



SUSTAINABILITY REPORT 2021

Saut-du-Doubs

© www.dreamstime.com

● ● ● ●
SWATCH GROUP



2021 key figures

–40%

Hazardous waste compared to 2019

575

Apprentices as at 12/31/2021

–4%

Electricity consumption compared to 2019

–21%

Emissions from stationary combustion compared to 2019

–2%

Water withdrawal compared to 2019

202

New patent applications

Swatch Group consolidated key figures	Unit	2021	2020	2019	2018	2017
Corporate and governance						
Net revenue	CHF million	7,313	5,595	8,243	8,475	7,989
Salaries	CHF million	–1,802	–1,807	–2,080	–2,066	–1,889
R&D expenditure	CHF million	–245	–223	–251	–225	–221
Investments (Property, plant and equipment)	CHF million	–262	–198	–409	–432	–427
Taxes	CHF million	–237	–89	–256	–266	–252
Result	CHF million	774	–53	748	867	755
New patents	Number	202	205	231	212	183
Environment						
Electricity consumption	GWh	257.9	239.4	269.1	293.8	266.1
Emissions from stationary combustion (primarily gas and heating oil)	t CO ₂ eq	14,910	15,890	18,991	20,403	20,143
Direct and indirect emissions (total of scope 1 + 2)	t CO ₂ eq	80,444	–	–	–	–
Water consumption	m ³	1,222,121	1,072,479	1,243,012	1,243,298	1,084,671
Hazardous waste	t	2,431	2,751	4,070	4,703	4,154
Industrial waste	t	3,015	2,599	3,699	3,327	3,374
Social						
Employees as at Dec 31	Head count	31,444	32,424	36,089	37,123	35,360
Proportion of women (head count)	%	50	50	51	52	52
Proportion of women in management roles	%	37	–	–	–	–
Apprenticeship diplomas (Switzerland)	Number	155	139	147	149	140
Sourcing						
Supplier audits	Number	76	54	149	73	36
Suppliers with A or B rating	Number	40	33	76	24	34



Table of contents



SUSTAINABILITY AT SWATCH GROUP

Overview of Swatch Group	3
Business model and products	4
Our sustainability track record	6
Sustainability strategy	10
Key sustainability issues	13
Stakeholders	17



CORPORATE AND GOVERNANCE

Governance, ethics and compliance	23
Economic performance	32
Innovation, investments in infrastructure and partnerships	34



ENVIRONMENT

Introduction	37
Energy and emissions	38
Product design and handling of materials	47
Water	52
Deforestation and biodiversity	53
1,000 environmental measures	55



SOCIAL

Employees, diversity and equal opportunities	57
Occupational health and safety	60
Training and education	63



SOURCING

General sourcing of materials	69
Precious metal sourcing	73
Diamond and gemstone sourcing	77



APPENDICES

GRI content index	80
About this report	87
Glossary	90

This report has been prepared in accordance with the GRI Standards: Core option.



SUSTAINABILITY AT SWATCH GROUP

Overview of Swatch Group	3
Business model and products	4
Our sustainability track record	6
Sustainability strategy	10
Key sustainability issues	13
Stakeholders	17

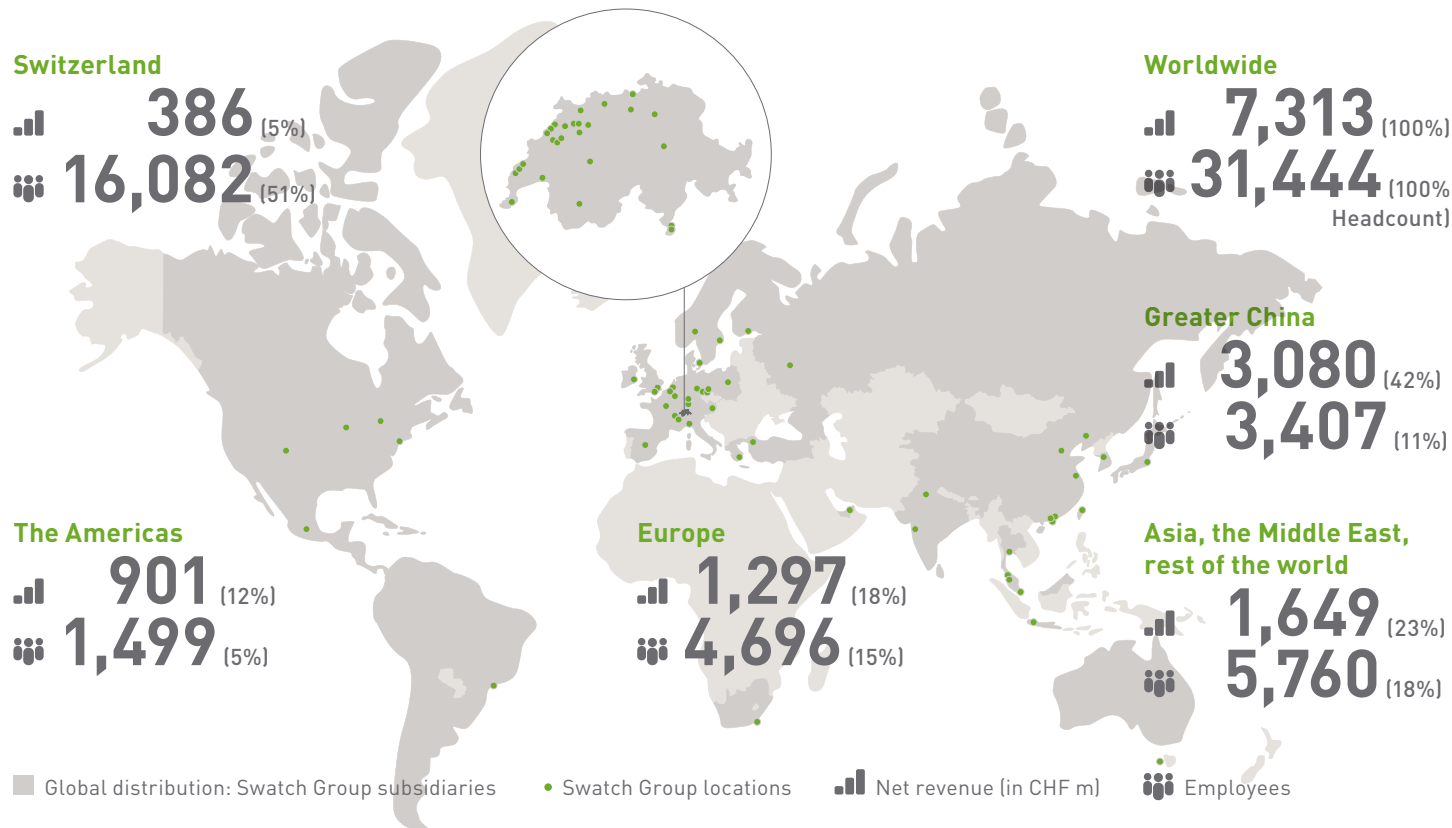
Lac de Joux

© David Rochat (Swatch Group employee)

Overview of Swatch Group

GRI disclosures 102-4, GRI 102-6, GRI 102-7

Swatch Group is an international group with 17 consumer brands, active in the manufacture and sale of finished watches, jewelry, watch movements and components. It manufactures almost all the necessary components itself and also supplies third-party watch manufacturers in Switzerland and around the world with watch movements and components.



Balance sheet total of **13,678** CHF million

85% equity ratio

Subsidiaries in around **40** countries

Sales in over **160** countries

Around **150** production sites in Switzerland and **7** production sites outside of Switzerland¹

1. Glashütte Original manufactory in Germany, Harry Winston workshop in the US, 1 site in Italy, 2 in France, 1 in Malaysia, 1 in Thailand.

Business model and products

GRI disclosure 102-2

Swatch Group is a fully verticalized company with a wide range of production facilities for watches, fine jewelry and electronic components as well as a worldwide network of distribution and service centers. In its approximately 150 sites in Switzerland, Swatch Group produces its own watch movements, cases, crystals, hands and other watch components, thus exceeding the criteria for marketing watches manufactured in Switzerland in accordance with Swissness requirements (Swiss Made, in accordance with Art. 48 Trademark Protection Act, TmPA).

Its companies in the electronics segment also have their production sites in Switzerland. Swatch Group has only a few production sites abroad, namely Glashütte Original's manufactory in Glashütte, Germany, and Harry Winston's jewelry workshop in New York, US. However, Harry Winston timepieces are produced in accordance with Swissness requirements in the manufactory in Plan-les-Ouates (GE), near Geneva. Three other production facilities in Italy and France manufacture components for watch straps or individual precision parts. Swatch Group operates two production sites in Thailand and Malaysia: for the assembly of electronic components and in the field of surface treatment.

Swatch Group brands and subsidiaries

WATCHES AND JEWELRY



DISTRIBUTION



Business model and products**The Swatch Group's complete verticalization using a watch and its components as an example****PRODUCTION****Watches**

- ETA
- Meco
- CHH Microtechnique
- Nivarox-FAR
- Comadur
- Rubattel et Weyermann
- MOM Le Prélet
- Universo
- Manufacture Ruedin
- Lascor
- Simon Et Membrez
- Novi
- The Swatch Group Assembly

Jewelry

- Dress Your Body (DYB)

CORPORATE UNITS

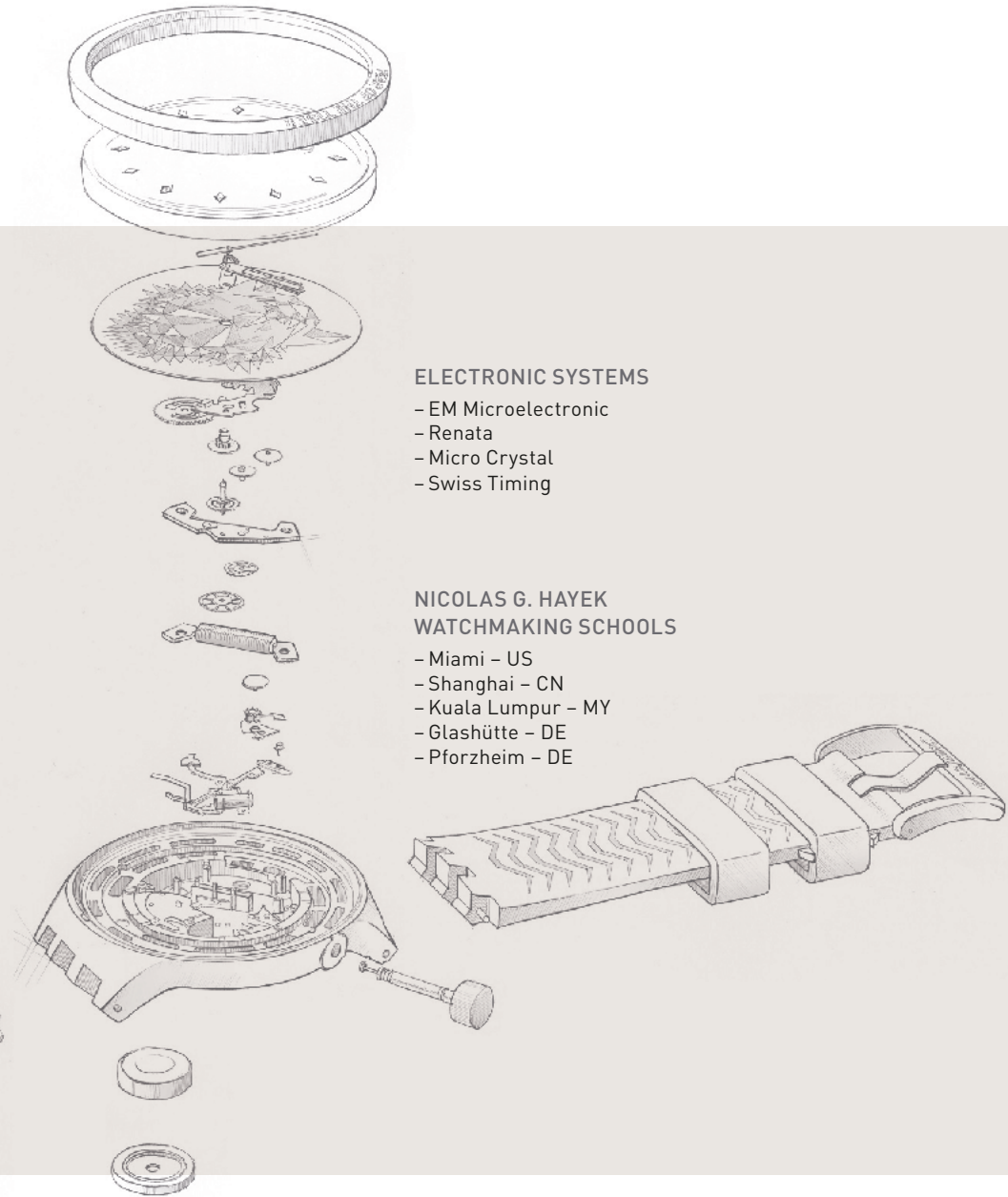
- The Swatch Group Research and Development
 - Asulab
 - Moebius
 - CDPN
- Belenos Clean Power
- ICB Ingénieurs Conseils en Brevets
- Swatch Group Quality Management
- The Swatch Group Services
 - European Distribution Center
 - Logistics
- Information Technologies
- Corporate Customer Service
- Swatch Group Gems
- Real Estate Development
- The Swatch Group Immeubles

ELECTRONIC SYSTEMS

- EM Microelectronic
- Renata
- Micro Crystal
- Swiss Timing

NICOLAS G. HAYEK WATCHMAKING SCHOOLS

- Miami - US
- Shanghai - CN
- Kuala Lumpur - MY
- Glashütte - DE
- Pforzheim - DE



Our sustainability track record

Swatch Group has been committed to sustainability for over 30 years. Some of the milestones are summarized on the following pages.

1992
/
2000



1992

Launch of the “Time to Move” special edition Swatch to commemorate the Rio Earth Summit. The Conference aimed to bring together world leaders and get them to commit to working towards a safer future for our planet.

1994

“The Spirit of Biel/Bienne” solar-powered car sets a world record on the test track in Almería, Spain. The project was supported by Swatch and developed by the *Ecole d’ingénieurs de Bienne*. IMAGE 1

1995

The first solar-powered Swatch with a solar panel on the dial that powers the quartz movement. IMAGE 2

In collaboration with Daimler Benz, Swatch Group (then SMH) founds the joint venture MCC AG and starts developing the first Smart (Swatch, Mercedes and Art) hybrid car (all-wheel drive). This lays the foundations for what would later become the “Belenos Clean Power” Swatch Group company.



3



1999

Opening of the first Nicolas G. Hayek Watchmaking School in Shanghai, China, to preserve and promote the watchmaking artisanship. In the following years, further schools were opened in Asia, Europe and the US. IMAGE 3



Our sustainability track record



2001

Swatch Group begins to set clear climate and efficiency targets and initial measures to reduce energy consumption and greenhouse gas emissions (GHG).

First collaboration with the Energy Agency for Industry (EnAW) to reduce GHG emissions and energy consumption.

2002

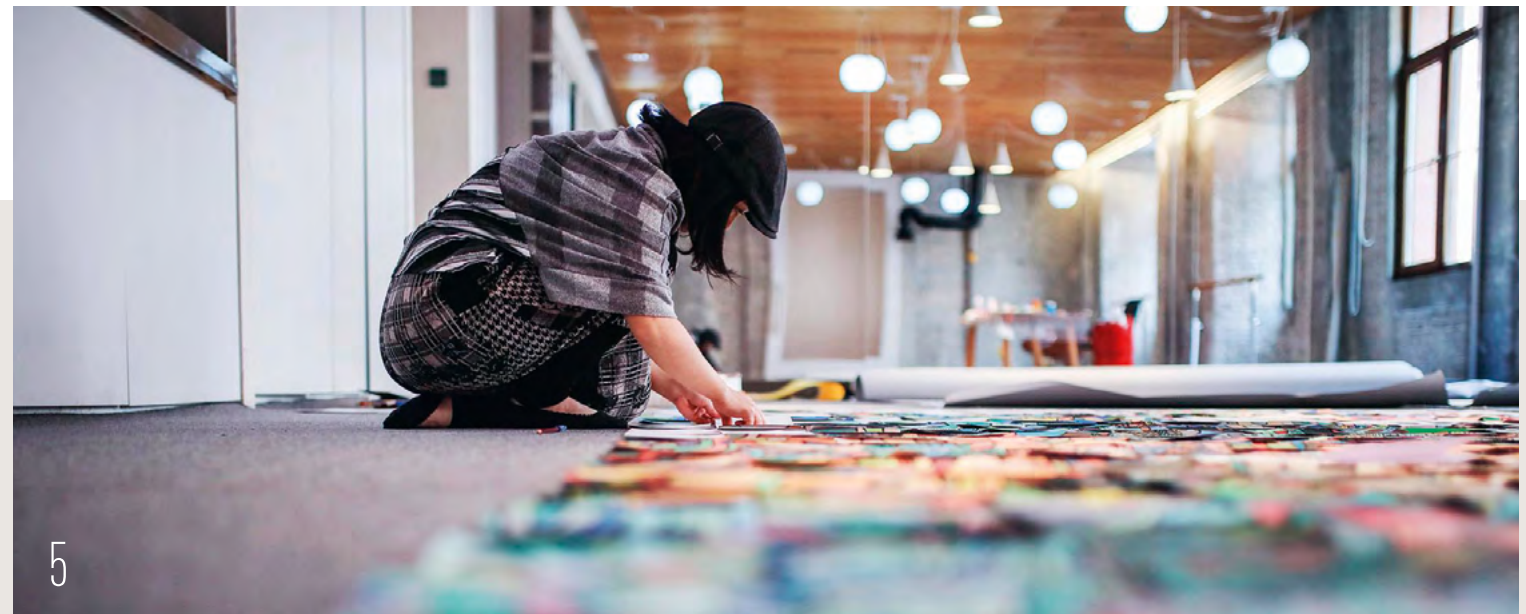
First consolidated report on occupational safety and environmental protection as part of the annual report.

2003

On the occasion of the 50th anniversary of the diving watch Fifty Fathoms, Blancpain launches its first initiatives for the protection of the oceans.

2004

Omega supports the Solar Impulse project with the aim to fly around the world in a solar-powered aircraft. The goal is to accelerate the necessary revolution in clean energy production and consumption through the use of solar energy. IMAGE 4



First certification in accordance with the ISO 14001 environmental management system standard at Swatch Group (ETA).

2006

Swatch Group and Omega contribute technological know-how and financial support in the fields of micromechanics, microelectronics and new energy sources for the "Solar Impulse" solar-powered aircraft.

2008

Harry Winston commits to the Responsible Jewellery Council Code of Practices (RJC CoP).

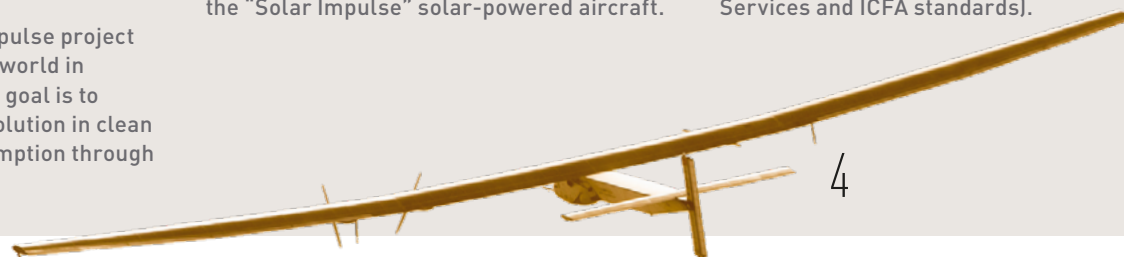
2010

Decision to not use exotic leather in products; the only exception is the use of straps from regulated American alligator breeders (in accordance with CITES, US Fish and Wildlife Services and ICFA standards).

Opening of the Swatch Art Peace Hotel, a unique artist residency in Shanghai, China. IMAGE 5

Renovation of Swatch Group's "La Suze" and "Le Bez" hydropower stations.

First step towards centralized gold recycling within the Group.





Our sustainability track record



2011

First ESG (Environmental, Social, Governance) report published as part of the Swatch Group annual report.

Omega commits to fighting preventable blindness alongside international non-profit organization Orbis with its flying eye hospital. IMAGE 6

2012

All Swatch Group brands voluntarily discontinued the use of mercury-containing batteries three years before the EU decision in 2015.

2013

First agreement with EnAW and FOEN on a road map to reduce GHG emissions and energy consumption.

2014

Blancpain brings together its many initiatives for the protection of the oceans under the Blancpain Ocean Commitment label. IMAGE 7

2015

“Solar Impulse” takes off from Abu Dhabi (UAE). Omega provided innovative technical systems.

Omega, Swatch Group Gems and Dress Your Body commit to the Responsible Jewellery Council Code of Practices (RJC CoP).

2016

The new, patented EFG (edge-defined, film-fed growth) crystal growth process for sapphires enables internal recycling of production residues, resulting in a more environmentally friendly manufacturing process.



Renata develops a return and recycling scheme for discharged batteries for Swiss customers.

2017

The Group takes a further step towards gold traceability by investing in the expansion of its own centralized gold foundry. It moves to entirely internal processing of precious metals, from the foundry to the semi-finished and finished products.

