–	–	3	1	1

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

'Direct energy' and 'Indirect energy' emissions refer to the GHG Protocol: Direct is defined as 'emissions from sources that are owned or controlled by the organisation'; and Indirect Energy is defined as 'emissions from the consumption of purchased electricity, steam, or other sources of energy generated upstream from the organisation'.





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 use only LED lighting. Richemont does not seek to consolidate the proportion of LED lighting as this will follow the pace of local refurbishments, which typically occur on a seven-year cycle. Nevertheless, replies in the 2018 CSR Survey indicate that progress in most cases is either 'good' or 'complete'. The main exceptions were Group operations in rented office space where 'the owner decides'.

Our Maisons have taken measures to limit their energy consumption. The reported consumption levels on page 67 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 2020 Plan environmental priorities, Richemont continuously reviews its approach to packaging. Having already committed to 'Reduce, Reuse and Recycle', we will sustain our focus on two packaging categories: (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 appropriates 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 100% responsibly-sourced wood-based materials. Recognised certification schemes include the Forestry Stewardship Council standards linked to recycled content. We will also conduct periodic reviews of product-to-packaging weight ratios.

Our Maison and logistics packaging may contain plastic products. We intend to phase out single-use plastics over time and will evaluate alternatives, including reusable and recyclable materials. The related measurement and evaluation study began in 2018.

ENVIRONMENT

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 85% of Group 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 15% of Group sales, are primarily leather goods and clothing.

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. The Group does not collect data regarding the percentage of packaging materials that are recycled. 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 overall production or other operating processes. However, as part of our 2020 Plan we will identify, measure and set appropriate targets for material waste-generation activities at selected sites, particularly at our European manufacturing facilities and our worldwide logistics hubs.

OUR APPROACH

Our commitments to monitoring the consumption of resources and to reducing waste are set out in the current 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. As part of our 2020 CSR Plan we will identify, measure and set appropriate targets for material waste-generation activities.

PRODUCT STEWARDSHIP

Richemont's Maisons consider the environmental impacts at the design stage for new products, reflecting the sensibilities of the Maisons' designers and their customers.

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. 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.

Three recent examples of continuous improvement in stewardship include (i) the removal of plastic laminates from retail shopping bags across the Group; (iii) smaller boxes for e-commerce deliveries at Peter Millar; and (iii) the launch of BAUME watches. More about BAUME's approach to responsible thinking, including reusable parts and natural materials, may be found here.

LOGISTICS

The majority of the Group's products are transported from the place of manufacture – mainly in Switzerland, France and Germany – to overseas retail networks by air. This reflects the very low-weight, high-value nature of fine watches, jewellery and 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 freight companies. Their energy use and related carbon emissions were captured by Richemont for the first time in 2014. Since then, the scope and quality of measurement have progressed. This is of growing importance as the proportion of Group sales outside Western Europe increases each year. In collaboration with our business partners, we are seeking a 10% reduction in logistics-related emissions in the three years to 2020. This combined effort will contribute to recognised 'smart freight' global projects.

OTHER ENVIRONMENTAL IMPACTS

BIODIVERSITY

CONTEXT

Richemont's direct operations are not considered to have a high impactupon 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. Examples include the recycled gold in our Maisons' products and the certified wood-based material in the packaging around them.

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, notably in recycled gold as our preferred sourcing option. 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.

Recent examples of how the Green Handbook has been used include: the Campus Genevois de Haute Horlogerie in Meyrin (opened 2015); the A. Lange & Söhne extension in Glashütte (opened 2015); and the IWC Schaffhausen production and technology centre in Merishausen (opened 2017). Those buildings incorporate, amongst other things, rooftop solar photovoltaic installations, electric vehicle and bicycle charging stations, and energy-efficient design principles throughout the building, including for heating and lighting installations.

Low-emission public transportation for students and employees was factored into the project for the Campus Genevois de Haute Horlogerie, a teaching and manufacturing facility in Geneva dedicated to the arts and crafts of fine watchmaking. The same thought goes into the selection of sites for other new facilities.

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. Its impact to date may be found here.

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

Whereas water data is not currently consolidated, our 2020 CSR Plan includes a target to identify and measure material waterusing activities. In the meantime, individual projects across the Group are being managed to reduce water usage whenever possible.

CASE STUDY: RICHEMONT IN THE REPUBLIC AND CANTON OF GENEVA

Richemont represents one of the largest private sector employers in the Republic and Canton of Geneva ('Geneva'). In addition to the Group's worldwide headquarters and the headquarters of certain Maisons, Geneva is host to a number of significant Group operations, including training and watchmaking facilities.

Recognising Geneva's objective to become more sustainable, during the year Richemont Real Estate partnered with it in areas relating to energy. In particular, the energy consumed by its buildings as well as the energy needed for their construction and renovation. The recent partnership extends long-standing good practices described in Richemont's Green Handbook.

In parallel, Richemont is seeking ways to reduce the energy used by its employees travelling to and from their work place in Geneva. Reductions are achieved by encouraging employees to work from home if appropriate, by locating new sites close to railway stations, and by promoting public transport, car sharing and newer options such as electric bicycles.

