

Sustainability Through Group Culture



About this report

We are hereby pleased to present our annual sustainability report, which highlights our impact and progress on environmental and social initiatives from January-December 2014. Reporting a thorough and transparent story on where we stand today as an organisation, our sustainability agenda and our future ambitions. This report not only aims to share knowledge, but more importantly engage our internal and external stakeholders as well. The title **Sustainability through Group Culture** is a reflection of us as an organisation and how we live through our values.

Global Reporting Guidelines (G4)

Our report has been drawn together in accordance, 'Core', with the Global Reporting Initiative (GRI-G4) Reporting Guidelines, a highly recognised framework for reporting on economic, social, and environmental performance globally and in the region (Over 65 companies in the MENA region used the GRI to guide their reporting in 2013).

UN Global Compact

We have expressed our commitment to uphold the ten basic universal principles of the United Nations Global Compact (UNGC). Our adherence to the UNGC is part of our firm commitment to sustainable development. Our report addresses our performance

against these ten principles and serves as our annual **Communication on Progress (COP)**.

The context index for both the UN Global Compact and GRI can be found at the end of this report.

G4 – 17, G4 – 23

This report covers our UAE operations: M.C.T. FZE, Real Emirates, 3D and Real FZE, Chalhoub Group Retail and UAE companies. We did not experience any significant changes during the reporting period with respect to our size, structure, ownership or supply chain.

Our drive for sustainability is imbedded within our values,

operations and initiatives, which is evident not only in the UAE but in all other countries we operate in as well, in the MENA region and India. In this report, we talk about four material issue areas in which we believe we are a driving force. We aim to broaden our scope and boundaries for the next reports to come by including other countries.

Feedback

Your feedback is important to us. Please contact us at impact@mailmac.net for any feedback on this report.



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

UNGC Principles

Human Rights

- i. Businesses should support and respect the protection of internationally proclaimed human rights; and
- ii. Make sure that they are not complicit in human rights abuses.

Labour

- iii. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- iv. The elimination of all forms of forced and compulsory labour.
- v. The effective abolition of child labour; and
- vi. The elimination of discrimination in respect of employment and occupation.

Environment

- vii. Businesses should support a precautionary approach to environmental challenges;
- viii. Undertake initiatives to promote greater environmental responsibility; and
- ix. Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- x. Businesses should work against corruption in all its forms, including extortion and bribery.

About Chalhoub Group	Executive Summary 4 CEO Statement 6 Welcome from Strategy & Innovation 7 About Us 8 How We Conduct Our Business 10 Governance 12 Sustainability: What matters to us 14	
Our Focus	Family Business 18 Education 20 Innovation and Entrepreneurship 22 Gulfanisation 24	
Our Performance	Social 26 Health, Safety and Environment 28 People 30 GRI and UNGC Content Index 34	

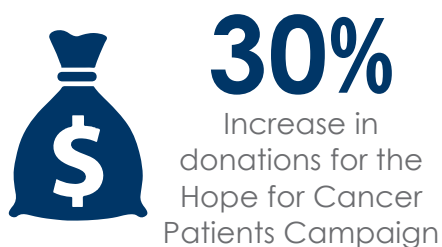
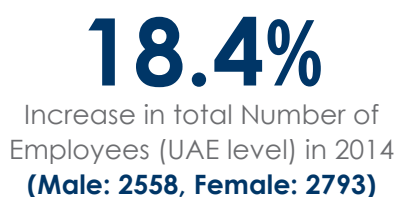


Executive Summary

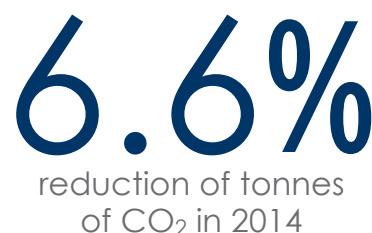
Our Achievements



All UAE warehouses are **ISO 9001, ISO 14001 OHSAS 18001** certified, **one** of our warehouses have received the **LEED Silver accreditation**



The new **'Gift of Giving'** education retail campaign was launched





6 teachers and supervisors recruited with Jusoor in Syria

500

students enrolled in school



21,160

Total Number of training hours



187,476 KG

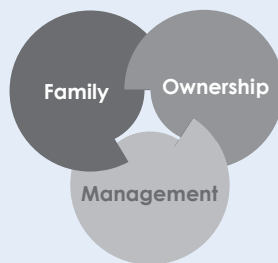
Carton & Plastic recycled

Car free day

CO₂ reduced by

200kg

Our Targets for 2015



Working towards a shift in governance

Kuwait, Bahrain, Qatar to receive a full Integrated Management System



14

Emiratis and

7

Saudi Graduate Programme candidates targeted

Retail Academy to officially launch the **pre-assessment programme**, targeting UAE Nationals