Swatch Group manufactures the world’s smallest Bluetooth chip, the downsizing of which is crucial for condensing functions in wearable electronic devices and for the Internet of Things (IoT). The chip has the lowest energy consumption compared to others on the market. IMAGE 8



Our sustainability track record2018
/
2021

9

2018
Nivarox-FAR is certified by the Responsible Jewellery Council Code of Practices (RJC CoP). In the year after, the RJC CoC (Chain of Custody) certification follows.

Swatch Group decides to buy only traceable gold.

2019
Opening of the Swatch headquarters, one of the largest wooden buildings in the world, with intelligent use of groundwater for heating and cooling, a total area of 1,770 m² for photovoltaic panels, LED lighting and an ingenious energy plan that helps optimize the building's carbon footprint. IMAGE 9

Opening of the Cité du Temps in Biel/Bienne, built in accordance with sustainability principles.

2020
Launch of the Tissot T-Touch Connect Solar, powered by nature and distributed in a new 100% paper watch box.

Swatch introduces new packaging made of paper foam that is compostable and recyclable.
Swatch introduces a new bio-sourced plastic.

2021
Newest innovation: "BIOCERAMIC" watches made from a mixture of ceramic and bio-sourced plastic. IMAGE 10



10

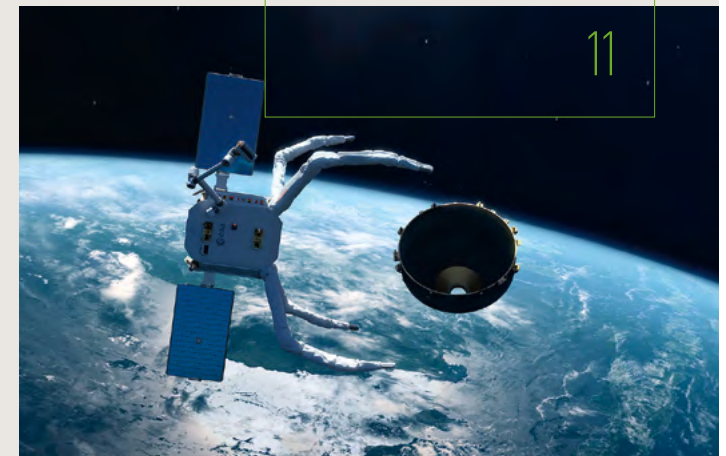
Preparation of the first sustainability report in accordance with the GRI standards. In addition, it covers the contributions to the SDGs.

Blancpain strengthens its commitment to the oceans by creating the Female Fifty Fathoms (FFF) Award as a new category at the Ocean Photography Awards to encourage more women to share their vision of the oceans.

OUTLOOK FOR 2022 AND BEYOND

Omega is participating in ClearSpace's pioneering mission to remove hazardous space debris, extending its sustainability efforts from the ocean floor and the earth's surface to every corner of space, no matter how crowded. IMAGE 11

11



Sustainability strategy

Corporate responsibility

Taking responsibility for the protection of life, quality of life, health and safety, and the environment are among Swatch Group's fundamental concerns. The company endeavors to do the best it can in all areas and at all levels to live up to this responsibility. The Group's aim is to create value for its stakeholders, the environment and society as a whole. Environmental, ethical and social criteria have therefore always been an integral part of its corporate culture and its sourcing policy. The Executive Group Management Board, the Extended Group Management Board and the management of the units ensure on a daily basis that this culture of responsibility is implemented and that all employees at all levels sustain and practice this approach. Swatch Group strives to ensure that resources are used efficiently and sparingly to guarantee that its products are manufactured and marketed in a sustainable and environmentally friendly manner, and thereby secure its long-term success. The use of recyclable materials and substances as well as environmentally friendly production methods are taken into consideration as early as the planning and development phase of each new product. In 2001, Swatch Group began to set clear climate and efficiency targets and to implement effective measures

throughout the Group in order to play its part in preserving the environment. The company is also actively committed to protecting international human rights and fighting all forms of corruption in connection with its business activities.



Swatch Group's commitment to the Sustainable Development Goals (SDGs)

Swatch Group aims to meet the needs of current generations without jeopardizing the ability of future ones to satisfy their own needs. The company's sustainability management is based on the United Nations' 2030 Agenda, which was adopted by the UN Member States. The 17 Sustainable Development Goals (SDGs) at the core of the 2030 Agenda form the international and universally applicable framework for sustainable development. Every SDG is essential to securing the prosperity of people and the planet. Swatch Group has identified 13 SDGs that are particularly relevant for the company and its stakeholders, and to which it can and will contribute. It has defined its commitments, and it will continue to refine them on an ongoing basis, by adding goals, actions and performance indicators.











Sustainability strategy

SDG	Topics for Swatch Group	Commitments	SDG	Topics for Swatch Group	Commitments
	Ensure healthy lives and promote well-being for all at all ages <ul style="list-style-type: none"> - Occupational health and safety - Working conditions in the supply chain - Environmental issues in the supply chain - Air quality - Water quality 	<ul style="list-style-type: none"> - Ensure no work-related fatalities - Prevent work-related injuries and illnesses 		Ensure access to affordable, reliable, sustainable and modern energy for all <ul style="list-style-type: none"> - Energy efficiency of the Group's products - Renewable energies in the Group's products - Energy efficiency of buildings and processes 	<ul style="list-style-type: none"> - Products are developed so that they can be operated with sustainable energy as far as possible and that they use minimal energy consumption
	Ensure inclusive and equitable high-quality education and promote lifelong learning opportunities for all <ul style="list-style-type: none"> - Training and education - Availability of specialists - Training and employment of young workers 	<ul style="list-style-type: none"> - Train specialists in house through watchmaking schools and an extensive range of apprenticeship programs - Promote employee training and development 		Promote sustained, inclusive economic growth, full and productive employment and decent work for all <ul style="list-style-type: none"> - Offering and creating high-quality workplaces - Cooperation with trade unions, collective labor agreements, employee benefits - Economic performance - Further training and education programs for employees - Working conditions in the supply chain 	<ul style="list-style-type: none"> - Commit to manufacturing in Switzerland and training employees to become specialists - Be an attractive and responsible employer
	Achieve gender equality and empower all women and girls <ul style="list-style-type: none"> - Equal pay for equal work - Promoting diversity among employees 	<ul style="list-style-type: none"> - Conduct regular pay reviews - Increase the number of women in management roles 			
	Ensure availability and sustainable management of water and sanitation for all <ul style="list-style-type: none"> - Water consumption - Water quality - Environmental issues in the supply chain 	<ul style="list-style-type: none"> - Take measures to minimize water use when constructing new buildings - Take care to minimize water use in production and use of circuit water as much as possible 		Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation <ul style="list-style-type: none"> - Innovation and R&D expenditure 	<ul style="list-style-type: none"> - Remain the leader for the number of new patents in the Swiss watchmaking industry



Sustainability strategy

SDG	Topics for Swatch Group	Commitments	SDG	Topics for Swatch Group	Commitments
	Ensure sustainable consumption and production patterns <ul style="list-style-type: none"> - Durable products, enabling repairs - Recycling and a circular economy - Environmental issues in the supply chain - Working conditions in the supply chain - Avoiding waste 	<ul style="list-style-type: none"> - Offer durable products that can be repaired - Take into account sustainability in the supply chain - Use sustainable materials - Continue to increase the amount of recycled materials used - Switch to bio-based plastics 		Promote peaceful and inclusive societies, provide access to justice for all and build effective, accountable and inclusive institutions at all levels <ul style="list-style-type: none"> - Effective and transparent governance - Compliance with laws and regulations - Working conditions in the supply chain 	<ul style="list-style-type: none"> - Take a zero-tolerance approach to corruption, modern slavery and child labor - Comply with international sustainability standards (RJC, Kimberley Process, etc.) - Safeguard and promote human rights and sustainability in supply chains
	Take urgent action to combat climate change and its impacts <ul style="list-style-type: none"> - Energy efficiency of buildings and processes - Reduction of GHG emissions 	<ul style="list-style-type: none"> - Become climate neutral by 2050 - Continually increase the energy efficiency of the company's facilities and processes - Develop products with a minimal carbon footprint 		Strengthen the means of implementation and revitalize the global partnership for sustainable development <ul style="list-style-type: none"> - Financial/technological support for sustainable actions - Economic performance, responsible taxpayer 	<ul style="list-style-type: none"> - Swatch Group brands support specific actions taken on sustainability by third parties
	Conserve and sustainably use the oceans, seas and marine resources for sustainable development <ul style="list-style-type: none"> - Water quality - Environmental issues in the supply chain - Avoiding waste 	<ul style="list-style-type: none"> - Minimize water use - Audit suppliers in relation to water management - Reduce the use of plastics to minimize the threat of microplastics 			
	Protect, restore and promote sustainable use of terrestrial ecosystems <ul style="list-style-type: none"> - Deforestation and forest degradation - Biodiversity - Air pollution - Avoiding waste - Environmental issues in the supply chain 	<ul style="list-style-type: none"> - Only use certified timber - Do not use leather from protected or endangered species - Take steps to reduce emissions - Avoid waste 			

Key sustainability issues

GRI disclosures 102–46, 102–49

Definition of report content

In order to identify the content of this sustainability report, the following principles in accordance with GRI 101:

Foundation are applied:

- Sustainability context
- Stakeholder inclusiveness
- Materiality
- Completeness

In 2021, the content of Swatch Group's sustainability report was subjected to a fundamental review. During the first step of this review, the Sustainability Steering Committee, along with external support, drew up a long list of potential material topics. In this list, topics in accordance with important reference frameworks, such as the GRI Standards, the B Corp Certification or the WWF, were taken into account as well as relevant issues identified through extensive peer research. The list contained around 130 topics and was consolidated and grouped thematically. Using the SDG Action Manager tool, all the topics were then assessed in terms of their impact on sustainable development, measured against the Sustainable Development Goals (SDGs). The topics were given a rating based on each SDG for potential positive as well as negative impacts. The material topics were also considered from the perspective of the Group's stakeholders, and this was taken

into account alongside the SDGs. The result was a list of 25 topics that could potentially have a significant economic, environmental and/or social impact or a significant influence on key stakeholders. The issues were further consolidated and reduced to 11 material topics (see the following table). Each issue was assigned to a corresponding topic-specific GRI Standard in order to enable consistent reporting.



Key sustainability issues

GRI disclosure 102-47 Material topics	GRI disclosure 103-1-a Explanation of the material topic	GRI disclosure 103-1-b Boundary	Corresponding GRI topics
Governance, ethics and compliance	<p>Swatch Group is committed to transparent and fair corporate governance. The Group's actions are determined by ethical principles and the respectful use of resources. The Group observes a zero-tolerance policy both internally and with suppliers with regard to violations of human rights, e.g., child and forced labor, and corruption and other criminal acts.</p> <p>The company ensures that its activities and products comply with all applicable laws and regulations, including environmental, social and safety regulations and standards. The principles for business practices are set out in the Code of Conduct. Swatch Group always bases its policies on the strictest regulations as the minimum benchmark. With internal directives, it is committed to standards that go beyond the legal requirements.</p> <p>Corporate Risk Management regularly identifies, analyzes and records crucial risks so that environmental, safety and health risks can be detected at an early stage and targeted prevention measures can be developed and implemented.</p>	– Swatch Group	<ul style="list-style-type: none"> – GRI 205 Anti-corruption – GRI 307 Environmental Compliance – GRI 408 Child Labor – GRI 409 Forced or Compulsory Labor – GRI 412 Human Rights Assessment – GRI 419 Socioeconomic Compliance
Economic performance	Economic performance, and therefore value generation for all stakeholders, is the focus of Swatch Group. The Group avoids aggressive tax practices and structures and pays taxes according to the value added. It reports its tax expenses for each country to the Swiss Federal Tax Administration as part of country-by-country reporting practices.	– Swatch Group	<ul style="list-style-type: none"> – GRI 201 Economic Performance – GRI 207 Tax
Innovation, investment in infrastructure and partnerships	Swatch Group's commitment to sustainability is not limited to its direct business activities – the Group also creates a positive impact with its innovations, for example in the area of ultra-low-power ICs. Furthermore, sustainability criteria are an essential aspect of infrastructure investments. The Group supports selected initiatives and organizations in their activities through technical or financial means.	<ul style="list-style-type: none"> – Swatch Group – Business partners – Civil society 	<ul style="list-style-type: none"> – GRI 203 Indirect Economic Impacts – Number of patents



Key sustainability issues

GRI disclosure 102-47 Material topics	GRI disclosure 103-1-a Explanation of the material topic	GRI disclosure 103-1-b Boundary	Corresponding GRI topics
Energy and emissions	<p>PRODUCTION AND SOURCING: Energy is needed to operate buildings and facilities (e.g., electricity, gas, oil, petrol and district heating). Depending on the type of energy source, this can have negative effects on the environment, particularly through GHG emissions and the associated negative impacts on climate change.</p> <p>The Group also takes into account indirect emissions (suppliers, transport, raw materials, etc.) and reduces these emissions by selecting appropriate materials and suppliers.</p> <p>OPERATION OF GROUP PRODUCTS: The operation of Swatch Group products is largely climate neutral; mechanical watches, for example, are powered by kinetic energy, while quartz watches are powered by solar cells or by batteries produced by the company's own battery production facility, which runs on renewable electricity. Furthermore, EM Microelectronic significantly improves the energy efficiency of electronic products by designing and producing ultra-low-power ICs.</p>	<ul style="list-style-type: none"> - Swatch Group - Entire value chain 	<ul style="list-style-type: none"> - GRI 302 Energy - GRI 305 Emissions
Product design and handling of materials	<p>The use of raw materials such as wood, leather, precious metals or diamonds, as well as the generation of waste, can have negative consequences for the environment (e.g., availability of raw materials and emissions from incinerating waste). Such negative consequences can be reduced by selecting sustainable, non-hazardous materials, ensuring products are durable and can be repaired, using a circular economy and recycling.</p>	<ul style="list-style-type: none"> - Swatch Group - Suppliers - Customers 	<ul style="list-style-type: none"> - GRI 301 Materials - GRI 306 Waste
Water	<p>Water quality and the amount of water used can have an impact on people and the environment (e.g., water scarcity or water pollution). Water plays its most essential role in the production facilities of Swatch Group. The Group also analyzes and continuously optimizes the impact on water as a resource in the supply chain.</p>	<ul style="list-style-type: none"> - Swatch Group - Suppliers 	<ul style="list-style-type: none"> - GRI 303 Water and Effluents
Deforestation and biodiversity	<p>Organic raw materials such as cotton, leather and wood are used in some of the Group's products and/or packaging. This can have a negative impact on biodiversity and forests. Swatch Group therefore voluntarily avoids using materials that are classified as critical by its specialists and ensures that wood is sourced legally from non-endangered or vulnerable tree species and that is produced using sustainable cultivation and is certified as such.</p>	<ul style="list-style-type: none"> - Swatch Group - Suppliers 	<ul style="list-style-type: none"> - GRI 304 Biodiversity



Key sustainability issues

GRI disclosure 102-47 Material topics	GRI disclosure 103-1-a Explanation of the material topic	GRI disclosure 103-1-b Boundary	Corresponding GRI topics
Employees, diversity and equal opportunities	Swatch Group is a multinational company with over 30,000 employees worldwide and its own subsidiaries in around 40 countries. It sells its products in more than 160 countries and has a global customer base. Diversity is a key part of the corporate culture and is viewed as an opportunity for enrichment. Trade unions are important partners to the company and regulate issues such as working hours, minimum wages, compensation for absences, regulated retirement, protection against dismissal and employee benefits in collective labor agreements (CLAs).	– Employees	– GRI 405 Diversity and Equal Opportunity – GRI 406 Non-discrimination – GRI 407 Freedom of Association and Collective Bargaining
Occupational health and safety	Employees are at the heart of Swatch Group's success. Creating a healthy and safe working environment is a central concern of the company. The manufacture of the Group's products involves a variety of different processes; each Group company therefore has its own occupational health and safety officer to ensure that hazards are managed and minimized to protect the health and safety of its employees. Furthermore, suppliers are also obliged to ensure the occupational health and safety of their employees. This is reviewed with regular audits.	– Employees – Suppliers	– GRI 403 Occupational Health and Safety
Training and education	The Group's employees are its driving force, which is why training and education are essential. Swatch Group offers a wide range of courses, from basic training as part of an apprenticeship or entry-level job to education, retraining and specialist courses. Training is offered globally at the Nicolas G. Hayek Watchmaking Schools with the strict guidelines of the Watchmakers of Switzerland training and education program. The company also actively promotes the recovery and preservation of artistic professions within the watch industry.	– Employees	– GRI 404 Training and Education
Sourcing	As a result of verticalized production and the Swissness requirements, most of the value creation takes place within the company and within Switzerland. Swatch Group works with carefully selected suppliers to source raw materials and some components. Depending on the material, the country of origin or the country of production, the Group faces environmental and social risks. On the basis of clear specifications and extensive on-site supplier audits, regular checks are carried out to ensure that the strict requirements are effectively met by the suppliers.	– Suppliers	– GRI 204 Procurement Practices – GRI 308 Supplier Environmental Assessment – GRI 414 Supplier Social Assessment

Stakeholders

GRI disclosure 102-42

Identifying and selecting stakeholders

Drawing on the experience of employees from different areas such as quality management, sourcing, logistics, human resources, energy management, as well as representatives of the Group companies and Group management, the

stakeholders who have the most influence on Swatch Group or are most affected by its business activities in some way were identified. These stakeholders can be categorized into five groups:

GRI disclosures 102-40, 102-43, 102-44

List of stakeholder groups

	Customers	Employees	Business partners	Civil society	Regulators
Description/ example	End customers, B2B	All employees	Partners/suppliers of products, raw materials, services	NGOs, the media, consumer federations, other players	Government bodies, industry associations, certification bodies
Key topics	<ul style="list-style-type: none"> - Durability and quality of products, customer satisfaction - Customer care and service - Transparent information - Environment and working conditions in the supply chain 	<ul style="list-style-type: none"> - High-quality jobs - Apprenticeship training - Training and education - Occupational health and safety - Collective labor agreements - Employee benefits - Equal pay - Economic performance 	<ul style="list-style-type: none"> - Working conditions in the supply chain - Environmental issues in the supply chain - Transparent information - Economic performance 	<ul style="list-style-type: none"> - Climate change (GHG emissions) - Working conditions in the supply chain - Environmental issues in the supply chain - Water consumption - Air quality - Energy consumption - Lawful conduct - Equal pay - Waste, circular economy, recycling 	<ul style="list-style-type: none"> - Lawful conduct - Climate change (GHG emissions) - Environmental issues in the supply chain - Working conditions in the supply chain - Occupational health and safety - Collective labor agreements - Economic performance
Interaction	Customer feedback in boutiques, after-sales service, online channels, social media	Direct communication, HR department, internal communication, intranet, mailings, flyers, CLAs	Regular direct communication, supplier code of conduct, audits	Press releases, business and sustainability reporting	Implementation of legal specifications, active membership in federations



Stakeholders

GRI disclosure 102-43

Stakeholder engagement

Swatch Group has a strong interest in identifying the needs and opinions of its key stakeholders and taking these into account in its corporate strategy and decision-making processes. The Group maintains regular contact with these stakeholders in order to facilitate this. Through various channels and interaction opportunities, such as personal meetings, direct feedback opportunities or online communication, Swatch Group maintains close contact with its audience and learns specifically which issues are important to whom and is able to respond accordingly. This open communication also results in content for the sustainability report, which can then cover the key issues that are important for stakeholders when making assessments or decisions.

GRI disclosures 102-12, 102-13

External initiatives and membership of associations

Federation of the Swiss Watch Industry

Fédération Horlogère (FH) is the umbrella organization of the Swiss watch industry. The federation currently has around 500 members, i.e., over 90% of Swiss companies involved in the manufacture and marketing of watches, pendulum clocks or components. In 1982, the *Fédération suisse des associations de fabricants d'horlogerie* and the *Chambre suisse*

de l'horlogerie merged to form the FH. It currently embodies 150 years of history of the Swiss watch industry. The mission of the FH is to represent and develop Swiss watch industry at a national and international level and uphold its interests. In concrete terms, the FH is committed to promoting free trade agreements, combating counterfeiting, protecting Swissness and handling regulatory matters, such as those relating to the Swiss central office for the control of precious metals or substances (REACH, RoHS) or ensuring other industry-related requirements or standardization.

Swatch Group is an important member of the FH through its brand, production and service companies. The Group is represented in the FH General Meeting and actively and fully takes part in the FH's activities through its representatives on the Council, the Board (FH committee) and the technical commissions and committees (economic, financial, legislative monitoring, legal, standardization and anti-counterfeiting group). Within the scope of its tasks, the FH maintains relations with public authorities and business circles and has an international network through its representative offices in Hong Kong and Tokyo, as well as through its relationship channels at a federal level that are responsible for foreign affairs. The FH is also a very active member of *economiesuisse*, a member of the *CIBJO Confédération Internationale de Bijouterie, Joaillerie, Orfèvrerie, des Diamants*,



Stakeholders

Perles et Pierres, and has a wide network of partners at a national and international level, in particular through its sister watch industry federations in various countries such as France, Germany, Japan, China and South Korea.

