

Supply Chain & Human Rights Due Diligence Report 2022

BULGARI S.p.A.

BVLGARI
ROMA

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Introduction

The purpose of this Supply Chain & Human Rights Due Diligence Report is to provide information to all Bulgari stakeholders on risk assessment and due diligence policies, activities and related findings, with a particular focus on diamonds, gold, silver, precious metals and colored gemstones, as these materials are associated with inherent risks of significant adverse impacts on human rights.

The information here reported refer to Bulgari S.p.A. and its subsidiaries worldwide, with particular reference to its Jewellery and Watches Business Units.

Organisational structure and supply chain

Bulgari is structured in different Business Units: Jewellery, Watches, Accessories, Fragrances, Hotel & Resorts. Headquarters are in Rome, Italy, and the Group operates in several countries across the world. Bulgari business is operated mainly through Offices, Directly Operated Stores and Franchisees.

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 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 longstanding relationships that can facilitate a continuous improvement path overtime.

Policies and commitments

Bulgari S.p.A. adopted **a set of policies** defining an ethical framework to **identify, prevent and mitigate human rights-related risks** within the Group's own operations and its global supply chains.

Bulgari fully adopted the **LVMH Code of Conduct** (CoC) which is inspired by the Universal Declaration of Human Rights, the Ten Principles of the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises and the United Nations Guidelines on Women's Empowerment.

Bulgari promotes values and principles to be applied to its supply chain through the **LVMH Supplier Code of Conduct**, updated in 2022. The LVMH Supplier Code of Conduct (LVMH SCoC) is based on the principles set out in the Conventions of the International Labour Organization, the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas ('OECD Guidance') and the UN Guiding Principles on Business and Human Rights.

Bulgari requires its Suppliers to respect the principles presented in the LVMH SCoC and to ensure that their own suppliers do the same. Additional requirements for suppliers operating in mineral supply chains have been introduced as an Annex called the "**Bulgari Annex on Mineral Supply Chains**". Obligation to accept and comply with the LVMH SCoC and its requirements is a condition for doing business with Bulgari. To this regard, Bulgari also defined a responsible sourcing approach, which is outlined in its **Responsible Sourcing Policy for Mineral Supply Chains**. This Policy expresses Bulgari's commitment to responsibly source diamonds, gold, silver, platinum group metals and colored gemstones, taking all possible measures to ensure that they are sourced from businesses that follow the law, respect the rights of workers and the communities in which they operate. Through this Policy, Bulgari Group commits to implementing the five-step framework of the OECD Guidance. Moreover, Bulgari defined a **Human Rights Policy**. Full responsibility for both policies resides with the CEO of the Group.

All the mentioned policies can also be **accessed by Bulgari internal stakeholders** via the Intranet **and externally** via Bulgari website.

The Bulgari Group is committed to continuously improving 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, the Ethics & Compliance Working Group and the Ethics & Compliance Committee, regularly assess the adequacy of its procedures, which are described in the following paragraphs. The latest assessment confirmed the adequacy of the process.

Since 2006, Bulgari S.p.A. is a member of the **Responsible Jewellery Council (RJC)** and it keeps maintaining, since 2011, the RJC Code of Practices Certification ('RJC CoP'), confirming 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.

Also, in 2015, Bulgari Gioielli S.p.A. achieved the Chain of Custody Certification ('RJC CoC'), for its gold jewellery products lines and periodically renewed it. The Certification promotes the usage of gold sourced in a responsible way among the whole supply chain, implementing an appropriate internal and external management system, which ensures the segregation of CoC-certified gold in each step of the manufacturing process, from procurement to finished product delivery.

Assessing risks within the supply chain

Through its Business Units and CSR Department, Bulgari continuously monitors social and human rights risks across the supply chain. For this purpose, a **Suppliers Risk Management Process** has been established, made up of 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 human-rights related topics. The Suppliers Risk Management Process integrates the Supply Chain Due Diligence requirements introduced for suppliers operating in the Mineral Supply Chains.

The classification of Bulgari suppliers from low to high risk is mainly based on the following criteria: volume of the business; strategic material supplied (diamonds, gold, gems..); geographical area. The risk could be reconsidered after a first audit.

