



2019
**SUSTAINABILITY
REPORT**

SWAROVSKI

CONTENTS

Executive Board letter	p.5
Sustainability in brief	p.6
Our business	p.9

01

OUR SUSTAINABILITY STRATEGY

Our sustainability strategy	p.15
How we contribute to the SDGs	p.17

02

WOMEN'S EMPOWERMENT

Introduction	p.20
Women in jewelry	p.22
Women's advancement and gender equality	p.24

05

CONSCIOUS DESIGN

Introduction	p.40
The next generation of designers and leaders	p.43
Emerging and established designers	p.44

06

SUSTAINABLE INNOVATION

Introduction	p.48
Manufaktur	p.51

03

WATER STEWARDSHIP

Introduction	p.28
Flood preparedness	p.31

04

FAIR PARTNERSHIPS

Introduction	p.34
Responsible Sourcing Initiative	p.36

07

OPERATIONAL SUSTAINABILITY

Introduction	p.54
How we treat our people	p.56
How we source and make our products	p.64
How we give back to society	p.74

WELCOME TO THE SWAROVSKI SUSTAINABILITY REPORT 2019

FROM THE EXECUTIVE BOARD OF
THE SWAROVSKI CRYSTAL BUSINESS



Swarovski Executive Board
Photography Philip Sinden

Robert
Buchbauer

Nadja
Swarovski

Mathias
Margreiter

Markus Langes-
Swarovski

EXECUTIVE BOARD LETTER

Our founder, Daniel Swarovski, was a visionary pioneer. In 1895, as well as creating a revolutionary method of crystal production, he established farsighted principles of fairness to communities and the environment that still guide our business today.

We understand that Swarovski's ongoing success depends on our continued respect for Daniel's principles. They help us consider our responsibilities in terms of generations, not just quarters, and they provide a platform towards our goal of sustainable leadership. But achieving that goal requires us to be restless. While we honor our heritage, we recognize that our world is constantly changing. Climate change, water crises, gender inequality, economic disparity, forced labor, and the overconsumption of natural resources require the private sector to step up.

In our 2017 Sustainability Report, we outlined our refreshed sustainability strategy. This year, we detail some of the many activities our business has engaged in that align with the five priorities of that strategy.

During the last two years, we have innovated across our own supply chain and collaborated with others to change the fashion, jewelry and design industries for good. We are proud of our Responsible Jewellery Council (RJC) and International Organization for Standardization (ISO) certifications, our Positive Production program and the expanded scope of our Responsible Sourcing Initiative. Our commitment to Conscious Design keeps growing, with Swarovski integrating sustainability into the curricula of nine prestigious design schools. We are doing more to develop positive water stewardship, including our pilot with the Asia Disaster Preparedness Center that is developing flood resilience in Thailand. We continue to use our influence on the global stage, hosting events at both the World Economic Forum (WEF) in Davos and the United Nations (UN) General Assembly. We accept we have a role to play in tackling many of the sustainability challenges and thus we restate our commitment to the UN Global Compact, continuing to support the delivery of the United Nations' Sustainable Development Goals.

Our forward-looking approach means we intend to keep increasing the positive contribution we make to our business, supply chain and society as a whole. We are committed to finding ways to improve supply chain transparency and to developing a consistent approach to responsible sourcing with Swarovski Crystal Business. We are also evaluating additional, impactful water reduction initiatives that we will share in future Sustainability Reports.

SUSTAINABILITY IN BRIEF

 **35%***

OF OUR ENERGY COMES FROM **RENEWABLE SOURCES** AT OUR MANUFACTURING AND PRODUCTION LOCATIONS

IN 2017, WE LAUNCHED OUR POSITIVE PRODUCTION PROGRAM IN 7 MANUFACTURING AND PRODUCTION LOCATIONS ACROSS THE GLOBE **REACHING 15,000 EMPLOYEES**

IN 2018, ATELIER SWAROVSKI MADE A COMMITMENT TO USING **RESPONSIBLY SOURCED GOLD¹** IN ITS FINE JEWELRY COLLECTIONS

SINCE ITS INCEPTION IN 2015, OUR CONSCIOUS DESIGN PROGRAM HAS PROVIDED DESIGNERS AND DESIGN SCHOOLS WITH OVER **6M UPCYCLED CRYSTALS**



¹ Responsibly sourced gold defined as Fairtrade or recycled

40%*

OF **SENIOR MANAGERS** IN SWAROVSKI CRYSTAL BUSINESS ARE WOMEN



77%*

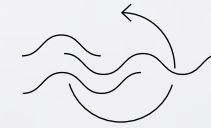
OF SWAROVSKI EMPLOYEES ARE WOMEN

making us well placed to champion gender equality and shine a light on the empowerment of women. We partnered with Business for Social Responsibility (BSR) to explore the role of women in jewelry supply chains and the challenges they face.

* 2018 performance data

76%*

OF OUR TOTAL WATER DEMAND IN 2018 WAS MET WITH **RECYCLED WATER** ACROSS OUR MANUFACTURING AND PRODUCTION LOCATIONS



UNDER OUR **CLEAR PROGRAM** OUR FINISHED PRODUCTS AND THEIR COMPONENTS ACROSS OUR ENTIRE SUPPLY CHAIN MEET THE **STRICTEST REGULATIONS ON HAZARDOUS SUBSTANCES**

AS PART OF OUR RESPONSIBLE SOURCING INITIATIVE, IN 2017 AND 2018 WE CONDUCTED NEARLY

200

SUPPLIER ASSESSMENTS ACROSS 9 COUNTRIES

29%*

REDUCTION IN TOTAL ENERGY CONSUMPTION SINCE 2010 ACROSS OUR MANUFACTURING AND PRODUCTION LOCATIONS



The Swarovski Waterschool film debuted in 190 countries via Netflix in Summer 2018 and serves to celebrate the outstanding global contribution made by Swarovski Waterschools

SWAROVSKI WATERSCHOOL HAS EDUCATED

HALF A MILLION YOUNG PEOPLE

ACROSS 2,400 SCHOOLS WORLDWIDE

100%

OF SWAROVSKI CRYSTALS ARE PRODUCED USING OUR PIONEERING **ADVANCED CRYSTAL LEAD-FREE FORMULA[†]**

[†] Crystal glass and all other materials containing 0.009% lead or less.

SINCE 2013 SWAROVSKI FOUNDATION HAS DIRECTLY SUPPORTED APPROXIMATELY **43,200 PEOPLE ACROSS 50 CHARITIES IN 31 COUNTRIES**

56%*

REDUCTION IN SCOPE 1 GHG EMISSIONS SINCE 2010 ACROSS OUR MANUFACTURING AND PRODUCTION LOCATIONS



RESPONSIBLE JEWELLERY COUNCIL

Swarovski Professionals: Certification 2017
Swarovski Gemstones Business: Certification 2018
Chamilia: Certification 2018
Atelier Swarovski: Certification 2016

THE JOURNEY OF A CRYSTAL

A simplified demonstration of how
our crystals are made



OUR BUSINESS

FOUNDED IN 1895 IN WATTENS, AUSTRIA,
BY DANIEL SWAROVSKI, OUR COMPANY
IS RUN BY THE FIFTH GENERATION OF
DANIEL'S FAMILY MEMBERS.

Since then, we have inherited our founder's pioneering ambition to "achieve the brilliance and sparkle of a diamond with craftsmanship and light", while always doing business in a way that has a positive impact on people and the planet.

Today, more than 29,000 colleagues across the Swarovski Crystal Business help us maintain our bold ambition and visionary attitude, paving the way to a brighter future. Their work enables us to deliver a diverse and innovative portfolio of unmatched quality, craftsmanship and creativity.

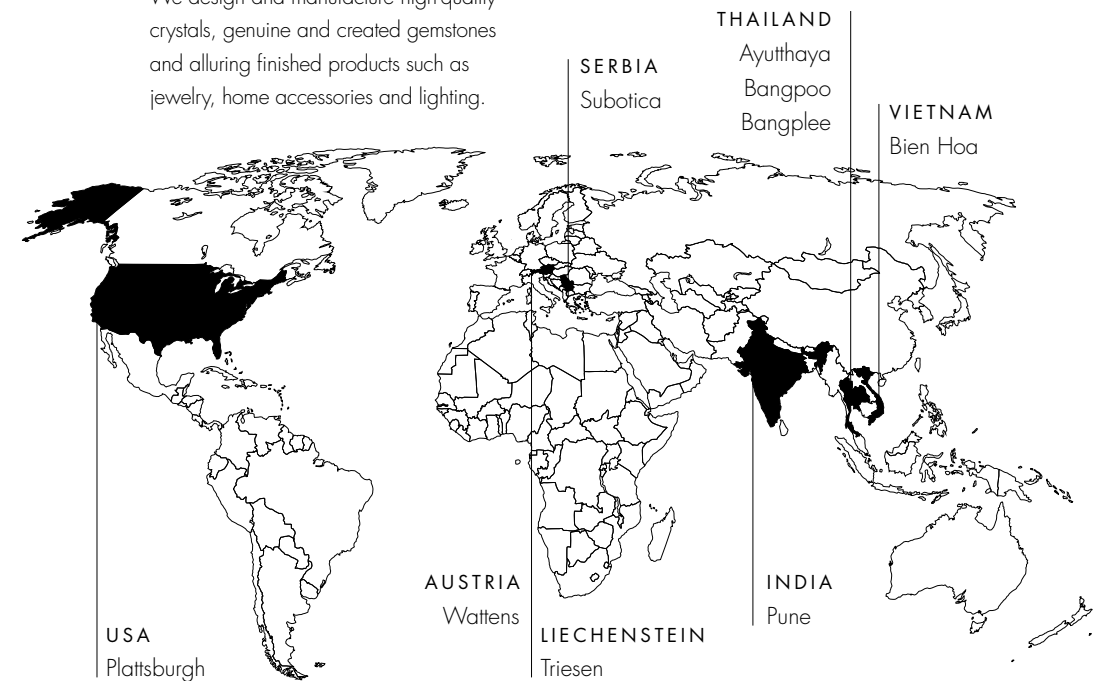
We design and manufacture high-quality crystals, genuine and created gemstones and alluring finished products such as jewelry, home accessories and lighting.

These are sold in 3,000 stores in 170 countries.

Together with our sister companies, Swarovski Optik and Tyrolit, we form the Swarovski Group. In 2018, the Group generated revenue of EUR 3.5 billion.

We own nine production sites around the world, in Austria, India, Liechtenstein, Thailand, Vietnam, Serbia and the USA.

Our highly integrated supply chain allows us to make innovative sustainability and best practice decisions across all areas of our business.