Arbeitgeberverband der Schweizer Uhrenindustrie (employers' federation of the Swiss watch industry) CP (Convention patronale de l'industrie horlogère suisse)

The CP is the umbrella organization for employers in the watch and microtechnology industries. The federation represents the interests of companies at employer level in the industry, and liaises with trade unions, authorities and other umbrella organizations such as the *Schweizerischer Arbeitgeberverband SAV* (Swiss employers' federation). The CP was founded in 1937. On May 15 of that year, it signed the country's first collective labor agreement with the *Schweizerischer Metallarbeiter- und Uhrenarbeiterverband* (the Swiss metalworkers' and watchmakers' federation, SMHV). This was a historic act for industrial peace, because for the first time in any country, the employers' federations and the workers' unions in an industrial sector decided to permanently renounce power struggles and resolve their relations and disputes through negotiation and arbitration. The unions negotiate an update of the CLA at regular intervals, usually every five years. The current CLA came into force on January 1, 2017, and was due to expire on

December 31, 2021. However, due to the COVID-19 pandemic, it was extended until June 30, 2024. Collectively, the CP's five member federations currently represent more than 700 companies, which in turn employ more than 57,000 people. The Group has a strong representation in the CP, and its delegates are actively involved in its general meetings, as well as in the various commissions or groups dealing with CLA negotiations, social security, watch industry foundations, vocational training and occupational health and safety. The latter is responsible for supporting the companies in the implementation of the industry solution for the watch and microtechnology industry. The office for vocational training is responsible for organizing basic and further training courses with the various vocational schools, technical colleges and other higher education institutions, in cooperation with the cantonal authorities and the companies that offer basic training and/or part-time training alongside work. After completing any of the various high-quality training courses that underpin the skills of the various professions in the watch industry, participants can obtain certificates and diplomas that are officially recognized at a federal level.



Stakeholders

WOSTEP Foundation, Watchmakers of Switzerland education and training program

The WOSTEP Foundation is a training and education center for watchmakers supported by members of the Swiss watch industry. Members and supporting organizations include major watchmakers, manufacturers, retailers and suppliers of workshop equipment and tools.

WOSTEP was founded in 1966 and was transformed into a foundation in 2006. The range of training programs and consultancy services offered by the WOSTEP Foundation are considered to be the standard of quality worldwide. WOSTEP's mission is to train and educate the next generation of technical personnel for the customer service sector of the Swiss watch industry. Employers around the world recognize WOSTEP certification as proof of ability and strong training.

The Group works closely with the WOSTEP Foundation, including providing its own apprenticeship workshops and training centers, and with the Nicolas G. Hayek Watchmaking School. The Group is represented by two members on the WOSTEP Foundation Board of Trustees.

Links to research centers and higher education institutions

Swatch Group continues to work closely with various institutions, such as the CSEM *Centre suisse d'électronique et de microtechnique* and the Swiss Federal Institutes of Technology in Lausanne (EPFL) and Zurich (ETH), and the University of Lausanne.

Swiss Association for Standardization (*Schweizerische Normen-Vereinigung, SNV*)

The Group is a member of the SNV and is actively involved in updating existing standards and developing new ones. The SNV has various technical committees, each of which specializes in a highly specific area of standardization. In relation to the watch industry, these areas include the specifications of diving watches, waterproof watches, anti-magnetic watches and components of all kinds. The standards preserve the manufacturing processes and guarantee both the industry and consumers a certain product quality. The SNV is an expert point of contact for all standardization issues and conducts its activities in a sustainable manner. As an independent hub and competence center, the SNV ensures efficient access to national and international standards. It enables and promotes the development and harmonization of new standards through the active influence of its expert members in national and international standardization bodies.



Stakeholders

International umbrella organizations and associations

In many countries, Swatch Group is also involved in its umbrella organizations, including France (*Fédération de l'horlogerie*), Italy (*Assorologi, Associazione Italiana Produttori e Distributori di Orlogeria*), the US (American Watch Association, AWA), Hong Kong (The Federation of Hong Kong Watch Trades & Industries Ltd.), Japan (Japan Watch Importers' Association), and India (All India Federation of Horological Industries, AIFHI).

The Group is also a member of DIGITALEUROPE, the leading trade association representing digitally transforming industries in Europe. DIGITALEUROPE stands for a regulatory environment that enables European businesses and citizens to economically prosper from digital technologies. Together with its members, the association shapes the industry policy positions on all relevant legislative matters and contributes to the development and implementation of relevant EU policies. DIGITALEUROPE members actively contribute to harmonized European standards and support the strengthening of market surveillance in the internal market. They drive the adoption of best practices, technology neutrality and interoperability. DIGITALEUROPE's mission is, among other things, to promote voluntary industry initiatives in areas such as European and global standardization targets, modernization

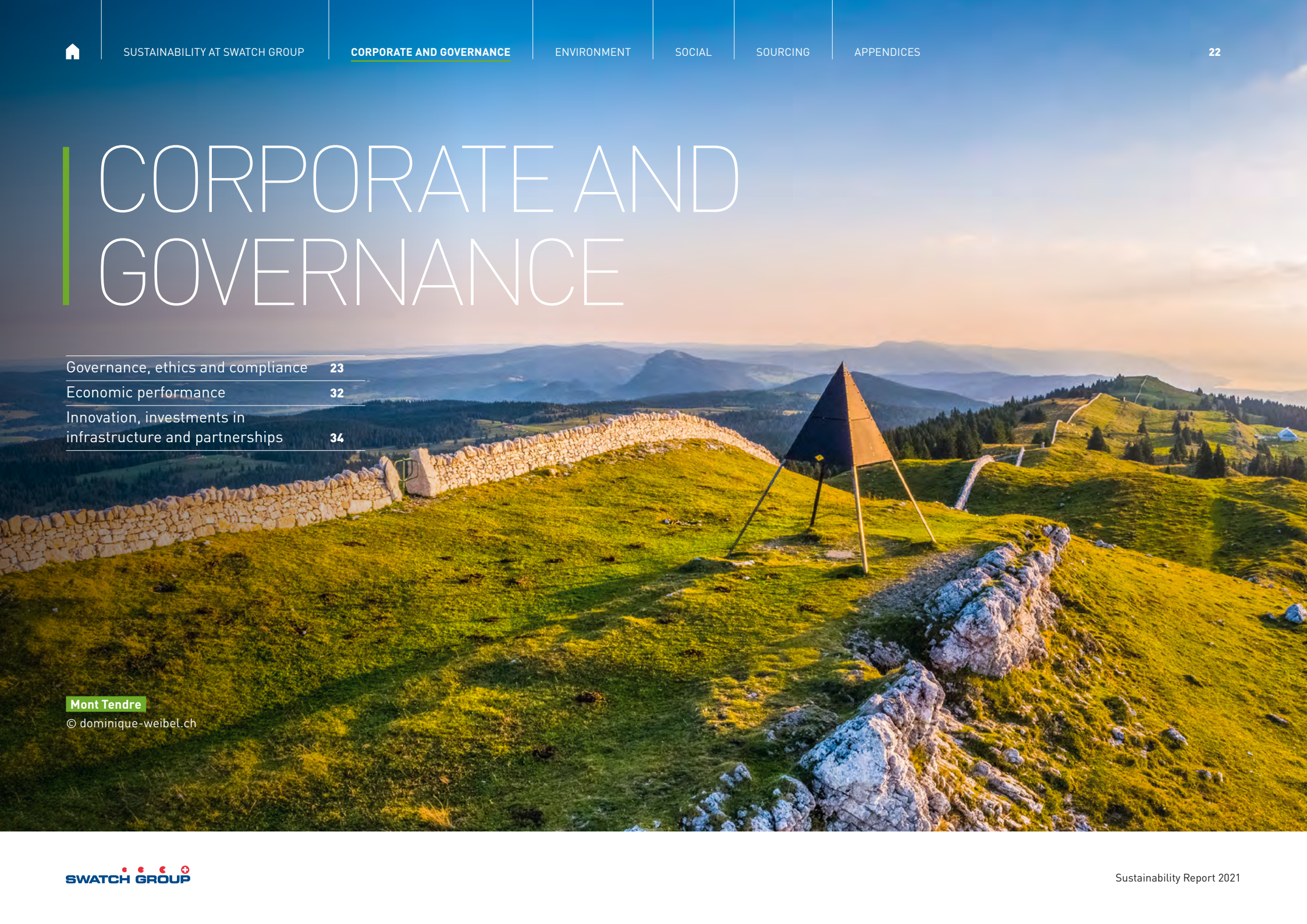
of the European compliance regime, common billing solutions and the introduction of electronic ID in the EU. A major issue within the European Green Deal is the Waste Electrical and Electronic Equipment (WEEE) Directive and the requirements of [RoHS](#)¹ and [REACH](#)¹ to contribute to sustainable production and sustainable consumer goods. As a member of DIGITALEUROPE, Swatch Group is joining efforts to support the European Green Deal.

1. See Glossary, p. 90



CORPORATE AND GOVERNANCE

Governance, ethics and compliance	23
Economic performance	32
Innovation, investments in infrastructure and partnerships	34



Mont Tendre

© dominique-weibel.ch



GRI disclosures 103-2, 103-3

Governance, ethics and compliance

GRI disclosure 102-18

Governance structure

Effective and transparent governance is central to the success of the company.

Swatch Group implements lean and efficient governance structures at all levels. While the Board of Directors is responsible for executive management, the Executive Group Management Board is responsible for operational management tasks, in which it is supported by the Extended Executive Group Management Board. The Board of Directors is made up of six members and has an Audit Committee and a Compensation Committee.

➤ For further information on the governance structure, please refer to the Corporate Governance Report in the Swatch Group Annual Report 2021

Sustainability governance

The Executive Group Management Board is responsible for ensuring compliance with the Group's high standards in the area of sustainability. It embeds the approach to corporate responsibility in the corporate strategy and defines specific targets and measures. Implementation is coordinated and managed by the Sustainability Steering Committee, which consists of representatives from the Executive Group Management Board. The Group's approach to corporate responsibility is approved by the Board of Directors, which has the ultimate responsibility.

Swatch Group sustainability organization chart



Sustainability Steering Committee

The Sustainability Steering Committee is responsible for Swatch Group's strategy and performance in the area of sustainability. The members are in constant contact with the Sustainability Team and meet every two months.

In the year under review, three of the nine Executive Group Management Board were members of the Sustainability Steering Committee.



Governance, ethics and compliance

Sustainability Team

The Sustainability Team implements the Group's sustainability strategy and policies as directed by the Sustainability Steering Committee. The team supports the operating entities and corporate functions in their projects and initiatives and serves as a communication platform for the individual Group companies.

The Sustainability Team consolidates the sustainability data of the operating entities and Group functions and prepares the Group's sustainability report. It answers questions from internal and external stakeholders.

Sustainability officers

The sustainability officer ensures the advancement of the Group's sustainability strategy by defining and implementing a specific road map for the individual company entities.

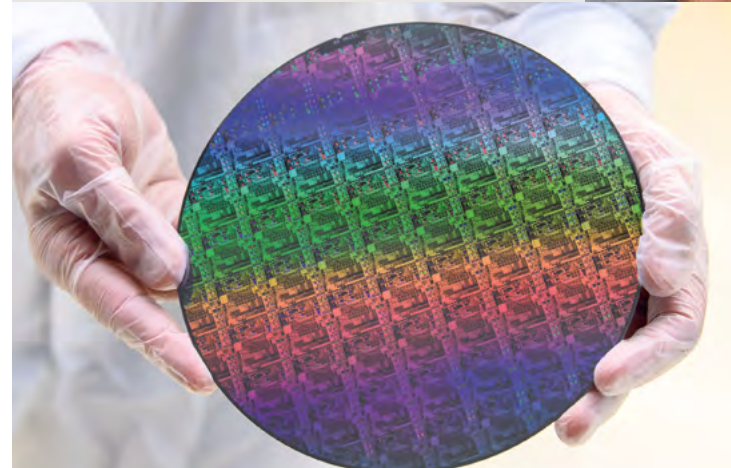
The sustainability officer collects the data needed for the sustainability reports of the Group and its individual companies.

The larger company entities already have sustainability officers. Positions are still being established for the smaller units and should be completed by the end of 2022.



First EM Microelectronic sustainability report

EM Microelectronic's True Ultra Low Power products have helped to increase the environmental friendliness of many applications for decades. In order to share its sustainability vision and commitment not only with its employees, but also with its partners, customers, suppliers and the general public, EM Microelectronic published its first separate sustainability report in July 2021.





Governance, ethics and compliance

Central functions

Energy Management

Energy Management, which is part of the Swatch Group Management Services (SGMS), collects data on energy efficiency, the use and quality of energy resources and their impact on the environment for the entire Swatch Group infrastructure, and develops optimization measures. It is guided by the targets set by the Sustainability Steering Committee as well as the goal to be climate neutral by 2050.

The fundamental task of Energy Management is to record and monitor individual energy flows. Energy Management is supported by the EnAW (Swiss Private Sector Energy Agency), which forms the basis for agreeing and achieving targets with the Swiss federal government (Federal Office for the Environment). Energy Management supports the Swatch Group sites in developing and implementing measures to optimize energy consumption and in switching to fuel-free and sustainable energy use.

Quality Management

The Swatch Group Quality Management (SGQM) is responsible for quality assurance, product safety and reliability, and compliance with regulatory requirements by all Group companies. This includes regular courses and training for employees. The Group companies are subject to various directives and technical specifications, such as regulations on substances that are excluded from watch components and packaging materials, requirements for marketing and labeling, and guidelines on the use of sustainable materials and the disposal of products. Compliance with external standards (such as ISO, EN, IEC, SN) is checked with regard to chemical testing methods, compliance, the environment, marketing, approvals of test processes, test and audit laboratories or packaging material. The SGQM defines the criteria for the approval of new materials and components and reviews the test procedures. It is also responsible for the inspection of internal and external chemical laboratories. The Swatch Group Quality Management plays a key role in the continuous improvement of the Group's products, production processes and sustainability.

Governance, ethics and compliance

Compliance with chemical regulations (REACH, RoHS) and environmental laws

Swatch Group complies with various national laws aimed at improving consumer information on the type and sorting of packaging and, more generally, on the environmental characteristics of products, in particular the AGECE law in France. SGQM supports Swatch Group companies in implementing the European REACH regulation regarding chemical substances. In 2021, ten substances were identified as Substances of Very High Concern (REACH SVHC) but have not yet been banned by REACH. Swatch Group has voluntarily banned the use of these substances in its products and seeks non-harmful alternatives, provided that there is a technically feasible alternative available.

Tracking and providing environmental standards

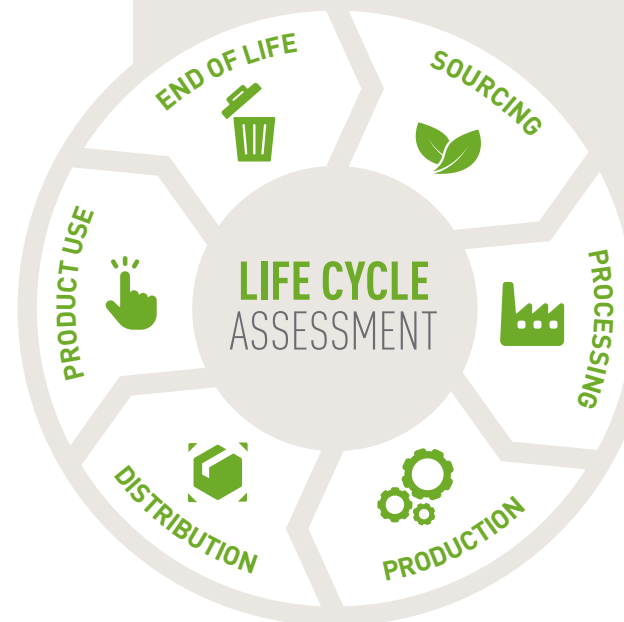
The Swatch Group Quality Management monitors the new international environmental standards and makes them available to Swatch Group companies. These standards cover a wide range of topics, in particular environmental management systems and environmental labeling and declarations. SGQM also provides standards for assessing the environmental characteristics of products and specific standards for packaging and packaging waste.



Life cycle assessment (LCA)

Choosing a sustainable design strategy is an essential part of product development. Swatch Group has therefore started to perform Life Cycle Assessments using the ecoinvent and openLCA software and on the basis of ISO 14040 and 14044 standards.

From the results of these analyses, a comparison can be made between the environmental impacts of different materials, products or processes that perform the same function, and those that have the lowest environmental impact throughout their life cycle are selected. The analyses are also used to identify opportunities for improving the environmental performance of the Group's products, including packaging, at different stages of their life cycle. This means that informed decisions can be made in new developments with regard to the procurement of raw materials, the selection of processes, end-of-life treatment, etc. Swatch Group will consolidate the use of LCA studies for its future developments in order to fulfill its ecological sustainability commitments.





Governance, ethics and compliance



The Group's high standards of quality, safety and sustainability are also required of its partners and suppliers.

Supply chain management

The Group's high standards of quality, safety and sustainability are also required of its partners and suppliers. This includes, in particular, responsible sourcing, i.e., full compliance with the Group Code of Conduct, the principles of its business practices and a zero-tolerance policy to human rights violations. As a company with a special responsibility for the extraction and sourcing of raw materials and the procurement of biological raw materials from endangered species, the Group applies international guidelines and standards (including the OECD's Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas and its Supplement on Gold; SA 8000 Social Accountability International, CITES Convention on International Trade in Endangered Species of Wild Fauna and Flora). Swatch Group FEPS (Far East Procurement Services) and SGQM continually verify that suppliers are effectively fulfilling the conditions.

[Chapter on sourcing, p.68](#)

GRI disclosures 102-16, 408-1, 409-1, 412-1

Values, principles, standards and norms of behavior

In its decisions, Swatch Group respects all national and international legal systems. It observes European standards, even where they go beyond local regulations. It observes a zero-tolerance policy to violations of human rights, e.g., child and forced labor, and corruption and other criminal acts. The principles for business practices are set out in the Swatch Group Code of Conduct. In relation to sustainable production methods and products, environmental protection and health and safety, Swatch Group complies with the applicable EU directives, such as the restriction of hazardous substances (RoHS), the registration, evaluation, authorization and restriction of hazardous chemicals (REACH), and the disposal of electrical and electronic equipment (WEEE). It always bases its policies on the strictest regulations as the minimum benchmark. With internal directives, the Group commits itself to standards that go beyond the legal requirements.



Governance, ethics and compliance

GRI disclosure 102-11

Risk management and precautionary principle

The Corporate Risk Management System is an integral part of the environmental protection and safety policy of Swatch Group. This system is broken down by function and ensures that crucial risks relating to environmental protection, health and safety are regularly identified, analyzed and recorded in order to develop and implement targeted prevention measures at an early stage. The precautionary principle has been embedded in internal directives since 1994. The possible environmental effects of all decisions made by the management teams at the individual Group companies must be considered before any final decision is made. All major Group companies have an environmental protection officer who reports directly to management and ensures compliance with all applicable environmental protection principles and measures. Environmentally friendly and recyclable materials must be used as long as they do not impact the overall quality of the product.

A significant component of risk management is Business Continuity Management. Experts determine which operating entities and which interconnectivities are important for the Group, identify the main risks (e.g., cyber risk, fire, water, chemical substances, interruption of operations) and define measures to ensure the greatest possible business

continuity. Prevention and emergency procedures are the focal point. A significant element of Swatch Group risk management is its policy of independence. Consequently, the company is reducing dependence on single suppliers, distribution partners and financial service providers where reasonable. This also includes sufficient inventory, expansion and modernization of production capacities, consideration of alternative supply solutions, strategically important acquisitions, and a high level of equity.

➤ For an explanation of financial risks, see the chapter on financial risk management in the appendix to the consolidated financial statements in the Annual Report 2021

Data protection and information security

The Group's data protection and information security policy ensures the highest possible security of data and information technology systems throughout the Group's network. Information security is continuously adapted in line with the state of the art by regularly analyzing cyber threats and technological developments and implementing any necessary measures immediately. In addition to technological measures, the information security culture is implemented at all levels within the Group through various means, including specific workshops and e-learning, which is available in 20 different languages. The combined approach of user training and technological information security measures increases the level of information security.



The possible environmental effects of all decisions made by the individual Group companies must be considered before any final decision is made.



Governance, ethics and compliance

Data protection is a top priority, which is why the Group has several data centers protected by different levels of security and state-of-the-art information security measures. This enables the entities to have an operationally secure environment with confidentiality, integrity and data availability as well as security for the related information technology systems.

Swatch Group reviews its data protection and information security measures on a regular basis in order to fully comply with applicable regulations and the legal framework of the countries in which it operates.

Intellectual property protection and anti-counterfeiting policy

Swatch Group products have a very strong and unique identity. They are developed and manufactured with the greatest level of care and are the embodiment of the know-how of many different professional groups, from watchmakers to designers. With cutting-edge technology, precise artisanship and fast, professional customer service, the brands ensure lasting value for their products.

However, due to their success, the brands are also exposed to counterfeiting. The watch and jewelry industry is particularly affected by counterfeiting and, according to customs authorities, ranks top among the most frequently seized items in terms of value and fifth in terms of quantity.

According to a report published by the [OECD](#)¹ in 2021, the damage of this is not only to the reputation of Swiss companies, but it is also of an economic nature, as these companies are defrauded of almost CHF 4.5 billion in sales annually. The watch and jewelry industries are the most affected, with losses of around CHF 2 billion per year. According to the OECD, Swiss companies would have been able to provide more than 10,000 additional jobs in 2018 without the impact of counterfeiting. Counterfeiting also affects the public purse, which, according to estimates by the study's authors, lost almost CHF 160 million in tax and customs revenue in 2018.

