

Compensation report



Letter from the Chairman of the Compensation Committee

Clay Brendish, Chairman

Dear Shareholders,

On behalf of the Compensation Committee, I am pleased to present our Compensation report for the year ended 31 March 2020.

Over the past year, the Committee has worked closely with Group management to further improve the compensation framework, including the introduction of a new long-term incentive plan. This Restricted Share Unit plan allows for the award of share units to employees, who receive the equivalent number of CFR shares following the vesting period. For the Group's most senior executives, the vesting of these units is dependent on certain pre-defined performance criteria (Performance Share Unit plan, or 'PSU'). This new plan further serves to align management compensation to shareholder returns, a key part of the Group's remuneration strategy.

Structures in place for the remuneration of the Group's executives and employees remain under continual review by the Committee, in order to ensure that executives are remunerated fairly and in line with the Group's strategic objectives. Incentivising creativity and long-term value creation becomes ever more important in the current difficult economic climate, and the Committee remains dedicated to ensuring that these principles are appropriately applied.

In the past months, the Committee has worked closely with Group management with regards to the impact of the current Covid-19 outbreak on the Group's compensation arrangements, and particularly on the implementation of measures to ensure that the consequences are shared fairly at all levels of the organisation. Amongst other measures, the Senior Executive Committee has agreed to a temporary reduction in fixed salary and a reduction in short-term incentives for the year ended 31 March 2020. Fees due to non-executive members of the Board of Directors will also be reduced.

At the AGM in September 2019, shareholders once again approved the remuneration proposals by a large majority. Specifically, shareholders were asked to approve the maximum amount of fixed Board compensation from the 2019 AGM to the 2020 AGM; the maximum amount of fixed Senior Executive Committee compensation for the 2021 financial year and the variable compensation of the Senior Executive Committee for the 2019 financial year. The actual compensation paid to the Board for the period from the 2018 AGM to the 2019 AGM and to the Senior Executive Committee with respect to fixed compensation for the 2020 financial year was in line with amounts previously approved by the shareholders.

The Compensation report that follows describes the Group's guiding principles, philosophy and policies for setting the compensation of members of the Board and the Senior Executive Committee. The report complies with the relevant articles of the Swiss Code of Obligations, the Swiss Code of Best Practice, and the Ordinance against Excessive Compensation ('OEC'). The compensation for the financial year under review, as detailed on pages 66 to 68 has been audited by the Group's auditors, PricewaterhouseCoopers.

On behalf of the Board, we would like to thank you for your continued support on executive compensation matters.

We look forward to receiving comments from our investors.

Clay Brendish
Compensation Committee Chairman

Compensation report continued

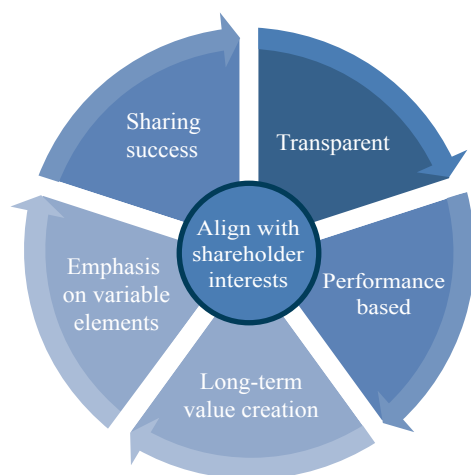
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1. Richemont's compensation principles

Our compensation-setting philosophy

The primary objective of the Group's compensation strategy is to align variable compensation paid to senior executives to total shareholder returns over the long-term, while attracting and retaining key talent in the face of competition from other multinational groups.



Members of the Senior Executive Committee are rewarded in line with the level of their authority and responsibility within the organisation. An executive's total compensation will comprise both fixed and variable elements. Short-term incentives are paid in cash and are awarded to executives in May, based on performance during the previous financial year. These are complemented by long-term awards under the Group's share option and performance share unit plans, which serve to both retain key executives and to ensure that the interests of these executives are aligned to the values of the Group, including a focus on capital allocation for long-term strategic purposes and the development of a culture of creativity within the Maisons.

The remuneration of each Senior Executive is dependent on performance against certain, pre-defined KPIs. These measures are both quantitative, reflecting the performance of the Group or Maison in terms of sales, operating profit and cash generation, and qualitative, with respect to individual and collective management performance.

Non-executive directors receive fixed compensation only and are not eligible for awards under the Group's short- or long-term incentive schemes.

Comparative group benchmarking

To ensure that the Group remains competitive in its compensation arrangements, benchmarking surveys are periodically considered by the Committee. A comprehensive benchmarking survey was performed in early 2020 which covered both the Senior Executive Committee and other key positions within the Group, focusing on base salaries, target bonuses, long-term incentives, and total direct compensation levels.

