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## GOVERNANCE

ENVIRONMENTAL POLICY  
SOCIAL POLICY  
CORPORATE GOVERNANCE



# SUSTAINABILITY REPORT ON ENVIRONMENTAL PROTECTION POLICY AND SAFETY

Environmental protection and safety are self-evident in all Swatch Group's areas and they outline a priority tenet, which is respected, promoted, and implemented daily by every employee of the company. Actions instead of words – or detailed reports – is the motto. In this way, we must all share in taking care of our environment as well as paying utmost attention to safety in general. These guiding principles are a part of the ESG (*Environment, Social, Governance*) values on which we all place the greatest importance, as stated in a number of sections of this Annual Report.

We are all fully aware of our responsibility to protect life, promote quality of life, ensure safety and preserve health as well as our environment. And we undertake, at all levels of the company, to do everything in our power to meet this responsibility. The company, our immediate surroundings, and the environment are the object of our utmost attention and care. The Executive Group Management Board, the Extended Group Management Board and the management of the various units ensure on a daily basis that this culture of environmental responsibility is implemented and sustained at all levels. As a matter of principle, resources are used efficiently and sparingly to ensure that our products are manufactured and marketed in a sustainable and environmentally friendly manner. The use of recyclable materials and substances as well as environmentally friendly production methods is taken into consideration as early as the planning and development phase of each new product.

Moreover, measures to reduce energy and resource consumption are implemented, whether through manufacturing facilities with intelligent energy control systems or through energy-efficient and heat-insulated infrastructures. To achieve the best possible ecological and energy balance, ultra-modern technologies and building materials are used for new industrial facilities and renovations; this practice also led to a further positive contribution in the year under review.

Every year, all values relevant to operational ecology are consolidated into a comprehensive data collection. This data is evaluated and serves as a measurement of results achieved and also as a basis for further goal setting.

## ENVIRONMENT, SAFETY AND HEALTH – RELEVANT MEASURES

The safety and health of our employees as well as our customers worldwide, along with our environment, receive our fullest attention. Our guidelines for both direct and indirect sourcing, production, distribution and also for use of our products comply not only with the strictest international laws and directives but also with our own very high standards, which we also constantly upgrade and improve. In this respect, we have never stopped learning, and this leads the company to engage in continuous innovation and new investments.

Environmental, ethical and social criteria are also an integral part of our corporate culture as well as our sourcing policy. Responsible purchasing of industry-specific raw materials such as precious metals, diamonds, and exotic leather is of the utmost importance. Furthermore, Swatch Group decided to voluntarily eliminate the use of endangered tree species, and to use only wood originating from sustainable cultivation. This allows Swatch Group companies to make an additional important contribution to the improvement of the ecological balance. The same applies to exotic leathers, which are subject to clear internal guidelines aimed at banning the use of materials that are not produced in a sustainable and ethical manner, even if there are no legal obstacles to this. We also adhere to a simple and clear policy for the purchase of gold. Gold is sourced exclusively from traceable gold mines in the United States, Canada or Australia that meet the highest legal standards and where the authorities continuously strictly monitor the gold mines and the initial processing of the gold. The supply chain, which is kept as short as possible, goes directly from the mine to the refinery and then to our own processing operation. By the same token, we ensure that diamonds used in our products originate solely from suppliers who fully respect and apply the Kimberley Process certification system.

In relation to clearly sustainable production methods and products, Swatch Group complies with the existing directives, particularly the EU directives such as the restriction of hazardous substances (RoHS), the registration, evaluation, authorization, and restriction of hazardous chemicals (REACH), and the disposal of old electrical and electronic equipment (WEEE). Additional information in the area of energy and ecology is available from the Belenos Clean Power report on pages 117 and 118, and in the area of environmental protection and safety, from the Swatch Group Quality Management statement on page 114.

## RISK MANAGEMENT

The *Corporate Risk Management System* is an integral part of the environmental protection and safety policy. In this system, crucial risks are regularly identified, analyzed and recorded for early detection of environmental, safety, and health risks in order to develop and implement targeted prevention measures. A significant component is Business Continuity Management. Experts determine which operating entities and their networks are important for the Group, identify the main risks (e.g. cyber-risk, fire, water, chemical substances, interruption of operations), and define measures to ensure the greatest possible Business Continuity. Prevention and emergency procedures are the focal point. A significant element of Swatch Group risk management is its policy of independence. Consequently, the company is reducing any dependence on single suppliers, distribution partners, and financial service providers. Also taken into account are sufficient inventory, expansion and modernization of production capacities, consideration of alternative supply solutions, strategically important acquisitions, and a high level of equity.

## OWN PRODUCTION FACILITIES

Swatch Group is a fully verticalized company with a wide range of production facilities for watches, fine jewelry and electronic components as well as a worldwide network of distribution and service centers. Swatch Group, with some 150 production sites in Switzerland, produces its own movements, cases, watch crystals,

hands and other watch components. Its companies in the electronics sector also have their production sites in Switzerland. Swatch Group has only a few production sites abroad, such as Glashütte Original's Manufacture in Glashütte, Germany or Harry Winston's high jewelry Manufacture in New York in the United States. Harry Winston watches are made in Switzerland at its Plan-les-Ouates factory near Geneva. Abroad – albeit just over the Swiss border – Swatch Group has three production sites that manufacture components for bracelets or precision parts. In Asia, Swatch Group operates only two production sites for the assembly of electronic components and in the field of surface treatment.

These production companies are highly specialized in their fields and accordingly, each has a specific profile in terms of safety, health, and environmental protection. Every location is supported in its development so that optimization measures can be continuously defined and implemented. The core of environmental metrology is the measurement of parameters influencing energy consumption, in particular electrical, thermal and refrigeration energy consumption and the associated CO<sub>2</sub> emissions, as well as key figures on water consumption, waste management, battery recycling and emissions of volatile organic compounds (VOCs). These measures are recorded and analyzed in all Swatch Group entities.





tential of 30 tons of CO<sub>2</sub> per year and is the perfect reflection of the philosophy adopted by Swatch Group, which consists of designing and constructing its new buildings and renovating its old buildings with a view to sustainable development and respecting the resulting principles.

The Group's newer buildings, such as the Omega Manufacture, the Boncourt industrial park and the combined Universo and Rubattel et Weyermann industrial building in La Chaux-de-Fonds, were constructed with the same care and similar energy design. However, the manufacturing units of the Boncourt and Universo industrial buildings produce much more thermal energy, which is recovered by heat exchangers and used for the heating and warm water of some parts of the production sites. As a result, the heating of these buildings consumes little or no fossil fuel. The Boncourt building also has a rainwater recovery system. This means that industrial water does not need to be drawn from the normal water supply. Instead, the recovered rainwater is purified and treated as industrial water in the company's own water treatment plant and stored in a 100 m<sup>3</sup> reservoir and from there, piped to the production facilities. The industrial wastewater is then recovered again at the end of the production cycle and from there, returned to the treatment plant. The industrial water is treated and reprocessed again and again in a closed circuit. The project carried out for the industrial building of Universo and Rubattel et Weyermann in La Chaux-de-Fonds deserves special mention. Originally, this industrial area was bought with a view toward renovation from a foreign company that decided to abandon its production site in Switzerland. The in-need-of-renovation site was completely dismantled, followed by a remediation of the polluted site, prior to erecting a new energy-efficient industrial building in line with Swatch Group's philosophy. In addition, this new industrial area has a fully high technology automated, state-of-the-art water treatment plant. Wastewater is conveyed from the collection tank to a reactor where the different liquids and substances thus isolated is then reprocessed, tested for quality and purity, and then returned to production in a closed circuit. Swiss authorities have described this plant as the best industrial example in existence and a showpiece project. The total renovation of this industrial area has contributed to the improvement of the urban landscape, which has been welcomed by both the local authorities and the population.

**ENERGY FROM SELF-GENERATED RENEWABLE SOLAR ENERGY AND HYDROPOWER PRODUCTION**

For decades, Swatch Group has not only invested in the area of electronic systems in low-energy and energy-efficient components and integrated circuits (IC), but also runs its own energy production plants using renewable energy such as solar energy and hydropower production. Self-generated production of sustainable energy increased in recent years due to new facilities. Although the amount of self-generated sustainable power production is fairly modest, it nonetheless contributes to climatic and environmental protection. In 2019, our various power generation facilities produced approximately 1600 MWh. Total hydropower production is not constant, as it is highly dependent on the average level of precipitation. Similarly, solar energy production depends on the average amount of sunlight captured by photovoltaic installations.