The danger of counterfeiting also lies in the fact that these products may also contain substances or components that do not meet safety requirements and therefore pose a risk to consumer health and safety.

With the rapid development of e-commerce, it has become easier for consumers to shop online, and they are therefore exposed to the high risk of counterfeit products on the Internet, as it is very difficult to distinguish counterfeits from the original products. This criminal behavior also affects customer service.

1. www.ige.ch/en/intellectual-property/counterfeiting-and-piracy/studies.



Governance, ethics and compliance

It is usually possible for the perpetrators to infringe intellectual property or deceive consumers online without any great risk. The anonymity of the perpetrators, the easy international payment options, the low shipping costs, the variety of distribution channels and the lack of international sanction options make it difficult to report or prosecute. As a result, online sales of counterfeit products have now reached industrial proportions, and Swatch Group has been taking specific measures to combat counterfeiting on the Internet for many years. Given the scale of this phenomenon, it is necessary to employ new tools to address this specific problem and, in particular, to ensure a global approach to and understanding of counterfeiting. To prevent counterfeit products, the visibility of such offers must be reduced in order to diminish the demand for these products. Counterfeiters have now moved to using omnichannel sales, meaning that surveillance must extend to social networks, sales apps and new technological developments such as virtual watch faces for download.

In order to protect the inherent value of its products (finished watches, movements, semi-finished products and components), Swatch Group ensures technical and intellectual protection at all levels, in particular by protecting technical innovation through patents and the valorization of its technological assets, by protecting trademarks, designs or copyright, and by defending each of these rights. Any infringement of the intellectual property or know-how of Swatch Group companies will be immediately prosecuted, and the counterfeiting and piracy of products and services will be tackled firmly. To this end, Swatch Group works closely with the Federation of the Swiss Watch Industry (FH) and with the customs authorities, police and other criminal and administrative authorities of the various countries in which it operates, as well as at international level, in particular with Europol.



Governance, ethics and compliance

GRI disclosures 205-2, 205-3

Anti-corruption

Swatch Group observes a zero-tolerance policy to violations of human rights, e.g., child and forced labor, and corruption and other criminal acts.

Clear guidelines on corruption are defined in the employee handbook and in the Code of Conduct. These documents are available to all employees online or in another format. Clear specifications regarding anti-corruption are also defined in the supplier terms and conditions, and compliance with these specifications is checked in audits.

➤ For further information, see the chapter on sourcing, p. 68

In the period under review, the Group is not aware of any cases of corruption in the sense of accepting unlawful advantages (through bribery, fraud, extortion, collusion or money laundering) that exceed a minimum level.

GRI disclosures 307-1, 419-1

Compliance

In the year under review, there were no fines or sanctions for non-compliance with environmental protection laws or laws and regulations in the social and economic areas that exceed a minimum level.



GRI disclosures 103-2, 103-3

Economic performance

Ensuring the long-term economic success of Swatch Group is essential for sustainable value creation for the benefit of society and the environment. Through its economic activities, however, the Group also generates a significant economic impact from which many of the stakeholders benefit.

GRI disclosure 201-1

Direct economic value generated and distributed

(in CHF million)

	2021	Proportion in %
Net revenue	7,313	100%
Operating costs	-4,086	-56%
Employee wages and benefits	-2,206	-30%
Payments to providers of capital (incl. dividends)	-201	-3%
Taxes	-237	-3%
Economic value retained	583	8%

GRI disclosures 207-1, 207-2, 207-3

Swatch Group tax strategy

Swatch Group is a multinational group of companies with its own subsidiaries in around 40 countries.

Swatch Group follows a responsible and lawful tax and customs strategy. It considers effective and efficient tax and customs compliance to be a key objective and commits

significant resources to ensure that the Group's tax and customs affairs are properly regulated, transparent and sustainable.

Swatch Group complies with the OECD Guidelines for Multinational Enterprises within the following framework: "Tax compliance includes measures such as providing up-to-date information required by law to the relevant authorities so that they can correctly assess taxes incurred in connection with the business activity, as well as observing the arm's length principle when determining transfer prices."

The Group's tax strategy ensures that the entire organization is committed to complying with tax and customs laws and regulations in the countries in which it operates, in line with the following strategic priorities:

- Compliance with tax and customs legislation, reporting and payment obligations, including the correct booking of taxes and duties;
- Application of governance, due care and diligence with regard to tax and customs procedures and ongoing improvement of these procedures;
- Management of tax and customs costs and monitoring of the related risks by seeking advice from the global tax team and external advisors in particularly complex or uncertain areas;
- Provision of transparent and timely information to the relevant authorities;



Economic performance

- Maintaining an accountable team of qualified tax and customs professionals around the globe.

Risk management in tax affairs

In order to ensure compliance and minimize the associated risks, the Group has robust tax- and customs-related processes and controls in place. Tax affairs in each country are very complex in many functional and technical areas, which is why, with the help of tax experts, Swatch Group consolidated subsidiaries monitor, adapt and continuously improve their tax and customs compliance processes in order to avoid possible errors or omissions.

Swatch Group's subsidiaries have clearly defined responsibilities for their tax affairs, which ensure that tax risks are reported and that tax issues are escalated to the appropriate level. The consolidated subsidiaries of Swatch Group have a low tolerance for tax risks and work proactively with tax experts to ascertain their tax position with certainty.

Tax planning

Tax planning is aimed at supporting the commercial needs of the company by ensuring that the business of each entity is conducted in full compliance with applicable laws and regulations. The tax function is therefore involved in the commercial decision-making processes and provides appropriate input in relation to business matters to ensure a

clear understanding of the tax consequences of all decisions made. The Group does not engage in aggressive tax planning or artificial structuring that has no business purpose or economic merit.

Relationship with tax authorities

Swatch Group is committed to maintaining a transparent relationship with the relevant authorities, fostering open dialogue on a timely basis and endeavoring to respond promptly to all inquiries and requests for information from the authorities. The Group may request pre-approval from the relevant tax and customs authorities for certain transactions if there are significant uncertainties and/or the transaction is of major significance. In the case of tax audits, the Group aims to reach a settlement whenever possible and considers litigation as a last resort.

GRI disclosures 103-2, 103-3, 203-2

Innovation, investment in infrastructure and partnerships

Patents

Swatch Group applied for a total of 202 patents in 2021, 192 of which relate to watches. The development of newly filed patents has been stable in recent years. In total, Swatch Group owns approximately 17,500 active patents and patent applications, divided into 2,659 different patent families.

Age distribution of our patent families

0-5 years	6-10 years	11-20 years
38%	34%	28%

The protection of Swatch Group innovations is ensured by its internal patent attorneys of *ICB Ingénieurs Conseils en Brevets S.A.* ICB protects and defends the technological assets of the Group companies and of the various research and development entities of Swatch Group. ICB files new patent applications directly with the Swiss Federal Institute of Intellectual Property and the European Patent Office and works with a worldwide network of specialized law firms for applications in other countries. The work of the ICB enables efficient protection of Swatch Group's developments thanks to effective synergies between the patent attorneys and the research teams within the Group.



Taking responsibility for the entire life cycle, including buildings

The buildings erected in 1946 for the distribution and production of Mido in Biel/Bienne (BE) were no longer up to date in terms of operations and energy, and a renovation was no longer a viable option due to the building structure. The aim of the deconstruction after the move to the modern Distico building was to prepare a fully renovated plot of land ready for construction. Extensive studies were carried out for the deconstruction project, and the necessary concepts for building pollutants, demolition, contaminated sites and backfilling were developed on that basis. With the renovation, all materials containing hazardous substances were professionally remediated or disposed of in accordance with the law. Particular attention was paid to the protection of workers and the environment. In total, more than 360 metric tons of building pollutants were handed over to specialist disposal companies. In addition, more than 9,100 metric tons of building material were recovered and recycled. Approximately 5,000 m³ of clean material, such as sand, gravel and topsoil, was used for backfilling and recultivation. The office of water and waste management (AWA) of the Canton of Bern confirmed that the site could be removed from the register of contaminated sites.



Employees from the Mido building have been moved to the modern Distico building.

Innovation, investment in infrastructure and partnerships

R&D expenditure

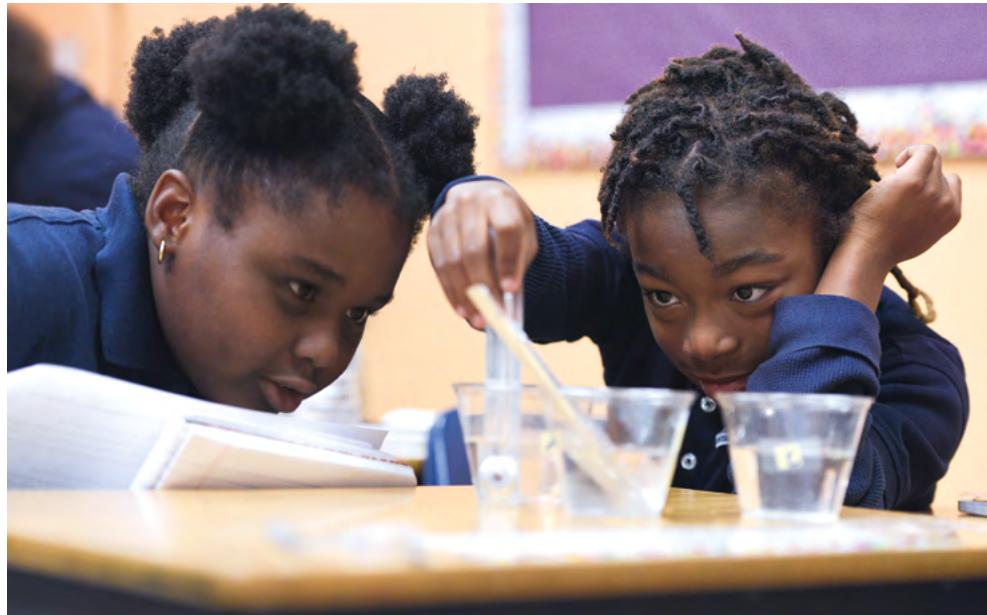
Each year, Swatch Group invests in research and development in order to remain innovative in the long term. In 2021, R&D spending amounted to CHF 245 million, an increase of around 10% compared to the previous year. As a proportion of sales, this corresponds 3.3%.

Investments amounted to CHF 262 million, some 32% higher than the previous year, but still below the pre-pandemic level of more than CHF 400 million. The majority of investments were in new production equipment and buildings.

Sponsoring and charity

In 2021, there was a renewed sense of creativity and humanity regained its voice, its colors and its drive. Life returned to a somewhat more normal course, and the Swatch Group brands sought to participate energetically and enthusiastically in this renewal, with countless artistic and philanthropic activities. Conscious of its social responsibility, Swatch Group is committed directly and through its watch brands to a host of causes and projects around the world.

Harry Winston for example, in 2021 proudly initiated a global partnership with Junior Achievement Worldwide (JA), which provides educational support to one million young people in the regions where Harry Winston operates. The Harry Winston Hope Foundation continued to support



Harlem Academy.

the Harlem Academy, an independent school in New York City that provides opportunities for promising low-income students. In Japan, Harry Winston's support of Chance for Children continued to help children in need access additional educational programs. Harry Winston's ongoing commitment to San Francisco Conservatory of Music events helped the organization raise more than \$1.5 million. Additional support from the Harry Winston Hope Foundation made it possible to award scholarships to students in the pre-college division, allowing young people in primary and secondary schools to benefit equally from the Conservatory's programs, regardless of their economic situation.

A selection of additional commitments of the Swatch Group brands can be found in the Annual Report 2021



ENVIRONMENT

Introduction	37
Energy and emissions	38
Product design and handling of materials	47
Water	52
Deforestation and biodiversity	53
1,000 environmental measures	55

Vallée de Joux

© dominique-weibel.ch



Introduction

Environmental protection is firmly anchored in all Swatch Group divisions and companies, and represents a core priority that is respected, promoted and implemented daily by every employee in the company. The Group applies this conviction along the entire value chain, from product design and production processes to the recycling of its durable and sustainable products. The Group's brands develop new products using recycled or recyclable, organic and compostable materials wherever possible. In order to efficiently implement the Group's strategy for sustainable product design, it has started conducting Life Cycle Assessments (LCAs) to better identify and minimize environmental impacts.

➤ Further information on LCAs can be found on p. 26

Moreover, measures to reduce energy and resource consumption are implemented, whether through manufacturing facilities with intelligent energy control systems or through energy-efficient, heat-insulated and eco-friendly infrastructures. To optimize ecological and energy performance, ultra-modern technologies and building materials are used for new production and other buildings and renovations; this practice also led to a further positive impact in the year under review.

Data collection was revised and expanded in 2021. For some key figures, specific targets have been set for Swatch Group, while targets are still being defined for other figures. Because of their diversity, the business entities define their own targets and measures for many key figures, which are not presented in this report in a consolidated form.

➤ Further information on data collection can be found on p. 87

GRI disclosures 103-2, 103-3

Energy and emissions

As early as 1990, Swatch Group campaigned for a reduction of GHG emissions and lower energy consumption through its sponsorship of the solar mobile Spirit of Biel. At that time, the solar mobile won the World Solar Challenge in Australia. The first solar-powered Swatch (1995), which has lost none of its appeal, stems from this period. In this way, the Group's early commitment to climate protection remains an important value, and Swatch Group remains motivated to contributing to sustainable climate action in the long term.

The Group aims to achieve the goal of climate neutrality for Scope 1 and Scope 2 emissions by 2050. A strategy to reduce greenhouse gas emissions has been developed; the targets are reviewed regularly and, if possible, a faster reduction strategy is implemented.

In order to reduce Scope 1 emissions, targets for energy-efficiency gains and GHG reductions have been defined for all production units in Switzerland since 2013, which in principle also apply on a consolidated basis to the entire Group. Production sites and distribution companies located outside Switzerland, in particular the many boutiques and service centers, are also working to improve their energy performance. Although the boutiques and service centers consume far less energy than the production plants in Switzerland, they are nevertheless included in the range of measures to reduce emissions and energy consumption.

Strategy for achieving climate goals

In order to achieve the reduction targets, efforts in the coming years will be concentrated on the most CO₂-intensive sites. The principles according to the illustration below are taken into consideration accordingly. Depending on the site, different innovative technologies are being considered in order to overcome the challenge presented by energy transition in industry. The renovation of old building structures presents a particular challenge in this respect; however, equal priority is being given to production processes, the integration of smart building management systems, the establishment of decentralized energy management systems and new buildings. The most important thing to consider is the source of the energy required. In this regard, the following energy sources are considered in terms of achieving the target:

- Green/blue electricity (hydropower, wind power, photovoltaics)
- Biogas
- District heating
- Local wood
- Geothermal energy, ambient heat and solar thermal energy
- Green/blue hydrogen (from renewable energy or natural gas)
- Sustainably produced biogenic fuels (e.g., biodiesel CH).

AVOIDING

the use of resources that have no associated benefit

REDUCING

energy consumption to the necessary and technically feasible minimum

EFFICIENT

and effective operation of the installation

ALTERNATIVES

to fossil-fuel energy sources, such as regenerative or zero-carbon energy sources

INDEPENDENT

generation or conversion of energy at the sites themselves

ENERGY STORAGE SYSTEMS AND CARBON OFFSETTING PROJECTS

Energy and emissions



The Group aims to achieve the goal of climate neutrality for Scope 1 and Scope 2 by 2050.

Fossil fuel energy sources are therefore being replaced by renewable energy sources.

Swatch Group is now also committed to reducing Scope 2 emissions and positively contributing to climate neutrality in a more comprehensive manner.

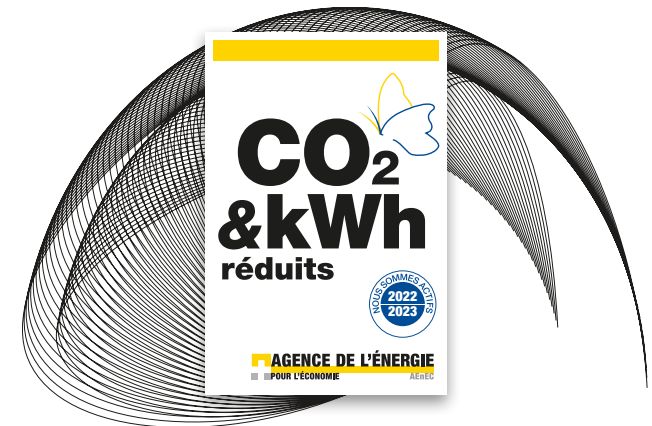
The following approaches will be used to reduce Scope 2 emissions over the next few years:

- Reducing electricity consumption, measures for higher energy efficiency;
- Expanding internal renewable electricity production;
- Purchasing electricity from renewable sources.

In order to reduce greenhouse gas emissions to zero by 2050, each Group company defines its own specific targets and measures. Carbon offsetting is not the top priority as Swatch Group wants to actually eliminate emissions and not simply offset them.

Swiss production plant environmental program, GHG emissions and energy efficiency

In 2013, Swatch Group, with the support of the Energy Agency of the Swiss Private Sector (EnAW), signed a binding target agreement regarding stationary GHG emissions (Scope 1) with the Swiss Federal Office for the Environment (FOEN). All of the Group's Swiss production facilities are bound by this agreement and implement measures to help achieve Swatch Group's energy targets.



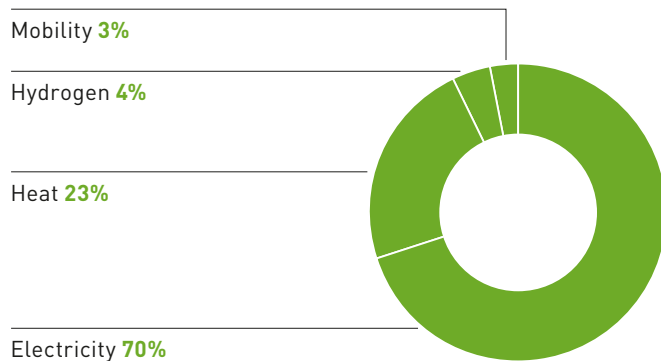
Blancpain SA Le Sentier

One of our 32 EnAW-certificates.

Energy and emissions

Energy consumption

A variety of sources are used to meet Swatch Group's energy requirements. A small part of the Group's energy is generated from its own solar and hydropower production. The Group's total energy consumption of 371 GWh in 2021 breaks down as follows:



Heat consumption

Compared to 2019, heat consumption per square meter of floor space was reduced by 5% in 2021. Energy efficiency is constantly improving thanks to ongoing investment in production facilities and buildings. The measures include new buildings equipped with state-of-the-art heat pump technology, new thermal insulation and building



Investments in infrastructure

Investments in sustainable new buildings and renovations are in line with Swatch Group's philosophy. When new infrastructure projects are undertaken, social and environmental aspects are just as important as economic considerations. An example of this is the Swatch brand's new home near the Omega building and the Cité du Temps in Biel/Bienne (BE).

Old buildings are regularly audited and, if necessary, investments are made in sustainable renovations. Key considerations for such renovations include ensuring energy efficiency, using renewable energies and using an optimized

water cycle. At Longines in Saint-Imier (BE), for example, insulation work has been carried out on the roof and façade over the past four years, resulting in a 60% reduction in heating gas consumption. In addition, photovoltaic systems covering 35% of Longines' electricity requirements have been installed, along with charging stations for electric cars.



Swatch's new home in Biel/Bienne.

Energy and emissions

renovation programs, the optimization or replacement of air-conditioning and water-cooling systems, renovation of heating installations and the commissioning of new heat recovery units. Due to investment to reduce heat consumption per unit of floor space, this consumption has been cut by more than half since 2001. A good example of this are the extensions to the Omega/Swatch site in Biel/Bienne (BE), where the renovation reduced heat consumption per m² of surface area by 48% and GHG emissions by 55%.

Energy from self-generated renewable solar energy and hydropower production

Swatch Group has been investing in its own solar and hydroelectric power plants for decades. In the year under review, the various energy production plants generated approximately 2,500,000 kWh of renewable electricity (about 1% of electricity consumption), most of which was used directly by the Group's companies. When the Group's own electricity demand is low, such as during the weekend, the electricity is fed into the grid. In the year under review, this amounted to 130,000 kWh.

GRI disclosures 302-1, 302-3, 302-4

Energy consumption

(in GWh)	2021	2020	2019	2013 (Base year)	Change to base year
Power grid	255.5	-	-	-	-
Self-generated production	2.5	-	-	-	-
Feed into the grid	-0.1	-	-	-	-
Total electricity consumption	257.9	239.4	269.1	216.2	+19%
- of which renewable (self-generated production or with proof of origin)	13.7%	-	-	-	-
Heating oil	12.1	12.9	15.4	20.6	-41%
Natural gas	67.6	62.8	74.7	80.4	-16%
- of which biogas (admixed)	4.5%	-	-	-	-
District heating	4.2	3.6	3.7	2.9	+45%
Wood	1.6	-	-	-	-
Total heat consumption	85.5	79.3	93.8	103.9	-18%
Diesel	8.3	-	-	-	-
Gasoline	2.3	-	-	-	-
Total mobility	10.6	-	-	-	-
Hydrogen	16.5	-	-	-	-
Total energy consumption	370.5	-	-	-	-
Key figures on energy intensity					
(in kWh per m ²)					
Floor space in m ²	997,320	987,992	1,033,291	859,589	+16%
Electricity intensity	258.6	242.3	260.4	251.5	+3%
Heat intensity	85.8	80.3	90.7	120.9	-29%
Total energy intensity	371.5	-	-	-	-

1. Includes heat consumption of buildings and processes.

Energy and emissions

**HIGH
LIGHT**
District heating at ETA Fontainemelon

Since October 2021, the ETA buildings in Fontainemelon have been heated using district heating. This project will reduce emissions of CO₂eq by 600 metric tons per year.

