

UN GLOBAL COMPACT

Communication on progress

September 2017



COMMUNICATION ON PROGRESS 2017

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.

Labor

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 labor;
5. the effective abolition of child labor; 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.

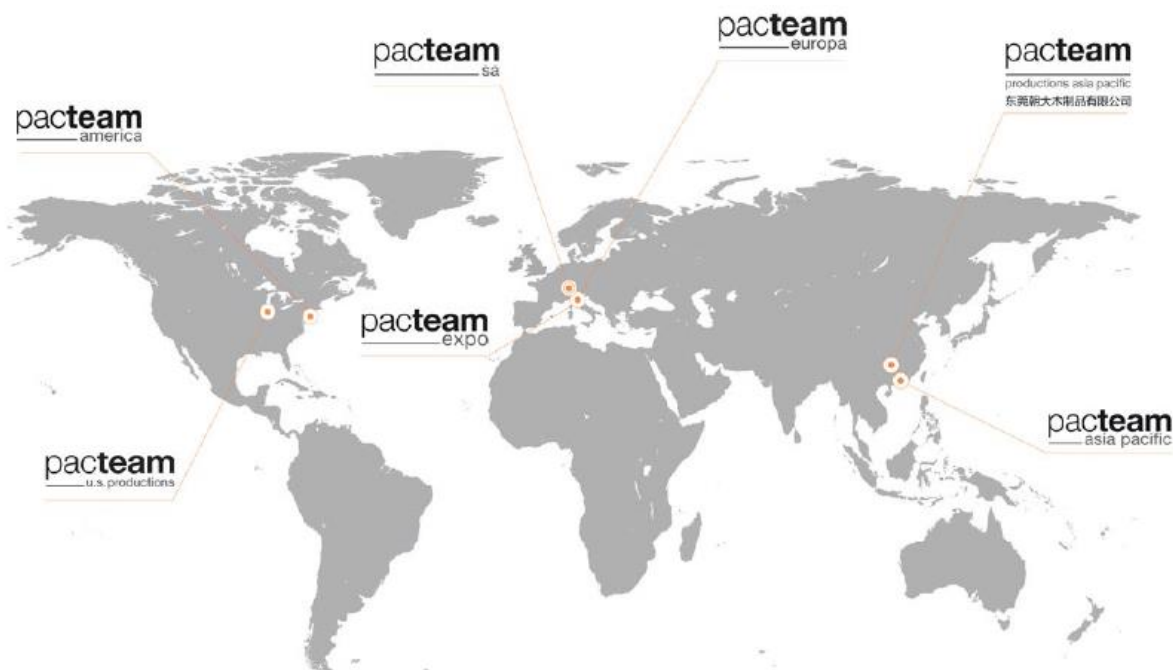
Anti-Corruption

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

Since 2015, Pac Team Group has entrusted the Swiss company Product DNA Ltd (www.productdna.com) 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, September 2017

Dear Mr. Secretary-General,

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

These four areas are currently 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 since 2016 and are documented in the « Communication on Progress ».

Sincerely yours,



*Alain Borle
CEO of Pacteam Ltd*

What has changed in 2016

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 in 2016-2017 :

- *Follow-up and verified closing of corrective actions detected during audits*
- *Management and support of the external follow-up of all elements of sustainability by an independent partner since 2015, Product DNA Ltd*
- *Launch of the Eco-design & Innovation program*
- *Creation and regular update of an internal directory for regulations, labelling and certifications*
- *Selection of non-financial indicators to measure sustainability development and progress*
- *Launch of the Respect-code Traceability program*
- *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*
- *Sustainability awareness of the Pac Team employees during a CSR lunch*
- *Launch of an audit campaign based on the new SMETA 6.0 format*



Tancredi Pascale

Operations Manager

Le Mont-sur-Lausanne, September 4th 2017

Scope of this COP

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

This production platform is located in a country characterized by its potential for improvement in the areas of human rights, labor, 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 15-17

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.

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 18

Audits guidance, 2016-2017

The regular practice of checks at Chinese production sites has been part of Pac Team business strategy for years. Each audit identifies improvement potentials in terms of compliance, safety and health for workers and for customers.

Regular monitoring of the corrective measures put in place leads to the best working conditions for the workers.

In China, Pac Team Group appointed Responsabilitas to provide audits, consulting and training services. A service with extensive knowledge of issues that arise on-the-floor in Chinese factories and with expertise in compliance and capacity building.

