

SWAROVSKI

COMMUNICATION ON PROGRESS 2018

STATEMENT OF CONTINUED SUPPORT BY THE EXECUTIVE BOARD

A commitment to responsible ways of working has been embedded in the way Swarovski does business since it was founded by Daniel Swarovski in 1895. He understood that for this company to be successful in the long term, the communities and environment upon which it depends also need to thrive. For more than 120 years, we have strived to stay true to these founding principles and have consciously integrated sustainability into our operations, ensuring we can responsibly do business for generations to come.

As a manufacturer of crystals, genuine gemstones and created stones as well as finished products such as jewelry, accessories and lighting Swarovski is committed to conscious luxury by driving positive change and attitudes across the industries we cover. As such, we are pleased to reaffirm our ongoing commitment to the UN Global Compact and its ten principles in the areas of Human Rights, Labor, Environment and Anti-Corruption. As a participant in the UN Global Compact since 2010, Swarovski has continuously progressed towards further alignment of the ten principles into our strategy and operations.

Our latest Sustainability Report, published in 2017, provided details about the evolving nature of our strategic approach to sustainability, which represented the beginning of a new phase in Swarovski's sustainability journey. Report can be found [here](#)

We are steadfast in our ambition to grow our business in a manner that respects people and the planet and our engagement with the UN Global Compact is an important part of realizing this goal. We look forward to ongoing engagement with the UNGC as we continue our sustainability journey.



Robert Buchbauer



Daniel Cohen



Markus Langes-Swarovski



Mathias Margreiter



Nadja Swarovski

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Introduction

In order to meet today's global challenges, there is a need for partnerships between individuals, companies and organisations to collectively find solutions to issues such as climate change, social inequality, and natural resource depletion. Swarovski is committed to collaboration through global initiatives such as the United Nations Global Compact, the Women's Empowerment Principles and working towards the UN Sustainable Development Goals. Closer to home, we are also collaborating with our peers to promote industry-wide change and participate in industry led initiatives such as the Responsible Jewellery Council (RJC).

Swarovski Crystal is the most responsible crystal on the market. This comes from our best in class manufacturing facilities in Wattens, Austria where industry-leading safety, labor and environmental practices are in place. Our certification by the RJC provides independent, third-party confirmation of our responsible business practices. We are pioneers in product safety: 100% of Swarovski crystals are produced using our pioneering Advanced Crystal lead-free* formula and our CLEAR standard ensures our products are free from harmful chemicals, is globally consistent and applies not only to our own facilities but also to all of our suppliers.

We promote and advance responsible jewellery. As one of the largest retailers of finished jewellery and as a supplier of crystal, created stones and genuine gemstones to other jewellers, we acknowledge and embrace our responsibility to improving the sustainability of the jewellery industry. As a jeweller, we ensure a high degree of traceability and transparency through ownership of our own crafting facilities and the production of Swarovski Crystal. At our crafting facilities and our stores, we have aligned with internationally recognized social and environmental standards. We are committed to action on systemic change in the jewellery industry and to using the strength of our business and brand to promote collective action.

We are the brand of choice in the design world and a key player in leading our industry into a more sustainable future. We use our network and our influence with industry and designers, cultivated through years of commitment to upcoming generations of talent, to inspire conscious design. We are also committed to continuously raise the bar in our own products and collections to offer our customers only the best craftsmanship quality born out of responsible practices.

In the sections that follow, we provide a brief update on developments since the period covered by the Sustainability Report and include links to more detail. This progress is categorized by the four broad issue areas of the UNGC principles; namely, Human Rights, Labor, Environment and Anti-Corruption.

*Containing 0.009% lead or less

1. Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: Businesses should make sure they are not complicit in human rights abuses.

Swarovski continues to be unequivocal in our commitment to upholding internationally proclaimed human rights standards internally and among our suppliers. We acknowledge that protecting and respecting human rights is salient to sustainability and our integrity as a business.

