

2023 Fighting Against Forced Labour and Child Labour in Supply Chains

1. Scope

This report (“the Report”) is the first Forced Labour and Child Labour Report submitted pursuant to the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (“Act”) by The Swatch Group (Canada) Ltd. (“we” or “are” or “our”). It covers The Swatch Group (Canada) Ltd.’s most recently completed financial year ending December 31, 2023 (“Reporting Period”). The report outlines the steps The Swatch Group (Canada) Ltd. has taken during the Reporting Period to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or elsewhere by the entity or of goods imported into Canada by the entity.

2. Steps Taken in the Previous Financial Year to Prevent and Reduce Risks of Forced Labour and Child Labour

All activity across our supply chains is based on a common framework established by our parent company, The Swatch Group Ltd, Holding Company based in Switzerland, which aims to manage and reduce supply chain risks associated with environmental, social, and societal risks such as forced labour and child labour. Of note, The Swatch Group Ltd respects and promotes the United Nations Universal Declaration of Human Rights and abides by the principles of the United Nations Global Compact.

As a subsidiary of The Swatch Group Ltd, we share the values and business ethics of our parent company, which includes observing national and multinational provisions of law that have a bearing on our activities. We therefore implemented The Swatch Group Ltd Supplier Code of Conduct and have required and will continue to require applicable suppliers to acknowledge receipt of the Supplier Code of Conduct as part of our Vendor Onboarding Package. We also have implemented our own Code of Conduct and Ethical Business Practices Policy.

3. Our Structure, Activities and Supply Chains

3.1 Structure

We are a subsidiary of The Swatch Group Ltd, and a corporation incorporated provincially under the laws of Ontario’s *Business Corporations Act*. With our head office located in Toronto, Ontario, we primarily engage in the distribution and marketing of watches and jewelry. We have 215 employees in Canada that support us by providing a range of corporate functions including logistics, customer service, finance, human resources, information technology, administration, marketing, sales, wholesale, retail, retail support, and corporate e-commerce.

The Swatch Group (Canada) Ltd. is a subsidiary of The Swatch Group Ltd which is an international group with distribution subsidiaries around the world, and 17 consumer brands

working in the manufacture, marketing and sale of finished watches, jewelry, watch movements and components. Our parent company, The Swatch Group Ltd manufactures almost all the necessary mechanical and electronic components itself and supplies such parts to third-party manufacturers in Switzerland and abroad.

3.2 Activities

The role of The Swatch Group (Canada) Ltd. consists of promoting and marketing watches and jewelry in our sales territory throughout different distribution and sales channels. We provide sales and various support services and collect payments from customers. The Swatch Group (Canada) Ltd.'s distribution activities include two main sales channels, wholesale and retail.

We distribute 12 brands in the local market: Blancpain, Breguet, Glashutte Original, Jaquet Droz, Omega, Longines, Rado, Hamilton, Mido, Tissot, Swatch and Flik Flak. All those branded products are being supplied from group companies in Switzerland but Glashutte Original out of Germany.

3.3. Supply Chains

Outside of the reporting period, we initiated the process of mapping and categorizing our suppliers using the Global Industry Classification Standard sub-industry codes.

Of The Swatch Group (Canada) Ltd.'s tier 1 suppliers mapped, approximately 78% are in Canada, 6.7% in the United States, 6.7% in Switzerland, 3.2% in France, and 1.4% in Italy. Among our procurement spend, the main categories (more than 4%) of goods and services procured consist of textiles, apparel and luxury goods (mainly watches and watch components), diversified real estate activities, construction and engineering, air freight and logistics, among others. In the breakdown of sub-industry by spend we set a 4% spend threshold to capture the main goods and services we procure.

We plan to continue to build on this initial mapping of our supply chain in future Reporting periods.

4. Policies and Due Diligence Processes in Relation to Forced Labour and Child Labour

The Swatch Group (Canada) Ltd. is committed to safeguarding and promoting human rights and sustainability within our operations and supply chains and shares The Swatch Group Ltd's zero tolerance policy for the use of child labour and forced labour. To further the Group's organizational commitment, The Swatch Group Ltd has developed and mandated a Supplier Code of Conduct that is used by all its subsidiaries. The Swatch Group (Canada) Ltd. has embedded this Supplier Code of Conduct into our Vendor Onboarding Procedure and require each new vendor to acknowledge the Supplier Code when they complete the Vendor Onboarding Form. In addition to this, we maintain our own policies that support responsible business conduct such as our Code of Conduct and Ethical Business Practices Policy.