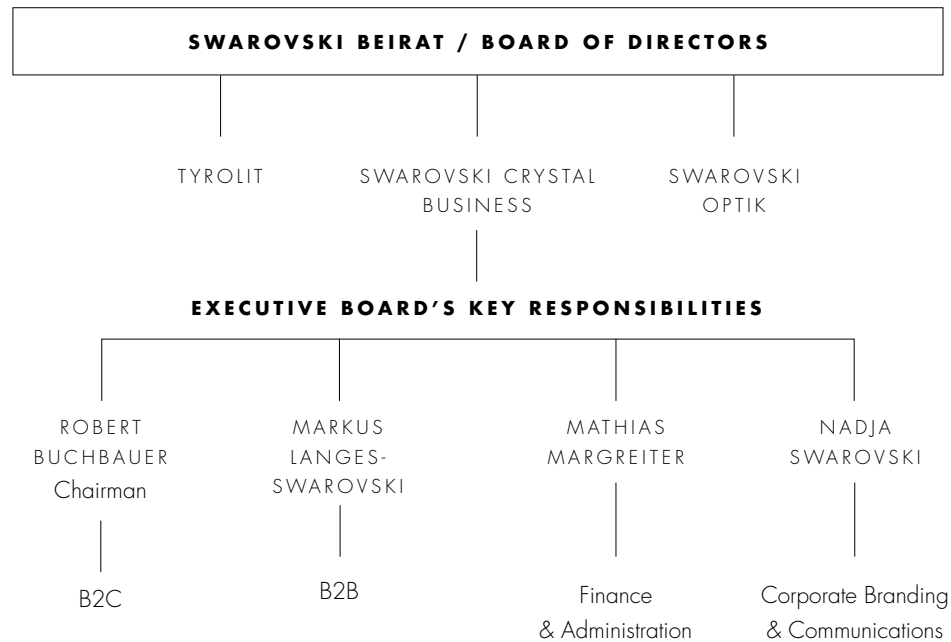


OUR GOVERNANCE

Member of the Swarovski Executive Board, Nadja Swarovski, represents sustainability at Executive Board level. The Executive Board is the policy-making body for the Swarovski Crystal Business and it forms an integrated corporate management team with shared responsibility, making decisions and taking action in the interest of the Group as a whole. The Executive Board reports to the Swarovski Beirat of the Swarovski Group. The Vice President for Corporate Sustainability and Social Responsibility reports to Nadja Swarovski and oversees the development, implementation and evaluation of our sustainability strategy. The Vice President also manages a global Sustainability team.

The Sustainability team monitors and reports on progress and builds partnerships with external stakeholders, including non-profits, subject-matter experts and sustainability peers.

Our Gemstones Business and Swarovski Professionals units have sustainability committees and strategies in place. Our Consumer Goods Business is starting this journey. Our Sustainability team guides the implementation of these strategies. The team also collaborates with colleagues across the business, providing expertise to help them integrate sustainability into their activities.



OUR VALUE CHAIN

We seek to understand and respond to sustainability issues across our value chain - from sourcing materials to designing pieces and engaging customers. The table below shows a simplified representation of our value chain and, at each stage, a summary of some of the most significant sustainability issues that we continuously strive to better understand and address.

PRODUCT DESIGN AND DEVELOPMENT

Product safety
Product responsibility



SOURCING

Supply chain assessment and management
Human rights and working conditions
Ethics and anti-corruption



PRODUCTION

Labor practices
Environmental management
– energy, emissions, water and waste



DISTRIBUTION AND LOGISTICS

Environmental management



CUSTOMERS AND COLLABORATION

Disposal and/or end of life
Inspiring and promoting sustainability

01

OUR
SUSTAINABILITY
STRATEGY



01

OUR SUSTAINABILITY STRATEGY



OUR SUSTAINABILITY STRATEGY

OUR SUSTAINABILITY STRATEGY IS THE FRAMEWORK THAT DRIVES CONTINUAL PROGRESS AND MANAGES THE BROAD RANGE OF SUSTAINABILITY RISKS, ISSUES AND OPPORTUNITIES ACROSS OUR BUSINESS.

We announced our refreshed sustainability strategy in our 2017 Sustainability Report. It is based around five strategic priorities which represent the areas where Swarovski can make the most positive impact.

By working across our value chain, we strive to remain true to our founder Daniel Swarovski's vision of a responsible company that not only has its employees' wellbeing at heart but also that of the environment and society as a whole. To operate our sustainability strategy, we have developed a series of initiatives and programs.

Our Conscious Design program supports its own strategic priority, whereas our Positive Production program runs across the Women's Empowerment, Water Stewardship and Fair Partnerships priorities. We cover these two programs in more detail on page 16.

To meet today's global challenges, there is a need for partnerships between individuals, companies and organizations to collectively find solutions to issues such as climate change, social inequality, and natural resource depletion. Swarovski is committed to collaboration through global initiatives such as the UN Global Compact, the Women's Empowerment Principles, the World Economic Forum's Compact for Responsive and Responsible Leadership, and by working towards the UN Sustainable Development Goals (SDGs).

01

OUR SUSTAINABILITY STRATEGY

POSITIVE PRODUCTION PROGRAM

Our Positive Production program aims to ensure sustainability excellence by 2020 in all Swarovski manufacturing and production locations. It focuses on the difference we can make within our value chain. We currently operate three active workstreams promoting social and environmental responsibility in manufacturing:

1. Certifications and audit standards: demanding the highest possible standards for our production locations;
2. Management systems, KPIs and data: increasing transparency and improving the way we measure sustainability performance;
3. Positive change: working with employees to understand local community and environmental challenges and creating solutions to address them.

Through this program, we invest in our people and local communities and contribute to the SDGs.

It is important to us that we take account of the local context when considering our sustainable production ambitions. In India, Thailand and Vietnam, for example, our consultation processes engage internal stakeholders and often local NGOs too.

We must make sure that we understand the specific challenges in these countries and achieve the largest-possible positive impact.

More details of these workstreams can be found under 'Fair Partnerships' and 'How We Source and Make our Products' on pages 32 and 64 of this report, respectively.

CONSCIOUS DESIGN

Design can have a significant impact on people, places and resources across the world. We want to motivate the next generation of outstanding designers to create their products and collections responsibly. One way we do this is by integrating sustainability into the creative projects we run with iconic educational institutions. Through our upcycled crystals program, we provide emerging and established designers with a creative opportunity to give new life to Swarovski's stunning elements. More details of this can be found under 'Conscious Design' on page 38.

OUR SUSTAINABILITY STRATEGY LOOKING AHEAD

Inspired by our heritage, Swarovski is committed to offering Conscious Luxury: producing crystals, created stones, genuine gemstones and jewelry that are responsibly sourced and crafted with care.

"WE ARE TRYING TO DRIVE POSITIVE CHANGE IN OUR OWN COMPANY AND MORE WIDELY WITHIN THE INDUSTRY. WE CALL THIS CONSCIOUS LUXURY - A NEW WAY OF DOING BUSINESS THAT PUTS COMPASSION AND SUSTAINABILITY AT ITS HEART."

Nadja Swarovski

HOW WE CONTRIBUTE TO THE SDGS

We seek to align ourselves with the UN SDGs through our five strategic priorities and to assess our impact against these goals





02

WOMEN'S EMPOWERMENT

From those who craft our products to those who wear them, we aim to empower women across our value chain.

02

WOMEN'S
EMPOWERMENT

INTRODUCTION

THE MAJORITY OF SWAROVSKI'S CUSTOMER BASE, AND 77% OF ITS WORKFORCE, ARE WOMEN, MAKING US WELL PLACED TO CHAMPION GENDER EQUALITY AND SHINE A LIGHT ON THE EMPOWERMENT OF WOMEN.

As part of Swarovski's commitment to sustainability, we take equality, inclusion and diversity very seriously, with an emphasis on addressing gender equality. Swarovski believes that enabling women to fulfil their potential is not only good for business, but also has a positive impact on society.



Swarovski store employee

OUR APPROACH

Our public commitment to the UN Women's Empowerment Principles (WEPs) drives our approach towards leadership, the workplace, our markets and communities. In our own company we strive to lead by example and champion women's empowerment. Our campaign The Future is Equal and our internal training on Breaking Bias are some key examples. Details of these and other initiatives, including WEPs, can be found in the section 'How we treat our people' on page 56.

The Swarovski Foundation partners with global charities to support programs that work with women on the ground, promoting their economic, social and political empowerment. See page 74, 'How we give back to society', for more details.

Externally, we work with others to further the empowerment of women beyond our own value chain. As well as being a signatory of the UN WEPs, Swarovski is a supporter of UN Women and a founding member of Business for Social Responsibility's global initiative, Business Action for Women. Further details can be found on page 24.

We also seek greater recognition for female talent in the creative industries, including entertainment and fashion. For more of our activities in support of these aims, see page 25.



Crystal quality check, Wattens, Austria

UN WOMEN'S EMPOWERMENT PRINCIPLES

PRINCIPLE 1: Establish high-level corporate leadership for gender equality

PRINCIPLE 2: Treat all women and men fairly at work — respect and support human rights and non-discrimination

PRINCIPLE 3: Ensure health, safety and well-being of all workers, regardless of gender

PRINCIPLE 4: Promote women's education, training and professional development

PRINCIPLE 5: Implement enterprise development, supply chain and marketing practices that empower women

PRINCIPLE 6: Promote equality through community initiatives and advocacy

PRINCIPLE 7: Measure and publicly report on progress to achieve gender equality

17
PARTNERSHIPS
FOR THE GOALS

5
GENDER
EQUALITY

02

WOMEN'S
EMPOWERMENT

WOMEN IN JEWELRY

FROM THE RAW MATERIALS TO THE FINISHED PRODUCTS, WOMEN ARE FOUND THROUGHOUT THE JEWELRY SUPPLY CHAIN. THEY ALSO DRIVE DEMAND FOR MORE THAN 90% OF THE WORLD'S JEWELRY. *



Swarovski production employee, Thailand

The specific challenges faced by women across the supply chain are not widely understood. That is why Swarovski joined forces with BSR (Business for Social Responsibility) and the Dutch Ministry of Foreign Affairs to initiate the first multi-stakeholder exploration into the topic. Through this partnership, Swarovski supported the production of a revealing white paper, written and published by BSR, on the issues for those women involved in the production of jewelry. The research included a look into mining, cutting and polishing of precious metals (focused on gold), diamonds and colored gemstones as well as the manufacture of finished pieces.

BSR's report found very few female miners or business owners and only a small number of women formally employed in cutting and polishing. This was in contrast to the manufacturing sector, where there are many female workers, although typically they are in low-level positions. A relevant finding for us was that men tend to be upskilled faster than women.

The report set out the numerous obstacles to women's empowerment across the supply chain and found that, from mining to manufacturing, women face barriers to entering and advancing in the jewelry industry.

Swarovski production employee, Thailand



"ONE OF OUR KEY TAKEAWAYS IN THE MANUFACTURING SPACE IS TO FOCUS ON EQUAL UP-SKILLING."

Dax Lovegrove,
Global VP of Sustainability



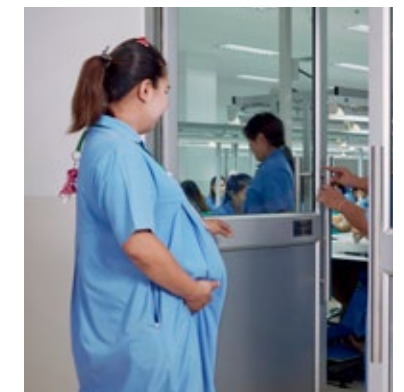
Some companies have sought to address these challenges through stable employment opportunities, equal career advancement and women-centered health, wellbeing and training programs.

However, standalone initiatives and projects have not changed the wider landscape and have not gone far enough across the supply chain.

Positive change requires collaborative effort. A new, cooperative approach began with a multi-stakeholder meeting at the OECD Forum on Responsible Mineral Supply Chains in 2018 and has continued with subsequent regional meetings fostering localized partnerships.

BSR'S REPORT: BARRIERS FOR WOMEN IN THE JEWELRY INDUSTRY *

- A lack of formal employment opportunities
- A lack of women in leadership and female role models
- Low wages and poor working conditions
- Exposure to health and safety hazards
- Low levels of education and technical skills
- Increased risk of sexual harassment and gender-based violence and exclusion from community consultation



Dedicated room for pregnant workers in Thailand

*https://www.bsr.org/reports/BSR_Women_in_the_Jewelry_Supply_Chain.pdf

02

WOMEN'S
EMPOWERMENT

WOMEN'S ADVANCEMENT AND GENDER EQUALITY

SWAROVSKI IS A FOUNDING MEMBER OF BSR'S INITIATIVE, BUSINESS ACTION FOR WOMEN, WHICH IS A COALITION OF LEADING COMPANIES COMMITTED TO ACHIEVING PROGRESS FOR WOMEN GLOBALLY.