**INVESTMENTS IN NEW BUILDINGS AND RENOVATION**

The Swatch brand's new "home" is not only one of the largest wooden buildings in the world, it is also a unique and new kind of place for work and innovation. It sets new benchmarks in terms of sustainable development and energy efficiency. The majority of the building was constructed from wood, a natural raw material. Its 1997 m<sup>3</sup> of spruce timber come from Swiss forests where a quantity of wood of this amount grows in less than two hours. During its growth phase, the spruce used has decomposed around 1847 tons of greenhouse gases sucked in from the environment and absorbed it in carbonaceous form. The intelligent geothermal use of ground water to heat or cool the building, as well as the solar energy produced by the photovoltaic system, make a significant contribution to achieving an optimal CO<sub>2</sub> balance. This use of geothermal energy is in combination with the Omega factory building and the Cité du Temps. Several water tanks have been installed on the Swatch ground. During the cooling process, cold water pumped from a withdrawal well is fed into a cold-water tank. It is then conveyed to a heat exchanger, from which the cold is extracted to help cool the building through cooling ceilings and ventilation. The heat exchanger then returns the water heated by this process to a domestic hot water tank, and from there, distributed, if necessary, to buildings on the site to supply them with thermal energy. Thanks to this ingenious device, the building is integrated into the natural water cycle. To determine the correct dimensioning of the photovoltaic system, the total electrical power required for all building functions such as ventilation, cooling, heating, basic lighting, etc. was taken into calculation during the planning stages. The honeycomb structure of the facade comprises 442 tailor-made photovoltaic elements with a total area of 1770 m<sup>2</sup>, while the PV-inverter technology was developed by subsidiaries of the company. This structure represents a savings po-



The photovoltaic installations at the Omega Manufacture, Swatch headquarters; Distico in Biel/Bienne (BE); Longines in St-Imier (BE); and ETA in Boncourt (JU) have a total installed capacity of 1.42 MW. In 2019, the energy they produced reached almost 1131 MWh, covering an area of more than 8000 m<sup>2</sup>. The energy produced by our photovoltaic installations is not only used for the technical equipment of the buildings to which they are attached, but also for the operation of the company's electric vehicles. The photovoltaic installations are equipped with state-of-the-art technology, particularly at Omega and Swatch, and owe their patented micro-inverter to Belenos Clean Power AG.

La Suze and Le Bez hydroelectric power stations in Corgémont (BE), which were completely renovated and automated in 2010, were overhauled again during the year under review. Their installed capacity amounts to 160 KW. On a yearly basis, depending on rainfall, these power stations produced an average of around 525 MWh over a long period of time.

**CO<sub>2</sub> emissions from energy consumption**

As early as 2001, Swatch Group began to set clear climate and efficiency goals and to contribute to climate protection. Hence, each individual entity was assimilated into the program, and measures to reduce energy consumption were defined.

In order to contribute even more to climate protection and further reduce energy consumption, it was decided in early 2013 to include all Swiss production entities in a CO<sub>2</sub> exemption program. In the process, the voluntary economic and ecological measures toward reduction of energy consumption and its associated CO<sub>2</sub> emissions are set by the Swiss Federal Office for the Environment (BAFU) and fixed goals are contractually documented. The goal of this agreement is to further reduce energy consumption within the timeframe of 2013 to 2020, particularly by further reducing CO<sub>2</sub> by 27% and at the same time increasing energy efficiency 8% by 2020. In association with the Energy Agency of the Swiss Private Sector (EnAW), energy audits have been carried out by specialists in all locations since 2013 and additional opportunities to reduce CO<sub>2</sub> emissions were compiled. A corresponding optimized action plan to achieve the goal was developed. Since then, the defined measures have been consistently implemented and have resulted in significant CO<sub>2</sub> reduction and tax exemptions for production sites. The action plan is regularly reviewed and updated, so that a significant contribution to climate protection can also continue to be made. Achievement of annual objectives is monitored and audited by the Swiss Federal Office for the Environment (FOEN) and

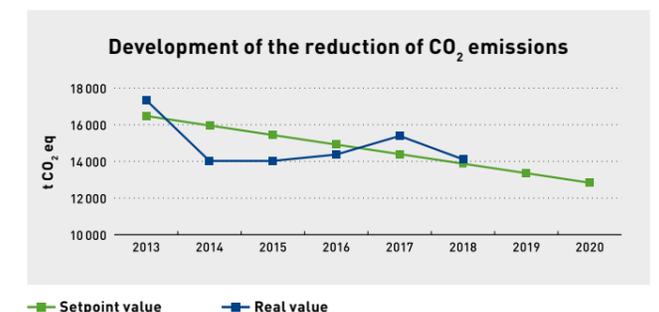
the Swiss Federal Office of Energy (SFOE). Detailed audits at the individual sites as well as data compilation by the specialists are very time consuming, with the result that the figures from the audits for the year under review are only available by the middle of the following year. As soon as the audits are completed, EnAW annually issues a specific certificate reflecting the extent to which the objectives have been met.

Already in 1990, Swatch Group supported reduction of CO<sub>2</sub> emissions and lowering of energy consumption through its sponsorship of the solar mobile Spirit of Biel. At that time, the solar mobile won the World Solar Challenge in Australia. The first solar-powered Swatch (1995), which has lost none of its appeal and can still be purchased today, stems from this period. With this, our early commitment to climate protection remains ever-present and motivates us to continue our contribution to climate protection.

The following diagrams show CO<sub>2</sub> emissions from the start of the new program in 2013, as well as the targets to reduce them 27% by 2020. Since the start of this new program, CO<sub>2</sub> emissions were reduced by a total of 2951 tons, as shown in the following diagram 1.

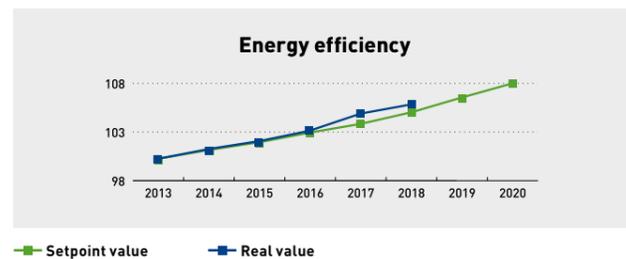
The audited Figures 2019 will be available mid 2020

Diagram 1



The audited Figures 2019 will be available mid 2020

Diagram 2



Energy efficiency should be increased by a total of 8% up to and including 2020, which leads to a linear target line as shown in diagram 2. In the first six years after implementation of the new program, the diagram demonstrates that the increase in energy efficiency has exceeded the set target.

Production and distribution companies abroad are obviously also working to improve their energy balance, not least because of their many boutiques and service centers, and are subject to clearly defined requirements. The energy consumption of these boutiques and service centers is naturally significantly lower than that of production companies in Switzerland.

#### Heat consumption per unit of floor space (kWh/m<sup>2</sup> per year)

Measured in kWh per m<sup>2</sup> of floor space, the annual consumption of fossil energy in the form of heating oil, natural gas and district heating fell by 5.7% in the year under review compared with the previous year. Energy efficiency is constantly improving thanks to ongoing investments in both new and old buildings and production facilities. This was achieved through new buildings equipped with state-of-the-art heat pump technology, new thermal insulation and building renovation programs, the optimization or replacement of air-conditioning and water-cooling systems, the renovation of heating installations and the commissioning of new heat recovery units. Continuous investment to reduce heat consumption per unit of floor space has reduced this consumption to well over half since the introduction of the program in 2001. The extension buildings on the Omega/Swatch area in Biel/Bienne (BE) are a good example of the many efforts that have been made. They have reduced heat consumption per m<sup>2</sup> of surface area by 48% and CO<sub>2</sub> emissions by an impressive 55%.



#### Power consumption by effective area (kWh/m<sup>2</sup> per year)

Electricity consumption, measured in kilowatt hours (kWh) per unit area [m<sup>2</sup>] per year, was reduced by 6.7% compared to the previous year. The commissioning of new, more energy-efficient machines and systems at the production sites, the installation of reactive power compensation equipment and the considerable investment in lighting, including the renovation of these systems, led to a slight reduction in electricity consumption. The use of new LED lamps has resulted in optimal lighting and lower thermal load, thus reducing power consumption and air conditioning costs. The investments made in the Omega/Swatch sections have had positive effects, improving the energy balance by replacing fossil fuels with heat pumps.

#### Waste management

The further optimized integration of production and cleaning processes into production resulted in a 13.1% reduction in the quantity of special waste (excluding watch batteries). This reduction in the quantity of special waste in turn led to a 6.8% reduction in the proportion of special waste recovered or recycled. Other industrial waste, such as paper, cardboard, plastics and electronic components, saw an increase of 11.2%.

#### Battery recycling

In the year under review, more than 8.2 tons of batteries were entrusted to authorized specialist companies for reprocessing, not including the disposal of expired batteries and the liquidation of end-of-series products at Renata. Renata is the only battery producer to operate its own button cell battery recycling facility (silver recovery). With an annual capacity of 250 million button cell battery for a production capacity of 26 tons of silver oxide, this facility demonstrates Renata's strong contribution to the environment in a sustainable way, which is unparalleled anywhere else in the world. Used button cell batteries are crushed in a crusher and their basic materials and particles are separated from each other. The silver oxide and other elements are then recovered in a special treatment process. The chemical solutions used are processed in a fully closed cyclic materials processing circuit and returned to the reactors.

#### Water management

The consumption of drinking water decreased by 6.7% compared to the previous year, while the consumption of non-drinking water and/or recycled industrial water increased by 20.2%. Special mention should be made regarding the reduction of waste water achieved by installing closed water circulation systems, by increasing the efficiency of water treatment plants, and by using rainwater recovery systems to obtain water for cooling and sanitary installations.

#### VOC (Volatile Organic Components) emission

Due to increased production, integration of new production plants and further internalization of production in the year under review, VOC consumption increased compared to the previous year, mainly due to the use of acetone, alcohol and gasoline as cleaning agents for produced components. Accordingly, corresponding VOC emissions increased by 8.1%. However, in the year under review, 1.7% more VOCs were recovered and/or recycled compared to the previous year thanks to the recovery systems for gasoline and other volatile solvents. A more substantial increase in VOC emissions was prevented by increased substitution of volatile substances by processes using aqueous solutions that do not contain solvents or contain less volatile substances.

