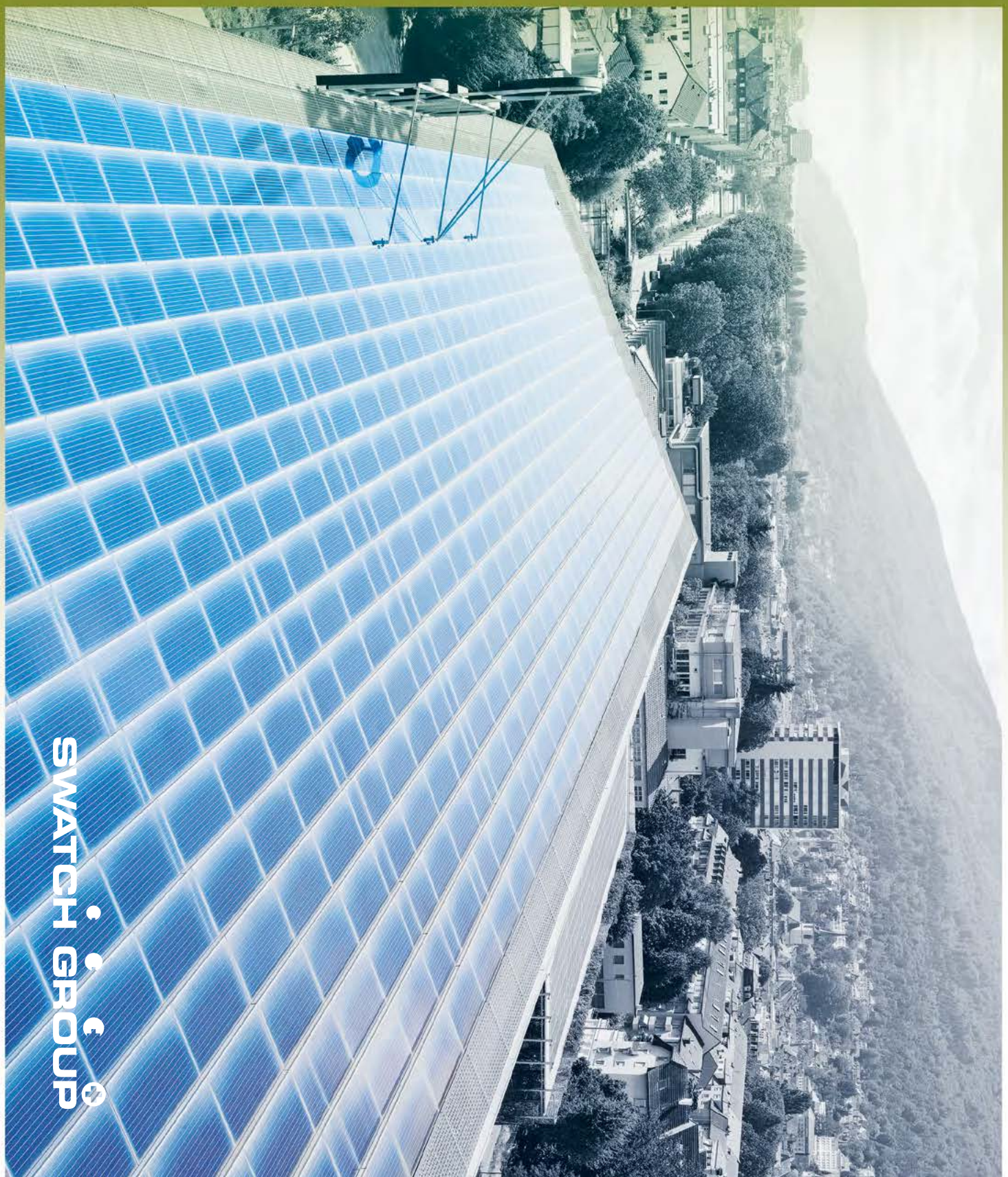
SUSTAINABILITY REPORT 2022



2022 key figures

32,3%
of electricity from renewable energy sources

8,9%
biogas

–9%
gas consumption compared with 2021

–13%
emissions from stationary combustion compared to 2021

541
apprentices as of 12/31/2022

146
supplier audits conducted

209
new patent applications filed

Swatch Group consolidated key figures	Unit	2022	2021	2020	2019	2018
Corporate and governance						
Net revenue	CHF million	7,499	7,313	5,595	8,243	8,475
Salaries (excl. social security contributions)	CHF million	–1,888	–1,802	–1,807	–2,080	–2,066
R&D expenses (only direct costs)	CHF million	–246	–245	–223	–251	–225
Investments	CHF million	–400	–314	–246	–476	–699
Taxes	CHF million	–273	–237	–89	–256	–266
Result	CHF million	823	774	–53	748	867
New patents	Number	209	202	205	231	212
Environment						
Electricity consumption	GWh	281.4	257.9	239.4	269.1	293.8
Emissions from stationary combustion (primarily gas and heating oil)	t CO_2eq	12,942	14,910	15,890	18,991	20,403
Direct and indirect emissions (market based, Scope 1 and 2)	t CO_2eq	52,068	55,385	–	–	–
Water withdrawal	m^3	1,427,938	1,222,121	1,072,479	1,243,012	1,243,298
Hazardous waste	t	2,881	2,431	2,751	4,070	4,703
Non-hazardous waste	t	3,634	3,015	2,599	3,699	3,327
Social						
Employees as of Dec 31	Headcount	32,061	31,444	32,424	36,089	37,123
Proportion of women (headcount)	%	50	50	50	51	52
Proportion of women in management roles	%	36	37	–	–	–
Apprenticeship diplomas (in Switzerland)	Number	142	155	139	147	149
Sourcing						
Supplier audits	Number	146	76	54	149	73
Suppliers with A or B rating	Number	87	40	33	76	24

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Cover page:
OMEGA
PV system at Omega in Biel/Bienne

The images on the cover and separator pages show different Swatch Group sites that have a special sustainable feature.

This sustainability report has been prepared in accordance with the GRI Universal Standards 2021. We followed all the reporting principles and requirements contained in the GRI 1 Foundation standard to identify content and prepare the report.

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LONGINES
PV system at Longines in Saint-Imier

Foreword

GRI DISCLOSURE 2–22

Swatch Group has always been committed to responsible operations, responsible corporate governance and sustainability. These have been the hallmarks of our corporate culture and mindset for over 30 years. This report is a review of the targets and projects we have already achieved and implemented. As usual, it also provides a picture of the added value that sustainability measures are generating. The balance scorecard serves as a new benchmark and further incentive for us to continue investing and achieving even more in the area of sustainability. We have therefore set ourselves long-term objectives, such as a commitment to becoming climate neutral for Scope 1 and 2 emissions by 2050. However, we also know that we must continue to take smaller steps to, in time, eventually achieve our sustainability goals.

With passion, commitment and conviction we are pursuing this sustainability path every day and in all areas of our business and this also throughout the whole product life cycle, from product design and sourcing to customer service.

Since last year, Swatch Group publishes a separate sustainability report in line with the GRI Standards in order to increase the scope of reporting, transparency and comparability. Swatch Group is taking into account the UN's Sustainable Development Goals (SDGs) and reports how it contributes to the achievement of these goals as a responsible company.

Environmental, ethical and social criteria have always been an integral part of the Group's corporate culture. To further embed these and to ensure they are implemented at every level, an internal directive focusing specifically on sustainability was issued in 2022. In particular, it stipulates that all decisions made by the management and executive teams should be scrutinized in terms of their impact on the environment and corporate social responsibility. The supplier code of conduct was actualized in the year under review to ensure that suppliers also continue to abide by Swatch Group's updated values and more stringent standards. To guarantee the further implementation of the Swatch Group sustainability strategy, the above and other measures have been defined.

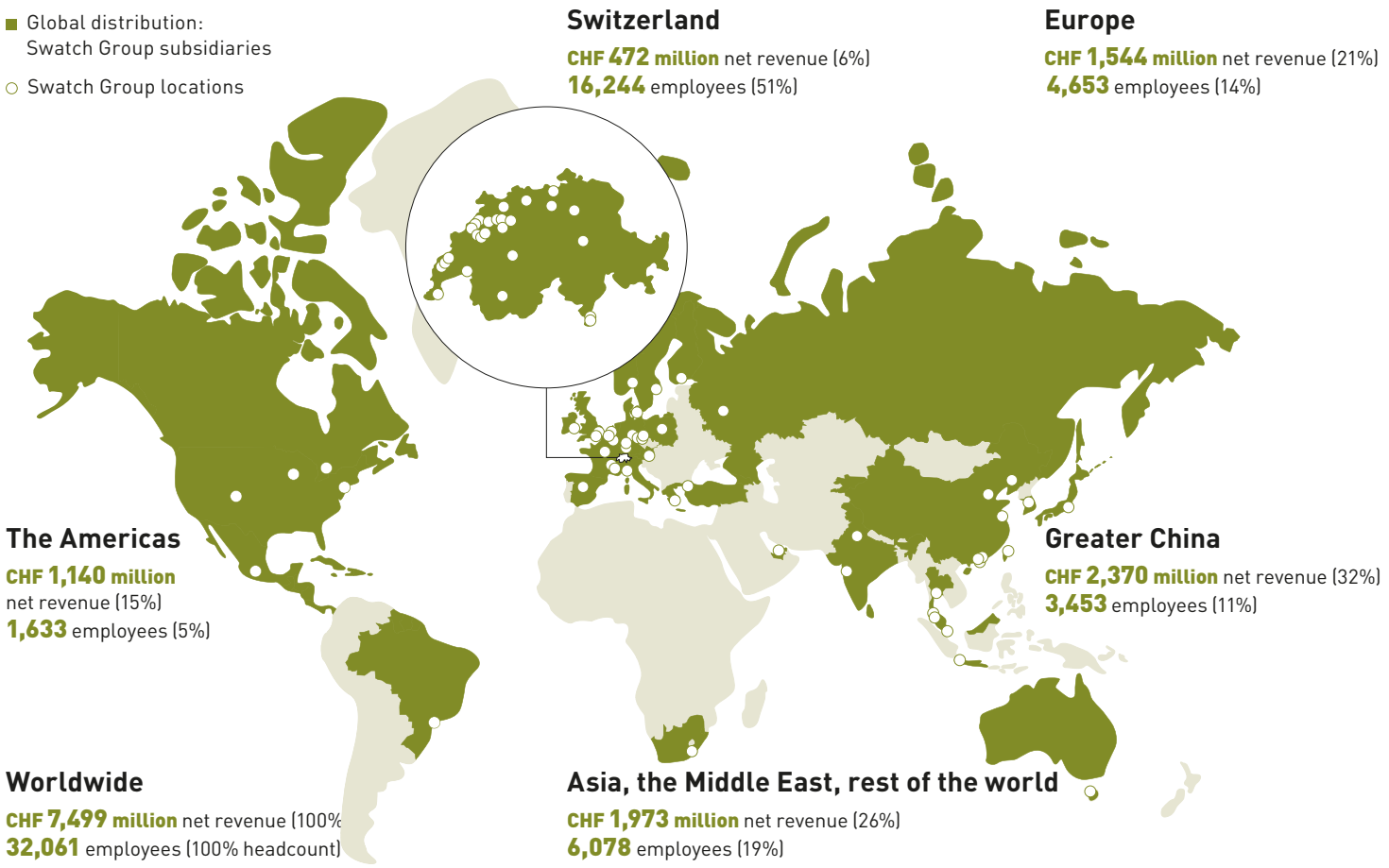
Swatch Group is also committed to sustainable sourcing and materials and applies a zero-tolerance policy on corruption, modern slavery and child labor, sets a positioning as an attractive and responsible employer and apprentice trainer, and runs a business model that is geared towards long-term, sustainable success.

Marc A. Hayek
Thierry Kenel
Peter Steiger
Sustainability Steering Committee

Overview of Swatch Group

GRI DISCLOSURE 2–1

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



Switzerland
CHF 472 million net revenue (6%)
16,244 employees (51%)

Europe
CHF 1,544 million net revenue (21%)
4,653 employees (14%)

The Americas
CHF 1,140 million
net revenue (15%)
1,633 employees (5%)

Greater China
CHF 2,370 million net revenue (32%)
3,453 employees (11%)

Worldwide
CHF 7,499 million net revenue (100%
32,061 employees (100% headcount)

Asia, the Middle East, rest of the world
CHF 1,973 million net revenue (26%)
6,078 employees (19%)

CHF 13,893 million
balance sheet total

87% equity ratio

Subsidiaries in
around **40** countries

Sales in over **160** countries

Approx. **150** productions sites in Switzerland and **7** production sites outside of Switzerland[1]

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

GRI DISCLOSURE 2–6

Business model and products

Swatch Group is a fully vertical company with a global sales network, services centers across the world and several sites for manufacturing watches, fine jewelry and electronic components. Swatch Group has approximately 150 production sites in Switzerland where it manufactures its own watch movements, cases, crystals, hands and other watch components. This far exceeds the criteria for marketing watches made in Switzerland in accordance with Swissness requirements (Swiss Made, in accordance with Article 48 Trademark Protection Act, TmPA).

Its companies in the electronics segment also have their production sites in Switzerland. Swatch Group has only a few international production sites, such as the Glashütte Original manufactory in Glashütte (Germany) and the Harry Winston fine jewelry manufactory in New York (US). However, Harry Winston timepieces are produced in accordance with Swissness requirements in the manufactory in Plan-les-Ouates, near Geneva. Three other production facilities in Italy and France manufacture components for watch straps or specific 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

Breguet Depuis 1775 · Harry Winston · Blancpain Manufacture de Haute Horlogerie · Glashütte Original · Jaquet Droz Art Horloger Suisse depuis 1738

Léon Hatot · Omega · Longines · Rado Switzerland · Union Glashütte/SA.

Tissot Swiss watches since 1853 · Balmain swiss watches · Certina · Mido · Hamilton

swatch · flik flak

Distribution

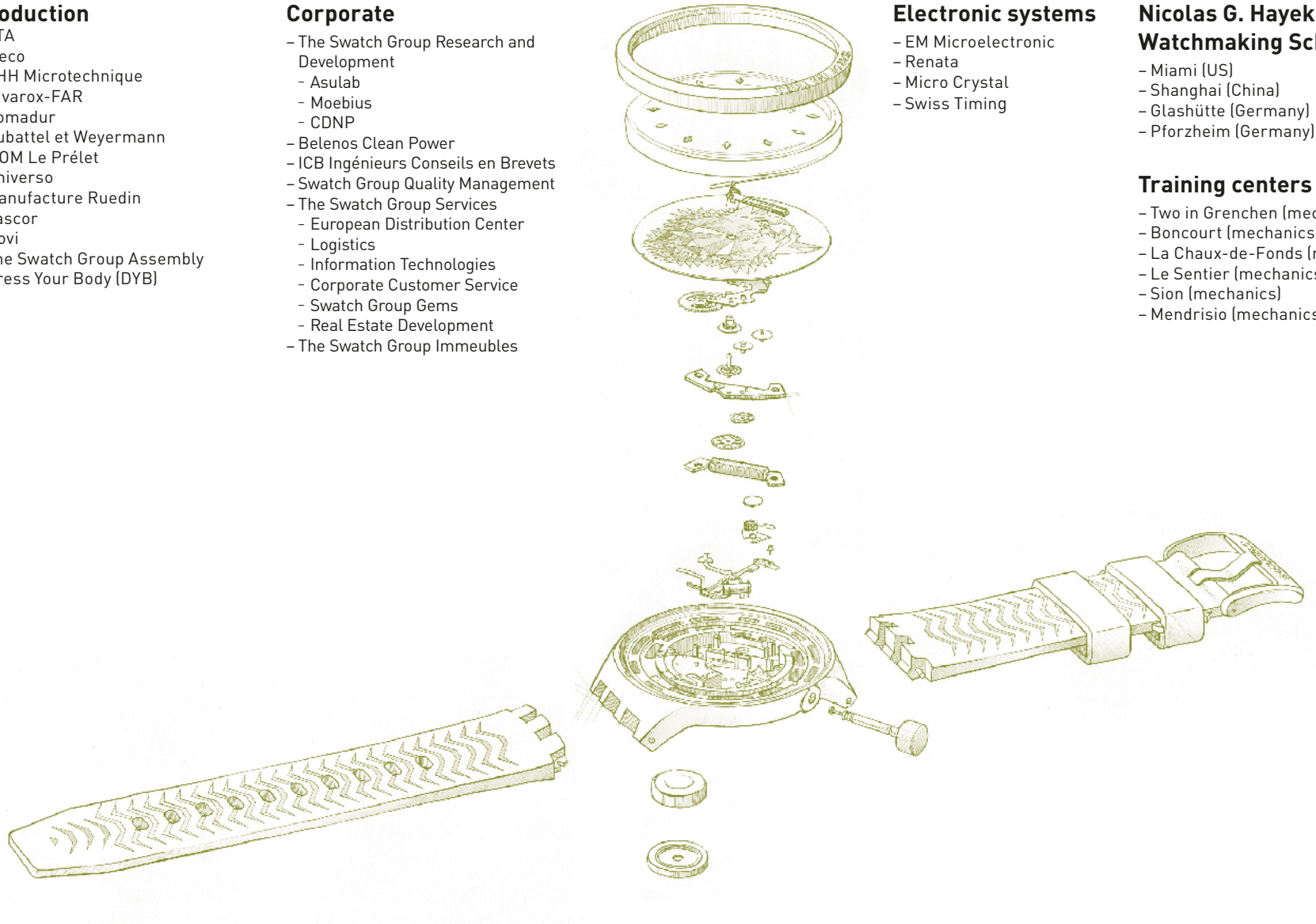
Tourbillon Boutique · Hour Passion

Production

- ETA
- Meco
- CHH Microtechnique
- Nivarox-FAR
- Comadur
- Rubattel et Weyermann
- MOM Le Prélet
- Universo
- Manufacture Ruedin
- Lascor
- Novi
- The Swatch Group Assembly
- Dress Your Body (DYB)

Corporate

- The Swatch Group Research and Development
  - Asulab
  - Moebius
  - CDNP
- 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 (China)
- Glashütte (Germany)
- Pforzheim (Germany)

Training centers

- Two in Grenchen (mechanics and horology)
- Boncourt (mechanics)
- La Chaux-de-Fonds (mechanics)
- Le Sentier (mechanics and horology)
- Sion (mechanics)
- Mendrisio (mechanics and horology)

Products with an array of benefits

EM|ECHO-V

em|echo-V: driving sustainable consumption

em | echo RAINFC AUTHENTICITY

EM Microelectronic (EM) designs and manufactures ultra-low-power integrated circuits for small mobile devices and IoT applications. EM brings together the talent and resources needed to continue a long Swiss cultural tradition while creating cutting-edge products and ensuring long-term customer loyalty. EM is part of the Swatch Group's electronic systems segment. Together with its sister companies Renata and Micro Crystal, EM combines individual skills and Group-wide synergies to provide turnkey solutions for a variety of applications.

EM has been developing and manufacturing integrated RFID circuits for the last 35 years. It launched RAINFC in 2015, the world's first dual-frequency technology combining RAIN RFID™ and NFC, which is used in the em|echo product range.

em|echo-V brings together the benefits of RFID and NFC in one microchip. RAIN RFID™ is typically used in supply chains to track goods from where they are manufactured to where they are sold. NFC technology, on the other hand, enables consumers to use their smartphones to interact with contactless microchips for the purpose of product authentication and for payment, transport and access control applications. Combining the two technologies closes the gap between the supply chain and the consumer, providing seamless product traceability and access to product-related sustainability information. This technology can help brands reduce waste, as customers have access to suitable disposal options with just a tap on their smartphones. In addition, the tracking and authentication features of the em|echo-V help promote a circular economy by giving customers the option to resell products on different platforms. Reselling only takes a couple of taps: one to retrieve the original product description and purchase date, and one to authenticate the product and place it for sale on the online platforms.

em|echo-V makes reselling and recycling an inherent part of the brand experience, allowing customers to seamlessly use reverse logistics and transformation methods and put their good intentions into action. RAINFC enables companies to record product-related data in a structured way, laying the groundwork now for more robust

environmental regulations in the future. The RFID Journal awarded em|echo-V the "Best New Product 2020" prize in recognition of its groundbreaking impact, and it also received the "Best Product Innovation Award" from Frost & Sullivan. These acknowledgements bolster EM in its efforts to explore new avenues in technology, sustainability and environmental responsibility as part of the innovation powerhouse that is Swatch Group, encouraging it to not only adjust to these 21st century trends, but also help to shape them.

Our contribution to the SDGs

Products with an array of benefits

MICRO CRYSTAL

Saving lives with micro timing devices

Micro Crystal designs ultra-low-power timing devices for electronics that support people in their everyday life and connect them to the digital world that they care about.

Micro Crystal began offering timing solutions using quartz crystals for watches over 40 years ago. Today the company is one of the leading suppliers of components for the world's largest manufacturers of consumer goods, automotive electronics, IoT solutions, industrial control systems, wearables, medical devices and implants, and other high-accuracy product applications.

Its product range comprises micro quartz crystals, Real-Time Clock (RTC) modules, oscillators and OCXO. Founded in 1978, Micro Crystal has its headquarters in Grenchen, Switzerland, and is part of Swatch Group's electronic systems segment.

Integrating safe and sustainable switch off and standby modes in electronic devices has never been so important. With its range of smart, ultra-efficient RTC modules, which combine a 32.768 kHz crystal and an integrated RTC circuit in a miniature, full ceramic case, Micro Crystal offers developers space-saving, low-consumption timing solutions that can run in power-saving mode between tasks.

Whether it is installed on a single board computer or on an IoT sensor, an onboard RTC module provides precision timekeeping and alarms even when the device is switched off or in power-saving mode. Micro Crystal's products can be used to manufacture a whole range of low-consumption electronic devices that have a longer battery life with smaller batteries. Smaller products requiring less space on the circuit board make installation easier and create the possibility of smaller, more lightweight standalone devices and wearables.

Due to their long-term reliability and top performance, Micro Crystal's timing devices are helping expand and develop new healthcare and medical products, such as class III active implantable medical devices (AIMD) and electronic enabled drug delivery devices. Micro Crystal has expanded its range of implantable-grade frequency and timing solutions with a product that offers unique functionality and power-saving options. Launched in 2022, the RV-5028-C7 Medical real-time clock module is typically used for developing neurostimulators, cardiac monitoring devices, infusion pumps and smart orthopedic implants, which are designed to significantly improve patients' quality of life and life expectancy.

Our contribution to the SDGs

Products with an array of benefits

RENATA

Always ahead of its time

Renata SA is a global leading manufacturer and supplier of primary and secondary micro-batteries and battery solutions. Its company headquarters are located in Itingen near Basel, Switzerland.

It is always ahead of its time. Founded in 1952, the company established itself as a watch battery producer and always ensures that only the power actually required is used. Renata specialized in coin cells as early as the 1970s, catering to the new quartz watches at the time.