Level Shoe District and **Wojoo** will launch digital platforms

New **innovative retail** concepts to be rolled out across the UAE at Yas Mall in Abu Dhabi and City Walk in Dubai



Rolling out the **Retail Front liner Learning Ladder** programme

To establish a **risk management practice** at the Group



Our **White Paper** on Sustainability will be released

The Launch of **Wojoo's strategy** that focuses on 'love' for women. It promotes their role in society through entrepreneurship and training encouraging their **inclusion** in the **workforce/business/economy**

Back office staff working hours to be reduced by **30 minutes** per day, front liners to have two day weekends (from one day only)



The **Corporate Social Responsibility** function will move from Corporate Communications to an independent department with the name **Sustainable Engagement** to highlight its importance to **Business Strategy**



CEO Statement



Anthony Chalhoub
Co-CEO

Dear Readers,

It is with great pleasure that we launch the second edition of Chalhoub Group's 2014 Sustainability Report, 'Sustainability through Group Culture' in which we will share efforts made to further embed sustainability into our culture, in line with the Global Reporting Initiative G4 'Core' guidelines and to embrace, support and enact on the ten universally accepted principles of the UN Global Compact. Our values of respect, excellence and entrepreneurial spirit guide our environmental and social actions demonstrating a deep rooted synergy between sustainability and our Group culture.

In 2014, we were driven by engaging our teams, encouraging energy and keeping education at the heart of our efforts. We empower our people to take ownership for their roles and responsibilities, with courage, discipline, commitment and integrity to strive for their full realisation and providing them with the right educational platforms to learn and excel.



Patrick Chalhoub
Co-CEO

As a family, and as a family business, we have spent almost sixty years developing partnerships and trusted relationships with our key stakeholders. We have worked to enable local talent to become the next business leaders through internal initiatives such as our Emirati and Saudi graduate program, and external initiatives with organisations like the Khalifa Fund, Activet and Injaz.

We also have continued to lead community development initiatives in 2014 that seek to address social challenges related to unemployment, crisis, education and environmental awareness. Our scholarship program and literacy centre in the Bekaa Valley are a result of this desire to support the education system in the region.

Our environmental achievements this year include the implementation of a Group-wide green supply chain policy, environmental policies and sustainable stores check lists. Moreover, environmental and energy efficiency awareness

campaigns and training sessions have increased the understanding of environmental sustainability across the Group.

Sustainability more and more is integrated into all business functions, working towards creating a model that is effective in the region, makes substantial progress but focuses on the future. Everyday our teams work collaboratively to identify and execute sustainable business practices one step at a time.

We believe in the importance of respect, delivering excellence and fostering development by constantly challenging ourselves. We encourage leadership and entrepreneurship, and share knowledge to build good practice for joint success. We hope this report will spark off meaningful dialogue with you and other stakeholders who believe sustainability to be a part of their value system.

Warmest Wishes,
Anthony and Patrick Chalhoub

Welcome from Strategy & Innovation



Marie-Hélène Straus
General Manager
Strategy & Innovation

The mission of Strategy & Innovation is to enhance Group equity and sustainable long-term development. In order to do so we are combining high level expertise in several key domains: architects, designers, strategy, research, communication, marketing and sustainable engagement to deliver insights, advice and direction. I am a strong believer in the power of collective intelligence generated by these various perspectives. Our role is to advise and recommend directions to our co-CEOs and business units, always taking into account the short-term and long-term impact of our decisions. Having both sustainable engagement and Group strategy under one umbrella sends a clear message from the family and the Group that these are not independent but strongly interlinked. The Group does not consider sustainability as an activity but positions it as a key direction for the 11,000 team members internally as well as for all our partners externally.

Sustainable business practices are our values demonstrated in practical action. It is not only words but what we do and how we do it. Our values are what bind us as a Group and give us a clear and shared perspective on how to behave, take appropriate decisions and conduct business. They are the inherent beliefs that have guided us since our inception and continue to serve as the cornerstone of our business practices and principles looking beyond short-term. Respect, Excellence and Entrepreneurial Spirit are embraced and accepted at all levels as being an integral part of our DNA and therefore the fundamentals of our Group culture.

Our United Nations Global Compact membership is an effort to ensure we are guided and audited so that we may always benchmark ourselves. The membership has served as a key tool in engaging all our stakeholders. We have worked intensively on aligning our operations to the UNGC standards, aiming to engage

all our team members, partners and clients on the importance of sustainability.

Our priority is to engage and educate our stakeholders throughout the sustainability journey. We are convinced that true impact comes with the coming together of many minds, talent and a great deal of passion.