4.1 The Swatch Group (Canada) Ltd.'s Code of Conduct and Ethical Business Practices Policy

During the onboarding process, our new employees are directed to review the Employee Handbook. It contains our Code of Conduct and Ethical Business Practices Policy which sets out basic principles to guide the behavior of all our employees and officers. We require all our employees to obey the laws, rules and regulations in the cities, states and countries in which we operate. We encourage our employees to report any illegal or unethical behavior to their supervisors, managers or other appropriate personnel.

4.2 The Swatch Group Ltd Supplier Code of Conduct

The Swatch Group Ltd Supplier Code of Conduct applies to The Swatch Group (Canada) Ltd., our facilities, our suppliers and their subsidiaries and affiliates, as well as subcontractors and sub-tier suppliers that provide goods or services to us or for use within our products.

The Supplier Code of Conduct is based on principles that are recognized in the industry and internationally recognized human rights, as set out in the United Nations International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the United Nation's Guiding Principles for Business and Human Rights (UNGPs), OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, the 2019 Code of Practices of the Responsible Jewelry Council (RJC), 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). In keeping with the UNGP's framework, we follow the higher standard where national law and The Swatch Group's strict standards differ.

As provided for in the Supplier Code of Conduct, our suppliers are prohibited from engaging or supporting the use of involuntary labour, trafficking, forced, bonded, indentured or prison labour. Further, the Supplier Code of Conduct mandates that suppliers cannot withhold employees' original government-issued identification or travel documents and suppliers cannot impose unreasonable restrictions on movement within the workplace or upon entering or exiting company provided facilities. Employees are prohibited from paying employers' or their agents' recruitment fees or other similar fees to obtain or terminate their employment. Suppliers must ensure that employees' contracts clearly convey the conditions of employment in a language understood by the employees. Suppliers are also required to ensure that the third-party employment agencies they use are compliant with the provisions of the Supplier Code and the law.

In adopting the Supplier Code of Conduct, we have established a zero tolerance for the use of child labour or underage labour, who are younger than at least 15 years of age, or the applicable minimum legal age for employment, whichever is higher. Suppliers must comply with the International Labour Organization (ILO) standards as well as applicable legal requirements. Suppliers may employ adolescents who are older than the applicable legal minimum age but are younger than 18 years of age. However, suppliers must ensure that these employees do not perform work that might impact their health, safety or morals and suppliers are prohibited from requiring adolescent employees to work overtime or perform night-time work. Suppliers are required to maintain student records, perform rigorous due diligence of educational partners, and protect students' rights in accordance with applicable law and regulations. When they do employ students, suppliers are required to provide appropriate support and training and pay

student workers, interns and apprentices the same rate as any other entry-level workers who perform equal or similar tasks.

Suppliers are required to comply with applicable laws and industry standards on working hours and provide employees with at least one day off in every seven days. Suppliers must ensure that all overtime work is voluntary and follows applicable laws and regulations. Suppliers must ensure that wages paid to their employees meet at least legal minimum standards. We require suppliers to communicate pay structure and pay periods to their employees and maintain an effective mechanism to report grievances and facilitate open communication between management and employees.

It is a condition of the Supplier Code of Conduct that suppliers are required to perform periodic evaluations of their facilities and operations, and the facilities and operations of their subcontractors and sub-tier suppliers that provide goods or services ultimately intended to for our products to ensure their compliance with the Supplier Code of Conduct and the law. Suppliers are required to allow us, or a third party we designate to periodically evaluate suppliers' facilities and operations of their subcontractors and sub-tier suppliers to assess the compliance with the applicable principles and requirements of the Supplier Code of Conduct.

The Supplier Code of Conduct has been made publicly available on The Swatch Group Ltd's website, and any concerns can be reported to sustainability@swatchgroup.com.

4.3 Swatch Group (Canada) Ltd. Vendor Onboarding Procedure

As part of our Vendor Onboarding Procedure, all vendors are required to complete a Vendor Onboarding Form which includes receipt and acknowledgment of the Supplier Code of Conduct. The Supplier Code of Contact also forms part of the contract with the vendor.