LOOKING AHEAD

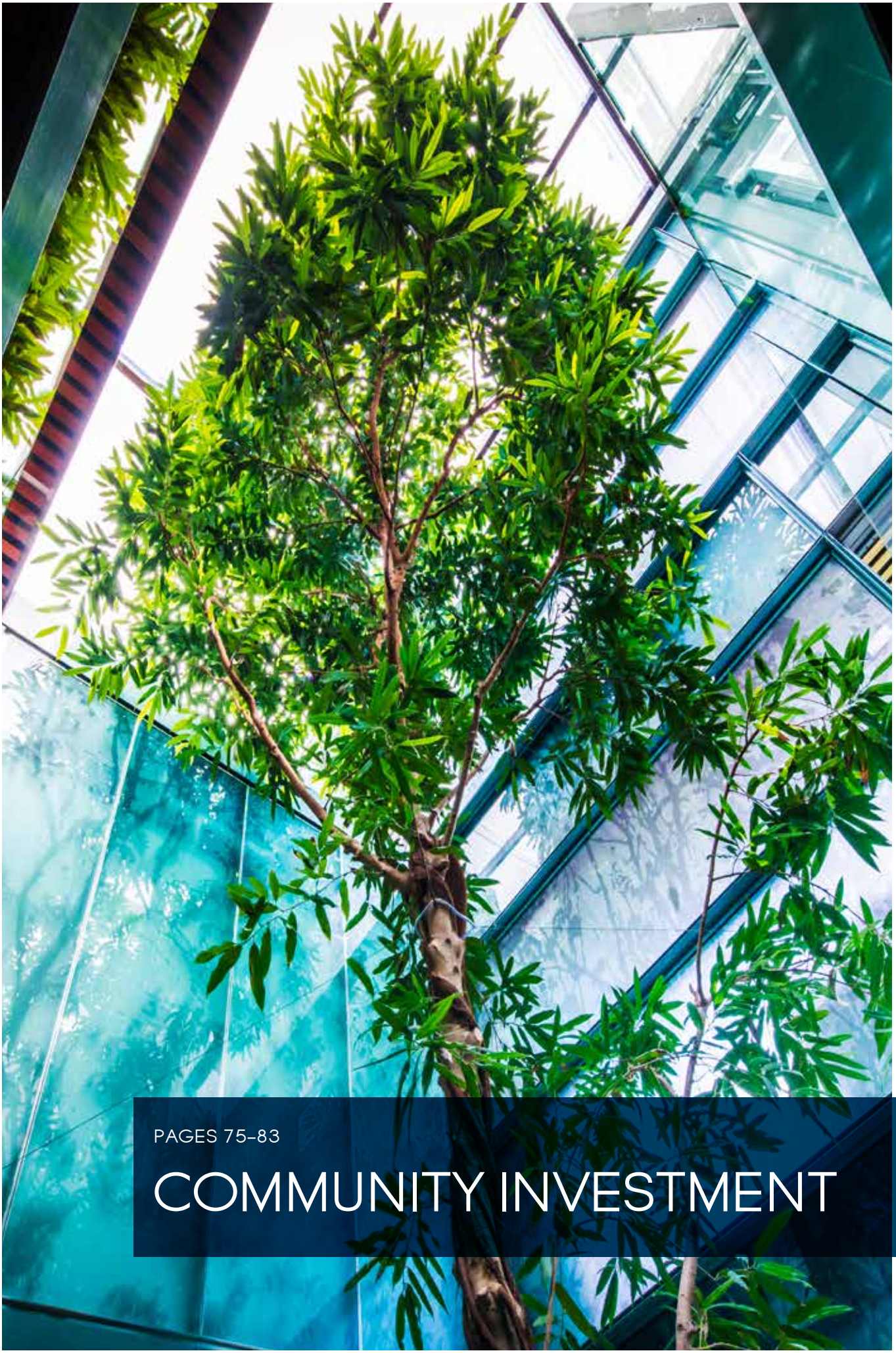
As part of the 2020 CSR Plan, we will be setting meaningful and realistic carbon reduction targets based on an analysis of the Group's baseline carbon footprint. Our reduction efforts will focus on renewable power procurement and reducing business travel. Specifically, to ensure audio-visual networks are in place and that network effects can be optimised, a business travel policy will be elaborated in conjunction with the Group's Information Systems.

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

Building on our efforts in logistics and packaging, we have set a 10% emissions reduction target for logistics and for the sustainable sourcing of packaging materials, including plastics. Guidelines will be issued to support Maisons with implementing best practices in these areas. Similarly, the use of office printers and printing will be progressively reduced across the Group.

Research initiated during the current year, comparing the impacts of alternative gold supply chains on environmental and social criteria, will be continued. In particular, the Group will identify data to support its future sourcing decisions around recycled gold from industrial scraps, electronic waste and other sources.

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



PAGES 75–83

COMMUNITY INVESTMENT

The period covered by this report was one of transition. During the year, Richemont concluded its first CSR Plan (2014/2017) and developed its second CSR plan (the 2020 Plan) which was approved and launched in late 2017. Next year we will report on specific progress against the targets contained in the 2020 Plan.