#### GENERAL MATERIAL SOURCING

Environmental, ethical, and social criteria are an integral part of our sourcing policy, a reason that, only suppliers and sub-suppliers who fully comply with our clearly defined and contractually documented criteria regarding safety, environmental and socio-political aspects can be considered. This includes not only compliance with national and international laws, but also compliance with the OECD guidelines for sourcing of raw materials and components (OECD Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas and its Supplement on Gold) as well as Standard SA8000 (Social Accountability International) pertaining to responsible sourcing under the premises of fair and ethical working conditions, health protection and occupational safety, respect for human rights, including through the explicit prohibition of forced labor, child labor, or other similar forms of abuse, and in relationships with business partners, as well as inclusion of the supply chain, local development and additional social and environmentally relevant factors.

In addition, suppliers are obligated, of course, to fully adhere to the Swatch Group Quality Management internal guidelines, any ecological and legal regulations, and also the legal compliance related to 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. The specifications in the comprehensive database are updated on a regular basis. Swatch Group FEPS (Far East Procurement Service) and Swatch Group Quality Management constantly check to ensure that suppliers really fulfil the conditions. The supplier verification process is clearly defined. The FEPS determines which suppliers will be audited during a financial year, commissions an auditing company to carry out an audit

in accordance with the requirements, and then analyzes its report. The suppliers are then given a rating. If their rating is insufficient or if they fail to comply with the requirements, corrective measures are imposed. If a supplier is not (or no longer) able to qualify, it is no longer considered. Given that only about 30 of the almost 200 qualified suppliers managed by the FEPS already cover 90% of deliveries, the number of suppliers monitored by the FEPS should be considered reasonable.

#### Organic raw material sourcing

In relation to organic raw material such as cotton, leather, wood, etc., not only are the many national and international laws respected (EU 995/2010 and EC 338/97, Lacey Act, CITES Convention on International Trade in Endangered Species of Wild Fauna and Flora, UICN Union Internationale pour la Conservation de la Nature, FSC Forest Stewardship Council, PEFC Programme for the Endorsement of Forest Certification, Timber Regulation, etc.), but also legal and not endangered materials which are determined by our specialists to be ethically critical are voluntarily eliminated. In this manner, wood from endangered and potentially endangered tree species is voluntarily eliminated, and only wood originating from sustainable cultivation and whose provenance, forestry, and CITES are declared and certified is used. In addition, Swatch Group takes particular care to ensure that its supply of exotic leather originates from very few, clearly identified, controlled, and sustainable farming operations. The result is that only a small number of farms in the United States, which can guarantee the very strict US Fish and Wildlife Service as well as the above-mentioned CITES guidelines, are considered.

#### Precious metal sourcing

Swatch Group has a clear sourcing policy also in regard to precious metals. They are only purchased from individually established long-term suppliers who can demonstrate that as well as complying legally and according to all the provisions financial market authority, they are at least certified members of the Responsible Jewellery Council (RJC) or the London Bullion Market Association (LBMA), and can guarantee that the precious metals delivered originate from impeccable sources and conflict-free regions. The RJC norm is specifically aimed at the high jewelry and jewelry industry and includes the OECD guidelines for precious metal sourcing (OECD Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas and its Supplement on Gold) as well as Standard SA8000 (Social Accountability International) on responsible and ethical sourcing of material.

Precious metal procurement processes have been continuously optimized for several years. There is still room for improvement, particularly in terms of ensuring full traceability of the supply chain.

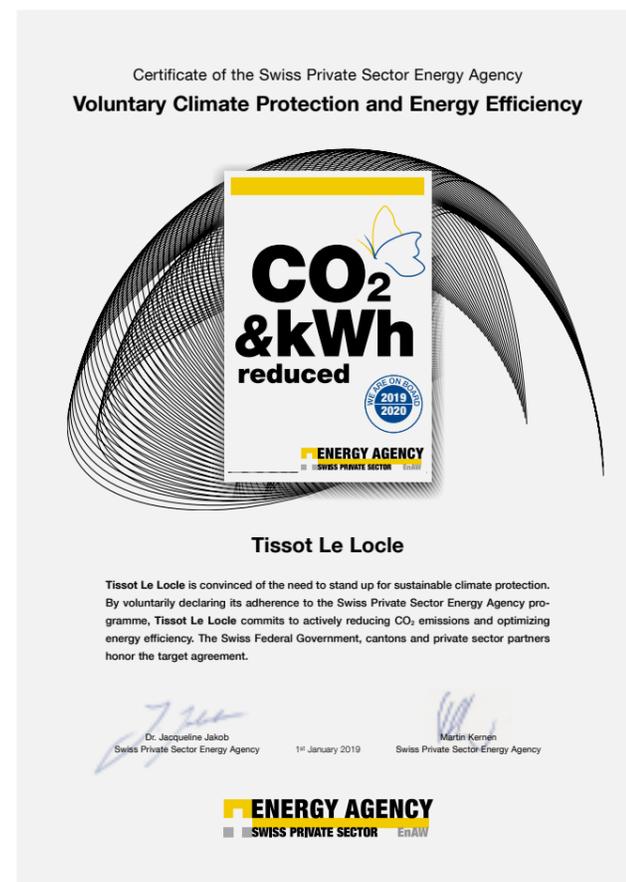
Gold is sourced exclusively from mines in the United States, Canada or Australia, where the highest legal standards are applied and the mines are operated under extremely strict conditions set by the authorities and continuously monitored by them. The supply chain, which is kept as short as possible, goes directly from the mine to the refinery and then to our own gold processing operation. Purchasing gold from other regions, where standards are less stringent than in the United States, Canada or Australia and where there is a risk of untraceable gold entering the supply chain, is clearly out of the question. This clear and simple procurement policy is also proving to be very effective.

In addition, the investments made in recent years in the Group's foundry and refining facilities have made it possible to fully internalize processes and precious metals processing to ensure that the transformation of precious metals inventories, the production of alloys and their recycling are carried out in-house. After the preparation of alloys, extruded profiles and raw ingots are manufactured and then transformed into semi-finished or finished products, again using in-house production processes. Thus, Swatch Group itself controls the complete gold processing chain by subjecting its entire processing cycle to a clearly defined process. The Nivarox-FAR foundry plays a key role in this respect, as it processes all the Swatch Group's gold stocks in a closed circuit and under strict control. The Nivarox-FAR foundry has the necessary federal authorizations both as a foundry and as a commercial assayer (sworn assayer), as well as the Responsible Jewellery Council Code of Practice and Chain of Custody (RJC COP and CoC) certifications.

#### Diamond and gemstone sourcing

Diamonds are only purchased from the few suppliers who completely respect and implement the Kimberley Process certification system. Again, the supply chain is direct, with only a small number of known and qualified suppliers being selected. Certification guarantees that diamonds can be proven to originate from conflict-free regions and from legal trade. Countries, companies, and merchants who do not use this certification system in its entirety are excluded from trade. In addition, only long-term partners who comply with the CIBJO (*Confédération Internationale de la Bijouterie, Joaillerie, Orfèvrerie des diamants, perles, et pierres*; The World Jewellery Confederation) guidelines as well as the Kimberley Process are considered, in order to exclude any quality and sourcing risks. Here again, each supplier

party to the contract is, of course, required to submit a written declaration confirming that, in addition to the Kimberley Process, it also fully accepts and respects the Code of Conduct established by Swatch Group, that it guarantees total transparency regarding the owners of the supplier company and/or the production company, and that it complies fully with the guidelines of the Responsible Jewellery Council and the SA8000 standard of the Social Accountability International, as described above in the general conditions on the general supply of materials. In the event of non-compliance with these regulations or doubts, expressed by any source of information, the supplier in question is immediately disqualified and can no longer be retained.



# SOCIAL POLICY

With extraordinary geopolitical tensions, such as the continuation of the "Yellow Vest" demonstrations in France for over a year and the demonstrations in Hong Kong, to name a few, the year under review was complicated for the human resource management role. The latter saw sales of luxury goods, such as those produced by the watch industry, fall dramatically, affecting the level of economic activity in major cities.

Other tensions, such as the Sino-US trade dispute, which saw tariffs rise sharply, and the strength of the Swiss franc, also made results more difficult to achieve.

All these external factors compelled Swatch Group to manage its human resources meticulously in order to keep its personnel motivated and help them continue developing and acquiring new skills, while retaining talent in order to prepare confidently for the future.

#### Employment

All the external factors described above had an impact on market demand. Companies had to adapt their structures, while keeping all skills up to date in order to be ready when certain crises, such as the one in Hong Kong for example, come to an end.

#### Staff development

Each period and economic cycle is an opportunity to identify skills and also to have a long-term vision of tomorrow's professions. This prepares employees for a career change by acquiring new skillsets required for the future.

#### Initial professional training

Despite the turbulent economy, Swatch Group remained focused, tirelessly pursuing on-the-job training. In August 2019, all vacancies created by apprentices that completed their training were re-filled with new apprentices. In the technical professions, all apprentices that attained certification and who wished to continue their professional activity in the company were offered permanent employment within the Group.

For the sixth time, two watchmaking apprentices spent 11 weeks in Hong Kong in the summer, despite the unrest and street demonstrations. Alongside the discovery of technical watchmaking activities in the repair center, they experienced the highlights of Hong Kong first hand. They decided of their own accord not to return to their home countries despite the protests. Naturally, everything was in place for an emergency repatriation had the situation required it.

As in previous years, other language sessions were held: three French-speaking apprentices went to Berlin and three young German-speaking Swiss went to Paris where they spent six weeks with host families. They attended language schools and were allocated to Swatch boutiques to experience real-life situations in the field.

At the start of the school year in August 2019, Swatch Group had 492 apprentices in Switzerland in 32 different types of training, 83 of whom were in the most popular profession.

This means that the Group remains the most important trainer in the watch industry, both in terms of the number of young people in training and the number of graduates hired in its companies after completing their courses.