As a company comprised of 78% females in the workforce, Swarovski recognizes that advancing equality and enabling women to fulfill their potential is not only good for business, but also has a positive impact on society. Staying true to this, Swarovski has partnered with BSR (Business for Social Responsibility) to explore the lives and challenges of women in the jewelry supply chain in order to inspire industry-wide action. Women are integral in the jewelry supply chain, working everywhere from mining and manufacturing to artisan crafting and large-scale production. Following an initial report this Spring, with a focus on the mining, cutting and polishing, and jewelry manufacturing sectors, Swarovski and BSR convened leading jewelry companies, governments, non-for-profit organisations and changemakers at the OECD Forum on Responsible Mineral Supply Chains to review the findings and garner support for further field research. This collaborative approach hopes to deepen insights and lead to recommendations for how companies can identify, create and implement opportunities for women in jewelry supply chains.

For the fourth consecutive year Swarovski supported Trust Conference, which brings together thought leaders and change makers to find real solutions to empower women, fight slavery and advance human rights worldwide. Trust Conference is an annual event in London gathering over 700 delegates from around the world to discuss human rights, women's empowerment, modern-day slavery and forced labor. Founded in 2012 as Trust Women, the event has changed its name to Trust Conference to reflect its wider focus on all human rights issues, while keeping women's rights and anti-slavery at its core.

In line with the recent UK Modern Slavery Act Swarovski has continued to publish a Modern Slavery Statement which reflects the steps we have taken to ensure there is no modern slavery in our business and supply chains. The Statement which is updated annually can be found on all Swarovski UK websites. Read the latest Swarovski Modern Slavery Statement [here](#).

Swarovski continues to support and actively participates in the Coloured Gemstones Working Group (CGWG). We established the CGWG with other luxury brands and mining companies in 2015 to better understand the risks and opportunities for positive impact in the sourcing and production of coloured gemstones. We collectively aim to drive continuous improvement with tools designed to enable better practices, and reduce adverse impacts in the colored gemstone supply chain. This pioneering new standard began in 2017 with the rolling-out of tools and conducting due-diligences across our colored gemstone supply chain from mines to cutters.

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In spring 2018 Swarovski launched its first Fairtrade gold fine jewelry collection from Atelier Swarovski crafted with Swarovski Created Diamonds and Created Emeralds. Swarovski also committed to using only responsible gold in fine jewelry collections in the future. The new collection is made with Fairtrade gold from the Cooperativa Minera Limata in Peru. This environmentally responsible gold mining project provides local alpaca breeders with additional income and promotes the sustainable development of the Limata community.

The Swarovski Foundation is proudly supporting Women For Women International for the fourth year running. This year we are continuing to empower women under our Wellbeing pillar; specifically supporting 350 women survivors of conflict in Nigeria through a one year social and economic empowerment programme to provide them the tools to shape their futures.

2. Labor

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labor.

Principle 5: Businesses should uphold the effective abolition of child labor.

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

As is the case with Human Rights above, we are steadfast in our commitment to upholding internationally recognised labor standards within our business and by taking a positive stance with suppliers. More information on our management approach to fair labour conditions and responsible sourcing can be found in our latest Sustainability Report [here](#).

Since our last Communication on Progress we launched our Positive Production program for Swarovski owned production plants with the aim to work towards sustainability excellence in our manufacturing and production locations by 2020. The program has three work streams that systematically advance sustainability and ensure our manufacturing is socially and environmentally responsible. The first stream ensures the highest standards of sustainability are met through external verification and certification according to leading industry organisations. Therefore our manufacturing plants are on a journey to seek multiple certifications aiming at continuous improvement in the area of overall working conditions (SA8000, SMETA), workers health and safety (OHSAS 18001), environmental management (ISO 14001), energy management (ISO 50001) and sustainability in general (Responsible Jewellery Council). In the last twelve months our Pune facility in India has achieved OHSAS 18001 and our manufacturing in Swarovski Gemstones Thailand and Bien Hoa, Vietnam are working towards a SMETA assessment.

The second stream of our Positive Production program focuses on improving the measurement of sustainability performance. We are creating a common framework of KPIs and centralised data collection to ensure that there is a consistent approach to monitoring, reporting and driving progress.

