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CHALHOUB GROUP

Sustainability Report 2016



CHALHOUB GROUP

A sustainable business for now and the future

At Chalhoub, we have always believed in long-term thinking, since we started over 60 years ago. It is critical to our success. When we think of our future, we think of a strong, stable business – one that creates great experiences for customers, looks after its people, and makes a positive impact on the world around it. How will we achieve that? By being sustainable.

Being sustainable means ensuring our people are happy and healthy. It means becoming more efficient and using resources wisely to reduce our effect on our planet. It means working with our partners, suppliers and consumers to achieve positive outcomes through our products. And it means continuing the great work we have done through Chalhoub IMPACT – giving back to society through our partnerships, volunteering and education.

Why does all this matter? Because it will make our business stronger, it will position us as a reference point for sustainable business, and it will make us a partner of choice for the world's greatest luxury brands. And because we have a great opportunity to make a difference, with more than 12,000 dedicated people, over 650 stores and thousands of consumers to engage. And because – as a family business built on Respect, Excellence and Entrepreneurial Spirit – we have a duty to do the right thing. For now and the future.

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Reading this report

Create your own journey through this report by using the interactive links to navigate to the relevant information quickly and easily.

The interactive section menu is constant throughout to help you find the information you are looking for, and there are internal and external links in the text identified by underlining. When you see the  icon, hover over it to discover more.

About this report

We are proud to present our fourth Chalhoub Group Sustainability Report. The purpose of this document is to keep our stakeholders up-to-date with our sustainability policies and practices.

The report covers the period from January to December 2016 – to find out about our activities in previous years, you can read our earlier reports [here](#).

We have prepared the report in accordance with Global Reporting Initiative (GRI) G4 Core option. It covers our UAE operations: Chalhoub Group Retail, Allied Retail, Havas, M.C.T FZE, Real FZE, Real Emirates, as well as regional and local distribution companies.

We did not experience any significant changes during the reporting period with respect to our size, structure, ownership or supply chain compared to our 2015 Sustainability Report.

We would be delighted to hear your feedback – please contact us at impact@mailmac.net.

Sustainability... Not just a word

The Chalhoub Group has been supporting the development of luxury brands in the region for the past six decades. During this time, we have remained committed to responsible business behaviours, considering the impact of our operations on local communities, the people we work with and the surrounding environment.

We were pleased to be accepted as a member of the United Nations Global Compact in 2014, and as part of this, have committed to reporting yearly on our achievements, focusing on four main areas: taking care of our PEOPLE, our PARTNERS, the PLANET and IMPACT.

We want to make sure our PEOPLE are happy, and have continuous access to education, training and coaching. Gulfanisation is high on our agenda – we aim to recruit and build a career path for young nationals in the countries where we operate. Gender equality is also important – in 2016, 51% of our workforce was made up of women, and we aim to have an equal balance of women at all levels of the Company. Diversity drives performance; with over 100 nationalities present in the Group. In 2016, we also started to integrate people with disabilities into our business.

When it comes to our PARTNERS and the products we distribute, we want to open a dialogue about sustainability and share best practices on ethical and responsible business. We have launched our Supplier Assessment Programme to raise environmental awareness among our partners and further control our footprint.

Our third area of focus is the PLANET. We are committed to efficiently using resources to deliver environmental improvements. The upgrading of our head office in Jebel Ali, Dubai, is a good example of this. We are introducing several energy-saving solutions, such as a solar panel system in 2018, which is expected to lower our energy consumption by 35%. In 2017, we will launch our STEP (Store Towards Earth Protection) programme, which will help us measure sustainability in our stores. We will also use our new Chalhoub Sustainability Performance software to monitor sustainability data and set ourselves targets.

To have a bigger positive impact on the communities where we operate, we want to involve more employees in our Chalhoub IMPACT initiatives. Our objective is to create a strong network of Ambassadors who understand the sustainability challenge and can help embed sustainability further into our activities.

Sustainability is not just a part of what we do – it is a way of life and at the heart of how we run our business.

Marie-Hélène Straus
Chief Officer Consumer & Innovation Strategies



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Our strategy: A sustainable business for now and the future

Communicating on our sustainability strategy in 2016 was an important step in our ongoing commitment to operating responsibly. It is critical that we manage our impact across our entire business, which is why we have focused on four main areas: People, Partners, Planet and IMPACT. Click on our areas of focus to discover more.

Connecting our strategy to the broader sustainability agenda

As a member of the United Nations Global Compact (UNGC), we are fully committed to supporting the Sustainable Development Goals (SDGs), launched by the UN in 2015. The 17 Goals aim to end poverty, protect the planet and ensure prosperity for all by 2030.

What do the 17 SDGs mean for Chalhoub Group? It is really important that our own sustainability efforts contribute to the global agenda. Explore the strategy diagram to discover which of the SDGs we are supporting through each area of our strategy.

Our strategy is also aligned to the Dubai Plan 21 and the UAE Green Growth Strategy, which promote sustainable development in the Middle East.



Planet

We are supporting
the UN's Sustainable
Development Goals

Our ambition

Improve the efficiency of our operations, including our buildings, stores and logistics, and use resources wisely to reduce our effect on the planet.