**Nicolas G. Hayek Watchmaking Schools**

The six Nicolas G. Hayek Watchmaking Schools still serve their purpose, because the needs in terms of repairs, advice and training in the various countries are very real. Also, since official watchmaking training is either non-existent or only slightly present in these countries, local training for current and future employees is necessary. This is always a great challenge, but one that has always been successfully met.

**Professional development**

With the decade coming to an end, the company finds itself at a technological and societal turning point marked increasingly by digitization and digitalization.

This is reflected in the production companies by "Industry 4.0", which supports the various engineers, technicians and producers in offering services that are ever more flexible, responsive and close to the customers' demands and wishes. New skills, not yet acquired academically but developed in the workplace, are emerging. The challenge is important for the recruitment of future resources, as well as for supporting current employees in a process of learning new skills for new assignments.

The same applies to sales and retail, with the advent of e-commerce and "omnichannel" platforms. Retail and points of sale must reinvent themselves in order to provide more and faster service and to be closer to the end customer, who expects personal attention and unique experiences through visits to points of sale and the e-shop.

All these challenges must be viewed as chances to grow and to develop new opportunities for Swatch Group to increase its market share and consolidate its position in the watchmaking world.



**Social partnership and working conditions**

In Switzerland, Swatch Group is in the midst of the implementation of the 2017–2021 Collective Labor Agreement. Its relations with its union partners are good. Dialog and collaboration are based on trust and openness on both sides, which allows the company to look to the future with serenity. Swatch Group can count on a partner who shares its convictions and objectives to defend Swiss employment and to offer a maximum number of people opportunities to develop in ergonomically safe, and reliable working environments.

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## 1. Group structure and shareholders

### 1.1 Group structure

The Swatch Group is active worldwide and represented in all market and price segments in the watch sector with 18 brands and in the jewelry sector. In addition, it holds an outstanding industrial position with a high degree of verticalization in the Production sector as well as the strategically important sector of Electronic systems. In the Corporate sector, the operational units which provide services for the whole Group are centralized. The Swatch Group has lean and efficient management structures at all levels. While the Board of Directors deals with the overall management, strategic and supervisory tasks, the operative executive duties are incumbent on the Executive Group Management Board, which is supported by the Extended Group Management Board. An overview of the operational and of the distribution organizations is given on pages 4 and 5. The fully consolidated companies, of which none but The Swatch Group Ltd is listed on the Stock Exchange, are given on pages 205 to 208 with each company's name, domicile, share capital and the percentage of shares held. The shares of The Swatch Group Ltd are listed on the SIX Swiss Exchange AG. The bearer shares are listed under the ISIN number CH0012255151 at the SMI, SPI as well as SLI indices. The registered shares are listed under the ISIN number CH0012255144 at the SPI, SPI Extra and SMIM indices.

ISIN:	CH0012255144	registered shares
	CH0012255151	bearer shares
Reuters:	UHRN.S	registered shares
	UHR.VX	bearer shares
Telekurs:	UHRN, 1	registered shares
	UHR, 1	bearer shares

Since February 2007 the shares of the Swatch Group are also listed on the BX Swiss.

Further information concerning market capitalization and earnings per share is shown on page 229.

The corporation's registered office is located in Neuchâtel, Faubourg de l'Hôpital 3. The administrative headquarters are in Biel/ Bienne, Seedorfstrasse 6.

### 1.2 Significant shareholders

As of 31 December 2019, the Hayek Pool, related parties, institutions and persons control 61 721 546 registered shares and 12 855 bearer shares, totalling 42.3% (previous year 39.8%) of all the votes.

The Hayek Pool comprises the following members per 31 December 2019 :

Name / Company	Location	Beneficial owners
Community of heirs of N.G. Hayek represented by Marianne Hayek	Meisterschwanden	Community of heirs of N. G. Hayek
WAT Holding AG	Meisterschwanden	Community of heirs of N. G. Hayek
Ammann Group Holding AG	c/o Walder Wyss AG, Bern	Descendants U. Ammann-Schellenberg sen.
Swatch Group Pension Fund	Neuchâtel	-

The companies and institutions close to the Hayek Pool but which do not formally belong to the Hayek Pool are:

Name / Company	Location	Beneficial owners
Hayek Holding AG	Meisterschwanden	Community of heirs of N. G. Hayek
Community of heirs of N. G. Hayek and family members		Community of heirs of N. G. Hayek
Personalfürsorgestiftung der Hayek Engineering AG	Meisterschwanden	-
Ammann families (pension funds, foundations and individuals, Madisa AG)	c/o Ammann Group Holding AG, Bern	Represented by Daniela Aeschlimann
Fondation d'Ébauches SA et des maisons affiliées	Neuchâtel	-
Various welfare foundations 1)	various	-

1) Wohlfahrtsstiftung der Renata AG, ETA Wohlfahrtsstiftung, Fonds de prévoyance d'Universo, Fondation Technocorp, Fondation de prévoyance de The Swatch Group Les Boutiques SA, Fonds de prévoyance SSIH and CP Caisse cadre

The community of heirs of N. G. Hayek controls directly, through related parties and institutions and in the context of the Pool 41.8% (previous year 39.3%) of all the votes; third party Pool members are represented therein, they comprise 3.6% of all the voting rights.

On 31 December 2019, no other individual shareholder or group of shareholders holding more than 5% is known to the Company. If a person subject to this obligation reaches, falls below or exceeds the threshold of voting rights according to Art. 120 FinMIA, this person is obliged to issue a corresponding notification. For the sake of simplicity, reference is made to the website of the Disclosure Office "https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html", where the current and updated disclosures of significant shareholders can be found.

### 1.3 Cross-shareholdings

The Swatch Group holds no cross-shareholdings.

## 2. Capital structure

### 2.1 Capital

On 31 December 2019, the capital structure of The Swatch Group Ltd was as follows:

Share category	Quantity	Par value per share	Total par value in CHF
Registered shares	116 919 500	CHF 0.45	52 613 775.00
Bearer shares	28 936 000	CHF 2.25	65 106 000.00
<b>Total share capital as of 31.12.2019</b>			<b>117 719 775.00</b>

### 2.2 Authorized and conditional capital

No authorized and conditional capital existed as of 31 December 2019.

### 2.3 Changes in capital

Over the past three years the share capital of The Swatch Group Ltd changed as follows:

Balance sheet date	Registered shares at CHF 0.45	Bearer shares at CHF 2.25	Share capital in CHF
31.12.2017	124 045 000	30 840 000	125 210 250.00
31.12.2018	124 045 000	30 840 000	125 210 250.00
Cancelled shares	-7 125 500	-1 904 000	-7 490 475.00
<b>31.12.2019</b>	<b>116 919 500</b>	<b>28 936 000</b>	<b>117 719 775.00</b>

The detailed evolution of equity, reviewed by the auditors for the consolidated financial statements for the years 2018 and 2019, is published on page 177. For The Swatch Group Ltd, it is published for the years 2018 and 2019 in note 9 on page 220. With regard to the previous years we refer to the annual reports 2016, 2017 and 2018.

### 2.4 Shares and participation notes

The shares of the Company listed in point 2.1 are fully paid in. Each share carries one vote. Both categories of shares confer equal entitlement to dividends according to their nominal value. No participation notes have been issued.

### 2.5 Benefit certificates

No benefit certificates exist.

### 2.6 Limitations on transferability and nominee registrations

The Statutes of the Swatch Group stipulate that the Board of Directors shall refuse the registration of new shares, if the new shareholder fails to give an express written declaration to the effect that he or she acquired the shares in his/her own name and for his/her own account. Furthermore, the Board of Directors refuses a registration if the purchaser, either alone or in conjunction with related persons, already holds 5% or more of the registered share capital (either directly or indirectly) at his disposal, or would exceed this threshold with the new acquisition (Art. 9 para. 3 of the Statutes). The Board of Directors may approve exceptions to this rule in special cases. No such exceptions were requested in the period under review.

Insofar as an individual or a legal entity was already entered in the share register before the reporting date of 31 May 1997 with 5% or more of the registered share capital, the Board of Directors must approve even though the percentage limits have been exceeded. The same exception applies for related persons (spouse, descendant, brother, sister), transfers due to inheritance or matrimonial property rights as well as certain transfers between legal entities or individuals subject to the exception (Art. 9 para. 6 and 7 of the Statutes).

Where a share purchaser presents an application for recognition as a shareholder of the company, he shall be regarded as a shareholder without voting rights until the company has recognized him as a shareholder with voting rights. If the company fails to refuse the purchaser's application for recognition within 20 days, he shall be acknowledged as a shareholder with voting rights. A shareholder who has no voting right may exercise neither the voting right nor the other associated rights.

### 2.7 Convertible bonds

The Swatch Group currently has no outstanding convertible bonds.

### 2.8 Options

In 1986, with the takeover of control of the Swatch Group by the Hayek Pool, a block of shares was reserved in favor of a management stock option plan. With regard to the content of this portfolio as of 31 December 2019, reference is made to Note 13 on page 189. In 2019, 212 114 registered shares were sold at a preferential price of CHF 4.– per registered share in accordance with the following details:

Year of issue	Number of registered shares	Number of beneficiaries	Year of subscription/payup
2017	68 428	218	2019
2018	76 492	220	2019
2019	67 194	218	2019
<b>Total</b>	<b>212 114</b>		

In addition, the Group gave participating managers the following options to subscribe in future to further registered shares at preferential prices as follows:

Year of issue	Number of registered shares	Number of beneficiaries	Year of subscription/payup
2018	65 897	210	2020
2019	67 061	216	2020
2019	67 248	216	2021
<b>Total</b>	<b>200 206</b>		

The allocation results from personnel reviews and proposals for employees who stood out through special achievements in the past year and have performed with above-average commitment. The allocation is then approved by the Board of Directors / the Compensation Committee. It allows a first purchase of a third of the promised number of registered shares in the current year, which can be paid up and claimed immediately, and another third in one and two years respectively. The beneficiaries may choose to block their shares for a vesting period of 5 or 10 years. With the exception of Mrs Nayla Hayek and Mr Nick Hayek no members of the Board of Directors received options or shares under this plan.

