

UN GLOBAL COMPACT

Communication on progress

August 2016



COMMUNICATION ON PROGRESS 2016

UNITED NATIONS GLOBAL COMPACT

What is UN Global Compact?

By joining the United Nations Global Compact, the companies commit themselves to incorporating the **ten universal principles** from **four areas** into their strategies and procedures.

Human Rights

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

Labour

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

Environment

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

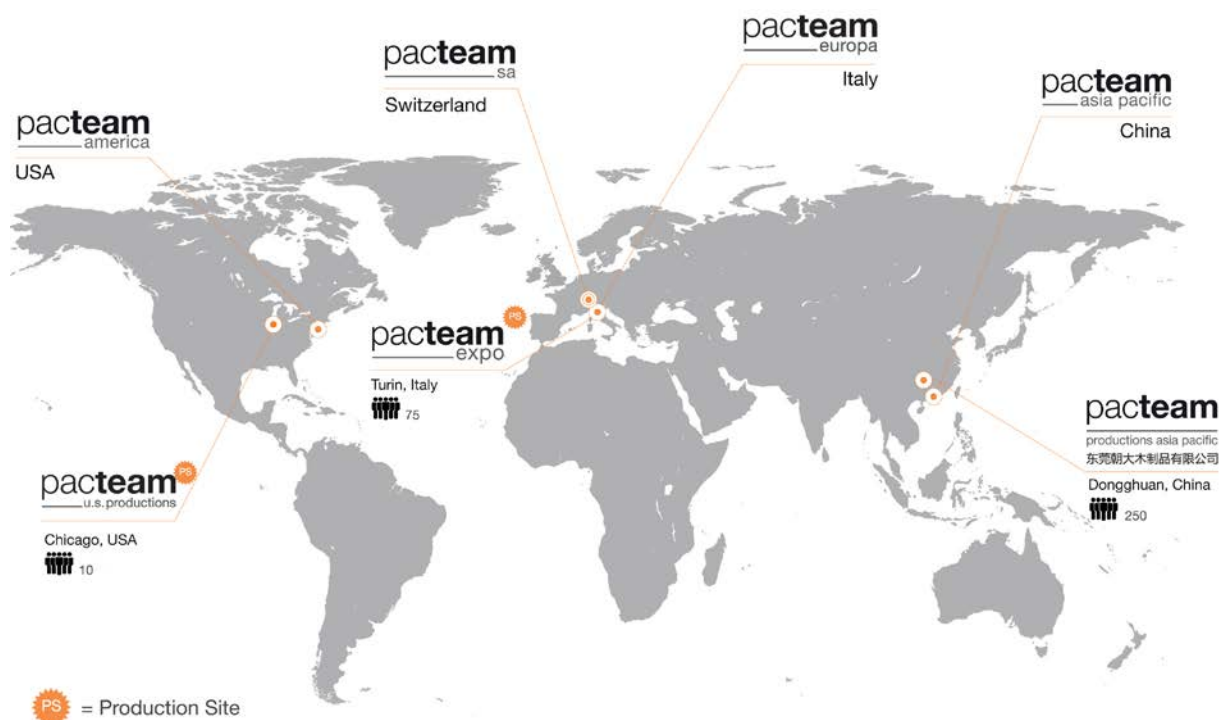
Anti-Corruption

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



Pac Team Group Ltd.

Pac Team was founded in Switzerland in 1949, specializing in timepiece displays, packaging and exhibition solutions. Today Pac Team works on three continents and serve the entire world. Even as the company grows to meet the demands of a global marketplace, the precision and ingenuity of Swiss watchmakers remains its core inspiration. Pac Team embodies the legendary quality of Swiss engineering, and values every relationship like a timepiece - a lifelong commitment to be treasured and handled with care. Each of the group's companies represents a proud tradition of handwork, quality and craftsmanship which Pac Team is committed to preserve.



Pac Team is a SEDEX member (B member) ; all its production sites are documented via the SEDEX SAQ (Self-Assessment Questionnaire).