Research into the replacement of the gas heating system in Fontainemelon started in the summer of 2020. Instead of replacing the gas boilers with an oil backup solution, the decision was made to connect the system to the Viteos/Vivaldis wood-fired district heating system, which sources its wood exclusively from the Val-de-Ruz forests. The gas boilers and the oil reserve were therefore completely replaced by two 700 kW heat exchangers. In the future, heat will be recovered from compressed air systems, meaning that heat demand and consumption will be significantly reduced even further.

The internal heat distribution will be modernized as part of a second step of the project, with the project being planned for implementation in 2022/2023.

ETA building in Cernier-Fontainemelon.


GRI Angabe 305-1, 305-2, 305-4, 305-5
Scope 1 emissions

 (in t CO₂eq)

	2021	2020	2019	2013 (Base year)	Change to base year
Heating oil	2,985	-	-	-	-
Natural gas	11,900	-	-	-	-
Wood	25	-	-	-	-
Emissions from stationary combustion¹	14,910	15,890	18,991	21,501	-31%
Diesel	2,092	-	-	-	-
Gasoline	562	-	-	-	-
Emissions from mobile combustion	2,655				
Emissions from refrigerants and processes²	2,858				
Total Scope 1	20,422	-	-	-	-

Scope 2 emissions³

	Amount of energy (in GWh)	t CO ₂ eq
Power grid	255.5	59,297
District heating	4.2	724
Total Scope 2		60,021
Total Scope 1 & 2		80,444
Emission intensity (kg CO₂eq/m²)		80.7

1. Emissions from fossil fuels are cited. Biogenic emissions (from biogas and wood) amount to 1,178 t CO₂eq.
2. The greenhouse gases taken into consideration are CO₂, CH₄, N₂O, HFCs, PFCs, SF₆ and NF₃. Information is not yet available for all sites. Around 38% of the value stated is therefore based on an extrapolation based on existing data from comparable sites.
3. Data on the purchased electricity mix is used insofar as it is available, otherwise, the average values per country are used. Reporting in line with a market-based and location-based approach is currently being developed.

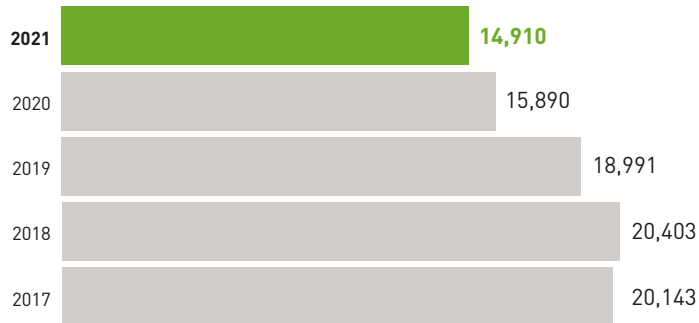
Energy and emissions

Emissions

GRI disclosure 305-1

Scope 1 emissions

CO₂ emissions and other greenhouse gases generated by the Group's companies consist of emissions from heat generation, refrigerants, production processes and fuel consumption. These are all Scope 1 emissions.

Emissions from stationary combustion(in t CO₂eq)**Solar cells and LED lighting**

The Micromechanics subsidiary in Malaysia implements numerous eco-friendly measures, particularly in the area of solar energy and energy efficiency:

- More than 90% of the lighting in the production facilities and offices is provided by energy-efficient LEDs.

- In selected areas, such as the cafeteria or the prayer room, automated systems with sensors are installed to enable lighting to be switched on and off as required.
 - In October 2021, the first solar cells were installed, which already meet 15% of the subsidiary's electricity demand.
- Other initiatives include the use of rainwater, the greening of the area and, most recently, own beehives.



Solar panel on the roof of Micromechanics Malaysia.



Energy and emissions

Info box

Direct (Scope 1) GHG emissions

GHG emissions from sources owned or controlled by an organization (e.g., burning oil or gas on the premises).

Energy indirect (Scope 2) GHG emissions

GHG emissions that result from the generation of purchased or acquired electricity, heating, cooling and steam consumed by an organization.

Other indirect (Scope 3) GHG emissions

Indirect GHG emissions not included in energy indirect GHG emissions (Scope 2) that occur outside of the organization, including both upstream and downstream emissions along the value chain (e.g., from air travel, transportation, disposal).

GHG = greenhouse gas emissions
Source: based on the GRI Standards 2016 glossary.

In 2021, Scope 1 emissions totaled 20,422 t CO₂eq. For the first time, the reported value also includes emissions from the vehicle fleet as well as additional direct GHG emissions. The comparable figure for emissions (gas and heating oil) is around 6% lower than in 2020 and around 21% lower than in 2019 due in part to the increased use of district heating and efficiency improvement measures.

GRI disclosure 305-2

Scope 2 emissions

In 2021, Scope 2 emissions totaled 60,021 t CO₂eq. For the most part, these emissions came from the production of the electricity purchased.

➤ Information on the Group's climate strategy can be found on p. 38

GRI disclosure 305-3

Scope 3 emissions

In terms of recording Scope 3 emissions, Swatch Group distinguishes between six different categories:

- Purchased goods
- Transport
- Waste
- Business-related travel
- Commuting of employees
- Distribution.

Detailed data collection of Scope 3 emissions is under development. Initial information and figures on individual categories are already available:

Purchased goods

GHG emissions are an important criterion when selecting the suppliers and origin of raw materials.

In terms of purchased goods, indirect emissions associated with the mining of gold are of particular importance. Recycled gold is therefore primarily used. This has a CO₂eq of around 53 kg per kg of gold, according to the recent WWF study "[The Impact of Gold](#)"¹, while primary gold generates around 12,500 kg CO₂eq per kg of gold.

Primary gold is sourced exclusively from industrial mines in the US, Canada and Australia. GHG emissions from industrial mines are to be continuously reduced through the use of electrically powered machinery, with the aim of reducing to zero by 2050.

➤ Further information on sourcing can be found on p. 68

1. www.wwf.ch/en/unsere-ziele/the-downside-of-gold.

Energy and emissions

Category	Definition
Purchased goods	Production or extraction, processing and transportation of purchased goods (if not included in other categories)
Transport	Transport and distribution of purchased goods between direct suppliers and the company or between company sites using transport not owned or operated by the company
Waste	Treatment and disposal of waste resulting from the company's business activities (in facilities not owned or controlled by the company)
Business-related travel	Business trips of employees using transport not owned or operated by the company
Commuting of employees	Commuting of employees between their place of residence and place of work using transport not operated by the company
Distribution	Transport and distribution of finished products to the company's sales locations or to third parties using transport not owned or operated by the company

Transport and distribution

Thanks to its own production facilities being concentrated in Switzerland, a high degree of verticalization and a Swiss network of suppliers, Swatch Group has, for the most part, very short transport routes between suppliers, the production sites and the watch brands. The stockpiling strategy also means fewer deliveries and slower methods of transport (train, cargo ship), which significantly reduces the amount of additional GHG emissions.



Sustainable transport

Daily travel, especially commuting, is one of the main causes of greenhouse gas emissions in Switzerland. Cycling is the most environmentally friendly and the most active way of mobility. Omega has therefore decided to encourage the use of bicycles for commuting to work. All employees are given a free subscription to a bike sharing scheme, and sheltered bike parking spaces are also made available to them, including ones with charging stations for electric bikes powered by solar panels.





Energy and emissions

The distribution of products to customers around the world creates greenhouse gas emissions. Measures to reduce emissions include shipping the watch box by sea freight and packaging it for end customers in the subsidiaries in the destination countries.

GRI disclosure 305-7

VOC (Volatile Organic Compounds) emissions

At Swatch Group, VOCs arise primarily through the use of acetone, alcohol and gasoline as cleaning agents for the components produced. However, in the year under review, 67% of VOCs generated were recovered and recycled thanks to the recovery systems for gasoline and other volatile solvents (previous year: 45%). A steady reduction in VOC emissions is achieved by substituting volatile substances with a process that does not contain solvents or that contains fewer volatile substances.

VOC emissions

(in metric tons)	2021	2020	2019
VOC generated	490.6	636.8	977.1
VOC recovered	326.9	286.5	411.4
VOC emitted	163.7	350.3	565.7
% recovered	67%	45%	42%

GRI disclosures 103-2, 103-3

Product design and handling of materials

GRI disclosure 301-1

Materials used

Each year, Swatch Group uses a few tens of thousands of metric tons of raw materials, such as steel, brass, gold, plastics, leather, diamonds and the materials used for packaging. The individual companies are responsible for recording and optimizing the materials that are used. A detailed, group-wide data collection system for the materials used is currently in development. This system will mean that information on individual material categories can also be reported on a consolidated basis. Paper consumption is already recorded on a consolidated basis. The scope of the information recorded was expanded in the year under review and now includes printing paper, advertising materials and sanitary paper. A comparison with the values from the previous year is therefore not possible. In 2021, paper consumption totaled 717 metric tons.

New materials: vegan alternatives, recycled, recyclable, compostable and bio-based materials

Swatch Group promotes the use of materials that can be recycled and reused. If this is not possible, Swatch Group companies are encouraged to prioritize materials that are bio-based, compostable or biodegradable. Such materials should at a minimum be recyclable for use in generating energy.



Swatch

Swatch started a revolution in 1983 by launching watches that were responsibly manufactured with only 51 components. 37 years later, the brand introduced a bio-sourced plastic, which was added to its collection in September 2020. Launched in 2021, the BIOCERAMIC material is the latest development in a series of ideas. This new, innovative material mixes bio-sourced polymer derived from the castor bean plant with ceramic powder. The result is a lightweight, robust material with a silky smooth finish.



Swatch Group Quality Management supports brands and production companies in the selection of materials and ensures that, where necessary, environmental designations (recycled, recyclable, organic, bio-based, compostable or biodegradable) are evidenced by appropriate documentation or certification.

Product design and handling of materials**HIGH LIGHT****Flik Flak**

The Swiss children's watch brand Flik Flak is using a new bio-based polymer to make the cases, straps, pins and buckles of its watches. The material is obtained from the seeds of the castor bean plant. The brand also gives PET bottles a second life by reusing them in the fabric straps of its watches. The bottles are collected in northern Italy and mechanically recycled to make yarn, which is then woven and dyed to make the Flik Flak watch straps.

**Vegan certification**

In order to meet market demands, Swatch Group brands are developing materials that suit the lifestyles of as many customers as possible. The market is moving towards materials that are not derived from animals and are vegan. There are a large number of vegan certifications available; Swatch Group Quality Management therefore carried out an evaluation of existing vegan certifications and selected the certification of the BLC leather organization (Eurofins | Chem-MAP). The certification is carried out by an independent organization and consists of an evaluation of materials and raw materials through physical and chemical tests:

- A DNA test for chemicals (e.g., dyes, adhesives, paints) to ensure that no DNA of animal origin (from the entire animal kingdom) is present;
- A microscopic test (for textiles) to ensure that no animal fibers are present;
- An FTIR test (for polymers) to ensure that no animal proteins are present.

In addition, documents are thoroughly analyzed to prove conformity.

GRI disclosure 301-2**Recycled input materials used**

Production processes generate residues and waste, most of which can be reused. Sprues for plastic injection molding, for example, are reused immediately in ongoing production. Gold residues are fed into an internal recycling circuit and melted down in the company's own foundry, and Swatch Group has developed its own processes for sapphire in order to reuse the production residues internally. The company also operates its own battery recycling plant.

Reusable materials such as metals, cardboard or paper are collected and fed into an external recycling loop via recycling dealers.

Proportion of recycled input materials (selection):

- Steel: around 70% (official data from steel suppliers)
- Gold: around 80% (data from company foundry and gold bookkeeping).

In terms of weight, the majority of Swatch Group's steel or gold watches are already made of recycled input materials. Plastic watches are also regularly converted to be made from bio-based materials.

The Group aims to increase the proportion of environmentally friendly materials and record these in even further detail in the future.

Product design and handling of materials

Environmental issues related to packaging

Swatch Group brands and companies are continuously working to reduce the weight of packaging and packaging materials while ensuring functionality, as non-functional packaging provides inadequate protection for the products it contains and results in additional waste throughout the value chain. Packaging and packaging materials must therefore be as compact and lightweight as possible, while ensuring optimal functionality. New packaging solutions that are developed in house improve the recyclability of packaging materials, and not just in theory – the Group checks that recycling routes exist or are being developed in the countries in which the products are distributed. In the event that packaging consists of several materials for technical reasons, these are selected to ensure that they do not affect the recyclability of the primary material. Whenever possible, Swatch Group also promotes the use of recycled materials in order to strengthen the demand for such materials and, in doing so, contribute to a circular economy. Swatch Group is also working to eliminate non-recyclable plastics in its supply chain, in particular polyurethane foams and polyvinyl chloride (PVC) disposables. A newly established working group is discussing possible alternatives to PVC that retain its key technical properties.



Certina packaging and watch straps

Our watches leave a lasting impression. They are made to be dependable, accurate and stylish so that our customers can wear them throughout their lives for years to come. The new generation of our packaging, on the other hand, is deliberately focused on transience. In 2021, Certina debuted its high-quality, eco-packaging made from recyclable materials.

A new generation of watches was also launched in collaboration with a Swiss enterprise. Together with scientists from the Eastern Switzerland University of Applied Sciences OST, Tide Ocean SA has developed an award-winning method for turning plastic waste from the oceans into high-quality, sturdy watch straps using a mechanical upcycling process. For the first time, our customers worldwide were also able to have their say in the design of Certina's DS PH200M as part of an international online competition in March 2021.



Product design and handling of materials



Sapphire watch crystals by Comadur.

GRI disclosures 301–3, 306–4

Internal recycling loops

Battery recycling

As Swatch Group's in-house battery producer, Renata operates its own button cell battery recycling facility (silver recycling). Used batteries are crushed in a crusher and their basic materials and particles separated from each other. The silver oxide and other elements are then recovered in a special treatment process. The materials are either used for the production of new batteries or handed over to certified specialist companies. The chemical solutions used are processed in a fully closed materials processing loop and returned to the reactors.

Sapphire recycling

Sapphire, with a value of 9 on the Mohs scale, is surpassed only by diamond in terms of hardness and scratch resistance and has a melting point of over 2,000°C; despite these challenges, Comadur has been able to develop a sapphire recycling process.

Two processes are used in sapphire production in Bad Zurzach. In the Verneuil method, sapphire crystals are produced from aluminum oxide powder. During the production of sapphire as well as in the processing of sapphire crystals, production residues occur, for example due to air pockets

during crystallization. The edge-defined film-fed growth (EFG) process also creates production residues – such as cutting residues during the laser process – which are then also collected. As a result, almost all production residues are fed into the internal recycling process.

The production residues are pure aluminum oxide in the form of sapphire. In order to achieve the required shape and stone size, the material goes through a multi-stage crushing and grinding process. A cleaning and rinsing process must also be used to remove impurities from the surface.

In the case of the EFG process, these residues can be used as raw material; in order to enable this, sapphire granules of approximately 1 mm in size are produced. These are then melted down and pulled into sapphire plates during the EFG process, and this material is then further processed to create sapphire crystals. Depending on the process, it is possible to use up to 50% recycled material. The quality of the materials is not affected by the recycling process.

Plastic recycling

Sprues and injection molding residues are immediately reused as long as this does not impact quality. The sprues and residues are crushed by an auxiliary mill and can be added to the new granules.



Product design and handling of materials

Gold recycling

Nivarox-FAR has its own gold processing facility, which enables Swatch Group to reuse gold residues generated internally. Environmental issues were a key consideration when constructing the foundry. Since flue gases can be generated by impurities during the remelting of precious metals, flue gas purification systems were installed. The foundry also has a heat exchanger to recover waste heat from the melting furnaces. This ensures compliance with strict Swiss regulations on clean air while saving energy.

➤ For more information, see chapter on precious metals, p. 73

GRI disclosures 306-1, 306-2

Waste

In 2021, a total of 6,550 metric tons of waste was generated – this value now also includes metal waste. The figure comparable for previous years (without metals) is 5,446 metric tons (2020: 5,350 t, 2019: 7,769 t). Overall,

64% of waste was recycled, either in the company's internal recycling processes or by specialist third-party companies. Around one third of the waste is hazardous waste, which is disposed of by specialist third-party companies. Swatch Group complies with strict safety and environmental regulations when handling hazardous materials and provides regular training on the topic for its employees.

GRI disclosures 306-3, 306-4, 306-5

Waste

(in metric tons)

	Recycling	Incineration	Landfill	Total 2021	2020	2019
Hazardous waste	1,929	427	74	2,431	2,751	4,070
Industrial waste	1,170	1,670	175	3,015	2,599	3,699
Total of non-metallic waste	3,099	2,097	249	5,446	5,350	7,769
Metals	1,104	-	-	1,104	-	-
Total waste	4,203	2,097	249	6,550	-	-
Proportion	64%	32%	4%	100%	n/a	n/a

GRI disclosures 103-2, 103-3, 303-1, 303-2

Water

Swatch Group's greatest water consumption is in its production facilities. Each production site is controlled and optimized through its own water management system. Compared to 2019, water consumption was reduced by 1.7%. Of particular note is the increased use of closed-loop water circulation systems, increased efficiency of water treatment plants and the use of rainwater recovery systems for cooling and sanitary installations.

Water scarcity

AQUASTAT is the United Nations (FAO) global information system on water resources, and it plays a key role in monitoring SDG 6 "Clean Water and Sanitation." This system tracks how much freshwater is withdrawn by all economic activities compared to the total available renewable freshwater resources.

Water stress¹

	Swatch Group consumption (in m ³)	Total consumption (in %)
No stress	1,177,197	96.32%
Low	43,740	3.58%
Medium	1,050	0.09%
High	132	0.01%
Critical	0	0.00%

Reducing water withdrawals is essential, especially in countries with medium, high or critical water scarcity. Swatch Group has analyzed the global water footprint of its business entities using this categorization of countries to assess its impact on water scarcity. In the future, local analyses are planned to better reflect differences within individual countries. The water footprint in supply chains will also be included in the future analyses.

Over 99% of Swatch Group's water withdrawals are made in countries with little or no water scarcity, due to, in particular, the concentration of production operations within Switzerland.

Disclosure 303-3

Water withdrawal

(in m ³)	2021	2020	2019
Non-potable water	681,122	613,248	872,276
Drinking water	540,999	459,231	370,736
Total withdrawal	1,222,121	1,072,479	1,243,012

1. Note: categorization of countries according to AQUASTAT. Rented boutiques are generally not included in this table; however they represent a very small part (estimated at less than 1%) of Swatch Group's water consumption.

GRI disclosures 103-2, 103-3, 304-2

Deforestation and biodiversity

Swatch Group wood and leather principles

When sourcing leather and wood materials, Swatch Group complies with international and national laws and agreements such as the Lacey Act, the EU Timber Regulation, the requirements of the US Fish and Wildlife Service and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). In addition, Swatch Group refuses to source leather and wood from severely endangered animal and plant species listed in Appendix I of the CITES and avoids sourcing from animal and plant species classified as threatened by the International Union for Conservation of Nature (IUCN). Threatened species include those classified as critically endangered, endangered, and vulnerable.

For wood products and materials, Swatch Group is also supported by well-known certifications to ensure that wood products and materials come from sustainable forestry. Overall, Swatch Group's wood principles ensure that only legal wood from non-endangered species and sustainable cultivation is used.

For leather products, the use of leather from species listed in Appendices II and III of the CITES is restricted to the *Alligator mississippiensis* species. This leather must be sourced from clearly identified, inspected and sustainable breeding farms located in the southeastern states of the US that meet legal regulations and requirements for animal protection, welfare and sanitation standards. Furthermore, removing animal species from their natural environment, such as through hunting and fishing, is prohibited.



Flik and Flak to the Rescue

When a walk in the forest leads Flik and Flak to an ugly litter trail, an important rescue adventure starts to unfold. A badger slipping on a banana peel is the last straw. Flik and Flak spring to action, tidying things up and giving some abandoned objects a fun new life. With a thoughtful story, this colorful book is an effective tool for kids to learn about how little things can have a big impact. The book can be purchased with a Flik Flak children's watch.

www.swatch.com/en-gb/flikflak-storybook.html



Deforestation and biodiversity**Fondation d'Ebauches SA forest management**

The Swatch Group owns 215 hectares of Swiss forest alongside the Fondation d'Ebauches SA foundation. These forests absorb over 2,000 metric tons of CO₂ eq per year¹ and are managed carefully and sustainably under the supervision of a professional forester. Like tree growth, management concepts must be aligned over decades, with diverse flora and fauna being sought in order to promote biodiversity.

In our mixed forests, trees in all stages of development coexist in small areas. Old, mature trees stand alongside young trees and other different tree species (deciduous and coniferous trees). Management contributes to the long-term diversity of the forest by intervening only when necessary. The focus of forest management is on regeneration, selection and planting, structural regulation, timber harvesting and other measures that may be necessary (e.g. in the event of windthrow). When managing young forests, the risks from environmental change are distributed among several tree species, which

makes these trees more resilient and means that disruptions due to climate change can be compensated for sooner.