In benchmarking the remuneration of these executives, the Group considered compensation practices in a selection of multinational groups which it considers to be its peers. The criteria for selection included: industry focus on luxury goods, size in term of revenue and headcount, listed companies, and international presence in relevant geographies. These peers were identified as follows:

- Multinational Groups active in the Luxury Goods industry, such as LVMH, Kering and Hermès, amongst others.
- International groups headquartered in Europe and Switzerland with significant global presence.

As a point of reference, the Group targets at least the median compensation level of the peer group, while maintaining the potential for above-average variable compensation for superior performance.

2. Compensation Committee

The Compensation Committee ('the Committee') is a sub-committee of the Board of Directors, responsible for reviewing and establishing the Group's compensation policies and strategy. The core responsibilities of the Committee include agreeing the compensation of the executive director members of the Board and the Senior Executive Committee and setting the compensation of the non-executive directors and the Chairman of the Board of Directors. The compensation of all other members of senior management is regularly reviewed by the Committee to ensure that retention and motivation are in place to support the Group's long-term succession planning.

The Committee considers the recommendations of the Chairman of the Board of Directors regarding compensation awards for the Senior Executive Committee. For all other members of senior management, the recommendations of management are also considered. The Committee may amend or reject these recommendations. The Chairman of the Committee reports to the full Board of Directors on the discussions and decisions taken at each Committee meeting.

Members of the Committee are appointed by the shareholders of the Company for a term of one year. During the year ended 31 March 2020, the composition of the Committee was as follows:

Compensation Committee

Clay Brendish (Chairman)

Keyu Jin

Guillaume Pictet

Maria Ramos

The Committee meets four times a year, with additional meetings scheduled as required. The Group Chief Executive Officer, Group Human Resources Director and (from February 2020) Group Chief Finance Officer attend all Committee meetings but are not present when decisions are taken regarding their own compensation.

3. Long-term incentive plans

The Group operates the following long-term incentive plans for Group and Maison executives. Awards are made on an annual basis.

Share options

The main features of the Group's share option plan are as follows:

Plan	Employee share option plan
Strike price	Market value of share on grant date
Vesting period	Tranches over periods of three to six years from grant date
Expiry date	Nine years from date of grant
Vesting conditions	<ul style="list-style-type: none"> Continued employment with the Group The share options granted between 2008 and 2015 include a performance condition correlated to other luxury goods companies upon which vesting is conditional; those granted from 2016 onwards do not have performance conditions.
Termination of employment	<ul style="list-style-type: none"> In the event that an option holder retires, all outstanding share options vest immediately. All outstanding options vest immediately in the event that the option holder dies or has to end employment with the Group due to injury or permanent disability. If an option holder terminates employment with the Group for another reason, unvested share options are forfeited. Accelerated vesting of share options is never granted to any member of the Senior Executive Committee, even in the case of retirement.
Hedging of obligations	<ul style="list-style-type: none"> Buy-back of 'A' shares on grant date, if needed Awards do not result in the issue of new share capital
Dividends	No entitlement prior to exercise
Compensation value at date of grant	Based on valuation principles of IFRS 2, excluding employer's social security costs
Awards in year ended 31 March 2020	0.7 million share options were granted at strike price of CHF 82.86 Total award was reviewed and approved by the Committee, as were individual awards to Senior Executive Committee members

Restricted and Performance Share Unit plan

During the year ended 31 March 2020, the Group introduced a new Restricted Share Unit ('RSU') plan. Under this plan, employees receive 'A' shares after a fixed vesting period. Awards granted to senior executives are also subject to performance conditions which may reduce the number of shares vesting (Performance Share Units, or 'PSU'). The main features of this plan are as follows:

Plan	Restricted/Performance Share Unit Plan
Vesting period	Tranches over periods of three to five years from grant date
Vesting conditions	<ul style="list-style-type: none"> Continued employment with the Group For PSU only, achievement of quantitative performance conditions as set by the Compensation Committee for each grant
Termination of employment	<ul style="list-style-type: none"> In the event that a unit holder retires, all outstanding RSU or PSU vest immediately, subject to local restrictions in the country of employment. All outstanding RSU or PSU vest immediately in the event that the unit holder dies or has to end employment with the Group due to injury or permanent disability. If a unit holder terminates employment with the Group for another reason, unvested RSU/PSU are forfeited. Accelerated vesting of RSU/PSU is never granted to any member of the Senior Executive Committee, even in the case of retirement.
Hedging of obligations	<ul style="list-style-type: none"> Buy-back of 'A' shares on grant date, if needed Awards do not result in the issue of new share capital
Dividends	No entitlement prior to vesting
Compensation value at date of grant	Based on valuation principles of IFRS 2, excluding employer's social security costs
Awards in year ended 31 March 2020	1.4 million RSU and PSU were granted. Total award was reviewed and approved by the Committee, as were individual awards to Senior Executive Committee members

Compensation report continued

The number of PSU awards made in 2020 which will ultimately vest depends on value creation within the Group over the three years following the grant date. The average growth in the value of the Group, based on a predefined formula of reported Operating Profit and Free Cash Flow, is compared to the value on the grant date and the number of awards which vest adjusted accordingly.