Swarovski office employee

The BSR's Business Action for Women initiative aims to bring together global businesses to discuss, learn and explore dimensions of women's advancement and gender equality—from policy engagement opportunities to investment in women workers throughout global supply chains. Engaging with this multi-stakeholder group has helped shape the sustainability strategy for our supply chain and production locations.

17
PARTNERSHIPS
FOR THE GOALS

5
GENDER
EQUALITY

CASE STUDY

BSR HERPROJECT™

We reinforced our commitment to empowering women in our supplier bases by joining BSR's HERproject in 2018. HER stands for Health Enables Returns, spotlighting how workplace health and financial inclusion can unlock women's full potential. HERproject was born in 2007 and has elevated the wellbeing, confidence and economic potential of more than 850,000 women in 750 workplaces, internationally.

Our pilot launched in Guangdong, China with a key supplier that employs a high percentage of women. Peer Health Workers (PHEs), selected by each factory, receive 24

hours' health training. The training content is based on the specific health needs of their workplace and centers on female healthcare. PHEs then share this knowledge with their peers – formally and informally, during work and after hours.

In addition to the important health awareness program, by teaching communication and leadership skills, HERproject empowers women to recognize that they can achieve much more than they may have thought possible. Through this project, we can positively impact the lives of approximately 800 people.

WOMEN IN THE CREATIVE INDUSTRIES

At Swarovski, we collaborate with the Academy of Motion Picture Arts and Science to organize programs and bursaries (monetary awards) that encourage and empower female filmmakers. Within the fashion industry, the Swarovski Award for Positive Change spotlights inspirational women who make a positive impact on society and the environment. The award honors recipients, including Dame Vivienne Westwood (2018), who use their resources to acknowledge and address significant global challenges.



External supply chain employee, China

03

WATER STEWARDSHIP

We focus on managing water risks in our production locations, while aiming to better understand the freshwater challenges and the potential context-based and collaborative interventions we can make.

03

WATER
STEWARDSHIP

INTRODUCTION

A PLENTIFUL WATER SUPPLY WAS THE KEY REASON WHY DANIEL SWAROVSKI ESTABLISHED OUR FIRST MANUFACTURING SITE IN TYROLEAN AUSTRIA, IN 1895. WATER REMAINS AN ESSENTIAL RESOURCE FOR SWAROVSKI CRYSTAL, SWAROVSKI CREATED STONES, SWAROVSKI GENUINE GEMSTONES AND JEWELRY PRODUCTS.

Today, recycled water meets 76% of our global production sites' total water demand.

As a leading international brand, we are aware of the many challenges threatening the availability of clean, accessible water worldwide. Therefore, as well as ensuring the continuity of our supply chain, it is important that we also protect the wellbeing of our colleagues and communities. At Swarovski, we identify ways to manage freshwater responsibly and respond effectively to water-related challenges around our production sites. For further details of our water efficiency initiatives, please see page 71.

OUR APPROACH

Our approach to water stewardship means managing our own operational practices and working with local stakeholders to create initiatives that reflect the needs of the areas in which we operate. Following a review of all our production sites, we decided to pilot water stewardship programs in both Thailand and Plattsburgh, USA. In these regions, we collaborate with local authorities, NGOs and communities, including our employees and their families, to better understand the freshwater challenges and the potential context-based and collaborative interventions we can make.

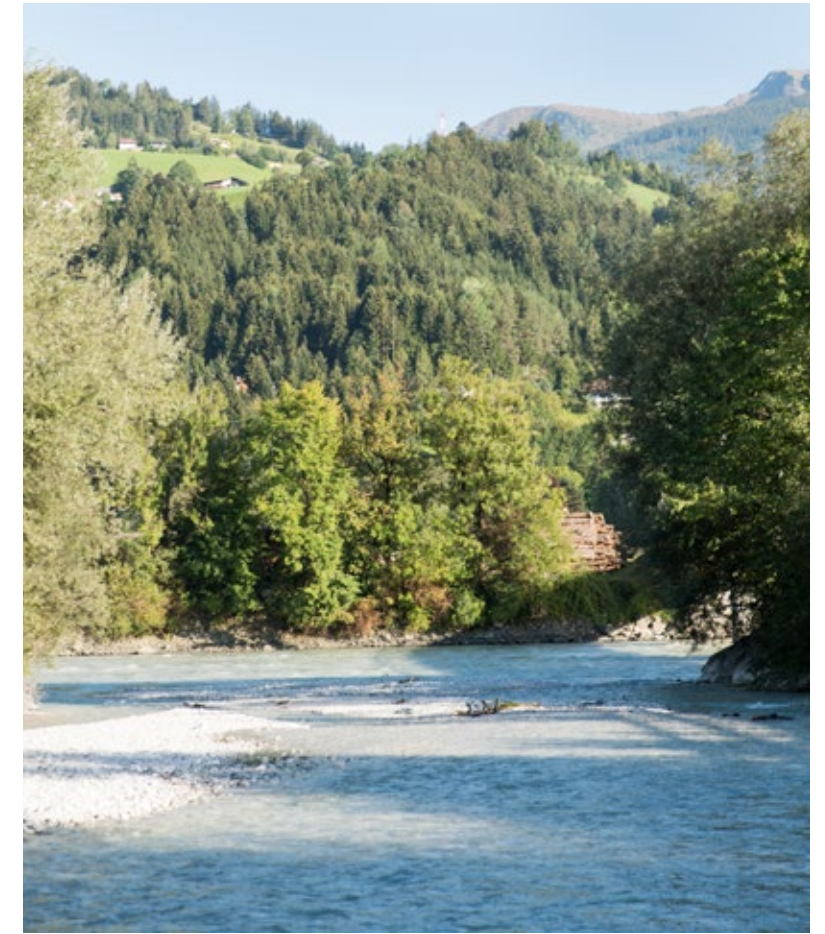
In Plattsburgh, for example, we completed a Water Risk Filter Assessment with World Wildlife Fund (WWF). This assessment indicated a below-average risk to the water basin and a moderate risk to the company. The most prominent risk to clean water in Plattsburgh is the quality of water runoff into Lake Champlain. As a result, the Swarovski plant is now working to achieve BLUE® certification.*

Once certification is secured, we will continue collaborating with local stakeholders to ensure a healthy watershed and community.

Alongside improving water management practices, we also engage coworkers at our Plattsburgh facility on water stewardship practices at work, at home and in their communities.

Our broader water stewardship program includes the company's flagship community investment program, the inspiring Swarovski Waterschool. It aims to motivate present and future generations to practice sustainable water use, ensuring long-term health benefits and the availability of clean water for all. Further details of the Swarovski Waterschool can be found at Swarovskiwaterschool.com, and on page 75.

Vomperbach flowing into the River Inn, Austria, Wattens. Photography Anja Riedmann.



* BLUE® certifies commercial properties as watershed friendly. BLUE® certification is earned through practices that reduce water pollution runoff.

17



PARTNERSHIPS
FOR THE GOALS

6



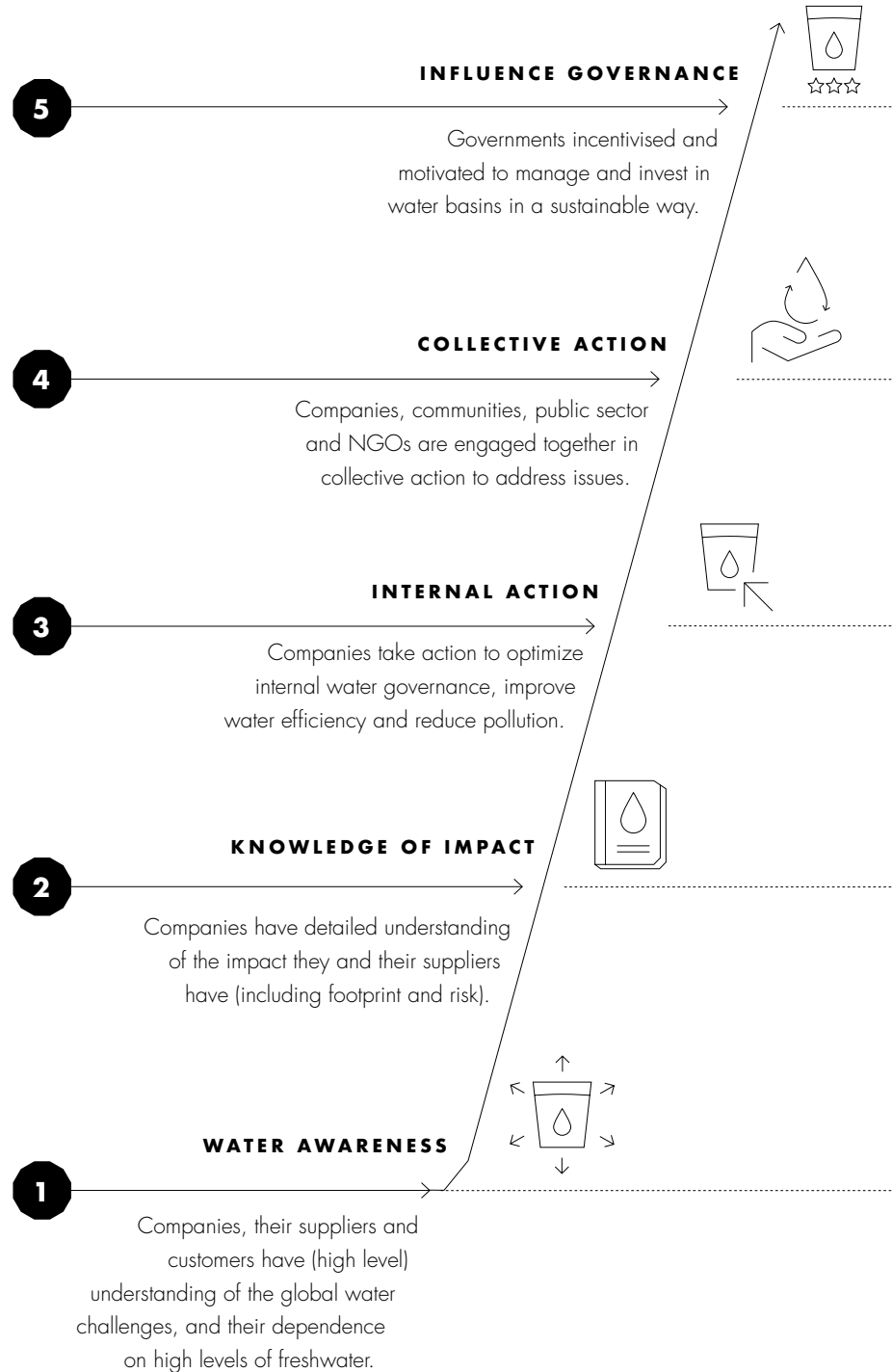
CLEAN WATER
AND SANITATION

03

WATER STEWARDSHIP

WWF'S WATER STEWARDSHIP LADDER

To understand the key steps that we need to consider in our water stewardship journey, we refer to WWF's 2013 stewardship ladder.



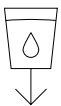
30

17



PARTNERSHIPS FOR THE GOALS

6



CLEAN WATER AND SANITATION

CASE STUDY

FLOOD PREPAREDNESS

As part of our Positive Production program, we initiated an important partnership with the Asian Disaster Preparedness Center (ADPC) in Thailand. This collaboration aims to strengthen our business' resilience to environmental hazards and allow Swarovski colleagues to help their communities prepare for the impacts of climate change.

The idea behind the partnership is that, by increasing disaster resilience in the private sector, businesses can, in turn, support the resilience of the communities around them. Improving business preparedness in this way is central to the UN's 2030 Agenda for Sustainable Development.


