

ANNUAL SUPPLY CHAIN DUE DILIGENCE REPORT (2022)

The purpose of Chopard's *Annual Supply Chain Due Diligence Report* is to provide all our stakeholders with information on the progress made by Chopard in 2021-2022 on the implementation of our responsible sourcing and due diligence commitment, and to provide transparent information on the findings of our due diligence.

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: establishment of a strong management system;
- Step 2: 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: 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), Chopard sets a number of principles in its Responsible Sourcing Policy and continuously strengthens its 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 **precious metals, minerals and gemstones (sapphires, rubies, emeralds and diamonds)**.

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 metals, minerals and gemstones 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

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).

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 (e.g. <https://www.cahraslist.net/>).
- **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 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. In 2021-2022, 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 CAHRAs.
- International sanctions against a Russian diamond mining producer (Alrosa) in the context of the war in Ukraine.

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.

To ensure compliance with sanctioned entities and individuals, we closely monitor the international sanctions published by governments and international organisations such as the Council of the EU; Switzerland – State Secretariat for Economic Affairs (SECO); US – OFAC; UK – HM Treasury; United Nations Security Sanctions.

Step 3: 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.

For the 2021-2022 reporting exercise, risks have been confirmed regarding sourcing diamonds indirectly (purchased from our direct suppliers) from the Russian entity Alrosa. In view of the international sanctions imposed on Russia and on this entity, Chopard has ceased all purchases through its direct suppliers of diamonds from this producer.

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 was subject to an independent third-party audit by the RJC in January 2022. The auditor did not observe any non-conformances related to Chopard's five-step due diligence system (RJC COP7). The next audit will take place in January 2025.

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>)

Meyrin, July 7th 2022