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UK MODERN SLAVERY ACT 2015 STATEMENT AND CALIFORNIA TRANSPARENCY IN SUPPLY CHAINS ACT OF 2010 DISCLOSURE

Introduction

Under UK MODERN SLAVERY ACT 2015 (“UK ACT”) and CALIFORNIA TRANSPARENCY IN SUPPLY CHAINS ACT 2010 (SB-657) (“CALIFORNIA ACT”), companies of a certain size are obliged to disclose a statement on their efforts to eradicate Modern Slavery from their supply chains.

Modern Slavery includes any form of slavery, servitude, forced or compulsory labour and human trafficking (collectively, “Modern Slavery”).

Bulgari S.p.A. and all its subsidiaries in the entire world (hereinafter the “Bulgari Group” or the “Group”) are fully committed to complying with all applicable laws, regulations and national and international conventions, as well as with best practices, about ethics, human rights and social responsibility.

As such, Bulgari has already released a statement setting out the steps that the Bulgari Group has taken, and continues to take, to ensure that Modern Slavery is not taking place in its supply chain and its own business.

With this statement, for the financial year ending 31 December 2018, Bulgari wishes to highlight actions confirmed or started in the year 2018 to ensure slavery and human trafficking is not taking place in its supply chain or its own business. This statement applies to all the companies of the Bulgari Group.

Organisational structure and supply chain

The Bulgari Group supply chain encompasses suppliers and business partners that provide raw materials for the relevant manufacturing processes and services to run its business. Each Business Unit (Jewelry; Watches; Accessories; Fragrances; Hotel & Resorts) is responsible for managing relations with suppliers and business partners, based on the specificity of its activities, processes and geographical presence.

Finished products are manufactured at both company-owned facilities in Europe (mainly Italy and Switzerland) and through an external network of suppliers. The supply chain is based on long-standing relationships that can facilitate a continuous improvement path overtime.

The Bulgari Group is aware of the importance of raw material supply chain. For this purpose, the Group defined a responsibility program to monitor and manage social and environmental impacts of procurement practices for key raw materials (gold, diamonds, colored gemstones, leather, precious skins and packaging), as described hereinafter.

In addition, the Group works with licensees to ensure they apply consistent standards, in alignment with those applied throughout the rest of the supply chain.

The Group’s international expansion has developed its geographic footprint worldwide. This generated other supply chain relationships related to general business operations, including but not limited to Offices, Directly Operated Stores and Franchisees.

Policies

In March 2018, Bulgari S.p.A. adopted the LVMH Code of Conduct (“CoC”) and released its Business Partners and Suppliers Code of Conduct (“BP&SCoC”), with the aim to define an ethical framework for all the actions of the Group and for its Supply Chain. The CoC is inspired by the Universal Declaration of Human Rights, the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises and the United Nations Guidelines on Women’s Empowerment. The BP&SCoC is based, among others, on the principles stipulated in the Conventions of the International Labour Organization.

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Bulgari requires its Business Partners & Suppliers to respect the ethical principles presented in the Business Partners & Suppliers Code of Conduct and to ensure that their own suppliers and subcontractors do the same. Obligation to accept and respect the Business Partner & Supplier Code of Conduct is part of contractual terms.

The Group is aware of the potential social impacts of its activities connected, in particular, to the sourcing of raw materials. For this reason, it has defined a responsible sourcing approach and policies to conduct its business in an ethical way and respecting human rights. With specific reference to the jewellery production:

- Bulgari Group confirms its commitment to acting responsibly and to engaging with trusted suppliers based in countries adhering to the Kimberley Process, a joint government, industry and civil society initiative to stem the flow of conflict diamonds through an international certification scheme. Moreover, all Bulgari suppliers are members of trade associations, such as the World Diamond Council, which aim to implement the Kimberley Process through a self-regulation system;
- Bulgari S.p.A since 2006 is a member of the Responsible Jewellery Council and it keeps maintaining, since 2011, the RJC Code of Practices Certification. The Certification confirms its commitment, in close collaboration with its stakeholders, to promote responsible and ethical practices within its business operations and core strategy through a continual dedication to improvement;
- Bulgari Gioielli S.p.A. achieved in 2015, and further renewed it, the Chain of Custody Certification ("RJC CoC"), for its gold jewellery products lines. The Certification promotes the usage of precious metals sourced in a responsible way among the whole supply chain, implementing an appropriate internal and external Management System, which ensures the segregation of RJC CoC certified material in each step of the manufacturing process, from metal procurement to finished product delivery.

The Bulgari Group is committed to strengthening systems and controls for the respect of human rights across the supply chain. Therefore, the Corporate Social Responsibility Department in strict collaboration with the Purchasing Department and the Ethics & Compliance Working Group, regularly assess the adequacy of the procedural framework and identify opportunities for continuous improvement.