Today, Renata develops and manufactures innovative, efficient and first-class micro-batteries for watches and consumer and industrial applications. The company is passionate about creating resource-efficient and eco-friendly solutions. Its priorities include diligent and sustainable resource use.

As a battery manufacturer, Renata is aware of its major responsibility toward society and the environment. It is always optimizing its processes to make its business more sustainable and environmentally friendly. Its factory has been ISO 14001 (Environmental Management) certified for several years now.

Renata develops premium, longer-life batteries and operates its own battery recycling facilities. By continually improving battery life and performance, Renata is ensuring it has satisfied customers, who can then go on to offer smaller and more efficient applications. It is also playing a key role in promoting efficient resource use both within the company and with its customers.

For instance, Renata is supplying its customers with batteries for heat, gas and electricity meters. Lithium coin cells with a service life of 10 years ensure optimal power consumption when used by the end user. The company pays particular attention to saving energy, conserving resources and reducing emissions at its production sites.

Its electricity comes from a 100% hydroelectric power source. Renata's continual improvement processes lower its scrap rate and enable it to steadily reduce its energy use and water consumption.

Our contribution to the SDGs

Products with an array of benefits

BELENOS

Driving the future

Belenos Clean Power Holding Ltd. is a spin-off of Swatch Group and specializes in electromobility and the optimization of renewable energy sources.

Knowing that scientific research and innovation are essential for environmental protection, Belenos aims to develop and promote new e-mobility and clean energy technologies. Transitioning to renewables and greener modes of transport requires a technological revolution away from the combustion engine.

Belenos is working on innovative solutions and developing a new battery management system and batteries with high energy density that are extra safe and easy to recycle.

The company also aims to optimize power consumption in electric vehicles. Depending on the circumstances, HVAC systems (heating, ventilation and air conditioning) can account for up to 40% of a vehicle's total power consumption. Optimizing a HVAC system's energy use can reduce the EV's power consumption, which in turn increases driving range. A multidisciplinary mechanics team at Belenos are working to achieve this goal as part of two projects.

One of the projects is looking at developing a high-speed compressor. Weighing less than 2 kg, the mini-compressor offers superior performance thanks to its use of innovative materials and precision machining following traditional Swiss watchmaking techniques.

At the same time, Belenos is also using the concept behind heat pumps to develop a new HVAC system to heat the passenger compartment. Combining this HVAC system with the mini-compressor will help optimize how the vehicle uses power for heating and air conditioning.

Our contribution to the SDGs

GRI DISCLOSURE 2–6

Value chain

(simplified visual representation)

☐ Global ☐ Switzerland

Transport
- Opt for low-emission modes of transport
- Short-distance transport

Suppliers
- Use sustainable materials
- Switch to bio-based materials
- Continue to increase the amount of recycled materials used
- Only use certified timber
- Do not use leather from protected or endangered species
- Reduce emissions
- Take a zero-tolerance approach to corruption, modern slavery and child labor
- Comply with international sustainability standards

Electronic systems

Divisions

- Train specialists in-house through watchmaking schools and an extensive range of apprenticeship programs
- Promote employee training and development
- Conduct regular pay reviews
- Increase the number of women in management roles
- Be an attractive and responsible employer
- Lead the Swiss watchmaking industry in the number of new patents
- Achieve climate neutrality for Scope 1 and 2 emissions by 2050

Reduction path for Scope 1 and 2 GHG emissions
–50% by 2030 and –90% by 2040 (base year 2021)

Products
- Offer durable, repairable products
- Minimize products' power consumption

Partnerships/philanthropy
- Provide targeted support to third parties in the area of sustainability

Sustainable suppliers
Raw materials, components, services

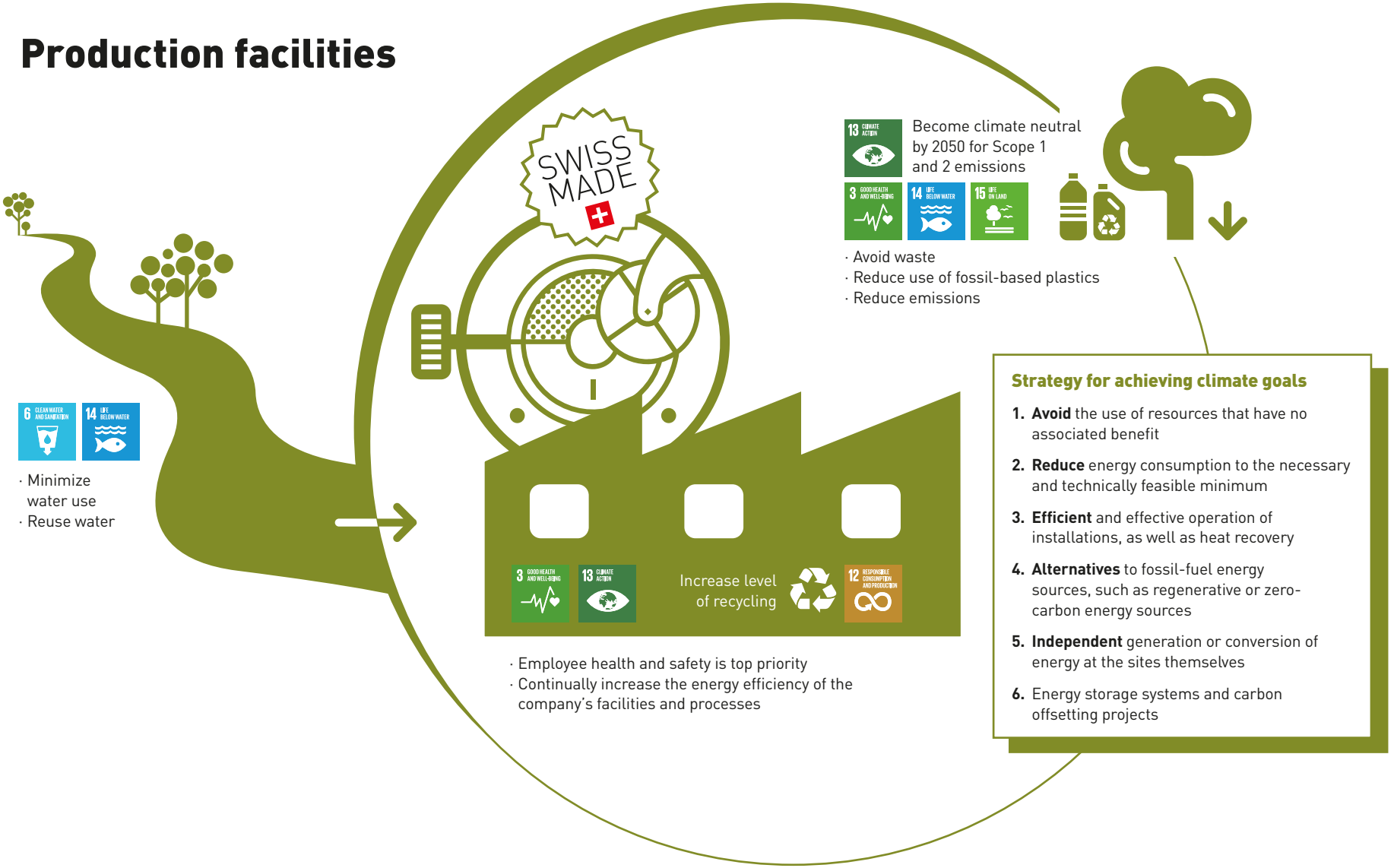
Sustainable operations
Verticalization, Swiss Made

Sustainable products
Durability, repairability

Code of Conduct
Safeguard and promote human rights and sustainability

Collective bargaining/collective labor agreements
Fair working conditions at Swatch Group companies

Production facilities



Strategy for achieving climate goals

1. **Avoid** the use of resources that have no associated benefit
2. **Reduce** energy consumption to the necessary and technically feasible minimum
3. **Efficient** and effective operation of installations, as well as heat recovery
4. **Alternatives** to fossil-fuel energy sources, such as regenerative or zero-carbon energy sources
5. **Independent** generation or conversion of energy at the sites themselves
6. Energy storage systems and carbon offsetting projects

Sustainability strategy

GRI DISCLOSURE 2–12

Corporate responsibility

For Swatch Group, taking responsibility for preserving life, upholding the quality of life, championing health and safety, and protecting the environment is essential. The company endeavors to do the best it can in all areas and at all levels of the company to fulfill 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 teams at the individual units continually ensure that they demonstrate what this culture of responsibility looks like and that all employees at all levels continually share 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 recycled and 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 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.

Commitment to the Sustainable Development Goals (SDGs)

Swatch Group seeks to meet the needs of the current generation without jeopardizing the ability of future generations to meet their own. The company's sustainability management approach 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 which are particularly relevant for the company and its stakeholders and which it can and aims to help achieve. It has defined its commitments, and it will continue to refine them on an ongoing basis, by adding goals, actions and performance indicators.

SDG	Topics for Swatch Group	Commitments
	**Ensure healthy lives and promote well-being for all at all ages** – Occupational health and safety. – Working conditions in the supply chain. – Environmental considerations in the supply chain. – Air quality. – Water quality.	– Make the safety and health of employees the Group's highest priority.
	**Ensure inclusive and equitable high-quality education and promote lifelong learning opportunities for all** – Training and education. – Availability of specialists. – Training and employment of young workers.	– Train specialists in-house through watchmaking schools and an extensive range of apprenticeship programs. – Promote employee training and education.
	**Achieve gender equality and empower all women and girls** – Equal pay for equal work. – Promote diversity among employees.	– Conduct regular pay reviews. – Increase the number of women in management roles.
	**Ensure availability and sustainable management of water and sanitation for all** – Water consumption. – Water quality. – Environmental considerations in the supply chain.	– Optimize water consumption and wastewater quality in buildings and processes. – Take care to minimize water use in production and reuse water as much as possible.

SDG	Topics for Swatch Group	Commitments
	**Ensure access to affordable, reliable, sustainable and modern energy for all** – Energy efficiency of the Group's products. – Renewable energies in the Group's products. – Energy efficiency of buildings and processes.	– Develop products so that they can be operated with sustainable energy souces wherever possible and minimize energy consumption.
	**Promote sustained, inclusive economic growth, full and productive employment and decent work for all** – Offer and create high-quality jobs. – Cooperation with trade unions, collective labor agreements, employee benefits. – Economic performance. – Further training and education programs for employees. – Working conditions in the supply chain.	– Commit to manufacturing in Switzerland and train employees to become specialists. – Be an attractive and responsible employer.
	**Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation** – Innovation and R&D expenditure.	– Remain the leader for the number of new patents in the Swiss watchmaking industry.

SDG	Topics for Swatch Group	Commitments
	**Ensure sustainable consumption and production patterns** – Durable products, enabling repairs. – Recycling and a circular economy. – Environmental considerations in the supply chain. – Working conditions in the supply chain – Avoid waste.	– 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 material.
	**Take urgent action to combat climate change and its impacts** – Energy efficiency of buildings and processes. – Reduce GHG emissions.	– Achieve climate neutrality (Scope 1 and 2 emissions) by 2050. – Increase self-generated production of renewable electricity. – Continually increase the energy efficiency of the company's facilities and processes. – Develop products with a minimal carbon footprint.
	**Conserve and sustainably use the oceans, seas and marine resources for sustainable development** – Water quality. – Environmental considerations in the supply chain. – Avoid waste.	– Minimize water use. – Audit suppliers in relation to water management. – Reduce the use of plastics and minimize the threat of microplastics.
	**Protect, restore and promote sustainable use of terrestrial ecosystems** – Deforestation and forest degradation – Promote biodiversity. – Avoid air pollution. – Avoid waste. – Environmental considerations in the supply chain.	– Only use certified timber. – Do not use leather from protected or endangered species. – Take steps to reduce emissions. – Avoid waste. – Use own forests sustainably and promote biodiversity.

SDG	Topics for Swatch Group	Commitments
	**Promote peaceful and inclusive societies, provide access to justice for all and build effective, accountable and inclusive institutions at all levels** – Effective and transparent governance. – Comply with laws and regulations. – Working conditions in the supply chain.	– 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.
	**Strengthen the means of implementation and revitalize the global partnership for sustainable development** – Provide financial/technological support for sustainable actions. – Economic performance, responsible taxpayer.	– Swatch Group brands support specific actions taken on sustainability by third parties.

Sustainability track record

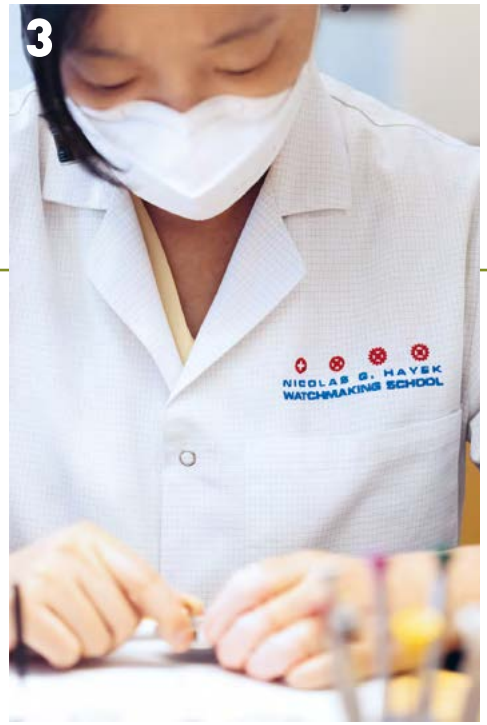
1992 / 2000

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

1

2

©Keystone



3

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 more secure future for our planet. IMAGE 1

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 2

1995

The first solar-powered Swatch with solar cells on the dial that power the quartz movement.

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.

1999

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

2001 / 2010

4

5

2001
Swatch Group begins to set clear climate and efficiency targets and implement initial measures to reduce energy consumption and greenhouse gas emissions (GHG).

First collaboration with the Energy Agency for the Swiss Private Sector (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 ocean protection initiatives. IMAGE 4

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.

First certification in accordance with the ISO 14001 Environmental Management System standard at Swatch Group (ETA).

2006
Swatch Group and Omega contribute technological expertise 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, with the only exception being the use of straps from regulated American alligator breeders (in accordance with CITES, US Fish and Wildlife Services and ICFA standards).

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

Renovation of Swatch Group's "La Suze" and "Le Bez" hydroelectric plants.

First step towards centralized gold recycling within the Group.

2011 / 2017

6


7


8

2011
First ESG (Environmental, Social, Governance) report published as part of the Swatch Group annual report.

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

2012
All Swatch Group brands voluntarily discontinue 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. IMAGE 8

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

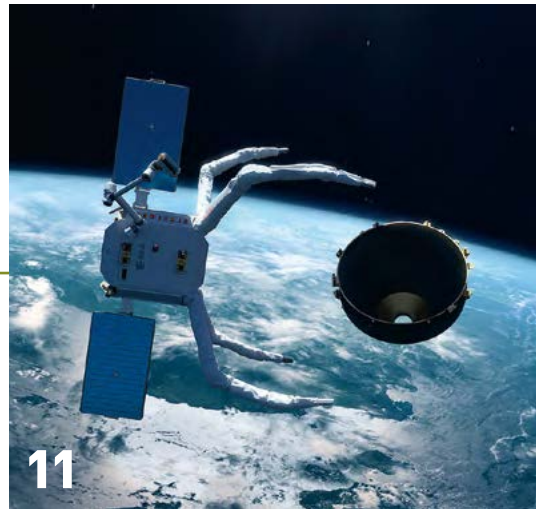
2016
The new, patented EFG (edge-defined, film-fed growth) crystal growth process for sapphires enables in-house recycling of production residues, resulting in a more environmentally friendly manufacturing process.

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 to fit into wearable electronic devices and for the Internet of Things (IoT). The Bluetooth chip is very energy efficient and starts up quickly.

2018
/
2022



2018

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

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 installations, 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.

Swatch introduces a new bio-sourced material.

2021

Newest innovation: "BIOCERAMIC" – watches made from a mix of ceramic and bio-based materials that use castor oil. IMAGE 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.

2022

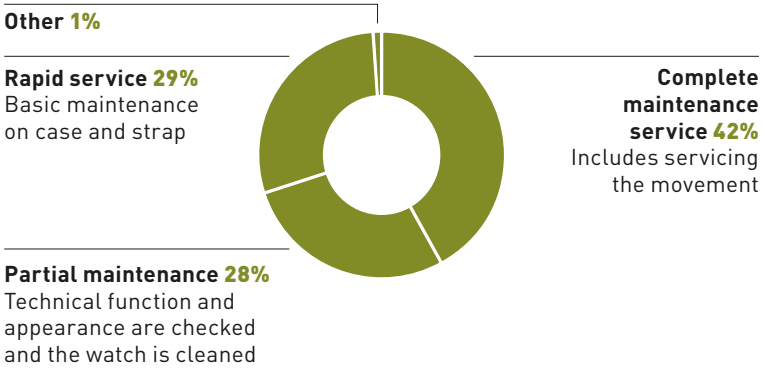
Omega participates in ClearSpace's pioneering mission to remove hazardous space debris, extending its sustainability efforts from the ocean floor and the earth's surface to every corner of space, no matter how crowded. IMAGE 11

Customer service

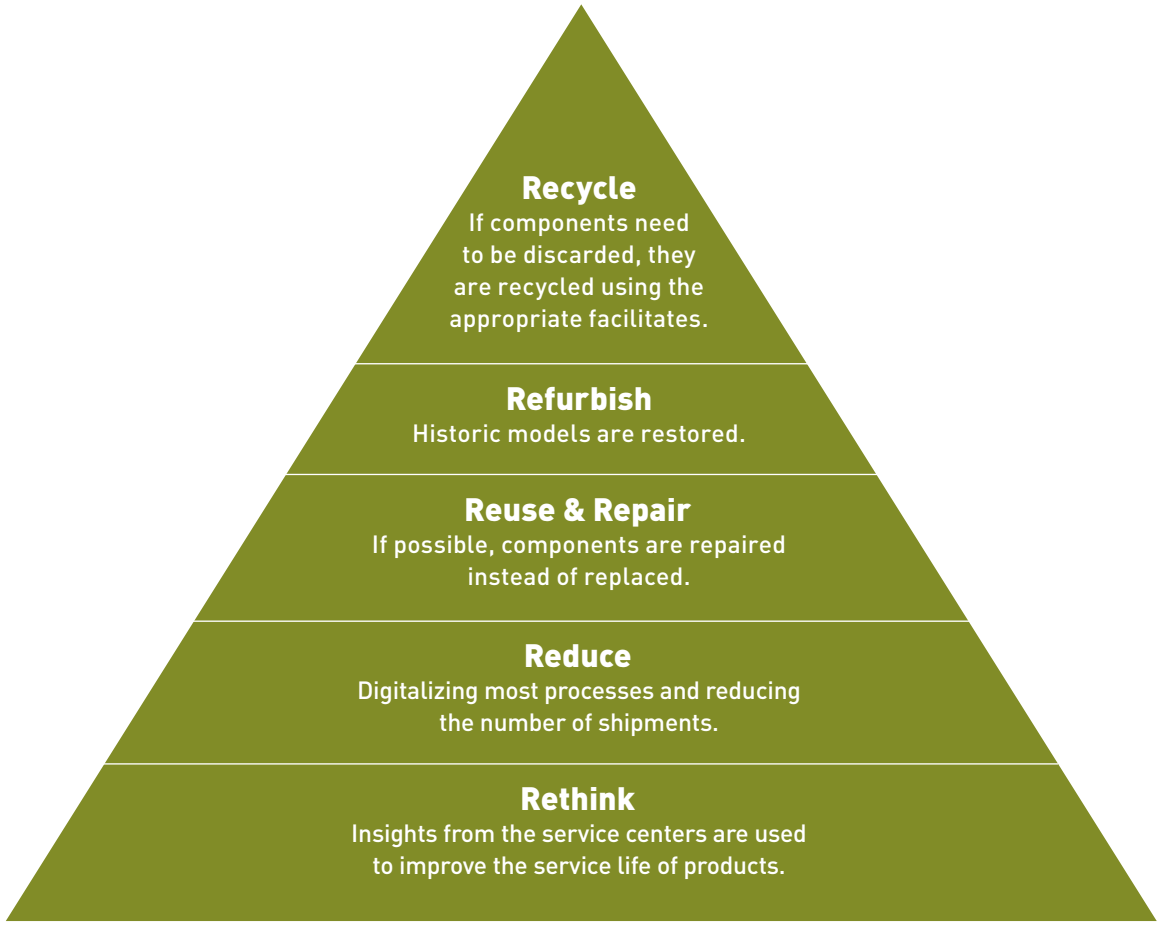
Customer satisfaction is top priority at Swatch Group. Our service center specialists provide effective, custom solutions for both current models and historic watches. Swatch Group is close to customers thanks to its global customer service offering in around 40 locations, meaning most services can be performed on-site. As a result, customers receive their watches back more quickly, saving on transport. In addition, customers are kept updated about the progress of the work on their watches.

Swatch Group watches are designed to be an accessory for life. Regular watch maintenance is required to guarantee such a long service life. The recommended interval between services varies depending on the watch type or model, how much it is used, and the environment in which it is worn. For instance, a watch's water resistance may be compromised by worn seals or accidental shocks to the watch.

Swatch Group's service centers perform maintenance on around one million watches every year, including the following services:



Circular economy in customer service



Over 1,900 people work at the Group's service centers worldwide, ensuring quick, flawless repairs and services. A phased in-house training program teaches employees about the different Swatch Group watch models.

Some Swatch Group brands guarantee that watches can be repaired and their parts replaced for the lifetime of the watch. However, if there are no replacement parts available for an older model, they can usually be reproduced by specialists.

Service centers are a core component of Swatch Group's business model. They serve as a point of direct contact with customers throughout a watch's life cycle. In addition, insights from the service centers feed back into product development to continually improve watch durability and repairability.

HIGHLIGHT

Made in 1782 and still ticking

Our products have a long service life. Many pieces manufactured by BREGUET over 200 years ago still work perfectly.

The oldest exhibit in the Breguet Museum is the self-winding Breguet no. 1/8/82 watch, called the "Perpétuelle", with an oscillating platinum weight. It features a 60-hour power reserve indicator and is on display at the Breguet Boutique and Museum in Place Vendôme in Paris.

As its name suggests, the piece was finished in August 1782, and it still works perfectly 240 years later.

Material sustainability topics

GRI DISCLOSURES 2–12, 2–13, 2–14, 3–1

Definition of report content

Material topics for Swatch Group were reworked in 2021. During the first step of this review, the Sustainability Steering Committee, along with external support, drew up a long list of potential material topics. The Committee included topics specified in key reference frameworks and relevant issues identified through extensive peer research. The list contained around 130 topics and was consolidated, with topics grouped by theme. 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. This resulted in a list with 25 topics. They were consolidated further and reduced to 11 material topics.