About Us

Our Vision

To be the leading partner for luxury across the Middle East

Our Mission

By blending our Middle Eastern expertise and ultimate knowledge of luxury, we build brands in the region by offering service excellence to our partners and unique experience to our customers

Our Values

Respect, Excellence and Entrepreneurial spirit

Our business is driven by strong values, embedded into our culture and professional behaviour. We live by our values and achieve sustainability through our culture. By principle, we want to run a sustainable business knowing that it will foster an opportunity to create value whilst giving back to our community. It is our mandate to become an agent of sustainability.

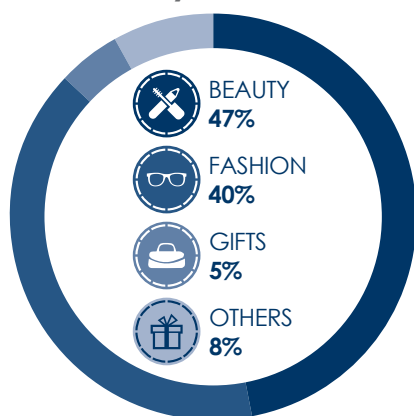
The Chalhoub Group was founded in 1955 and has been leading the luxury market in the Middle East ever since. The Group has pioneered the beauty, fashion, and gifts sectors across the region whilst maintaining expertise in retail, distribution and communications through its head office based in Dubai. This has not only allowed us to build brands in the region, but also to design and offer our services to our partners and customers. Our long-term relationships with our international partners and our clients have been nurtured,

and in turn, have become a key driver between the beauty, fashion and gift industries in both the West & the East.

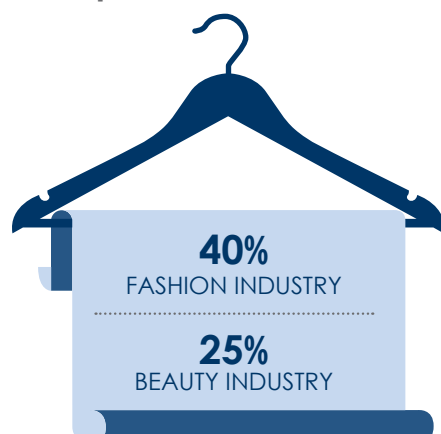
With a **regional coverage of 14 countries in the Middle East and India**, we manage a growing number of **over 600 retail outlets** through more than numerous companies. We strive to provide excellence to all our partners and a unique retail experience to our customers with a talent pool of more than **11,000 employees** across the Group.

Our core business activities are in the areas of distribution, retail and communication. It is through distribution that we facilitate market access via our distribution companies and strategic alliances with international groups. In retail, our aim is to offer a unique experience, and through our partnership with Havas Group, we offer a broad range of communication services.

Our activity



Group market share

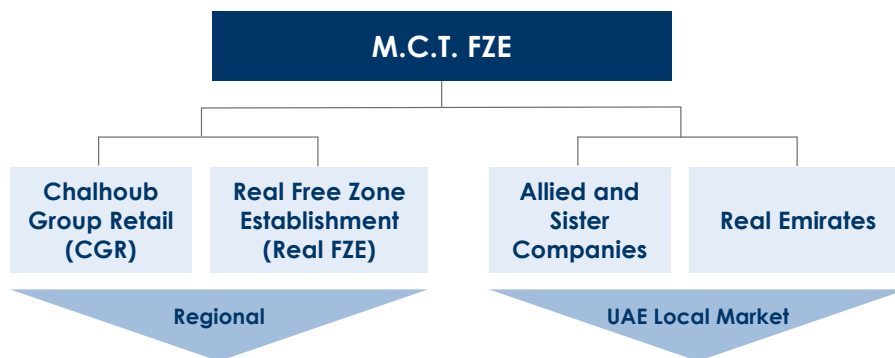


Some of our brands

Baccarat	Christian Dior	Marc Jacobs
Berluti	Christian Louboutin	Michael Kors
Carolina Herrera	Fendi	Saks Fifth Avenue
Céline	Lacoste	Sephora
Chaumet	L'Occitane	Tory Burch
Christofle	Louis Vuitton	Tumi

We share, with our brands, a vision and the knowledge to leverage our joint venture model through commercial and marketing powerhouses.

The diagram below displays an overview of our operations in the UAE.



G4 – 17

M.C.T FZE (FZE: Free Zone Establishment): provides all Group support services, such as HR, IT, Administration, Finance, Logistics, Legal, Strategy & Innovation.

The Chalhoub Group companies that have been covered under the scope of this report include:

- ▶ Real Emirates: offers the maintenance, support services, warehousing and administration to Chalhoub companies in the UAE (excl. JAFZA). It includes the Burjuman offices, the Dubai Investment Park (DIP*) offices and the Abu Dhabi operations.
- ▶ Real FZE: offers the maintenance, warehousing and administration to Chalhoub companies in Jafza. It includes Head Office 1 & 2, Main Warehouse and Warehouse 1.
- ▶ Chalhoub Group Retail (CGR): oversees all retail activities across the region.
- ▶ Allied and Sister Companies: manage the local UAE distribution and retail operations.