Long-term retention plan

The Long-term Retention Plan ('LRP') is a cash incentive plan primarily used as a retention tool for key positions within the Group. For each eligible participant, the awards are set at the grant date at between 50% and 150% of the target short-term cash incentive awarded for the previous year (which varies as a percentage of fixed salary depending on employment grade) and become payable, typically after three further years of service. The level of the award granted is determined based on the current position, as well as on the employee's individual performance and potential, while ensuring consistency across the Group. In exceptional circumstances a higher percentage may be awarded. In the year ended 31 March 2020, LRP were granted to certain employees in lieu of RSU awards. These LRP awards vest in tranches over three, four and five years.

Long-term incentive plan

Prior to March 2018, the Group also operated a cash-settled Long-Term Incentive Plan ('LTIP'), which linked a major part of the compensation packages of senior Maison executives to the increase in value of the business area for which they were responsible. LTIP awards were made annually and typically vest after three years, with the option for payment to be deferred by one year under certain circumstances. The executive receives a percentage of the increase in value of the Maison from the date of grant to the vesting date, based on a fixed formula taking into account sales (with a weighting of 8% of total value), EBITDA (40%) and cash contribution (52%), with the vesting value being an average of the preceding two years' valuations. Cash contribution is calculated, for the purposes of the LTIP calculation, as changes in working capital, reduced by capital expenditure and adjusted for tax and the cost of capital. EBITA is equal to the Maison's operating profit before depreciation and amortisation charges.

The cash payout made in July 2019 to Maison senior executives reflects the performance of the Maison during the three-year period from March 2016 to March 2019, as well as some payments which had been deferred from the previous year as permitted by the plan.

Payments due in 2020 to certain senior executives of the Group will be deferred by one year, as a result of the current Covid-19 outbreak and related disruption to the Group's activities.

4. Compensation of the Board of Directors

Chairman

The total compensation awarded to the Chairman of the Board of Directors, Mr Johann Rupert, is reviewed annually by the Committee. During the period under review no variable compensation was awarded.

During the year under review, compensation awarded to the Chairman was as follows:

	Financial year to	
	31 March 2020 CHF	31 March 2019 CHF
Fixed annual retainer	2 700 000	1 350 000
Pension contributions	–	1 350 000
Total	2 700 000	2 700 000

Non-executive directors

Non-executive directors are entitled to receive an annual base retainer of CHF 100 000, plus a fee of CHF 25 000 for each Board meeting attended. This fee is reduced to CHF 6 000 for participation by telephone.

Non-executive directors who are also members of the Audit Committee, the Ethics sub-committee, the Compensation Committee or the Strategic Security Committee are entitled to receive further fees per meeting attended.

Committee attendance fees	Chairman	Member
Audit Committee	CHF 20 000	CHF 15 000
Ethics sub-committee	CHF 7 500	CHF 5 000
Compensation Committee	CHF 15 000	CHF 10 000
Strategic Security Committee	CHF 15 000	CHF 10 000

The amounts above may be paid in local currency equivalents.

Non-executive directors are not eligible for performance-related payments and do not receive awards under the Group's share option plan or other long-term incentive plans. There is no scheme to issue shares to non-executive directors.

Executive directors

The executive directors of the Board are all members of the Senior Executive Committee and do not receive any compensation for their role as members of the Board. Compensation paid to non-executive directors for the period is summarised below.

	Fees and other benefits CHF	Consultancy fees CHF	Social security cost CHF	Total CHF	Prior year CHF
Board of Directors					
Johann Rupert (Chairman)	2 700 000	–	393 068	3 093 068	2 700 000
Non-executive directors	3 307 123	1 412 500	112 665	4 832 288	4 914 302
Total	6 007 123	1 412 500	505 733	7 925 356	7 614 302

Two Board members, Mr Magnoni and Mr Anton Rupert, have formally waived their entitlement to receive any fees or compensation in respect of their duties as non-executive directors.

At the annual general meeting, the shareholders of the Company will be asked to approve the compensation of the Board of Directors for the period from AGM 2020 to AGM 2021. Compared to the amount approved in the prior year, the remuneration of the Board of Directors is expected to reduce, following the decision to reduce both consulting fees and attendance fees for meetings of the Board of Directors.