Our collaborative project, a ten-month pilot, began in Thailand during December 2018. Thailand is a nation affected by heavy, seasonal rains and other climate-induced threats. Since catastrophic flooding in 2011, there has been a serious discourse about climate change in Thailand. Thai business leaders have started acting to protect their future business continuity.

In conjunction with ADPC, we run engaging activities such as capacity-building and Community-Based Disaster Risk Management (CBDRM) training for Swarovski colleagues. Our first CBDRM session, incorporating a role-play

exercise based on a village flood and evacuation scenario, made clear the importance of readiness and community coordination during an emergency.

As a result of the training, colleagues can proactively help others in their communities better prepare for floods. Our key business areas in Ayutthaya Province, Samut Prakan Province and Tambon Administration Organization will benefit from Swarovski colleagues' knowledge. In addition, we will work with industrial administrations and other stakeholder bodies, such as the Department of Disaster Prevention and Mitigation, to make sure we design inclusive solutions that benefit the most people.

This project will not only help the people of Thailand. The learnings from our pilot will allow us to develop a series of knowledge-sharing and communication tools to replicate this important initiative in other Swarovski locations.



04

FAIR PARTNERSHIPS

We aim for colleagues in our production sites, and across our supply chain, to enjoy good conditions, benefits and opportunities in their working life. We also aim to have a positive impact on the wider local communities where we operate.

04

FAIR PARTNERSHIPS

INTRODUCTION

WHEN DANIEL SWAROVSKI FOUNDED OUR COMPANY, HE ESTABLISHED PRINCIPLES OF RESPONSIBILITY TOWARDS THE COMMUNITY AND ENVIRONMENT THAT HAVE GUIDED US EVER SINCE.

In developing his legacy, we strive for colleagues at Swarovski and in our supply chain to enjoy good conditions, benefits and opportunities throughout their working lives. Outside the doors of our sites, we want our impact on local communities to always be a positive one.

While this approach starts within our own factories, it extends out into our supply chain, from where we source the materials to where we create our products. Every colleague who plays a part in crafting the Swarovski story should expect a positive work experience.

THE CONCLUSIONS OF OUR LISTENING PROJECT TOLD US THE IMPORTANCE OF ECONOMIC EMPOWERMENT, FINANCIAL LITERACY AND INCLUSION IN INDIA, VIETNAM AND THAILAND

OUR APPROACH

FOCUSING ON KEY LOCAL ISSUES WITHIN OUR SUPPLY CHAIN

Creating fair partnerships means engaging our employees, our suppliers and their operators, the communities around our production sites and NGOs. We want their input to help us better invest in our workforce, improve wellbeing and be a stronger presence for good in the community.

As part of our Positive Production program, we consulted with employees, management and NGOs in India, Vietnam and Thailand to ascertain the specific challenges and opportunities in these locations. For example, in India, we heard about the prevalence of class and gender-based discrimination.

Other issues presented to us included the combined burden of domestic and workplace labor for women, family planning, reproductive health problems and financial illiteracy.

Our consultation in Thailand identified climate change's impact on water and air pollution as a key local issue. Additionally, we noted a lack of inclusion and literacy, particularly amongst women, limited progression for women into senior roles and few development opportunities for women in rural areas.

We took advice from local and international NGOs, who provided us with recommended actions for all countries.



Photography Eric Valli

Part of our response was the establishment of the Asia Disaster Preparedness Center, covered on page 31.

The conclusions of our listening project told us to work on economic empowerment, financial literacy and inclusion in India, Vietnam and Thailand. At the same time, we can help our employees understand their rights. In our external supply chain, we are also taking steps to understand employees' challenges.

OUR EMPLOYEES' HIGH PRIORITY CONCERNS IDENTIFIED THROUGH OUR LISTENING PROJECT:

1. PERSONAL DEBT MANAGEMENT
2. ENVIRONMENTAL POLLUTION AND HEAVY RAINS
3. REPRODUCTIVE HEALTH – ACCESS TO ADVICE AND SERVICES

17



PARTNERSHIPS FOR THE GOALS

8



DECENT WORK AND ECONOMIC GROWTH

12



RESPONSIBLE CONSUMPTION AND PRODUCTION

04

FAIR PARTNERSHIPS

RESPONSIBLE SOURCING INITIATIVE

IN 2014, WE SET UP THE RESPONSIBLE SOURCING INITIATIVE (RSI), WHICH FOCUSES ON OUR EXTERNAL SUPPLY CHAIN. RSI MONITORS OUR SUPPLIERS' PERFORMANCE AND SUPPORTS THEM TO MANAGE THEIR WORKING CONDITIONS.

The RSI exists to ensure suppliers respect workers' rights and set the appropriate socio-environmental conditions at their production plants. It is a systematic, risk-based approach to assessing suppliers' performance against our Code of Conduct. We do this on two levels.

First, we use our Human Rights Guideline to help us assess human rights risks at a country level. This determines the countries we should restrict sourcing and manufacturing from or where we need to pay close attention to labor conditions.

In the second step, we use a material risk analysis to identify the supplied products that we want to monitor continuously. All supplied components in consumer-facing and branded products and finished goods fall into this category. In 2017 and 2018, we were proud to conduct nearly 200 audits in our suppliers' manufacturing sites across nine countries, reaching over 50,000 people.

The RSI helps us to ensure sound health, safety, environmental and labor standards through multiple tiers of our supply chains.

Our approach is based on Sedex Members Ethical Trade Audit (SMETA). We consider suppliers' existing policies, as well as third-party audits and certifications, including Responsible Jewelry Council, SMETA and SA8000. We work with suppliers so that they can remedy non-conformities based on a continuous improvement approach.



As the RSI matures and further integrates with our business, it increases our capacity to monitor and improve supply chain labor practices. We work closely with suppliers to drive continuous improvement.

Looking forward, we intend to further enhance our responsible supply chain practices and develop a consistent Responsible Sourcing approach within Swarovski Crystal Business.

Swarovski also sits on several industry groups that work on overcoming social and environmental challenges in the jewelry and colored gemstone industry, such as the Colored Gemstones Working Group (CGWG). See page 65 for more information.



CASE STUDY

RSI ENVIRONMENTAL PILOT

Alongside making a positive social impact on our supply chain, we also want to evolve our environmental impact through the RSI. We finished a pilot in 2018, which covered an assessment to identify the environmental challenges, risks and priorities for our supply chain. The pilot's aim was to help us develop a long-term environmental strategy across our supplier base.

Working with an external service provider and two strategic suppliers in China, the next step of this far-reaching pilot will investigate ten key target areas. The findings will allow us to configure an environmental performance benchmark that sets the standard for compliance. We will also better understand the environmental challenges suppliers face at site level. This will allow us to create a sustainable approach to these issues.



Swarovski employee, Thailand

Sorting Swarovski Crystals

17



PARTNERSHIPS FOR THE GOALS

8



DECENT WORK AND ECONOMIC GROWTH

12



RESPONSIBLE CONSUMPTION AND PRODUCTION

05

CONSCIOUS DESIGN

We aim to use the strength of our business and brand to promote collective action and to nurture generations of mindful designers.

05

CONSCIOUS
DESIGN

INTRODUCTION

SWAROVSKI BELIEVES THAT DESIGN CAN BE A DRIVING FORCE FOR SUSTAINABLE DEVELOPMENT AND CULTURAL CHANGE.

Through our Conscious Design program, we aim to inspire the design community and challenge them to consider the circular economy by using the Swarovski Upcycled Crystal. As an ingredient brand of choice for crystals throughout the design world, we believe we can influence that change.

Conscious Design means adopting principles of circularity and re-appraising waste as a resource. It means inspiring future generations of talented craftspeople and business leaders to transform those principles into practice.

We work with established and emerging designers and design schools to catalyze change.

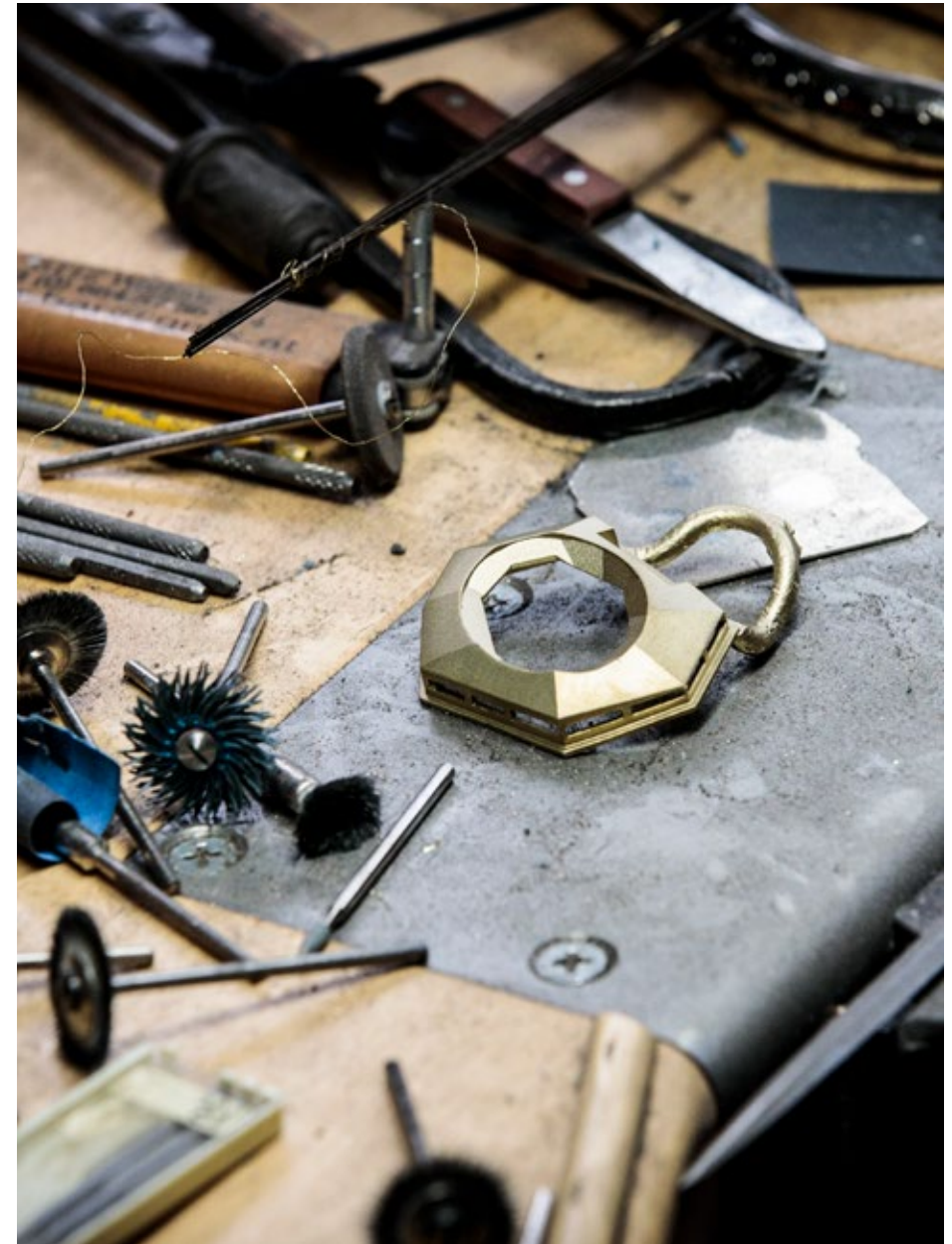
Our unrivalled network of high-profile collaborators across fashion, jewelry, architecture and design, gives us the influence to put sustainability at the heart of the creative process.

**SWAROVSKI
UPCYCLED CRYSTAL**

Our Swarovski Upcycled Crystal is defined as unused, unsold, imperfect, lightly used, and/or retired (out of program) crystals. We make these available to creative people who want to give Swarovski crystals a new life. Since the inception of our Upcycling Program in 2015, we have donated over 6 million crystals.