In 2022, there was a thorough review of Swatch Group's existing material topics. With external support, the review process recorded the existing or potential positive and negative impacts of the company's activities on business, the environment and people, including human rights throughout the value chain. The review involved various stakeholder groups and drew on internal company data.

Ten of the 11 existing material topics were kept and reaffirmed as "material" based on the impact assessment. Sourcing-related topics continued to focus on the sourcing of precious metals, gemstones and diamonds and in addition on the sourcing of leather and wood. In addition, the management of climate-related risks and opportunities was classed as material. The Sustainability Committee, comprising representatives from the Executive Group Management Board, reviews and approves the list of material topics. The Group's approach to corporate responsibility is approved by the Board of Directors, which has the ultimate responsibility.

The Sustainability Team and an external agency assessed the impacts according to their scale and scope, with particular attention paid to negative impacts. The scale refers to how severe a negative impact is, while the scope refers to how widespread it is. The material topics were prioritized based on this assessment. Each topic was assigned an appropriate, topic-specific GRI standard so that actions and developments in these areas can be demonstrated using specific performance indicators. Lastly, the Chair of the Board of Directors approves the sustainability report.

GRI DISCLOSURE 3-2 Material topics	Explanation of the material topic	GRI DISCLOSURES 3-3-a, 3-3-b Positive and negatives impacts	GRI DISCLOSURES 3-3-c, 3-3-d, 3-3-e, 3-3-f Measures	Corresponding GRI topics
Governance, ethics & compliance	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 labor, forced labor, corruption and other criminal acts.	Swatch Group is upholding human rights by having a zero-tolerance policy on child labor and auditing suppliers in countries where there is greater risk. In the long term, this has a positive impact on the economic performance of these countries and reduces the risk of poverty.	Guidelines for business practices are set out in the (Supplier) Code of Conduct. With internal directives, Swatch Group is committed to standards that go beyond the legal requirements. 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. The company ensures that its activities and products comply with all applicable laws and regulations, including environmental, social and safety regulations and standards.	– GRI 205 Anti-corruption – GRI 408 Child Labor – GRI 409 Forced or Compulsory Labor
Climate-related risks and opportunities	Climate-related risks refer to how Swatch Group negatively impacts climate change, and how climate change harms the company. Climate-related risks can arise either as a result of different climate conditions (physical risks), or as a result of efforts to mitigate and adapt to climate change (transition risks). Climate-related opportunities refer to possible ways that the transition to a low carbon world could benefit Swatch Group.	Climate-related risks and opportunities include: – Higher energy and raw material costs – Shifts in supply and demand toward sustainable products – Greater physical risks, such as extreme weather conditions and their impact (damage to infrastructure, logistics disruption, etc.) By actively monitoring and managing these risks and opportunities, Swatch Group is helping prevent and mitigate the risks and foster the opportunities.	Work is being done to identify the short, medium and long-term climate risks and opportunities relevant to Swatch Group, draw up suitable strategies and introduce measures. Physical risks are covered by various insurance policies, which are regularly checked and adjusted based on the latest insights. Transition risks and opportunities are included in the strategic planning. For detailed information about the risks and opportunities identified and the management approach, please see the chapter on "Climate-related risks and opportunities", p. 48.	– GRI 201 Economic Performance

GRI DISCLOSURE 3-2 **Material topics**	**Explanation of the material topic**	GRI DISCLOSURES 3-3-a, 3-3-b **Positive and negatives impacts**	GRI DISCLOSURES 3-3-c, 3-3-d, 3-3-e, 3-3-f **Measures**	**Corresponding GRI topics**
Economic performance	Economic performance, and therefore value generation for all stakeholders, is the focus of Swatch Group. Taxes are a key revenue stream for states and are essential for fiscal policy and macroeconomic stability.	Swatch Group's economic performance contributes back to society in the form of taxes and salaries. Tax revenues play a pivotal role in achieving the SDGs and are a key mechanism for Swatch Group to contribute to the economies of countries where it operates. In addition, Swatch Group revenues are reinvested in research and development, training, local suppliers and the Group's sponsoring and philanthropic activities. This shows that a business model focusing on long-term, sustainable success has a wide range of social, economic and environmental benefits.	Swatch 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.	– GRI 201 Economic Performance – GRI 207 Tax
Innovation	Swatch Group's commitment to sustainability is not limited to its direct business activities – the Group also creates social, economic and environmental value with its innovations and its support for initiatives and organizations.	Innovations, such as ultra-low-power ICs, pave the way for ultra-energy-efficient applications. This improves the energy consumption of a vast array of products and helps create new business models.	Moreover, a large share of R&D expenditure is spent on sustainability-related measures for instance switching to more sustainable materials, or reducing the power consumption of electronic products. Along with Belenos, Swatch Group is heavily involved in the battery technology sector for e-mobility purposes.	– GRI 203 Indirect Economic Impacts

GRI DISCLOSURE 3-2 Material topics	Explanation of the material topic	GRI DISCLOSURES 3-3-a, 3-3-b Positive and negatives impacts	GRI DISCLOSURES 3-3-c, 3-3-d, 3-3-e, 3-3-f Measures	Corresponding GRI topics
Energy and emissions	PRODUCTION AND SOURCING: Energy is needed to operate buildings and facilities (e.g., electricity, gas, oil, gasoline and district heating). OPERATION OF 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.	Depending on the type of energy source, power use can have negative effects on the environment, particularly through GHG emissions (Scope 1 and 2) and the detrimental effect these have on climate change. In addition, there are indirect emissions (Scope 3) from sources such as suppliers, transport and raw materials. One way Swatch Group is having a positive impact is through EM Microelectronic. The design and production of ultra-low-power ICs is helping make electronic products more energy efficient.	Swatch Group seeks to reduce its Scope 1 and 2 emissions to zero by 2050, and it has a road map containing the necessary measures to achieve this. Its Scope 3 emissions are also continually falling. One reason for this is that the company has chosen suitable materials and suppliers. A road map with measures to reduce Scope 3 emissions is currently in development.	– GRI 302 Energy – GRI 305 Emissions
Product design and handling of materials	Swatch Group uses a few tens of thousands of tons of raw materials and packaging materials every year. The materials can come from both sustainable and non-renewable raw materials. Both renewable and non-renewable materials can be made from new or recycled source materials.	The use of raw materials such as wood, leather, precious metals or diamonds, as well as the generation of waste, can have adverse effects on the environment (e.g., availability of raw materials and emissions from incinerating waste).	This negative environmental impact can be reduced by selecting sustainable, non-hazardous materials; ensuring products are durable and can be repaired; and using recycling and a circular economy. LCAs help determine priorities and introduce effective measures. The following priorities are considered when selecting materials: 1. Recycled or recyclable materials 2. Materials that are bio-based, compostable or biodegradable 3. Materials that can be used to generate energy	– GRI 301 Materials – GRI 306 Waste

GRI DISCLOSURE 3-2 **Material topics**	**Explanation of the material topic**	GRI DISCLOSURES 3-3-a, 3-3-b **Positive and negatives impacts**	GRI DISCLOSURES 3-3-c, 3-3-d, 3-3-e, 3-3-f **Measures**	**Corresponding GRI topics**
Water	Water plays its most essential role in Swatch Group's production facilities. In addition, water as a resource in the supply chain is a material topic depending on the raw material, country of origin and the process used.	Water quality and the amount of water used can have an impact on people and the environment (e.g., water scarcity and water pollution). Reducing water withdrawals is essential, especially in countries affected by water scarcity.	Swatch Group analyzes and reduces water consumption at its sites. It reduces consumption by reusing water, having water treatment plants and making use of rainwater. Swatch Group also analyzes and continuously optimizes the impact on water as a resource in the supply chain.	– GRI 303 Water and Effluents
Biodiversity	Swatch Group uses biological raw materials, such as leather and wood, for some products and packaging. In addition, some production sites are located near or in areas with high biodiversity.	Manufacturing usually involves generating emissions and pollutants (effluent, waste, greenhouse gases, noise, etc.), which can be detrimental to biodiversity, depending on where the company is located and how it uses materials. Protecting biodiversity is vital for genetic diversity, natural ecosystems and the survival of plants and animal species. Natural ecosystems provide clean air and water, support human health and play a key role in food security.	Swatch Group voluntarily avoids using materials that are classified as critical by its specialists and ensures that wood is sourced legally from tree species that are not endangered and are sustainably grown with the corresponding certification. Swatch Group also assesses how its production sites affect biodiversity and develops stricter measures if it identifies a negative impact. It also helps increase biodiversity in a small way by greening land belonging to Swatch Group.	– GRI 304 Biodiversity

GRI DISCLOSURE 3-2 **Material topics**	**Explanation of the material topic**	GRI DISCLOSURES 3-3-a, 3-3-b **Positive and negatives impacts**	GRI DISCLOSURES 3-3-c, 3-3-d, 3-3-e, 3-3-f **Measures**	**Corresponding GRI topics**
Employees, diversity and equal opportunities	Swatch Group is a multinational company with over 30,000 employees worldwide and subsidiaries in around 40 countries. It also has a global customer base, with its products sold in more than 160 countries.	As a major employer, Swatch Group is aware of its responsibility to promote diversity and equal opportunities. Swatch Group sees diversity as an asset and an opportunity, and its corporate culture reflects this, helping increase diversity and equal opportunities.	In an effort to promote diversity, jobs postings in some countries explicitly include people with severe disabilities. The company records any discrimination incidents and introduces measures where there are issues. Regularly performing equal pay analyses ensures equal pay between men and women. 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).	– 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. Safe and healthy working conditions are considered a human right and are one of the targets in the SDGs. Safe and healthy working conditions include promoting health and preventing physical and psychological harm.	Mishandling materials or not completing specific processes properly at the production sites may cause injuries or accidents. As one of the largest manufacturing companies in Switzerland, Swatch Group is aware of its responsibility to protect its employees.	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, which is checked with regular audits.	– GRI 403 Occupational Health and Safety

GRI DISCLOSURE 3-2 **Material topics**	**Explanation of the material topic**	GRI DISCLOSURES 3-3-a, 3-3-b **Positive and negatives impacts**	GRI DISCLOSURES 3-3-c, 3-3-d, 3-3-e, 3-3-f **Measures**	**Corresponding GRI topics**
Training and education	The Group's employees are its driving force, which is why training and education are essential.	High-quality foundational, vocational and advanced training is pivotal to maintaining and improving the living standards of individuals, communities and society as a whole. Swatch Group plays a key role here by offering training and education worldwide.	Swatch Group offers a wide range of training opportunities, from basic training as part of an apprenticeship to education, retraining and specialist courses. Training is offered globally at the Nicolas G. Hayek Watchmaking Schools in accordance 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.	– 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. However, raw materials, some components and services are obtained from third parties. Purchased materials that have a high ESG risk in the supply chain include: – Precious metals – Diamonds and gemstones – Bio-based materials	Depending on the material, the country of origin or the country of production, Swatch Group faces environmental and social risks. The adverse impacts (e.g., increased emissions, improper waste disposal, child labor, forced labor and corruption) need to be avoided or minimized across the entire supply chain.	Swatch Group works with carefully selected suppliers to source raw materials and some components. Using clear specifications and extensive on-site supplier audits, regular checks are carried out to ensure that suppliers are effectively complying with the strict requirements.	– GRI 204 Sourcing Practices – GRI 308 Supplier Environmental Assessment – GRI 414 Supplier Social Assessment

Stakeholders

GRI DISCLOSURE 2–29

Identifying and selecting stakeholders

Drawing on the experience of employees from different areas such as quality management, sourcing, logistics, human resources, energy management, and representatives of the Group companies and Group management, the company has identified the stakeholders who have the most influence on Swatch Group or are most affected by its business activities in some way. These stakeholders can be categorized into five groups:

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	– Durability and quality of products, customer satisfaction – Customer care and service – Transparent information – Environment and working conditions in the supply chain	– High-quality jobs – Apprenticeship training – Training and education – Occupational health and safety – Collective labor agreements – Employee benefits – Equal pay, pay reviews – Economic performance	– Working conditions in the supply chain – Environmental considerations in the supply chain – Transparent information – Economic performance	– Climate change (GHG emissions) – Working conditions in the supply chain – Environmental considerations in the supply chain – Water consumption – Air quality – Energy consumption – Lawful conduct – Equal pay, pay reviews – Waste, circular economy, recycling	– Lawful conduct – Climate change (GHG emissions) – Environmental considerations 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

GRI DISCLOSURES 2–25, 2–26, 2–29

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. Swatch Group is in direct contact with people from various stakeholder groups using different channels and means of interacting, such as talking to customers in boutiques, holding dialogue with suppliers and employees, and providing ways to receive direct feedback and communicate online. This enables the company to find out which specific issues are important to which stakeholders, so it can then address these issues accordingly. This dialogue also informs the content of the sustainability report, which covers the material topics that positively or negatively impact people, such as human rights, the environment and the economy.

Due to Swatch Group's global presence, with subsidiaries in over 40 countries and customers around the world, the company is in contact with people from a wide range of cultural backgrounds, and it takes their needs and concerns seriously, especially those of vulnerable groups.

Swatch Group endeavors to involve the widest possible range of stakeholders in the dialogue and overcome obstacles with their input. The company has direct contact with stakeholders in most cases, whether in boutiques or through its customer service. Swatch Group ensures that it is close to its customers and suppliers and nurtures personal relationships with them through its in-country organizations. The Supplier Code of Conduct was revised in 2022, stipulating that suppliers must continue to adhere to the Swatch Group's values and standards.

→ For more information about the Supplier Code of Conduct, please see the chapter "Corporate and governance" on p. 43

The company's lean and efficient governance structures make it possible to maintain constant dialogue with employees. In efforts to be mindful of vulnerable groups in the job market, Swatch Group Germany, for instance, includes applicants with significant disabilities in the target audience of all its job postings and gives them priority where they are equally matched with other candidates. Integrating people with disabilities is also part of the collective labor agreement for the Swiss watch and microtechnology industry.

All stakeholder groups have permanent access to online channels, which have been translated into the national languages of the countries where the different Swatch Group sites are located.

GRI DISCLOSURE 2–28

External initiatives and membership of associations

Federation of the Swiss Watch Industry

Fédération de l'industrie 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 the 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 substances (REACH, RoHS) or the Swiss central office for the control of precious metals, 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 connections at a federal level that are responsible for foreign affairs. The FH is also a very active member of economiesussie, a member of the CIBJO (Confédération internationale de bijouterie, joaillerie, orfèvrerie, des diamants, 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.

Convention patronale de l'industrie horlogère suisse – CP (Swiss Watch Industry Employers' Association)

The CP is the umbrella organization for employers in the watch and microtechnology industries. It represents the interests of companies at employer level in the industry and liaises with trade unions, authorities and other umbrella organizations, such as the Swiss Employers' Association (Schweizerischer Arbeitgeberverband – SAV). The CP was founded in 1937.

On May 15 of that year, it signed the country's first collective labor agreement (CLA) with the Swiss Metalworkers' and Watchmakers' Union (Schweizerischer Metallarbeiter- und Uhrenarbeiterverband – SMUV). 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. Management and worker representatives will negotiate the new CLA, due to come into force on July 1, 2024, in 2023. 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 professions in the watch industry, participants can obtain certificates and diplomas that are officially recognized at a federal level.

WOSTEP Foundation, Watchmakers of Switzerland Training and Educational 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 is 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 technical skill and comprehensive training.

The Group works closely with the WOSTEP Foundation, including through its own apprentice 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 Centre suisse d'électronique et de microtechnique (CSEM), 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. Where the watch industry is concerned, 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 matters. 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.

International umbrella organizations and associations

Swatch Group is also involved in the national associations of other countries, including France (Fédération de l'horlogerie), Italy (Assorologi, Associazione Italiana Produttori e Distributori di Orologeria), 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 champions 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, the modernization of the European compliance regime, common billing solutions and the introduction of electronic ID in the EU. A key area within the European Green Deal involves the Waste Electrical and Electronic Equipment (WEEE) Directive and the requirements of RoHS and REACH, with the aim of contributing to sustainable production and sustainable consumer goods. As a member of DIGITALEUROPE, Swatch Group is joining efforts to support the European Green Deal.

CORPORATE AND GOVERNANCE

Governance, ethics & compliance 35

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Innovation 55

SWISS TIMING
Silo for wood pellets at Swiss Timing in Corgémont

Governance, ethics & compliance

GRI DISCLOSURES 2–9, 2–12

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 about the governance structure, please see the Corporate Governance Report in the Swatch Group Annual Report 2022

GRI DISCLOSURES 2–9, 2–12, 2–13, 2–14 , 2–16

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

Executive Group Management Board members
Marc A. Hayek
Peter Steiger
Thierry Kenel

GROUP	OPERATING ENTITIES
Sustainability Team	Sustainability officers

CORPORATE FUNCTIONS

Sustainability officers

INFOBOX

Swatch Group among the world's 100 most sustainable companies

Swatch Group's sustainability performance has also been recognized by external organizations. According to a ranking published by Corporate Knights in January 2023, Swatch Group is among the world's 100 most sustainable companies.

→ www.corporateknights.com/rankings/global-100-rankings/2023-global-100-rankings/2023-global-100-most-sustainable-companies

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 usually meet every two months.

In the year under review, three of the eight Executive Group Management Board members were on the Sustainability Steering Committee. The members of the Sustainability Steering Committee report directly to the Executive Group Management Board at the Board's monthly meetings. The CEO raises the issues that are important for the Board of Directors with the committee members. The Chair of the Board of Directors approves the sustainability report.

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 officer

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 have had sustainability officers for a while. The sustainability organization grew further during 2022, and over 50 Group companies now have their own sustainability officers. An interdisciplinary team supports them in a number of brand, production and distribution companies. In addition, the Executive Group Management Board issued a new internal sustainability directive in 2022. It includes stipulations on ensuring that any decisions taken by Group company management boards are checked for their positive and negative ESG impacts.

Central functions

Energy Management

The Energy Management Team's ultimate goal is to achieve climate neutrality for Scope 1 emissions at all Swatch Group locations by 2050. Optimizing energy use and using substitutes for generating heat are its primary focus. The Energy Management Team supports the Swatch Group sites in developing and implementing measures to optimize energy consumption.

HIGHLIGHT

Examples for sustainable governance

Sustainability coordinators at Omega

This year, Omega created a network of more than 30 sustainability coordinators as a way of embedding sustainability principles at the heart of its corporate culture. The coordinators are supported by a sustainability manager and are responsible for ensuring that all departments apply ESG guidelines and best practices. The sustainability coordinators are also involved on site, developing action plans for the different ESG areas and collecting ideas from employees for optimizing processes.

They raise employees' awareness of sustainability issues that apply to Omega's area of activity and undertake continuing professional development on these topics. They have so far made a valuable contribution to waste management and energy strategy.

Sustainability team, Germany

Following the mantra "think global, act local", 11 employees at Swatch Group Germany came together to form a voluntary sustainability team. They work for different brands, such as Omega, Rado, Mido and Swatch, and are located at different sites. They work in a variety of roles – from marketing, PR, controlling, IT, accounting and logistics employees to sales teams, shop workers and apprentices. This cross-brand, interdepartmental approach gave the team members the opportunity to draw up an initial action plan comprising practical ideas from different perspectives.

The list includes big and small actions, from extensively reducing power consumption and increasing resource efficiency to switching to recycled paper. All employees were invited to meet and engage with the sustainability team as part of an information event.

In addition, measures are being introduced to minimize emissions through the loss of refrigerants and reduce emissions from processes.

Other targets are to achieve climate neutrality for Scope 2 emissions by 2050 and maximize energy autonomy by harnessing innovative technologies.

The Energy Management Team focuses on challenges such as the energy transition, energy security, energy quality, minimizing energy consumption and new technologies. At the same time, the group works with the Agency of the Swiss Private Sector (EnAW) as an external partner, examining legal frameworks, the situation on the energy market and how set targets are being met in real time so that it can be extra agile and respond to changes as swiftly as possible.

Another common thread in the Energy Management Team's efforts to achieve its targets is the long-term agreement with the Swiss Federal Office for the Environment requiring a reduction in CO_2 emissions.

INFOBOX

Precautions in the event of an electricity shortage

Under Article 102 of the Swiss Federal Constitution, a power shortage is classed as a severe shortage, which is why the state has taken measures enabling it to intervene within the bounds of its authority in the event that one occurs. It has tasked the Association of Swiss Energy Companies (VSE) with taking the necessary precautions to be able to cope with an electricity crisis. With this aim in mind, VSE created the Organization for Power Supply in Extraordinary Situations (OSTRAL), which is responsible for the power supply in the event of a crisis. If there is a power shortage, the organization will be activated on the instruction of the Swiss Federal Office for National Economic Supply, in accordance with laws enacted by the government in the event of a crisis.

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OSTRAL makes a distinction between four levels of preparedness:

1. Monitoring the supply situation/monitoring storage facilities and consumption.
2. Alerting and increased preparedness/ reminding consumers to save power, voluntary power-saving measures.
3. Requesting the enactment of the electricity management ordinances (BVO), consultation procedure, decision, enactment.
4. Implementing the BVO/banning the use of specific devices and appliances/rationing power use by end users/rolling blackouts/ controlling Swiss power plants centrally.

Swatch Group companies are actively preparing for situations of electricity shortage, in particular by putting in place intervention programs to respond to possible situation of quotas and load shedding, by implementing measures to reduce electricity consumption and preparing business continuity programs.

→ www.ostral.ch

Quality Management

Swatch Group Quality Management (SGQM) lays down the functional quality and safety criteria for products brought to market by Swatch Group companies. It also provides Group companies with the information and test methods required to apply these criteria.

SGQM ensures that inspections are carried out in accordance with legislation and determines the applicable legal requirements for products in terms of safety, environmental regulations and consumer information. Drawing on the relevant standards, SGQM creates approval procedures to ensure product conformity and functional reliability by simulating the conditions in which products are used. Swatch Group companies, suppliers and the testing and analysis laboratories are given set requirements as part of technical specifications and guidelines, which they have access to either on the intranet or the SGQM extranet.

SGQM standardizes particular processes, methods and products and makes recommendations in this regard. SGQM aims to create an internal consensus in its standardization work and actively participates in developing standards (ISO, EN, SN, etc.). It also offers Swatch Group companies support with applying standards. Through its work, SGQM plays a key role in continually improving production processes and products and in implementing the sustainability strategy.

Product conformity

SGQM implements strict approval procedures for products to ensure that customers can use them safely and that they conform to national and international regulations (including the REACH Regulation, the RoHS Directive and Swiss regulations). SGQM helps Swatch Group companies to comply with the REACH regulation, which also contains provisions on using certain substances and the reporting requirements for substances of very high concern (SVHC). In 2022, another five substances were identified as SVHC but have not yet been banned under the REACH regulation. Swatch Group voluntarily bans the use of these substances in its products and seeks non-harmful alternatives, provided that there is a technically feasible alternative available.