Our commitment to our stakeholders is evident through the long-term partnerships that stand today. We have signed membership agreements with recognised organisations, ranging from European luxury goods creative industries organisations to those that strive to implement responsible business practices, such as:

- ▶ United Nations Global Compact (UNGC)
- ▶ Dubai Chamber of Commerce CSR Label
- ▶ CSR Arabia Network
- ▶ Dubai Chamber of Commerce Sustainability Network
- ▶ Comité Colbert
- ▶ Fondazione Altagamma
- ▶ Walpole British Luxury

We pride ourselves for our innovative acumen. We identify market needs and trends. Produce insight reports and quantitative and qualitative studies on the Middle East markets and consumers. Our internal online platform EDGE provides teams with marketing methodologies and techniques, Along with inspiration and training. In addition we support brands in the adoption of cause marketing to meet the needs of the region. Moreover we ensure regulatory compliance of the countries in which we are operating.

Quality management



Our warehouses are ISO 9001, ISO 14001, OHSAS 18001 certified and our Real FZE regional warehouse is LEED Silver certified



Real KSA received ISO 14001 and OHSAS 18001

Expected in 2015

Kuwait, Bahrain, Qatar to receive full IMS

edge
CHALHOUB GROUP





How We Conduct Our Business

CODE OF ETHICS



- The Code of Ethics (CoE) can be found online and in print at our offices
- All team members must confirm their understanding of the CoE
- We are encouraged to highlight areas not covered by the CoE, when identified
- The Ethics Committee is made up of the Country HR Manager and the Country Managing Director
- The Ethics Panel drive the investigations

We maintain high ethical standards, reflected by our behaviours and actions within the Group and when dealing with our external stakeholders. Our **Code of Ethics (CoE)** is deeply established in our family business culture. Our COE is a framework to help us manoeuvre business opportunities in line with our vision, values and strategy.

We abide by all national and international human rights, labour laws and regulations including those specified in the UN Global Compact. We have strong policies against forced or compulsory labour, anti-discrimination, and child labour, which are all reflected in our COE. Our teams are advised to raise any concerns to the Human Resources Department when witnessing or being subjected to any unethical behaviour, discrimination or harassment in or around the workplace. To ensure that our environment protects the rights of all workers without any discrimination, we have established an Ethics Committee and Ethics Panel that conducts investigations and allows colleagues to report any violations to their human or labour rights. No cases of discrimination were reported in 2014. We have zero tolerance for any form of fraud, violation, bribery or corruption. We seek to ensure that all our agents, contractors and suppliers do not make or receive facilitation payments on our behalf, when dealing with government or other private organisations.

We continually strive to raise the bar for businesses in the region, especially in terms of compliance with all of the laws and regulations that are applicable to us and go beyond the bare minimum requirement. Since we are in the retail industry, and maintain a database of customer records containing sensitive information, we consider it extremely important to safeguard our customers' confidential or proprietary information and reassure our suppliers and partners that we take strong measures to do so.

In cases of alleged breaches of the Chalhoub Group business conduct policies, the Group has the power to conduct investigations and take disciplinary action up to and including contract termination, if required. Team member or customer complaints are being filed in a central repository and are being treated and responded to on a case-by-case basis. We have internal controls in place in order to prevent the release or potential abuses of client information. We have initiated and completed a number of investigations in 2014 and appropriate actions were taken. In some cases, it was disciplinary actions. We are not aware of any claim that has been filed against Chalhoub Group concerning breaches of customer privacy in 2014. However, we did identify one leak of customer data in 2014, which derived from one of our suppliers. The leak was detected

early enough to prevent any loss of customer data. Following this incident, we were able to identify the weak points in our systems and have updated and improved our processes and systems accordingly in order to try and prevent any future leaks or complaints raised against the Group.

Our values act as the fundamental base of our principles and business ethics. They are designed to ensure we conduct ourselves when representing Chalhoub Group with utmost levels of integrity and fairness. We continuously run initiatives throughout the year to remind ourselves of who we are as a company, how we make decisions and how we choose to be progressive thinkers. We encourage our teams to seek innovative and collaborative ways of conducting business.

Spirit of Innovation

The spirit of innovation is also reflected in our own concepts. Our retail concepts are responses to the gaps identified after regular assessment in order to offer our customers a unique experience.