CSR partner : Product DNA Ltd

Pac Team Group has appointed the Swiss company Product DNA Ltd (www.productdna.com) in 2015 to manage the external follow-up of all elements of sustainability: social conditions at production sites, environmental impacts calculation and supply chains traceability. Pac Team is committed to transparency in its production processes, while continuing to improve working conditions and reduce environmental impacts.

CEO statement letter of continued support for the UN Global Compact

Le Mont-sur-Lausanne, July 11th, 2016

Dear Mr. Secretary-General,

Hereby, I am pleased to confirm that Pac Team SA supports the ten principles of the United Nations Global Compact on human rights, labour, environment and anti-corruption.

These four areas are currently or will be shortly integrated into our corporate strategies, as well as into our corporate practices and activities.

This commitment has been announced to our stakeholders, our suppliers, our partners, as well as our customers.

The ten principles of the Global Compact on human rights have been integrated into our corporate social and environmental programme 2016 and are documented in the « Communication on Progress ».

Sincerely yours,



*Alain Borle
CEO of Pacteam Ltd*

What has changed in 2015

Sustainable development has become one of the major concerns for luxury goods manufacturers. For this reason, Pac Team decided in 2015 to speed up the move towards greater transparency in its production chains and to publish non-financial indicators about its activities. In doing this, we are anticipating the demands of our clients and playing a leadership role in our field.

For this purpose, the following initiatives have been set up :

- *Strict follow-up of the audits and corrective actions in our production facilities*
- *Partnership with a third-party company in charge of the activities linked to sustainability (Product DNA Ltd)*
- *Launch of an ecodesign programme with internal workshop 2016*
- *Creation of an internal directory of technical and security standards categorized by items and customers*
- *Selection of non-financial indicators to measure sustainability development and progress*
- *Option given to our customers for the integration of a traceability code on their production enabling them to follow the production chain on a transparent basis*
- *Pac Team own production facilities are members of SEDEX; upgrade of the quality management system (QMS)*
- *REACH declaration letter to be signed by suppliers each year.*



Tancredi Pascale

Operations Manager

Le Mont-sur-Lausanne, July 11th, 2016

Scope of this COP

The three main production facilities are located in China, Italy, USA. For this first communication on progress, Pac Team Group has decided to focus on Pac Team Production Asia Pacific (PTPAP), which is the Chinese production site.

This production platform is located in a country characterized by its potential for improvement in the areas of human rights, labour, environment and anti-corruption. It is also the largest Pac Team factory in terms of number of employees and volume of production.

Pac Team Facilities : appendix 1, pages 14-16

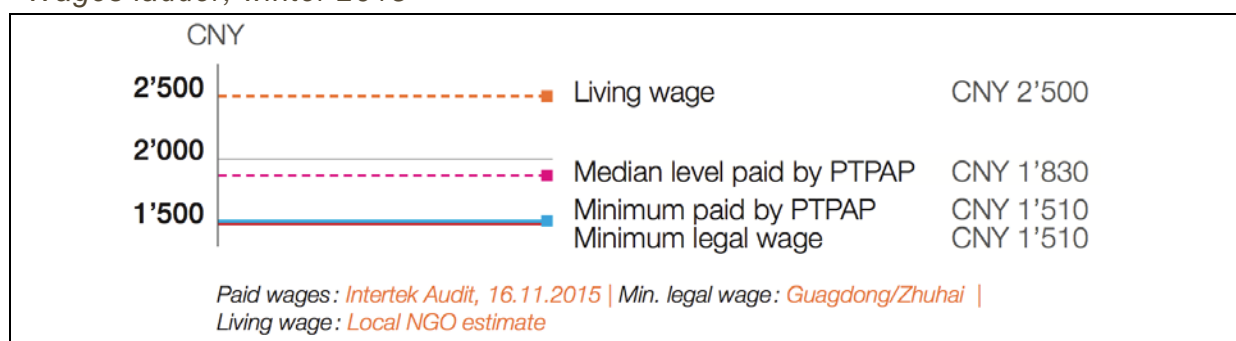
Principle 1 – Human Rights

Protection of internationally proclaimed human rights

Towards a living wage

All the workers are guaranteed a minimum legal wage ; the median wage in the facility is superior to the minimum legal wage, and tends to come closer to the living wage estimated by local social organizations.

