

Putting People at Heart for a Sustainable Future

2018 sustainability report
Executive summary



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To read our 2018 online sustainability report visit:
www.sustainabilityreport2018chalhoubgroup.com

From the CEO



As the leading partner for luxury in the Middle East, we have a responsibility to hold ourselves to the highest standard and for us this means ensuring sustainability is an integral component in how we operate our business. The pillars of our sustainability strategy - Leadership, People, Partners, Planet and Impact - give us this robust framework for strong performance and a clear vision for the future: a future which we look forward to with commitment and optimism.



People are at the heart of our business, whether they are our employees, our customers or within our partner organisations. We continue to nurture an inclusive work environment giving everyone opportunities to thrive.

Our transformation continues to drive change and stimulate innovative ideas to improve our interaction with our customers. Digitalisation is elemental to our strategy of becoming a hybrid retailer and offering a seamless omnichannel experience.

Our partners play a key role during our transformation into an inherently leaner and more sustainable organisation. We are also entering a new frontier in sustainability at Chalhoub Group – one that focuses on our global value chain and responsible consumption. This will require increased collaboration with both our partners and suppliers as we seek to enhance our practices and raise awareness amongst our consumers.

We continue to take actions to reduce our environmental footprint as we have a responsibility not only to ourselves but to future generations. We have continued testing the strength of our suppliers' environmental management and remain committed to the 10 principles of the UN Global Compact which reinforce the values which support our business.

Our employees are dedicated to serving their communities across the region and their commitment is evident throughout our organisation. Thanks to our Chalhoub IMPACT initiatives, more than 3,700 employees volunteered in our activities providing either financial support or time for schools, young people, the environment, and people in need.

As an appointed board member of the UNGC in 2018, I take it upon myself to continue driving a responsible business. We would like to thank everyone, and particularly our team members for their contribution to another successful year for the Group. Our commitment is to build on the solid foundations put in place without ever forgetting that we have people at heart.

Patrick Chalhoub, Chief Executive Officer.

Our sustainability strategy



Our strategy provides a robust framework for action, in five inter-related areas:

Leadership: We demonstrate our leadership by operating our business fairly and ethically, and by building the trust of customers, partners and employees. We work constantly to improve the way we work, embracing digitalisation, process and product innovation to better respond to our customers needs.

Our people: People are at the heart of our business, whether they are our employees, our customers or within our partner organisations. We employ over 12,000 people, from 115 nationalities, and welcome the diversity that it brings. We continue to nurture an inclusive work environment giving everyone opportunities to thrive.

Partners: Our partners play a key role during our transformation into an inherently leaner and more sustainable organisation. We continue to work with suppliers and partners who share our goals and explore pathways to sustainable patterns of consumption.

Planet: We continue to take actions to reduce our environmental footprint, favouring eco-design in our stores and running initiatives with our teams to reduce waste, increase recycling and save energy and water resources.

Impact: We are dedicated to serving our immediate communities across the region and we continue to fund a diverse range of community projects with a special focus on sustainable development programs.

We support:



We are working to address our most material issues:

Leadership	People	Partners	Planet	Impact
<ul style="list-style-type: none"> Customer centricity and experience Corporate governance and business practices Digitalisation Innovation and creativity 	<ul style="list-style-type: none"> Diversity and inclusion Employee experience and wellbeing Talent attraction, development, and retention Employee health and safety Nationalisation 	<ul style="list-style-type: none"> Supply chain sustainability Responsible consumption Customer privacy and data security 	<ul style="list-style-type: none"> Energy management and GHG emissions Water management Waste management 	<ul style="list-style-type: none"> Community giving Employee engagement



“We always value collaborative approaches to collective challenges, and we are committed to work with our stakeholders to address our business’ key sustainability issues.”

Florence Bulte, Head of Sustainable Engagement.

Our 2020 commitments

We have set ourselves clear and demanding targets relating to each pillar of our sustainability strategy and we monitor our performance against these commitments on a regular basis.

Pillar	2020 targets	2017	2018
Leadership	15% revenue from online channels	-	3%
	50% of our employees use our online training platform	-	32%
	20 'ibtikar' business ideas in funding (in total)	-	5
	100 'ibtikar' quick win business ideas (in total)	-	29
People	50% women in middle management	43%	49%
	25% women in senior management	22%	22%
	Hire at least 30 women in our warehouses (in total)	-	22
	3.5% Emirati nationals in workforce	2.0%	2.3%
	Increase maternity leave to 90 days	70	70
	Increase paternity leave to 5 days	3	5
	Zero recordable injuries	2	2
Partners	400 suppliers have completed the Supplier Sustainability Scorecard	192	208
Planet	At least 35% of our total annual receipts will be electronic	24%	25%
	Reduce electrical energy consumption by 15% against 2016 baseline	+1.9%	-7.0%
	Increase energy consumption from renewables to 30%	-	-
	Reduce carbon emissions by 15% against 2016 baseline	+0.6%	-14.7%
	Reduce utility water consumption by 15% against 2016 baseline	+23.7%	+10.4%
	Reduce office paper consumption by 25% against 2016 baseline	-32.6%	-40.7%
	Increase percentage of stores assessed to 90% (UAE, KSA, Kuwait & Bahrain)	78%	91%
	Increase percentage of stores who obtained STEP certification to 80%	65%	59%
Impact	Increase number of employees volunteering by 20% against 2016 baseline	8.6%	14.8%
	Increase the number of people supported by impact initiatives by 25% against 2016 baseline	11.5%	17.6%

Note: This report covers our operations in the UAE from 1 January 2018 to 31 December 2018 unless otherwise indicated.