- **Tanagra**, since 1980, offers a collection of refined lifestyle gifts and art de vivre, in Kuwait, UAE, Bahrain, Qatar and Saudi Arabia - with a total of 9 flagship stores. Tanagra launched **TDesign**, offering bespoke interior design and decoration with limited editions, luxury design and custom-made pieces.
- **Wojooh**, a beauty haven that offers a wide range of fragrance, make up and skincare products. In 2014, they introduced 'Wow' a make up brand catering to needs in the Middle East.
- **Katakeet**, a unique luxury children's wear store in Abu Dhabi, Dubai and Jeddah.

- **Level Shoe District**, the world's finest 96,000 square feet shoe metropolis located in the Dubai Mall, with a curated space divided into 40 designer boutiques and 4 multi-brand areas.

We offer a range of competencies within our teams. We have categorised our teams into two categories: front liners and back office staff. Both are vital for the growth of our business. A *front liner* is someone who works in our stores. He/she is an essential part of the bottom line and is the first point of contact for our customers. On the other hand, our *back office* colleagues manage the operations of our business through administrative and internal processes. Both are equally important and crucial for the running of our business.

UNGC 1 UNGC 2 UNGC 3 UNGC 4
UNGC 5 UNGC 10

FROM CUSTOMERS TO GUESTS

Delivering an outstanding experience is at the forefront of our agenda. Hospitality is rooted, not only in the culture in the MENA region, but also in our Group values. It is a prominent part of the generosity offered to those you interact with. The Guest Experience Management Division was founded in 2012 to lead the business towards bettering the Guest Experience in the Chalhoub stores. In 2013, a strategy was implemented to encourage a mind change in our practice and behaviour. Creating an understanding that sales and financial growth are the result of an experience. Our key objective is to deliver an unforgettable experience in all its components. This journey builds on the expansion and maturity of the retail luxury Industry, in which Chalhoub is a key player.

Our front liners have the most direct contact with our guests and are being coached to deliver this experience. Our back office team members, on the other hand, have to understand and appreciate the importance of the experience our front liners will offer to our guests. They are the visual representation of our brands and values. Being the visual representation of our brand and values. We have been working with our Learning and Development throughout 2014 and will continue to do so in 2015 in order to establish the Guest Experience as a group competence.



“ We measure Guest satisfaction through two main metrics as of now: our business KPI's (Unit Per Transaction, Average Basket and Conversion Rate), and our Performance Evaluation programme (Mystery Shopping), where Team Members are being evaluated on their in-store performance. Our first qualitative audits will start in mid-2015 to understand if our efforts are in line with our goal: provide memorable experiences to our Guests.