Wages ladder, winter 2015



Health and safety for all

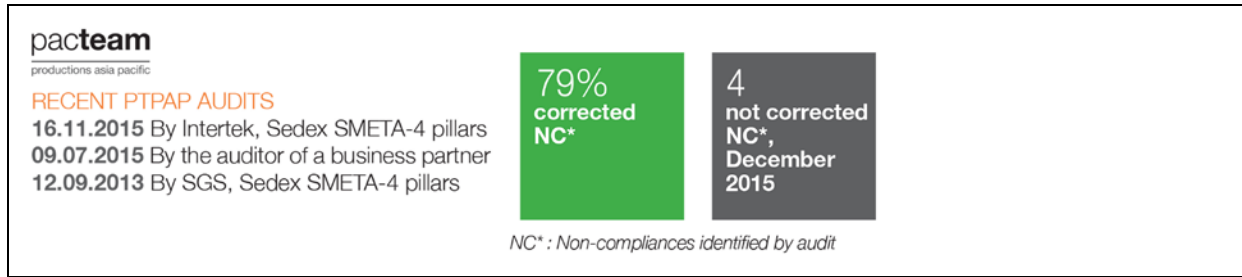
All the workers benefit from working conditions which do not put their health or safety at risk. The factory supplies all appropriate safety equipment, and machines can only be used with adapted protections. In order to make sure that all the instructions are followed correctly and that any noticed negligence is immediately corrected, a Health and Safety Supervisor was appointed in early 2016.

A better social security cover

During an audit conducted at the end of 2015 in the factory, insufficient social insurance for the workers was highlighted. Pac Team Group has immediately set up the necessary measures in order for the workers to benefit from insurances policies covering accidents, unemployment and basic medical care. The target is that 100% of the workers in the factory benefit from social insurances.

See information letter to all workers, appendix 2, page 17

Recent audits list, reference table and corrective actions, December 2015



Audits guidance, 2015-2016

All audits are conducted by professional organizations (Intertek, SGS). The scope of each audit meets SEDEX SMETA-4 pillars requirements. The follow-up of corrective actions to be undertaken is carried out by Product DNA. According to ETI (Ethical Trading Initiative), the following points are handled :

- Employment is freely chosen
- Freedom of association and right to collective bargaining are respected
- Working conditions are safe and hygienic
- Child labour shall not be used
- Living wages are paid
- Working hours are not excessive
- No discrimination is practiced
- Regular employment is provided
- Sub-contracting and homeworking
- No harsh or inhumane treatment is allowed
- Entitlement to work and immigration
- Environment
- Business ethics

Principle 2 – Human Rights

Ensure non-complicity in human rights abuses

Following ILO principles

The International Labour Organization (ILO) is a worldwide organization in charge of setting and supervising international labour standards. Pac Team Group strives to work only with partners following their principles. The Chinese factory does not work with hidden sub-contractors.

Principle 3 - Labour

Uphold freedom of association and collective bargaining

Beyond legal framework : the workers' committee

A workers' committee is active within the factory. Internal communication would be improved by the publication of the members' list inside the factory.

Freedom of association

The workers are free to belong to an association and under no circumstances, shall they be made the object of reprisals within the framework of union actions or claims.

See Code of Conduct :

http://www.respect-code.org/CompanyFiles/Company_1726/Certificate_543/3.%20Code%20de%20conduite%20des%20fournisseurs.pdf

Principle 4 - Labour

Support elimination of forced and compulsory labour

Free choice of employment

All the workers have a contract of employment according to the local labour legislation. There is no illegal work in the factory, they are free to resign and leave their employer at any time, having given prior notice.

