

ANNUAL SUPPLY CHAIN DUE DILIGENCE REPORT (2021)

This document represents the first Chopard's Supply Chain Due Diligence Report. Its purpose is to provide all our stakeholders with information on the progress made by Chopard in 2020-2021 on the implementation of our responsible sourcing and due diligence commitment, and to provide transparent information on the findings of our due diligence.

Moving forward, this report will be published every year.

Chopard's due diligence system and policy have been designed in line with the expectations of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, which is considered the best practice framework for responsible sourcing and due diligence in minerals supply chains. This report is structured around the five steps of this framework:

- Step 1: the establishment of a strong management system;
- Step 2: the identification and assessment of risks in our supply chains;
- Step 3: where risks are identified during step 2, the design and implementation of a strategy to respond to identified risks;
- Step 4: the promotion of third-party audits along our supply chains, as well as the independent audit of Chopard's own due diligence system;
- Step 5: reporting on supply chain due diligence.

Step 1: Establishment of a Strong Management System

As reflected in our Journey to Sustainable Luxury, Chopard is committed to responsible sourcing throughout its supply chains.

Recognising that risks of significant adverse impacts may be associated with the extracting, trading, handling, and exporting of minerals, in particular when sourcing from Conflict-Affected and High-Risk Areas (CAHRAs), in 2020-2021 Chopard took one step forward in its Journey to Sustainable Luxury by adopting a Responsible Sourcing Policy and strengthening Chopard management system for due diligence.

Responsible Sourcing Policy

Our Responsible Sourcing Policy and Code of Conduct for Partners are available on **Chopard's Sustainability webpage** in the section [Responsible Sourcing Programme](#).

The due diligence system is applicable to all our suppliers of **gold, silver, platinum group metals, diamonds, and coloured gemstones**.

Internal Management

Chopard's Head of Corporate Sustainability (HCS) leads the due diligence system and the audit programme. In doing so, the HCS works closely with Chopard's purchasers and buyers dealing directly with our company's business partners.

The system is overseen by the company's Chief Financial Officer (CFO), who is alerted by the HCS of any potential red flags that arise with regards to the company's sourcing practices. The CFO reports to the board on these issues.

Control and Transparency System

We maintain a **Supply Chain Map** of all our suppliers of precious stones and metals with information about the different tiers down to the origin of raw materials (when possible). To collect this information, we engage with our suppliers through, among others, sustainability and traceability questionnaires, digital platform, publicly available information, interviews, and on-site visits. All documents accompanying the precious goods are also scanned and archived on our servers, guaranteeing computerized traceability between the supplier's documents (transfer documents) and our unique receipt numbers.

Gold: each supplier must stipulate on the delivery documents how the gold provided meets Chopard's ethical gold requirements (transfer document) so that this information can be verified at each physical reception. Any discrepancy is directly reported to the precious material buyer and the material is segregated to avoid any mixing with the stock. The stock manager will wait for the buyer's instructions to release or return the material.

Diamonds: all diamonds purchased by Chopard are compliant with the Kimberley Process Certification Scheme (KPCS). We require our suppliers to comply with the 'System of Warranties', a continuation of the KPCS that applies to polished diamonds. The compliance with this written warranty on our suppliers' diamond's invoices is regularly monitored. We also require all our diamonds' suppliers to be RJC Code of Practices (COP) certified.

Coloured Gemstones: we require our coloured gemstones' suppliers to provide relevant information (origin, treatments, etc.) on their invoices. We require our suppliers, with priority given to suppliers of sapphires, rubies, and emeralds, to register on the Gemstones and Jewellery Community Platform, to assess and report to us on their own supply chain due diligence practices.

Step 2: Risk Identification and Assessment in the Supply Chain

Human rights, social and environmental risks are identified through three dimensions, not mutually exclusive:

Location: identification of whether the minerals and stones' extraction, transport or trade occur in a CAHRA. A CAHRA location will trigger a red flag in our risk assessment process. Our CAHRA determination methodology is based on a review of specialized and credible sources of country risks and is updated at least annually.

Sector: business sectors vary in terms of intrinsic risks for the environment and for human rights; an internal index has been developed to classify these business sectors.

Company risk exposure: suppliers are assessed on their sustainability performance through a desk-based research and our sector index, then ranked from low, medium to high-risk companies.

An enhanced due diligence process is then triggered either by a red flag (as defined by the OECD Guidance) and/or by high-risk ranked supplier. Red flags were identified in our supply chain as follow:

- Sourcing from artisanal and small-scale gold mines located in CAHRA as part of the Swiss Better Gold initiative.
- Sourcing of coloured gemstones from CAHRA.

For red-flagged supply chains, an enhanced risk assessment methodology has been designed and includes, among others, in-depth discussions with the supplier, document checks, and verification of the due diligence system through on-the-ground assessments.

In accordance with the recent implementation of the OECD Guidance, Chopard's policy has evolved to a risk-based approach to responsible sourcing and consequently does not exclude entire countries from its supply chain (unless otherwise required by regulations e.g., embargo, sanctions).

Step 3: Risk Management Plan

For the 2021 reporting exercise, no risks have been confirmed through enhanced due diligence that would trigger the implementation of a risk management plan.

Should potential risks be identified through further scheduled risk assessment activities, a Risk Management Plan will be designed and implemented in collaboration with the supplier and affected stakeholders, where appropriate.

The Risk Management Plan will refer to our Responsible Sourcing Policy (clause 11.) and to the OECD Guidance. The actions will be considered depending on the type and severity of risk identified, they will be closely monitored, and re-evaluated after six months.

Step 4: Auditing

As part of our Responsible Sourcing Programme, we have designed an auditing programme which includes third-party auditing of high-risk suppliers.

Chopard's own due diligence system will be subject to independent third-party audit by the RJC and is scheduled for January 2022.

Step 5: Reporting

This Supply Chain Due Diligence Report fulfills our reporting expectations and is available on Chopard website (<https://www.chopard.com/intl/responsible-sourcing-programme>)

November 12th 2021