Joe Sejean
Division Manager
Guest Experience Management

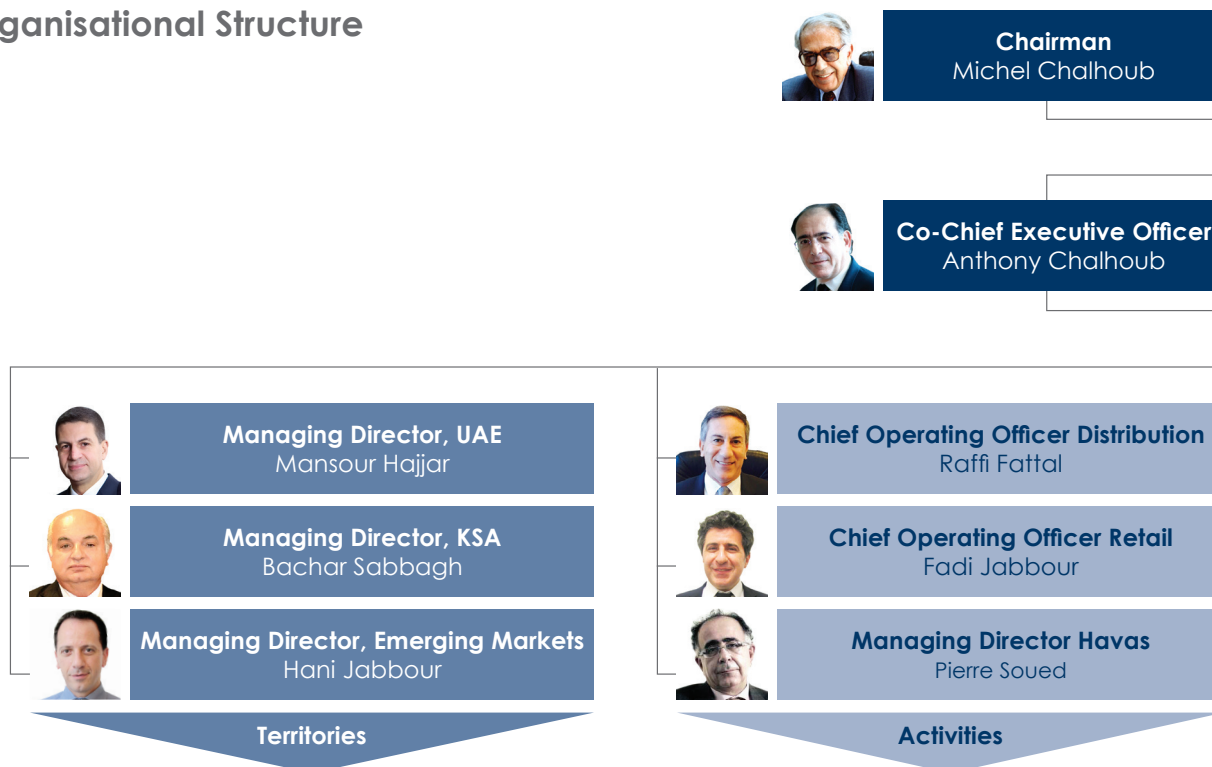


Governance

Family Board Members



Main Organisational Structure



As a Group, we strive to demonstrate good corporate governance, aiming to lead by example in our business community. As a family business, we ensure that our business strategies and decisions all support our long-term vision, with sustainability as essential part of it.

We have established three governance bodies, namely, the Board of Directors, the Executive Committee, also known as COMEX, and the Strategy Committee, referred to as STRATCOM. With only three women in these groups, we aim to gradually increase

the representation of women in our leadership team, wherever practical and achievable. Similarly, we aim to gradually introduce Gulf Nationals in our leadership team to demonstrate our commitment to the community.

Our Board of Directors comprise of six (family) voting members, and two non-voting members, supported by one secretary. To strengthen the governance role of the Board, we have initiated the process to introduce three external board members in 2015. The Board officially meets twice a year to assess the Group's development, to

endorse the strategic directions and to define the long-term visions for 2030 and 2055, when we will be celebrating our 100-year anniversary, an eagerly anticipated major milestone.

The role of the executive committee (COMEX), consisting of 12 members, is to oversee and monitor all business activities to ensure achievement of the goals set by the Co-CEOs. This committee meets every two months to draft action-plans and budgets to achieve the objectives set at Group level. In addition to this, COMEX also identifies and reports on risks to be better prepared for any



CHRO: Chief Human Resources Officer
CLO: Chief Information Officer
CLO: Chief Legal Officer
S&I: Strategy and Innovation

CEO: Chief Executive Officer
COO: Chief of Operations
MD: Managing Director
CFO: Chief Financial Officer
CAO: Chief Administration Officer

Vice Chairwoman
Widad Chalhoub



Co-Chief Executive Officer
Patrick Chalhoub



Chief Financial Officer
Marcus Freeman



Chief Human Resources Officer
Wassim Eid



Chief Administrative Officer
Katia Chalhoub



Chief Information Officer
Elie Choueiri



Chief Legal Officer
Ramzi Modad



Strategy & Innovation
Marie-Hélène Straus

This sustainability report is an initiative driven by the S&I team

Competence Centres

challenges ahead, primarily in the areas of health and safety, CSR and environmental standards.

Finally, the strategy committee (STRATCOM) plays the role of the Group's think tank by meeting three times in the year. STRATCOM, consisting of 14 committee members, is the body that observes the challenges, opportunities and works to define our medium-to long-term (3-15 year) strategy. Acknowledging that we need to look ahead and start introducing the third generation into the business in line with our

succession strategy, we have welcomed Michael Chalhoub into the STRATCOM in 2014.

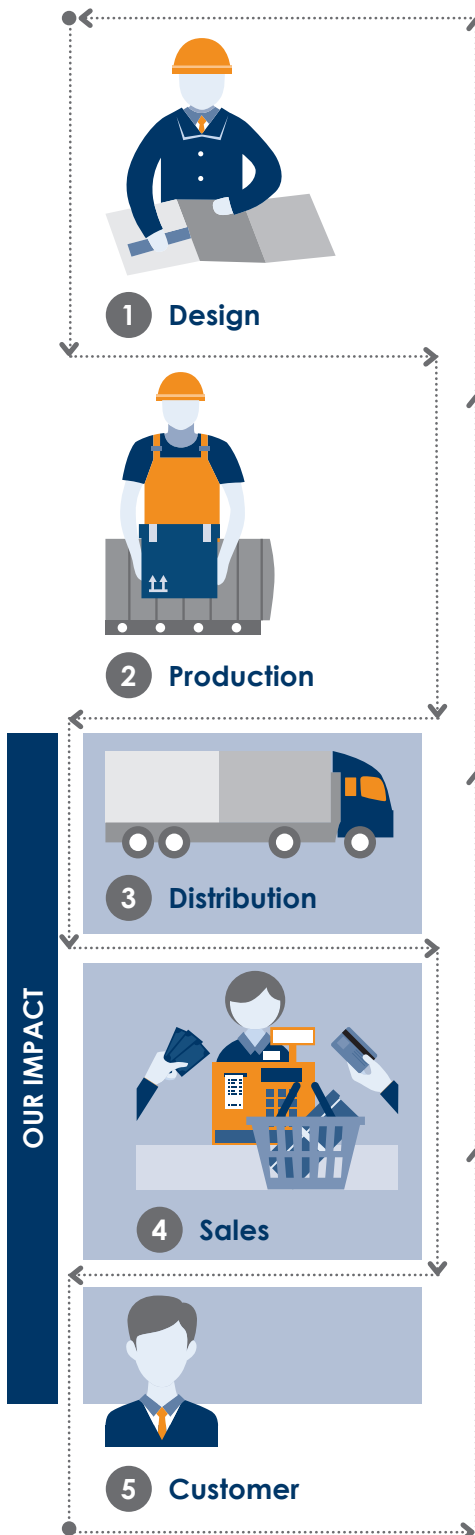
In 2015, we are planning to combine COMEX and STRATCOM to ensure better alignment between day-to-day business activities and long-term strategies.