Achievement, situation & plan

- *4 audits (security, health & safety, working conditions) of production premises (second party audit).*
- *Resolution of corrective actions : permanent monitoring by Responsabilitas, China & Product DNA, Switzerland.*
- *Third party audit planned for September 2017, according to the new reference system SMETA 6.0.*
- *In addition to the regular verification of the main production unit, PTPAP, Pac Team Group organizes regular independent checks of its most important subcontractors. The six main ones were audited during the first half of 2017 (third party audit).*

Principle 2 – Human Rights

Ensure non-complicity in human rights abuses

Following ILO principles

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

Principle 3 - Labor

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 - Labor

Support elimination of forced and compulsory labor

Free choice of employment

All the workers have a contract of employment according to the local labor 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 19

No forced labor

Management never recourses to forced labor 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 labor. Additional information dealing with this question is displayed on the factory walls.

Principle 5 - Labor

Support abolition of child labor

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 - Labor

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.

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 labor and child labor, 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 declaration for suppliers, appendix 4, page 20

Supply chain transparency

Since 2016, Pac Team Group is affiliated with respect-code, a Swiss based independent program for tracing manufactured products and monitoring supply chains : origin of the raw materials, identity of the factories, audits and certificates, social and ecological indicators.

Pac Team Group is committed to full transparency in production and ensures the traceability of its products through reports or, on request, through an on-line display of the production line on a private link.

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 2016 : 161'200 Kg



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.

VOCS treatment

PTPAP has installed new filters, designed to deal with volatile organic chemicals (VOCS) of waste gas from painting room. UV photolysis catalysts were installed this time. The capability is 30'000 m3 per hour. The waste gas produced at painting room is treated by three processes, water absorbing, activated carbon absorbing & UV photolysis, then discharge to the air.



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.

Eco-design: bio-sourced resin and linen fibers

PTPAP has started testing different types of resins with a new French supplier. Once successful, Pac Team Group will be able to offer an sustainable alternative with low environmental impacts to its customers.

Other tests are currently being done in order to be able to replace fiberglass by linen fibers.

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.

An 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

Founded: 2012

Square meters: 14,700

Type of work: Display, Packaging, Furniture

Management:

Charlotte Long James Huang
Asia Pacific General Manager Finance Controller

Number of employees: 280

Certifications: ISO 9001: 2008 SEDEX Member B



Pac Team Expo S.R.L.

Founded: 2014

Square meters: 12,000

Type of work: Furniture, Booth, Retail environments

Management:

Nicola Indraccolo Tiziana Porro
Factory Manager Executive Officer

Number of employees: 40

Certifications: SEDEX Member B

Pac Team US Production

Founded: 2012

Square meters: 1,100

Type of work: Furniture, Booth, Retail environments

Management:

John Gedeon Eric Zuckerman
Production Manager President

Number of employees: 11

Certifications: SEDEX Member B





Pac Team SA

Founded: 1949

Management:

Alain Borle
CEO

Magali Mugny
Financial Manager

Tancredi Pascale
Operations Manager

Number of employees: 28

Customers include:

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

Pac Team AMERICA Inc.

Founded: 2005

Management:

Eric Zuckerman
President

Dieter Pasewaldt
Chief Financial Officer

Antonio Schiano
Senior Director

Number of employees: 21

Customers include: Timex - Movado - Guess



Pac Team Europa S.R.L.

Founded: 1999

Management:

Andrea Vitacchio
General Manager

Tiziana Porro
Executive Officer

Number of employees: 14

Customers include: Chanel - Safilo - Paneral - Kering

Pac Team Asia Pacific Ltd.

Founded: 2004

Management:

Eric Zuckerman
President

Number of employees: 6

Customers include:

Morellato - Ball watch



Lansa SA.

Founded: 1936

Management:

Tancredi Pascale
General Manager

Number of employees: 12

Customers include: Swarovski - Cartier - Gucci



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



Dongguan, <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



Dongguan, <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



REACH – SUPPLIERS DECLARATION 2017-2018

I undersigned (Name), acting as (function), duly authorized by (company name) certifies that:

- Our products manufactured by our plants or any sub-contractors, do not contain any substance of attached list (REACH Annex XIV), and all new substance to be included in REACH Annex XIV legislation in the future
- We will provide copy of any Safety Data Sheets (MSDS) covering the substances used during our production process (documents to be attached)
- We will inform PAC TEAM Group before shipment, in case products contain SVHC included in REACH [candidate list](#) at a threshold above 0,1% of each articles' part weight
- We will provide PAC TEAM Group with all lab tests done by our company on raw materials, components, spare parts or finished goods (documents to be attached)
- We allow PAC TEAM Group to proceed to random lab tests in order to check compliance of our products
- We will advise if our company is OEKO-TEX 100 labelled (textile production only): mention certificate number/reference and provide document copy.

In case of non-compliance, we agree that PAC TEAM Group may decide to hold or cancel an order.

This declaration covers all items sold to PAC TEAM Group (list attached).

Signatures with legally binding effect of the Supplier

.....
Name of the company

.....
Authorized signature

.....
Date, place, company stamp