KEY AREAS OF PROGRESS AND IMPROVEMENT

Key areas of progress include:

- Our Maisons have continued to support a range of programs that contribute positively to Arts and Culture, Education, Health and Welfare, Protecting Natural Resources, and Social and Economic Development. Indeed, we have:
  - 13 Maisons supporting Arts and Culture
  - 11 Maisons supporting Social & Economic Development
  - 7 Maisons supporting Education initiatives
  - 7 Maisons supporting Health & Welfare
- Richemont has established a forum which convenes quarterly to share Community Investment best practices across the Group, and considers how our programs contribute to the wider Sustainable Development agenda using the United Nations' Sustainable Development Goals
- Overall community investment spend across the Group remained stable relative to variable financial results

As part of the 2020 CSR Plan, Richemont has identified the following key areas for improvement:

- Redefine and elevate Community Investment across the Group
- Promote more employee volunteering through the development of a Group-wide Volunteering Policy
- Consider how programmes contribute to the Sustainable Development Goals

OUR COMMITMENT

In the Community Investment pillar our commitments are to:

- Encourage community investment within the Maisons and at Group level
- Provide information on working strategically with partners, and guidelines to assist in making informed decision and how to measure impact
- Engage with the community to deliver benefits for wider society
- Address key social and environmental issues

To ensure that Richemont's Community Investment activities provide optimum benefit for wider society and Richemont, the Group and its Maisons continuously seek to contribute to health, well-being and sustainable economic development.

Globally, our customers increasingly expect companies to support social and environmental causes in sustainable and impactful ways. Locally, we depend on the communities hosting our operations. 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 and partners to support. The four broad areas through which we contribute are:

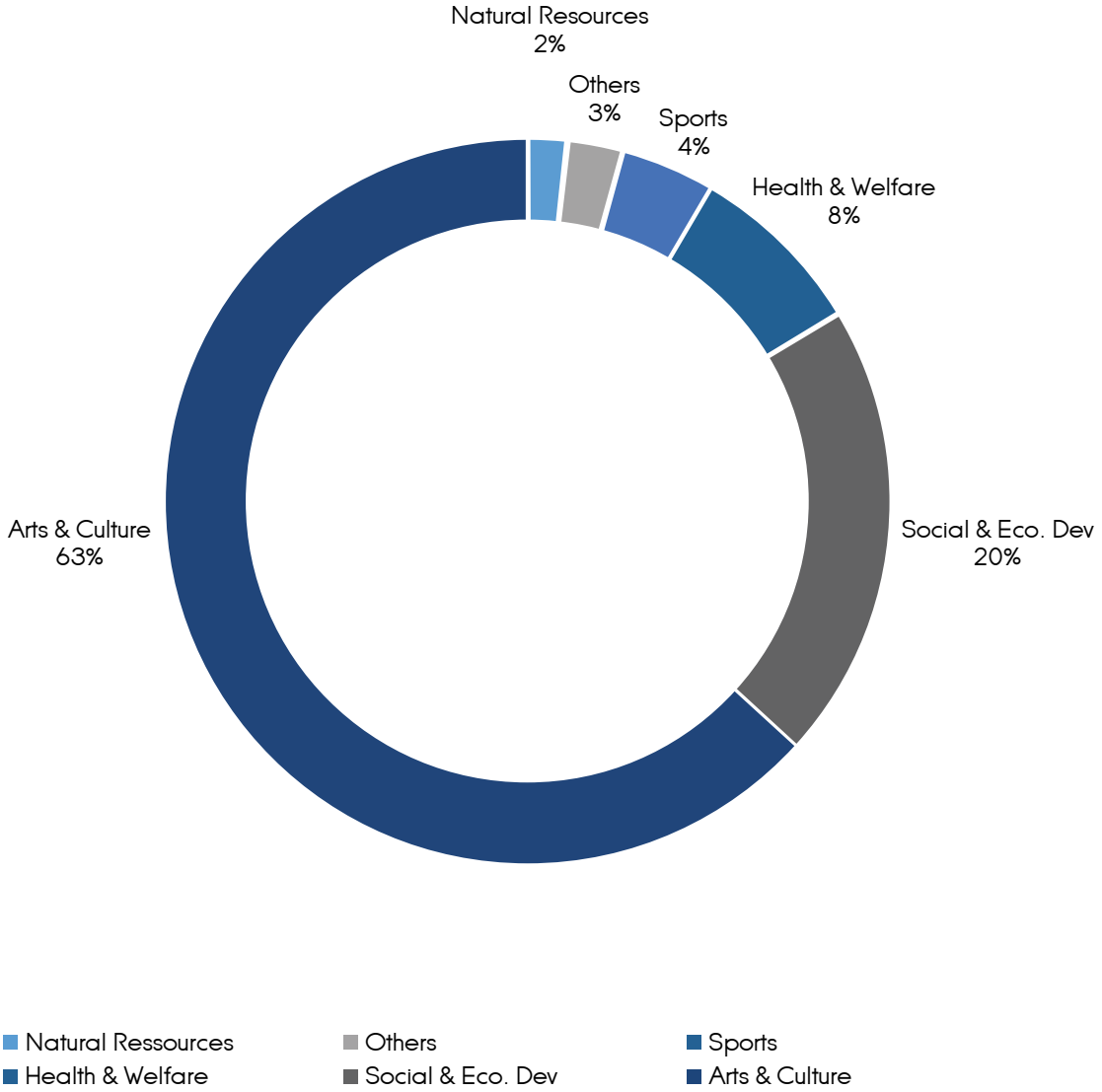
- Charitable involvement;
- Philanthropy activities;
- Fostering new talent by way of training programmes, including apprenticeships;
- Responsible citizenship – having a positive economic impact, e.g. through employment

COMMUNITY INVESTMENT

COMMUNITY SPEND

This year our total community spend was € 30 million against € 28 million prior year. This equates to 1.8 % of our profit before tax (prior year: 1.8 %). Over 90 % of community spend takes the form of cash donations. The remainder is in the form of donated products and participation at charitable events. Richemont is currently reviewing its measurement systems in order to create appropriate tools. They will improve the reporting process and enable our Maisons to have a better view of their worldwide community spend.