5. Compensation of the Senior Executive Committee

In the year under review the members of the Senior Executive Committee were:

Senior Executive Committee

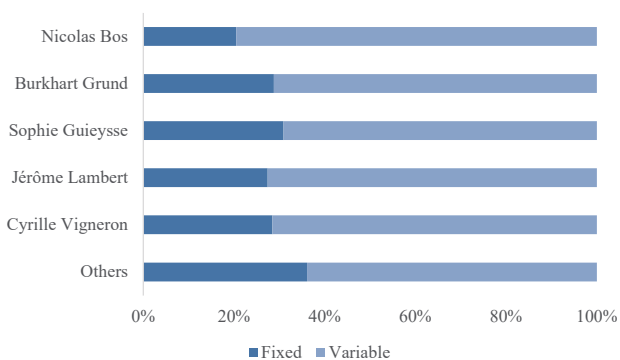
Nicolas Bos	President & Chief Executive Officer, Van Cleef & Arpels
Burkhardt Grund	Chief Finance Officer
Sophie Guieysse	Group Human Resources Director
Jérôme Lambert	Group Chief Executive Officer
Emmanuel Perrin	Head Specialist Watchmakers Distribution
Cyrille Vigneron	President & Chief Executive Officer, Cartier
Frank Vivier	Chief Transformation Officer
Eric Vallat ¹	Former Head of Fashion & Accessories

1. Until 26 October 2019.

The Chairman of the Board of Directors also attends meetings of the Senior Executive Committee when required.

The objective of the Group's compensation policy is to favour variable (short- and long-term incentives) over fixed compensation. The split for the Group's Senior Executives for the year ended 31 March 2020 was as follows:

Variable compensation as a percentage of total



Fixed compensation of the Senior Executive Committee

Base salary

The base salary reflects the position, qualifications and responsibilities of the executive, taking into account the external market value for the position in the market in which the individual is based. It is paid on a monthly basis in cash. The level of base salary is reviewed annually in accordance with the Group's salary review process, which takes place in May. In determining the level of any increase to base salary, consideration is given to the Group's performance, the role and responsibilities of the individual and the results of benchmarking studies.

Benefits

Senior Executive Committee members also receive benefits in line with their duties and responsibilities and may include company car and medical insurance subsidy.

The Company also operates a retirement foundation in Switzerland which provides benefits on a defined contribution basis. Each executive has a retirement account to which the executive and the Group make contributions at rates set out in the foundation rules based on a percentage of salary. A Group contribution of up to 13.05% was applied in the year on salaries to a ceiling of CHF 853 200.

Executives are reimbursed for travel and other necessary business expenses incurred in the performance of their duties.

Variable compensation of the Senior Executive Committee

Executives also benefit from a short-term cash incentive plan and awards granted under the Group's share option and PSU plans. The Committee considers these components in total to ensure there is an appropriate balance between reward for short-term success and long-term retention. Targets used to determine the payout levels for both the variable short-term incentives and the variable long-term incentives are considered by the Committee on an annual basis prior to the start of the next financial year. The Group does not provide for any transaction-specific success fees for its executives.

Short-term cash incentives

Short-term incentives are paid in cash annually and relate to performance in the previous financial year.

The determination of the level of short-term cash incentive comprises both quantitative and qualitative components, each with a pre-set target and a maximum percentage of base salary. The mix of quantitative and qualitative targets are aligned with the Group's business priorities for the year ahead, encouraging individual creativity and delivering continued profit growth and value creation. The short-term incentive target is set at 75% of base salary, with a maximum cap of 150% of base salary.

The quantitative component of the short-term cash incentive is assessed on actual Group or Maison turnover, operating profit and cash generation, being operating cash flow after capital expenditure and lease payments, compared against the current year's budget. Each of these three measures has equal weighting in the calculation. The impact of the Covid-19 outbreak on results for the year has therefore reduced the percentage achievement of quantitative objectives. The qualitative component is assessed on performance against both individual and collective strategic targets, measuring the contribution to creativity, team-building and succession-planning, among other elements.

The total incentive awards achieved represented on average 56% of base salary. The individual figures for the Group's executive directors are as follows:

	Quantitative (% of salary)		Qualitative (% of salary)		Total (% of salary)	
	Target	Achieved	Target	Achieved	Target	Achieved
Nicolas Bos	41%	37%	34%	38%	75%	75%
Burkhardt Grund	41%	12%	34%	36%	75%	48%
Sophie Guieysse	41%	12%	34%	35%	75%	47%
Jérôme Lambert	41%	12%	34%	34%	75%	46%
Cyrille Vigneron	41%	29%	34%	32%	75%	61%

Given the current outbreak of Covid-19, which has resulted in significant disruption to the Group's operations, and to ensure that the impact of these disruptions is shared fairly at all levels within the Group, short-term incentives paid to members of the senior executive committee for the year ended 31 March 2020 have been further reduced.

Compensation report continued

Change in presentation of short-term incentives

During the year ended 31 March 2020, the Committee decided to change the way in which short-term incentives are disclosed in the Compensation report, to better align disclosures to the period under review. The Compensation summary (page 66) includes short-term incentives awarded for performance in the period covered by the Compensation report, being the year ended 31 March 2020. These awards will be proposed to shareholders for retrospective approval at the next AGM.