Sustainability is driven by a dedicated Sustainable Engagement team within Strategy & Innovation, our corporate "research and development" centre, responsible for fostering long-term equity of the Group through corporate communications,

business intelligence, strategy, creative design and marketing innovation. This is the second year running in which the Sustainable Engagement team has overseen the collection of sustainability data for the Group, in order to measure our impact and to launch initiatives to continuously improve our performance. Looking forward, we aim to put into place a centralised system to monitor our performance in the most efficient way, so that the Sustainable Engagement team can become the knowledge centre for this data in the next few years.



Sustainability: What matters to Us



OUR APPROACH TO SUSTAINABILITY

Our Strategy

Although sustainability is being managed through our Sustainable Engagement team, the implementation and responsibility rests with each and every one of us. Chalhoub IMPACT, our social initiative, works with our colleagues and communities to spread awareness and execute social development projects that meet their needs and offer innovative solutions to complex regional challenges. At the same time, our teams work to create, implement and continuously improve our policies, so that we are able to report on Environmental, Social and Economic related data in the most efficient and appropriate way. We have 80 plus ambassadors across the region representing our various business units to advocate our social and environmental agenda.

Value chain

We acknowledge that a wide range of partners and other stakeholders are affected by our services and operations. Our value chain goes beyond our own operations, and includes our partners, our suppliers and their production chains, as well as the logistics to transport the products from our suppliers to the warehouses for storage. Transportation is also utilised from our warehouses to our shops, where the end customer will buy our products. Although we are

not responsible for the design and production of the items we sell in our stores, we strive to influence sustainable operations throughout our supply chain through carefully selecting our partners. The items highlighted in the graphic demonstrate where our largest impacts occur.

We are aware of the sustainability related risks and threats to our value chain. As such, we implemented a supply chain policy in 2014 in order to further expand our policies and values to our suppliers, influencing their decisions and ensuring that sustainability is being maintained throughout our value chain, both from an opportunity as well as risk perspective. In our operational planning, we assess and manage risks in the face of uncertainty. In order to better integrate risk management principles in our business, we are planning to establish a risk management practice in 2015 that will enable us to define a strategy and process for risk management.

Stakeholder engagement and materiality

G4 – 18, G4 – 25, G4 – 26

Engagement is key to the success of the Group. We nurture our relationships and partnerships with our key stakeholders as they help us to better understand our strengths and weaknesses and identify our key material impact areas. We have made a conscious decision to only report on those material aspects that are most

G4 – 18, G4 – 25, G4 – 26

important to our internal and external stakeholders. In 2014, we conducted an in-depth strategy and materiality review, including a peer review and an examination of areas where opportunities exist to demonstrate leadership through innovation. With input from our colleagues, we identified and prioritised our key external stakeholder groups, based on level of interaction and intensity as well as relevance for sustainability. We communicate with these stakeholders on a regular basis, through meetings, events, interviews, telephone and email communications throughout the year. We talked to our stakeholders and asked them to let us know which sustainability impacts they consider most important for our business. We conducted one internal and one external stakeholder session in order to obtain feedback on the 2013 report and our stakeholder engagement and materiality process so that we can cover the most applicable issues in the 2014 report. A third party consultant facilitated the workshops to ensure objectivity and to allow the participants to provide honest feedback. In addition, we have received feedback through a survey, which was conducted for our 30 most significant internal and external stakeholders.