SGQM incorporates all the legal requirements governing the environmental characteristics of substances contained in materials into its own specifications for Group companies and their suppliers (the EU Regulation on persistent organic pollutants, the RoHS Directive on restricting certain hazardous substances in electric and electronic devices, and the EU Directive on packaging and packaging waste).

List of banned substances, managing laboratories and test reports

SGQM provides Swatch Group companies and their suppliers with lists of regulated substances in products brought to market and has done so since 2007. These lists are based on the strictest international standards that apply to these particular materials. They apply to all products that Swatch Group brings to market

Regulated substances

294
regulated substances

1,876
external test reports

55
methods for chemical analysis

9
ISO 17025 authorized and certified chemistry labs

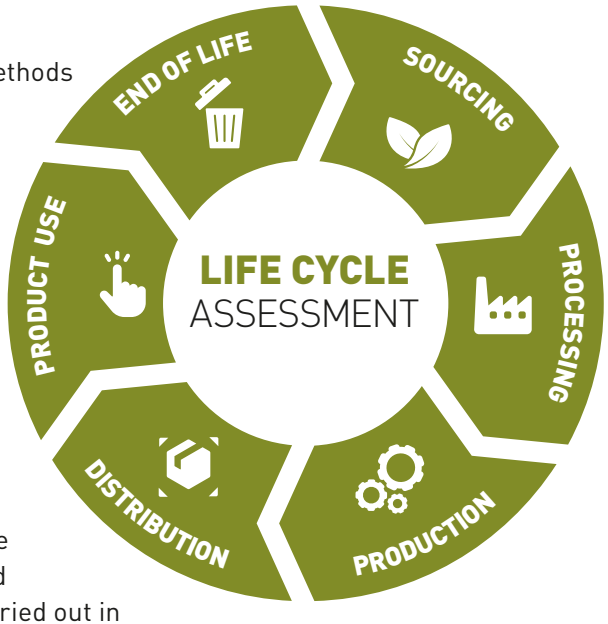
(watches for adults and children, packaging and cases, jewelry and products for children). For every substance (294 substances to date), there is a standardized and recognized analysis method that must be followed by the approved laboratories. There are also specific lists for complex materials (composite material, leather and/or textiles). They ensure that the relevant regulations are being adhered to and help prevent false positives in conformity reports. SGQM has set up a process for auditing new analysis methods for regulated substances in line with regulations, and it actively participates in CEN and ISO technical committees to develop analysis methods that are perfectly suited to Swatch Group products. It has created 55 different analysis methods to date.

For over 10 years, SGQM has provided Swatch Group companies and their suppliers with a list of select laboratories to ensure they are complying with the relevant chemical regulations and guarantee product conformity. The external laboratories are ISO 17025 certified and are monitored. SGQM regularly checks their analysis methods, sample management and how they issue conformity reports. Nine chemistry laboratories have been approved to date and can be used by Swatch Group companies.

The laboratories prepared 1,876 test reports in 2022 for Swatch Group.

Mechanical and physical approval tests

SGQM has drawn up checklists and testing methods for individual components that the different Group companies and external suppliers can use to accurately simulate the conditions in which watches are worn. The tests examine mechanical wear and exposure to environmental factors (e.g., moisture, heat, UV rays). These tests help guarantee the reliability and durability of the products.



Life cycle assessments (LCA)

Choosing a sustainable development strategy is an essential part of product development, which is why Swatch Group performs life cycle assessments using the openLCA software and ecoinvent database. The assessments are carried out in accordance with ISO 14040 and ISO 14044.

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 when there are new developments, informed decisions can be made with regard to sourcing raw materials, selecting processes and handling end-of-life treatment, for instance. Swatch Group has launched various LCA projects looking at different watch components, packaging and cases.

Swatch Group seeks to further establish the use of LCAs for its future developments as a mean of meeting its environmental sustainability commitments.

Products and standardization

Standardization heavily influences a product's development and service life in its particular context. That is why standards and standardization work form a major part of Swatch Group's activities.

Standards are constantly evolving, and Swatch Group doesn't limit itself to what currently applies. Instead, it adds more test methods, standard processes or related restrictions to its internal directives, making them much stricter than the official standards in force.

For example, the SGQM currently coordinates around 15 Swiss and international working groups on behalf of Swatch Group. It also moderates or leads some of these groups. SGQM regularly organizes workshops in the company to share information about any new compulsory standards or where it foresees a new standard being needed. It works closely with the relevant bodies (SNV, FH, CEN, ISO, IEC) for this.

Below are two real-world examples of SGQM's role in standardization:

1. Tanned leather without metal: SGQM is actively involved in technical committees developing standards for leather and has worked on methods to determine the metal content in leather (SN EN ISO 17072-2), with the aim of reducing discrepancies in results from different laboratories performing the tests and better defining such types of leather (SN EN 15987).

2. Test method for the release of nickel: In 2022, European experts finished revising standard SN EN 1811, which sets out the test methods for the release of nickel. Following a request from Swiss experts, including SGQM, one of the standard's appendices was updated to include a procedure that states which preparations are necessary for testing watches. This enables laboratories to adjust their sampling methods to comply with the standard for this complex product, giving them like-for-like results that come as close as possible to those in real-world wearing conditions.

Monitoring and provision of standards

As part of its standardization work, SGQM monitors new international environmental standards and makes them available to Swatch Group companies. A number of topics are closely monitored, namely environmental management systems, eco labels and declarations, the evaluation of products' environmental characteristics and standards on packaging and packaging waste.

Supply chain management

The Group's high standards of quality, safety and sustainability are also required of its partners and suppliers. This includes responsible sourcing, i.e., full compliance with the Group Code of Conduct, the principles of its business practices and a zero-tolerance policy on human rights violations. As a company with a particular responsibility for the extraction and sourcing of raw materials and the procurement of biological raw materials from endangered species, Swatch Group applies international guidelines and standards (including the OECD Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas and its Supplement on Gold; Social Accountability International SA 8000 standard; 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.

→ "Sourcing" chapter, p. 97

GRI DISCLOSURES 2–23, 2–24, 2–26, 408–1, 409–1

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 on human rights violations, e.g., child labor, forced labor, 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 Directive (RoHS),

HIGHLIGHT

Laughters and dreams for children in hospital

Since its beginnings in 1993, the Theodora Foundation has been pursuing its mission; to bring laughter and joy to children in hospital. Today, the Foundation organises and funds the weekly visits of 72 professional artists – the Giggle Doctors – in 32 hospitals and 27 specialist care centres for children with disabilities across Switzerland. Each year, these funny and intriguing characters spread smiles and moments of happiness during more than 100,000 visits to children.

The Giggle Doctors are specially trained and work closely with care specialists.

The Foundation offers six programmes: *Giggle Doctors*, *Operation Dreams* and *Dreaming in the ER* for young patients in hospital; *Mr. and Mrs. Dream* and *Little Orchestra for the Senses* for children with disabilities; and *The Lil' Champs* for children in obesity therapy.

Swatch Group supports the Theodora Foundation since many years.

→ www.theodora.ch
→ For more information about Swatch Group's philanthropic activities, please see the Annual Report 2022 on p. 25

the Regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), and the Waste Electrical and Electronic Equipment Directive (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.

Supplier Code of Conduct (SCoC)

The Supplier Code of Conduct applies to Swatch Group, its companies, and suppliers to Swatch Group companies and their subsidiaries. It also applies to affiliated companies and subcontractors that supply goods or services to Swatch Group companies.

The SCoC is based on internationally recognized human rights as set out in the United Nations Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.

The Code is based on internationally recognized principles that are accepted in the sector, such as the United Nations Guiding Principles on Business and Human Rights (UNGP), the International Labor Organization's (ILO) international labor standards, the ILO's code of practice for safety and health, the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, the Responsible Jewellery Council's (RJC) 2019 Code of Practices, the RJC's 2017 Chain of Custody standard, the Social Accountability International SA 8000 standard, the OHSAS 18001 standard and anti-bribery guidance (ISO 37001).

The SCoC is periodically updated to take account of changes in legislation, regulations and Swatch Group guidelines.

→ For information about auditing suppliers, please see the "Supplier Audits" chapter, p. 99

If there are discrepancies between national legislation and international human rights standards, Swatch Group will follow whichever is more stringent as per the provisions of the UNGP. In addition, it will follow the stricter standard whenever national legislation differs from the Group's high environmental and health and safety standards. Where there are inconsistencies between national legislation and Swatch Group's strict standards, the Group will respect the law while endeavoring to meet the more stringent standards.

With the aim of protecting particularly at-risk groups of people, the Code of Conduct includes sections on combating discrimination, safeguarding people against bullying and abuse, preventing forced and compulsory labor, and preventing child labor, as well as on the rights of indigenous people.

All employees working in sustainability can access the Code of Conduct online. Sustainability officers are responsible for training and providing information to employees in the individual Group companies. All procurement departments received training in 2022, and they are responsible for providing information and ensuring compliance with the SCoC in the supply chains.

Violations of the SCoC can be reported to the email address noted in the document. These are then be dealt with by the responsible internal departments.

The Swatch Group Executive Group Management Board approved the Code of Conduct.

Risk management and precautionary principle

The Swatch Group Corporate Risk Team coordinates risk management matters and reports directly to the CFO. The Corporate Risk Team is responsible for physical safety worldwide and for managing and implementing national and international insurance programs. Operational risks are assessed every year, and the insurance cover or other remedial measures are updated or redefined.

The Corporate Risk Management Team ensures that crucial risks relating to environmental protection, health and safety are identified, analyzed and recorded on an ongoing basis so that targeted prevention measures can be developed and implemented at an early stage. The precautionary principle has been embedded in internal directives since 1994.

HIGHLIGHT

Company fire department

The subsidiary ETA in Grenchen has had a company fire department since the 1950s, and today it has 43 volunteer members.

After joining the team, each firefighter receives training under the supervision of the Solothurn building insurance organization SGV, and they perform 15 to 20 exercises.

The firefighting team have at their disposal a command vehicle, a fire truck and three team transporters with breathing apparatus.

A significant component of risk management is business continuity management. Experts determine the operating entities that are important for the Group and how they interconnect, identify the main risks (e.g., cyber risk, fire, water, chemical substances, interruption of operations), and draw up measures to ensure business continuity as much as possible. 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 storing enough stock, expanding and modernizing production capacities, considering alternative supply solutions, making strategically important acquisitions, and having a high level of equity.

→ For more information see the chapter "Climate-related risks and opportunities", p. 48

Information security and data protection

The Group's approach to data protection and information security ensures maximum data security and the best possible information technology systems throughout the Group's network. Its information security procedures are continuously adapted to be state of the art by regularly analyzing cyber threats, technological developments and implementing any necessary measures immediately. In addition to technological measures, a good information security culture is implemented at all levels within the Group through various means, including e-learning trainings, which are available in 13 different languages, and specific workshops. The combined approach of user training and technological information security measures increases the level of information security.

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 information security measures on a regular basis to ensure it fully complies with the applicable regulations and legal frameworks 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 expertise of many different professions, 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. According to customs authorities, jewelry and watches rank 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, this not only damages the reputation of Swiss companies, but it also inflicts economic damage, as these companies are defrauded of almost CHF 4.5 billion in sales annually. The watch and jewelry industries are the most affected, with

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

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 materials 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.

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.

Swatch Group ensures the technical and intellectual protection of its products (finished watches, movements, semi-finished products and components) at all levels to safeguard their intrinsic value. It does so by protecting technical innovations with patents and valorizing its technological assets through the protection of 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 subject to legal action, 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.

GRI DISCLOSURES 205–2, 205–3

Anti-corruption

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

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

→ For further information, please see the "Sourcing" chapter, p. 97

The Group was not aware of any cases of corruption in the sense of accepting unlawful advantages (through bribery, fraud, extortion, collusion or money laundering) in the year under review.

GRI DISCLOSURE 2–27

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 DISCLOSURE 201–2

Climate-related risks and opportunities

Governance

The sustainability team and sustainability officers are responsible for assessing and managing climate-related risks and opportunities and for bringing these to the attention of the Sustainability Steering Committee.

The Sustainability Steering Committee comprises three representatives from the Executive Group Management Board, and it reviews and approves the climate-related risks and opportunities. The Board of Directors approves the Group sustainability strategy and bears the overall responsibility.

The Sustainability Team and the Sustainability Steering Committee meet at least six times a year to discuss ESG-related topics, including climate-related risks and challenges.

Strategy

Swatch Group needs to tackle transition risks in the short-to-medium term. These risks can vary greatly depending on their nature and the speed with which different states deliver on the aims of the Paris Agreement. Switching to low-carbon models may cause operational and procurement costs to rise. Physical risks could present a greater risk to the procurement of raw materials in the long term.

Swatch Group is extensively verticalized, it has a strong positioning in research and development, most of its supply chain is located in Switzerland, and it has a management approach for climate-related risks, making the company well placed to adapt to different climate scenarios, including the 1.5°C baseline scenario and the 2°C scenario.

Impact of changes and risk limitation strategies

Transition risks	Impacts (without risk mitigation)	Mitigation strategies	Opportunities
Current and future regulations	Possible fines, market access.	Cooperating with external experts to analyze and implement future legislative changes (e.g., TCFD).	
Law and policy Increasing carbon taxes and measures to limit carbon-intensive activities	Increasing energy costs, increasing logistics costs.	Transition to renewable energies. Improving energy efficiency. Investments in own power generation. Maintain high level of production in Switzerland.	Greater independence, Swissness becomes more important.
	Increasing material costs, supply chain disruptions.	Continuing to have high warehousing levels to avoid stock disruptions.	Increasing recycling rate. Using recycled materials.
	Increasing cost of packaging material.	Switching to low-carbon materials.	Lower costs due to smaller packaging size and more affordable materials.
Technology Developing new technologies for a low-carbon economy	Depreciation of assets, investments in low-emission technologies to meet market regulations.	In-house experts to work on energy efficiencies (Energy Team). Transitioning to low-emission technologies.	Transitioning to low-emission and energy-efficient technologies.
Market and reputation Change in supply and demand as consumers opt for sustainable alternatives	Lost revenue or missed opportunities for growth.	Choosing low-carbon suppliers. Investing in low-carbon materials. Strengthening environmental commitment with climate targets. Publishing an annual sustainability report on all three scopes with a climate strategy.	Innovation through low-carbon materials. Reaching a younger, more eco-conscious target group by selling products with low-carbon and recycled materials. Being a leader in the ESG arena (reputation).
	Increasing decarbonization costs due to greater demand for carbon credits.	Prioritizing the emission reduction.	Investing in activities for which there are carbon credits (e.g., generating power from renewable energies, forests, carbon capture).

Impact of physical risks and risk limitation strategies

Acute risks	Impacts (without risk mitigation)	Mitigation strategies	Opportunities
Floods, hail and extreme rainfall events	Supply chain disruptions due to damaged infrastructure (roads, railroads, bridges). Local flooding of buildings (basements) and local power cuts.	Taking into account weather forecasts or severe weather warnings in risk management. Preparing for incidents depends on the local risk situation. Increasing autonomous power supply.	Increasing autonomous power supply creates competitive advantage.
Heat waves, droughts and forest fires	Increasing strain on infrastructure (asphalt, environment, railroads). No or less transport on waterways (price increase due to more expensive transport alternatives).	Incorporating market monitoring and the global climate risk assessment into risk management.	Competitive edge through local production.
	Increasing strain on building infrastructure (cooling, service life of outdoor facilities, expansion, condensation, humidity, etc.). Groundwater depletion causes building damage.	Training technical employees and building managers.	Renovating buildings at a quicker pace will lead to lower costs.
	Examining power supplied by hydroelectric power plants. Safety risk posed by nuclear power plants (cooling, lack of water in watercourses, overheating watercourses). Nuclear power plant outages affect power quality and cause more frequent, short power cuts.	Increasing autonomous power supply.	Increasing the autonomous power supply creates a competitive edge.
	Restricting water use.	Using rainwater and reuse water.	Having a more autonomous external water supply creates a competitive edge.

Impact of physical risks and risk limitation strategies

Chronic risks	Impacts (without risk mitigation)	Mitigation strategies	Opportunities
Diseases, pandemics	Increase in and vulnerability to communicable diseases due to weak immunity (nutritional problems, problems with the quality of drinking water, stress).	Developing ideas for increasing health protection for employees.	Employee health becomes more important. Fewer working hours lost.
Crop failure and drinking water shortages	Consumers focusing on the essentials (what is needed to survive), increasing migratory flows, increasing global conflicts. Impact on raw materials. Pressure on agricultural raw materials for the industry.	Reviewing stock management and supplier agreements (guarantees, prices, substitution options).	

Risk management

A climate-related materiality assessment has been conducted. It measures how much stakeholders are worried about each issue and the potential impact of each issue on business. This materiality assessment is set to be carried out regularly.

At Group level, the Sustainability Team and Energy Management Team carry out a top-down assessment of climate risks to get a good overview of the biggest risks facing the Group.

At the same time, a bottom-up assessment is being conducted, which brings together the evaluation results from the watch, jewelry and electronic component production sites and the global sales and service center network.

They draw up risk mitigation strategies for each climate risk, and measures are being taken to mitigate the threat posed by the climate risks. As described in the chapter on sourcing, Swatch Group has already implemented various strategies to reduce the risks presented by supplier activities that have a bearing on sustainability.

The Sustainability Team and the Risk Management Team determine, assess and manage climate-related risks. If increased risk is identified, the Sustainability Steering Committee informs the Executive Group Management Board. Insurance policies are updated where appropriate, taking into account the relevant risks, particularly where physical risks were identified.

Metrics and targets

Swatch Group has metrics for Scope 1, 2 and 3 emissions, energy and heat consumption, self-generated power, water consumption, volatile organic compounds (VOCs) and waste.

→ **Figures for these metrics are presented in the "Environment" chapter, p. 59**

Swatch Group is pursuing the strategy to become climate neutral by 2050. Swatch Group aims to reduce its CO_2 emissions in line with the 1.5°C target.

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)	2022	Proportion
Net revenue	7,499	100%
Operating costs	–3,978	–53%
Employee wages and benefits	–2,363	–31%
Payments to providers of capital (incl. interest and dividends)	–303	–4%
Taxes	–273	–4%
Economic value retained	582	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 such measures as providing to the relevant authorities timely information that is relevant or required by law for purposes of the correct determination of taxes to be assessed in connection with their operations and conforming transfer pricing practices to the arm's length principle."

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 posting of taxes and duties.
- Application of good governance, due care.
- 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.
- Maintaining an accountable team of qualified tax and customs professionals around the globe.

Tax strategy and tax-related issues are discussed, reviewed and approved at Executive Group Management Board level.

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's consolidated subsidiaries monitor, adapt and continuously improve their tax and customs compliance processes 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. Swatch Group's consolidated subsidiaries 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 DISCLOSURE 203–2

Innovation

Patents

Swatch Group registered a total of 209 patents in 2022. Of these patents, 165 were related to watches and 44 were related to other areas, including electronics, energy sources and general chronometry. The number of new registered patents has grown steadily over the last few years. In total, Swatch Group owns approximately 20,000 active patents and patent applications, divided into 2,800 different patent families.

Age distribution of patent families

0–5 years	6–10 years	11–20 years
36%	34%	30%

The protection of Swatch Group's 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 Swatch Group's various research and development entities. 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.

Environment-related patents

Swatch Group's research and development areas include:
- Improving the performance of movements.
- Improving quality to extend the service life of products.
- Reducing the power consumption of quartz movements.
- Reducing wastage with mechanical movements.
- Replacing toxic materials by using alternatives that are less toxic or have no effect on people and the environment.

At least 30% of Swatch Group's R&D expenditure and new patents can be described as environment related (innovations in renewable energy production, energy efficiency, environmental management and technologies to lower emissions).
Examples from 2022 include:
- Reducing the static and dynamic power required to operate the logic circuits in a watch.
- Improving calibration methods for wearable optical aids to extend battery life.

R&D costs

Each year, Swatch Group invests in research and development in order to remain innovative in the long term. The directly measurable R&D costs were CHF 246 million in 2022, which is 3.3% of turnover.

Environment-related research and development

A large share of R&D costs are directly or indirectly related to the Group's sustainability efforts, such as developing new materials (e.g., bio-based materials), movements with a long service life and ultra-low-power microchips. It is not always possible to clearly separate out and record how much of the R&D expenditure was spent on environment-related developments in these areas compared to that spent on product development. Based on an analysis of the patents, at least 30% of the R&D costs can be specifically assigned to environment-related developments. This equates to CHF 74 million in the year under review.

ENVIRONMENT

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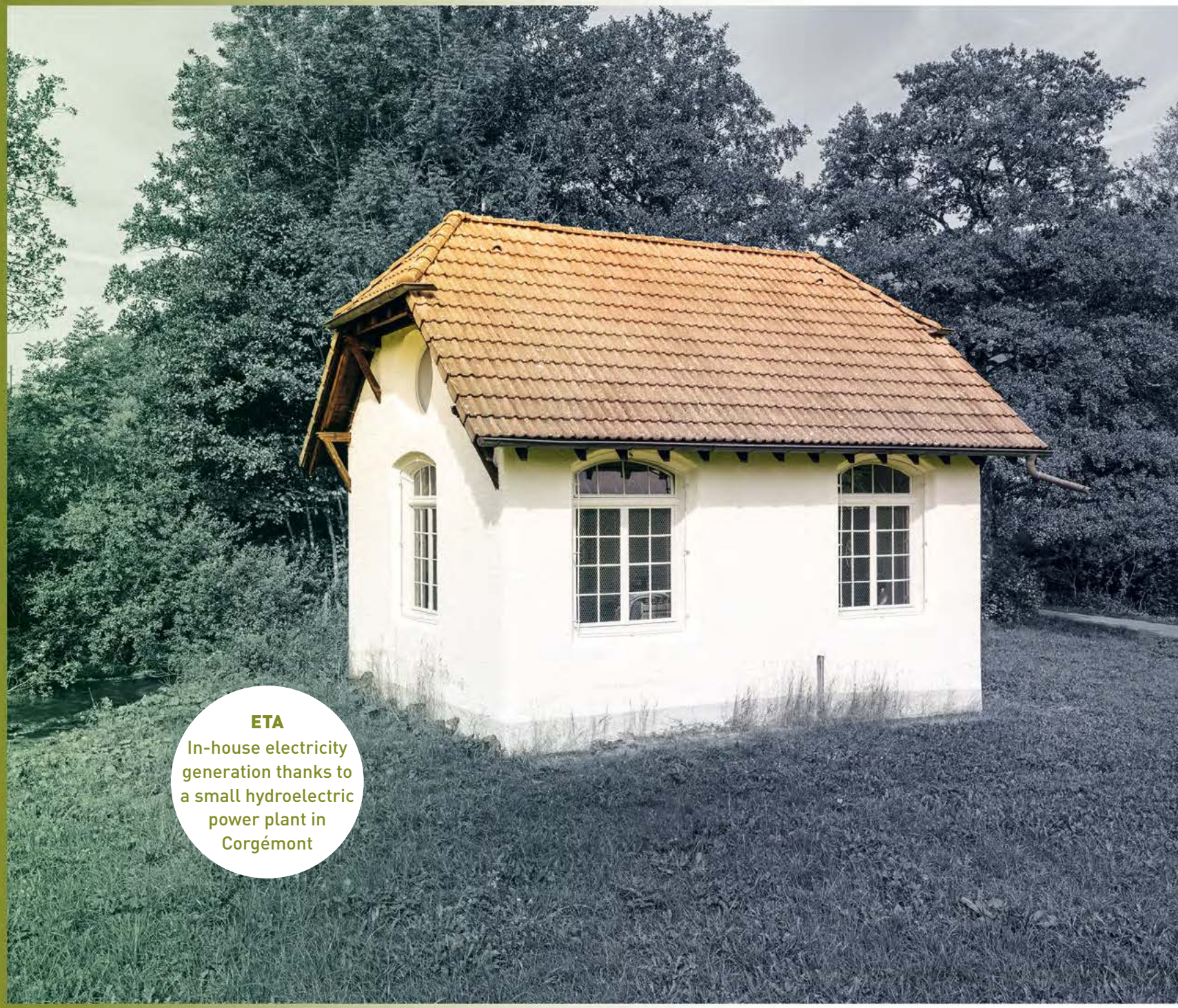


ETA
In-house electricity generation thanks to a small hydroelectric power plant in Corgémont

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 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.