In terms of sustainable forest management, ensuring natural regeneration and optimal diversity of the forests is the focus. The composition of forests will change in the medium term due to global warming. Spruce will potentially decline while other species thrive, being replaced by those that are more resistant to heat and drought. The forester also ensures that some old trees are preserved in suitable places so that they can complete their lives naturally. These types of trees are known as habitat trees, and their slow decay has a beneficial effect on biodiversity and improves the natural regulation mechanisms of the forest ecosystem. For example, woodpeckers, important insectivores, are able to find ideal nesting and feeding conditions.

Particular importance is given to the protection forests, most of which are



*Swatch Group forest in Val-de-Travers, Neuchâtel.
Image: Daniel Sémon (Swatch Group employee)*

located in Val-de-Ruz and which provide natural protection for both infrastructure and the population. A variety of different species are found in these forests. This cohabitation is invaluable, not just to improve soil rooting (integration of shallow and deep-rooted plants), but also for the nutrient cycle. Adding hardwood trees to conifer forests produces a better humus composition and often also results in greater storm resistance. Only wood that can be easily removed is taken, or otherwise it is cut diagonally and left to rot in the same place. This also helps to improve the forest's protective role, especially against rockfall.






According to the various management plans, an average of about 1,500 trees are logged per year, of which 68% comes from the largest forest, La Grosse Ronde. The wood supply per hectare is nearly optimal in all forests, meaning that forest management generally only involves harvesting forest growth, which is about eight trees per hectare per year. The harvested wood is usually removed from the forest and sold. During the operating year, about 80% of the wood harvested is removed from the forest and 20%, i.e. about 300 logged trees, are left in the forest.

1. Not included in the carbon footprint.

1,000 environmental measures

One initiative alone is not enough to become more sustainable, but rather many smaller measures gradually help the Group to achieve a more sustainable business model. Swatch Group also believes that sustainability can only truly be implemented through a bottom-up approach. In fall 2021, therefore, the Group held workshops on sustainability with representatives from all country subsidiaries and production companies, and best practices were shared. Environmental issues were the primary focus of these workshops.

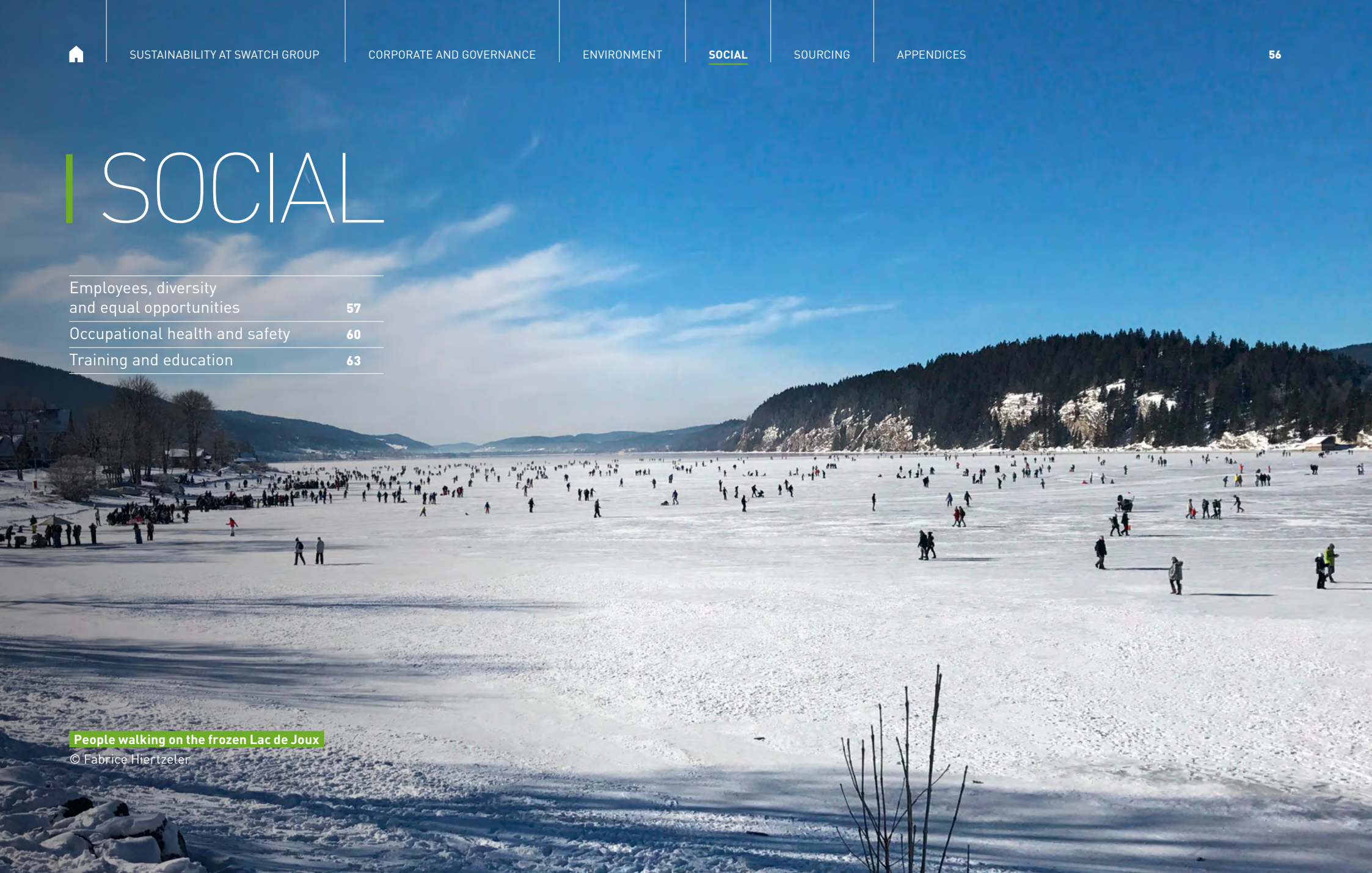
In addition to the many measures already implemented, over 1,000 new environment improvement measures were identified, which will be implemented in the Group within the next two years. The following table gives a non-exhaustive overview of some measures:

Issue	Examples	Number of measures		
		In force	Planned for the next two years	
Materials and waste 	<ul style="list-style-type: none"> - Analyzing products, processes and technologies to identify more environmentally friendly alternatives (e.g., by using an LCA) - Using recycled material or material with a high recycled content - Immediately recycling sprues/waste during injection molding 	<ul style="list-style-type: none"> - Replacing trash cans in the workplace with central recycling points - Using reusable/washable transport containers 	532	282
Energy and emissions 	<ul style="list-style-type: none"> - Heating with renewable energies; replacing oil/gas heating systems - Regulating thermostats to an appropriate level (heating/air conditioning) - Switching to LED lighting, motion detectors for less busy areas 	<ul style="list-style-type: none"> - Promoting sustainable transport (e.g., secure parking for bikes, special conditions for bike rental, electric bikes, etc.) - Reviewing delivery frequency (from plant to plant/customer/supplier) in order to reduce the number of shipments 	515	225
Water 	<ul style="list-style-type: none"> - Treating wastewater and reusing water (closed-loop system) - Using water consumption as a selection criterion for new machines/devices - Using rainwater for toilets 	<ul style="list-style-type: none"> - Using water dispenser connected to the water mains - Implementing a system to monitor water consumption and regularly check for leaks 	160	72
Suppliers 	<ul style="list-style-type: none"> - Assessing if suppliers have sustainability commitments - Communicating the Organization's sustainability goals - Prioritizing local suppliers and products (flowers, food, furniture, etc.) 	<ul style="list-style-type: none"> - Using certified environmentally friendly office supplies - Influencing the sustainability of leased buildings (energy efficiency, water efficiency, waste/recycling) 	78	165
Organization and other 	<ul style="list-style-type: none"> - Informing employees about sustainability (e.g., newsletter, intranet) - Creating small local teams/committees to promote sustainability - Organizing workshops/seminars on sustainability 	<ul style="list-style-type: none"> - Including sustainable office practice guidelines in the employee handbook and other guidance documents - Supporting new initiatives, e.g., planting trees, beehives 	65	299
TOTAL			1,350	1,043



SOCIAL

Employees, diversity and equal opportunities	57
Occupational health and safety	60
Training and education	63



People walking on the frozen Lac de Joux

© Fabrice Hertzeler

GRI disclosures 103-2, 103-3

Employees, diversity and equal opportunities

Swatch Group is a multinational company with over 30,000 employees worldwide and its own subsidiaries in around 40 countries. It sells its products in more than 160 countries and has a global customer base. Its employees come from a broad range of countries, belong to different ethnic groups and religions and have different sexual orientations and social statuses. Each business entity contains an intercultural mix of people with a wide variety of backgrounds, education levels, skills and talents. Embracing this diversity and integrating it into the larger Swatch Group family as a whole is essential to the success of the company.

Respect, fairness and equal treatment are the fundamental principles within the workforce and are key factors in the success of Swatch Group's matrix organization. Openness and transparency of information are also encouraged throughout the Group. Employees and stakeholders know that the Group invests in job security and employee health and wellbeing, even in times of crisis.

After a complicated year in 2020 due to various factors, 2021 was characterized by the employees' and the organization's ability to adapt to a "new normal", including complying with the necessary hygiene measures. Thanks to the increased productivity of its companies, Swatch Group was able to respond pragmatically and efficiently to the rise in demand. The Group has the talent and expertise of its workforce to thank for this.

Diversity

Swatch Group is committed to promoting diversity among its employees and, in particular, to increasing the proportion of women in management positions. At the end of 2021, the proportion of women in the total workforce was around 50% and 37% in management positions, with a disproportionately high number in lower management. As management positions are primarily recruited internally, the conditions are set to sustainably increase the proportion of women in senior management positions in the long term.

GRI disclosure 405-2

Equal pay

67% of the workforce is covered by equal pay analyses (Switzerland: 98%, international: 34%). A group-wide analysis of unexplained gender pay gaps is in progress. The results will be published in the coming years.



Employees, diversity and equal opportunities

GRI disclosures 102-8, 401-1**Information on the workforce**

Head count	< 30 years old	30-50 years old	> 50 years old	Women	Men	Total
TOTAL 2021				15,797	15,647	31,444
In %				50%	50%	100%
Number of full time				13,171	15,254	28,425
In %				46%	54%	90%
Number of part time				2,626	393	3,019
In %				87%	13%	10%
Number of permanent				14,451	14,698	29,149
In %				50%	50%	93%
Number of fixed term				1,346	949	2,295
In %				59%	41%	7%
New entrants	2,436	2,138	230	2,585	2,219	4,804
In %	51%	44%	5%	54%	46%	100%
Persons having left	2,017	3,017	780	3,151	2,663	5,814
In %	35%	52%	13%	54%	46%	100%
Turnover rate	38.6%	15.3%	11.9%	19.9%	17.0%	18.5%

GRI disclosure 405-1**Diversity in controlling bodies and the workforce**

Head count	< 30 years old	30-50 years old	> 50 years old	Women	Men	Total
Board of Directors	0	1	5	2	4	6
In %	0%	17%	83%	33%	67%	
Executive Group Management Board	0	1	8	1	8	9
In %	0%	11%	89%	11%	89%	
Senior management ¹	1	310	199	124	386	510
In %	0%	61%	39%	24%	76%	2%
Middle management ²	44	1,009	362	502	913	1,415
In %	3%	71%	26%	35%	65%	4%
Lower management ³	168	2,278	730	1,261	1,915	3,176
In %	5%	72%	23%	40%	60%	10%
Total management				1,887	3,214	5,101
In %				37%	63%	
Without management role	5,005	16,096	5,242	13,910	12,433	26,343
In %	19%	61%	20%	53%	47%	84%
Total 2021	5,218	19,692	6,534	15,797	15,647	31,444
In %	17%	62%	21%	50%	50%	100%

1. Country CEO/manager and executive management.
2. All management staff reporting directly to senior management.
3. All other management staff (with at least one reporting employee).

Value as at 12/31/2021.

Employees, diversity and equal opportunities

GRI disclosure 406-1

Incidents of discrimination and corrective measures taken

	Total incidents	Status		Measure		
		Open	Closed	Warning	Dismissal	Mediation
TOTAL	18	4	14	3	5	7
of which in Switzerland	3	1	2	1	1	1
of which international	15	3	12	2	4	6

In the period under review, 18 incidents of discrimination were reported in the Group companies. Such incidents included discrimination based on race, gender or age and cases of bullying. These incidents are taken very seriously by management, and the individual companies have taken the necessary measures. Swatch Group treats these issues with the utmost priority in order to respect and protect the integrity of its employees, now and in the future.

GRI disclosure 407-1

Freedom of association and collective bargaining

Swatch Group applies the collective labor agreement for the Swiss watch and microtechnology industry, which was concluded with the *Arbeitgeberverband der Schweizer Uhrenindustrie* and the UNIA and SYNA trade unions. This collective labor agreement was first introduced in July 1937 and was concluded at the end of 2016 for the period from January 1, 2017, to December 31, 2021. However, due

to the COVID-19 pandemic, it was extended in 2021 until June 30, 2024. The CLA regulates working hours, minimum wages, compensation for absences, modulated retirement and protection against dismissal and applies to approximately 15,000 employees who work in the production facilities.

Companies operating outside the CLA and abroad are encouraged to fully comply with the labor laws of the country and region concerned, and in particular to guarantee freedom of association, the right to collective bargaining and minimum wages. All subsidiaries have committed to such measures, and the risk of violation of freedom of association is considered to be low.

➤ For information on the *Arbeitgeberverband der Schweizerischen Uhrenindustrie*, see also p. 19

GRI disclosure 102-41

Collective bargaining agreements

Head count	Total	Employees covered	in %
TOTAL	31,444	19,381	62%
of which in Switzerland	16,082	15,319	95%
of which international	15,362	4,062	26%

GRI disclosures 103-2, 103-3, 403-1

Occupational health and safety

The health and safety of the Group's employees and customers worldwide, along with the surroundings, receive the fullest attention. The Group's guidelines for both direct and indirect sourcing, production, distribution and use of its products comply not only with the strictest international laws and guidelines (including guidelines of the International Labor Organization, SA 8000, local labor laws, etc.), but also with the Group's own more stringent standards, which are continuously expanded and improved.

GRI disclosure 403-2

Hazard identification

Software for managing hazardous substances

Swatch Group continues to use software for managing safety data sheets internally, which enables the information contained in these documents to be processed digitally. This approach is aimed at providing chemical safety data to all employees in a simple and modern way. It also simplifies quality assurance of the materials used to meet increasingly stringent regulatory requirements. In particular, the software enables the creation of labels to identify chemicals in factories, the creation of workplace cards with the instructions to be followed regarding specific chemicals, and the creation of up-to-date inventories of all chemicals used and their hazard classifications.

GRI disclosure 403-4

Involvement of employees

Employees are required to report all safety issues within the company that come to their attention. This conduct is supported by Swatch Group and is part of its safety culture. The CP by the *Arbeitgeberverband der Schweizer Uhrenindustrie* provides guidance and support to companies in the area of health and safety in the workplace. The CLA of the Swiss watch and microtechnology industry also underpins health and safety in the workplace.

GRI disclosure 403-5

Employee training

Regular training courses and seminars are organized and held on topics such as quality, safety in the workplace, handling hazardous substances, fire protection, protection against non-occupational accidents and protection against harassment. The safety officers in the individual Group companies and other relevant persons in the Group receive regular training, which also involves external private and governmental specialist organizations. There is also an exchange of best practices between Swatch Group companies. Two to three additional safety days are held annually under the direction of the Group's OH&S Manager and the safety officers in order to provide training and education for employees.

Occupational health and safety

GRI disclosure 403-6

Promotion of worker health

Special protective measures for Covid-19

The year under review was again dominated by the global COVID-19 pandemic. This required a wide range of measures to combat the virus's spread and to protect the Group's employees, the customers in its shops and its business partners, with whom Swatch Group is in constant contact, in all areas and all countries. Where working from home was not possible, HR managers worked closely with safety officers to best protect employees from COVID-19 infection in the workplace. This ensured that each department was able to operate under the given situation. It was possible to ensure that sufficient material was available in all facilities and sales outlets, so that there were no interruptions to operations at any time. Despite the restrictions in mobility, within the workplace, in production and in the boutiques, the training programs for apprentices were able to continue with the same level of quality as in previous years.



Visual engineering and LIGHT LAB

In order to support the well-being of employees who perform demanding visual quality control tasks, Swatch Group has defined several best practices in partnership with the University of Applied Sciences of Northwestern Switzerland's Institute of Optometry. At LIGHT LAB SWATCH GROUP, a unique laboratory in Switzerland, visual inspectors can learn visual ergonomics that combines the latest findings in this field. As a result, the employees can become more comfortable at work and perform more consistently and for longer periods at a time.

In addition, employees are given an optometry test and can then be provided with professional glasses that are tailored to their visual needs and the requirements of the task at hand.



Swatch Group has also developed an exclusive lighting system that meets the highest requirements and safety standards (EN 62471) and that has a light spectrum that corresponds as closely as possible to natural lighting conditions. This system is also aimed at improving the comfort of employees at work.



Occupational health and safety

GRI disclosure 403-7

Occupational safety of suppliers and craftspeople

The health and safety of all suppliers and craftspeople who provide services on site at Swatch Group is a top priority. In order to avoid risks, they are instructed to read the relevant safety regulations before starting their work and to provide written consent that they will comply with these regulations. Spot checks and audits are conducted in order to ensure compliance. Failure to comply with the regulations results in a termination of the cooperation.

GRI disclosure 403-9

Work-related injuries

There was once again an improvement in the number of cases of occupational and non-occupational accidents in comparison to previous years. With over 18 million hours worked in production in Switzerland, there were 347 occupational accidents. Such accidents primarily involved injuries to fingers, hands, legs, ankles and eyes, which were treated as outpatient cases. Of these accidents,

most occurred on the way to or from the workplace and while operating machinery. There were no fatalities or serious occupational accidents in 2021.

Occupational accidents (production facilities in Switzerland)

	2021
Total hours lost to occupational accidents	9,223
Number of working hours lost per 1,000 hours worked	0.5
Number of cases per 1,000 hours worked	0.18
Lost Time Injury Frequency (LTIF)	3.75

GRI disclosures 103-2, 103-3, 404-2

Training and education

Employee development, from apprenticeships and training to advanced qualifications for the management level

Staff are employed in a wide range of professions, at all skill levels. For example, the role of a watchmaker alone offers various job profiles, from watchmakers with a Swiss Federal Vocational Education and Training (VET) Diploma to specialized watchmakers for intricate work (highly complicated movements) or highly specialized restoration work.

As a fully vertically integrated company, Swatch Group encompasses a wide range of skills and capabilities: from product design and development to the manufacture of individual parts and movements, the finished watch, and, finally, marketing, customer support and after-sales service. In the area of manufacturing alone, a wide range of specialists are employed, such as mechanics, precision engineers, goldsmiths, rolling mill experts, polishers, engravers, assemblers, miniature painters, gemologists, metallurgists, process engineers, chemists, physicists, laboratory experts, surface coating experts, numerical simulation experts, microelectricians, electricians, engineers of all kinds, and even more. On the marketing side, there are not only highly specialized sales and customer service staff, but also back-office staff, from marketing to logistics, finance, legal, controlling and IT specialists



Vocational training.

for all automated processes across industrial integration and all brands. From watchmakers to chefs in employee restaurants, there are over 200 different professions within the Group.

Training and education



Presentation of the Eidgenössischen Fähigkeitszeugnis (federal certificate of proficiency, EFZ) after passing of the final apprenticeship examination.

Employees at all levels are the driving force of Swatch Group; employee development is therefore key to the Group's success. The Group offers a wide range of courses, from basic vocational training (apprenticeship) or entry-level job to further training and retraining, to a variety of specialist courses depending on the employee's profession, level of qualification and expertise. The Group also operates the Nicolas G. Hayek Watchmaking School.

Basic vocational training at Swatch Group

With its production site in Switzerland, Swatch Group thus requires the abilities of many highly qualified specialists in a wide range of roles. The Swiss vocational training system and its apprenticeships offers over 200 different, government-recognized basic training courses. Swatch Group provides training to young people in around 40 different professions and is the largest training institution in the Swiss watch industry. It offers apprenticeships in over 30 different companies and enables young people to learn a trade from scratch.

Depending on the apprenticeship, basic training lasts between two and four years. The apprenticeship is a dual training program, during which apprentices work in one of our companies in the specialist areas listed in the table on the right. They also attend one to two days of theory lessons at the government-run vocational schools. In Germany,

which has a similar system to Switzerland, 30 apprentices are being trained in various professions.

In the period under review, 155 apprentices (previous year: 139) completed their training. 68% of graduates were offered an employment contract within Swatch Group (previous year: 63%). The remainder chose to undertake further education courses or to pursue other personal projects.

Total in training

(Apprentices and students of NGH Watchmaking schools)	Apprentices
Watchmaking	134
Mechanics	207
Production	58
Refinement	34
Services	144
Total	575

Nicolas G. Hayek Watchmaking School

The Nicolas G. Hayek Watchmaking School is the leading institution for supporting specialist training for watchmakers worldwide. The school provides students with the training necessary for a successful career in customer service. The curriculum strictly adheres to the strict guidelines of the Watchmakers of Switzerland Training and Educational Program (WOSTEP, founded in 1966).