## 3. Board of Directors

### 3.1 Members of the Board of Directors

The Board of Directors on 31 December 2019 is composed as follows:

**Nayla Hayek**, Swiss citizen, Dr h.c. European University Montreux, Montreux, is Chairwoman of the Board of Directors of the Swatch Group since 30 June 2010. Mrs Nayla Hayek has been on the Board of Directors of the Swatch Group since 1995. As a member of the World Arabian Horse Organization (WAHO), and as international Arabian horse judge, Mrs Hayek's top-level contacts contribute to many of the business and promotional activities of the Swatch Group and she is responsible for the local organization in Dubai (Swatch Group Middle East) on site. Mrs Hayek is Chairwoman of the Board of Directors of the Rivoli Group, Dubai and represents there the interests of Swatch Group. Following the acquisition of Harry Winston as per 26 March 2013, Mrs Hayek was appointed president and CEO of this new business entity. She is also a member of the Board of Directors of Belenos Clean Power Holding Ltd and of Wat Holding AG. As Board member of Hayek Holding AG, she is responsible for Hayek Engineering AG and Hayek Immobilien AG. She holds no official function or political office.

**Ernst Tanner**, Swiss citizen, has been on the Board of Directors of the Swatch Group since 1995. He has been Vice-Chairman of the Board of Directors since 29 June 2011. Mr Tanner is the Executive Chairman of the Lindt & Sprüngli Group. Before his activity with Lindt & Sprüngli, he was for over 25 years in leading management positions with the Johnson & Johnson Group in Europe and the USA, ending up as Company Group Chairman Europe. In addition, he is a member of the Board of Directors of the German Krombacher-Brauerei GmbH & Co. KG and of the Advisory Board of the Austrian SIGMA Group. Otherwise, he exercises no other executive or advisory functions and holds no official function or political office.

**Nick Hayek**, Swiss citizen, pursued two years' study at the University of St. Gallen (HSG), then attended the Film Academy CLCF in Paris. President of the Executive Group Management Board since 2003 and member of the Board of Directors since 2010. Mr Hayek has worked with the Swatch Group since 1992, firstly as Swatch Ltd Marketing Manager, then as Swatch Ltd President and finally as Delegate of the Board of Directors of Swatch Ltd. In the mid-eighties, he founded his own production company, Sesame Films in Paris, and worked in Switzerland and abroad. His involvement in a number of film productions (e. g. a series of documentaries for Swiss Television), then the production of a number of short films (e. g. 1st prize at the Thessaloniki Film Festival, an official contribution to the Cannes Film Festival, etc.) and his activity as producer and director of two feature films, «Das Land von Wilhelm Tell» and «Family Express» with Peter Fonda (a film that earned him the prize for the best Swiss comedy at the Charlie Chaplin Comedy Film Festival in Vevey) resulted in his being called upon to advise on various Swatch projects in the early '90s and to assume responsibility for several Swatch exhibitions (such as that of Lingotto in Turin). Mr Hayek is a member of the Board of Directors of the CSEM (Centre suisse d'électronique et de microtechnique) and Chairman of the Board of Directors of Belenos Clean Power Holding Ltd.

**Prof. Dr h. c. Claude Nicollier**, Swiss citizen, graduated in Physics and Astrophysics from the Universities of Lausanne and Geneva. Mr Nicollier has been a member of the Board of Directors since 2005. Mr Nicollier resigned from his activities as astronaut at the European Space Agency ESA in March 2007. As an astronaut he was particularly active in the space missions Atlantis 1992, Endeavour 1993, Columbia 1996 and Discovery 1999. The aim of the Endeavour and Discovery missions was the execution of reparation works on the Hubble Space Telescope which were a complete success. The Universities of Geneva and Basel and the École Polytechnique Fédérale de Lausanne, where Mr Nicollier teaches as an honorary professor at the school of engineering, have conferred honorary doctorates on him. Mr Nicollier was involved in the «Solar Impulse»-Project, responsible for the test flights. He is member of the Board of Directors of Belenos Clean Power Holding Ltd. and Chairman of the Board of Directors of CSEM in Neuchâtel. Mr Nicollier does not exercise any operative functions at Swatch Group, does not have any business relationship with Swatch Group and holds no political office.

**Dr Jean-Pierre Roth**, Swiss citizen, Dr oec. Graduate Institute (HEI) Geneva, has been a member of the Board of Directors since 2010. Following postgraduate studies at the Massachusetts Institute of Technology in the USA, Mr Roth taught at the University of Geneva and at the Graduate Institute (HEI). In 2009 the University of Neuchâtel conferred him a honorary doctorate in economics. Jean-Pierre Roth joined the Swiss National Bank in 1979 where he was active in various areas in Zürich and Bern. On 1 May 1996 he was appointed Vicepresident of the board. On 1 January 2001 he was elected President of the board. Jean-Pierre Roth was Swiss governor of the International Monetary Fund (IMF) in Washington. From 1 March 2006 until end of February 2009 he was Chairman of the Board of Directors of the Bank of International Settlements (BIZ) in Basel. At the end of 2009, Mr Roth resigned as President of the Swiss National Bank. Mr Jean-Pierre Roth was elected as President of the «Banque cantonale de Genève» and member of the Board of Swiss Re and of Nestlé Ltd in 2010. In 2014, he was elected as member of the Board of MKS (Switzerland). Since then, Mr Roth retired from the Board of Swiss Re, Nestlé Ltd and the «Banque cantonale de Genève». Since 1 July 2017, Mr Roth acts as Vice President of the Arab Bank (Switzerland) Ltd.

**Daniela Aeschlimann**, a Swiss national, has been a member of the Swatch Group Board of Directors since 2016. Ms Aeschlimann studied Business Economics and graduated with a Bachelor of Science in Business Administration from Lucerne University of Applied Sciences. In 2016, she successfully completed an Executive MBA at the University of St. Gallen. Since 2010, she has been a member of the Board of Directors of the Avesco Group and since 2013, has also served as the Board's vice-president. Ms Aeschlimann serves on several other boards of directors and trustees including, notably, a seat on the Board of Directors of Belenos Clean Power Holding SA that she holds since 2014.

### 3.2 Elections and terms of office

The members of the Board of Directors are elected at the Ordinary General Meeting of the shareholders for a term of one year. The period between two Ordinary General Meetings is regarded as one year. The members of the Board shall be eligible for re-election at any time. There is no limit on the age and/or term of office. According to Article 19 of the Swatch Group Statutes the votes and elections take place openly, except where the Chairman orders a written or electronic election or vote. One or more shareholders, who together dispose of not less than 10% of the represented votes, may require written votes or elections.

First-time election and remaining term of office of the members of the Board of Directors:

Name	First-time election	Term of office
Nayla Hayek	1995	up to 2020
Georges Nicolas Hayek	2010	up to 2020
Prof. Dr. h.c. Claude Nicollier	2005	up to 2020
Dr. Jean-Pierre Roth	2010	up to 2020
Ernst Tanner	1995	up to 2020
Daniela Aeschlimann	2016	up to 2020

On the occasion of the General Meeting 2019 the members of the board of directors were re-elected for another term of one year. Mr Jean-Pierre Roth has been designated as the representative of the bearer shareholders and Mrs Nayla Hayek as representative of the registered shareholders.

### 3.3 Changes in the Board of Directors

In the year under review, there were no changes in the Board of Directors.

### 3.4 Number of permissible mandates

According to art. 40 of the Swatch Group Statutes, no member of the Board of Directors shall hold more than four additional directorships in listed companies and ten additional directorships in unlisted companies. The following are not covered by these restrictions (i) directorships in companies which are directly or indirectly controlled by the company or which control the company, (ii) directorships held by a member of the Board of Directors on behalf of or at the request of the company or a company controlled by it, provided that no member of the Board of Directors shall hold more than 20 such directorships, and (iii) mandates in associations, charitable organizations, non-profit foundations and employee welfare foundations, as long as no member of the Board of Directors shall hold more than 30 such mandates. Directorships shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Directorships in different legal entities that are under joint control or same beneficial ownership are deemed one directorship.

### 3.5 Internal organizational structure of the Board of Directors

At the General Meeting 2019, the Chairwoman of the Board of Directors (Mrs Nayla Hayek) was elected by the shareholders (until the next General Meeting). Moreover, the Board of Directors is self-constituting. It has appointed a Vice-Chairman (Mr Ernst Tanner) from its midst. The office of Secretary to the Board of Directors is carried out by Mrs Jennifer Meyer-Kluge. The Secretary to the Board of Directors is not a member of the Board. The term of office of the Chairman, the Vice-Chairman and the Secretary respectively is one year. They are all re-eligible for a further term of office. If an officer is substituted, the successor completes the remainder of the term of the predecessor. The Board of Directors has an Audit Committee and a Compensation Committee at its disposal. These committees, which sit separately (normally immediately following an ordinary meeting), because of the relatively small number of company directors, comprise all the members of the Board of Directors. The Audit Committee is chaired by Mrs Nayla Hayek. The office of Chair of the Compensation Committee is conducted by Mr Ernst Tanner, Vice-Chairman of the Board of Directors. The Chairwoman of the Audit Committee and the Chairman of the Compensation Committee were elected by the Board of Directors at their first meeting after the General Meeting 2019.