→ For further information about LCAs, please see p. 40

In addition, measures to reduce energy and resource consumption are being implemented, whether through manufacturing facilities with smart energy control systems or through energy-efficient, heat-insulated and eco-friendly infrastructures and production sites. 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 improvement in the year under review.

Data collection was improved in 2022. For instance, there are now more details about waste recycling and water consumption. There are set Group-wide greenhouse gas targets. It should be noted that due to their diversity, the business entities set their own targets and measures for many key figures, which are not presented in this report in a consolidated form.

→ For further information about data collection, please see the chapter "About this report", p. 116

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 "The Spirit of Biel/Bienne". The solar mobile won the World Solar Challenge in Australia at the time. The first solar-powered Swatch (1995) stems from this period, and it has lost none of its appeal. As a result, the Group's early commitment to protecting the climate remains an important value, and Swatch Group remains motivated to play its part in sustainable climate action in the long term.

The Group aims to achieve its 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 set for all production units in Switzerland since 2013, and they apply generally to the entire Group on a consolidated basis. 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 its reduction targets, the Group will focus its efforts in the coming years on its most CO_2-intensive sites. The principles listed on the right will guide this work. 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

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

1. **Avoid** the use of resources that have no associated benefit
2. **Reduce** energy consumption to the necessary and technically feasible minimum
3. **Efficient** and effective operation of installations, as well as heat recovery
4. **Alternative** to fossil-fuel energy sources, such as regenerative or zero-carbon energy sources
5. **Independent** generation or conversion of energy at the sites themselves
6. Energy storage systems and carbon offsetting projects

Swatch Group is also committed to reducing Scope 2 emissions. 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 generation;
- 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.

Experts from the Energy Management Team support the business entities with their climate efforts. In addition to carrying out more extensive assessments and projects aimed at achieving climate neutrality at specific sites, they drew up a guideline in the year under review containing practical tips for saving energy and a list of do's and don'ts. It suggests different ways that energy consumption can be further reduced in the short and medium term.

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.

We aim to be climate neutral for Scope 1 and 2 emissions by 2050.

Blancpain SA Le Sentier

One of our 32 EnAW-certificates.

GHG emission reduction roadmap

Compared to other industries, the watchmaking industry has low Scope 1 and 2 greenhouse gas emissions.

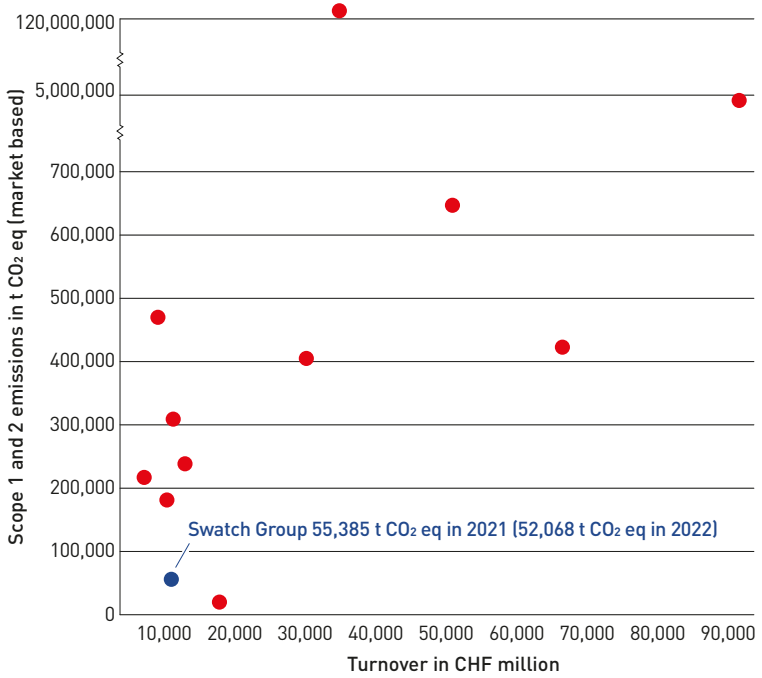
Nevertheless, Swatch Group is working hard to further reduce the emissions and bring them to zero.

Swatch Group is aware that most of the indirect emissions are in Scope 3. The group does not yet have precise data on the Scope 3 emissions. A concrete action plan and intermediate targets can therefore not yet be drawn up for Scope 3.

Swatch Group commits to climate neutrality for Scope 1 and 2 by 2050 and to reduce the Scope 3 emissions to a minimum.

The aim of Swatch Group is to reduce the greenhouse gas emissions as much as possible and use solutions within Swatch Group (for example future carbon capture technologies) to achieve the targets for Scope 1 and 2.

Scope 1 and 2 emissions of the largest industrial companies in Switzerland[1]



1. Graph shows a comparison of industrial companies included in the Swiss Market Index in 2021.

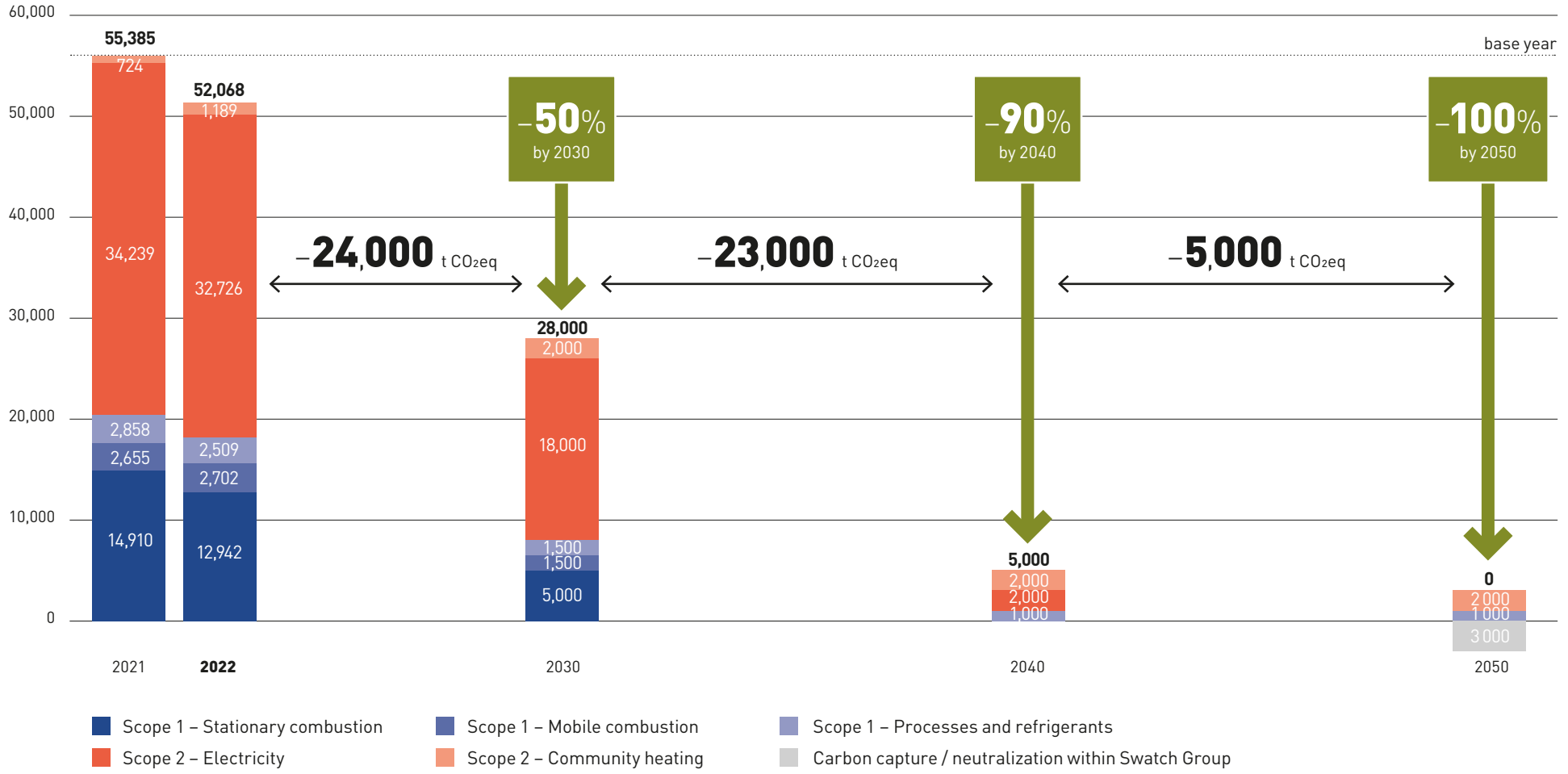
Greenhouse gas reduction targets and measures

Scope 1	Target	Measures
Stationary combustion	– Reduce stationary emissions to 35% by 2030 and to 0 by 2040.	– With the already planned projects for the next 10 years, the stationary combustion emissions can be reduced by 90%. Ideas and concepts exist to reduce the remaining emissions as well.
Mobile combustion	– Reduce mobile emissions to 50% by 2030 and to 0 by 2040.	– New cars and trucks to be non-fossil fuel vehicles. Exceptions must be justified.
Processes & refrigerants	– Reduce emissions from refrigerants to 50% by 2030 and to 0 by 2040. – Reduce process emissions to 50% by 2030.	– Replace cooling systems with GHG free refrigerants. – Reduce process emissions by using alternative technologies or by recovering/ transforming the emissions. – Revaluate feasibility of further reductions on a yearly basis. – Carbon capture / neutralization of remaining emissions within Swatch Group.
Scope 2	**Target**	**Measures**
Electricity	– Reduce emissions from electricity to 50% by 2030, to 5% by 2040 and to 0 by 2050.	– Increase own renewable electricity production. – Procurement of renewable electricity through a mix of financing of renewable projects, prioritizing bundled certificates, PPAs and as last resort GoOs certificates. – Increase process and buildings energy efficiency.
Community heating	No target. Community heating emissions considered doubling in the coming years due to more facilities switching to community heating.	– Carbon capture / neutralization of remaining emissions within Swatch Group.
Scope 3	**Target**	**Measures**
	Data for Scope 3 not yet complete. Targets and roadmap will be ready by end of 2023.	– Requiring the suppliers to commit to a near term target and for carbon intensive sectors to a long term net zero target. – Introduce carbon intensity criteria in supplier selection process. – Replacing carbon intensive material by low carbon alternatives.

The base year for Scope 1 and Scope 2 emissions is 2021.
The base year for Scope 3 will be set as soon as complete and reliable Scope 3 emissions data are available for Swatch Group.

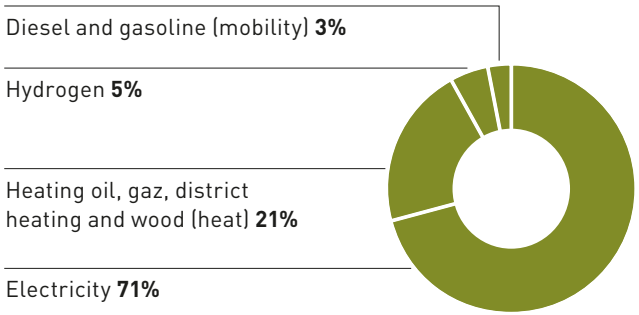
Reduction path for Scope 1 and 2

(GHG Emissions in t CO_2eq, market based)



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 hydroelectric production. The Group's total energy consumption of 396 GWh in 2022 breaks down as follows:



Heat consumption

Compared to 2021, heat consumption per square meter of floor space was reduced by around 2% in 2022. 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, building insulation and renovation programs,

HIGHLIGHT

Generating heat from local wood at ETA in Villeret

A first feasibility study for district heating was carried out in March 2022, and it identified the potential to save 164 t CO_2 eq in emissions and 870 kWh in gas annually for the production site in Villeret. These potential savings were calculated based on a complete recalibration of all parameters for energy distribution in buildings. The results showed so much promise that the project was implemented in fall 2022, and the system went live in January 2023.

A decision was made to connect the site to the district heating network provided by Villeret Énergie. The wood required for generating power is locally sourced.

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 company's various power generation facilities generated approximately 2,718 MWh in renewable electricity (around 1% of consumption), the majority of which was used 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. This was 51 MWh in the year under review.

GRI DISCLOSURES 302–1, 302–3, 302–4

Energy consumption

(in GWh)	2022	2021	2020	2013 (base year)	Change to base year
Power grid	278.7	255.5	–	–	–
Self-generated	2.7	2.5	–	–	–
Fed into the grid	–0.1	–0.1	–	–	–
Total electricity consumption	**281.4**	**257.9**	**239.4**	**216.2**	**+30%**
– of which renewable [1]	32.3%	13.7%	–	–	–
Heating oil	12.5	12.1	12.9	20.6	–41%
Natural gas	61.6	67.6	62.8	80.4	–23%
– of which biogas (admixed)	8.9%	4.5 %	–	–	–
District heating	7.0	4.2	3.6	2.9	+140%
Wood	1.6	1.6	–	–	–
Total heat consumption	**82.7**	**85.5**	**79.3**	**103.9**	**–21%**
Electricity from external charging stations	0.0	–	–	–	–
Diesel	8.4	8.3	–	–	–
Gasoline	3.0	2.3	–	–	–
Total mobility	**11.4**	**10.6**	**–**	**–**	**–**
Hydrogen	**20.9**	**16.5**	**–**	**–**	**–**
Total energy consumption	**396.5**	**370.5**	**–**	**–**	**–**
Key figures on energy intensity (in kWh per m²)					
Floor space in m²	977,354	997,320	987,992	859,589	+14%
Electricity intensity	287.9	258.6	242.3	251.5	+14%
Heat intensity [2]	84.6	85.8	80.3	120.9	–30%
Total energy intensity	**405.5**	**371.5**	**–**	**–**	**–**

1. The increase is caused by two factors: the fact that some Group companies have switched to 100% renewable electricity, and that electricity mix data has been more effectively collected.
2. Includes heat consumption of buildings and processes.

GRI DISCLOSURES 305–1, 305–2, 305–4, 305–5

Scope 1 emissions

(in t CO_2eq)	2022 Objective[1]	2021 (base year)	2020	Change to base year
Heating oil	2,601	–	2,985	–	–
Gas	10,324	–	11,900	–	–
Wood	17	–	25	–	–
Emissions from stationary combustion	**12,942**	**13,809**	**14,910**	**15,890**	**–13.2%**
Diesel	2,015	–	2,092	–	–
Gasoline	686	–	562	–	–
Emissions from mobile combustion	**2,702**	**2,527**	**2,655**	**–**	**1.8%**
Emissions from processes	1,284	–	–	–	–
Emissions from refrigerants	1,225	–	–	–	–
Emissions from processes and refrigerants	**2,509**	**2,707**	**2,858**	**–**	**–12.2%**
Total Scope 1[2]	**18,153**	**19,042** (reached)	**20,422**	**–**	**–11.1%**

Details about process emissions:

Methane (CH_4)	0.020 t	Perfluorocarbons (PFCs)	0.230 t
Nitrous oxide (N_2O)	0.050 t	Sulphur hexafluoride (SF_6)	0.300 t
Hydrofluorocarbons (HFCs)	2.700 t	Nitrogen trifluoride (NF_3)	0.000 t

Scope 2 emissions

(in t CO_2eq)	2022 Location based	Market based	Objective[1]	2021 (base year)	Change to base year
Power grid	30,015	32,726	32,435	34,239	–4.4%
District heating	1,189	1,189	–	724	–
Total Scope 2	**31,204**	**33,915**	**33,300** (not reached)	**34,963**	**–3.0%**
Total Scope 1+2	**49,357**	**52,068**	**52,342** (reached)	**55,385**	**–6.0%**

1. Objective for market based. Linear reduction based on the targets (see p. 63).
2. Emissions from fossil fuels are cited. Biogenic emissions amount to 1,776 t CO_2eq.

HIGHLIGHT

Using biogas at Omega

As part of its sustainability strategy, the Omega brand is taking steps to reduce its Scope 1 CO_2 emissions. The company, based in Biel/Bienne, therefore decided to reduce its gas consumption (for heating) as much as possible. Omega also switched to 100% local biogas for its gas supply in the year under review. The biogas comes from the wastewater treatment plan run by the municipal association STEP, which is located just 3 km from Omega's headquarters. The biogas is generated by bacteria breaking down the sewage sludge. As a way of making it a circular process, the solid residues in the sludge are processed into pellets, which some industries use as an alternative fuel to coal.

Emissions

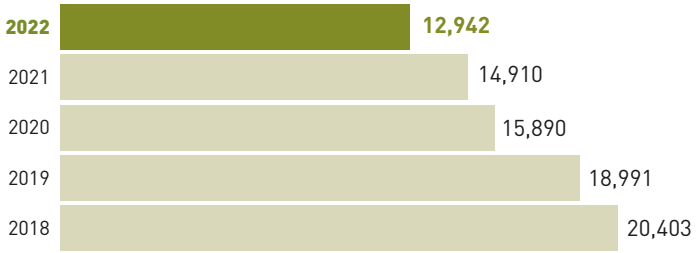
GRI DISCLOSURE 305–1

Scope 1 emissions

CO_2 emissions and other greenhouse gases generated by the Group's companies consist of emissions from heat generation, loss of refrigerants, production processes and fuel consumption. These are all Scope 1 emissions.

Emissions from stationary combustion

(in t CO_2eq)



In 2022, Scope 1 emissions totaled 18,153 t CO_2eq, a 10% decrease compared to 2021. This was achieved through several measures, including the increased use of district heating, the switch to heat pumps and actions to boost efficiency.

HIGHLIGHT

PV system at ETA Thailand

ETA (Thailand) Co., Ltd. has successfully implemented PV systems on both plants with an overall capacity of 1.3 MWp. Since the launch of the system in April 2022, more than 1.1 GWh of energy was generated and consumed at the plants directly. Based on the calculation methodology of the Thai Ministry of Energy's Energy Policy and Planning Office, the CO_2 reduction during the reporting period of April to September 2022 was 404 t CO_2.

Emission intensity for Scope 1 and 2

	2022	2021
Net revenue (in CHF million)	7,499	7,313
Change in inventories, excluding raw materials (in CHF million)	367	52
Production volume (in CHF million)	7,866	7,365
Emission intensity (t CO_2 eq per CHF million production volume)	6.6	7.5

GRI DISCLOSURE 305–2

Scope 2 emissions

In 2022, Scope 2 emissions totaled 33,915 t CO_2eq (market based). For the most part, these emissions came from the production of the electricity purchased. The calculation for Scope 2 emissions was updated in 2022, using more recent emission factors. The figures for 2021 were also recalculated using this new information. The "About this report" chapter includes details about the methodology used.

Starting in 2022, market-based and location-based figures are also being calculated. They are similar because the Swiss electricity mix has a very high level of renewable energies (around 80% – for more information, please see the infobox about the Swiss electricity mix on p. 70), and only a few Swatch Group companies have so far signed agreements to receive renewable electricity exclusively.

→ For information about the Group's climate strategy, please see p. 61

GRI DISCLOSURE 305–3

Scope 3 emissions

In an initial step, Swatch Group identified six categories where the bulk of GHG emissions are expected. In 2023, the company will review whether there are other relevant categories for Swatch Group and expand the selection if necessary.

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 modes of 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	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 modes of transport not owned or operated by the company.

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

Purchased goods

Initial estimates indicate that Swatch Group has the highest indirect emissions in this Scope 3 category. GHG emissions are therefore 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.

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 and vehicles, with the aim of reducing to zero by 2050.

→ Further information in the chapter "Sourcing", p. 97

Transport (upstream transportation)

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 warehousing strategy also means fewer deliveries and more sustainable modes of transport (train, cargo ship), which significantly reduce the amount of additional GHG emissions. Swatch Group generated around 30,000 t CO_2eq in the "Upstream transportation" category in 2022.

Business-related travel

Based on initial research using travel agency data, it is estimated that GHG emissions associated with business travel totaled around 15,000 t CO_2eq in 2022.

Commuting

Several Swatch Group subsidiaries asked their employees to complete questionnaires so they could collect data on the emissions generated by commuting. Extrapolated to the whole Swatch Group, calculations showed these emissions to be around 60,000 t CO_2eq in 2022.

INFOBOX

Direct (Scope 1) GHG emissions

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

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

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

Distribution (downstream transportation)

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.

Using an analysis of export data, emissions from the distribution of products are estimated to be around 40,000 t CO_2e for 2022. This includes transporting watches, their packaging and marketing materials.

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, 58% of VOCs generated were recovered and recycled thanks to the recovery systems for gasoline and other volatile solvents. A 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)	2022	2021	2020
VOC generated	600.7	490.6	636.8
VOCs recovered	349.5	326.9	286.5
VOC emitted	251.2	163.7	350.3
Recovered	**58%**	**67%**	**45%**

INFOBOX

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Swiss electricity mix

Renewables account for 80% of the electricity that comes through Swiss power outlets. With its commitment to locating its production sites in Switzerland, Swatch Group indirectly benefits from low-carbon electricity in the Swiss grid.

In 2021, renewables accounted for around 80% of the final electricity consumption in Switzerland (2020: 76%)[1], with 68% coming from large hydroelectric plants and 11% from solar PV, wind power, small hydroelectric plants and biomass plants. Nuclear power plants and incineration plants generated 19% of the power, with fossil fuels accounting for 2%.