“CONSCIOUS DESIGN IS ABOUT HOW WE INSPIRE OTHERS – WE WANT TO MOTIVATE THE NEXT GENERATION OF OUTSTANDING DESIGNERS TO CREATE THEIR PRODUCTS AND COLLECTIONS RESPONSIBLY.”

Nadja Swarovski



Photography Eric Valli

17
PARTNERSHIPS
FOR THE GOALS

12
RESPONSIBLE
CONSUMPTION AND
PRODUCTION

05

CONSCIOUS
DESIGN

Joanna Perera, CSM project Vanishing Worlds, 2017



Emilia Wickstead, Spring/Summer '17

THE NEXT GENERATION OF DESIGNERS AND LEADERS

WE WANT THE NEXT GENERATION
OF TALENT TO LEAD OUR INDUSTRY
INTO A SUSTAINABLE AND
INNOVATIVE FUTURE.

As a responsible business with a longstanding commitment to the creative industry and young designers, we believe in our role to educate and collaborate with them to inspire positive action through the promotion of sustainability.

In the last two years we have run 22 Conscious Design projects across eleven design schools, all of which aim to integrate sustainability into their curricula. These projects included partnerships with the prestigious, international Parsons School of Design, London's Central Saint Martins and Savannah College of Art and Design.

At Central Saint Martins, with whom we have collaborated since 2001, we refocused project themes around sustainability. In 2017, our student project titled 'The Vanishing World'

encouraged Jewelry students to consider cultural, ethical and environmental loss while creating jewelry using Swarovski Upcycled Crystals. Our 2018 project 'Old Stock: New Jewellery' challenged students to disassemble unsold finished Swarovski jewelry and ornaments and transform them into new pieces, allowing the students to better understand circular design approaches and see worth in pre-existing materials.

In 2018, we partnered with UK charity Graduate Fashion Foundation on the Swarovski Sustainable Accessories Competition at Graduate Fashion Week, where 50 universities present graduating students' work. The award challenged final year BA students from participating member universities to create an accessory encompassing cultural, ethical or environmental change.

As well as our school partnerships, Swarovski took part in the Copenhagen Fashion Summit in 2017 by sponsoring the Youth Fashion Summit (YFS). YFS gives students from around the world a platform to drive the Sustainable Fashion agenda. Fifty students from 22 schools in 18 countries attended, building on their work with the SDGs. They created an inspirational draft UN resolution on fashion that was presented to the UN Global Compact Leaders' Summit in September 2017.

17



PARTNERSHIPS
FOR THE GOALS

12



RESPONSIBLE
CONSUMPTION AND
PRODUCTION

05

CONSCIOUS
DESIGN

EMERGING AND ESTABLISHED DESIGNERS

AT SWAROVSKI, WE SUPPORT
THE BEST CREATIVE TALENT TO
THINK SUSTAINABLY.



Kevin Germanier, Autumn/Winter '19

**"I AM VERY TOUCHED THAT SWAROVSKI HAS
A SUSTAINABLE APPROACH AND IS READY
TO SUPPORT YOUNG TALENTS IN A PROCESS
THAT CAN SOMETIMES BE DIFFICULT."**

Kevin Germanier, emerging designer



Recently, many of the world's most admired designers incorporated Swarovski Upcycled Crystals into their collections.

Sander Lak, creator of Sies Marjan and winner of the CDFa Swarovski Award for Emerging Talent 2018, is one example. Lak used over one million upcycled crystals to light up the runway at his Autumn/Winter 2019 New York Fashion Week show.

Emerging design talent Kevin Germanier was named the winner of the 2018 Swarovski & Vogue Talents New Generation Award. Recognised as a changemaker, Germanier is passionate about sustainability and makes it central to his design ethos.

Swarovski has supported Germanier through our upcycled program since his first graduate collection and continues to support him during fashion week presentations.

Germanier commented on Swarovski's support by saying:

"I feel very honored and grateful to have been selected by Vogue and Swarovski. The fact that two fashion giants trust my talent to create a sustainable collection sends such a powerful message. I was very happy to be provided with upcycled crystals by Swarovski. I am challenging opinion about what sustainable fashion should look like."

"You can still create glamorous, feminine and sexy collections, you just need to be smart about decision-making."

Additionally, the Commonwealth Fashion Exchange saw us work with Eco Age and the Commonwealth on a project championing creativity, craftsmanship and sustainability. We united designers, such as Stella McCartney, with artisans from the Commonwealth to create innovative capsules. These were retailed by MatchesFashion.com and showcased in London and New York.



Kevin Germanier, Vogue Paris Fashion Festival, 2018

LOOKING FORWARD

Looking to the future, we aim to formalize the Conscious Design program. We want to strengthen the program by establishing key performance indicators and internal goals.

We aim to grow the availability of Swarovski Upcycled Crystal and increase recognition of social sustainability within our design collaborations.

17



PARTNERSHIPS
FOR THE GOALS

12



RESPONSIBLE
CONSUMPTION AND
PRODUCTION

06

SUSTAINABLE INNOVATION

We aim to pursue innovative uses and applications for our crystals, and seek to influence the materials used within our products in ways that support people and planet.

06

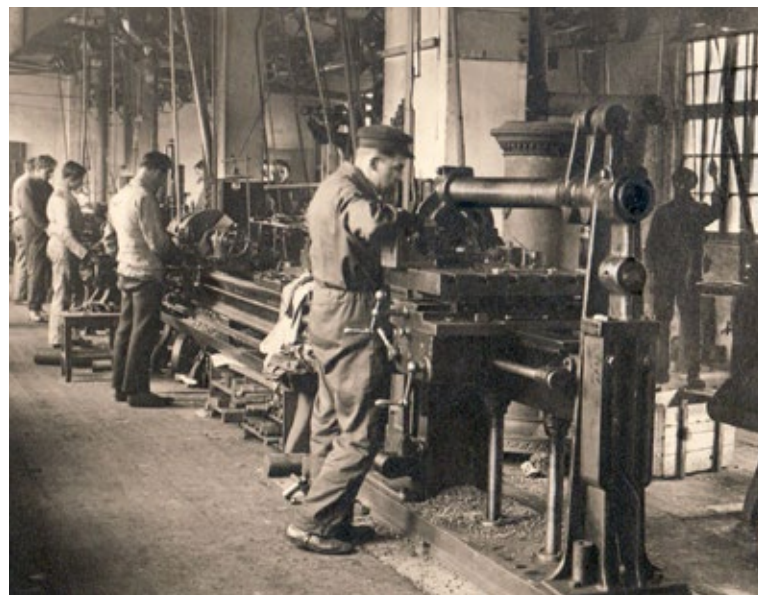
SUSTAINABLE INNOVATION

INTRODUCTION

WE CHANNEL OUR FOUNDER'S PIONEERING, YET RESPONSIBLE, SPIRIT IN OUR APPROACH TO SUSTAINABLE INNOVATION.

We want to explore new applications for our crystals, influence the materials used in our products and develop services that contribute to the circular economy. The modern world must innovate to address today's most pressing social and environmental challenges.

While breakthrough innovation has the potential to revolutionize our collective future, we must act in the meantime. Incremental and continuous improvement in our operations can deliver immediate, positive impacts.



Swarovski Factory, Wattens, Austria, 1920

INNOVATIONS IN OUR PRODUCTION FACILITIES

Sustainable Innovation is embedded into our day-to-day operations. In our Wattens glass factory, we invested in new burners that use oxygen fuel technology. They melt crystal glass, significantly reducing energy consumption and carbon emissions compared to conventional air combustion.

Additionally, the burners save 10 tons of dust per year – an 80% reduction from the previous process. Filter dust is classified as hazardous waste, so this reduces our waste disposal footprint.

We are also currently investigating several waste streams for recycling potential. We have closed loops on rare earth recycling (used for polishing) and conducted feasibility studies and technical assessments on other streams too.



Swarovski water treatment facility in Wattens, Austria

CRYSTAL PEARL RAW BEAD RECYCLING

We produce crystal pearls at our facility in Pune, India. We employ an innovative burning process where the waste material is converted to recycled raw beads for re-use. The process also reduces the number of raw beads we need to produce. In turn, this saving minimizes our energy consumption and environmental impact.

NEW UV-BASED EXHAUST PURIFICATION PLANT

Many paint processes release volatile organic compounds (VOCs) and ours is no different. Previously, we captured VOCs from our air emissions using wet scrubbers, which resulted in waste water. We have now installed a UV-based exhaust air treatment plant that uses ultraviolet radiation. This innovation has led to a further reduction of VOCs and the elimination of water usage.

STATE-OF-THE-ART CRYSTAL CLEANING AND DRYING PROCESS

At our Wattens production site, we use the latest technology in washing and drying machines to give our crystals the signature Swarovski sparkle. Our newly installed cleaning and drying processes use 20% less chemicals and recycle 90% of the heat produced during the water cycle. Our new drying equipment requires 30% less energy than the old drying system.

NEW INJECTION MOLDING TECHNOLOGY IN GLASS FACTORY

We invested in cutting-edge injection molding technology for our glass factories. They use an 'injection ring' for each station and reduce waste glass by 50%. This means a higher yield is harvested from each melting batch too. On average, each melting batch now yields 86% more pieces.

17



PARTNERSHIPS FOR THE GOALS

7



AFFORDABLE AND CLEAN ENERGY

12



RESPONSIBLE CONSUMPTION AND PRODUCTION

06

SUSTAINABLE
INNOVATION

PACKAGING INNOVATIONS

All Swarovski Business Units have implemented eco-design principles and standards for all product packaging. This means, amongst other improvements, that in future we will avoid wrapping products in plastic, wherever possible. We have also reduced the quantity of different materials used, increasing packaging recyclability. As an example, we use a single quality of paper for all our boxes.

At our Wattens site, we replaced our existing shipping cartons with new versions that do not require the use of adhesive. As we ship almost 160,000 boxes per year, this is an impactful measure environmentally, as well as saving our colleagues' time. Our cardboard shipping boxes are made from 100% sustainable sources and carry the FSC certification.

We continue to carefully analyze our packaging and transport and aim to reduce their environmental impacts across Swarovski Crystal Business.



Swarovski hydropower water inlet, Wattens, Austria

50

17



PARTNERSHIPS
FOR THE GOALS

7



AFFORDABLE
AND CLEAN
ENERGY

12



RESPONSIBLE
CONSUMPTION AND
PRODUCTION

CASE STUDY

MANUFAKTUR

MANUFAKTUR IS THE CRYSTAL ATELIER OF THE 21ST CENTURY. BASED IN WATTENS, AUSTRIA, IT IS OUR STATE-OF-THE-ART, SUSTAINABLY DESIGNED RAPID-PROTOTYPING FACILITY.

We opened Manufaktur in Fall 2018, along with Campus 311. The design, a collaboration with future-thinking Norwegian architects Snøhetta, is intended to foster creativity.

The intention behind the 7,000m² space is to encourage fast prototyping of new crystal shapes and cuts. We can instantly create these unique designs with our clients.

The Manufaktur building demonstrates our commitment to Sustainable Innovation by achieving LEED (Leadership in Energy and Environmental Design) Gold certification.

Campus 311, the site of Manufaktur, used to be our cutting hall. Once upon a time, we produced countless crystals here. As we update our heritage, the old hall has been transformed into a new, contemporary office with co-creation and collaboration at its core.



Swarovski Manufaktur, Wattens, Austria

51



07

OPERATIONAL SUSTAINABILITY

We aim to use our vertically integrated business model to drive responsible practices within our operations and supply chain and to minimize our impact on the world.

07

OPERATIONAL
SUSTAINABILITY

INTRODUCTION

OUR VISION FOR
SUSTAINABILITY DRIVES US
TO SPARK POSITIVE CHANGE
ACROSS OUR INDUSTRY FOR
BOTH PEOPLE AND PLANET.