The comparative period presents short-term incentives on a cash paid basis, meaning those paid in May 2018 for performance in the period April 2017 to March 2018.

The following table summarises short-term incentives paid in May 2019 for performance in the period April 2018 to March 2019:

	CHF
Nicolas Bos	1 610 351
Burkhardt Grund	1 209 375
Sophie Guieysse	461 250
Jérôme Lambert	1 440 972
Cyrille Vigneron	1 398 600
Other SEC members	1 931 660
Total	8 052 208

As these incentives have not yet been subject to shareholder approval, they will be included in the resolution proposed to shareholders at the next AGM.

The impact of the change on disclosures and AGM resolutions is illustrated below:

Short-term incentives awarded for performance in the period:	Compensation report	Shareholder approval
April 2017 – March 2018	2018/19	Sept 2019
April 2018 – March 2019	*	Sept 2020
April 2019 – March 2020	2019/20	Sept 2020

* disclosed in Compensation report 2019/20 but not included in summary tables on page 64

Long-term variable components

The target long-term variable award is set at 112.5% of base salary with a maximum cap of 150% of base salary. The number of share options and PSUs awarded will depend on value creation of the business area for which they are responsible. The Committee has discretion to adjust the final award to take into account current market conditions, long-term and strategic decision-making, amongst other factors.

Long-term variable incentives are awarded under the Group's share option and PSU plans, with the award based on the estimated fair value of a share option at the time of the award.

The share options and PSU vest in tranches after three, four and five years. The cost to the Group of this plan is equal to the fair value of the share options or PSU awards, which is charged to net profit over the vesting period. The total fair value of share options granted to members of the Senior Executive Committee during the year was CHF 3.1 million and of PSU was CHF 18.3 million. There may also be a cash outflow on grant, as the Group repurchases its own shares in order to meet its obligations under this plan.

Gains made by executives on exercising the share options depend on changes in the share price since the date of the award and, other than employer's social security contributions thereon, do not represent a cost to the Group. Once vested, share options can be exercised at any time until expiry, nine years after initial grant.

The award of share options and PSU requires retrospective approval from shareholders at the AGM. Following such approval, a revised fair value is determined for accounting purposes only.

Seven members of the Senior Executive Committee received share options and PSU in June 2019, which for one member subsequently lapsed on departure from the Group. Based on the fair value at grant dates, the value of these awards to the remaining six members of the Senior Executive Committee was as follows:

	Options awarded	PSU awarded	Total IFRS value (CHF)	Multiple of base salary
Nicolas Bos	32 013	43 208	3 783 914	227%
Burkhardt Grund	27 582	40 549	3 507 593	234%
Sophie Guieysse	13 791	20 275	1 753 834	234%
Jérôme Lambert	34 937	47 629	4 164 872	219%
Cyrille Vigneron	33 571	46 809	4 079 666	227%
Other SEC members	33 954	47 039	4 103 562	216%

Details of options held by members of the Board and the Senior Executive Committee under the Group's share option plan at 31 March 2020 were as follows:

	1 April 2019	Granted number of options	Exercised	Lapsed	31 March 2020	Average grant price CHF	Earliest exercise period
Nicolas Bos	215 000	32 013			247 013	84.84	July 2020
Burkhardt Grund	240 000	27 582	20 000		247 582	80.96	July 2020
Sophie Guieysse	45 000	13 791			58 791	89.86	July 2021
Jérôme Lambert	225 000	34 937			259 937	85.10	July 2020
Gary Saage	855 000		140 000		715 000	77.33	Apr 2020
Cyrille Vigneron	250 000	33 571			283 571	84.68	July 2020
Other SEC members	243 333	40 371	29 999	26 417	227 288	84.70	July 2020
	2 073 333	182 265	189 999	26 417	2 039 182		

The share options held by Mr Gary Saage, Non-executive Director, were awarded in his previous role as an executive director of the Company

Other payments

During the year to 31 March 2020, Mr Nicolas Bos, Mr Jérôme Lambert and Mr Emmanuel Perrin also received a cash payout as a result of a long-term incentive award made in 2016 as compensation for their positions as Maison executives at that time. The total cash payments made were CHF 2.2 million, CHF 0.4 million and CHF 0.5 million respectively. These payments reflect the performance of the Maisons over the three-year period from 2016 to 2019.

Compensation of the Senior Executive Committee for the period is summarised below.