People

We are supporting
the UN's Sustainable
Development Goals

Our ambition

Ensure our people are happy and healthy, and to continue to be recognised as an employer of choice in the Middle East.



Partners

We are supporting
the UN's Sustainable
Development Goals

Our ambition

Achieve a positive impact across our value chain by working with suppliers and partners to influence sustainable practices.



Chalhoub IMPACT

We are supporting
the UN's Sustainable
Development Goals

Our ambition

Giving back to the community by empowering youth, taking care of our planet and providing support to those in need.



A viewpoint from the next generation

When my grandparents began the business over 60 years ago, they quickly realised there was a future for luxury shopping in the Middle East. Today, and over 650 stores later, the Group is leading the way, driving sustainable development, and aligning its sustainability approach with its core business objectives.

Prioritising, 'People', 'Partners' and 'Planet', as well as continuing to develop the Group's philanthropic IMPACT initiatives, reflects my family's commitment to the long-term continuation of the business and its contribution to wider society.

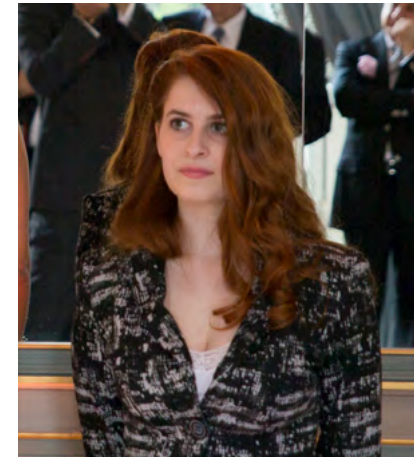
It is my belief that our Planet lies at the heart of everything. The Earth provides us with the resources to achieve great things, and the food and environment to nourish people. Our Planet gives us life, and sustains us. We need and have to respect the environment – and everyone should be doing their part.

From everyday habits such as avoiding food waste and minimising our use of plastic, to separating our rubbish and recycling, we can all contribute to protecting our Planet in very simple basic ways.

And I know that at Chalhoub, people take seriously the issue to combat climate change, and encouraging others to do the same.

Whether you are reading this report because you are a customer, partner or employee, or just simply out of interest, I hope it will inspire you to take action.

Aurelia Chalhoub





PLANET

What is our ambition?

To improve the efficiency of our operations, including our buildings, stores and logistics, and use energy and water wisely to reduce our environmental footprint.

What does it mean for Chalhoub employees?

Doing my bit to reduce energy, water and waste in our offices and stores.

How do we make a difference?

- Environmental Policy measures
- STEP (Stores Towards Earth's Protection) certificate
- 'Chalhoub Sustainability Performance' software
- Recycling bins and awareness campaigns

What are our targets?

- Continue to reduce our carbon emissions
- Lower our electricity use across our stores, offices and warehouses
- Continue to reduce our overall water consumption
- Reduce our level of waste
- Continue to improve recycling rates across the business

Managing our resources wisely

Doing our bit for the planet requires us to look at every part of our business, from the way we design and work in our stores and offices, to the efficiency of our logistics and distribution.

By taking small steps towards greater sustainability, we are also helping secure the future of our business. Fixing our air conditioning at 24°C for example, has the potential to reduce our CO₂ emission by 1,416 tonnes and saves us more than \$280,000 every year.

Small steps for us as a company – and as individuals – add up to a big difference, helping Dubai achieve its Green Strategy, and the UAE reach its 2030 Sustainability Goals.

“Whether we are recycling a piece of paper, switching off a light or printing double-sided, every one of us has a part to play in improving the efficiency of our business, and ultimately, protecting our planet.”

– Nancy Avila
Logistics QHSE Officer

Our new Environmental Policy

In 2016, we developed our new Chalhoub Group Environmental Policy, which replaces the former Environmental policy from 2014.

The new policy, which we began to implement in January 2017, is more demanding and for the first time includes a set of specific, actionable measures relating to energy, water and waste. For example, to reduce the amount of drinking water we waste every day in our offices, we now serve glasses on request adapting to consumption.

We are monitoring our progress in achieving these measures and will report performance internally on a quarterly basis and externally in our next sustainability report.

Taking steps towards protecting our planet

In 2016, we developed a new initiative: STEP (Stores Towards Earth's Protection) certification. This programme will help us make our 650+ stores more sustainable, helping reduce our environmental footprint. It will also help us to increase our colleagues' and customers' engagement, promoting a culture of environmental protection.

We have created a set of criteria based on the U.S. Green Building Council recommendations (LEED certification framework) and our new Environmental Policy. In 2017, 132 of our stores will fill in a questionnaire, covering energy and water efficiency, materials and resources, waste management and recycling, sustainable behaviour and training, our brands' commitment to sustainability, innovation and design process. Stores that achieve at least 12 points out of 20 will become STEP certified, and we will help those that score below adopt corrective actions to improve their sustainability performance.