Packing Swarovski finished jewelry, Thailand

**FOR US, OPERATIONAL
SUSTAINABILITY ENCOMPASSES
THREE THINGS:**

1. HOW WE TREAT
OUR PEOPLE
2. HOW WE SOURCE AND
MAKE OUR PRODUCTS
3. HOW WE GIVE
BACK TO SOCIETY

OUR MANAGEMENT APPROACH

At Swarovski, sustainability is endorsed and guided from the highest level. Strategic sustainability decisions, like all other major corporate decisions, are made by the Executive Board. This means we engage senior leadership and align our approach to sustainability with key commercial strategy.

MANAGING OPERATIONS

The improvement of social and environmental governance, systems, standards and certifications is a continual program at Swarovski. It covers all our business units, manufacturing and production sites and our external supply chain.

We are also developing a common framework of KPIs and centralized data collection. The framework will ensure a consistent approach to monitoring, reporting and driving our progress.

ENVIRONMENTAL MANAGEMENT

As a responsible business with global manufacturing facilities, managing resources sustainably is integral to our success. We continuously innovate to find sustainable ways of sourcing materials and making and distributing crystals and finished products. We record our environmental footprint in detail. This includes greenhouse gases, energy consumption, waste, water and more. See page 70 for more information.

For the Swarovski Crystal Business, environmental impact matters on a global scale. Sustainable energy is a particular area of focus. We use environmental management systems, KPIs, measurement and reporting to ensure that energy reduction remains a key priority for our business.

In 2017, our US operation demonstrated its intent to support sustainability by signing the We Are Still In declaration. (www.wearestillin.com/about) As such, we remain committed to the UN's Paris Agreement and are part of the global effort to hold climate warming well below 2°C.

PEOPLE MANAGEMENT

Swarovski's most valuable asset is its people. By simplifying and standardizing people-related tasks, our people management system helps us work more consistently and make better people decisions. It also empowers managers and employees by providing easier access to information and more useful data for making people decisions across Swarovski.

INTEGRITY CHARTER

In the tradition of our founder, we expect Swarovski people to act with integrity. Our Integrity Charter sets out our commitment to that intention. As part of our Lifelong Learning program, we have developed a mandatory e-learning module on the topic for Swarovski employees. Completion rates tripled after an internal campaign to highlight its value. 85% of employees around the world have completed the module.

07.1

OPERATIONAL
SUSTAINABILITY

HOW WE TREAT OUR PEOPLE



Production employee, Wattens, Austria

OUR PEOPLE PLAY A PIVOTAL ROLE IN OUR SUCCESS. WE ALSO KNOW THAT OUR BUSINESS BECOMES MORE SUCCESSFUL THANKS TO THE DIVERSITY OF PEOPLE WE EMPLOY.

We seek to increase diversity and foster an inclusive work environment by building leadership capability and organizational capacity.

Swarovski can draw the best talent by becoming even more attractive as an employer. We can achieve this by striving to empower our people through equal learning and development opportunities. We also work hard to ensure they are happy and fulfilled with us and have access to the tools and resources they need to be their best selves.

EQUALITY, DIVERSITY AND INCLUSION

At Swarovski, we understand that to be an attractive employer and successful business we need to nurture an engaged, diverse workforce in an inclusive working environment.

We strive to create a work environment where people feel respected and valued, and where they are free to be themselves. We promote a healthy work-life balance, equal access to career development and, where appropriate, options for flexible working.

Gender, ethnicity, age, sexual orientation, disability or any other characteristic should never be a factor in recruitment, promotion, pay or other decisions.

We remunerate and reward our people based on performance and contribution through a transparent approach. In line with national legislation, we published our 2018 Gender Pay Gap Report. (www.swarovskigroup.com/S/home/footer/Swarovski_UK_Gender_Pay_Gap_Report_2018.pdf)

BREAKING BIAS

The latest research identifies unconscious bias as one of the key hurdles to creating an inclusive and diverse workforce. The central challenge is to remove bias from people and business decisions. In 2018, we partnered with global research organization, The NeuroLeadership Institute. Together, we offered employees online training on unconscious bias. Our pilot engaged 113 employees in 18 countries. The well-received training achieved a 72% completion rate and many leaders requested additional training. We are working on rolling out this e-learning to more colleagues over the next few years.

07.1

OPERATIONAL
SUSTAINABILITY**MONITORING
OUR PROGRESS****WEP GENDER GAP
ANALYSIS TOOL**

Swarovski has long held a commitment to gender equality. As such, we signed the UN Women's Empowerment Principles (WEPs) in 2014. The WEPs consist of seven principles that help companies promote gender equality in the workplace, marketplace and community.

We are utilizing the WEPs Gender Gap Analysis Tool to assess how well the seven principles have been integrated into our business.



Inspecting Swarovski Crystal, Thailand

The results and recommendations will help us improve our commitment to gender equality and embed more inclusive behaviors in our business.

EDGE DIAGNOSTIC

The Economic Dividends for Gender Equality (EDGE) assessment also helps us evaluate gender equality in our business. Our first EDGE diagnostic pilot took place in our home country of Austria in 2017. The results will enable us to design and develop policies and processes that create a gender-balanced and diverse talent pool.

CASE STUDY**THE FUTURE IS
EQUAL CAMPAIGN**

On International Women's Day (March 8, 2018), Swarovski launched a worldwide campaign called 'The Future Is Equal'. The inspirational campaign aims to encourage action that advances equality and raises awareness about diversity and inclusion. It was also an opportunity to celebrate the many achievements of women.

As part of the campaign, Take Action cards were distributed throughout our organization by a network of ambassadors. Showing simple actions to advance equality, the cards encouraged employees to share photos and pledges on social media, tagged

#TheFutureIsEqual.

As well as cards, we produced Action Packs containing event organizer guidebooks, an introductory guide to equality, posters, stickers and other educational assets. Over 40 Swarovski locations across the world hosted engaging events and activities that promoted action on equality. Alongside the Executive Board and senior leaders showing their support for gender equality, approximately 12% of employees added their voice to the campaign.

The Future Is Equal is not just for employees. Through social media, we invited the world to join us. As a globally recognized luxury brand, we used the power of our voice to advocate change and galvanize action. In an innovative move, we even took over the Swarovskigroup.com website for a week of equality-centered content.

**THE FUTURE OF
THE CAMPAIGN**

The Future Is Equal campaign was not a one-off. With an already established heritage of supporting gender equality, we will continue to grow support for our message in the future.



“**SWAROVSKI IS DELIGHTED TO PLAY ITS PART IN ADVANCING EQUALITY AND CREATING LASTING POSITIVE CHANGE. THERE IS NO BETTER TIME THAN NOW TO COMMIT TO AN INCLUSIVE WORLD FOR ALL.**”

Nadja Swarovski

07.1

**LEARNING AND
DEVELOPMENT**

Offering employees opportunities to learn and develop is an important part of being a Responsible Business.

GLOBAL RETAIL ACADEMY

The Global Retail Academy further developed its support for the leadership journey through the launch of a Retail Sales Management program. It aims to empower and develop our Area/District and Account Managers, offering in-depth learning on topics such as Adaptability, Line Management leadership and Lateral Leadership in our Consumer Goods Business.

To upskill and empower our Training Managers around the globe, we launched a Global Training Managers Academy. The new Academy takes our Training Managers on a journey spanning their career at Swarovski, which includes on-boarding and development in fundamental areas such as facilitation skills and coaching. It also includes enhanced Master Trainers certifications, like psychometrics, to be used for personal development of our retail management teams.

LEADERSHIP TRAINING

Everyone at Swarovski deserves a great leader. Therefore, it is important we enable leaders to develop their skills. Leadership is a key quality at every organizational level and developing it should be an ongoing process, not a one-off intervention.

Our Leadership Academy is a global initiative across a variety of business units. Since joining our strategic partner, Hult Ashridge Executive Education, in 2014, we developed 565 high potential leaders by December 2018. Leadership Essentials, also a global program, is for new managers and leaders.

In Thailand, we run the 'Facets' Leader Development Program. This training initiative creates effective, efficient people management skills at manufacturing sites.

MENTORING

We started our formal mentoring program for rising and high-potential talent in 2014. Currently, over 400 mentor and mentee pairs are connected globally and 58% of mentees are women.

Mentoring helps people achieve their potential. Our program has many transformative benefits, including increased leadership trust, improved employee engagement and a better networked organization. It can also provide support for early career female talents and establish resilient strategies for coping with change.

We believe mentoring should be an inclusive opportunity for all talented individuals. Mentoring offers the power to create a more diverse leadership pool and a greater culture of inclusion. Over 95% of Swarovski mentees believe the program has aided their development.

NEW JOBS**APPRENTICESHIPS**

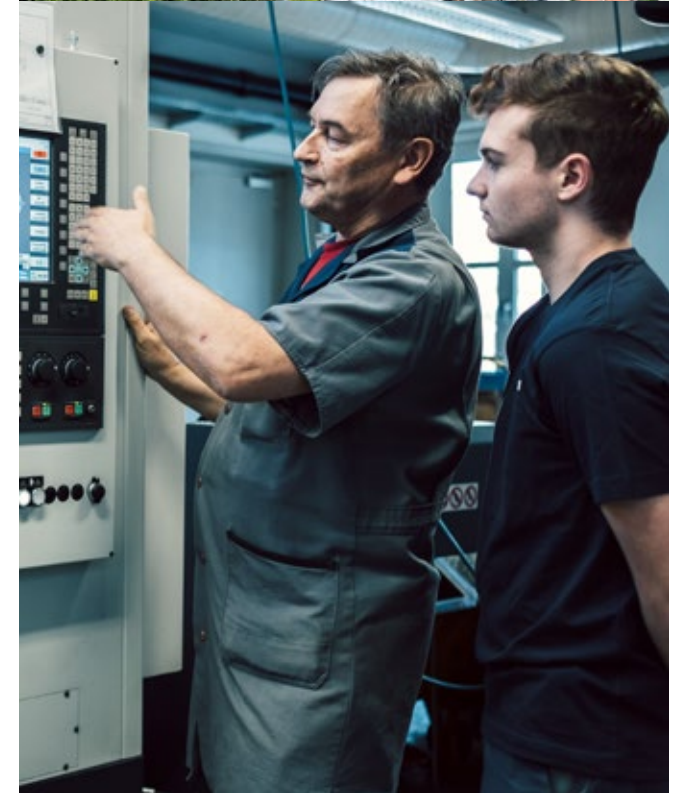
A diverse Swarovski apprenticeship scheme is active in several countries. In Germany, for example, our apprenticeships focus on office and retail roles. Our Austrian program, however, recruits more technical apprentices.

In Wattens, with the largest number of apprentices, we operate a Training Workshop, as well as schools for Mechanical and Process Engineering. Our training is targeted towards professional areas, including crystal cutting and chemical technology. Depending on the specific roles, programs run for between two and a half to four years.

We have been training apprentices for 60 years, with 1,450 employees successfully completing a Swarovski apprenticeship worldwide. In 2017, we were nominated for the Austrian Best Training Companies State Prize.

Our performance-based promotion scheme is one reason that Swarovski apprenticeships are so attractive. We also keep teaching and learning methods up-to-date, employing innovative features such as a robot laboratory and usage of virtual reality.

Tyrolean scenery, Wattens, Austria



Apprenticeship scheme, Wattens, Austria

CASE STUDY

UPSKILLING PRODUCTION EMPLOYEES PROJECT

There is a demand for highly-skilled technical workers throughout Austria, including in our production site in Wattens. To meet this demand, we developed a ground-breaking upskilling program offering temporary workers who want to move into full-time employment the opportunity to earn a professional qualification in production processes. The objective of the program is to provide temporary workers, the majority of whom are women, with more opportunities for long-term employment, better education, higher income and better career prospects. It also helps us to meet our demand for a high-skilled workforce. The 14-month training program, open to shop-floor staff from Wattens, is facilitated by a local educational institution that provides detailed tuition on skilled production processes.