Through the purchase of guarantee of origin certificates and selecting power suppliers that only use renewables, the Swatch Group headquarters and some Group companies now use electricity from 100% renewable sources. Swatch Group is committed to using renewable electricity exclusively by 2050 and is actively seeking opportunities to invest in new renewable electricity production capacity.

1. Source: admin.ch, Swiss Federal Office of Energy.

Product design and handling of materials

Materials used

Each year, Swatch Group uses a few tens of thousands of metric tons of raw materials, such as steel, brass, gold, 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 means that information on individual material categories will be able to be reported on a consolidated basis.

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

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

The Swatch Group Quality Management (SGQM) supports brands and production units in the selection of materials and determines their relevance for the planned application. SGQM ensures that environmental designations (recycled, recyclable, organic, bio-based or compostable) are evidenced by appropriate documentation or certification.

HIGHLIGHT

Bio-based material

In 2019, ETA began using bio-based material to manufacture boxes, crystals, glasses, etc. for Swatch instead of traditional polymers.

Since 2021, ETA has been producing Swatch watches from BIOCERAMIC, a blend of ceramic and bio-based material with a base of castor oil.

Conventional polymers now account for just 36% of total production, while the remainder is BIOCERAMIC (34%) and bio-based material (30%). MoonSwatch, which was launched in 2022, is also made of BIOCERAMIC and gained a widespread following thanks to its color variations.

SGQM also provides Swatch Group companies with guidance on implementing ecodesign and on the carbon footprint of the materials most frequently used in the industry. Finally, it offers the opportunity to measure the environmental impact of a product by means of a life cycle assessment in accordance with the ISO 14040 and ISO 14044 standards.

To ensure compliance with the legal requirements in relation to the actual composition of the relevant materials, the authorized laboratories, Swatch Group companies and their suppliers were provided with a Restricted Substances List (RSL) (e.g., a list of mixed synthetic textiles for leather alternatives).

Vegan certification

In order to meet market demands, Swatch Group brands that wish to offer their customers a vegan alternative for certain components must have these components certified by the independent testing organization BLC Leather (Eurofins | Chem-MAP).

This certification comprises an assessment of materials and raw materials by means of physical and chemical tests:

- A DNA test for chemicals (e.g., dyes, adhesives, paints) to ensure that no DNA of animal origin 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.

HIGHLIGHT

Circular economy for stainless steel

Swatch Group receives weekly deliveries of watchmaking-quality stainless steel. The same truck collects the full recycling boxes that were provided and delivers new ones if required. In the watchmaking industry, the preferred steel supplier appointed by Swatch Group has around 120 recycling boxes in circulation, of which approximately 50% are being used by Swatch Group companies.

The recycling boxes are coordinated digitally via the www.econoxx.com platform. The collected chips are returned, to the European factories for stainless steel production.

The recycled content generally accounts for around 70%. Another portion of the stainless steel chips goes directly to a German factory, which melts down and remelts the scrap into stainless steel according to specifications.

The aim is to gradually increase the proportion of recycled content at this factory from the current 80% to over 90%.

GRI DISCLOSURE 301–2

Recycled input materials used

Production processes generate residues and waste, most of which can be reused. Sprues for injection molding, for example, are recycled 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 and 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 70% (data from company foundry and gold bookkeeping)

In terms of weight, Swatch Group's stainless steel and gold watches are already mostly made of recycled input materials.

The Group aims to further increase the proportion of recycled materials in the future.

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 working to remove non-recyclable plastics from its supply chain, in particular polyurethane foams and polyvinyl chloride (PVC) disposables.

GRI DISCLOSURE 301–3

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.

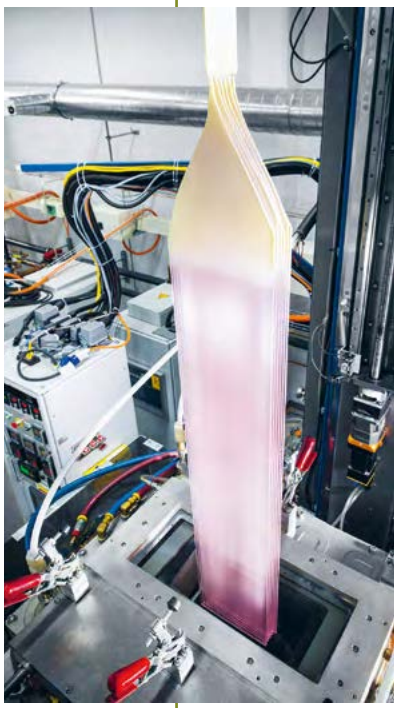
Sapphire recycling

Sapphire, with a value of nine on the Mohs scale, is surpassed only by diamond (10 on the Mohs scale) 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. Almost all production residues are fed into the internal recycling process.

INFOBOX

EFG process



Compared with the Verneuil method, which uses hydrogen and oxygen as process energy, the EFG process enables a less carbon intensive production thanks to the use of a significant part of electricity from photovoltaics.

In addition, the scrap from both the Verneuil and EFG methods can be recycled. First, collected scrap material from manufacturing errors goes through a multi-step crushing and grinding process in order to achieve the required shape and stone size of around 1 mm.

In the EFG production process, molten alumina in a crucible is applied to the upper side of a mold via capillary forces. A seed crystal is immersed in the melt above this mold and then slowly pulled upwards. The molten alumina then solidifies into sapphire and takes on the shape of the mold.

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 recycled 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.

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 the chapter "Precious metals", p. 102

GRI DISCLOSURES 306–1, 306–2, 306–4

Waste

In 2022, a total of 8,229 metric tons of waste was generated. The comparable figure for previous years (without metals) is 6,515 metric tons. Overall, 65% of waste was recycled, either in the company's internal recycling processes or by specialist third-party companies. Waste levels were therefore slightly higher than in the previous year, which is attributable to higher production figures and non-recurring effects. Falling waste figures continue to be expected over the long term. 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, 306–5

Waste

(in metric tons)	Recycling	Incineration		Landfill	Other	Total 2022	2021	2020
		with energy generation	without energy generation					
Hazardous waste	2,116	295	167	111	192	2,881	2,431	2,751
Non-hazardous waste	1,512	1,175	570	309	69	3,634	3,015	2,599
Total of non-metallic waste	**3,627**	**1,471**	**737**	**420**	**260**	**6,515**	**5,446**	**5,350**
Metals	1,714	–	–	–	–	1,714	1,104	–
Total waste	**5,341**	**1,471**	**737**	**420**	**260**	**8,229**	**6,550**	**–**
Proportion	65%	18%	9%	5%	3%	100%	–	–

GRI DISCLOSURES 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. 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.

In order to ensure watch components in the production process are perfectly cleaned, polished, galvanized and rinsed to a stain-free finish, the production facilities use ultrapure water. Ultrapure water is mainly produced using reverse osmosis, but also with the aid of ion exchangers. Ion exchangers can be regenerated in a specialist internal department.

Treating wastewater

100% of industrial wastewater goes through a treatment process. Each location with a department for surface treatment has a wastewater pre-treatment plant. In the wastewater treatment process, heavy metals are removed and then properly disposed of. In accordance with the Swiss Waters Protection Ordinance (WPO), Swatch Group ensures wastewater is monitored on a daily basis. In addition, it produces a report each year that includes the volume of treated water and the volume of collected heavy metals.

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 stress[1]

(in m^3)	Swatch Group consumption	Proportion
No Stress	1,382,051	96.79%
Low	44,661	3.13%
Medium	1,071	0.08%
High	155	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.

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.

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

GRI DISCLOSURES 303–3, 303–4, 303–5

Water withdrawal and discharge

(in m³)	2022	2021	2020
Drinking water	765,658	540,999	459,231
Non-potable water	662,280	681,122	613,248
Total water withdrawal	**1,427,938**	**1,222,121**	**1,072,479**
Drinking water	694,839	–	–
Non-potable water	504,133	–	–
Total water discharge	**1,198,972**	**–**	**–**
Water consumption	**228,966**	**–**	**–**

Water withdrawal has increased compared with prior years. The majority of this increase is attributable to production facilities, particularly in the water-intensive production of microchips. This is partly the result of growth in the area of electronic systems.

Water discharge and water consumption were recorded for the first time this year, so comparable figures for previous years are not available.

GRI DISCLOSURES 304–1, 304–2, 304–3

Biodiversity

The Code of Conduct commits Swatch Group companies and their suppliers to protect biodiversity and fragile habitats. The business activity of Swatch Group companies and their suppliers must not result in a significant decline in (no net loss of) threatened species or have a negative impact on their habitats.

In 2022, an analysis was carried out to determine whether Swatch Group sites are located in or near areas with high levels of biodiversity or nature reserves. In Switzerland, this analysis was carried out using tools including the Federal Geoportal (geo.admin.ch), which contains maps and details of different types of nature reserve. Some of the sites are located near forest reserves, dry grasslands and wildlife reserves. In addition, some sites are also located in regional nature parks:

- Chasseral Nature Park
- Jura Vaudois Nature Park.

→ www.parcchasseral.ch
→ www.parcjuravaudois.ch
→ For details on the sites, please see p. 79

The listed nature parks are populated, rural areas that are particularly rich in natural, scenic and cultural assets. They preserve the quality of nature and landscape and also promote sustainable growth in the regional economy.

Swatch Group minimizes and where possible avoids any harmful impact and, if necessary, takes steps to re-establish biodiversity. For example, Longines supported a Pro Natura project to revitalize the Suze, a small river that flows in the Bernese Jura through the Longines site. The project is currently being implemented. Details of this project and the achieved improvements will be published in the Sustainability Report 2023.

So far no nature reserves in the direct vicinity of operating sites have been identified abroad.

Swatch Group is not aware of any unplanned significant emissions of harmful substances in the period under review. In addition, no negative impact on biodiversity resulting from the introduction of invasive species, or changes to habitats or ecological processes has been observed.

→ For information on Swatch Group wood and leather principles, please see p. 108

HIGHLIGHT

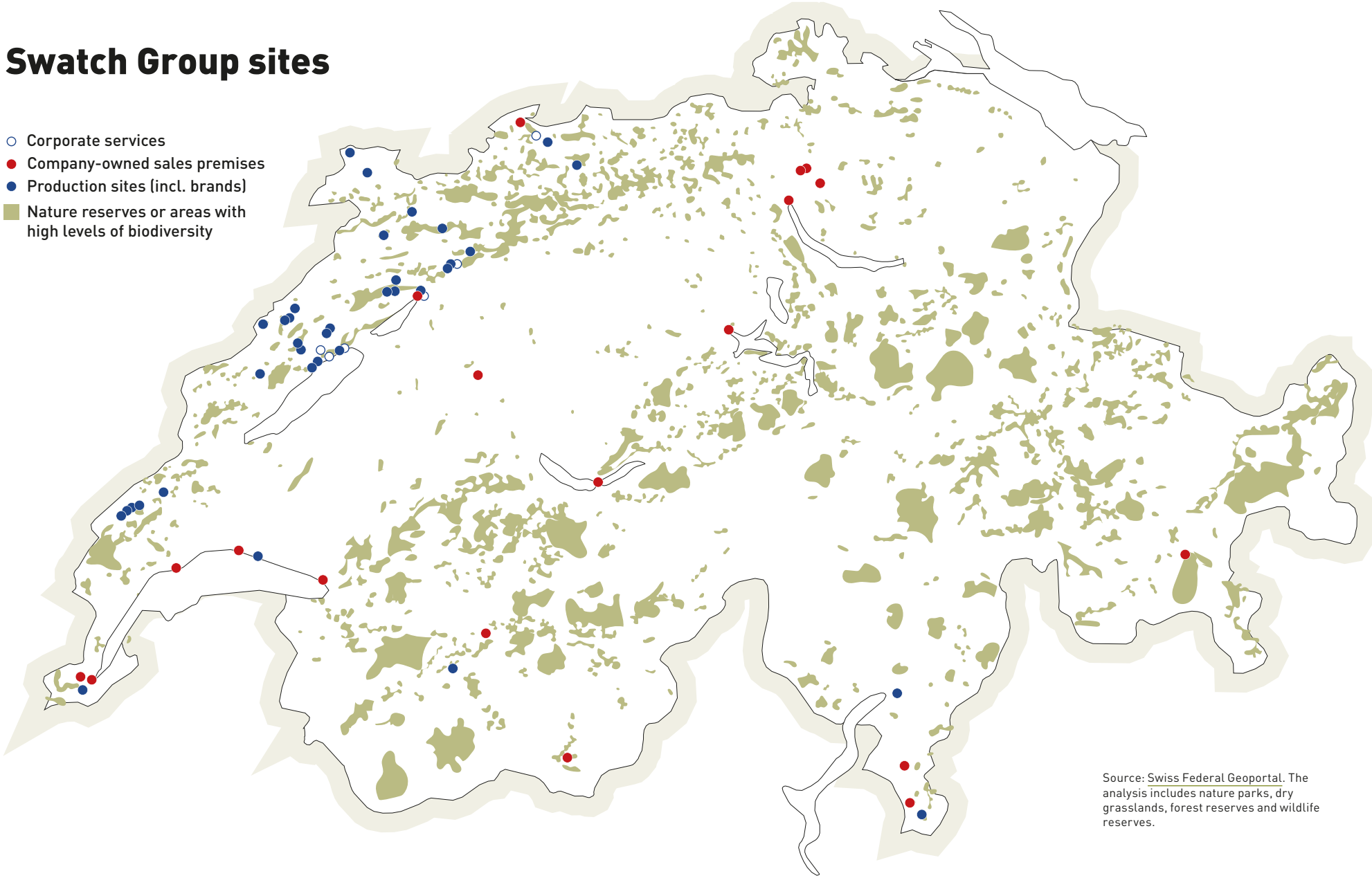
Voluntary work

As part of Clean-Up-Day 2022, a day of action across Switzerland organized by the Interessengemeinschaft Saubere Umwelt (Interest Group for a Clean Environment, IGSU), the subsidiary ETA offered all employees the opportunity to take part in waste collection campaigns with their colleagues.

The campaign was run with support from the local communities at the relevant sites.

More than 300 employees took part and collected a total of 380 kg of waste.

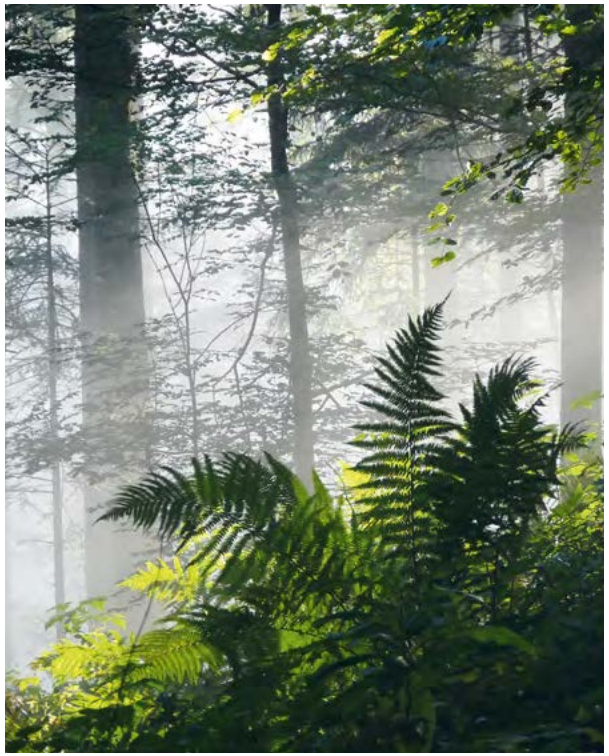
Swatch Group sites



Source: Swiss Federal Geoportal. The analysis includes nature parks, dry grasslands, forest reserves and wildlife reserves.

HIGHLIGHT

Forest management in harmony with biodiversity and climate action



In the 1940s, the Fondation d'Ebauches SA, which is part of Swatch Group, purchased several forests in the Neuenburg Jura. Today, almost 216 hectares of dense forest is owned by Swatch Group via this foundation. In addition, there are around nine hectares of pastured woodlands, which are areas that are only very lightly covered with trees. They are defined as forested areas according to Swiss law, but their main purpose is pasturing. Pastured woodland is a traditional form of land use that is continued as part of cultural heritage, particularly in the Jura. The majority of pastured woodland that was previously owned by the foundation has been sold to the former tenants, who are continuing the traditional form of cultivation.

The Swatch Group forests are located between 820 and 1,280 meters above sea level at the upper montane altitude. Silver firs and beeches are the most naturally prevalent species here, along with spruces, oaks and other deciduous trees. Due to the forest management techniques used, the proportion of spruces is higher in Swatch Group forests than it would be in an unmanaged, natural forest. Despite this, the forests grow in harmony with nature, are diverse, structurally rich and provide shelter and habitats for rare animal and plant species.

Swatch Group safeguards and maintains the biodiversity of its forests by leaving old trees with holes and dead trees in place, upgrading connecting elements such as forest edges, and repairing and maintaining dry walls. These measures benefit endangered species such as grouse, bats, cavity-nesting birds, reptiles and insects that live in dead wood.

Safeguarding biodiversity does not prevent the use of wood from the forests of the Fondation d'Ebauches SA. High-quality wood can be used for construction and carpentry, while lower-quality logs can be used as wood fuel, replacing fossil fuels. No more trees are felled than are replaced, and trees are also felled from species that do not have the same market value as softwoods. This ensures that the economic and ecological value of the foundation's forests will be preserved over the long term.

Management of the forests is also important for another reason: the forests owned by Swatch Group remove around 2,000 metric tons of CO_2eq from the atmosphere each year through their growth. However, since the volume of bound carbon is re-released when old leaves, needles and dead wood rot, the forest would be CO_2-neutral over the long term without management and the use of wood. By using wood, the carbon is bound in buildings and other long-lasting wooden products over the long term, and the forest therefore remains a carbon sink.

With its sustainable approach to forest management, which is focused on natural development and biodiversity targets, Swatch Group is showing its strong commitment to SDG 15. It is also contributing to the achievement of SGD 13, because it does not include its forests' sink performance in its carbon footprint.

SOCIAL

Employees, diversity and equal opportunities 82

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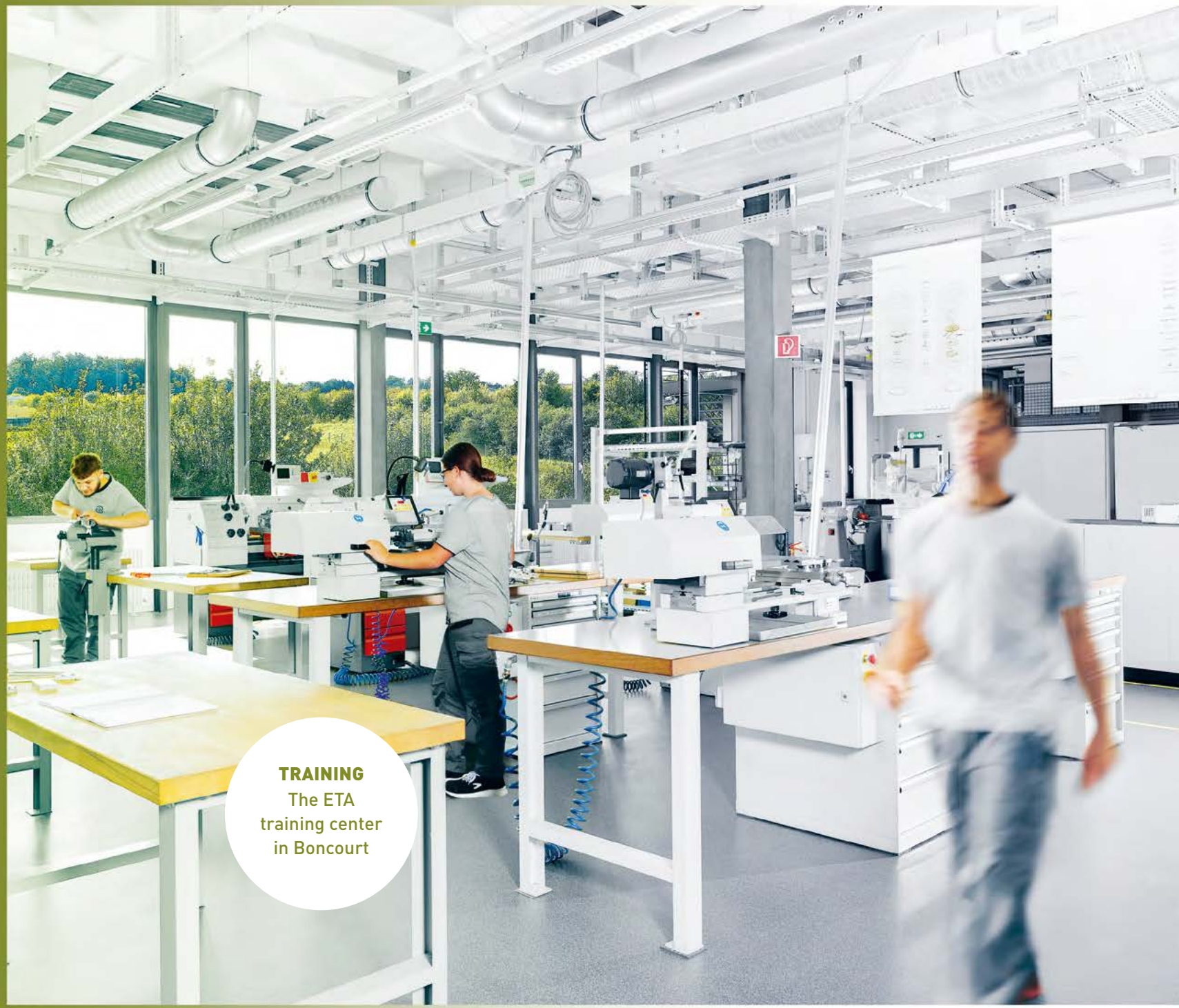
Training and education 91



TRAINING
The ETA training center in Boncourt

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 well-being, even in times of crisis.

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 2022, the proportion of women in the total workforce was 50% and 36% 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 and pay reviews

In accordance with Art. 13A ff of the revised Federal Act on Gender Equality (GEA) and the Ordinance on the Evaluation of the Wage Equality Analysis as at July 1, 2020, Swatch Group is required to carry out a wage equality analysis every four years for all Swiss companies with 100 or more employees, and to have this independently evaluated. The wage equality analysis must be carried out using a scientific and legally compliant method.

Swatch Group uses the Logib standard analysis tool, which is methodologically based on a semi-logarithmic OLS regression analysis and has been approved for use by the Federal Office for Gender Equality. This analysis checks, via a direct comparison of all employees of different genders, whether a difference in wage cannot be explained by objective, wage-relevant, non-discriminatory factors (education and training, length of service, any work experience, performance level and professional status), and if it cannot, what proportion of the wage difference this relates to.

To carry out the analysis, the total of monthly components is standardized for all employees so that this corresponds to a full-time role with weekly working hours that are standard for the company.