Leadership highlights



"We have been undergoing a 360° business transformation to ensure we get closer to our consumer at every touchpoint, anywhere and everywhere. This will secure our position as the leading luxury retailer in the Middle East and will future proof our business always staying agile and responsive to the needs of our consumers."

Rania Masri, Chief Transformation Officer.

Our customers are at the heart of everything we do. We are always striving to meet their needs and aspirations and to better understand what they want and the best means of delivering goods and services to them. We are using technology to create a seamless customer experience by making use of a customer's buying history to improve service, suggest preferred brands and remember preferences. At the same time, we have policies and processes in place which make sure we operate with integrity in a way that engenders the trust of all our stakeholders.

We are implementing radical change at Chalhoub Group, using digital technology to transform our Group from a traditional distributor

and retailer for luxury in the Middle East to a hybrid retailer bringing luxury experiences to the fingertips of customers everywhere.

Our business thrives on creativity, fashioning innovative concepts, fostering strong partnerships, and building successful brands whilst drawing on the ingenuity of our people to make sure we meet customer needs and aspirations. In 2018, we launched the Greenhouse, our retail technology accelerator. The Greenhouse is also home to 'Ibtikar,' our in-house employee incubator. Sixty-one submissions were made to Ibtikar in 2018, with five new business ideas now receiving funding and mentoring.

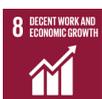
3% 
of total sales from digital channels

32% 
of employees utilised our online training platform

81% 
Dubai Chamber of Commerce CSR Label score (Global average, 66%)

5 
'Ibtikar' business ideas in process of funding and mentoring

In 2018, we launched the Greenhouse, our retail technology accelerator.





People highlights



“Our approach is to accompany all our employees in their career journeys and life, by providing opportunities for every individual to fulfil their personal and professional potential in a supportive environment.”

Wassim Eid, Chief Human Resources Officer.

We foster a supportive environment and drive a learning culture, where we're all encouraged to develop and grow as people as well as professionals. We continue our efforts on nationalisation, supporting young graduates, interns and working with partners to foster local talent. At the same time, we welcome diversity - with 115 nationalities represented in our workforce and a growing number of women in management positions.

In 2018, our executive committee signed a Diversity & Inclusion Board charter to show our commitment to uphold the principles of diversity, equality, fairness and respect.

We provided more than 61,000 hours of training in 2018, covering nearly 4,100 employees. We provided a wide range of health and safety training, encouraged healthy activity through sport and increased our paternity leave from 3 to 5 days.

Our 'People Experience' team have instituted what are called 'community groups' across the business, which organise events for various occasions and celebrate activities that connect people.

115 
nationalities represented in our workforce

70 
Increased maternity leave to 70 days (Exceeds UAE regulation by 35%)

2,000 
employees participated in our wellbeing programmes

61,061 
hours of training delivery (61% to women, 39% to men)

In 2018, we launched our employee app “MyChalhoub” with the aim of enhancing employee connectivity and inclusiveness across the Group.





Partner highlights



“We value the special bonds we have built with our stakeholders - whether they are suppliers, business partners, customers, or our own employees. We work hard to develop strong and durable relationships with all those who have an interest in our business.”

Paolo Lomonaco, Chief Financial Officer.

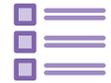
Our aim is to work with partners who share our vision, and who continually act to improve their positive impact. We are working with our suppliers to make sure that our offer to customers is founded on responsible practices throughout the supply chain. For example, since 2017, we shared our sustainability scorecard with approximately 600 suppliers.

We built a strategy framework, which will be fully developed in 2019, to adopt the principles of UNSDG 12 on responsible production and consumption as an approach across all our lines of business.

We recognize the importance of our customers' privacy and data; therefore, we are putting policies and processes in place to make sure our customers' interests are protected.

In 2018, we began to address data security head on. We are currently developing a data security policy and enhancing our IT system security architecture.

22%



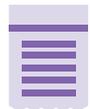
of 395 selected suppliers completed the supplier scorecard

59%



of 34 newly opened stores are STEP certified

25%



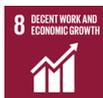
of total receipts issued are e-receipts

Zero



data security breaches

In 2018, we developed a strategy on how to increase engagement with our suppliers as part of our commitment to SDG 12.





Planet highlights



"We are constantly seeking methods to improve our operations and to minimise the negative environmental impact of structures and buildings by developing spaces efficiently, moderation in the use of materials, reducing waste over the lifecycle of a building, and controlling usage of energy and water."