2016

DEVELOPED NEW
ENVIRONMENTAL POLICY

2017

IMPLEMENTATION OF THE
NEW POLICY GROUP-WIDE AND
REPORT ON TARGETS

2016

DEVELOPED
STEP CERTIFICATION

2017

WE WILL ROLL THIS OUT ACROSS ALL
132 OF OUR NEW STORES

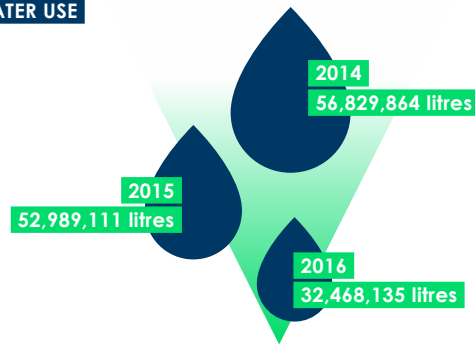
New software to monitor performance

In 2016, we introduced Chalhoub Sustainability Performance – a new software to collect and monitor sustainability data in a user-friendly, centralised and consistent manner.

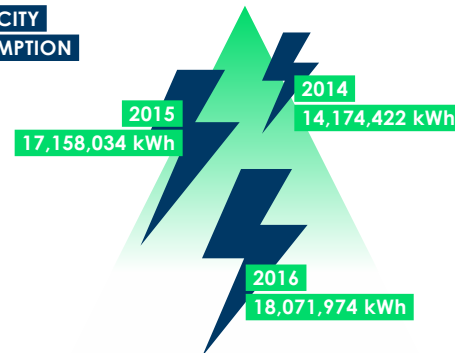
With this data, we can create benchmarks, set targets, and share our performance with employees to help motivate them to be even more efficient. A total of 54 employees are already involved in the data collection and analysis, increasing their sense of responsibility and ownership.

The software also includes what we call a 'Sustainability Profit & Loss', which helps us understand how much money we could save from some of our environmental aspects. For instance, in 2016 across our offices and warehouses in the UAE, we spent 3,089,540 USD on electricity, water, gasoline and office paper. We are determined to set targets and take actions that help us reduce our consumption of these items and therefore achieve financial savings.

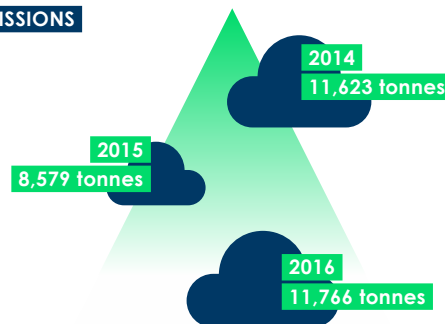
WATER USE



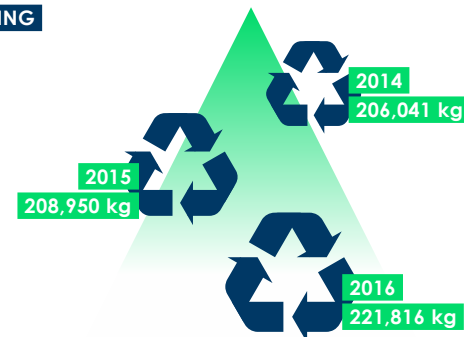
ELECTRICITY CONSUMPTION



CO₂ EMISSIONS



RECYCLING



CASE STUDY #01

Making plastic recycling more efficient

Our Main Warehouse in Jebel Ali used to collect plastic waste in outdoor containers, which needed a lot of space and took time and energy for our employees to transport, often in hot and humid temperatures.

The solution? In October 2016, we replaced the containers and installed a high capacity baler to compress the plastic. The baler took up far less space than the container, making recycling collection easier and more efficient. Throughout 2016, we recycled a total of 28,110 kg of plastic waste across our Logistic sites, compared to 21,892 kg in 2015, and thanks to the new system we expect this figure to increase in 2017.

“During 2016, we earned \$47,200 thanks to recycling paper, cardboard, plastic and wood pallets. And we are only recycling 9% of our total waste... If we all recycled more – we could double this figure!”

– Marouane Rihoum
Group Logistics Manager

N.B. We are using the GHG Protocol, which calculates 0.597 kg of CO₂ per kWh and 2.272 kg of CO₂ per litre of gasoline. CO₂ emissions from electricity only. In 2016, we included those produced by fuel.

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PEOPLE



What is our ambition?

Ensure our people are happy and healthy, and to continue to be recognised as an employer of choice in the Middle East.

What does it mean for Chalhoub employees?

Living and breathing Chalhoub's values through collaboration and teamwork.

How do we make a difference?

- Chalhoub Retail Academy
- Chalhoub Excellence Awards
- Good to Great Programme
- GCC frontline and graduate programmes
- Integration of People with Disabilities (PwD)
- 'I LOVE ME' wellbeing campaign

What are our targets?

- Continue to improve the retention of talented employees
- Improve diversity, including better representation of women in senior management positions
- Improve employee satisfaction year-on-year
- Recruit and retain more Gulf nationals at all levels
- Continue to invest in learning, development and innovation

Developing our people

With over 12,000 team members, ensuring everyone is progressing, motivated and supported in their roles is no easy task – but it is crucial to retaining our employees, and guaranteeing the future success of our business.

Learning and Development (L&D) is a top priority for us. We look at it as an ongoing journey, and personalise learning programme to the needs of different parts of the Group. Our employees experience development activities in a variety of ways – in the classroom, through workshops, seminars, games, Learning Labs and other forums. Our L&D offers all levels of technical, behavioural and leadership skills, and since 2013 has been at the heart of our development plans and performance reviews.