High social/environmental risk suppliers are subject to audit. Audits are performed by the BU through the support of a platform developed by LVMH and implemented by all the Maisons of the Group. Ratings assigned to audits (*Satisfactory; Minor improvement needed; Major improvement needed; Unacceptable*) are automatically calculated by the platform according to the responses inserted.

In the case of non-conformities, the platform activates a "CAP" (corrective action plan) which must be resolved by the supplier within the deadlines set by the platform and which takes into consideration the severity of non-conformities and whether the supplier is new or is already a partner of Bulgari. A collaborative approach with suppliers is promoted, to accompany them towards improvement.

In case the supplier fails to implement the corrective action plan or its responses are considered insufficient/not adequate, a new audit may be planned and carried out within a pre-defined timeline or the relationship with the supplier may be terminated.

Risk assessment results

During 2022, Bulgari implemented the following **risk assessment activities** on Tier-1 suppliers:

- **GOLD:**
 - *Socio-environmental assessments*: 124 suppliers assessed
 - **0 (zero) high-risk suppliers**
 - 6.5% medium-risk suppliers
 - 93.5% low risk suppliers
 - *Traceability and management of CoC certified metal*: 161 Tier-1 suppliers assessed
 - **29.8% high-risk suppliers**
 - 20.5% medium-risk suppliers
 - 49.7% low-risk suppliers

As per the audit activities, the following actions have been implemented in 2022¹:

- **GOLD:**
 - *6 Socio-environmental audits*:
 - **83.5% of audits were satisfactory;**
 - 16.7% resulted in major improvements
 - *89 Traceability and management of CoC certified metal*:
 - **53% of audits were satisfactory;**
 - 30% outlined the need of improvement (of which 19% were closed);
 - 17% resulted in major improvements needed
- **DIAMOND:**
 - *6 Socio-environmental audits*:
 - **33% of suppliers needed improvements**
 - 17% of suppliers needed major improvements
 - 17% of suppliers were critical
 - 33% of suppliers were unacceptable

¹ It should be taken into consideration that suppliers are not supposed to be audited every year. Indeed, appropriate timing of audits is decided according to previous audit results. Results of audits performed by Maisons other than Bulgari are also taken into consideration when it comes to suppliers' risk assessment and follow-up actions to be implemented.

Due diligence on Mineral Supply Chain

On an annual basis, Bulgari S.p.A. defines a supplier audit plan for each Business Unit, based on the results of the risk assessment analysis. Bulgari has included in the suppliers' agreements 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.

The **Due Diligence on Mineral Supply Chain Procedure** provides specific actions and processes across the relevant supply chains, as further detailed below.

Diamonds

With reference to diamonds supply chain and in accordance with its '**Due Diligence Programme on the Responsible Sourcing of Diamonds**' set forth in 2019, Bulgari outlined specific responsible sourcing criteria.

All key diamond suppliers have been involved in the Due Diligence process through interviews, self-assessment questionnaires and, where necessary, onsite audits, highlighting a progressive and incremental approach in the implementation of processes and procedures in line with the OECD Due Diligence Guidelines.

Bulgari Group confirms its commitment to act responsibly and to engage with trusted diamonds 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 aims to implement the Kimberley Process through a self-regulation system. Indeed, Bulgari complies with the requirements of the WDC System of Warranties (SoW) Guidelines.

In 2022, Bulgari sourced over 99% of its diamonds from RJC-certified suppliers.

Gold, Silver, Platinum Group Metals (PGMs), Colored gemstones

With reference to gold supply chain, Bulgari implements the requirements of the OECD Due Diligence Guidance Supplement on Gold and therefore involves the relevant refiners and suppliers in its Due Diligence. In addition, Due Diligence has been extended to relevant refiners and suppliers of silver and platinum group metals.

Bulgari is committed to accelerating the adoption of the OECD Guidance across its mineral supply chain. Therefore, since 2019, Bulgari has been working for the implementation of the Due Diligence process also on its colored gemstones supply chain, involving key colored gemstones suppliers.

Bulgari is constantly monitoring the impact and effectiveness of actions and measures in place for a responsible business conduct. According to the results of the due diligence analysis, further desktop assessment may be implemented or on-site visits may be organized.