Sunday, the day of rest

All the workers have a right day of rest per week, usually on Sundays. In order to meet customers' deadlines, workers might exceptionally work on Sundays, in this case, they should be compensated by a day off during the following month at the latest. This is decided with their agreement and with the aim of maintaining some flexibility in the production process in order to meet customers' requirements.

See information letter to all workers, appendix 3, page 18

No forced labour

Management never recourses to forced labour or to work performed under the threat of a penalty, whether it is within the contractual framework or during overtime as mentioned in the previous point.

Importance of social sensitisation

Training sessions are regularly held within the factory to sensitise the workers to the stakes and standards of forced labour. Additional information dealing with this question is displayed on the factory walls.

Principle 5 - Labour

Support abolition of child labour

All workers : adults

All the workers are minimum 18 years old. In order to prevent any misunderstanding, identity documents are checked before any new hiring.

Principle 6 - Labour

Support elimination of discrimination

No discrimination

The factory recruits employees without any discrimination, whether linked to gender, religion or to any other subjective criteria. No distinction is made between male and female staff and their skills alone are taken into account. Currently, 35% of the management and supervisors are women.

Chapter 1.3 of Pac Team Company Manual is dedicated to the « Harassment free, Non-discrimination workplace »

Equal rights for all

All the workers earn equal pay for equal work. Potential promotions are based on merit and competence alone.

Chapter 4 of Pac Team Company Manual is dedicated to « Salaries, allowances and deductions »

Importance of training

During training sessions about forced labour and child labour, the dangers of discrimination and harassment at work are also emphasized. Additional information dealing with these questions is displayed on the factory walls.

Principle 7 - Environment

Support precautionary approach to environmental challenges

Caution regarding chemicals

The factory follows the European recommendations REACh, so that the environment is better protected against the risks linked to chemicals ; as a prerequisite, all used chemicals must be identified without any ambiguity, as well as their potential danger.

See REACh declarations for suppliers, appendix 4, pages 19-20

Manual weeding

The factory owns a garden, which is maintained by the workers. According to the precautionary approach, they do not use any pesticide, which could be harmful to the environment. The more tedious, but environmentally friendlier method of manual weeding is preferred.

Principle 8 - Environment

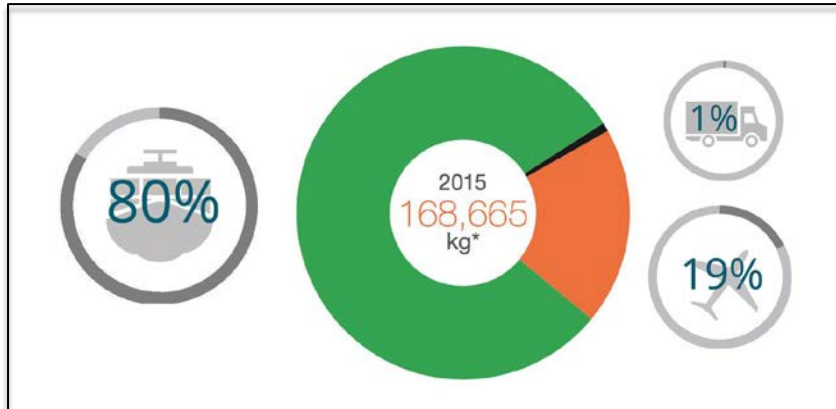
Undertake initiatives to promote environmental responsibility

Impacts assessment and management

When it comes to corporate environmental responsibility, it is crucial for the company to first assess and measure, then manage its environmental impacts at all levels : energy, water, waste, chemicals, atmospheric pollution and biodiversity. This is how PTPAP approaches this matter ; they set reduction targets on their impacts.

Despite a constantly growing market demand for better lead times and greater flexibility, Pac Team Group strives as far as possible to ship its products from China to Europe by sea, rather than by air, which considerably reduces the CO2 impact.