Innovations in Learning

Online communication has become so much a part of our daily lives that we recognised the need to adapt our Learning & Development programmes to make it easier for our employees to learn 'on the go'. In 2016, we launched our new online learning tools and a platform to share best practices through JAM, our internal social collaboration platform.

Yet, while online tools help to make learning more accessible, sometimes there can be no substitute for hands-on learning. We have introduced our first ever Mentoring Programme – take a look at our case study – and we ran our first experiential Teambuilding and Alignment Workshop for our team at Tryano. Our Leadership and Behavioural Skills programmes have also been revamped to match skillsets to different roles.

CASE STUDY #02

Our first ever Mentoring Programme

We wanted to find a way to develop and prepare our future leaders for their next role and strengthen succession planning within the Group.

The solution? In 2016, we launched our first Chalhoub Mentoring Programme for our High Potentials, Key Talents and Senior Leaders. This 12-month programme pairs up Mentors and Mentees based on expertise and career development plans, for monthly mentoring sessions. During 2016, 14 mentors and 12 mentees enrolled in the programme.

“The monthly meetings have been really insightful and motivating. These sessions are really helping me to realise my achievements and further improve upon them. The experience that is being shared with me encourages me to reach for higher goals and more clearly define where I want to grow in the organisation.”

**– Lama Haddad
Brand Marketing Manager**



2016

49 COLLEAGUES ENROLLED IN DEVELOPMENT PROGRAMMES

2017

67 TO BE ENROLLED IN DEVELOPMENT PROGRAMMES

2016

2,719 EMPLOYEES PARTICIPATED IN L&D PROGRAMMES

2017

2,880 EMPLOYEES WILL PARTICIPATE IN L&D PROGRAMMES

Gulfanisation

We are a truly global Group, with our people coming from over 100 countries around the world. We also understand the importance of our national workforce. So our dedicated team responsible for championing Gulfanisation has created specific programmes to attract, develop and retain the very best regional young talents.

We have been inspired by the talent that we have seen. In 2016, we hired six people from our prestigious Emirati Graduate Programme, and enrolled six new, motivated candidates to the Programme.

We focused on recruiting nationals into frontline roles – an area which we had challenges with in the past. Only one year on, we surpassed our Emirati Retail Development Programme target of 10 recruits, hiring 12 candidates, some of whom have already gone on to win service excellence awards.

Putting safety first

We won't compromise on safety; we therefore work hard to make sure our people are protected and able to work in a safe environment without endangering themselves. In 2016, we spent a total of 4,200 hours on safety training – an almost 37% increase compared to the previous year. This helped us maintain our recordable incident rate of less than one for every 100,000 hours worked.

In 2016, we also introduced important measures to protect our people and customers in our stores. These include our new safety standards for 'Back of House' storage areas, and SORT – our new computer-based safety checklist that must be completed before stores open each day.

Despite our excellent safety record, we continue to be vigilant, and learn from any small incidents that may occur.

Employee wellbeing

It is important to us that our employees are happy and healthy, both for the sake of their own wellbeing and the long-term success of our business.

To support healthy living, we provide our employees with medical insurance and discounts for gym memberships. Every year, our teams participate in the Dubai Marathon to raise awareness about the importance of good health. We provide health checks, such as blood tests and flu vaccinations.

Sport is also a great way to stay healthy and have fun as a team. Our 19 sports teams compete in corporate competitions all year round, supported by professional coaches in their weekly training.

“Gulfanisation is one of our greatest priorities at Chalhoub Group. We are working hard to provide rewarding and long-term career prospects for Gulf Nationals, to help them excel from graduate programmes into senior management positions.”

– Wassim Eid
Chief Human Resources Officer



2016

HIRED 62 GCC NATIONALS AND REDUCED
TURNOVER BY 11.6%. GCC NATIONALS
MAKE UP 4% OF THE GROUP

2017

CONTINUE HIRING AND INCREASING TALENT
RETENTION, SO WE REACH 5% GCC
NATIONALS IN THE GROUP



2016

RECORDABLE INCIDENT RATE
<1 PER 100,000 HOURS WORKED

2017

WE WILL MAINTAIN RECORDABLE
INCIDENT RATE BELOW 1 PER
100,000 HOURS



2016

12% OF TOP MANAGEMENT ARE WOMEN,
42% OF MIDDLE MANAGEMENT ARE WOMEN

2017

WE WILL INCREASE WOMEN IN SENIOR
MANAGEMENT BY 2%

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PARTNERS

What is our ambition?

Achieve a positive impact across our value chain by working with partners and suppliers to influence sustainable practices.

What does it mean for Chalhoub employees?

Putting sustainability at the heart of supplier, partner and consumer conversations, and learning about the products we sell.

How do we make a difference?

- Sustainable Supply Chain policy
- Supplier scorecard
- Electronic receipts system

What are our targets?

- Increase number of suppliers and partners signing our Sustainable Supply Chain policy
- Increase proportion of suppliers and partners meeting or exceeding minimum requirements in our supplier sustainability scorecard
- Half of all receipts to be e-receipts
- Increase sales from products with certified sustainability credentials

Engaging with partners and suppliers

If we are to drive sustainability in the Middle East, we need to work together with our partners and suppliers and engage them on our sustainability journey.