The Audit Committee is mainly responsible for the supervision of the financial reporting and for the evaluation of the internal and external audit. The Audit Committee has particularly fulfilled the following functions:

- Review of the Audit reports,
- Reinforcement of points which the auditing firm raised,
- Determination of the audit focal points,
- Discussions of the efficiency of the internal control system including risk management,
- Appraisal of the performance, remuneration and independence of the external auditors,
- Dealing with special questions of the financial statements (for further details see also point 8.3).

The Compensation Committee concerns itself with the compensation policy of the company. It supports the Board of Directors in determining the compensation systems and the principles of compensation as well as the preparation of proposals to the General Meeting with regard to the approval of compensation. The Compensation Committee can submit proposals and recommendations to the Board of Directors in all compensation matters.

The Compensation Committee deals with all questions in the field of compensation and proposes solutions for the attention of the Board of Directors. The Board of Directors is the decision-making body. It submits the required resolutions to the General Meeting for approval. Further details can be found in the separate Compensation Report for the business year 2019.

The Board of Directors does not have a Nomination Committee at its disposal. The tasks of the Nomination Committee (determination of the criteria for the selection of candidates for election as members of the Board of Directors, selection procedure, etc.) are carried out directly by the Board of Directors, in view of the small number of members.

In the year under review, the Board of Directors met six times. The meetings lasted approximately three to four hours. The Compensation Committee met twice and the Audit Committee met three times.

The members of the Executive Group Management Board regularly attend the ordinary meetings of the Board of Directors (second part). Beside the President (CEO) of the Executive Group Management Board, the Chief Financial Officer (CFO) and, if necessary, any other members of the Executive Group Management Board, attend the meetings of the Audit Committee. The Chief Financial Officer (CFO) participates in the meetings of the Compensation Committee as he attends to the personnel issues of the members of the Executive Group Management Board and Extended Group Management Board. Where there are discussion points concerning a person present, such person withdraws from the meeting.

### 3.6 Definition of areas of responsibility

The Board of Directors is the highest executive body responsible for the overall administration of the Group. It adopts strategic decisions and defines the means necessary for attaining the long-term goals. It determines, inter alia, the participation and appointment of the members of the Executive Group Management Board, the Extended Group Management Board and the heads of the main Group companies. Moreover, the Board of Directors approves the annual budget of the Group and its affiliated companies. The Board of Directors prepares the General Meeting and drafts the annual report as well as the half-year report.

The Board of Directors has delegated the current operative business to the Executive Group Management Board, the Extended Group Management Board and to the management of The Swatch Group Ltd.

The Executive Group Management Board is responsible for implementing Group strategies. It sets strategies and objectives for the Group companies and supervises their management.

The Extended Group Management Board supports and advises the Executive Group Management Board in its operative tasks. It makes suggestions for the development of the Group strategy.

The individual members of the Executive and Extended Group Management Boards manage their allocated areas within the framework of the Group policy and in accordance with guidelines set by the Executive Group Management Board. The management of The Swatch Group Ltd. is responsible for the current operative business of the The Swatch Group Ltd.

### 3.7 Information and control instruments

Each member of the Board of Directors can request to receive information on all issues concerning the Company and on important issues concerning the Group companies.

The members of the Executive Group Management Board report at the Board of Directors meetings on current business and important business issues. In particular, the members of the Board of Directors regularly receive detailed information regarding turnover and results trends for the Group and Group Divisions. Furthermore, important business issues, new products and the Group's financial status are reported in detail. Moreover, extraordinary occurrences are immediately brought to the attention of the Board.

Outside meetings, each member of the Board of Directors may seek information on the general progress of business from authorized management (after informing the Chairwoman). With due authorization of the Chairwoman, they may also demand direct information on individual business transactions. Should the Chairwoman reject an application for information, a hearing or an inspection (which has never occurred so far), the entire Board of Directors shall decide at the request of the applicant.

The Chairwoman of the Board of Directors has an Audit-Team available, which she may deploy in specific cases.

## 4. Group Management (Executive Group Management Board/Extended Group Management Board)

At 31 December 2019

### 4.1 Members of the Executive Group Management Board

**Nick Hayek**, Swiss citizen, pursued two years' study at the University of St. Gallen (HSG), then attended the Film Academy CLCF in Paris. President of the Executive Group Management Board since 2003 and member of the Board of Directors since 2010, Mr Hayek has worked with the Swatch Group since 1992, firstly as Swatch Ltd Marketing Manager, then as Swatch Ltd President and finally as Delegate of the Board of Directors of Swatch Ltd. In the mid-eighties, he founded his own production company, Sesame Films in Paris, and worked in Switzerland and abroad. His involvement in a number of film productions (e. g. a series of documentaries for Swiss Television), then the production of a number of short films (e. g. 1st prize at the Thessaloniki Film Festival, an official contribution to the Cannes Film Festival, etc.) and his activity as producer and director of two feature films, «Das Land von Wilhelm Tell» and «Family Express» with Peter Fonda (a film that earned him the prize for the best Swiss comedy at the Charlie Chaplin Comedy Film Festival in Vevey) resulted in his being called upon to advise on various Swatch projects in the early '90s and to assume responsibility for several Swatch exhibitions (such as that of Lingotto in Turin). Mr Hayek is a member of the Board of Directors of the CSEM (Centre suisse d'électronique et de microtechnique) and of Belenos Clean Power Holding Ltd.

**Florence Ollivier-Lamarque**, French citizen, lawyer, has been a member of the Extended Group Management Board since 1992 and of the Executive Group Management Board since 2005. Ms. Ollivier-Lamarque has been with the Group since 1988 when it took over the Société Inthor, Paris, which distributed some of the Group's watches in France. At that time, she worked as Swatch and Tissot Brand Manager. In 1990, she took over the management of Swatch Group France and in 2002 the management of Swatch Group France Les Boutiques. She was responsible for Swatch Group France and Swatch Group France Les Boutiques until end of 2018 as well as for Italy, Spain, Belgium and The Netherlands. Ms. Ollivier-Lamarque is responsible for the watch brand Flik Flak, member of Board of the Colbert Committee and Vice President of the Fédération de l'Horlogerie, Paris.

**Pierre-André Bühler**, Swiss citizen, technical education, member of the Extended Group Management Board since 2008 and of the Executive Group Management Board since 2013. Mr Bühler started his career within the Group in 1977 as manager of the industrialisation division at Michel SA in Grenchen. Later Mr Bühler held executive functions at ETA (Technical manager of the division Michel) and at Nivarox (Production manager). Before taking over the general management of ETA, Mr Bühler worked as managing director of Nivarox-Far (Le Locle). Since September 2019, he is CEO of DYB, responsible for new industrial technologies for the Group and responsible for Comadur in the Executive Group Management Board. He represents the Swatch Group on the Executive Board of the Federation of the Swiss Watch Industry FH and is a member of the Board of Directors of CSEM.

**Dr Mougahed Darwish**, Swiss citizen, holds a doctorate in Physics from the EPFL. He has been a member of the Extended Group Management Board since 1994 and of the Executive Group Management Board since 2005, responsible for EM Microelectronic, Micro Crystal, Renata and Oscilloquartz. Mr Darwish has been with the Group since 1979, starting as Project Manager for the Xicor-Ébauches joint venture. Previously, he had been active in research and development for the Centre électronique horloger (CEH, today Centre Suisse de l'électronique et de microtechnique SA, CSEM). From 1985 to 2007 he managed EM Microelectronic as CEO. Mr Darwish represents the Group on the Board of Directors and the Science Council of the CSEM as well as on the Board of FLRH; he is a member of the Swiss Academy of Technical Science. Since 2008, Mr Darwish is a member of the Board of Directors of Belenos Clean Power Holding AG and actively supports several projects.

**Marc Alexander Hayek**, Swiss citizen, Dr h.c. European University Montreux, Montreux, holds a bachelor degree in Economics and has undergone training in Marketing and Economics. He became a member of the Extended Group Management Board in 2002 and of the Executive Group Management Board in 2005 with responsibility for Blancpain, Breguet, Jaquet Droz and Glashütte Original as well as for CHH Microtechnique. Since August 2017, Mr Hayek is a member of the Board of Directors of Belenos Clean Power Holding Ltd and since 2019 Vice President and Delegate. He joined Blancpain as Marketing Manager in 2001. Mr Hayek had previously worked as an independent entrepreneur (Restaurant Colors, Zurich) and had been employed by Swatch in the PR area and by Certina in marketing.

**Dr Thierry Kenel**, Swiss citizen, holds a doctorate in Economics, a degree in Mechanical Engineering and a postgraduate degree in Management of Technology. As a Member of the Extended Group Management Board since 2009 and of the Executive Group Management Board since 2012, he is responsible for Corporate Finance, Reporting, Investor Relations, Swatch Group Belgium, Swatch Group Netherlands, Swatch Group Luxembourg, Swatch Group Greece and Swatch Group South Africa. Mr Kenel has been with the Swatch Group since 2003, first as Group Controller in the business segment Electronic Systems and subsequently as head of Finance, IT and Administration at Montres Breguet SA. Prior to joining the Swatch Group, Mr Kenel was a lecturer and researcher in the field of economics at the University of Lausanne; earlier, he was a member of the Board of Directors and the management of the Flumroc-Spoerry group of companies. Mr Kenel represents the Swatch Group in the Board of economiesuisse, the Convention Patronale and the Federation of the Swiss Watch Industry FH, where he presides over the Economic Commission. Mr Kenel continues to be a private lecturer of Finance and Financial Reporting at the University of Lausanne (HEC) as well as at the Swiss Institute of Certified Accountants and Tax Consultants. He is also a member of the Liaison Committee University-Industry at the University of Lausanne (HEC).

