

# **RICHMONT**

H. E. Ban Ki-moon  
Secretary-General  
United Nations  
New York, NY 10017  
USA

3 July 2015

Dear Mr Secretary-General,

This communication covers the period from 1 April 2014 to 31 March 2015.

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 second Communication on Progress in which we describe our actions in our first year of integrating of the Global Compact and its principles into our business strategy, culture and daily operations. Our most significant progress this year was an extensive review of our Supplier Code, incorporating human rights, labour, environment and anti-corruption considerations. The revised code will be released in July 2015.

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

In addition to Richemont's own Codes, 17 of our Maisons and Manufactures – representing over 90 % of Group sales - have been certified for compliance with the RJC's Code of Practices. The certification process has helped those Maisons define and formalise their respective approach to CSR issues, including human rights and supplier risk assessments.

## **Implementation**

A comprehensive review of these policies has been conducted, incorporating relevant revisions to strengthen the Codes. An updated Supplier Code is being released in July 2015

Whistleblowing procedures are in place to ensure any suspicions of inappropriate conduct can be voiced. All employees are systematically made aware of the Codes and the related Standards of Business Conduct and are reminded of the whistleblowing procedures annually. The internal guidance sets out examples of the types of wrongdoing which should be raised by employees, including non-compliance with legal obligations or a breach of human rights, as well as identifying who to contact, namely the 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 of Conduct through two channels: for suppliers, the Maisons organise audits on a risk-weighted basis and the Group assists the Maisons; for employees, each Maison conducts comprehensive training of new employees and annually reconfirms that all employees are familiar with Richemont's whistleblowing policy.

## **Labour Principles**

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

## **Assessment, Policy and Goals**

Suppliers and partners: Richemont's Supplier Code of Conduct includes an endorsement of International Labour Organisation Conventions, the Universal Declaration of Human Rights and other internationally recognised labour practice standards. The Code covers labour relationships, employment practices, human rights and ethical business principles.

Employees: In Richemont, diversity and equal opportunities means creating a work environment which allows all our employees to fulfil their potential. We seek to foster a culture in which our employee-related decisions, whether it be hiring, training or promotion, are taken based solely on an individual's ability and contribution to Richemont's success, irrespective of gender, age, ethnicity, disability, sexual orientation or any other aspect of their identity.

## **Implementation**

Suppliers and partners: We have extensively reviewed the Supplier Code this year to ensure that it continues to encompass recognised practice in this area. This new Code will be released in July 2015 and communicated to our suppliers. Tools for managing signed supplier codes are also being

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

## Measurement of outcomes

Suppliers and partners:

Some 140 external supplier audits were performed across the Group in 2014/15 (prior year: over 100 audits). 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 Group does not disclose the percentage of suppliers that have been screened in respect of human rights, nor does it disclose incidents of Supplier Code non-compliance or the remedial action taken. The decision to audit a given supplier is based on a risk-based assessment.

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

## Environmental Principles

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

## Assessment, Policy and Goals

Overall, the Group's activities have a very low environmental impact. The production of high quality goods is concentrated in Switzerland and their distribution is spread around the world. Notwithstanding these considerations, we continue to carry out robust energy audits across our businesses and seek to respect the most demanding environmental standards when building new manufacturing facilities.

Our environmental impact can be classified into in three key areas: carbon intensity; packaging; and logistics.

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

Richemont seeks to promote greater environmental responsibility within their 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 review of the Supplier Code conducted during 2014/15, 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 (calculated for the first time in 2013/14), and other elements necessary to calculate our carbon footprint. The data include our subsidiary companies where the Group has management control (defined as equity share approach). The results are disclosed in the annual CSR report and are communicated internally to employees via the CSR representatives. Since 2011, Richemont's environmental data has been assured by PwC. The assurance report may be found in the Climate Change section of the CSR report.

## **Anti-Corruption Principles**

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

## **Assessment, Policy and Goals**

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

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

## Implementation

Whistleblowing procedures are in place to ensure any suspicions of inappropriate conduct can be voiced. All employees are systematically made aware of the Codes and the related Standards of Business Conduct and are reminded of the whistleblowing procedures annually. The internal guidance sets out examples of the types of wrongdoing which should be raised by employees, including non-compliance with legal obligations or a breach of human rights, as well as identifying who to contact, namely the 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.

Yours sincerely,

The image shows two handwritten signatures in black ink. The signature on the left is stylized and appears to be 'BF'. The signature on the right is more legible, appearing to be 'R. Lepeu'.

Bernard Fornas and Richard Lepeu  
Co-Chief Executive Officers