As a member of the United Nations Global Compact (UNGC), we expect all our partners and suppliers to maintain effective management systems in compliance with the UNGC Principles. These include integrating environmental, occupational health and safety, human rights and labour policies, and ethical issues into business and decision-making processes.

As well as understanding our partners' and suppliers' (upstream) impact, we want to improve practices with our customers (downstream). So in 2016, we also began to communicate with customers about sustainable practices to encourage behaviour change.

"We are strongly committed to operating in an ethical and sustainable manner. Not only is it the right thing to do, good business practices also help us strengthen relationships with our employees, partners, suppliers and local communities. In the end, this is what will lead us to long-term business success."

– Fadi Jabbour
Chief Operating Officer

Our new Sustainable Supply Chain Initiative

In 2016, we took measures to further understand and positively influence our partners' and suppliers' sustainability practices, such as our new Sustainable Supply Chain Policy and online Supplier Scorecard.

Our Sustainable Supply Chain Policy sets out our expectation that suppliers will:

- Uphold high ethical business practices, and always act with respect, honesty, integrity and fairness.
- Ensure that their operations, services and products comply with all laws and regulations.
- Conduct all their business dealings in a socially and environmentally responsible way.

Our new Supplier Scorecard will help us better understand our suppliers' commitment to sustainability, and might inform our procurement decisions as well as highlight areas for improvement. The Scorecard includes questions about UNGC Principles, including governance and transparency, anti-corruption practices, and community engagement.

CASE STUDY #03

Pioneering electronic receipts in the Middle East

Every year, we spend \$100,000 on paper for receipts in the UAE alone. This figure doesn't even include indirect costs, such as toner, printers, transport and energy. We wanted to reduce costs, lower our environmental impact, and be a major driving force for change in the GCC.

The solution? We gave customers the choice to receive receipts by email, rather than using paper. In 2016, we launched electronic receipts in our Point of Sale system, which is used in most of our stores. So far, we estimate that customers have requested around 40,000 e-receipts (5% of the total). With approximately 1.65 million transactions each year, and an estimated 2 million in the UAE, this project has the potential to have a big impact on both our environmental footprint and business profits. In 2017, we will run an awareness-raising campaign to encourage more people to switch to e-receipts.

▼

2016

LAUNCHED NEW SUPPLY CHAIN POLICY,
AND SUPPLIER SCORECARD

2017

AT LEAST 50 PARTNERS OR SUPPLIERS
TO FILL THE SUPPLIER SCORECARD

▼

2016

LAUNCHED ELECTRONIC RECEIPT
SYSTEM AND SAVED 40,000 PAPER RECEIPTS

2017

50% OF ALL OUR RECEIPTS WILL
BE E-RECEIPTS

“The Chalhoub Group’s authentic commitment to the goals of sustainability positively impacts the evolving culture of better corporate governance in the region as a whole. With a corporate culture firmly rooted in the guiding principles embodied by the Pearl Initiative, the Chalhoub Group are ideal partners in realising our collective vision of a thriving regional economy underpinned by a Private Sector that embraces best practice in transparency, diversity and anti-corruption as pillars of sustainable growth and competitiveness.”

– Badr Jafar

**Founder of the Pearl Initiative and
CEO of Crescent Enterprises**



CASE STUDY #04

Selling desirable products that have a positive impact

As well as selling great products that our customers want to buy, we wanted to try to make a positive difference through our sales.

The solution? We sell products made responsibly and ethically. A great example is our 100% organic cotton kids' t-shirt range called 'The Orenda Tribe'. We sell these in our Level Kids and Tryano stores, as well as other shops in Jordan, Dubai, Lebanon and Saudi Arabia. To find the designs for this range, we use drawings from children in places like refugee camps, low socio-economic communities and orphanages. A minimum of 10% of the funds from these t-shirts goes back into the children's communities, to fund art-related projects – such as art therapy – that will help even more children.



“Orenda is a mystical force present in all people that empowers them to affect the world, or to effect change in their own lives. Like Orenda, we want to use the strength of our brands and business, to have a positive impact on underprivileged children.”

**– Miral Youssef
General Manager,
Level Kids**

Joining forces with Firmenich to champion responsible sourcing

To really understand how we work with suppliers to drive sustainability and engage them on our journey, meet **Dominique Roques, Head of Naturals Sourcing** at Firmenich.

Please tell us a bit about Firmenich...

Firmenich is the largest family-owned company in the flavours and fragrance industry. Sustainability is in our DNA – we source and craft the most precious, innovative and sustainable natural ingredients.

For Chalhoub's oriental fragrance brand Ghawali, our perfumers found inspiration in oriental layering rituals and nature's abundance to create the many oils and scents that you can now find, like Jasmine, Violet, Nectar or Oud to name a few...

How would you sum up your responsible sourcing strategy?

Firmenich sources 180 different crops from all around the globe, and 90% of our suppliers of natural raw materials are smallholder farmers. Sustainability, innovation and knowledge-sharing are key to ensure the permanence of these precious and diverse raw materials.

Firmenich's Naturals Together platform, created in 2014, aims to improve the livelihoods of smallholder farmers, foster biodiversity, minimise environmental impact, and encourage collaboration between farmers, producers, creators and consumers. The platform's work includes responsible sourcing practices to ensure the long-term availability of raw materials.