	Fixed components		Variable components			Total CHF	Prior year CHF
	Salary and other employee benefits CHF	Post- employment benefits CHF	Short-term incentives CHF	Share-based awards CHF	Social security cost CHF		
Senior Executive Committee							
Nicolas Bos	1 686 296	114 799	3 220 000	3 783 914	404 148	9 209 157	4 893 359
Burkhardt Grund	1 521 576	113 180	542 000	3 507 593	346 148	6 030 497	5 394 647
Sophie Guieysse	809 615	93 818	266 000	1 753 834	133 764	3 057 031	1 943 620
Jérôme Lambert	2 005 684	112 947	1 442 000	4 164 872	332 902	8 058 405	5 394 202
Cyrille Vigneron	1 834 015	114 834	826 000	4 079 666	326 030	7 180 545	5 557 083
Other	2 402 590	272 002	636 000	4 103 562	437 293	7 851 447	7 289 116
Total	10 259 776	821 580	6 932 000	21 393 441	1 980 285	41 387 082	30 472 027

Changes in the level of compensation awarded to members of the Senior Executive Committee reflect an increase in the grant date fair value of long-term awards and the related employer's social security.

At the annual general meeting, the shareholders of the Company will be asked to approve the fixed compensation of the Senior Executive Committee for the next full financial year, being the twelve months to 31 March 2022. Total fixed compensation is expected to remain stable over the period then ended.

Shareholders will also be requested to retrospectively approve the variable compensation paid and accrued during the current year to 31 March 2020, as follows.

	CHF
Variable remuneration for the year to 31 March 2020	
Short-term incentives for the year ended 31 March 2019	8 052 208
Short-term incentives for the year ended 31 March 2020	6 932 000
Long-term incentive awards	21 393 441
Employer's social security	1 955 859
Total	38 333 508

Compared to the prior year, changes in the total amount of variable compensation are due to increases in the number of share options and PSU, which were awarded in July 2019, as well as the change in presentation method described above.

Compensation report continued

6. Compensation governance

Severance

There are no arrangements in place to provide for any severance benefit or other special departure payments for any director or any member of the Senior Executive Committee, other than their contractual and legal rights. In general, the duration of the contractual notice period is six months. In certain cases, the employing entity is required to provide twelve months' notice.

Clawback

In addition to applicable statutory provisions, the Group's long-term incentive plans include provisions allowing the Group to reclaim, in full or in part, distributed compensation as a result of special circumstances.

Upon termination of employment as a result of serious misconduct, including fraud as defined by the applicable criminal law and violation of the Group's Standards of Business Conduct, all awards granted and outstanding, whether vested or unvested, lapse immediately without any compensation.

In the event of termination of employment for another reason, other than retirement, death or disability, awards which are unvested at the date of termination of employment lapse immediately without any compensation.

External consultants

The Group also uses external consultants for advice on remuneration matters. During the year, external advice was received from a number of professional firms including PricewaterhouseCoopers, Deloitte, Lenz & Staehelin, Mercer and Willis Towers Watson. None of these firms received any additional remuneration-related mandates from those consultations, with the exception of Mercer and Willis Towers Watson which participated in the benchmarking process; however, Lenz & Staehelin also received fees for legal and tax advice (see page 68). PricewaterhouseCoopers is the Company and Group's external auditor.

Change of control

The rules of the share option plan for executives in the Group contain specific provisions in respect of a change of control of the Group. These provisions are typical in terms of such plans and would result in the vesting of benefits due to participants in the event of a change of control taking place.

Management contracts

There are no contracts between the Group and any third parties for the management of the Company or any subsidiary in the Group.

Allotment of shares

No shares were allotted to directors or members of senior management during the year under review.

Share ownership

Details of the shareholdings of the members of the Board of Directors in the Company are disclosed on page 116 of this report. Directors are encouraged to acquire and hold shares in the Company.

Trading in Richemont shares

The exercise of options and transactions in Richemont shares and related securities by any current director or member of the Senior Executive Committee and their related parties is promptly notified to the SIX Swiss Exchange ('SIX'). These notifications are simultaneously published by SIX.

Governance

The Company's Articles of Association contain provisions relating to compensation-related articles with respect to compensation principles (Article 38) and the binding votes of the annual general meeting (Article 39). Shareholders are required to approve prospectively the remuneration of the Board of Directors and the fixed compensation of the Senior Executive Committee, while variable compensation is approved retrospectively. The Articles also include provisions for the remuneration of new members of the Senior Executive Committee (Article 39).

The following compensation will be proposed to the shareholders for approval at the AGM:

	Period covered
<i>Board of Directors</i>	
Fixed compensation	AGM 2020 – AGM 2021
<i>Senior Executive Committee</i>	
Fixed compensation	April 2021 – March 2022
Variable compensation	April 2019 – March 2020

The Articles of Association can be found at: www.richemont.com/corporate-governance

7. Compensation report for the financial year under review

The Ordinance against Excessive Compensation ('OEC') allows the Board of Directors to identify a corporate body to which management can be delegated for the day-to-day management of the organisation. This is deemed to be the Senior Executive Committee, which is chaired by the Chairman of the Board and comprises the following executives:

Nicolas Bos	President & Chief Executive Officer, Van Cleef & Arpels
Burkhardt Grund	Chief Finance Officer
Sophie Guieysse	Group Human Resources Director
Jérôme Lambert	Group Chief Executive Officer
Emmanuel Perrin	Head of Specialist Watchmakers Distribution
Cyrille Vigneron	President & Chief Executive Officer, Cartier
Frank Vivier	Chief Transformation Officer

The former Head of Fashion & Accessories, Eric Vallat, also served as a member of the Senior Executive Committee for the period to 26 October 2019.