With arts and museums being among the most important beneficiaries, the largest single beneficiary is the Fondation Cartier pour l'art contemporain. Other beneficiaries include charities concerned with healthcare, social and economic development, education, women's welfare and children's sports. Richemont does not seek to influence public policy through its charitable donations.



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 donations 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.

Richemont employees contributed to a combined 2'450 hours of their time to volunteering initiatives in 2017, supporting causes around the world. Through blood drives, 180 units of blood were donated.

An example is Peter Millar, which initiated a volunteering program named "Crown in the Community". Teams from Customer Service, IT, Accounting, Marketing and Design were involved and all visited food banks, shelters and community centres.

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

Fondation Cartier pour l'art contemporain

*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.

FONDAZIONE COLOGNI MESTIERI D'ARTE

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.

PEACE PARKS FOUNDATION · THE GLOBAL SOLUTION ·

PEACE PARKS FOUNDATION facilitates the establishment of transfrontier conservation areas (Peace Parks) and develops human resources, thereby supporting sustainable economic development, the conservation of biodiversity and regional peace and stability.

COMMUNITY INVESTMENT

*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. Since 2005, IWC Schaffhausen has partnered 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 PHILANTHROPY**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.

THE MICHELANGELO FOUNDATION FOR CREATIVITY AND CRAFTSMANSHIP is an international, non-profit organisation that celebrates and preserves master craftsmanship and strengthens its connection to the world of design.

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 focus on the most vulnerable category of entrepreneurs in their most vulnerable phase: women entrepreneurs with start-up businesses. The Initiative notes that 80% of its award winners' businesses are still going.

CARTIER PHILANTHROPY engaged thousands of Cartier employees through Kiva. Details may be found in the case study here.

PIAGET supports Educate girls. Educate Girls is undertaking issues at the root cause of gender inequality in India's education system. Educate Girls leverages existing community and government resources to ensure that all girls have access to school.

IWC SCHAFFHAUSEN developed a corporate volunteering programme with the Swiss office of the Forest Stewardship Council in 2017, extending its commitment to resource stewardship. Employees contribute their time to forest stewardship in the Canton of Schaffhausen on a semi-annual basis.

LANGE & SÖHNE'S supports Children Action Foundation. The Swiss-based aid organisation helps promote the physical and emotional well-being of disadvantaged children and young people in eight countries around the globe.

A number of Maisons actively support musical and performing arts. These include:

- *LANGE & SÖHNE'S* support of the Semper Opera Dresden and the Dresden Kreuzchor.
- *JAEGER-LECOULTRE'S* support of the 2017 Hong Kong Ballet Ball.
- *MONTBLANC'S* support of the ElbPhilHarmonie.

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 EPFL in Lausanne and the Ecole Cantonale d'Art de Lausanne ('ECAL').
- *CHLOÉ* supports ANDAM. ANDAM works in favour of young creation through its awards, which offers financial and logistical support to fashion designers.

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 (who count many pensioners and pension funds) as well as the taxes and community contributions we pay from the profits we earn. Richemont continues to make significant investments in its manufacturing base. Last year, the Group invests some € 500 million in property plant and equipment. Our Community Investment spend amounted to € 30 million in the year under review.

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 1'123 in March 2018. 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: CARTIER PHILANTHROPY, CARTIER AND KIVA

Cartier Philanthropy reached out to thousands of Cartier employees all over the world, inviting them to join in the first company-wide employee engagement initiative.

Launched in September 2016, "Everyone matters" saw Cartier Philanthropy joining forces with Kiva, an international non-profit organisation that connects people through micro-lending to alleviate poverty in developing countries. A record participation rate of 64% of Cartier employees bears witness to the success of the initiative.