Firmenich

What targets have you set for responsible sourcing?

Firmenich is now taking a further step in our responsible sourcing programme with a company commitment to engage in the 'Deep Roots 2020' programme, to secure a sustainable supply of high-quality natural ingredients, in full transparency.

We aim to build 40 responsible sourcing projects, directly reaching 100,000 farmers and improving the livelihoods of 250,000. We will work with 20 key suppliers in Naturals Together, involve 50 suppliers in a continuous improvement programme, and impact 100 supply chains.

Can you tell us more about the natural raw materials sourced for Chalhoub?

Our perfumers use numerous sustainably-sourced natural raw materials to create Violet, Vetiver, Sandalwood, Patchouli oils for Chalhoub.

For example, the vanilla is sourced from Madagascar – the world's largest vanilla-producing country and one of the poorest. We started working with organic vanilla in the late 1990s, launched our first Fair Trade vanilla in 2007 and were the first flavour company to source Rainforest Alliance Certified™ vanilla in 2012. Building on our long-term commitment to responsibly source natural raw materials, Firmenich also co-funded a medical dispensary in the Savanille vanilla farmers' co-operative.

Where does your Oud come from?

This extraordinary ingredient, one of the earliest fragrances that ever existed, is derived from the tree *aquilaria*. Firmenich partnered with Jalali, in Bangladesh, to source high-quality Oud there.

Jalali, a family-owned company, has been producing sustainable Oud for three generations. Their plantation includes 500,000–600,000 trees, and they replant 20 trees for each one they use.

Part of their revenue is reinvested in Bangladesh, to support local social initiatives, and replant new trees. Our supplier continues growing seedlings that will only be harvested in 10 or 20 years, effectively preserving the planet's biodiversity for the generations to come.

How do you monitor farmer conditions?

The jasmine originated from our partner in India, Jasmin Concrete, the leader there in floral extracts and natural specialties. In 2016, we joined forces with an international non-profit to conduct primary research on jasmine farmers and pickers, to develop insights into the community's conditions.

We found that, while 82% are small or marginal farmers with plots no bigger than five hectares, 100% consider jasmine grandiflorum farming either very or somewhat profitable, have access to drinking water and can access medical services within seven kilometres.

What would you say is Firmenich's key contribution to responsible sourcing?

Our Naturals Together community is based on new business models, shared innovation and responsible sourcing. By engaging our customers with our partners in the fields, we are driving changes, supporting farming communities and setting the path for the future.



Dominique Roques
Head of Naturals Sourcing at Firmenich

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What is our ambition?

Giving back to the community by empowering youth, taking care of our planet and providing support to those in need.

What does it mean for Chalhoub employees?

Be part of the IMPACT initiatives: promote and participate in volunteering activities.

How do we make a difference?

- Education
- Environment
- Humanitarian

What are our targets?

- Organise 100+ IMPACT activities per year
- Involve 3,500+ of our employees
- Make a positive impact on 2,000+ students
- Increase the number of IMPACT Ambassadors by 10%

Chalhoub IMPACT

Chalhoub IMPACT represents our longstanding commitment to giving back to society. Led by our 115 IMPACT Ambassadors, we want to involve each and every one of our employees in our efforts to make a positive difference. We establish partnerships, organise volunteering initiatives and play a significant role in the communities where we work in three areas: education, environment and humanitarian.

We are proud that in 2016, 3,305 colleagues – roughly one-quarter of our entire Group – participated in 100 different IMPACT initiatives across the region. Together, we dedicated an incredible 5,160 hours to volunteering. And our initiatives benefited 19,343 people in need in the community.

Watch our Chalhoub IMPACT video to see our initiatives in action.

“I get involved in many IMPACT events every year. Doing little things for others, picking up a plastic bottle from the beach or planting a tree gives me real enjoyment and makes me feel great fulfilment.”

– Aldrin Lirio
Logistics Administrator



Our proudest achievements

TOTAL INITIATIVES YTD

100 **+100%**

TOTAL VOLUNTEERS 2016

3,305 **+16%**

TOTAL AMBASSADORS 2016

115 **+92%**

STUDENTS WHO RECEIVED
EDUCATIONAL SUPPORT IN 2016

2,044 **+86%**

Meet our IMPACT Ambassadors

LINA MAROUN

Learning Analyst, Dubai

Why did you decide to become an IMPACT Ambassador?

Since my childhood, I have always been active in humanitarian projects, so when I joined the Group five years ago, it felt like a natural continuation to do my part to raise awareness and 'walk the talk'.

Which specific IMPACT initiatives have you been involved in during 2016?

Being the lead trainer of the orientation programme, I have a unique opportunity to recruit participants from the very beginning of the employees' journey, and I am increasingly moving our team away from using paper.

What do you hope to achieve as an IMPACT Ambassador over the next five years?

I hope to incorporate more of the UN Global Compact (UNGC) Principles into our training courses (see About this report for more information on UNGC). I also want to increase training across the Group, and further digitise our processes to eventually go completely paperless. And I would like to increase collaboration with institutions such as our education partners, Jusoor and INJAZ.