If the null hypothesis is not rejected with a statistical significance of 5% (or accepted at 95%), there can be no assumption of wage discrimination. Otherwise, a check is carried out to determine whether there is a wage difference of over 5%, which would exceed the tolerance threshold for wage discrimination.

In accordance with the legal requirements, Swatch Group has used the Logib analysis to review all 33 Swiss companies with over 100 employees for the reference month of December during the analysis and reporting period of July 1, 2020 to June 30, 2021. There were no indications that one of the 33 companies would exceed the tolerance threshold for wage discrimination. In addition, the analysis method and the results were verified by Blaser Treuhand AG in Bern. In its reports, the evaluator confirms that all legal requirements that apply to wage equality analysis were complied with in full, and that there were no findings to suggest that the wage equality analysis for the reference month of December during the analysis and reporting period from July 1, 2020 to June 30, 2021 did not fully meet requirements for the evaluation of wage equality analysis.

Results of wage analysis

Segment	Wage difference[1]
Watches & jewelry	3%
Production	4%
Electronic systems	5%
General services	4%

1. All figures are below the statistical significance level of 5%.

There is no wage discrimination in any segment. Swatch Group carried out the same analysis and used the same method for 13 Swiss companies with a workforce of under 100 employees, even though this is not required by law. For these Swiss entities, there were no indications that one of the 13 companies evaluated would exceed the tolerance threshold for wage discrimination.

Despite these good results, since the analyses were conducted all Swiss companies have begun to monitor wage equality systematically and regularly and to rectify any observed differences promptly.

Wage equality analyses were also carried out for companies abroad, to the extent that this is provided for by the legislation in place locally. For the foreign entities that were analyzed, there were no indications that the tolerance threshold for wage discrimination had been exceeded. Overall, the wage analyses cover 70% of the workforce (Switzerland: 100%; international: 40%).

HIGHLIGHT

The skills shortage – we're taking action

Under the umbrella of STEM (science, technology, engineering and mathematics) promotion, the Swiss economy has set a target of tackling the labor shortage in these professions. STEM expertise is essential to the Swiss economy if it is not only to remain competitive internationally but also be among the frontrunners.

Demographic change and the wide variety of careers are making it increasingly difficult to find enough talented employees from younger generations.

Highly qualified specialists will be in particularly high demand in the future, to ensure Switzerland remains a center for thought, development and work, and challenging areas such as the mechanical and electrical engineering industries, technology, IT, pharmaceuticals and chemistry continue to position themselves and evolve successfully.

In six regions across Switzerland, the tunSchweiz foundation runs work experience shows that give young people aged seven and above a taste of working in a large research laboratory and an inventor's workshop.

Local companies, universities and interest groups offer a range of workshops, experiments and work experience activities at these exhibitions.

By engaging them at a young age, these extracurricular projects help awaken children's interest in the fascinating world of STEM. The Swatch Group subsidiary ETA took part in the event tunSolothurn. In eight experiments, highly motivated apprentices and vocational trainers helped spark the interest of well over 7,000 young people in technology and science and motivated them to join our apprenticeships.

→ tunSolothurn.ch

GRI DISCLOSURE 2–7

Information on the workforce by gender and employment type

Headcounts	Women	Men	Total
TOTAL 2022	**16,137**	**15,924**	**32,061**
	50%	50%	
Number of full-time	13,486	15,182	28,668
	47%	53%	
Number of part-time	2,651	742	3,393
	78%	22%	
Number of permanent	14,438	14,350	28,788
	50%	50%	
Number of fixed term	1,502	1,076	2,578
	58%	42%	
Number of trainees	197	498	695
	28%	72%	

GRI DISCLOSURE 401–1

Information on the workforce by age and turnover rate

Headcounts	< 30 years	30–50 years	> 50 years	Total
TOTAL 2022	**5,618**	**19,659**	**6,784**	**32,061**
	18%	61%	21%	
New entrants	3,364	3,246	380	7,067
	48%	46%	6%	
Persons having left	2,250	3,442	788	6,480
	35%	53%	12%	
Turnover rate	**40%**	**18%**	**12%**	**20%**

Information on the workforce by region

Headcounts	Switzerland	Europe	RoW[1]	Greater China	The Americas	Total
TOTAL 2022	**16,244**	**4,653**	**6,078**	**3,453**	**1,633**	**32,061**
	51%	14%	19%	11%	5%	
Number of full-time	13,701	3,988	6,000	3,451	1,528	28,668
Number of part-time	2,543	665	78	2	105	3,393
Number of permanent	15,024	4,159	6,011	1,977	1,617	28,788
Number of fixed term	599	439	57	1,467	16	2,578
Number of trainees	621	55	10	9	0	695

GRI DISCLOSURE 405–1

Diversity in controlling bodies and the workforce

Headcounts	< 30 years	30–50 years	> 50 years	Woman	Men	Total
Board of Directors	0	1	5	2	4	6
	0%	17%	83%	33%	67%	
Executive Group	0	0	8	1	7	8
	0%	0%	100%	13%	88%	
Senior management[2]	1	307	196	128	376	504
	0%	61%	39%	25%	75%	
Middle management[3]	38	1,188	425	584	1,067	1,651
	2%	72%	26%	35%	65%	
Lower management[4]	144	2,221	741	1,174	1,933	3,107
	5%	71%	24%	38%	62%	
Total management	**184**	**3,716**	**1,376**	**1,889**	**3,387**	**5,276**
	3%	70%	26%	36%	64%	
Without management role	**5,434**	**15,943**	**5,408**	**14,248**	**12,537**	**26,785**
	20%	60%	20%	53%	47%	

1. Asia, the Middle East, rest of the world.
2. Country CEO/manager and executive management.
3. All management staff reporting directly to senior management.
4. All other management staff (with at least one reporting employee).

HIGHLIGHT

National Future Career Day

On National Future Career Day, girls and boys switch places and receive practical insights into careers and areas of work in which their gender has previously been underrepresented. The National Future Career Day encourages them to put their interests and talents at the forefront of their career choices and to question their prejudices.

As its name suggests, the National Future Career Day aims to shape the future. Girls and boys switch places in order to learn about areas of work and life that are considered non-traditional for their gender, and gain life experience. This opens up new horizons. Young people gain the confidence to shape their future themselves, free from rigid ideas of gender.

The National Future Career Day promotes equality between men and women in career choice and life planning at an early stage. Schools, employers and parents all come together to work on the project.

On November 10, 2022 girls and boys from classes from 5th to 7th grade were invited to accompany our employees during their working days. Employees had the opportunity to show their child where they work and give them a better understanding of everyday working life.

Children learned how broad the spectrum of possible careers is and gain new ideas for their futures. The everyday becomes special during National Future Career Day. Children usually spend the day at the workplace of their father, mother or another caregiver. In 2022, over 550 children took part in the National Future Career Day at a Swatch Group company.

→ www.nationalerzukunftstag.ch

GRI DISCLOSURE 406–1

Incidents of discrimination and corrective measures taken (Values as at 12/31/2022)

		Status		Measures		
	Total incidents	Open	Closed	Warning	Dismissal	Mediation
TOTAL	12	2	10	3	3	4
of which in Switzerland	3	0	3	0	2	1
of which international	9	2	7	3	1	3

In the period under review, 12 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 (CLA) for the Swiss watch and microtechnology industry, which was concluded with the Employers' Federation of the Swiss watch industry 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 Employers' Association of the Swiss watch industry, see also p. 31

GRI DISCLOSURE 2–30

Collective bargaining

Headcount	Total	Employees covered	Proportion
TOTAL	32,061	19,593	61%
of which in Switzerland	16,244	15,481	95%
of which international	15,817	4,112	26%

GRI DISCLOSURE 403–1

Occupational health and safety

The health and safety of the Group's employees and customers worldwide 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 safety data sheets

In 2022, a shared software for managing safety data sheets was introduced at most of the 26 affected Group companies. This software allows service providers to record and update safety data sheets, digitize their contents and make them available via the software.

By digitizing the relevant information, documents can be produced automatically on the basis of the current safety data sheets. These documents might include labels to identify chemicals in factories, or summaries of safety data sheets for the workplace in question. The software can also be used to produce inventories of used products and a conformity assessment for these products.

This collaborative approach avoids duplication of work between companies that use the same products and standardizes operations.

Following its introduction, the administrators appointed for each company received training and were given access to the user documentation.

So far, around 4,000 chemical products have been recorded in the software.

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 Employers' Association of the Swiss watch industry (Convention patronale de l'industrie horlogère suisse, CP) provides guidance and support to companies in the area of health and safety in the workplace. The collective labor agreement 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, workplace safety, handling critical 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.

GRI DISCLOSURE 403–6

Promotion of worker health

As well as promotion of health in the workplace, leisure-time sporting activities also contribute to employees' health. Swatch Group companies therefore offer incentives such as discounts for sports club membership and sports activities on-site. For example, ETA has a tennis club with three outside courts, which Swatch Group employees can use at discounted prices.

→ www.tceta.ch

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.

HIGHLIGHT

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 the Swatch Group LIGHT LAB, a unique laboratory in Switzerland, examiners can learn more about visual ergonomics and discover the latest findings in this field.

As a result, employees' working conditions can be improved and they can perform more consistently and for longer periods at a time.

In addition, sight tests enable employees to determine whether they need professional glasses that are tailored to their visual needs and the requirements of the task at hand.

The LIGHT LAB offers an opportunity to assess employees' vision using specific tests, such as color and contrast perception and to detect a range of irregularities. We have created a testing environment with the optimal conditions for visual quality control.

It is part of the lighting system developed according to Swatch Group specifications; this meets the highest requirements and safety standards (EN 62471) and has a light spectrum that corresponds as closely as possible to natural lighting conditions in order to improve working conditions. It is also a testing environment with clearly defined light reflections on the various surfaces, which improve the working environment for visual quality control.

With the LIGHT ROOM and LIGHT CABIN, the LIGHT LAB concept is adapted to the conditions of different areas of activity within the Swatch Group. It is referred to internally as LIGHT LAB.

Standardizing working conditions according to the LIGHT LAB specifications helps reduce the number of customer complaints and quality problems.

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 19 million hours worked in production in Switzerland, there were 289 (previous year: 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 2022.

Occupational accidents (production facilities in Switzerland)	2022	2021
Total hours lost to occupational accidents	12,652	9,223
Number of working hours lost per 1,000 hours worked	0.7	0.5
Number of cases per 1,000 hours worked	0.15	0.18
Lost Time Injury Frequency (LTIF)	2.99	3.75

Training and education

Swatch Group offers the opportunity to build a career from scratch. Staff are employed in a wide range of professions, at all skill levels. For example, a career at Swatch Group might develop from an apprenticeship with in-service training all the way up to management level. There are also exciting opportunities to progress within a professional field. 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 for all automated processes across industrial integration and all brands. From watchmakers to chefs in the employee restaurant, there are well over 200 different professions within the Group.

HIGHLIGHT

Training company of the year 2022

ETA was recognized as training company of the year by the canton of Solothurn. We are delighted and would like to congratulate those at ETA who run the training program and the trainers on this achievement. They work with commitment and confidence every day to train apprentices, which is an important contribution to our promotion of young professionals.

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, including basic vocational training (apprenticeship) further training and retraining, and 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 requires the abilities of many highly qualified specialists in a wide range of roles. The Swiss vocational training system and its apprenticeships offers over 245 different, government-recognized basic training courses. Swatch Group provides training to young people in around 40 professions and is the largest training institution in the Swiss watch industry. It offers around 450 apprenticeships in over 30 companies and enables young people to learn a trade from scratch. In Germany, which has a similar system to Switzerland, around 60 apprentices are being trained.

Across the Swatch Group, the same number of training places were offered as in the previous year.

Depending on the apprenticeship, basic training lasts between two and four years. The apprenticeship is a dual training program, during which apprentices work in a Swatch Group company in the specialist areas. They also attend one to two days of theory lessons at the government-run vocational schools. In order to offer optimal basic vocational training in the areas of watch technology and mechanics, Swatch Group operates seven of its own apprenticeship workshops in Switzerland.

In the period under review, in Switzerland 142 apprentices (previous year: 155) completed their training. 72% of graduates were offered an employment contract within Swatch Group (previous year: 68%). The remainder chose to undertake further education courses or to pursue other personal projects.

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).

The training center was founded in 1999 by the former chairman 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 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 2022, 68 students were enrolled across the four schools, and 33 students graduated. Twenty-five of the graduates were offered a job within Swatch Group. The remaining graduates chose to pursue other personal projects (further training, travel, etc).

HIGHLIGHT

Time to train: Nicolas G. Hayek Watchmaking School in Pforzheim

In December 2022, Nicolas G. Hayek Watchmaking School in Pforzheim opened a new site. The interior of our property was completely renovated and redesigned. The school has bright classrooms equipped with the latest technology for watchmaker training.

The machinery was also updated and trainees can now make use of contemporary equipment in optimal surroundings. The school shares the building with various customer services, which means valuable synergies can be exploited.

Further training concept

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 their headquarter 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 e-learning modules available for employees who are not able to attend in-person programs. The courses cover both technical and personal skills.

In Switzerland, Swatch Group offers its employees of all management levels further training at the internal Leadership Campus. Training content includes self-management, employee appraisals and in-depth studies of team management.

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 (2022)

Headcount	Women	Men	Total
Total employees	16,137	15,924	32,061
Total training hours	109,742	136,252	245,994
	45%	55%	100%
Average training hours per employee – internal	3.8	4.5	4.1
Average training hours per employee – external	3.0	4.1	3.5
Average training hours per employee – total	**6.8**	**8.6**	**7.7**

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 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.

Training offered by SGQM

SGQM regularly offers training to Swatch Group brands and companies. This enables employees to expand their knowledge and skills on a range of topics.

Further training: Swatch Group watch casing

This internal further training at Swatch Group focuses on the art of manufacturing watch casings. The course provides a better understanding of existing limitations in casing manufacture, interaction with customers and suppliers and mutual expectations, and enables acquired skills to be applied more effectively. This enables efficiency in the development, industrial manufacture and marketing of products to be increased and steadily improved.

In 2022, SGQM ran three further training sessions of this kind, which were attended by almost 40 employees from various Swatch Group entities. During the 60 hours of training, a range of speakers – all experts in their fields – explained the most important elements of watch casing. The course covered five modules: basics, components, interfaces, processes and materials. All participants were able to expand their knowledge in order to produce even more reliable and high-performing products, while consuming as few resources as possible.

HIGHLIGHT

Workshop on product sustainability

In July 2022, sustainability officers at the individual Swatch Group companies took part in a one-day seminar on product sustainability, which was organized by SGQM.

Participants focused on three major subject areas: environment, eco-design and life cycle analysis.

Seminars like these motivate sustainability officers to consider environmental characteristics when making product decisions. They become familiar with the different types of environmental designations and the regulations that apply, and are encouraged to apply eco-design and life cycle analysis procedures in their work.

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COMADUR
Sapphire production at Comadur in Bad Zurzach

General raw material sourcing

GRI DISCLOSURE 2–6

Supply chain

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

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. In the future, systematic audits will also be carried out at selected Swiss and European suppliers. These will be based on the revised and updated Supplier Code of Conduct, which was sent to all suppliers in the year under review.

The Code is based on internationally recognized human rights and on the United Nations Guiding Principles on Business and Human Rights (UNGPs).

→ For further information on the Supplier Code of Conduct, please see the chapter "Corporate and governance", p. 43

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 a production site in Switzerland and local sourcing contributes significantly to the preservation and further development of the Swiss watchmaking tradition and art.

→ See also in the chapter "Recovery and preservation of arts and artisanship" on p. 95

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 an efficient sourcing process, 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.

→ See information on "Customer service", p. 20

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. With regard to the ethical acceptability of materials 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) continuously verifies that suppliers are meeting their obligations. Audits are carried out in the following six areas: personnel, health and safety, environmental protection, product conformity, contract review and planning, and quality management. FEPS determines which suppliers are audited in the relevant financial year, appoints external companies to conduct the audits in compliance with SA 8000 and Amfori BSCI (Business Social Compliance Initiative), and subsequently analyzes the audit reports. This cycle ensures that all suppliers are audited every two years. New suppliers are audited before they join the supply chain.

Suppliers rated A (excellent) meet more than 90% of the test points overall and more than 75% of the test points in each of the individual subject areas. Suppliers rated B (pass) meet at least 75% of the test points overall and more than 75% of the test points in each of the subject areas personnel, health and safety and environmental protection.

Suppliers that meet 60–75% of the test points are rated C (on trial). In this case, a six-month period is granted to implement the necessary corrective measures and qualify for a follow-up audit. Suppliers that meet less than 60% of the required test points receive an instant D rating (limited/disqualified). 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 bullying and abuse, forced or child labor, or breaches of business integrity, a zero-tolerance policy applies.

After each audit, an action plan is drawn up together with the supplier so that any necessary improvements can be made. Ongoing dialogue with suppliers includes supplier visits and meetings, training courses, and provision of tools and support measures that help suppliers to the requirements.

Audit results

By the end of 2022, a total of 120 Asian suppliers had been audited or certified.

Between October 2021 and September 2022, 104 suppliers were assessed by an independent auditor appointed by Swatch Group. During this time, 33 suppliers were audited for the first time. A total of 146 audits were carried out in the year under review.

These 104 suppliers account for over 96% of the sourcing volume in East Asia by unit.

Problems identified in the supplier audits mainly concerned the following points:

- Personnel: working hours too long, insufficient social security, late payment of wages;
- Health and safety: incomplete fire alarm system, improper use of personal protective equipment (PPE), problems with handling of chemicals;
- Environmental protection: inappropriate handling of hazardous waste.

In follow-up audits, five suppliers achieved an A rating, and 36 suppliers achieved a B rating. As Swatch Group allows suppliers three or six months for corrective actions, the suppliers with C or D ratings are currently in the process of improving their rating. There is one exception: a supplier that was disqualified during the financial year on the grounds of the "zero-tolerance policy" in relation to an attempted breach of integrity.

A total of 87 suppliers achieved an A or B rating in the period from October 1, 2021 to September 30, 2022.

Audit rating	Audit type	Number of audits in 2022	Number of audits in 2021	Number of audits in 2020
A	Follow-up	5	2	3
	First-time	0	0	0
	Periodic audit	2	2	0
	Total	**7**	**4**	**3**
B	Follow-up	36	11	23
	First-time	9	5	4
	Ad-hoc audit	1	0	0
	Periodic audit	34	20	3
	Total	**80**	**36**	**30**
C	Follow-up	7	4	4
	First-time	20	5	4
	Periodic audit	24	23	12
	Total	**51**	**32**	**20**
D	Follow-up	2	0	0
	First-time	4	1	1
	Periodic audit	2	3	0
	Total	**8**	**4**	**1**
Total		**146**	**76**	**54**

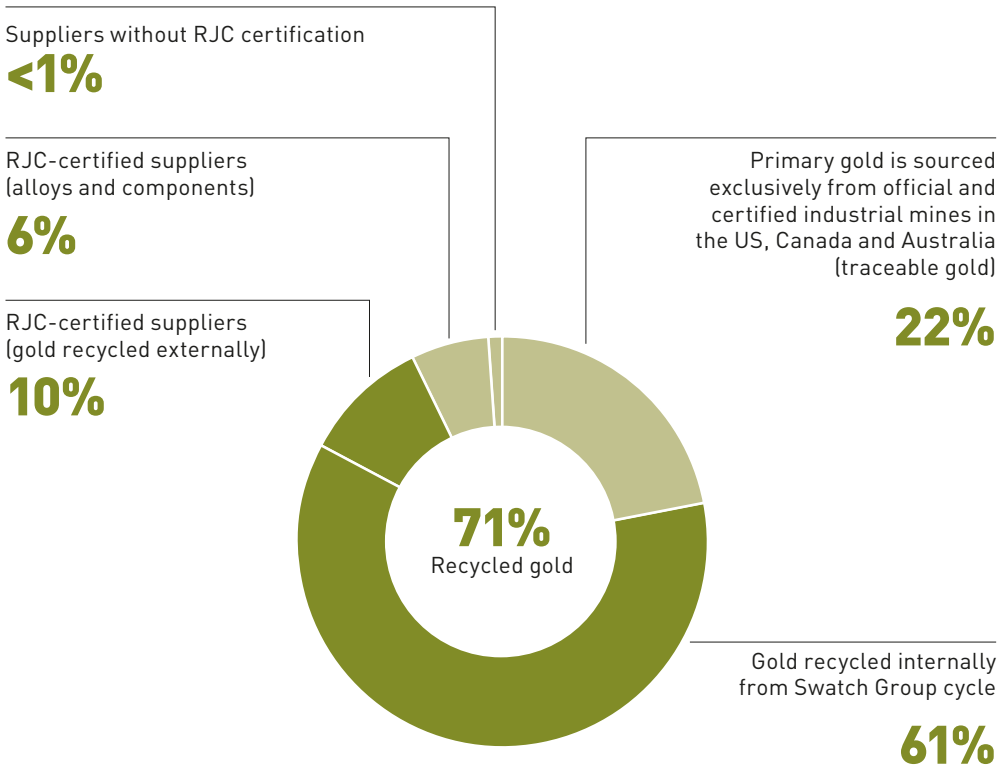
In each case, in the period from October 1 of the previous year to September 30 of the reporting year.

Precious metal sourcing

Swatch Group uses different precious metals, primarily gold, silver, palladium and platinum, with gold accounting for the largest proportion by far. Primary gold is sourced exclusively from official and certified 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 relatively small part of the gold used is sourced from certified Swiss gold foundries or as components from suppliers.

Recycled gold from external sources is avoided as traceability back to the mine is not achievable. 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 gold from internal processes.

Gold origin
10/01/2021–09/30/2022



Primary gold

Traceable primary gold is sourced exclusively from official and certified 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 refineries and then on to the in-house gold processing by Swatch Group. Sourcing gold from other regions and/or small-scale and artisanal mines 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

	2022	2021	2020
Australia	100%	88%	0%
US	0%	12%	100%
Canada	0%	0%	0%

Sourcing period: October 1–September 30.

Internal gold recycling

The investments made in recent years in the Group's foundry and refining facilities have fully internalized gold processing.

After their manufacture, alloys are turned into semi-finished products or finished components, and production residues from these processes are recycled internally. 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 residues 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).

	2022	2021	2020
Proportion of gold from internal recycling	61%	74%	77%

HIGHLIGHT

Analyzing gold origins

Traceability of raw materials and precious metals and the possibility of detecting any manipulations are key to validating the origins of gold.

Since 2013, Swatch Group's most important primary gold supplier has been using a method that enables impurities in the obtained gold doré to be analyzed on the basis of 15 elements and their interactions. This method allows the concentrations of the individual elements to be recorded and over the years a database has been established.

The refinery in Switzerland carries out an WD-XRF analysis before the material is melted. The analysis results are saved in a database and the levels of elements and their interactions are checked.