Gilbert Boustany, General Manager, 3D Design Decoration and Display, Chalhoub Group.

We recognise the need to manage natural resources wisely - including efficient use of energy throughout our operations, to minimise our greenhouse gas emissions and reduce other environmental impacts. As part of our approach, we are transitioning to renewable energy. We reduced our energy consumption by 8.7% in 2018 and cut CO2 emissions by 15.2%.

From 2018, we have been making technical upgrades to our head office and main warehouse in four focus areas for sustainable design: space efficiency, material/waste management, energy efficiency, and water use efficiency.

We have been working to raise awareness on the importance of water as a resource among our own employees in our offices, warehouses and stores using our internal communication platforms.

We cut utility water consumption by 11% in 2018 and drinking water consumption by 14%.

To reduce our waste to landfill, we held communication campaigns to encourage our team members to segregate their waste and extend their efforts to their homes. In 2018, our warehouse in the UAE alone generated \$29,543 income from the sale of recyclable plastic. We have also been working to lessen our paper consumption with the increased use of tablets and altering our systems for printing.

Our project to move our information to cloud infrastructure was also rolled out in 2018. We outsourced this to an external data centre which has helped us increase efficiency, improve cash flow, be agile and decrease our environmental footprint.

8.7%

reduction in energy consumption from 2017



11%

decrease in utility water consumption from 2017



12%

reduction in paper consumption from 2017



15%

increase in recycling in our logistics from 2017



In 2018, we began the installation of over 6000 solar panels at two sites, with commissioning set for 2019.





Impact highlights



"Creating an impact in people's lives is at the heart of our employee engagement activities. We focus on providing meaningful volunteering opportunities to inspire and build bonds with those in the communities where we work."

Dana Dadoush, Senior CSR Executive.

Our goal is to leave a positive impact on the communities where we work. We provide financial support and the efforts of our volunteers to carry out projects in promoting education, environmental protection, and humanitarian aid - areas where we can make a real difference to people's lives.

We provide funds and tools to support youth in their education journey, such as donating smartboards and air-conditioners to schools or the provision of school bags and stationary supplies to students. In 2018, we distributed 14,990 school bags in 9 different communities in the region.

In 2018, we supported 124 activities across nine regions, working with 33 partners including non-governmental organisations, suppliers and government entities. We estimate that more than 22,000 people benefited from our activities and community giving.

None of these initiatives could have succeeded without the dedication and enthusiasm of our IMPACT ambassadors and volunteers. We believe in the power of volunteering. More than 3,700 employees took part in voluntary activity in 2018 - a contribution we can all be proud of.

124 
activities across 9 countries

22,752 
people in community impacted

3,793 
employee volunteers

9,972 
volunteer hours

In 2018, we invested \$1 million dollars towards developing a two-year education program to increase access to quality education.



Action on the United Nations Sustainable Development Goals



We support the UN Sustainable Development Goals. We see them as a valuable framework for focusing on areas where we can have a positive impact on society aligned with the most material issues facing our organisation.

We contribute to all SDGs through the way in which we conduct our own business and the voluntary efforts of our people.

We place particular importance on SDGs 4 and 12. SDG 4, which seeks to support quality education, is a key part of our corporate responsibility action in which we provide financial and volunteer effort to enable people to contribute to their own and broader development. We also focus on SDG 12 which seeks to promote more prudent management of the world's natural resources. As a luxury goods supplier, it is vital for us to understand and respond to changes in consumer preference and demand.

How we are contributing?



We invest in impactful education programs yearly centred on supporting 1,300 of displaced children fill the gap in their primary education. We share our knowledge with university students from all over the world and support entrepreneurs with practical skills to run their businesses. A total of 74% of our employees in UAE have received formal L&D training to improve their adaptability to technology and workplace matters. We sponsored 22 students' scholarships to attend reputable universities. We invested \$1 million in an e-learning platform to support displaced and low-income students with access to quality education.



We have developed a strategy which identifies hot-spots across all our business line to improve our social and environmental impact. We are working increasingly with our suppliers and brands to ensure that our products are sourced and produced in a responsible way. We are also examining how we can promote more responsible consumption.



"From the start, our family adhered to values that have enabled the business to grow and flourish. We are committed to build relevant and impactful partnerships to create a better world for all of us."

Aurelia Chalhoub, Daughter of Anthony Chalhoub



"A strong sustainable engagement is key to any forward-looking business in the 21st century. As citizens of the world, we should each take our part in making sure our development is sustainable for generations to come. Our grandparents and parents led the way in showing us how to create a sustainable business over the last six decades and today we are proud that the Chalhoub Group is going solar as we aim to enhance our environmental impact and reduce our dependence on fossil fuels."

**Kevin Chalhoub, Masters in Renewable Energy from Stanford University,
Youngest Chalhoub family member of the 3rd Generation.**

Our Sustainability Journey



Engaging with our stakeholders

We hope you have enjoyed reading this Summary of our sustainability performance in 2018. If you have feedback on this report, or on our performance more generally, we would be happy to hear from you.

Please contact us at: impact@mailmac.net