RAMI RIMAN

Department Supervisor, Dubai

What do you enjoy most about your role as an IMPACT Ambassador?

Sustainability is what the Chalhoub Group is all about in everything we do, starting from our Values. I most enjoy convincing other employees to participate in our activities and to become Ambassadors themselves.

Which specific IMPACT initiatives have you been involved in during 2016?

I have been an IMPACT Ambassador since 2012. In 2016, the main initiative I assisted in was collecting money for our Gift of Giving campaign, and also communicating about the campaign with colleagues.

What do you hope to achieve as an IMPACT Ambassador over the next five years?

Over the next five years, I hope to be able to encourage more people to get involved.



MEGHNA HARJANI

Project Coordinator, Dubai

Which specific IMPACT initiatives have you been involved in during 2016?

I took part in the Chalhoub Under Water Clean-up dives, and helped out in the Gift of Giving Retail campaign. I was also involved in the tree-planting event, IMPACT Ambassador Masdar City Visit and supported the Hope for Cancer campaign, selling pins to HR colleagues.

What's the most challenging part of being an IMPACT Ambassador?

Trying to convince other employees to become socially conscious individuals who engage in sustainable living – it is easy to ask them to participate in activities, but it is about convincing people to adopt a sustainable way of life inside and outside of these activities.

What do you hope to achieve as an IMPACT Ambassador over the next five years?

Right now as Ambassadors, we participate in and promote all IMPACT activities. I hope that in the future I will be able to initiate and lead campaigns. And I hope that I can work with my department to integrate more sustainable practices.



Education Initiatives

Building schools for underprivileged children

Our Education Retail campaign supports the education of underprivileged children. We sold 6,589 keychains to our customers throughout our 150 stores in the UAE. In partnership with Dubai Cares, we designated the funds to build two schools in Al Tireh and Deir Abu Mashal, Ramallah, West Bank.

Funding education for Syrian refugee children



800

Syrian refugee children in school

Since 2014, we have been providing education and essential support to children from Syria by fully funding the Chalhoub – Jusoor Literacy Centre in Bekaa, Lebanon. We do this in partnership with Jusoor, a non-profit, apolitical, secular organisation that offers education to Syrian refugees. In 2016, we also built a playground for the children, and every winter we provide a package of clothes to help keep the kids warm.



100,000

USD raised to educate underprivileged children

Giving backpacks to children for the new school year



13,910

backpacks distributed to underprivileged children

Supporting leaders of the future

We support leaders of the future by sending them to One Young World, a global forum empowering them to make lasting connections and develop solutions to some of the world's biggest challenges. Students from our partner universities apply and our employees are invited to apply. We then select those with the best applications to attend. In 2016, six employees and three students attended the conference in Ottawa, Canada.



9

employees and students attended

Through our annual Gift of Giving campaign, the Group buys thousands of school bags (which are made of recycled plastic bottles). Employees from all our regional offices give out school stationery. The filled bags are then distributed to underprivileged children ahead of the school year.

Education Initiatives

1,067

students attended



University Guest Lectures

To share knowledge and bridge the gap between academia and industry, our experts lecture on a range of topics related to luxury fashion and the retail industry at five universities across the UAE.

Equipping fashion entrepreneurs with the skills to succeed

We want to support entrepreneurship, strengthen economic growth and help to create more jobs in the design industry regionally and internationally. Through our new partnership with the Dubai Design Fashion Council (DDFC) we offer our experience to designers through workshops and presentations across a range of topics.



326

people from the fashion
industry attended

Sharing insights at the AUS Luxury Symposium

Our conference in collaboration with our partner, the American University of Sharjah, brings together Chalhoub professionals, academics, economists and students of business, design and communications, to advance knowledge of the luxury sectors in the GCC. In 2016, the theme was understanding challenges and opportunities for digital in luxury business.

Mentoring students during an Innovation Day



40

students mentored

In partnership with non-profit business education organisation INJAZ UAE, we shared our business expertise with students through an Innovation Day. 15 were selected to do job shadowing across the organisation.

630

students attended our
AUS Luxury Symposium



Environment Initiatives



498

Switching off the lights for Earth Hour

To celebrate Earth Hour, and raise awareness of climate change, we switched off the lights for one hour in 160 stores across nine countries (Bahrain, Lebanon, Qatar, Kuwait, KSA, UAE, Egypt, India and Jordan).

store employees switched off the lights

Planting trees for Earth Hour



160

trees planted

In honour of Earth Day, we held our annual Tree Planting event. We planted 160 Ghaf Trees, which are local and sustainable and grow in harsh, desert environments.

Cleaning the Gulf Coast

Every year, we run beach clean-up events with employees and their families in UAE, Kuwait and Bahrain, with the goal of raising awareness about environmental protection and conserving fragile ecosystems for future generations.



85

colleagues volunteered in the clean-up

Protecting marine life by picking up rubbish from the seabed

According to WWF, some marine species populations have halved in just four decades. We are committed to protecting the other half, and run an annual underwater clean-up with Emirates Diving Association.



156

pieces of rubbish collected from the ocean

Recycling as a family



50

colleagues participated in our Family Recycling Day

As part of our ongoing efforts to promote recycling, we run an annual Family Recycling Day for employees and their families. We ask everyone to collect waste from their home that is used by our partner, Emirates Environmental Group, to run live recycling demonstrations on the day.