**Dr Peter Steiger**, Swiss citizen, who has a doctorate in Public Economics, has been a member of the Extended Group Management Board since 2002 and member of the Executive Group Management Board since 2019, with responsibility for Corporate Controlling and Logistics as well as Swatch Group Singapore, Swatch Group UK, Swatch Group Mexico and Swatch Group US. He started his career with the Group in 1989 as Head of Finance and Administration with PC Quartz. Later, Mr Steiger held leading finance and logistics positions within various Group companies (among others Swatch and Longines). Before joining the Swatch Group, he had worked with international groups in Switzerland and abroad (Shell, Philips).

**François Thiébaud**, French citizen, studied at the ICG Institut Contrôle de Gestion, Paris and Law at the University of Besançon, and he has been a member of the Extended Group Management Board since 1998 and of the Executive Group Management Board since 2006, with responsibility for Tissot, Mido, Certina, Union Glashütte as well as Swatch Group Nordic (Denmark, Finland, Sweden, Norway) and the Swiss market. He joined the Swatch Group in 1996 as President of Tissot. Previously, he had been active as Delegate of the Board of Directors of Juvenia and General Manager of Breitling during 13 years. He represents the Group in the AMS Association des fournisseurs d'horlogerie, marché suisse (Chairman).

### 4.2 Members of the Extended Group Management Board

**Raynald Aeschlimann**, Swiss citizen, graduated with a degree in economics and an M.A. from the University of St. Gallen (HSG). He was appointed to the Swatch Group's Extended Group Management Board in 2013. Since 2016 Mr. Aeschlimann is President of Omega Ltd. Prior to that, he was Vice President and International Director of Sales, Retail and Distribution at Omega Ltd. since 2001. He joined Omega in 1996 as Sales and Marketing Project Manager. He was also Brand Manager of Omega and Blancpain Spain in 2000 and has been the Group Coordinator for the Swatch Group's Indian subsidiary since 2010. Since 2019, he is also responsible for Swatch group France and Swatch Group Monaco Les Boutiques. Mr. Aeschlimann is on the Executive Board of the Federation of the Swiss Watch Industry FH. He had previously worked at Longines and Complemeta AG in St. Gallen from 1992 to 1996.

**Matthias Breschan**, Austrian citizen, graduated from the Vienna School of Economics, has been a member of the Extended Group Management Board since 2005 and is responsible for Rado, Hamilton, for Swatch Group Taiwan and Swatch Group Austria. Mr Breschan manages Rado since 1 January 2011. Before he managed Hamilton for seven years and worked as Area Sales Manager for three years at Swatch Telecom. Between his activity for Hamilton and Swatch Telecom he was Managing Director of Aldi in France (Aldi Marché Est). Before joining Swatch Group Mr Breschan worked for Texas Instruments and Alcatel Mobile Phones in the product marketing, international marketing and sales areas.

**Daniel Everts**, Swiss citizen, lic. iur., attorney-at-law, MBA from INSEAD in Fontainebleau, France. Member of the Extended Group Management Board since 2019, responsible for Swiss Timing and Swatch Group Poland. Daniel Everts joined Swatch Group in 2010. Since 2016, he holds the position of Chief Legal Officer Corporate & Industry and is responsible for the legal support of the Group companies in the areas of production, electronic systems and corporate. Before joining Swatch Group, Daniel Everts worked as a lawyer in international commercial law firms. He represents Swatch Group as a delegate to the Swiss Watch Industry Employers' Association (Convention Patronale) and is a board member of the Swiss Employers' Association (SAV).

## CORPORATE GOVERNANCE

**Yann Gamard**, French citizen, holds an MBA from Lausanne and has been a member of the Extended Group Management Board since 1998. He is responsible for the watch brand Swatch, Swatch Group Germany as well as the distribution logistics for watches in Europe and for batteries worldwide. He joined the Swatch Group in 1995 (Swatch AG). He subsequently assumed responsibility for the telecom business of the Swatch Group and was thereafter appointed as Country Manager for the USA, responsible for Hamilton and later on for Glashütte Original, as well as for further European countries. Before joining the Group, Mr Gamard held various roles with Procter & Gamble and Cartier.

**Hans-Rudolf Gottier**, Swiss citizen, holds an electrical engineering degree from the University of Applied Sciences (HES) in Biel and is a member of the Swatch Group's Extended Management Board since 2013, where he is responsible for the companies Renata and Micro Crystal as well as for the FEPS in Shenzhen. Mr Gottier began his career in Swatch Group in 1980 as head engineer of the quartz production. Since 1990, he is the CEO of Micro Crystal Ltd. During this period, Micro Crystal was developed from being an internal quartz supplier for the watch business to being a worldwide quartz supplier. Over the recent years, Mr Gottier has led various companies within Swatch Group Electronic Systems and completed their restructuring. Prior to joining Swatch Group, Mr Gottier worked in South America where he was responsible for the technical implementation in connection with the importation of large machinery and installations.

**Roger Juillet**, Swiss citizen, has been a member of the Extended Group Management Board of Swatch Group since 2019. He has been CEO of Nivarox-FAR since 2012 and a member of the Executive Board of ETA since 2019. Mr. Juillet joined the Group in 1969. He has held various positions in a number of Group companies. For example, he joined ETA in 1985 and was appointed Group Manager Automation after working for FHF for several years. In 1998, he assumed the role of production manager for microtechnology components at Nivarox-FAR. Three years later, Mr. Juillet was appointed Production Manager Components and Assembly at the same subsidiary and then took over the management of this key Swatch Group company on 1 April 2012.

**Walter von Känel**, Swiss citizen, with a commercial training, has been member of the Extended Group Management Board since 1991, with responsibility for Longines. He entered Longines in 1969 and became its President in 1988. Before joining Swatch Group Mr von Känel worked for a watch-dial factory and with the Federal Customs Administration.

**Mireille Koenig**, Swiss citizen, lic. iur., lawyer, LL.M. (Chinese Law) from Hong Kong University. Member of the Extended Group Management Board since 2019, responsible for the legal interests of the brands and international subsidiaries as well as for Swatch Group Russia and Swatch Group South Korea. Mireille Koenig joined the Swatch Group Legal Department in 2009 and has been Chief Legal Officer Brands & Countries since 2016. She represents Swatch Group as a delegate on the Legal Committee of the Swiss Watch Industry Association (FH). Prior to joining Swatch Group, Mireille Koenig worked for several years as a lawyer in an international business law firm and in a senior position at a Chinese management consultancy in Shanghai.

**Lionel a Marca**, Swiss citizen, has been a member of the Extended Group Management Board of the Swatch Group since 2019. He completed a technical education as a qualified rhabilleur watchmaker at the EHMP (Ecole Horlogerie Mircrotechnique) in Porrentruy. Mr. a Marca has been Vice President of Blancpain since 2004 and Vice President of Harry Winston as Head of Technical and Development Management since 2015. Previously, he was Head of Product at Blancpain for two years. He also served as consultant and project manager for Swatch Group Quality Management and as watchmaker for complications at ETA, as well as at Frédéric Piguet SA. Before joining Swatch Group, Lionel a Marca was a rhabilleur watchmaker in various watch companies in the Jura region.

**Calogero Polizzi**, Italian and Swiss citizen, holds a diploma in information technology from the Industrial Technical Institute L. Cobianchi in Verbania, Italy. He joined Swatch Group in 1999 and is Head of Information Technology at Swatch Group level since 2005, and President and CEO of Swatch Group Italy since 2019. He is a member of the Extended Group Management Board since 2013. Also on this level, he has the responsibility for Information Technology and for Swatch Group Italy. In addition, he is responsible for the software aspects of the new Swiss Operating System for IoT (Internet of Things). He worked as IT Manager at Swatch Group Italy and later as Head of IT at Swatch Group Distribution. Between these two assignments, he has been Chief Information Officer at Tod's S.p.A. Before joining Swatch Group, Mr Polizzi used to work at Whirlpool where he was engaged in various information technology positions at the international level.

**Kevin Rollenhagen**, American citizen, graduated in Economics (BA) at the Michigan State University, has been a member of the Extended Group Management Board since 2005 and is responsible for Swatch Group China and Swatch Group Taiwan, Swatch Group Australia and Swatch Group Macau and Country Manager of Swatch Group Hong Kong (he represented these countries from 2000 onwards in the Extended Group Management). Mr Rollenhagen joined Swatch Group in 1989. He started his career as trainee at Tissot and became Regional Sales Manager for Tissot and Omega. Since 1994 he has been active in Hong Kong and China (first as Brand Manager Omega). Before joining Swatch Group Mr Rollenhagen worked with Caterpillar in sales. Mr Rollenhagen represents Swatch Group in the Hong Kong Watch Importers Association where he acts as Treasurer.

## CORPORATE GOVERNANCE

**4.3 Number of permissible mandates**

According to art. 40 of the Statutes, no member of the Group Management Board shall hold any directorships in listed companies and more than four additional directorships in unlisted companies. The following are not covered by these restrictions (i) directorships in companies which are directly or indirectly controlled by the company or which control the company, (ii) directorships held by a member of the Group Management Board on behalf of or at the request of the company or a company controlled by it, provided that no member of the Group Management Board shall hold more than 20 such directorships, and (iii) mandates in associations, charitable organizations, non-profit foundations and employee welfare foundations, as long as no member of the Group Management Board shall hold more than 30 such mandates. Directorships shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Directorships in different legal entities that are under joint control or same beneficial ownership are deemed one directorship.