Alongside the qualification we offer a Swarovski traineeship at our production site in Wattens. The program concludes with an exam, qualifying participants for a process engineering apprenticeship with us or elsewhere.

Our first cohort of 15 enrolled in 2017. All trainees had their fees covered whilst receiving a wage, allowing participants to earn an income whilst learning. We were delighted that at the end of the program all participants decided to continue working for Swarovski. Through this scheme we hope to inspire more people to enter the technical professions we need at Swarovski.

Upskilling production employees cohort, Wattens, Austria



Employees taking part in wellbeing initiatives at Swarovski, Thailand

WELLBEING

CONSCIOUS LIVING

Each Swarovski local office coordinates a number of wellbeing initiatives – from nutritious, free food to fitness centers and informal clubs – while also striving to embed our sustainability and wellbeing commitment into daily office routines. Past activities include introducing recycling schemes, promoting greener transport and observing international campaigns, such as Earth Hour.

Swarovski implements local opportunities for its employees, such as lunch lectures, talks, workshops and policies, with the aim of raising awareness and engagement on the topic of sustainability. These include updates on what the company is doing at a corporate level and information on how to live a more sustainable life at an individual level. We call this program Conscious Living.

07.2

OPERATIONAL
SUSTAINABILITY

HOW WE SOURCE AND MAKE OUR PRODUCTS

MAKING A POSITIVE CONTRIBUTION STARTS WITH OUR OWN OPERATIONS. THAT MEANS DRIVING EFFICIENCIES AND CONTINUOUS IMPROVEMENT SO THAT OUR 29,000 EMPLOYEES SOURCE AND MAKE SWAROVSKI PRODUCTS RESPONSIBLY.

We lead many different initiatives in every distinct stage of our value chain. From sourcing raw materials to manufacturing and selling our products, we always consider how to address global sustainability challenges.

SOURCING

From factory conditions to materials sourcing, we want the RSI (Responsible Sourcing Initiative, see page 36) to become the standard that guides our business. We aim to source gold from certified sources, such as Responsible Jewellery Council (RJC) or London Bullion Market Association (LBMA) refiners.

As a recognized brand, Swarovski must play a part in accelerating industry change.

That is why we established the Colored Gemstones Working Group (CGWG) with other luxury brands and mining companies. CGWG works to appreciate more clearly the risks and opportunities from sourcing and producing colored gemstones.

The Group is helping us develop a Due Diligence Framework for the industry. We also collaborate on designing training materials for businesses to better understand both organizational and industry-wide sustainability issues.

Supply chain transparency is of prime importance in the gemstone industry. As such, we act to increase transparency and support more responsible practices.



Fairtrade Max Havelaar for
Atelier Swarovski, Peru.
Photography Eduardo Martino.

CASE STUDY

TOPAZ SOURCING

In 2018, we transitioned 100% of our topaz sourcing to traceable sources. Our Swarovski Genuine Topaz is responsibly sourced from artisanal mining communities in Sri Lanka and a mining co-operative in Rondônia, Brazil.

In Brazil, these stones are all traceable back to the single pit they were extracted from. By buying at market price and exporting topaz, a by-product of tin-mining, we help workers legalize and diversify their income. This collaboration also allowed us to test tools developed as part of CGWG, so the positive outcome will alter the way other industry players operate.

More than simply pursuing traceable sources of topaz, we want to bring lasting change to local communities. Which is why we are working on establishing a community project with local NGOs that tackles some of the most serious issues in the area.

We also committed to expanding our learnings into other gemstone categories.



Swarovski Gemstones

RESPONSIBLY SOURCED JEWELRY

In Spring 2018, Atelier Swarovski launched a landmark collection: its first fine jewelry using Fairtrade gold. The new range included both Swarovski Created Diamonds and laboratory-grown emeralds. Atelier Swarovski also made a commitment to use responsibly sourced gold in future fine jewelry collections.

At the 2018 Cannes Film Festival, Oscar-winning actress, Penelope Cruz, showed off a fine jewelry collection using Swarovski Created Diamonds alongside created rubies and sapphires, all set in Fairtrade gold.

The 2018 collection uses Fairtrade gold sourced from the Peruvian Cooperative Minera Limata. The cooperative's environmentally responsible gold mining initiative provides additional income for local alpaca breeders. This extra income plays a positive role in securing the sustainable development of the Limata community.

Fairtrade Max Havelaar for Atelier Swarovski, Peru.
Photography Eduardo Martino.



Atelier Swarovski by Penélope Cruz Fine Jewelry

07.2

**MANUFACTURING
AND OPERATIONS****SWAROVSKI CRYSTALS**

In 2018, we initiated a project to explore the environmental impacts of the raw ingredients that create our signature crystal. In cooperation with impact assessment experts, Trucost, we analyzed the extraction and processing of 53 raw materials used in the production of Swarovski crystal. The analysis was based on 99.9% of annual raw material in tonnage across a series of eight environmental impact categories, such as greenhouse gas emissions, ecotoxicity and water consumption.

The approach to evaluating the environmental impacts of Swarovski crystal raw materials considered the production process, excluding cutting, polishing and distribution. Whilst shedding light on where we can focus our efforts to improve impacts, this project has also enabled the comparison of crystal with other jewelry materials.

**SWAROVSKI CREATED
STONES**

Created Stones are innovative, manmade materials. We control a tightly-managed supply chain that respects human rights and the environment.

Swarovski Zirconia was the first of its kind on the market. Since 1976, it has been acknowledged as the

highest quality, most precisely cut zirconia available. While zirconia is a manmade finished product, its raw materials are mined, so we have been careful to visit our suppliers.

We go even further with Swarovski Ceramics as we make the material and own the entire process. Swarovski Ceramics ceramic is a high-tech material. For Swarovski, true quality means more than simply providing the perfect cut, clarity and color. First and foremost, it's about responsibility – at every stage in the development of our stones and to the highest possible standards.

**SWAROVSKI CREATED
DIAMONDS**

We also use lab-created Swarovski Created Diamonds, which are identical to mined diamonds.

They are 100% carbon and have the same hardness, brilliance and fire as natural mined diamonds. The only difference is that their origin is a laboratory, not the earth.

Swarovski Created Diamonds are hand-selected and graded in the same manner as mined diamonds, as per the 4Cs of clarity, color, cut and carat weight. As always, Swarovski Created Diamonds are cut to the highest standards. Larger diamonds are accompanied by a lab report from the International Gemological Institute.

HEALTH AND SAFETY

Occupational safety is an important concern for us across our whole value chain. We have integrated a formal Health and Safety Policy into all our operations to ensure we always act responsibly.

External certifications and our internal labor assessments verify that our policy is followed.

We have also conducted Health and Safety programs aimed at boosting risk and safety awareness. It is our intention that Health and Safety should be embedded into the culture of the Swarovski business.

**CERTIFICATIONS AND
RE-CERTIFICATIONS**

One of the workstreams of our Positive Production program aims to certify our production sites against recognized international sustainability standards. For example, ISO 14001 and ISO 50001 for environmental and energy management respectively, ISO 45001 or OHSAS 18001 for health and safety management, and SA8000 or the completion of a SMETA audit for working conditions. As these standards help us achieve and maintain our RJC Code of Practices (COP) certifications, those sites that have not yet achieved these required standards have a clear timeline for their certification.

At our suppliers' sites, our Responsible Sourcing Initiative (RSI) monitors performance and supports our suppliers to manage their working conditions. We also require suppliers to sign and comply with our Supplier Code of Conduct.

**IN 2017 AND 2018, WE
SUCCESSFULLY ACHIEVED****SMETA or SA8000**

Subotica, Serbia: audits passed in 2017 and 2018
 Bien Hoa, Vietnam: audits passed in 2017 and 2018
 Bangplee, Thailand: audits passed in 2018
 Wattens, Austria: audits passed in 2018
 Pune, India: certified 2018

ISO 14001

Ayutthaya, Thailand: certified 2017
 Pune, India: certified 2018

ISO 5001

Bangplee, Thailand: certified 2018

OHSAS 18001

Bangplee, Thailand: certified 2018
 Pune, India: certified 2018

RJC 2013 Code of Practices (COP):

Swarovski for Professionals: Certified 2017
 Swarovski Gemstone Business: Certified 2018
 Chamilia: Certified 2018

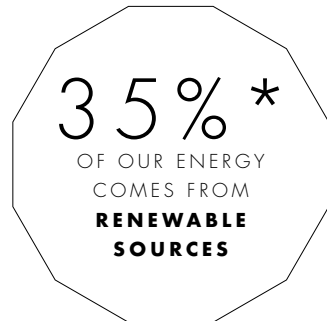
07.2

OPERATIONAL
SUSTAINABILITY

ENERGY USE AND CARBON EMISSIONS

We know our main crystal manufacturing site in Wattens uses significantly more energy than our other facilities. So we established a charter with a goal to reduce the site's energy consumption by 25% by 2025 (versus 2015 baseline). This saving is equivalent to the annual energy consumption of 21,000 Austrian households. Additionally, we will seek to increase our use of renewable energy.

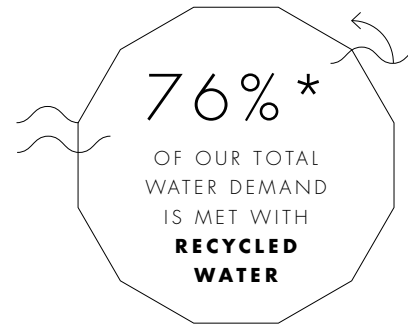
- Dedicated teams are investigating options to use renewable energy sources instead of natural gas, such as self-produced hydrogen or methane.
- The installation of a solar in Thailand provided 1.417 MW of power in 2018



Daniel Swarovski located his business in Wattens knowing the power of the Wattenbach rivers would help him produce crystals. Today, 35% of the energy use at our manufacturing and production sites worldwide comes from renewable sources.



Waste water treatment facility, Wattens, Austria



WATER USE

Recycled water meets 76% of our water requirements across our manufacturing and production sites. At Wattens, our closed-loop wastewater treatment system cleans and recycles 99% of the water from our crystal-cutting process. After this, it is channeled through the municipal water treatment plant and returned to the Inn River. Consequently, the volume of water we discharge has declined 33%.

WASTE GENERATION

Of the waste we generate in our production processes, 37% is recycled, reused or composted. Recycling all rare earth minerals used to polish our crystals creates an 80% to 95% yield. Between 2014 and 2018, waste from our production process fell by 14%.



*2018 performance data across our manufacturing and production locations

RETAIL

TRIPLE S

Our monobrand Swarovski stores are created according to our internal Triple S (Swarovski Sustainable Stores) guidelines. These guidelines are based on the LEED certification process.

In 2019, we are excited to be unveiling the first tests of our new store concept. Each of these stores will adhere to the highest LEED certification standards.



Swarovski store

07.2

OPERATIONAL SUSTAINABILITY

PRODUCT SAFETY

Through innovation, we continuously strive to stay ahead of existing product safety legislation. As consumer interest in transparency grows, so will our competitive advantage in this area.

As an example, we take a rigorous approach to optimizing the chemical content of our products through our Restricted Substance Safety Policy program, CLEAR. This is one control of our broader Product Compliance program, established by the Executive Board in 2009.

THE MOST RESPONSIBLE ADVANCED CRYSTAL

Swarovski crystal is crafted using our Advanced Crystal standard. Advanced Crystal is an innovative, lead-free* formula which is patented by Swarovski in the US, Japan and 16 European countries. In addition, the Swarovski Ceramics' raw material is produced at our production site in Wattens. It follows the CLEAR standard and its innovative formula is lead-free* and arsenic-free.