In 2022, over 99% of our gold was sourced from RJC CoC certified suppliers.

Due diligence results

As per the due diligence activities, the following results emerged in relation to actions implemented in 2022:

- **49 suppliers identified**, to which a due diligence questionnaire was sent
- **No red flags** according to OECD definition has been identified
- **52 desktop assessment** conducted²
- **+20 follow-ups on suppliers** done. Follow-ups actions implemented (or still in process of implementation) include:

² Some of the suppliers identified supply both gold and diamonds. Since some of them provided two different questionnaires for gold and diamond, the number of due diligence questionnaires is higher than the number of suppliers.

- setting up meetings/calls with suppliers, to further investigate critical points, deepen answers provided within the questionnaire and/or provide the suppliers with further information or support for performance improvement
- sending e-mails to ask for additional evidences/documents to prove compliance of the supplier with Bulgari's requests
- organizing on-site audits at the supplier's premises.

Human Rights Due Diligence

Bulgari designed and implemented a **Human Rights Due Diligence Procedure** based on four steps, in line with the UN Guiding Principles on Business and Human Rights.

Following the assessment of actual and potential human rights impacts, Bulgari defines a mitigation and prevention plan to address potential areas for improvement. Whenever adverse human rights impacts are identified, Bulgari is committed to providing for, or supporting, legitimate processes to enable the remedy of any impacts, defining an ad hoc remediation plan and engaging the Business Units and other stakeholders potentially involved, also relying on external experts to support the remediation activity. Bulgari is also committed to communicating with stakeholders about the Human Rights Due Diligence process and how impacts are addressed.

Training and awareness raising

Bulgari conducts internal trainings and awareness activities to ensure that participants in the supply chain management are aware of the issues and concerns around human rights.

All employees can access the LVMH Ethics and Compliance intranet, that includes a number of tools and practical information promoting exemplary behaviour in the day-to-day conduct of business activities. Trainings on ethical topics are accessible to all employees, including the mandatory training on LVMH Code of Conduct. In addition, training modules on more technical topics (like the Kimberley Process and System of Warranties) are regularly updated and available.

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

Training results

Here follows the main results achieved in 2022, with reference to training to suppliers:

- **GOLD:**
 - *Number of new suppliers who received training for management of CoC certified metal: 18 suppliers*
 - 9 trainings delivered during audit performed by Business Units, of which 7 focused on risk assessment and/or due diligence activities
- **DIAMOND:**
 - Following audit to suppliers, Bulgari, through ad-hoc meetings and calls, further raised awareness on the highest CSR risks to its Tier 1 suppliers to help them improve their performance and implement action plans. In 2022, several interviews to understand the traceability systems of suppliers took place.

Grievance mechanism

Bulgari adopted the LVMH Alert Line (available in several different languages), the online interface that provides **any employee or external stakeholder** a fully confidential and secure way of reporting in good faith violations of the laws, regulations, or principles of internal conduct.

The LVMH Group's Ethics & Compliance Director is the only recipient of reports, which are analyzed by an evaluation team made up of a limited number of examiners selected amongst the relevant competent departments within LVMH considering the nature and severity of the facts reported. The investigation is conducted in a confidential way and the definition of measures and the closure of the investigative activities are under the responsibility of the Human Resources function. Bulgari keeps track of the closure, outcomes and resulting procedures according to confidentiality and applicable laws and rules.

In addition to LVMH Alert Line, employees can also raise complaints in a confidential way directly to the Ethics & Compliance Director or to the Human Resources function.

In 2022, no grievances have been raised regarding human rights risks or our supply chain due diligence.

Final remarks

In support of our continuous improvement journey, our latest third-party RJC audit took place within our organisation against the RJC CoP 2019 in 2020; the latest renewal date of RJC CoC was in 2021. The audits verified Bulgari efforts made to implement due diligence requirements in line with a continuous improvement approach.

For further information on sustainability issues, please refer to our website, with particular reference to our Corporate Social Responsibility page ([Bulgari CSR](#)) and our latest [Modern Slavery Statement](#), and to [LVMH Annual Report](#) and [LVMH Social and Environmental Report](#) which include information and KPIs on sustainability matters for the Group, including Bulgari.