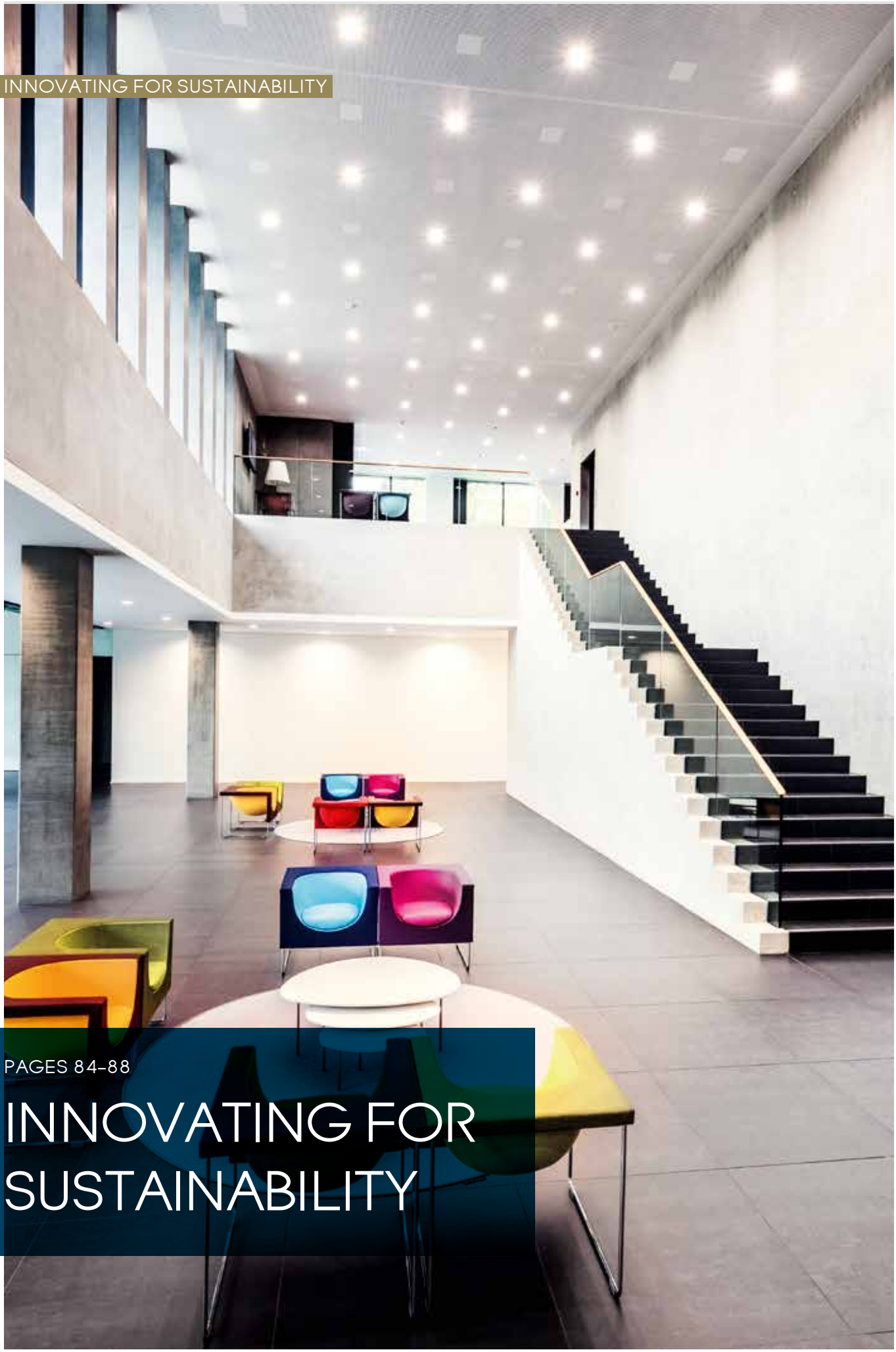
Every employee received a $ 25 credit to make a loan on the Kiva website, helping a small entrepreneur either to start or grow a business, or a mother to send her children to school, or a village to access clean energy, or a farmer to buy seeds and livestock. Over 10,000 loans have been made since the launch of the campaign to bring positive change in other people's lives.

LOOKING AHEAD

As part of the 2020 CSR Plan, Richemont will be reviewing the Community Investment toolkit for the year FY19. The updated version will help the Maisons to further identify strategic focus areas and deepen its measurement and reporting of Community Investment programmes.

The Group is preparing an internal volunteering policy to promote employee involvement in charitable and community activities. For a public audience, the Group is also preparing a Community Investment policy.

We are currently working on a redefinition of the philanthropy within Richemont in order to have a clear vision and alignment, as well as a glossary on terms and definitions.



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INNOVATING FOR SUSTAINABILITY

INNOVATING FOR SUSTAINABILITY

OUR TRADITION OF INNOVATION

Innovation runs through our business to support the creativity of our Maisons. It has always been fundamental for our teams to expand the limits of our know-how, from new designs of our products and the use of new materials through to the processes we use. Critical appreciation is marked by the awards received by our Maisons each year, and also by the challenges solved on a daily basis by our development, manufacturing and customer service teams to make extraordinary products, recognized as such by their peers and the public.

Watches, items of jewellery, writing instruments and leather goods require a subtle balance of inspiration, craftsmanship and high technology to better enchant and serve our customers. To support this vision, the Group has substantially strengthened its focus and effort in Innovation, with the creation of a transversal team dedicated to support the strategies of our Maisons. Based in Neuchâtel, Switzerland, in the premises of the Ecole Polythechnique Fédérale de Lausanne ('EPFL') and the start-up incubator NEODE, this team regroups some 50 highly technical profiles in various domains such as material sciences, tribology, optics, reliability and mechanics. The team's objective is to push further the limits of our products in terms of reliability and performance, to expand the horizon of our creative possibilities, and to develop new processes to constantly reinvent our know-how.

Each Maison has dedicated Development, Innovation, Manufacturing and Quality teams responsible for ensuring that products meet the high standards we set ourselves. New materials or new processes, developed either directly by the Maisons or jointly with the Group Innovation team, are tested to ensure conformity with applicable regulations, the expectations of our customers and the best practices of the métier.