By establishing stringent, industry-leading global standards for the management of chemical substances, we maintain strict control over our use of them. Our Restricted Substance Safety Policy program, CLEAR, mandates us to systematically manage, restrict and eliminate harmful chemicals from our products and supply chain. It is a mandatory standard for all product development involving chemicals. REACH, the EU's chemical compliance initiative, is fully integrated into CLEAR.

Our CLEAR program is obligatory for our global manufacturing facilities and all suppliers producing on Swarovski's behalf. Adherence to this policy ensures we remain ahead of chemical compliance legislation, whichever market we operate in.

NEW COLOR SCARLET WITHOUT CADMIUM

Using our expertise in technical innovations, we have developed a new scarlet color crystal that is both lead-free* and cadmium-free. The new color produces a striking red without the use of toxic chemicals.

*Crystal glass and all other materials containing 0.009% lead or less.

“ADVANCED CRYSTAL HAS RAISED THE BAR FOR QUALITY AND SUSTAINABILITY IN THE INDUSTRY, OFFERING OUR CUSTOMERS CRYSTAL OF THE HIGHEST QUALITY, WHILST ENSURING OUR PRODUCTS MEET AND SURPASS LEGISLATION, REGULATIONS AND INDUSTRY STANDARDS.”

Swarovski Gemstones employee, Thailand



United Nations Sustainable Development Goals Crystal Pin

07.3

OPERATIONAL
SUSTAINABILITY

HOW WE GIVE BACK TO SOCIETY

OUR TRADITION OF CARING FOR PEOPLE AND GIVING BACK TO SOCIETY CAN BE TRACED BACK TO 1895 AND OUR FOUNDER. DANIEL SWAROVSKI HAD A CLEAR VISION THAT THE RESPONSIBILITIES OF THE BUSINESS INCLUDED HELPING FUTURE GENERATIONS FLOURISH.

His commitment to philanthropy and charitable giving remains central to the way Swarovski runs its business today, five generations of family members later. We believe in offering our support to local communities and inspiring young people through positive education.

SWAROVSKI WATERSCHOOL

We have always understood that water is our world's most precious resource. Today, Swarovski is empowering future generations to conserve it.

In 2000, we established our flagship community investment program, Swarovski Waterschool. This inspiring educational initiative empowers children aged 8 to 18 to become 'water ambassadors' who understand and practice sustainable water use. Located near seven key water sources or sheds, the Waterschools work alongside local NGOs to engage students and their communities.

"IT'S VERY IMPORTANT TO PROTECT THE ENVIRONMENT BECAUSE THE EARTH SHOULD BE ENJOYED NOT ONLY BY THIS GENERATION, BUT ALSO BY FUTURE ONES. I DO THINK THAT THOSE WHO UNDERSTAND THE CONSEQUENCES CARE MORE ABOUT THE ISSUE."

Selina, Waterschool Student in Austria

Teaching the program's three key themes – access to safe water, water education, sanitation hygiene and health – helps young people ensure long-term availability of clean water for all.

The Waterschools have a significant impact on students. In addition to educating students on water conservation, the program also helps improve sanitation facilities in schools, which leads to a decrease in absence rates. Vimla Rawat, Principal of SVN Pashulok in India says: "We are very grateful to the Waterschool team for making our children's lives better by providing improved sanitation facilities."

Swarovski Waterschools have trained nearly 10,000 teachers in 2,400 schools. As a result, the program has reached an incredible half a million students across seven countries. Yang Ruiping, a student in China, sums up the Waterschool message: "Every family has a responsibility to take part in water conservation. For example, when you are brushing your teeth you can turn the tap off to save water in the home, or you can recycle water from washing to water plants with."

Swarovski Waterschool, India

07.3

OPERATIONAL SUSTAINABILITY

2018 WATERSCHOOL UPDATE

USA

Held first three Waterschool Camps for kids

Organized Annual Water Festival involving **500 local students** from six schools to raise awareness of water-related issues

BRAZIL

Engaged **551** students and 277 teachers on the environment and sustainable water use

Planted **400** trees in 15 schools with the participation of 3,300 students

Provided new water filters for **2,500** students in 20 schools

Transformed 37 schools' infrastructure from "critical" to "adequate"

AUSTRIA

Engaged **4,400** students and 175 teachers in 2018

CHINA

Launched environmental protection activities with 15 schools across Fulong River, benefitting **230,000** people

THAILAND

Assisted **700** students and 45 teachers in four schools

INDIA

Trained **1,200** students on water basics and water conservation techniques

Provided portable water filters for 18 schools, granting safe drinking water to **2,100** children

Supported **4,500** students at 24 schools in Rishikesh with improved hand-washing and sanitary facilities

UGANDA

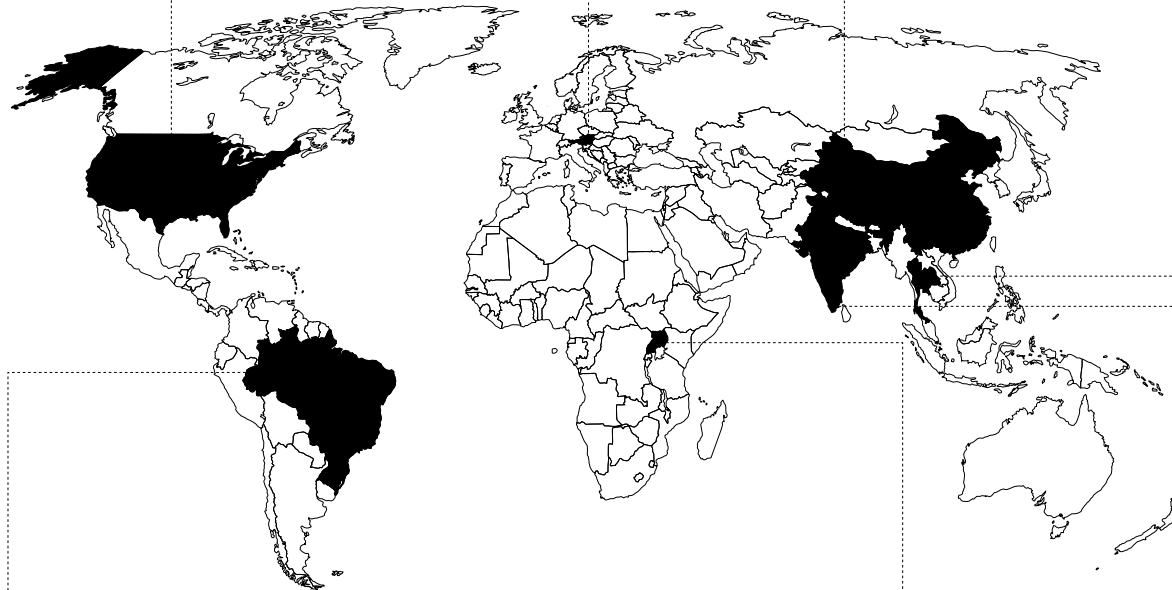
Offered training on menstrual management which increased **girls' attendance by 18%** over 2 years

Provided **10** schools with water purifiers and 20,000 liter ferro-cement tanks

Cut WASH-related diseases by **24%** over two years in Kihhi

LOOKING AHEAD

In 2019, our main goal is to communicate and act on our Calls to Action within our Waterschools with our customers and employees. Our Calls to Action are: care about water, stop plastic pollution, protect your health.



07.3

OPERATIONAL
SUSTAINABILITY

WATERSCHOOL FILM

Swarovski is proud to have co-produced a compelling new film, *Waterschool*, with the prestigious UCLA School of Theater, Film and Television (TFT). The film, which launched at the 2018 Sundance Film Festival, was created by graduate film students and co-produced by Nadja Swarovski and UCLA TFT Dean Teri Schwartz.

Waterschool shines a light on one of humankind's greatest issues: how to safeguard the supply of fresh water. The documentary follows the experiences of several young female students who live along six of the world's most significant rivers.



Swarovski Waterschool, Brazil

The film debuted in 190 countries via Netflix in Summer 2018 and serves as a reminder of the power of education – with the support of the business community – to transform lives and tackle the world's crucial environmental issues.

In parallel with the release, we are giving free access to our teaching materials through the Swarovski Waterschool website, as well as promoting individual actions through our Calls to Action.



Swarovski Waterschool, China

“WATERSCHOOL WILL ALWAYS REMAIN WITH ME AND I’LL ALWAYS REMEMBER THAT WE HAVE TO KEEP A POSITIVE ATTITUDE AND DO THINGS WITH LOVE AND CARE – ESPECIALLY TAKING CARE OF WATER, LIKE WE TAKE CARE OF FAMILY.”

Rose Kelly, Waterschool Student in Brazil

SWAROVSKI FOUNDATION

ESTABLISHED IN 2013, THE SWAROVSKI FOUNDATION BUILDS ON FIVE GENERATIONS OF PHILANTHROPY AND GENEROSITY FROM THE SWAROVSKI FAMILY. CHAIRED BY NADJA SWAROVSKI, ALL TRUSTEES ARE INTERNATIONAL EXPERTS FROM KEY FIELDS, INCLUDING HUMAN RIGHTS, ECONOMICS AND LAW, AND ENSURE THAT THE MISSION OF THE FOUNDATION IS ACCOMPLISHED.

The Swarovski Foundation's mission is to uphold our rich heritage by supporting charitable initiatives and organizations. It focuses on three pillars:

1. Fostering culture and creativity
2. Promoting human empowerment
3. Preserving the environment

The Swarovski Foundation helps to promote creativity in the fashion and jewelry industries. We support Nest, an organization that works to enable the social and economic advancement of artisans around the world through global workforce inclusivity, improves women's wellbeing, and preserves cultural traditions of local crafts.

The Swarovski Foundation supported the Nest Artisan Accelerator program, which empowers promising artisan businesses in fashion and home design to become participants in the international marketplace.

The Swarovski Foundation promotes human empowerment by supporting organizations such as Teach for Austria, mothers2mothers and Women for Women International which all work to empower women and support the development of young people and communities through educational initiatives and health care programs. Protecting the environment is a long-standing objective for the Swarovski business.

The Swarovski Foundation assists organizations pursuing land and water conservation projects, such as The Nature Conservancy. In addition, the Swarovski Foundation supports emergency relief efforts through partners such as the British Red Cross, UNHCR, and UNFPA during conflict and natural disasters. In recent years, these have included the refugee crisis, Greek wildfires, Yemeni crisis, Indonesian earthquake and tsunami emergency appeals.

ABOUT THIS REPORT

This, our fifth sustainability report, covers information and performance data on the operations of the Swarovski Crystal Business during the preceding two calendar years (2017–18). Swarovski Crystal Business includes those parts of the Swarovski Group that design, manufacture and sell high-quality crystals, genuine gemstones and created stones as well as finished products such as jewelry, accessories and lighting. Where Swarovski is mentioned, it refers only to the Swarovski Crystal Business.

In this report, we provide detail about the evolving nature of our strategic approach to sustainability and the progress and achievements in 2017 and 2018.

The scope of reported quantitative data covers 2017–18 (unless explicitly noted otherwise). We report on our major sites, which includes all of our own manufacturing and production locations: Wattens in Austria; Subotica in Serbia; Triesen in Liechtenstein; three sites in Bangkok in Thailand; Plattsburgh in the USA; Pune in India; Bien Hoa in Vietnam and our corporate offices in Männedorf in Switzerland.

We have also produced a detailed index, guided by the GRI Sustainability Report Guidelines and contains Standard Disclosures from the Guidelines, as a supplement to this report. The index is available to download at <https://www.swarovskigroup.com/S/aboutus/Sustainability.en.html>

We welcome stakeholder feedback on any aspect of our report. Please contact us at sustainability@swarovski.com.