Members of this Committee are considered to be subject to the various disclosure and approval requirements imposed by the OEC.

The total compensation of the members of the Board of Directors and the Senior Executive Committee amounted to CHF 7 925 356 and CHF 41 387 082 respectively, including pension contributions, benefits in kind and all other aspects of compensation. The highest paid executive was Nicolas Bos, with a total compensation of CHF 9 209 157.

The measurement basis for each component of compensation is described below:

- Salary and other short-term benefits: accruals basis.
- Short-term incentives: accruals basis (prior year: cash paid basis). Had the prior year comparatives been prepared on the accruals basis, total short-term incentives would have been CHF 8 052 208 (reported basis: CHF 7 647 474 million) and total Senior Executive Committee compensation would have been CHF 30 876 761 (reported basis: CHF 30 472 027 million).
- Pension: contributions paid or increased in accrued value depending upon the pension plan type.
- Share options and PSU: total fair value, as determined at the date of award of the share options granted in the year, the share option value being determined in accordance with the valuation methodology of IFRS 2.
- Employer's social security: amounts are presented on a cash paid basis for short-term compensation and estimated, based on fair value at grant date and mandatory employer social security contributions which provide rights up to the maximum future state benefit, for long-term incentives.

All amounts are stated gross before the deduction of any related tax or amounts due by the employee.

Compensation report continued

Compensation for the financial year to 31 March 2020

	Fixed fees CHF	Consultancy fees CHF	Other CHF	Post-employment benefits CHF	Social security cost ⁴ CHF	Total CHF
Board of Directors						
Johann Rupert	2 700 000	–	–	–	393 068	3 093 068
Josua Malherbe	335 000	–	–	–	26 368	361 368
Nikesh Arora	181 000	637 500	–	–	–	818 500
Clay Brendish	435 000	–	–	–	–	435 000
Jean-Blaise Eckert	270 000	–	–	–	–	270 000
Keyu Jin	246 000	–	–	–	–	246 000
Ruggero Magnoni ²	–	–	–	–	–	–
Jeff Moss	275 000	–	–	–	–	275 000
Vesna Nevistic	270 000	–	–	–	–	270 000
Guillaume Pictet	325 000	–	–	–	23 395	348 395
Alan Quasha	200 000	–	–	–	–	200 000
Maria Ramos	246 000	–	–	–	19 321	265 321
Anton Rupert ²	–	–	–	–	–	–
Jan Rupert	275 000	–	–	–	21 631	296 631
Gary Saage	224 895	775 000	24 228	–	21 950	1 046 073
Total	5 982 895	1 412 500	24 228	–	505 733	7 925 356

	Fixed components		Variable components			Total CHF
	Salary and other employee benefits CHF	Post- employment benefits CHF	Short-term incentives CHF	Share-based awards ¹ CHF	Social security cost ⁴ CHF	
Senior Executive Committee						
Nicolas Bos ³	1 686 296	114 799	3 220 000	3 783 914	404 148	9 209 157
Burkhardt Grund	1 521 576	113 180	542 000	3 507 593	346 148	6 030 497
Sophie Guieysse	809 615	93 818	266 000	1 753 834	133 764	3 057 031
Jérôme Lambert ³	2 005 684	112 947	1 442 000	4 164 872	332 902	8 058 405
Cyrille Vigneron	1 834 015	114 834	826 000	4 079 666	326 030	7 180 545
Other SEC members	2 402 590	272 002	636 000	4 103 562	437 293	7 851 447
Total	10 259 776	821 580	6 932 000	21 393 441	1 980 285	41 387 082
Total compensation						49 312 438

1. Long-term benefits and share-based compensation is recognised at the total fair value at the date of the award. Details of the share-based compensation valuation model and significant inputs to this model are found in note 31.
2. Mr Magnoni and Mr Anton Rupert have formally waived their entitlement to receive any fees or compensation in respect of their duties as non-executive directors. The table above includes compensation for other services.
3. During the year to 31 March 2020, Mr Nicolas Bos, Mr Jérôme Lambert and Mr Emmanuel Perrin also received a cash payout as a result of a long-term incentive award made in 2016 as compensation for their positions as brand executives at that time.
4. Social security costs are the employer's contribution on all components of compensation (see above).