5. Forced Labour and Child Labour Risks in our Activities and Supply Chains

We recognize the importance of identifying and mitigating the risks associated with these issues within our activities and supply chain. During the Reporting Period, we have not identified the parts of our activities and supply chains that carry a risk of forced labour or child labour. As discussed in section 4.2 The Swatch Group Ltd's Supplier Code of Conduct is our main due diligence mechanism that we use to mitigate risks of forced labour and child labour in our supply chains.

As discussed in section 2, a large portion of the goods The Swatch Group (Canada) Ltd. imports into Canada are watches and jewelry that have been manufactured by our sister companies for the purposes of wholesale and retail distribution in Canada.

5.1 The Swatch Group Ltd's Efforts to Manage Risk Within its Own Supply Chain

At the global level, the Group has most of its production sites in Switzerland where it manufactures its own watch movements, cases, crystals, hands and other watch components.

As provided in The Swatch Group Ltd's [2023 Sustainability Report](#), the risk of child labour among Swatch Group companies and suppliers based in Switzerland and neighboring countries was assessed as very low. However, according to the "due diligence response" ratings by

UNICEF in its Children's Rights in the Workplace Index, there is a higher child labour risk in many Asian countries where some Swatch Group suppliers or sub-suppliers operate, for example. In addition to the risk of child labour, purchasing volume is taken into account, with a view to deploying resources for supplier audits in a targeted way. Audits are carried out based on a best effort approach. Plans are in place to introduce a comprehensive supply chain mapping system, which can be used in the future to systematically carry out risk assessments relating to child labour and other relevant factors across the entire supply chain.

The Swatch Group Ltd applies a zero-tolerance policy and cooperation with the suppliers will be suspended immediately in case of any failure about child labour. On-site supplier audits are carried out in a proactive effort to eliminate the risk of child labour in their supply chain. These audits are repeated at regular intervals.

With regard to minerals and metals from conflict-affected and high-risk areas, the imported and processed amounts of the materials defined by the Swiss Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict Affected Areas and Child Labor (DDTrO) have been recorded and analyzed. The Swatch Group Ltd does not source many of these specified minerals and metals, and only in small quantities where it does. The threshold is only exceeded in the case of tungsten and gold. However, a traceability and documentation process has been implemented to demonstrate that these materials do not come from conflict-affected or high-risk areas.

6. Measures Taken to Remediate Forced Labour or Child Labour

In our ongoing efforts to maintain ethical business practices, we have not identified any instances of forced or child labour within our operations or associated supply chains. Accordingly, we have not had to implement any corrective actions in this regard.

7. Remediating the Loss of Income to the Most Vulnerable Families

We are aware that initiatives aimed at preventing and mitigating the risks of forced and child labour might inadvertently lead to a loss of income for families that are vulnerable. To date, we have no knowledge of any circumstances in which our actions to address the risk of forced or child labour within our operations and supply chains have resulted in a financial detriment to these susceptible families.

8. Training Provided to Employees on Forced Labour and Child Labour

We require our employees to have an understanding and compliance with our Employee Handbook and Supplier Code of Conduct. Our employees are notified with any revisions to the Employee Handbook and Supplier Code of Conduct, as applicable.

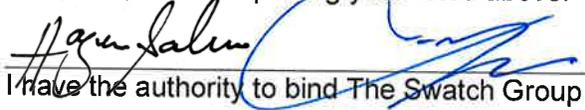
9. Assessing Our Effectiveness

Stakeholders are encouraged to report violations of the Supplier Code to sustainability@swatchgroup.com. No instances were raised to our attention that violate our Supplier Code of Conduct in 2023, and there were no forced labour or child labour incidents related to our suppliers identified through monitoring procedures.

10. Board of Directors Approval and Attestation Statement

This Report was Approved by the Board of Directors of Swatch Group (Canada) Ltd., pursuant to section 11(4)(b)(ii) of the Act.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.


I have the authority to bind The Swatch Group (Canada) Ltd.

Hazem Sbayteh / Nic Afloroaei

Director, The Swatch Group (Canada) Ltd.

05/31/2024