This method enables the origins of gold to be tested, since some chemical elements are only present in certain regions while others are always present.

In this way, raw materials from various regions can be identified. However, it is not possible to determine from which of two neighboring mines the material has been obtained, if these are supplied by the same vein, because the composition in this case is identical.

Each delivery of gold doré that will be used to produce primary gold bars for Swatch Group is analyzed to verify whether the country of origin is the US, Canada or Australia. No irregularities have been observed to date.

External suppliers

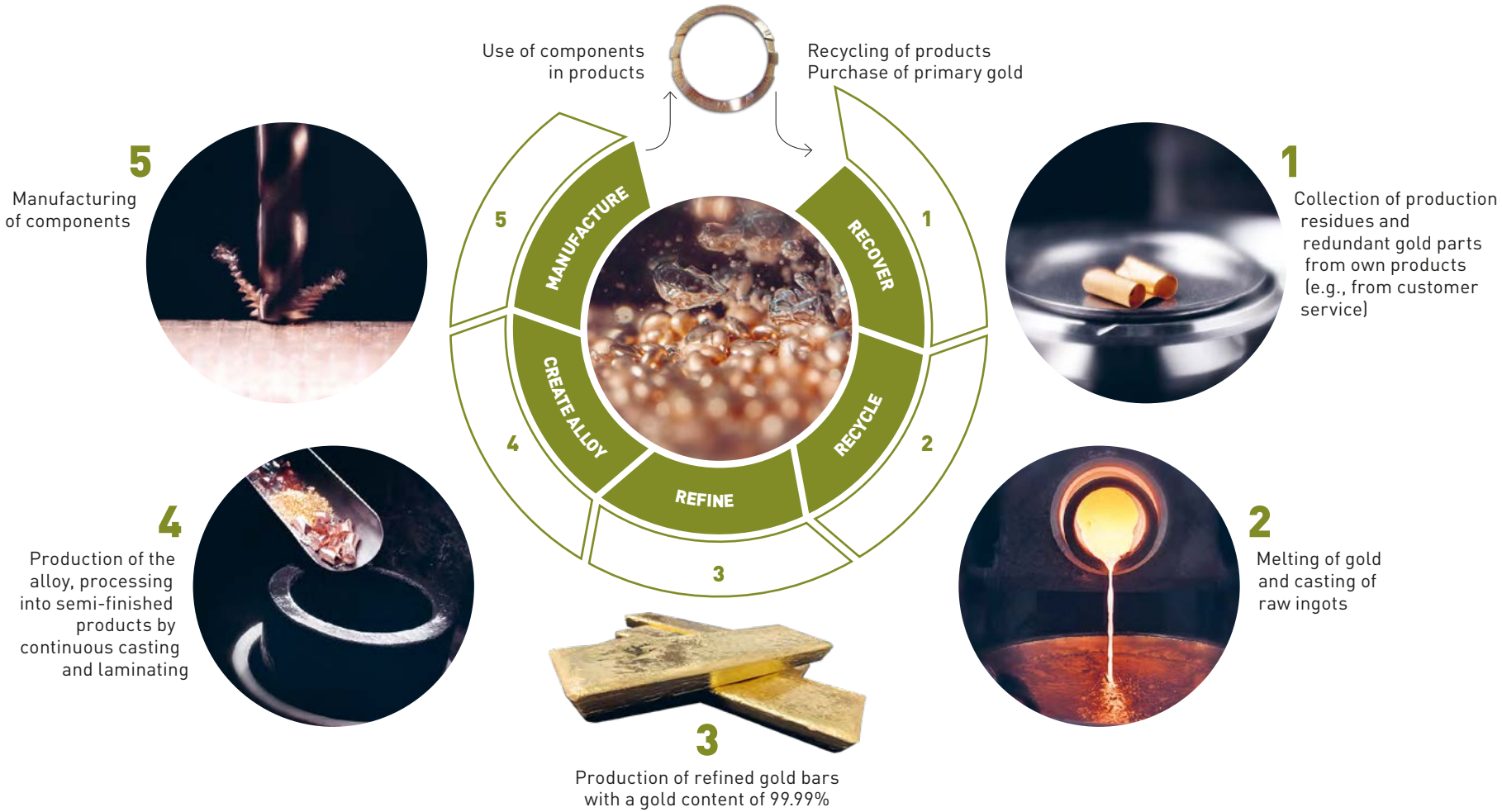
Certain specialized gold alloys are sourced from external suppliers in the form of components. In addition, a small portion of gold chips and scrap is recycled externally, particularly depending on internal capacity. Swatch Group only works with established long-term foundries that can demonstrate not 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 and Japanese suppliers, the latter only for electronic systems, that are not RJC- certified. The aim is to ensure that, in the future, this remaining proportion will also be sourced in accordance with the Group's strict guidelines.

HIGHLIGHT

Nivarox processing cycle



5
Manufacturing of components

1
Collection of production residues and redundant gold parts from own products (e.g., from customer service)

4
Production of the alloy, processing into semi-finished products by continuous casting and laminating

2
Melting of gold and casting of raw ingots

3
Production of refined gold bars with a gold content of 99.99%

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 sourcing of the diamonds and gemstones used in watches and jewelry is therefore taken very seriously.

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 the Swatch Group Supplier Code of Conduct. The Group's suppliers are strongly encouraged to join independent organizations that certify their good practices, such as the Responsible Jewellery Council, which several subsidiaries of Swatch Group joined between 2008 and 2022. In 2022, 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 and no longer retained.

Full compliance with the Kimberley Process Certification Scheme (KPCS) applies to the suppliers of diamonds. Certification guarantees that diamonds originate from legal trade. Countries, companies and merchants that do not use this certification system in its entirety are excluded from trade with Swatch Group. 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.

Despite the emergence in 2022 of some initiatives that deserve support, which the Group is following carefully, at present no market participant is yet in a position to guarantee a full traceability of diamonds in the quantities and at the performance level required by 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.

Leather and wood sourcing

Swatch Group leather and wood principles

When sourcing leather and wood, 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. The mentioned breeding farms also spend a proportion of their income on protecting and conserving the species. Furthermore, removing animal species from their natural environment, such as through hunting and fishing, is prohibited.

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WOODEN FACADE
Distico offices and distribution center in Biel/Bienne

GRI content index

Swatch Group has reported in accordance with the GRI Standards for the period 1/1/2022 – 12/31/2022.
AR = Annual Report 2022

GRI Standard (year)	Disclosure	Answer/exclusion
GRI 1 (2021)	**Foundation**	**P. 1**
GRI 2 (2021)	**General disclosures**	
Disclosure 2–1	Organizational details	P. 4, AR P. 154
Disclosure 2–2	Entities included in the organization's sustainability reporting	P. 116
Disclosure 2–3	Reporting period, frequency and contact point	P. 116, 122
Disclosure 2–4	Restatements of information	P. 118
Disclosure 2–5	External assurance	None
Disclosure 2–6	Activities, value chain and other business relationships	P. 5–12, 98
Disclosure 2–7	Employees	P. 85
Disclosure 2–8	Workers who are not employees	Not applicable – Swatch Group has no workers who are not employees according to the definition of GRI 2–8.
Disclosure 2–9	Governance structure and composition	P. 35–36, AR P. 157–160, 233
Disclosure 2–10	Nomination and selection of the highest governance body	AR P. 158
Disclosure 2–11	Chair of the highest governance body	AR P. 157
Disclosure 2–12	Role of the highest governance body in overseeing the management of impacts	P. 13, 22, 35–36
Disclosure 2–13	Delegation of responsibility for managing impacts	P. 22, 35–36
Disclosure 2–14	Role of the highest governance body in sustainability reporting	P. 22, 35–36
Disclosure 2–15	Conflicts of interest	AR P. 154–155, 158, 163, 238
Disclosure 2–16	Communication of critical concerns	P. 35–36
Disclosure 2–17	Collective knowledge of the highest governance body	Information unavailable – Swatch Group has not yet defined any measures to increase the collective knowledge of the Board of Directors in the area of sustainable development.

GRI Standard (year)	Disclosure	Answer/exclusion
Disclosure 2–18	Evaluation of the performance of the highest governance body	Information unavailable – the Board of Directors of Swatch Group does not yet carry out any self-evaluation regarding the sustainable development of the company.
Disclosure 2–19	Remuneration policies	AR P. 234–236
Disclosure 2–20	Process to determine remuneration	AR P. 233
Disclosure 2–21	Annual total compensation ratio	Confidentiality constraints – Swatch Group does not communicate disclosures on median compensation for confidentiality reasons.
Disclosure 2–22	Statement on sustainable development strategy	P. 3
Disclosure 2–23	Policy commitments	P. 42–44
Disclosure 2–24	Embedding policy commitments	P. 42–44
Disclosure 2–25	Processes to remediate negative impacts	P. 30
Disclosure 2–26	Mechanisms for seeking advice and raising concerns	P. 30, 42–44
Disclosure 2–27	Compliance with laws and regulations	P. 47
Disclosure 2–28	Membership associations	P. 31–33
Disclosure 2–29	Approach to stakeholder engagement	P. 29–30
Disclosure 2–30	Collective bargaining agreements	P. 87
GRI 3 (2021)	**Material topics**	
Disclosure 3–1	Process to determine material topics	P. 22
Disclosure 3–2	List of material topics	P. 23–28

GRI Standard (year)	Disclosure	Answer/exclusion
CORPORATE AND GOVERNANCE		
Governance, ethics & compliance		
Disclosure 3–3 (2021)	Management of material topics	P. 23
GRI 205: Anti-corruption (2016)		
Disclosure 205–2	Communication and training about anti-corruption policies and procedures	P. 47
Disclosure 205–3	Confirmed incidents of corruption and actions taken	P. 47
GRI 408: Child Labor (2016)		
Disclosure 408–1	Operations and suppliers at significant risk for incidents of child labor	P. 42–43
GRI 409: Forced or Compulsory Labor (2016)		
Disclosure 409–1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	P. 42–43
Climate-related risks and opportunities		
Disclosure 3–3 (2021)	Management of material topics	P. 23
GRI 201: Economic Performance (2016)		
Disclosure 201–2	Financial implications and other risks and opportunities due to climate change	P. 48–52
Economic performance		
Disclosure 3–3 (2021)	Management of material topics	P. 24
GRI 201: Economic Performance (2016)		
Disclosure 201–1	Direct economic value generated and distributed	P. 53
GRI 207: Tax (2019)		
Disclosure 207–1	Approach to tax	P. 53–54
Disclosure 207–2	Tax governance, control, and risk management	P. 53–54
Disclosure 207–3	Stakeholder engagement and management of concerns related to tax	P. 53–54
Innovation		
Disclosure 3–3 (2021)	Management of material topics	P. 24
GRI 203: Indirect Economic Impacts (2016)		
Disclosure 203–2	Significant indirect economic impacts	P. 55–56

GRI Standard (year)	Disclosure	Answer/exclusion
ENVIRONMENT		
Energy and emissions		
Disclosure 3–3 (2021)	Management of material topics	P. 25
GRI 302: Energy (2016)		
Disclosure 302–1	Energy consumption within the organization	P. 65
Disclosure 302–3	Energy intensity	P. 65
Disclosure 302–4	Reduction of energy consumption	P. 65
GRI 305: Emissions (2016)		
Disclosure 305–1	Direct (Scope 1) GHG emissions	P. 66–67, 116–117
Disclosure 305–2	Energy indirect (Scope 2) GHG emissions	P. 66, 68, 116–117
Disclosure 305–3	Other indirect (Scope 3) GHG emissions	P. 68–70, 116–118
Disclosure 305–4	GHG emissions intensity	P. 67
Disclosure 305–5	Reduction of GHG emissions	P. 66
Disclosure 305–7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	P. 70, 119
Product design and handling of materials		
Disclosure 3–3 (2021)	Management of material topics	P. 25
GRI 301: Materials (2016)		
Disclosure 301–2	Recycled input materials used	P. 73
Disclosure 301–3	Reclaimed products and their packaging materials	P. 74–75
GRI 306: Waste (2020)		
Disclosure 306–1	Waste generation and significant waste-related impacts	P. 75
Disclosure 306–2	Management of significant waste-related impacts	P. 75
Disclosure 306–3	Waste generated	P. 75
Disclosure 306–4	Waste diverted from disposal	P. 75
Disclosure 306–5	Waste directed to disposal	P. 75

GRI Standard (year)	Disclosure	Answer/exclusion
Water		
Disclosure 3–3 (2021)	Management of material topics	P. 26
GRI 303: Water and Effluents (2018)		
Disclosure 303–1	Interactions with water as a shared resource	P. 76
Disclosure 303–2	Management of water discharge-related impacts	P. 76
Disclosure 303–3	Water withdrawal	P. 77
Disclosure 303–4	Water discharge	P. 77
Disclosure 303–5	Water consumption	P. 77
Biodiversity		
Disclosure 3–3 (2021)	Management of material topics	P. 26
GRI 304: Biodiversity (2016)		
Disclosure 304–1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	P. 78–79
Disclosure 304–2	Significant impacts of activities, products and services on biodiversity	P. 78
Disclosure 304–3	Habitats protected or restored	P. 78
SOCIAL		
Employees, diversity and equal opportunities		
Disclosure 3–3 (2021)	Management of material topics	P. 27
GRI 401: Employment (2016)		
Disclosure 401–1	New employee hires and employee turnover	P. 85
GRI 405: Diversity and Equal Opportunity (2016)		
Disclosure 405–1	Diversity of governance bodies and employees	P. 85
Disclosure 405–2	Ratio of basic salary and remuneration of women to men	P. 82–84
GRI 406: Non-discrimination (2016)		
Disclosure 406–1	Incidents of discrimination and corrective actions taken	P. 87
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. 87

GRI Standard (year)	Disclosure	Answer/exclusion
Occupational health and safety		
Disclosure 3–3 (2021)	Management of material topics	P. 27
GRI 403: Occupational Health and Safety (2018)		
Disclosure 403–1	Occupational health and safety management system	P. 88
Disclosure 403–2	Hazard identification, risk assessment, and incident investigation	P. 88
Disclosure 403–4	Worker participation, consultation, and communication on occupational health and safety	P. 88
Disclosure 403–5	Worker training on occupational health and safety	P. 88-89
Disclosure 403–6	Promotion of worker health	P. 89
Disclosure 403–7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	P. 89
Disclosure 403–9	Work-related injuries	P. 90
Training and education		
Disclosure 3–3 (2021)	Management of material topics	P. 28
GRI 404: Training and Education (2016)		
Disclosure 404–1	Average hours of training per year per employee	P. 94
SOURCING		
Disclosure 3–3 (2021)	Management of material topics	P. 28
GRI 204: Procurement Practices (2016)		
Disclosure 204–1	Proportion of spending on local suppliers	P. 98
GRI 308: Supplier Environmental Assessment (2016)		
Disclosure 308–1	New suppliers that were screened using environmental criteria	P. 99–101
Disclosure 308–2	Negative environmental impacts in the supply chain and actions taken	P. 99–101
GRI 414: Supplier Social Assessment (2016)		
Disclosure 414–1	New suppliers that were screened using social criteria	P. 99–101
Disclosure 414–2	Negative social impacts in the supply chain and actions taken	P. 99–101

About this report

GRI DISCLOSURE 2–2

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 2022. The environmental data does not include the Rivoli Group. Environmental data is also missing for some boutiques. The reported data comprises at least 95% of the total values, unless stated otherwise.

GRI DISCLOSURE 2–3

Periods

Due to data availability, all environmental data relate in each case to the 12-month period from October 1 of the previous year to September 30 of the reporting year. In the period from November to December 2022, 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. Employee key figures relate to the period from January 1, 2022 to December 31, 2022, with a reference date of December 31, 2022.

Change to previous year

A comparison with previous year figures is generally made with 2021 figures.

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 Protocol[1].

Scope 2 emissions are now calculated using the location-based and market-based method.

In order to calculate Scope 1 emissions from stationary and mobile combustion, the official UK emission factors[2] are applied.

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

	Conversions factor l to kWh	g CO_2 e/l	g CO_2 e/kWh
Heating oil	10.63	2,758.57	256.79
Diesel	10.66	2,557.84	241.15
Gasoline	9.69	2,161.85	227.19
Gas (kWh)	–	–	183.97

For diesel and gasoline, the values for "average bioful blend" were taken. For gas, the values for "100% mineral" were used, as the biogas share is shown separately.

The recording of greenhouse gas emissions from refrigerants and processes includes carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorinated hydrocarbons (PFCs), sulfur hexafluoride (SF_6) and nitrogen trifluoride (NF_3) emissions. The emission factors are based on the IPCC Fifth Assessment Report (AR5).

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

The data used for electricity emission factors are based on the AIB-Database[1] production mix for 2021, for European countries including Switzerland. For other countries, we used the emission factors provided by the national authorities for the last available year. We used AIB residual mix emission factors to calculate market-based Scope 2 emissions for European companies that do not purchase certificates of origin for electricity from renewable sources.

For district heating, we calculate an average emission factor of 171 g CO_2e/kWh, based on official UK emission factors.

Scope 3 emissions

To calculate our Scope 3 emissions, we used export and import data from the Swiss customs authorities and emission factors from the ecoinvent database[2], version 3.8, in order to estimate the downstream and upstream transport emissions, before extrapolating the results to our movement of goods within the countries of origin/destination and movement between countries outside Switzerland. We sent a survey to employees of some of our largest companies in order to estimate employees' commuting emissions, and used emission factors for relevant means of transport from the ecoinvent database, version 3.8. Finally, we estimated emissions from business trips based on emissions that were reported by travel agencies for the flights of all companies located in Switzerland and some of the largest Swatch Group companies located outside Switzerland. Travel agencies usually used emission factors from the Defra database. We extrapolated the results in order to incorporate the missing entities, flights booked without a travel agency and other types of business trips (e.g., train or rental car).

Category 4 – Upstream transportation

Data taken into account

- Weight (in kg) and mode of transport of imports to Swatch Group companies in Switzerland, including brands, production companies and electronics.
- The estimated distance between the center of Switzerland and the center of the country of origin was taken as the distance.

Estimated data

- All emissions from upstream transportation of products that were delivered to Swatch Group companies in Switzerland
- Exact distance and mode of transportation between the place of origin abroad and the place of arrival in Switzerland
- Goods that accessed Switzerland by land but that had previously been transported by ship, train or airplane were deemed to have been transported by land.
- We assumed that the unavailable data account for around 100% (same amount) of the data taken into account.

1. AIB 2021 European Residual Mix, Version 1.1, 2022-05, https://www.aib-net.org/facts/european-residual-mix/2021 (visited on: 01/20/2023)
2. Ecoinvent version 3.8: 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), Seiten 1218–1230, link: springer.com/10.1007/s11367-016-1087-8 (visited on: 01/21/2022)

Category 6 – Business trips

Data taken into account

- Flight data and associated emissions according to information provided by the travel agencies for companies that represent approx. 18% of all Swatch Group employees

Estimated data

- Emissions for the entire Group were extrapolated from the available data based on the number of employees and the definition of the company as a Group, manufacturing or electronics company or country organization.

Category 7 – Commuting

Data taken into account

- Data on employees' journeys to or from work were collected via a voluntary survey in companies that account for approx. 50% of Swatch Group's total employees

Estimated data

- Emissions for the entire Group were extrapolated proportionately from the available data on the number of employees.

Category 9 – Downstream transportation

Data taken into account

- Weight (in kg) and mode of transport of exports from Swatch Group companies located in Switzerland, including brands, manufacturing companies and electronics.
- The estimated distance between the center of Switzerland and the center of the destination country was taken as the distance.

Estimated data

- All emissions from downstream transportation of products that were delivered from Swatch Group companies to destinations outside Switzerland.
- All emissions from downstream transportation of products that were transported from Swatch Group companies within Switzerland.
- Exact distance and mode of transportation between the place of origin in Switzerland and place of arrival abroad
- Emissions from the goods transport between the place of arrival and final destination (customer headquarters)
- Goods that left Switzerland by land and were subsequently transported by ship, train or airplane to their final destination were deemed to have been transported by land.
- We assumed that the unavailable data account for around 100% (same amount) of the data taken into account.

GRI DISCLOSURE 2–4

Restatement of information

In 2022, we adjusted the source of emission factors that are used to calculate Scope 2 emissions. Scope 2 emissions for 2021 were re-calculated using the same source. The reported Scope 2 emissions for 2021 therefore differ from the figures presented in the Sustainability Report 2021.

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[1].

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[2]. The ordinance is consistent with Annex III of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal.

Floor space

The usable floor space according to the building cadastre in m^2 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.

1. fedlex.admin.ch/eli/cc/1997/2972_2972_2972/de
2. fedlex.data.admin.ch/eli/cc/2005/714

Glossary

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

BLC Leather
Testing laboratory for leather.

BSCI
Business Social Compliance Initiative.

BVO
Bewirtschaftungsverordnungen Elektrizität.

CEN
European Committee for Standardization.

ChemMAP.
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.

CO_2e
CO_2-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 Center for Electronics and Microtechnology Swiss research and development center working in the fields of microfabrication, digitalization and renewable energies.

DNA
Deoxyribonucleic acid.

EFG
Edge-defined Filmfed Growth.

EN
European Standards.

EnAW
Energy Agency of the Swiss Private Sector.

EPFL
Ecole Polytechnique Fédérale de Lausanne.

ESG
Environmental, Social, Governance.

ETA
ETA Manufacture Horlogère SA, subsidiary of Swatch Group.

ETH
Swiss Federal Institute of Technology Zurich.

FAO
Food and Agriculture Organization of the United Nations.

FEPS
Far East Procurement Services Swatch Group.

FH
Fédération de l'industrie horlogère/ Federation of the Swiss Watch Industry.

FHNW
University of Applied Sciences Northwestern Switzerland.

FOEN
Swiss Federal Office for the Environment.

FTIR
Fourier transform infrared spectrometer.

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.

IoT
Internet of things.

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.

MWh
Megawatt hour.

NGH
Nicolas George Hayek.

OCXO
Oven Controlled Crystal Oscillator.

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.

RSL
Restricted Substances List.

SA 8000
International standard from Social Accountability International (SAI) for the improvement of working conditions.

SCR
Social Corporate Responsibility.

SDGs
Sustainable Development Goals of the United Nations.

SG
Swatch Group.

SGMS
Swatch Group Management Services.

SGQM
Swatch Group Quality Management.

SIS
Shop in Shops.

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

SNV
Swiss Standards Association.

STEM
Collective term for academic subjects or careers related to science, technology, engineering and mathematics.

STEP
Station d'épuration (water treatment plant).

TCFD
Task Force on Climate-Related Financial Disclosures.

VOC
Volatile organic compounds.

WDXRF analysis
Wavelength dispersive X-Ray fluorescence spectrometer.

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

WOSTEP
Watchmakers of Switzerland Training and Educational Program.

WPO
Waters Protection Ordinance.

WWTP
Wastewater treatment plant.

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