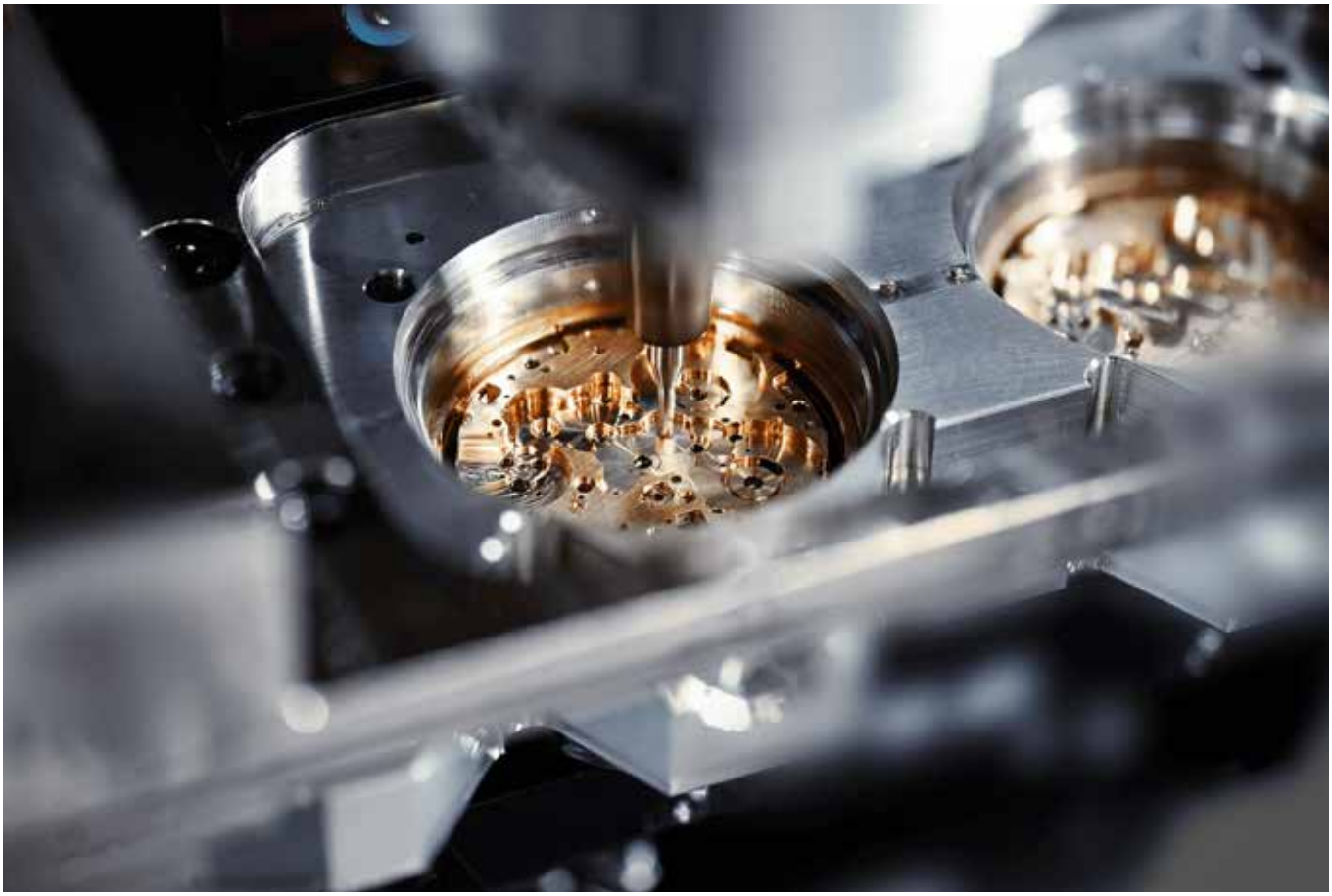
Recruiting and developing talented designers and craftsmen is integral to maintaining our pipeline of innovative products. We therefore invest significantly in training academies, partnerships and apprenticeship programmes to build the capabilities of our current and future workforce. The Group supports a chair at the EPFL, participates in several cross industry initiatives in the domains of Watchmaking, Jewellery and Leather goods, such as CSEM (Centre Suisse d'Electronique et de Microtechnique) and EPHJ (Environnement Professionnel Horlogerie-Joaillerie) in Switzerland, and Polimoda in Italy.

NEW TECHNOLOGIES

We are witnessing an acceleration in the development of new technologies as well as agile networks of entrepreneurs testing new business models, new services and new products of interest to our customers and to our Maisons. In addition to the incremental efforts made by our Maisons and transversal teams, the Group Innovation team also explores the opportunities offered by new technologies to open novel fields of expression and value creation for our Maisons and our customers.

The Group is collaborating with several start-ups and technology leaders in domains such as embedded electronics, augmented reality, deep learning or recycled materials, and participated in 2018 for the first time to Viva Technology, the global rendezvous for start-ups and leaders held in Paris. The Group presented the way new technologies can be meaningfully used to nurture the relationship between our customers, our products and our Maisons.

This vision is summarized by the phrase "Reveal the Exceptional": innovation at the service of expression and customer-centricity.