Humanitarian Initiatives

Boosting the confidence of female cancer patients and survivors



60

cancer patients and survivors participated

To help boost women's wellbeing and confidence, we organise Colour My World makeover sessions for female cancer patients and survivors.

Supporting Breast Cancer Awareness Month

Our store, office and warehouse employees participate in various activities for Breast Cancer Awareness Month, such as 'Wear Pink to Work', our Cancer Awareness Quiz, and 'Walkathon'.



231

colleagues raised awareness of breast cancer

Raising awareness about cancer

178,000

USD raised

In partnership with the Friends of Cancer Patients (UAE) and National Home Health Care Foundation (KSA), we run our annual campaign in our stores to raise awareness about cancer. We sell pins to raise funds to support cancer patients.



Sponsoring the Beirut Marathon

The Beirut Marathon strives to inspire unity, promote wellness and positively change lifestyles. We support the marathon's 'Adopt a Team' programme, and sponsored one team of 45 underprivileged children from Jusoor to participate.



45

children sponsored to run in the Beirut Marathon

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About us

ABOUT

About us

With an expertise spanning six decades in luxury, the Chalhoub Group is a leading player in the world of beauty, fashion and gifts.

Our intimate knowledge of luxury and the Middle East has enabled us to build exquisite brands in the region, and a network of over 650 retail stores. Based in Dubai, we offer a unique experience to our customers and excellence to our partners through our activities in retail, distribution and communication.

OUR VISION – To be the leading partner for luxury across the Middle East.

OUR MISSION – Our passionate teams build brands in the Middle East. By blending our Middle East expertise and intimate knowledge of luxury, we offer service excellence to all our partners and a unique experience to all our customers.

OUR VALUES – Respect, Excellence and Entrepreneurial Spirit.

Our concept brands

Our concept brands highlight our innovative spirit and commitment to our customers. We have seven own concept brands, and each one has its own distinct and inspiring character.

Tanagra offers refined lifestyle gifts, Wojoooh 'Your Face of Beauty' presents niche and specialty brands. Level Shoes is known as one of the world's finest shoe metropolis, Level Kids is the first concept of its kind devoted to children's luxury, and TRYANO is a specialty store for beauty, bags and childrenswear. In 2016, we also launched Ghawali, our oriental fragrance line and stores, which we will expand in 2017.

Our governance bodies & structures

As a family business, we understand that good corporate governance enables us to establish sustainable business practices and explore growth opportunities. To help build trust in our Group, we ensure that our strategies are aligned to the interests of all our stakeholders.

We have four governance bodies: Family Board, Group Board, the Executive Committee, and Strategy Committee.

Sustainability is managed by a dedicated team within our Consumer & Innovation Strategy division. This team sets the sustainability agenda for the Group, organising community giving initiatives, measuring our environmental impact and promoting sustainable business practices.

In June 2016, we created the Sustainability Committee, which meets twice a year and helps to embed sustainability at all levels of the business. The Committee reviews, drives and monitors implementation of our major sustainability strategies, activities and policies and makes recommendations to the Board. This Committee is led by co-CEO Patrick Chalhoub, demonstrating the importance of sustainability to our business.

Dubai CSR Label

In 2016 we received, for the fourth consecutive year, the Dubai CSR Label from the Dubai Chamber of Commerce.

The CSR Label brings together international sustainability best practices such as ISO 26000, ISO 14001, the Global Compact Principles, etc., and the local context of the UAE.

This year we achieved a score of 79%, demonstrating an improvement from last year's score of 75.9% and reinforcing our positioning as sustainability pioneers considering the average score was 65.7%.

United Nations Global Compact

We were accepted as a member of UNGC in 2014, and currently report on Group activities in the UAE on the 10 Principles. We contribute to the UNGC Local Network's steering committee, which helps us to share and hear best practice. And as co-head of the Academic Committee, we have so far successfully encouraged four universities to sign up to the UNGC and we have developed a Youth Ambassador Programme.



Working together for a sustainable future

At Chalhoub Group, we have achieved a lot in 2016. I hope you enjoyed reading this report which summarises all initiatives taken to embed sustainability further at all levels of our Group.

Our goal for 2017 is to strengthen and fine-tune our sustainability actions, based on the data captured and the strategy we have defined. We will use this data to set medium to long-term targets and allow our efforts to be tangible and measured. We will continue to collaborate with our partners to create meaningful collaborations. We will work with all team members, including our Chalhoub Impact Ambassadors and relays to continue to embed sustainability within our day-to-day activities, through the development of policies and procedures that support everything we do.

I would like to thank the Chalhoub family and our co-CEOs Anthony and Patrick Chalhoub for their vision and for giving us the means to walk the talk with passion and determination. I would like to thank our partners who are allowing us to achieve beautiful and impactful goals. I would like to thank all our team members for their involvement, big or small, all support counts. Thank you for your engagement! We are only at the start of our journey, we can help change the world for the better, one person at a time. And as a family business built on Respect, Excellence and Entrepreneurial Spirit, it is our duty to make Chalhoub Group a sustainable business, now and for the future.

Florence Bulte
Head of Sustainability Engagement



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CHALHOUB GROUP

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