Volume by mode of transport in 2015



*Annual data 2015

Toxic waste treatment

Production generates toxic waste. As the treatment of such waste must be handled by professionals, PTPAP is currently signing a contract with an official toxic waste treatment company.

Pollutant treatment

PTPAP has been equipped with an internal treatment system of pollutants for many years.

Principle 9 - Environment

Encourage environmentally friendly technologies

Sustainable raw materials

Pac Team Group strives to use materials from sustainable sources and managed in an ecologically sustainable way, and avoids as far as possible the use of materials which can generate negative impacts on the environment.

Hiring, in June 2016, of a trainee at the HQ in Le Mont for a summary report of the standards in use by all the customers.

Starting of the project « eco-conception » with the appointment of a manager at the HQ in Le Mont since June 2016.

Principle 10 – Anti-Corruption

Work against corruption in all of its forms

Zero tolerance for corruption

PTPAP never resorts to bribery and corruption in any way in its businesses. It also prevents all kind of corruption by its employees and undertakes to denounce any suspicious acts to the police. An anonymous email address has been created to denounce any acts or attempts of corruption or bribery.

Chapter 8.6 of Pac Team Company Manual is dedicated to « Bribery and Corruption Law »

Any proven act of corruption is punished by immediate dismissal.

A act of corruption is defined by the following elements :

- A deliberate act
- Involving any person, internal or external to the company
- Taking place before, during or after a contract
- Allowing to promise, offer or grant an undue advantage
- In a financial or other form
- Directly or through a middleman
- For one's own profit or the profit of a third party

Appendices

1. Pac Team Facilities
2. Information letter 2016, towards a full social insurance cover
3. Information letter 2016, hour compensation in case of Sunday work
4. REACh declaration for all suppliers

APPENDIX 1: PAC TEAM FACILITIES

Pac Team Productions Asia Pacific LTD

Creation: 2012

Squares meters: 14'700

Type of work: Display, Packaging, Furniture

Management:

Mr Edward Liu James Huang
Operation / Production Manager Finance controller

Number of employees: 280

Certifications: ISO 9001: 2008 SEDEX Member B



Pac Team Expo S.R.L.

Creation: 2014

Squares meters: 12'000

Type of work: Furniture, Booth, Retail environments

Management:

Nicola Indraccolo Tiziana Porro
Production Manager Executive officer

Number of employees: 70

Certifications: SEDEX Member B

Pac Team US Production

Creation: 2012

Squares meters: 1'100

Type of work: Furniture, Booth, Retail environments

Management:

John Gedeon
Production Manager

Number of employees: 11

Certifications: SEDEX Member B





Pac Team SA

Creation: 1949

Management:

Alain Borle	Magali Mugny	Tancredi Pascale
CEO	Financial Manager	Operations Manager

Number of employees: 28

Some Customer references:

Louis Vuitton - Cartier - Jaeger Lecoultre - Swarovski
Graff - Tissot

Pac Team AMERICA INC.

Creation: 2005

Management:

Eric Zuckerman	Dieter Pasewaldt
President	Chief Financial Officer
Antonio Schiano	
Senior Director	

Number of employees: 21

Some Customer references: Timex - Movado - Guess



PacTeam Europa S.R.L.

Creation: 1999

Management:

Andrea Vitacchio	Tiziana Porro
General Manager	Executive Officer

Number of employees: 12

Some Customer references: Channel - Bulgari

Pac Team Asia Pacific Limited

Creation: 2004

Management:

Eric Zuckerman
President

Number of employees: 6

Some Customer references:

Morelato - Ball watch - Inner Working



Lansa SA

Creation: 1936

Management:

Alain Borle
CEO

Tancredi Pascale
Operations Manager

Number of employees: 12

Some Customer references: Swarovski - Cartier - Gucci

APPENDIX 2: INFORMATION LETTER 2016, TOWARDS A FULL SOCIAL INSURANCE COVER



Dongghuan, <date>

PRC Labour Law legal duty for all Chinese companies

Dear colleagues,

We kindly request you to take note of the irrevocable decision, made by our management, to comply with the labour law that is currently in force in China.