SUSTAINABLE INNOVATION

As treasured heirlooms, jewellery, watches and writing instruments are aimed to be passed from generation to generation. The longevity and durability for the great majority of our products has always been at the core of our Maisons' strategies. Our innovation effort is thus strongly focused on continuously improving the quality, reliability and durability of our creations and make sure they can be used by our customers without experiencing any 'end of life' or negative experience which could result in the disposal of the product. Our teams are committed to strengthen the durability of precious and non-precious materials and of mechanical parts used by our Maisons and to make the production process of those elements more efficient.

In this domain, our teams combine cutting edge knowledge on material properties and manufacturing processes with a disruptive, deep-learning approach to learn more about the current limitations of our creations and to be able to overcome them.

In an age when some technologies can be seen as a threat to human beings, the creations of our Maisons all emphasize the importance of traditional values and craftsmanship.

Innovation enhances the possibilities of our creators and craftsmen, and we root technology in the core of universal values such as creativity, culture, beauty and transmission. Our teams develop technologies which are useful and meaningful within a wider agenda, inherited from years, decades and even centuries of tradition and interactions with our customers.

The Group sees social and environmental consciousness and the need for more sustainable business models as a way to further expand the historical values of quality and durability of our Maisons. As it has shown with the launch of BAUME, the Group uses new processes and materials to create more sustainable products. The Group's ambition is to progressively set social and environmental consciousness as one of the key values of its product development and innovation, along with quality and durability.

The list of technologies to support this initiative encompasses topics such as recycled and recyclable materials, chemical expertise, decentralised and additive manufacturing methods, bio-engineered materials and life cycle analysis methods.

TRANSPARENCY AND TRACEABILITY

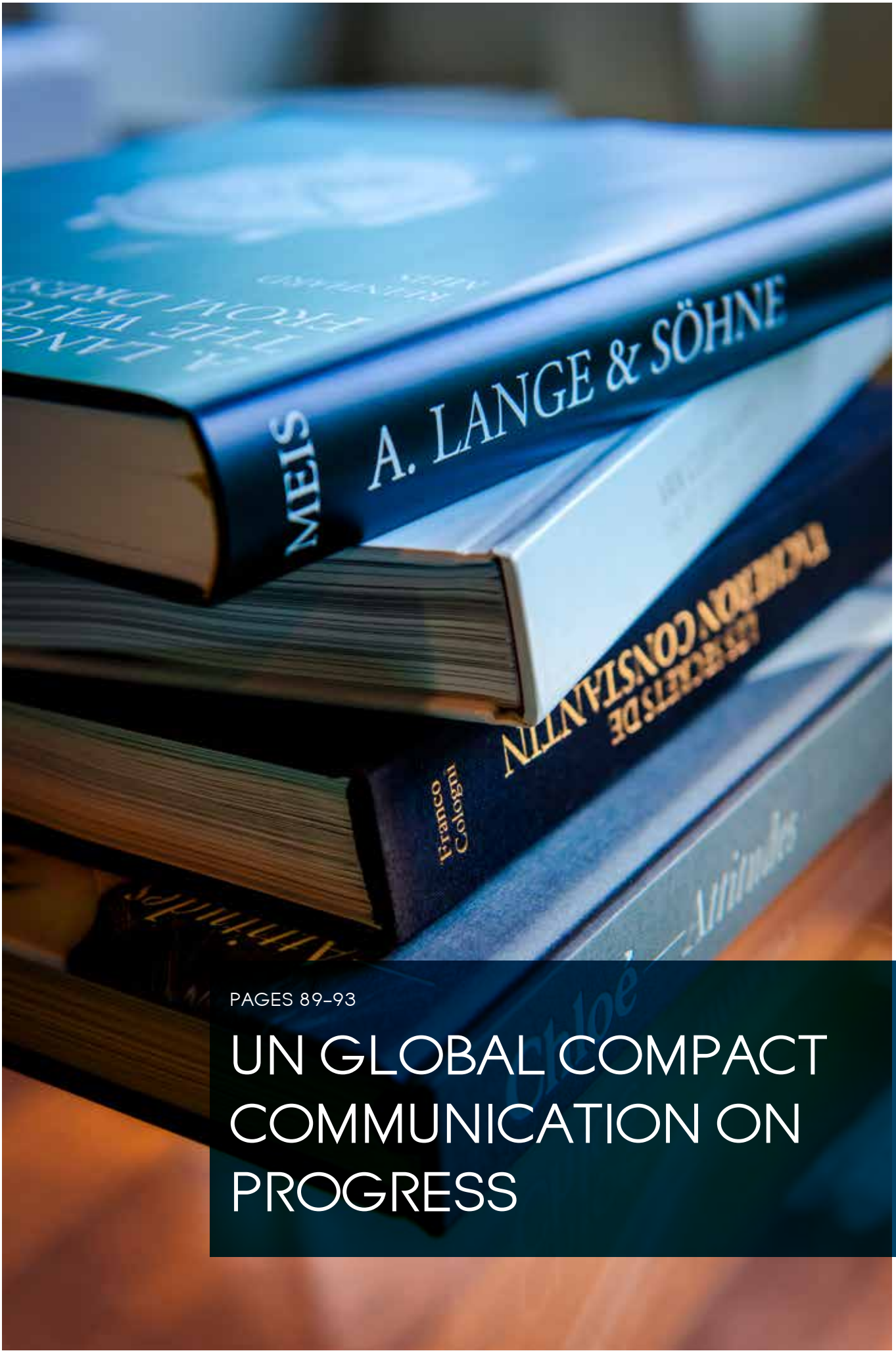
Transparency and traceability will be key elements to accelerate our own transition towards more sustainable practices and products. The Group is following with interest the development of several solutions, which could be applied in upstream and downstream supply chains. Technologies like advanced marking or physical or chemical fingerprinting are under investigation to bring more transparency on the flow of goods within our supply chains. In addition to physical traceability, the Group sees an interest in the development of blockchain-based initiatives, bringing more transparency to our customers about the origins of their products. In this still emerging field, our teams will take the required time to assess the solutions currently under development so as to be able to make the best decision for our Maisons and our customers.