Compensation for the financial year to 31 March 2019

	Fixed fees CHF	Consultancy fees CHF	Other CHF	Post-employment benefits CHF	Social security cost ⁴ CHF	Total CHF
Board of Directors						
Johann Rupert	1 350 000	–	–	1 350 000	–	2 700 000
Josua Malherbe	306 000	–	–	–	25 487	331 487
Nikesh Arora	181 000	1 000 000	–	–	–	1 181 000
Clay Brendish	390 000	–	–	–	–	390 000
Jean-Blaise Eckert	270 000	–	–	–	–	270 000
Keyu Jin	245 000	–	–	–	–	245 000
Ruggero Magnoni ²	–	–	–	–	–	–
Jeff Moss	265 000	–	–	–	–	265 000
Vesna Nevistic	255 000	–	–	–	–	255 000
Guillaume Pictet	310 000	–	–	–	22 067	332 067
Alan Quasha	206 000	–	–	–	–	206 000
Maria Ramos	227 000	–	–	–	18 914	245 914
Anton Rupert ²	–	–	–	–	–	–
Jan Rupert	265 000	–	–	–	22 076	287 076
Gary Saage	224 749	637 500	27 677	–	15 832	905 758
Total	4 494 749	1 637 500	27 677	1 350 000	104 376	7 614 302

	Fixed components		Variable components			Total CHF
	Salary and other employee benefits CHF	Post- employment benefits CHF	Short-term incentives ⁵ CHF	Stock option award ¹ CHF	Social security cost ⁴ CHF	
Senior Executive Committee						
Nicolas Bos ³	1 526 017	112 692	1 182 449	1 743 300	328 901	4 893 359
Burkhardt Grund	1 518 763	110 459	1 766 000	1 743 300	256 125	5 394 647
Sophie Guieysse	670 906	75 831	250 000	871 650	75 233	1 943 620
Jérôme Lambert ³	1 857 923	110 280	1 238 000	1 937 000	250 999	5 394 202
Cyrille Vigneron	1 845 549	114 644	1 440 000	1 937 000	219 890	5 557 083
Other SEC members	2 557 125	291 254	1 771 025	2 324 400	345 312	7 289 116
Total	9 976 283	815 160	7 647 474	10 556 650	1 476 460	30 472 027
Total compensation						38 086 329

1. Long-term benefits and share-based compensation is recognised at the total fair value at the date of the award. Details of the share-based compensation valuation model and significant inputs to this model are found in note 31.

2. Mr Magnoni and Mr Anton Rupert have formally waived their entitlement to receive any fees or compensation in respect of their duties as non-executive directors. The table above includes compensation for other services.

3. During the year to 31 March 2019, Mr Nicolas Bos, Mr Jérôme Lambert and Mr Burkhardt Grund also received a cash payout as a result of a long-term incentive award made in 2015 as compensation for their positions as brand executives at that time.

4. Social security costs are the employer's contribution on all components of compensation.

5. See page 62 for details of the short-term incentive accrued in relation to the year ended 31 March 2019.

Compensation report continued

8. Related party transactions

In addition to their duties as non-executive directors, Mr Gary Saage and Mr Nikesh Arora provided consultancy services to the Group during the year. Fees for those services, amounting to CHF 0.8 million and CHF 0.6 million respectively, are included in the compensation disclosures above. The consultancy services provided to the Group are in connection with the Group's business development, digital and business transformation strategies.

Maître Jean-Blaise Eckert, a non-executive director, is a partner of the Swiss legal firm Lenz & Staehelin. During the year under review, Lenz & Staehelin received fees totalling CHF 0.5 million from Group companies for advice on legal and taxation matters.

During the year the Group gave donations of CHF 0.3 million to the Fondazione Giuliano e Maria Carmen Magnoni, a charitable organisation supporting initiatives for young people in disadvantaged conditions. Mr Ruggero Magnoni is Vice-Chairman of the Foundation.

In a recent Group transaction, M&M Capital Limited, a company in which Mr Ruggero Magnoni is Chairman and shareholder, received a fee of CHF 2.5 million.

Payments to former directors

Mr Alain-Dominique Perrin, a former director of the Group, provided consulting services to the Group during the year. Fees for these services amounted to CHF 5 million. The consultancy services provided to the Group are in connection with business development and marketing-related activities, in particular ensuring that matters related to communication, products and distribution are appropriate and consistent with the identity and strategy of the Group's Maisons.

Loans to members of governing bodies

As at 31 March 2020, there were no loans or other credits outstanding to any current or former executive, non-executive director or member of the Senior Executive Committee. In accordance with the Group's Articles of Association (Article 38), the Group does not extend loans to current or former members of the Board or Senior Executive Committee. There were also no non-business related loans or credits granted to relatives of any member of the Board or Senior Executive Committee.

Report of the statutory auditor

to the General Meeting of Compagnie Financière Richemont SA

Bellevue, Switzerland

We have audited the pages 66 to 68 of the accompanying remuneration report of Compagnie Financière Richemont SA for the year ended 31 March 2020.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of Compagnie Financière Richemont SA for the year ended 31 March 2020 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

Guillaume Nayet
Audit expert
Auditor in charge

Mario Berckmoes
Audit expert

Geneva, 14 May 2020