Assessing risk within the supply chain

In association with LVMH programs and the principles promoted by the Responsible Jewellery Council, Bulgari S.p.A. monitors social and human right risks across the supply chain.

For this purpose, Bulgari S.p.A. has put in place a Suppliers Risk Management Process, constituted by the following three steps: 1) supplier risk assessment; 2) social & environmental audit to suppliers; 3) follow up. Each supplier included in the risk assessment compiles a CSR self-assessment questionnaire with a focus, among others, on the following topics: child & forced labour; freedom of association; discrimination; disciplinary and grievance procedures; hours of work; remuneration and general employment terms.

Furthermore, Bulgari completed in 2018 a risk mapping activity at Operations and Supply Chain level, as part of a broader Ethics & Compliance project launched by LVMH. The risk mapping analysed, among others, the Human Right risk exposure. Bulgari analysed the results of the risk mapping and has assessed the existing risk management actions (e.g. Suppliers Risk Management Procedure; Supplier Audit Plan) as adequate measures to manage and mitigate the level risk identified.

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Due Diligence and supplier audit

Bulgari S.p.A. defines on an annual basis a supplier audit plan for each Business Unit, based on the results of the risk assessment analysis. Bulgari has included in agreements with suppliers the right to visit suppliers' factories. Audits can be announced, semi-announced or not announced and are based on the most recognized standards: SMETA (Sedex Members Ethical Trade Audit); Social Accountability SA 8000; ISO 14001; RJC Code Of Practices; RJC Chain Of Custody. In case of non-conformities, every effort is made to work with the supplier to implement corrective actions.

Bulgari, as member of the RJC Standards Committee, has supported in 2018 the revision of the RJC Code of Practices. The new version of the RJC COP was been published in April 2019. Bulgari welcomes the updated version of the Codes of Practices and its focus on the Due Diligence requirements with the Organisation for Economic Cooperation and Development (OECD) Guidance for Responsible Mineral Supply Chains.

Bulgari wants to be at the forefront, anticipating future requirements. Therefore, it works to strengthen its internal processes and procedures with specific reference to diamond sourcing through the implementation of a Due Diligence process across its diamond Supply Chain, in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

In addition, Bulgari, though LVMH, is an active player of the Colored Gemstones Working Group. This group brings together luxury jewellery brands to better understand and manage the risks and opportunities for positive environmental and social impact in the sourcing of colored gemstones. Bulgari has adopted the responsible sourcing tools developed by the CGWG to assess its own colored gemstones supply chain step-by-step. The tools are designed to gather information about coloured gemstones supplier practices in such areas as human rights, labour, environment, and business integrity and in accordance with widely recognized standards such as the OECD Due Diligence Guidance for responsible supply of minerals from conflict-affected and high-risk areas, the Responsible Jewellery Council Code of Practices.

Training, awareness and performance indicators

Bulgari conducts internal trainings to ensure that participants in the supply chain management are knowledgeable and aware of the issues and concerns about human trafficking and slavery.

Moreover, all employees have the opportunity to access the LVMH Ethics and Compliance intranet, including a number of tools and practical information to help promoting exemplary behavior in the day-to-day conduct of business activities. An e-learning module on the Code of Conduct is available to all employees in 10 languages. Training modules on more technical topics like the RJC certification scheme and the Kimberley Process are offered to all employees, as part of their on boarding training and are available through the dedicated e-learning platform.

Bulgari promotes a culture of dialogue and transparency and in 2018 it adopted an Internal Alert System, through an online interface dedicated to employees. The System provides a fully confidential and secure way of reporting activities regarding violations or alleged violations of any internal guidelines and procedures, as well as ethics principles, in addition to applicable laws and regulations.

Ongoing awareness activities are also in place with a focus on suppliers and business partners that have been engaged through audit activities. In this case, Bulgari provides ongoing, demand-based support to address non-conformities or to boost further the social performance of its suppliers.

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Bulgari S.p.A. is constantly monitoring the impact and effectiveness of actions and measures in place for a responsible business conduct. In this regard, the Group has defined internal KPIs on the number of audits to be conducted on suppliers and the related follow-up actions, where necessary.

Outlook

The Group has an ongoing commitment to conducting its business in a socially responsible manner and to prohibiting Modern Slavery in the ordinary course of business. This commitment extends beyond the confines of the company and encompasses the promotion of ethical standards and socially responsible management practices throughout its entire supply chain.

As such, the Group is further strengthening its internal processes and procedures with specific reference to Due Diligence as described in the 'Due Diligence and supplier audit' section.

The Group will work proactively for the continuous enhancement of responsible business practices by searching new ways to encourage the respect of human rights, a shared approach with suppliers and business partners as well as an advanced system of internal procedures.

Signed by Jean-Christophe Babin
Chief Executive Officer
Bulgari S.p.A.
On October 18, 2019

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