**4.4 Employment Contracts**

The contracts of employment with the members of the Executive and the Extended Group Management Board are entered into for an indefinite period of time and can be terminated by both parties with a six month notice period. In case of a cancellation no termination payment will be due. No entry bonus is paid by Swatch Group when entering new contracts (Golden Hellos).

In case of an exit there are no other entitlements to any compensation.

**4.5 Changes in the Executive Group Management Board resp. Extended Group Management Board**

As of 1 February 2019, Mr. Jean-Claude Eggen retired from the Extended Management Board. As of 1 August 2019, Dr. Peter Steiger transferred from the Extended Group Management Board to the Executive Group Management Board. Mrs. Mireille Koenig, Mr. Daniel Everts, Mr. Roger Juillet and Mr. Lionel a Marca were newly appointed to the Extended Group Management Board with effect from 1 August 2019. Otherwise, there were no changes in the Executive Group Management Board or the Extended Group Management Board during the year under review.

**4.6 Management Contracts**

Within the framework of a global contract, Hayek Engineering AG, Zurich, placed its management personnel in particular at the disposal of operational activities, as well as in the areas of real estate and logistics.

**5. Compensation, shareholdings and loans / credits****5.1 Compensation**

The material elements of the compensation principles, of the tasks and competences in the field of compensation, of the composition and function of the Compensation Committee and of the various compensation elements, etc. are exposed in a separate compensation report. Additionally, it is pointed out that according to Art. 32 para. 7 of the Statutes, the compensation may be awarded in the form of cash, shares, in kind or in the form of services; with regards to the executive members of the Board of Directors and the members of the Group Management Board, their compensation may in addition be awarded in the form of other participation rights, options, or similar instruments or units. The Board of Directors or, to the extent delegated to it, the compensation committee shall determine the applicable conditions relating to the grant, the exercise as well as the deadlines, possible blocking periods and forfeiture conditions.

The separate Compensation Report also covers the loans, credits and share programs and is thus referred to here.

**5.2 Participation programs**

The aims of the management stock option plan of the Swatch Group are to honour performances of the main Management members, strengthen the motivation and the sense of responsibility in the Group, further the loyalty to the firm as well as the stability of the managing employees and promote a favorable wealth increase. The allocation of shares results from an individual performance report. The voting rights of the shares in possession of the plan will not be exercised.

The share program is described in the Compensation Report.

An overview of the shares and options owned by the members of the Board of Directors, Executive Group Management Board and Extended Group Management Board and persons being closely related to them at 31 December 2019 may be consulted on page 223.

### 5.3 Loans, credits

Loans and credits to members of corporate bodies are considered in the Compensation Report.

### 5.4 Approval by the General Meeting

Pursuant to Art. 31 of the Statutes, the General Meeting shall annually approve the motions of the Board of Directors in relation to the aggregate amounts of (i) the maximum fixed compensation of the members of the Board of Directors for the period until the next Ordinary General Meeting, (ii) the maximum fixed compensation of the members of the Group Management Board for the current business year, (iii) the variable compensation of the executive members of the Board of Directors for the completed business year and (iv) the variable compensation of the members of the Group Management Board for the completed business year. The Board of Directors may thereof propose additional motions to the General Meeting or motions which vary from those mentioned above, to the extent permitted by law.

The company or companies controlled by it shall be organized to pay to persons who become members of the Group Management Board or are being promoted within the Group Management Board after the General Meeting has approved the compensation of the Group Management Board for the relevant period a supplementary amount during the compensation period(s) already approved, if the maximum aggregate amount of compensation already reapproved by the General Meeting is not sufficient to cover their compensation. The supplementary amount shall not exceed 40% of the last approved aggregate amount of compensation of the Group Management Board.

In the event that the General Meeting does not approve a motion of the Board of Directors, the Board of Directors shall determine, taking into account all relevant factors, the respective (maximum) aggregate amount or (maximum) partial amounts. The Board of Directors shall submit the amount(s) so determined for approval by the same General Meeting, a subsequent Extraordinary General Meeting or the next Ordinary General Meeting.

The company or companies controlled by it may pay out compensation prior to the approval by the General Meeting subject to the subsequent approval by the General Meeting.

## 6. Shareholders' participation

### 6.1 Voting rights and representation restrictions

For the exercise of voting rights, no shareholder may combine, either directly or indirectly, more than 5% of the total shareholders' equity in respect of his own shares and those represented by him. This limitation does not apply to the shares which are excluded from the registration prohibition (point 2.6 above). Nor does this restriction apply to the exercise of voting rights by the independent voting-rights representative.

Furthermore, pursuant to Art. 16(4) of the Statutes, the Board of Directors is entitled to make exceptions to the limitations in special cases. No exceptions were requested or granted during the business year. A modification of the representation restrictions is only possible through a change of the provisions of the Statutes. For such modification a decision of the General Meeting with a relative majority is required.

Shareholders who cannot attend the General Meeting in person may arrange to be represented by their legal representative, by another shareholder entitled to vote or by the independent voting-rights representative.

### 6.2 Statutory quorums

In addition to the special quorum regulations provided in Art. 704 CO, the Statutes also apply the same quorum regulation (two-thirds of the votes represented and an absolute majority of the par values of shares) for dismissing members of the Board of Directors.

### 6.3 Convocation of the General Meeting of Shareholders

The General Meeting is convened pursuant to Articles 13 and 14 of the Statutes. Shareholders who together own at least 10% of the share capital can, at any time, request in writing the convening of an extraordinary general meeting. Such an extraordinary general meeting shall be held within 40 days of the date of receipt of such a request.

### 6.4 Agenda

Shareholders who represent shares with a par value of one million Swiss francs may submit a written request for a meeting to be held to discuss a particular subject; the motions tabled shall likewise be indicated (see Article 14 (3) of the Swatch Group Statutes in conjunction with Art. 699 and 700 CO).

### 6.5 Entries in the share register

As a general rule, the share register is closed for entries 20 days before each General Meeting.

## 7. Changes of control and defence measures

### 7.1 Duty to make an offer

Art. 10 of the Statutes provides that a shareholder who acquires shares either directly or indirectly or in agreement with third parties and by so doing exceeds the limit of 49 % of voting rights, including the shares that he already possesses, regardless of whether those rights can or cannot be exercised, shall be required to make an offer to purchase all the listed shareholding papers of the Company (Art. 10 of the Statutes in conjunction with Art. 135 FinMIA).

### 7.2 Clauses on changes of control

There are no agreements with members of the Board of Directors, the Executive Group Management Board or other managerial staff for the case of a change in the shareholder structure.

## 8. Auditors

### 8.1 Duration of the mandate and term of office of the lead auditor

PricewaterhouseCoopers Ltd performs since 1992 the function of external auditor of the Group. Before that, the predecessor organizations already served as auditors for the Group and many of its companies.

Mr. Thomas Brüderlin, as head auditor (Engagement Partner), has been responsible for the audit and Group audit since the 2018 accounting year.

### 8.2 Auditing fees and additional fees

The following auditor's fees have been charged to the 2019 annual accounts:

(CHF million)	Audit	Taxes	Other Services	Total
PricewaterhouseCoopers	4.7	1.0	1.2	6.9
Other Auditing Companies	0.6	0.4	0.5	1.5
<b>Total 2019</b>	<b>5.3</b>	<b>1.4</b>	<b>1.7</b>	<b>8.4</b>
Total 2018	5.2	1.6	1.5	8.3

### 8.3 Supervisory and control instruments pertaining to the audit

The supervision and final verification of the external audit is exercised by the Audit Committee, and by the full Board of Directors, respectively (see also the duties and functions as described under 3.5). The Audit Committee evaluates together with the Group Management the performance of the auditors and recommends the independent external auditor to the Board of Directors for election by the General Assembly. As a general rule, the Audit Committee meets twice a year with the auditors. The auditors prepare a report for the Audit Committee regarding the findings of the audit, the financial statement and the internal control. Together with the auditors, the audit focus points for the following review period are determined and the audit related key risks established by the auditors are discussed. In collaboration with Group Management the independence of the auditors is evaluated annually. In particular and for this purpose the worldwide fees of the audit are presented, discrepancies with the estimated costs analysed and explained and the budget for the following audit period is determined. The appointment of the auditor is subject to an approval procedure.

## CORPORATE GOVERNANCE

### 9. Information policy

The Swatch Group plans to report on the business of the Group at the following times:

- 30 January 2020 Key figures 2019
- 19 March 2020 Press conference / annual report 2019
- 14 May 2020 General Meeting of Shareholders
- 31 July 2020 Half-year figures 2020

The list may change during the year, if dates are adjusted or added. The information is always published in the Swiss and international press and also published and processed in the publications of leading international banks.

This information can also be obtained from the Swatch Group website at [www.swatchgroup.com](http://www.swatchgroup.com), and in particular under the «Investor Relations» section. The annual report can also be viewed and downloaded using the link <https://www.swatchgroup.com/en/investors-space/annual-report>. In addition, the [swatchgroup.com](http://swatchgroup.com) homepage allows for the possibility of subscribing to the Push-and-Pull information service in order to receive ad-hoc-financial announcements.

For queries, there is a contact form at [www.swatchgroup.com/contactus](http://www.swatchgroup.com/contactus). Queries may also be sent by post (The Swatch Group Ltd., Seedorstadt 6, CH-2501 Biel) or by fax to +41 32 343 69 11 or by telephone on +41 32 343 68 11.

