

ANNUAL SUPPLY CHAIN DUE DILIGENCE REPORT (2023)

The purpose of Chopard's *Annual Supply Chain Due Diligence Report* is to provide all its stakeholders with information on the progress made by the Maison in 2022-2023 on its responsible sourcing and due diligence commitment, and to provide transparent information on the findings of the 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 (hereafter "OECD Guidance") (*add weblink*), 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 the 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 the 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 its 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

The 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 Chopard's suppliers of **precious metals, minerals and gemstones (sapphires, rubies, emeralds, diamonds, semi-precious stones, etc.)**.

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 purchasing team dealing directly with the suppliers.

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

Since the beginning of 2023, Chopard is conducting and recording its due diligence on a digital platform tailored-made to its management system.

Chopard maintains a **Supply Chain Map** of all its 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, Chopard engages with its 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 its servers, guaranteeing computerized traceability between the supplier's documents (transfer documents) and its 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). The Maison requires its diamond 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 its suppliers' diamond's invoices is regularly monitored. Chopard also requires all its diamonds' suppliers to be RJC Code of Practices (COP) certified.

Coloured Gemstones: Chopard requires its coloured gemstones' suppliers to provide relevant information (origin, treatments, etc.) on their invoices. Hence, the Maison requires its suppliers, with priority given to suppliers of sapphires, rubies, and emeralds, to register on the Gemstones and Jewellery Community Platform, to assess and report on their own supply chain due diligence practices. Since 2022, Chopard also requests its gemstone's suppliers to become RJC COP certified within 2 years.

Step 2: Risk Identification and Assessment in the Supply Chain

In accordance with the 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, trade restrictions).

A due diligence on human rights, social and environmental risks is systematically conducted on the suppliers of precious materials as described above, as well as suppliers of products/services based or producing in a country with an "enhanced" and "heightened" diligence response as defined in the **UNICEF's Children's Rights in the Workplace Index (hereafter "UNICEF index")** (*add weblink*).

An **enhanced due diligence, (i.e., an in-depth investigation) on a supplier** is triggered by a **red flag defined by:**

- **CAHRA-based supplier or sourced material**
- **High human rights and environmental risks** (defined on specific tools IBAT for biodiversity, CSR risk check MVO, etc.)
- Rumors/ allegations, NGO report, press articles, international sanctions, etc.

In 2022-2023, red flags were identified in the 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 (e.g. refiners), document checks (field reports, invoices, KYC, etc.), and verification of the due diligence system conducted by the tier-1 in its supply chain through on-the-ground assessments (independent auditors on-site, Chopard team on-site visits, etc.).

To ensure compliance regarding sanctioned entities and individuals, Chopard closely monitors 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 the 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 its Responsible Sourcing Programme, Chopard has 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 the reporting expectations of the OECD Guidance and is available on Chopard's website (<https://www.chopard.com/intl/responsible-sourcing-programme>)

Meyrin, September 7th 2023