CASE STUDY: BAUME

BAUME was launched on 15 May 2018, offering online, customised watches created through sustainable manufacturing processes.

Rather than serve a specific age group, BAUME serves a mind-set by committing not to use precious metals, precious stones, or animal-derived materials. Where possible, the watches use upcycled, recycled, and natural materials. The watches are designed in Geneva, Switzerland, and currently assembled at a Group facility in the Netherlands. In due course, assembly facilities will be established in the other BAUME markets to reduce logistics emissions.

More information about the 2'000 customisation options offered by BAUME may be found here.



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UN GLOBAL COMPACT COMMUNICATION ON PROGRESS

UN GLOBAL COMPACT COMMUNICATION ON PROGRESS

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

6 July 2018

Dear Mr Secretary-General,
This communication covers the period from 1 April 2017 to 31 March 2018.

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 fifth 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. That edition is under review and may be published during the current financial year.

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 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: 135 external supplier audits were performed across the Group in 2017/18 (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 assessment.

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

UN GLOBAL COMPACT COMMUNICATION ON PROGRESS

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 respect the most demanding environmental standards when building new manufacturing facilities.

Our environmental impact may be classified in 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 current Code addresses industry-specific issues, such as the environmental impacts of using gold, gemstones and leather, as well as universal environmental issues. The Code is being reviewed and may be published during the current financial year. 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 financial 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. The Standard may be published for the first time during the current financial year.

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,

Burkhart Grund
Chief Finance Officer

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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 2018 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.

MENU

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

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 Performance against the current CSR Plan 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	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 – Our commitment
G4–11	Report the percentage of total employees covered by collective bargaining agreements	UNGC Communication on Progress
G4–12	Describe the organization's supply chain	Supply Chain Management

GRI Index	Description	Location
Organisational Profile		
G4–13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	About Richemont - Significant Changes 2017/18
G4–14	Report whether and how the precautionary approach or principle is addressed by the organization	Governance and Risk Management Environmental Management Innovating for sustainability – Our tradition of innovation
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 Responsible Sourcing of Raw Materials Responsible Jewellery Council External Recognition
G4–16	List memberships of associations (such as industry associations) and national or international advocacy organizations	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

('GRI') INDEX

GRI Index	Description	Location
Identified Material Aspects and Boundaries		
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.	No significant changes made and no restatements. See also About Richemont
G4–23	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	About Richemont
Stakeholder Engagement		
G4–24	List of stakeholder groups engaged	Stakeholder Engagement
G4–25	Basis for identification and selection of stakeholders to engage	Stakeholder Engagement
G4–26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Stakeholder Engagement
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	Materiality Stakeholder Engagement
Report Content		
G4–28	Reporting period for information provided	Our Approach to Reporting
G4–29	Date of most recent previous report	2016-17
G4–30	Reporting cycle	Annual Our Approach to Reporting
G4–31	Contact point for questions regarding the report or its contents	CSR Report 2018
G4–32	GRI Content Index	Global Reporting Initiative ('GRI') Index
G4–33	Report the organization's policy and current practice with regard to seeking external assurance for the report	Our Approach to Reporting

GRI Index	Description	Location
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, Corporate Governance
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 Corporate Social Responsibility
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 Corporate Social Responsibility
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 Risk Management

('GRI') INDEX

GRI Index	Description	Location
Governance		
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 e conomic, environmental and social topics	How CSR is Managed Governance and Risk Management
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 Risk Management
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 Risk Management
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	Compensation Report, Annual Report
G4–52	Report the process for determining remuneration	Compensation Report, Annual Report
G4–53	Report how stakeholders' views are sought and taken into account regarding remuneration	Compensation Report, 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 Risk Management Policies

GRI Index	Description	Location
Ethics and Integrity		
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 Risk Management 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

('GRI') INDEX

GRI Index	Description	Location
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	N/A – see also 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
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 – Our commitment

GRI Index	Description	Location
Social Indicators		
Labour Practices and Decent Work		
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	Richemont as an Employer – Our commitment
G4–LA9	Average hours of training per year per employee by gender and by employee category	Richemont as an Employer – Our commitment See section Employability
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 – Our commitment See section Employability
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 – Our commitment
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 Slavery & human trafficking
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 Slavery & human trafficking
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 Slavery & human trafficking

('GRI') INDEX

GRI Index	Description	Location
Society		
G4–SO1	Percentage of operations with implemented local community engagement, impact assessment, and development programmes.	Community Investment – Our commitment
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	N/A – no fines or sanctions
Product responsibility		
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	Responsible sourcing of raw materials
G4–PR6	Sale of banned or disputed products	Materiality of 'exclusion criteria'

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