Training and education

The training center was founded in 1999 by the former CEO of Swatch Group, Nicolas G. Hayek, and today has four active sites in Shanghai, Glashütte, Pforzheim and Miami. Nicolas G. Hayek was determined to create an institution that would not only honor a timeless profession, but also provide support to those who want to enter this field of work and help to expand their knowledge and skills.

The four training centers work with WOSTEP, which is recognized as the industry's leading training and certification program. Participants are only required to pay for their own tools, making the school an affordable option for aspiring students who want to pursue a career in watchmaking.

Two different training programs are offered. The first is a one-year, 1,800-hour program that leads to a Customer Service Watchmaker degree. It is currently offered in China and the United States. The second is a 3,000-hour WOSTEP program offered in Germany and at Shanghai University, which leads to a Watchmaker degree. As the German course is also government-approved, it lasts for three years, while the Shanghai course lasts for two.

Graduates work mainly in Swatch Group customer service centers around the globe. They undertake demanding work in the maintenance and repair of various brand watches.

If graduates choose to undergo further education, positions in the maintenance and revision of historical clocks or in management are then also open to them. Watchmaking remains a key role in production, but it is now also an essential role in watch maintenance – this promises young professionals a stable career.

Thanks to the network of Nicolas G. Hayek Watchmaking Schools, more than 1,000 watchmakers have joined the global talent pool. This achievement is the result of Swatch Group's considerable investment at various levels, and the graduates are sought-after professionals throughout the industry. Nevertheless, the aim is to integrate all newly graduated watchmakers into the Group structures.

In Nicolas G. Hayek Watchmaking Schools, the focus is on the quality of the training rather than the quantity of people trained. The number of students is therefore limited to an average class size per year.

In 2021, 70 students were enrolled across the four schools, and 38 students graduated. 27 of the graduates were offered a job within Swatch Group. The remaining graduates chose to pursue other personal projects.



Nicolas G. Hayek School Miami.

Training and education



2021 internal training: distance learning set-up.

Professional development

Employees also have the opportunity to complete specific training programs within the companies. The program for customer service watchmakers in different countries is one of the key training programs. The brands therefore invite participants to annual training sessions at the brand's headquarters to expand their knowledge of the more complicated watches or new products being introduced to the markets. Sales staff are also trained in these areas to ensure that they have the highest level of product knowledge. The Group offers education not only in production, watchmaking and marketing but also in almost every sector-specific area, such as finance and controlling, HR, IT and logistics. There are also many different e-learning modules available for employees who are not able to attend in-person programs. The courses cover both technical and personal skills.

Furthermore, the Group supports and promotes external education at all levels and in all professions, and so employees are given a special employment or training contract that allows them to attend certain programs at universities or other institutions alongside their work.

GRI disclosure 404-1

Average hours of training per year per employee (2021)

Head count	Women	Men	Total
Total employees	15,797	15,647	31,444
Total training hours	114,697	128,945	243,642
In %	47%	53%	100%
Average training hours per employee – internal	5.2	4.7	5.0
Average training hours per employee – external	2.1	3.6	2.8
Average training hours per employee – total	7.3	8.3	7.8

Recovery and preservation of arts and artisanship

There are many artistic professions in the watch and jewelry industry, such as micro-art painting of dials and hands, art engraving, ornamental ironwork and guillochage.

A guillochage machine is a linear or circular manually operated engraving machine powered by a foot pedal and is used, for example, for artistic engraving of steel or gold dials and flywheels. All kinds of geometric patterns can be engraved with these machines; there are no limits to the creativity of the *guillocheur*, the artist who creates these works of art. The machines and the art of guilloché almost

Training and education

died out in the 1990s. Therefore, in 2005, after long and difficult negotiations, the luxury brands of Swatch Group acquired 12 historic machines from a private *maître guillocheur* with the aim of saving the art of guillochage. Not only were the old machines restored, but a team of specialists began to design and rebuild additional machines for the luxury brands. In addition, the luxury brands launched a special training program for *guillocheurs* and *maîtres guillocheurs*. The recovery and preservation of the art of guilloché were the result of efforts made over the course of a decade (continuous development of machinery, training of employees, investment in manufacturing) to achieve a sustainable level of guilloché and preserve it for the future. Without these efforts, this profession would have been lost to future generations.

The craftspeople of course include watchmaking specialists trained in the preservation and restoration of 18th-century clock artifacts. For example, they restore historic clocks that are on display in museums such as the Louvre in Paris or that are part of private collections.

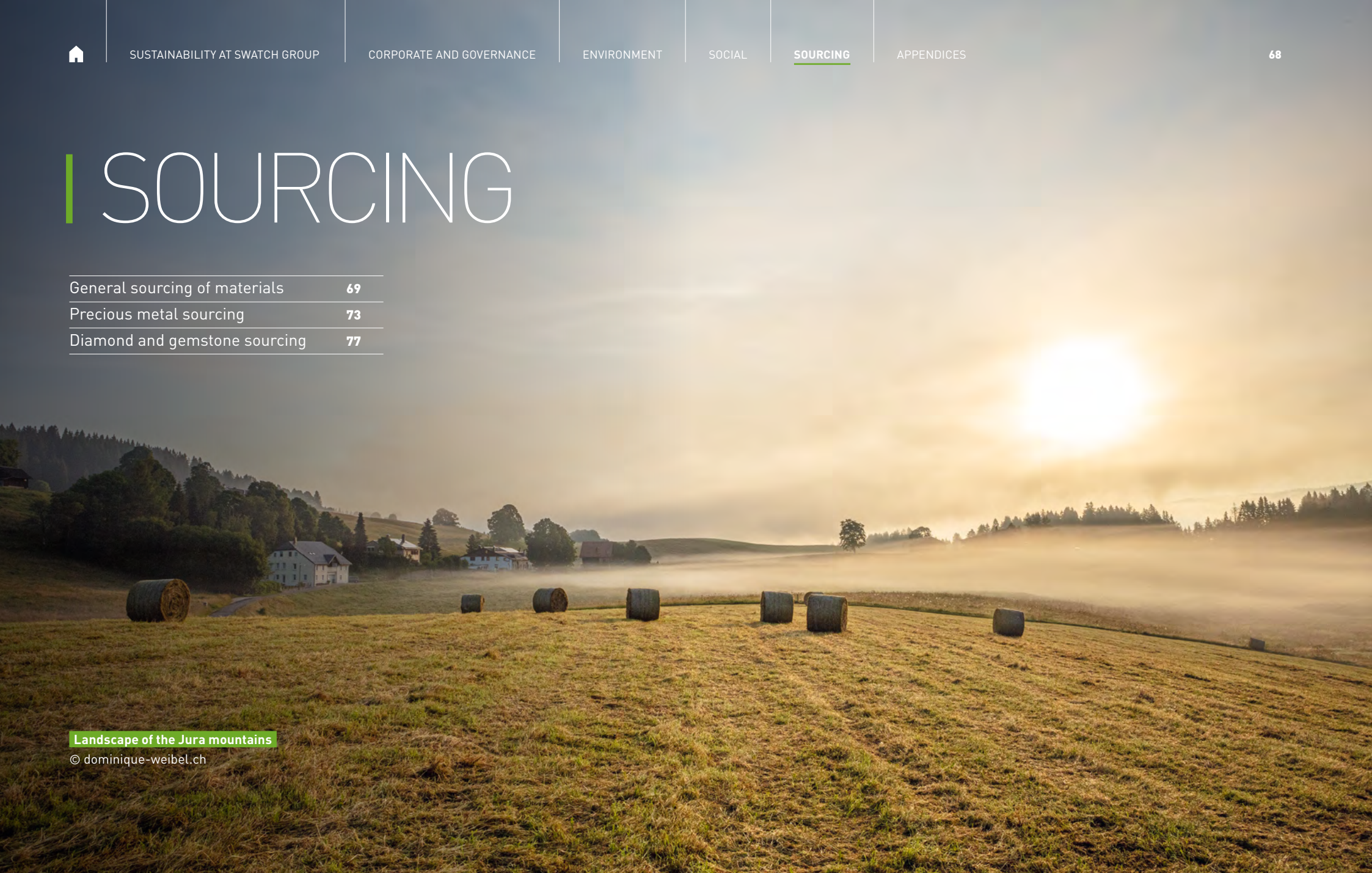
Images of the guillochage studio of Breguet. Pictured bottom right is a Gnaegi machine from the 1850s.





| SOURCING

General sourcing of materials	69
Precious metal sourcing	73
Diamond and gemstone sourcing	77



Landscape of the Jura mountains

© dominique-weibel.ch

GRI disclosures 103-2, 103-3

General raw material sourcing

GRI disclosure 102-9

Supply chain

Swatch Group works with carefully selected suppliers primarily from Switzerland, Europe and East Asia to source raw materials and certain components.

Low-emission modes of transport are used for distribution as far as possible; see comments in the [chapter on the environment under Scope 3 emissions](#). Audits of suppliers are carried out based on risk, and a separate organization has been set up in East Asia for this purpose. The supplier risk assessment is currently being revised, and it is being considered whether systematic audits will also be carried out at selected Swiss and European suppliers in the future. The key figures for the supply chain are also being revised in order to be able to report even more comprehensively and transparently in the future.

GRI disclosure 204-1

Local suppliers

Since being founded, Swatch Group has been committed to Swissness throughout the Swiss watch industry and has pursued the goal of being 100% Swiss made since the launch of the Swatch brand in 1983. This dedicated commitment to local sourcing contributes significantly to the preservation and further development of the Swiss watchmaking tradition and art.

➤ For more information, see chapter on p. 66

In addition, the short distances between the individual production sites mean that comparatively few GHG emissions are generated through transport in the supply chain. This is not only true of the classic watch components: batteries and microchips, which in most other industries are now imported by air freight from Asia, can also be manufactured locally in Switzerland thanks to the company's own production sites. The many years of investment in Swiss development and production facilities have also enabled Swatch Group to launch the Swiss smartwatch TISSOT T-TOUCH CONNECT SOLAR, for which the SwAlps operating system was also developed entirely in house in Switzerland.

For watches, the percentage of Swissness (local sourcing) is well above the 60% stipulated by law.

In order to avoid unnecessary transport emissions and support local suppliers worldwide, and to enable the most efficient sourcing process possible, the country subsidiaries and distribution companies source products from producers in the region wherever possible.

Thanks to the worldwide network of service centers, watches can be repaired by local employees in a customer-friendly manner and without long transport routes.



General raw material sourcing

Basic supply chain management

Environmental, ethical and social criteria are an integral part of the Swatch Group sourcing policy, which is why only suppliers and sub-suppliers that fully comply with the Group's clearly defined and contractually documented criteria on safety, environmental and socio-political aspects can be considered. This involves not only compliance with national and international laws, but also encompasses the OECD guidelines for raw material and component sourcing (OECD Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas and its Supplement on Gold) and standard SA 8000 (Social Accountability International) on responsible and ethical sourcing of material. These standards require sourcing under the premise of ethical and fair working conditions, occupational health and safety, respect for human rights – including the above-mentioned zero-tolerance policy with regard to forced or child labor – and dealings with business partners, including the supply chain, local development and other socially and environmentally relevant factors. With regard to the ethical acceptability of material used, the Group goes beyond the minimum legal requirements and avoids materials classified as threatened or ethically problematic.

In addition, suppliers must fulfill the internal guidelines of Swatch Group Quality Management, any ecological and legal regulations, and ensure legal compliance in terms of products, particularly REACH (Regulation on Registration,

Evaluation, Authorization and Restriction of Chemicals), RoHS (Restriction of Hazardous Substances) and WEEE (Waste Electrical and Electronic Equipment). To ensure this, every supplier receives direct and secure access to the Swatch Group Quality Management conformity specifications for raw materials and substances. These specifications are continuously updated in a comprehensive database.

GRI disclosures 308-1, 308-2, 414-1, 414-2

Supplier audits

Swatch Group FEPS (Far East Procurement Services) and SGQM continually verify that suppliers are effectively fulfilling the conditions. The audit procedures are divided into the following six subject areas: compliance with labor law and monitoring working conditions, health and safety at work (Occupational Health & Safety, OH&S), environmental protection, legal product conformity, verification in terms of compliance with the supply contract, the quality of planning and the quality management system. The FEPS determines which suppliers will be audited during the financial year, commissions an auditing company to carry out an audit in accordance with the SA 8000 or BSCI (Business Social Compliance Initiative) standards and then analyzes its report. The cycle ensures that all suppliers are audited within three years. New suppliers are checked immediately.

Suppliers receive an A rating (very good) if over 90% of the test points are fulfilled overall and more than 75% of the test



General raw material sourcing

points are fulfilled in the various subject areas. They receive a B rating (qualified) if at least 75% of the test points are fulfilled overall and 75% of the test points are fulfilled in the three subject areas of labor law, OH&S and environmental protection.

Suppliers are awarded a C rating if they fulfill 60–75% of the test points. In this case, a three-month period is granted to implement the necessary corrective measures and qualify for a follow-up audit. The supplier is then either awarded a B rating or is relegated to a D rating. Suppliers that fulfill less than 60% of the required test points receive an instant D rating. If this is a new supplier, there will be no collaboration. For existing suppliers, a three-month period is granted to implement the necessary corrective measures and qualify for a follow-up audit.

For some inspection points, such as non-compliance with local laws, human rights, forced or child labor, the previously mentioned zero-tolerance policy applies.

Audit results

By the end of 2021, a total of 154 suppliers from East Asia had been assessed or certified for compliance.

59 suppliers were assessed by an independent auditor appointed by Swatch Group between October 2020 and September 2021. During this time, 11 new factories and 9 new suppliers were audited for the first time. A total of 76 audits were carried out in the year under review.

These 59 suppliers account for over 95% of the sourcing volume in East Asia by unit.

General raw material sourcing

Details are provided below:

Audit rating	Audit type	Number of audits in 2021	Number of audits in 2020	Number of audits in 2019
A	Follow-up	2	3	1
	First-time	0	0	1
	Periodic	2	0	1
Total		4	3	3
B	Follow-up	11	23	50
	First-time	5	4	5
	Periodic	20	3	18
Total		36	30	73
C	Follow-up	4	4	21
	First-time	5	4	17
	Periodic	23	12	24
Total		32	20	62
D	First-time	1	1	9
	Periodic	3	0	2
Total		4	1	11
Total		76	54	149

In each case, in the period from October 1 of the previous year to September 30 of the reporting year.

Negative social impacts identified in the supply chain mainly relate to the following points:

- Work hours: long working hours, work hour records that do not match production records;
- Workplace: missing signage of the escape routes, blocked exits;
- Wages: late payments, pay records do not match production records.

Potentially negative environmental impacts were identified primarily in the improper handling of hazardous waste.

In follow-up audits, two suppliers achieved an A rating, and 11 suppliers achieved a B rating. As the Group usually allows three months for corrective actions, the suppliers with C or D ratings are currently in the process of improving. Collaboration did not have to be terminated with any supplier on the basis of the audit results.

A total of 40 suppliers achieved an A or B rating in the period from October 1, 2020, to September 30, 2021.

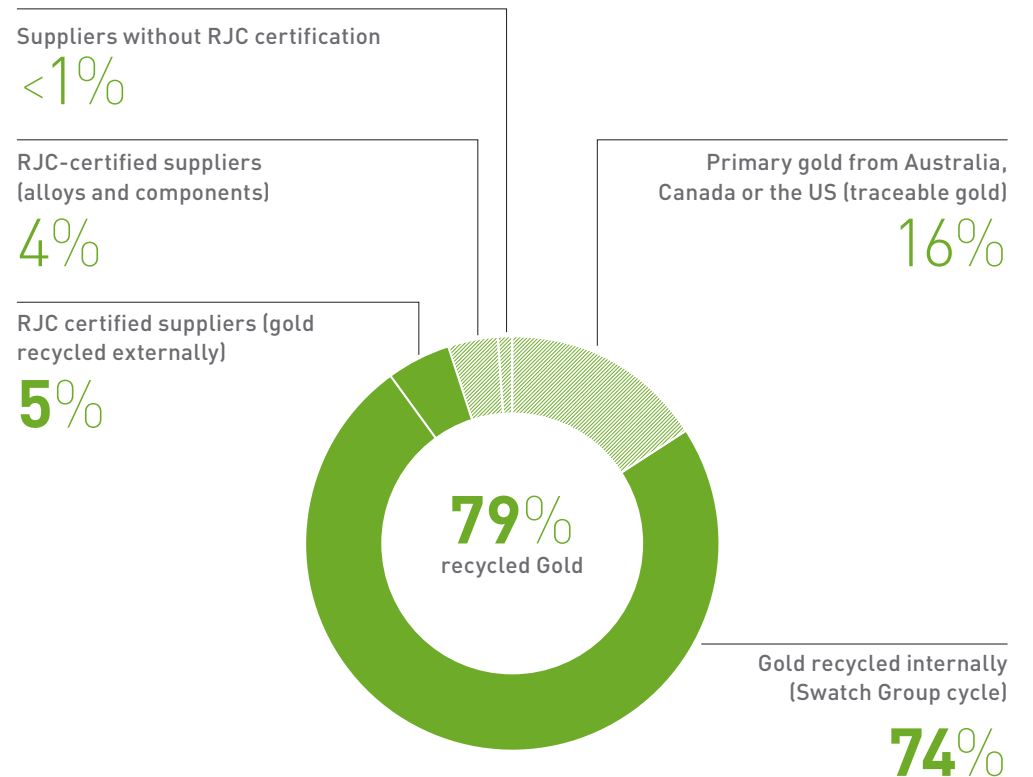
Precious metal sourcing

Swatch Group uses different precious metals, particularly gold, silver, palladium and platinum, with gold accounting for the largest proportion by far. Primary gold is sourced exclusively from industrial mines in the US, Canada and Australia. In addition, the Group has an in-house closed-loop gold processing system with a Group-owned foundry to reuse production residues internally. A small part of the gold used is sourced from certified Swiss gold foundries or as components from suppliers.

The use of recycled gold from external sources is avoided as traceability back to the mine is not given. Full traceability can be achieved with the Swatch Group sourcing strategy, which involves direct delivery from the mine to the refinery and on to the Group's own gold processing facility, as well as the use of recycled gold from internal processes.

Gold origin

According to volume, reporting year 2021



Precious metal sourcing

**Primary gold**

Traceable primary gold is sourced exclusively from industrial mines in the US, Canada and Australia, where the highest legal standards apply and where the mines are operated under extremely strict conditions set by the authorities and continuously monitored by them. The supply chain is kept as short as possible, through direct delivery from the mine to the refinery and then on to the in-house gold processing by Swatch Group. Sourcing gold from artisanal mines and/or other regions where lower standards apply or where there are residual risks that non-traceable gold could enter the supply chain is not an option for Swatch Group. This clear and simple sourcing policy has proved to be very effective.

Countries of origin for primary gold in the year under review

	2021	2020	2019
Australia	88%	0%	0%
US	12%	100%	71%
Canada	0%	0%	0%
Other countries	0%	0%	29% ¹

Sourcing period: October 1–September 30.

1. Orders made in 2018. Since January 2019, no gold has been sourced from other countries.

**Internal gold recycling**

The investments made in recent years in the Group's foundry and refining facilities have fully internalized precious metals processing, allowing alloys to be produced and recycled in house. After preparing the alloys, extruded profiles and raw ingots are manufactured and then turned into semi-finished products or finished components, again using in-house production processes. Swatch Group therefore controls the complete gold processing chain internally according to a clearly defined process. Nivarox-FAR plays a key role in this respect, as it processes all of Swatch Group's gold production stocks in a closed and controlled cycle. Production chips and scrap can therefore be completely reused in the Group's own foundry. Nivarox-FAR has the necessary federal authorization both as a foundry and as a commercial assayer (sworn assayer) and is certified according to the Responsible Jewellery Council Code of Practice and Chain of Custody (RJC CoP and CoC). Compared to primary gold, recycled gold also has lower GHG emissions.

➤ Further details can be found in the section on Scope 3 emissions, p. 44

	2021	2020	2019
Proportion of gold from internal recycling, excluding primary gold	74%	77%	63%



Precious metal sourcing



External suppliers

Certain specialized gold alloys are sourced from external suppliers in the form of components. In addition, a small portion of gold chips and scrap is recycled externally. Swatch Group only works with established long-term foundries that can demonstrate not only legal compliance according to all the provisions of the financial market supervisory authority, but also certified membership in the Responsible Jewellery Council (RJC) and/or the London Bullion Market Association (LBMA), and can guarantee through recognized certification that the precious metals delivered originate from ethically sound sources and conflict-free regions.

Wherever possible, suppliers of components use alloys sourced from Swatch Group. If this is not possible, the supplier is required to be RJC certified.

In the year under review, 99% of the gold used was sourced in accordance with Swatch Group's strict requirements. The remaining 1% was primarily sourced from Swiss suppliers and some European suppliers that are not yet RJC certified. Non-European suppliers were not among them. Discussions are currently underway to ensure that, in the future, all gold is sourced in accordance with Group's strict guidelines.

Precious metal sourcing

Nivarox processing cycle



Diamond and gemstone sourcing

Diamonds and gemstones represent the universal values of commitment, love and trust – which are also the core values of the company brands – as well as emotional and financial security. They are also known for their rarity, high quality, and uniqueness. Within Swatch Group, responsible and sustainable sourcing of the diamonds and gemstones used in watches and jewelry is therefore taken very seriously.