With Positive Production Stream 3, we aim to positively impact our employees, their communities and contribute to achieving the UN Sustainable Development Goals by addressing business relevant sustainability issues such as equality, wellbeing and environmental challenges. Swarovski aims to understand the local context and challenges facing our employees and their communities in our production locations. To ensure our program is effective and impactful, we are embarking on an inclusive design approach. This means consulting our stakeholders both internally (our employees and management) and externally (non-governmental organisations). We have therefore initiated a consultation process in India and Thailand to better understand the context specific challenges and opportunities where Swarovski can create a positive impact.

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Swarovski is committed to the Responsible Jewellery Council (RJC). Our brands Swarovski Professional, Atelier Swarovski, Swarovski Gemstones Business and our US-based personalized jewellery business unit, Chamilia, are certified members of RJC. Chamilia was successfully re-certified in spring 2018 and Swarovski Gemstones Business was undergoing re-certification when this report was prepared.

With an eye to a sustainable supply chain we are endeavouring to improve the social performance of our suppliers across multiple tiers. Through our Responsible Sourcing Initiative (RSI), established in 2014, we are helping our suppliers to maintain a keen focus on respecting workers' rights. As this program matures and is further integrated across our business, we have increased our capacity to monitor and improve the labour practices in our supply chain and closely collaborated with them to drive for continuous improvement. Our program now covers 95% of our relevant spend across the Swarovski business. With RSI we ensure sound health, safety and environment, and labour standards are in place across multiple tiers of our external supply chains.

Beyond our direct suppliers we have recognised that it is difficult to promote positive labour practices without traceability. Recognising that traceability for genuine gemstones is probably the most challenging across the industry, Swarovski Gemstones has launched a project to responsibly source Topaz from Brazil. The aim of the project is to create a transparent, traceable and responsible supply chain by engaging and supporting local mining community and producers. After identification of potential sources for white Topaz in 2016/2017 in Brazil, an onsite visit of the selected mining area in Rondonia/Brazil was conducted early in 2018. Future plans foresee the role out of a capacity building program coordinated with local stakeholders that shall lead to implementation of a continuous improvement process with a strong focus on the local mining community. To further support this program and create value for the local context we have started purchasing material with immediate effect.

At Swarovski, we believe that achieving gender balance is the right thing to do. As well as having a positive impact on society, it also enables individual employees and our business as a whole to perform better. In March 2014 Swarovski became a signatory to the Women's Empowerment Principles with Executive Board commitment to embed women's empowerment in our business operations and the communities where we operate. Since then we have tried to align our activities with the seven principles and put a keener focus on diversity and inclusion. Last year Swarovski completed the WEPs Gender Gap Analysis Tool to assess how well the business has acted on the seven principles. From this assessment we will explore the recommendations and strive to improve how Swarovski support gender equality through our leadership and in the workplace, marketplace and communities. As part of our programme of activities advancing gender equality we want to credibly monitor and evaluate our actions, commitments and practices. To explore how well we are doing Swarovski undertook an EDGE (Economic Dividends for Gender Equality) diagnostic to give an indepth assessment of how we perform on gender equality in our home country of Austria.

To enhance our activities on equality Swarovski is a founding member of 'Business Action for Women' an international coalition of business leaders driving progress for women and acting to advance gender equality. Swarovski is actively contributing to the direction of the group and taking action on women in supply chains.

Timed to coincide with International Women's Day (March 8), Swarovski launched a global campaign called 'The Future Is Equal' to inspire action to advance equality and create an inclusive world for everyone. The foundation of the campaign was a Take Action card, which

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was distributed throughout the organization by a network of ambassadors to promote employee engagement. The card offered simple actions that anyone can take to play their part in advancing equality, and encourages employees to take a photograph and share their pledge on social media using the hashtag #TheFuturElsEqual. Beyond its employee engagement activities, Swarovski spread this message through social media and invited everyone to join this campaign, recognizing the power of its voice to advocate for change and galvanize action.

Swarovski seeks to maintain an engaged and diverse workforce and create an inclusive working environment. We have recently published our UK Gender Pay Gap [here](#) in line with national legislation, our results showed that we have a mean gender pay gap of 4.7% and a mean gender bonus gap of 43.7%. We are pleased with our results: by national and industry standards we have a relatively small gender pay gap. However, we recognise that there is still work to do to narrow the gap in bonus payments. We remain fully committed to ensuring gender parity across our business.

3. Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

At Swarovski we take our role in protecting the environment seriously, our goal is to protect the natural environment that is touched by our supply chain and we are committed to continuously improving our operational sustainability and work toward sustainable production across our global sites.

As outlined in the Labour section of this COP Swarovski has launched a Positive Production program to achieve excellence in sustainability at Swarovski's production locations. In line with the first stream of this program (to achieve a common framework of social and environmental standards of audits and certifications in all locations) new standards at several sites have been achieved. These new certifications include; ISO 14001 in Subotica, Serbia, Pune, India and our production facility in Thailand, as well as ISO 50001 and ISO 9001 in Pune, India.

Progress has also been made in the Stream 2 of Positive Production to create a standardization of global sustainability indicators including data collection and management. Swarovski has made further progress towards waste reduction and lower energy consumption, some of the ways we have achieved this are outlined as follows. Ongoing efforts to reduce our energy consumption and emissions at our crystal manufacturing facilities in Wattens have continued with significant success, for example adopting new technology in our glass-melting furnances has reduced our consumption of natural gas. In India we have started a process of crystal bead recycling in the creation of crystal pearls, this has also meant a reduction in energy consumption and lower transportation emissions.

As part of our commitment to environmental responsibility we continuously innovate to find new sustainable ways to produce our crystal. Our latest innovation is in the washing of crystal to give it its unique sparkle: our new washing machines use 20% less chemicals and substantially reduce the amount of energy used. With the implementation of these new machines, we can now track and monitor their energy usage so we can continue to make further improvements to our manufacturing processes.

At Swarovski owned operations, we are committed to responsibly managing water by means of water-smart processes, monitoring and internal awareness raising. Beyond our operations Swarovski initiated a consultation process with stakeholders working on water stewardship in Asia to better understand local water challenges and how we can positively impact the local communities around our production facilities.

We have recently initiated a project to explore the environmental impacts of the raw ingredients of our signature crystal in co-operation with Trucost. This work will focus on quantifying the

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environmental impacts of using chemicals in the production of Swarovski crystals. This project will assess material selection, production processes and the environmental impact of product lines. The life cycle assessment will also give us an insight into improved product design and transparency with our stakeholders.

As part of the ongoing Conscious Design programme, Swarovski continues to work collaboratively with academic institutions to engage with emerging designers and promote the importance of sustainable design and the circular economy. Through this initiative students from Royal College of Arts, Central Saint Martins and London College of Fashion have been involved in a project to create new products using upcycle end-of-life Swarovski crystals.

Swarovski is proud to announce the launch of the compelling new film 'Waterschool', created by graduate film students from the prestigious UCLA School of Theater, Film and Television in Los Angeles, California. 'Waterschool' shines a light on one of the greatest issues facing mankind: safeguarding the continuing supply of fresh water. The documentary follows the experiences of several young female students who live along six of the world's major rivers – the Amazon, Mississippi, Danube, Nile, Ganges and Yangtze – and celebrates the work of Swarovski Waterschool, a community investment program set up in 2000 that has reached almost half a million young people through 2,400 schools worldwide.

The Swarovski Foundation has supported University of Oxford for two years under the Environment pillar. In 2017 we fully funded one student's MSc scholarship in Water Science: Policy and Management. The MSc programme has provided this student with a comprehensive understanding of sustainable water management by addressing its global demands from ecosystems to food and energy production, human consumption and industry.

4. Anti-corruption

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

The Swarovski Integrity Charter defines how the business and our employees can act responsibly to meet global business opportunities and challenges. It reconfirms our values, principles and commitment to being a responsible business.

Swarovski's Code of Conduct continues to guide our supplier relationships. Swarovski expects suppliers to fully obey all national laws and regulations applicable in the country and other governmental authorities of any country in which they do business. Within our Code of Conduct (which suppliers must adhere to) we ask our suppliers to commit to countering bribery and corruption which means no tolerance of bribery, no facilitation payments or no money laundering, and to abstain from any business related to terrorism or armed activity.