We inform you that the wage deductions for social insurance, which are legally binding, will be applied to all PTPAP employees from <Chinese New Year 2017>. Starting from that date, all the PTPAP employees will be subject to compulsory insurance.

We remind you that these social deductions are calculated according to the below method, which takes also into account an employer's contribution. Your contribution protects you in the following cases:

<calculation method, involving company participation>
<protection example>

In the meantime, we kindly request the employees, who have not subscribed to the social insurance yet, to sign a waiver. (list to be signed)

Our HR department stays at your disposal for any further inquiry.

Or

We organise on mm.dd.yyyy an information session "workers social protection".

We encourage you to come and listen to a specialist, who will be able to answer all your questions.

Regards, signature

APPENDIX 3: INFORMATION LETTER 2016, HOUR COMPENSATION IN CASE OF SUNDAY WORK



Dongghuan, <date>

PRC Labour Law article 38

The employing unit shall guarantee that its staff and employees have at least one day off in a week

Dear colleagues,

We kindly request you to take note of the irrevocable decision, made by our management, to comply with the labour law that is currently in force in China.

From July 1st 2016, every employee who had to work 7 days in a row will necessarily have to make up this day, if possible within the next 30 days.

Working time will be annualised. An information session for all the employees will allow everybody to know his rights and his duties, as well as to see the adaptation of our corporate regulations to the laws in force.

We encourage you to come and listen to the HR specialist, who will be able to answer all your questions.

Regards, signature

APPENDIX 4: REACH DECLARATION FOR ALL SUPPLIERS



Le Mont-sur-Lausanne, February 24th 2016

Dear Partner,

You certainly know that most of our customers are asking Pac Team Group and its suppliers to follow and agree to REACH compliance.

This regulation obliged us to inform our final customer of the following:

- What kind of **chemical products** we used during the production (glue, varnish, painting or other).
- **Name and reference** (EC = Enzyme Commission; CAS = Chemical Abstracts Service).
- **What quantity** for each element (Kilogram or Litre).

In order to continue our partnership in good condition, we kindly ask you to give us the requested elements for each production you may have in the name of Pac Team Group.

For example:

PO number: _____

Project reference: _____

Packing list number: _____

Date: _____

Substance	EC Number	CAS Number	Qty used in the above production
Dibutyl Phtalate	201-557-4	84-74-2	120 kg
.....
.....
.....
.....
.....

Please find attached a file we kindly ask you (from now on) to fill in and include **with each packing list** you will prepare and **send both lists to the project manager in charge**, once a delivery should occur.

Thank you,

Pac Team Group

Alain Borle
CEO



REACH – SUPPLIERS DECLARATION

We **<SUPPLIER name>** hereby certify that all products sold to Pac Team Group LTD, and manufactured by our plants or any sub-contractors strictly respect below declaration:

1. Do not contain any substance of the Annex XIV of REACH legislation.
<http://echa.europa.eu/web/guest/addressing-chemicals-of-concern/authorisation/recommendation-for-inclusion-in-the-authorisation-list/authorisation-list>
2. Do not contain any substance of very high concern (SVHC) of the CANDIDATE LIST of REACH legislation, at a threshold above 0.1% of the total weight of each item.
<http://echa.europa.eu/web/guest/candidate-list-table>
3. In case, some SVHC of the candidate list is present at a threshold above 0.1% of the total weight of any item, we would inform Pac Team Group LTD accordingly before shipment in order to make sure Pac Team Group LTD can face its legal obligations in terms of distributor and consumer communication.

In case of non-compliance towards these three obligations, Pac Team Group may cancel order or payment at any time.

Signatures with legally binding effect of the Supplier

.....
Name

.....
Signature

.....
Date & place