Unlike other watch and jewelry components, which are largely produced internally thanks to the Group's strong verticalization, diamonds and gemstones are procured from external sources, some of which are very diverse, and are products of a complex world market that has so far lacked transparency.

Swatch Group takes great care to ensure that its suppliers are carefully selected before purchasing from them, and it requires a high level of ethical conduct, as well as strict compliance with applicable laws and other regulations. The Group's suppliers are required to comply with its Code of Conduct and are strongly encouraged to join independent organizations that certify their good practices, such as the Responsible Jewellery Council, which Swatch Group joined in 2008. In 2021, practically all Swatch Group suppliers of diamonds and gemstones were RJC CoP certified.

Regular auditing of partners enables risks to be limited and appropriate improvement measures to be taken. If suppliers fail to comply with these guidelines or if there is any doubt about their compliance, they are immediately disqualified.

Full compliance with the Kimberley Process guarantee schemes also applies to diamonds. In the case of rubies from Burma, Swatch Group has always been able to ensure that they comply with the applicable regulations and sanctions. However, due to the change in the country's political situation, the Group has decided to no longer purchase rubies of Burmese origin, regardless of when they were exported from the country.

Despite the Group's achievements over many years, Swatch Group is highly confident that it can improve the situation even further by making its sourcing even more responsible and sustainable. This is because the Group wants to ensure that the procurement of gemstones benefits all those involved and affected by the supply chain and that it prevents negative social and environmental impacts.

The company's goal is to achieve full traceability of its gemstones from extraction onward by 2025. At present, no market participant is yet in a position to guarantee this in the quantities and at the performance level required by

Diamond and gemstone sourcing

Swatch Group. Moreover, the few available studies on supply chain sustainability are contradictory to each other and open to question due to their lack of independence. The target level of transparency in the supply chain will enable the social and environmental impacts of diamond and gemstone sourcing to be quantified with reasonable certainty.

To this end, Swatch Group is working with its suppliers, various key industry players and experts on this topic in order to gain sufficient knowledge of the entire supply chain and to establish the necessary metrics.

Based on this objective and structured approach, Swatch Group aims to ensure that in the future its purchases make the best possible impact and a positive contribution for the benefit of all stakeholders and customers.





APPENDICES

GRI content index	80
About this report	87
Glossary	90

A rainbow in the Three-Lakes region

© Michel Willemin (Swatch Group employee)



GRI disclosures 102–55

GRI content index

GRI Standard (year)	Disclosure	Answer/exclusion
GRI 101: Foundation (2016)		
GRI 102: General Disclosures (2016)		
Disclosure 102–1	Name of the organization	Swatch Group AG
Disclosure 102–2	Activities, brands, products, and services	P. 4
Disclosure 102–3	Location of headquarters	Biel/Bienne, Switzerland
Disclosure 102–4	Location of operations	P. 3
Disclosure 102–5	Ownership and legal form	Corporate governance report
Disclosure 102–6	Markets served	P. 3
Disclosure 102–7	Scale of the organization	P. 3
Disclosure 102–8	Information on employees and other workers	P. 58
Disclosure 102–9	Supply chain	P. 69
Disclosure 102–10	Significant changes to the organization and its supply chain	Disposal of the Calvin Klein business unit
Disclosure 102–11	Precautionary Principle or approach	P. 28
Disclosure 102–12	External initiatives	P. 18
Disclosure 102–13	Membership of associations	P. 18
Disclosure 102–14	Statement from senior decision-maker	Message from the Chair in the Annual Report
Disclosure 102–16	Values, principles, standards and norms of behavior	P. 27
Disclosure 102–18	Governance structure	P. 23
Disclosure 102–40	List of stakeholder groups	P. 17
Disclosure 102–41	Collective bargaining agreements	P. 59
Disclosure 102–42	Identifying and selecting stakeholders	P. 17
Disclosure 102–43	Approach to stakeholder engagement	P. 17, 18
Disclosure 102–44	Key topics and concerns raised	P. 17
Disclosure 102–45	Entities included in the consolidated financial statements	P. 87
Disclosure 102–46	Defining report content and topic Boundaries	P. 13
Disclosure 102–47	List of material topics	P. 14
Disclosure 102–48	Restatements of information	P. 87
Disclosure 102–49	Changes in reporting	P. 13
Disclosure 102–50	Reporting period	01/01/2021–12/31/2021. Environmental data refer to the period from 1 October to 30 September.



GRI content index

GRI Standard (year)	Disclosure	Answer/exclusion
Disclosure 102-51	Date of most recent report	03/18/2021
Disclosure 102-52	Reporting cycle	Annually
Disclosure 102-53	Contact point for questions regarding the report	P. 92
Disclosure 102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option.
Disclosure 102-55	GRI content index	This index
Disclosure 102-56	External assurance	None
Economic/governance		
Governance, ethics and compliance		
GRI 103: Management Approach (2016)		
Disclosure 103-1	Explanation of the material topic and its Boundary	P. 14
Disclosure 103-2	The management approach and its components	P. 28
Disclosure 103-3	Evaluation of the management approach	P. 28
GRI 205: Anti-corruption (2016)		
Disclosure 205-2	Communication and training about anti-corruption policies and procedures	P. 31
Disclosure 205-3	Confirmed incidents of corruption and actions taken	P. 31
GRI 307: Environmental Compliance (2016)		
Disclosure 307-1	Non-compliance with environmental laws and regulations	P. 31
GRI 408: Child Labor (2016)		
Disclosure 408-1	Operations and suppliers at significant risk for incidents of child labor	P. 27
GRI 409: Forced or Compulsory Labor (2016)		
Disclosure 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	P. 27
GRI 412: Human Rights Assessment (2016)		
Disclosure 412-1	Operations that have been subject to human rights reviews or impact assessments	P. 27
GRI 419: Socioeconomic Compliance (2016)		
Disclosure 419-1	Non-compliance with laws and regulations in the social and economic area	P. 31



GRI content index

GRI Standard (year)	Disclosure	Answer/exclusion
Economic performance		
GRI 103: Management Approach (2016)		
Disclosure 103-1	Explanation of the material topic and its Boundary	P. 14
Disclosure 103-2	The management approach and its components	P. 32
Disclosure 103-3	Evaluation of the management approach	P. 32
GRI 201: Economic Performance (2016)		
Disclosure 201-1	Direct economic value generated and distributed	P. 32
GRI 207: Tax (2019)		
Disclosure 207-1	Approach to tax	P. 32
Disclosure 207-2	Tax governance, control, and risk management	P. 32
Disclosure 207-3	Stakeholder engagement and management of concerns related to tax	P. 32
Innovation, investment and partnerships		
GRI 103: Management Approach (2016)		
Disclosure 103-1	Explanation of the material topic and its Boundary	P. 14
Disclosure 103-2	The management approach and its components	P. 34
Disclosure 103-3	Evaluation of the management approach	P. 34
GRI 203: Indirect Economic Impacts (2016)		
Disclosure 203-2	Significant indirect economic impacts	P. 34
Internal indicator	Number of patents	P. 34
Environment		
Energy and emissions		
GRI 103: Management Approach (2016)		
Disclosure 103-1	Explanation of the material topic and its Boundary	P. 15
Disclosure 103-2	The management approach and its components	P. 38
Disclosure 103-3	Evaluation of the management approach	P. 38
GRI 302: Energy (2016)		
Disclosure 302-1	Energy consumption within the organization	P. 41
Disclosure 302-3	Energy intensity	P. 41
Disclosure 302-4	Reduction of energy consumption	P. 41



GRI content index

GRI Standard (year)	Disclosure	Answer/exclusion
GRI 305: Emissions (2016)		
Disclosure 305-1	Direct (Scope 1) GHG emissions	P. 42, 43
Disclosure 305-2	Energy indirect (Scope 2) GHG emissions	P. 42, 44
Disclosure 305-3	Other indirect (Scope 3) GHG emissions	P. 44
Disclosure 305-4	GHG emissions intensity	P. 42
Disclosure 305-5	Reduction of GHG emissions	P. 42
Disclosure 305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	P. 46
Product design and handling of materials		
GRI 103: Management Approach (2016)		
Disclosure 103-1	Explanation of the material topic and its Boundary	P. 15
Disclosure 103-2	The management approach and its components	P. 47
Disclosure 103-3	Evaluation of the management approach	P. 47
GRI 301: Materials (2016)		
Disclosure 301-1	Materials used by weight or volume	P. 47
Disclosure 301-2	Recycled input materials used	P. 48
Disclosure 301-3	Reclaimed products and their packaging materials	P. 50
GRI 306: Waste (2020)		
Disclosure 306-1	Waste generation and significant waste-related impacts	P. 51
Disclosure 306-2	Management of significant waste-related impacts	P. 51
Disclosure 306-3	Waste generated	P. 51
Disclosure 306-4	Waste diverted from disposal	P. 50, 51
Disclosure 306-5	Waste directed to disposal	P. 51
Water		
GRI 103: Management Approach (2016)		
Disclosure 103-1	Explanation of the material topic and its Boundary	P. 15
Disclosure 103-2	The management approach and its components	P. 52
Disclosure 103-3	Evaluation of the management approach	P. 52



GRI content index

GRI Standard (year)	Disclosure	Answer/exclusion
GRI 303: Water and Effluents (2018)		
Disclosure 303-1	Interactions with water as a shared resource	P. 52
Disclosure 303-2	Management of water discharge-related impacts	P. 52
Disclosure 303-3	Water withdrawal	P. 52
Deforestation and biodiversity		
GRI 103: Management Approach (2016)		
Disclosure 103-1	Explanation of the material topic and its Boundary	P. 15
Disclosure 103-2	The management approach and its components	P. 53
Disclosure 103-3	Evaluation of the management approach	P. 53
GRI 304: Biodiversity (2016)		
Disclosure 304-2	Significant impacts of activities, products and services on biodiversity	P. 53
Corporate/social		
Employees, diversity and equal opportunities		
GRI 103: Management Approach (2016)		
Disclosure 103-1	Explanation of the material topic and its Boundary	P. 16
Disclosure 103-2	The management approach and its components	P. 57
Disclosure 103-3	Evaluation of the management approach	P. 57
GRI 401: Employment (2016)		
Disclosure 401-1	New employee hires and employee turnover	P. 58
GRI 405: Diversity and Equal Opportunity (2016)		
Disclosure 405-1	Diversity of governance bodies and employees	P. 58
Disclosure 405-2	Ratio of basic salary and remuneration of women to men	P. 57
GRI 406: Non-discrimination (2016)		
Disclosure 406-1	Incidents of discrimination and corrective measures taken	P. 59
GRI 407: Freedom of Association and Collective Bargaining (2016)		
Disclosure 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	P. 59



GRI content index

GRI Standard (year)	Disclosure	Answer/exclusion
Occupational health and safety		
GRI 103: Management Approach (2016)		
Disclosure 103-1	Explanation of the material topic and its Boundary	P. 16
Disclosure 103-2	The management approach and its components	P. 60
Disclosure 103-3	Evaluation of the management approach	P. 60
GRI 403: Occupational Health and Safety (2018)		
Disclosure 403-1	Occupational health and safety management system	P. 60
Disclosure 403-2	Hazard identification, risk assessment, and incident investigation	P. 60
Disclosure 403-3	Occupational health services	Not applicable. Swatch Group does not have any occupational health service.
Disclosure 403-4	Worker participation, consultation, and communication on occupational health and safety	P. 60
Disclosure 403-5	Worker training on occupational health and safety	P. 60
Disclosure 403-6	Promotion of worker health	P. 61
Disclosure 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	P. 62
Disclosure 403-9	Work-related injuries	P. 62
Training and education		
GRI 103: Management Approach (2016)		
Disclosure 103-1	Explanation of the material topic and its Boundary	P. 16
Disclosure 103-2	The management approach and its components	P. 63
Disclosure 103-3	Evaluation of the management approach	P. 63
GRI 404: Training and Education (2016)		
Disclosure 404-1	Average hours of training per year per employee	P. 66
Disclosure 404-2	Programs for upgrading employee skills and transition assistance programs	P. 63



GRI content index

GRI Standard (year)	Disclosure	Answer/exclusion
Sourcing		
GRI 103: Management Approach (2016)		
Disclosure 103-1	Explanation of the material topic and its Boundary	P. 16
Disclosure 103-2	The management approach and its components	P. 69
Disclosure 103-3	Evaluation of the management approach	P. 69
GRI 204: Procurement Practices (2016)		
Disclosure 204-1	Proportion of spending on local suppliers	P. 69
GRI 308: Supplier Environmental Assessment (2016)		
Disclosure 308-1	New suppliers that were screened using environmental criteria	P. 70
Disclosure 308-2	Negative environmental impacts in the supply chain and actions taken	P. 70
GRI 414: Supplier Social Assessment (2016)		
Disclosure 414-1	New suppliers that were screened using social criteria	P. 70
Disclosure 414-2	Negative social impacts in the supply chain and actions taken	P. 70

About this report

GRI disclosure 102-45

Entities included in the consolidated financial statements

This report covers the entire Swatch Group with all its subsidiaries and includes the entire scope of Swatch Group entities included in the consolidated financial statements listed in the Annual Report 2021. The environmental data does not include the Rivoli Group.

GRI disclosure 102-48

Periods

Due to data availability, all environmental data, as well as some employee key figures, relate in each case to the twelve-month period from October 1 of the previous year to September 30 of the reporting year. In the period from November to December 2021, the data was compiled by the individual business entities in a consistent and comparable manner. A validity check was used to check the database for incorrect entries.

Change to previous year

A comparison with previous year figures is generally made with 2020 figures. However, as 2020 was an unusual year due to the COVID-19 pandemic, some values are unsuitable as a basis for comparison, and the comparison to 2019 is therefore shown in some cases. These instances are marked in the report accordingly.

Environmental data

Method for calculating greenhouse gas emissions

The method for recording greenhouse gas emissions (Scope 1, Scope 2 and Scope 3) is based on the GHG Protocol¹.

In order to calculate Scope 1 emissions from stationary and mobile combustion, the official UK emission factors are applied².

All data is based on the gross calorific value (CV). The following table shows the key conversion and emission factors:

	Conversion factor l to kWh	g CO ₂ eq/l	g CO ₂ eq/kWh
Heating oil	10.29	2,540.14	246.77
Diesel	10.68	2,705.53	253.38
Gasoline	9.69	2,339.69	241.58
Gas (kWh)	-	-	184.38

The recording of greenhouse gas emissions from refrigerants and processes includes carbon dioxide (CO₂), methane (CH₄), nitrogen dioxide (N₂O), hydrofluorocarbons (HFCs), perfluorinated hydrocarbons (PFCs), sulfur hexafluoride (SF₆) and nitrogen trifluoride (NF₃) emissions. The emission factors are based on the IPCC Fifth Assessment Report (AR5). Information is not yet available for all sites. The value reported is therefore partly based on an

1. ghgprotocol.org.
 2. www.gov.uk/government/collections/government-conversion-factors-for-company-reporting.



About this report

extrapolation based on existing data from comparable sites. The extrapolated proportion is shown in the respective tables.

Electricity emission factors are based on 100-year global warming potential (GWP 100a) in CO₂ equivalents. They are calculated according to the IPCC 2013 method.

The data used for the electricity emission factors are based on ecoinvent database¹, version 3.8, with the cut-off system model. The medium-voltage electricity market was selected for the electricity mix, with the assumption that most electricity is consumed at the production sites. This market is based on national electricity consumption (national production and imports).

The mix of renewable, non-renewable and nuclear energy sources was calculated according to the proportion of each technology in the high-voltage electricity market. The conversion to medium and low voltage is not included in the calculation. This amount is, however, negligible.

The emission factors were calculated according to the above methodology for all countries/regions.

If information on the origin of the electricity is available, the corresponding emission factors were used, otherwise the value for the electricity mix was used.

For district heating, we calculate an average emission factor of 171 g CO₂eq/kWh.

Volatile organic compounds (VOCs)

The classification of volatile organic compounds is based on the Swiss Ordinance on the Incentive Tax on Volatile Organic Compounds [SR 814.018](#)².

Hazardous waste

The classification of hazardous waste is based on the Ordinance of the Swiss Federal Department of the Environment, Transport, Energy and Communications (DETEC) on lists for the movement of waste [SR 814.610.1](#)³. The ordinance is consistent with Annex III of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal.

1. ecoinvent version 3: Wernet, G., Bauer, C., Steubing, B., Reinhard, J., Moreno-Ruiz, E., and Weidema, B., 2016. The ecoinvent database version 3 (part I): overview and methodology. *The International Journal of Life Cycle Assessment*, [online] 21(9), pp. 1218–1230. Available at: link.springer.com/10.1007/s11367-016-1087-8 [accessed: 01/21/2022].
2. fedlex.admin.ch/eli/cc/1997/2972_2972_2972/en.
3. fedlex.data.admin.ch/eli/cc/2005/714.



About this report

Floor space

The usable floor space according to the building cadastre in m² was taken as the basis for buildings owned by the Group and those rented from third parties. Rooms open on one or more sides are not taken into consideration for this figure.

Social

The total number of employees was valid as at the reporting date of December 31. For the detailed breakdowns by age and gender, the percentage values were recorded as at September 30, and the total values as at year-end were calculated on this basis. Period-specific data such as new employees/employees having left refer to the period from October 1 to September 30. Since a lot of data was being recorded for the first time, previous year figures are not available for all categories.



Glossary

AGEC

French law on the fight against waste and for a circular economy.

BSCI

Business Social Compliance Initiative.

Chem-MAP

Chemical management and verification system.

CIBJO

Confédération Internationale de Bijouterie, Joaillerie, Orfèvrerie, des Diamants, Perles et Pierres/International Association for Jewelry, Silverware, Diamonds, Pearls and Stones.

CITES

Convention on International Trade in Endangered Species of Wild Fauna and Flora (Washington Convention).

CLA

Collective labor agreement.

CO₂eq

CO₂-equivalent.

CP

Convention patronale de l'industrie horlogère suisse/Employers' Association of the Swiss watch industry.

CSEM

Centre suisse d'électronique et de microtechnique. Swiss research and development center working in the fields of microfabrication, digitalization and renewable energies.

DNA

Deoxyribonucleic acid.

EN

European Standards.

EFG

Edge-defined Filmfed Growth.

EnAW

Energy Agency of the Swiss Private Sector.

EPFL

Ecole Polytechnique Fédérale de Lausanne.

ESG

Environmental, Social, Governance.

ETH

Swiss Federal Institute of Technology Zurich.

FHNW

University of Applied Sciences Northwestern Switzerland.

FOEN

Swiss Federal Office for the Environment.

FTIR

Fourier transform infrared spectrometer.

FEPS

Far East Procurement Services of Swatch Group.

FH

Fédération Horlogère/Federation of the Swiss Watch Industry.

GHG

Greenhouse gases.

GRI

Global Reporting Initiative – an NGO that produces the most widely used sustainability reporting standards in the world (GRI Standards).

ICB

Ingénieurs Conseils en Brevets S.A.

ICFA

International Crocodilian Farmers Association.

IEC

International Electrotechnical Commission.

ILO

International Labour Organization.

IPCC

Intergovernmental Panel on Climate Change.

ISO

International Organization for Standardization.

IUCN

International Union for Conservation of Nature.

kWh

Kilowatt hour.

LBMA

London Bullion Market Association.

LCA

Life Cycle Assessment.

NGH

Nicolas George Hayek.

OECD

Organisation for Economic Cooperation and Development.

REACH

EU Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals.

RJC CoC

Responsible Jewellery Council Chain of Custody.

RJC CoP

Responsible Jewellery Council Code of Practices.

RoHS

Restriction of Hazardous Substances – EU directive.

SA 8000

International standard from Social Accountability International (SAI) for the improvement of working conditions.

SDGs

Sustainable Development Goals of the United Nations.

SGQM

Swatch Group Quality Management.



Glossary

SN

Abbreviations before standard numbers of the Swiss Standards Association (SNV).

SNV

Swiss Standards Association.

VOC

Volatile organic compounds.

WEEE

Waste from Electrical and Electronic Equipment (Directive 2012/19/EU).

WOSTEP

Watchmakers of Switzerland Training and Educational Program.

WWF

World Wide Fund For Nature.

Contact

Investors

Felix Knecht
Investor Relations Officer
Tel.: +41 32 343 68 11
Email: www.swatchgroup.com/en/contact

Media

Bastien Buss
Corporate Communications
Tel.: +41 32 343 68 11
Email: www.swatchgroup.com/en/contact

Sustainability

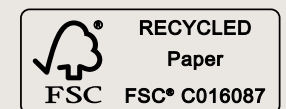
Thierry Kenel
Sustainability Steering Committee
Tel.: +41 32 343 68 11
Email: www.swatchgroup.com/en/contact

Legal notice

Concept, design, consulting and implementation:
PETRANIX AG
www.PETRANIX.com

The Swatch Group sustainability report is available in German, French and English. The German version is authoritative.

© The Swatch Group AG, March 17, 2022



The Swatch Group Ltd

P.O. Box 1232

Seevorstadt 6

CH-2501 Biel/Bienne

+41 32 343 68 11

www.swatchgroup.com

Vallée de la Sagne

© Michel Willemin (Swatch Group employee)

SWATCH GROUP