“For generations, we have focused on the individual drivers to progress, but today through the lens of sustainability we witness something dramatically different. We witness that in the face of an uncertain and sometimes bleak vantage point, a multi sectorial approach allows for optimism. It has inspired us to work with community partners and local authorities while using our own teams’ expertise and time to innovatively design projects that effectively respond to social challenges relevant for the region. While we have made substantial progress in our efforts towards decreasing unemployment and enhancing education & entrepreneurship opportunities, reducing our carbon footprint is an ongoing process. We continue to challenge ourselves by optimising, listening, sharing and working together with all our business units to create shared value. We hope, through this systematic approach and our commitment to the UNGC principles, to be able to make the desired impact.”

Ayla Bajwa,
Department Manager, Sustainable Engagement



G4 – 18, G4 – 19, G4 – 24, G4 – 27

Stakeholder	Material aspects	Why this matters	Our Response
Board of Directors 	Economic performance Market presence	On the one hand we need to be able to maintain a healthy bottom line, have good corporate governance practice in place and have appropriate succession plans in order to grow our business. On the other hand we are conscious of the indirect economic impacts we have in the economies of our operations. Therefore by hiring local Nationals, providing salaries that support our team members and their families and contributing towards our communities through the various community programmes and partnerships, we attempt to make positive impact.	Governance Focus on: Family business Focus on: Gulfanisation
Team Members 	Employment Occupational Health & Safety Training and education Diversity and equal opportunity	Our team members are our biggest assets. We have policies and procedures in place to ensure their health and safety is not jeopardised and team members as well as new recruits have been given equal opportunities. Moreover, we invest in training and education to ensure we maintain best in class.	About us Focus on: Education HSE Our people
Business Partners 	Economic performance Market presence	We highly value our long-term relationships with our business partners that, we believe, have remained strong because they have been founded on the consensus of similar values and trust that exist in our family business.	About us Focus on: Family business
Customers 	Product and service labelling (customer satisfaction) Customer privacy Customer health and safety	In a region where we have fully contributed to the expansion and maturity of the retail luxury Industry, we understand that the path to a sustainable growth will come from the experience we deliver to our customers. We have set ourselves high standards to maintain customer satisfaction. We have policies and processes in place to protect our customers' privacy and data.	About us
Suppliers/ Contractors 	Supplier environmental assessment Supplier Assessment for labour practices Supplier human rights assessment	We have implemented a supply chain policy and sustainable stores checklist in 2014, as we are aware of our impact through supply chain. It will not be easy but we have a significant opportunity to improve our environmental and social impacts through sustainable procurement and supply chain policies.	About us HSE

Stakeholder	Material aspects	Why this matters	Our Response
Government 	Compliance	Though our policies and procedures, we strive to meet and exceed compliance with local applicable laws. Our extensive community programmes and partnerships support governments goals for social and economic development.	About us Focus on: Gulfanisation Focus on: Innovation & Entrepreneurship
NGOs and Local community 	Education Local Community Energy Water Emissions Effluents and waste	Through Chalhoub Impact, we focus on humanitarian, environmental and educational community projects and initiatives that allow us to work with and for our local communities. We actively engage team members in these programmes.	Focus on: Education HSE Community Engagement

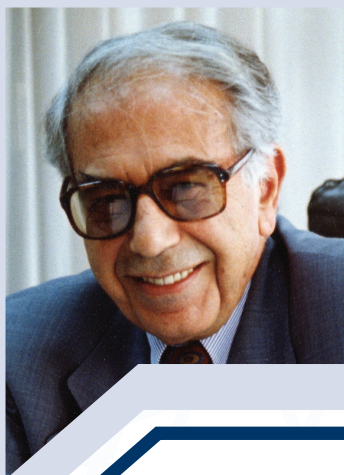
Each of the above listed material aspects and its respective impacts have been identified and restructured as material for the whole Group. Based on the feedback we received from our stakeholders on the 2013 report, we have set UAE operations exclusively as the boundary for each of these material aspects. No major restatements or significant changes in the scope and aspect boundaries in this report have occurred as compared to the 2013 report. As we develop

our reporting process and sustainability strategy in the upcoming years, we are hoping to extend the boundary to other locations, as well as to include our suppliers and other external stakeholder groups.

While we report on many of the GRI G4 KPIs, we have four key focus areas for sustainability that we focus on: Family Business, Education, Innovation and Entrepreneurship and Gulfanisation.

Focus on

Family Business



"I am sure the future is safe because the flame that ignites you will pass on to the next generation, who will follow in your footsteps. Thanks to your talent, your intelligence, your vision and your capacity for work, you have become a true business leader and a great manager, while remaining very human. You know how to share because it is an illusion to think you can be happy without others or without the desire to serve and help."

Michel Chalhoub
Chairman

THE CHALLENGE

The foundation of the social structure in the MENA region is based on family and tribal connections and trust, which are rooted in the strong family traditions and culture that are characteristic for the region. Therefore, family networks act as a security net to provide financial and emotional support to the community.

There are two sets of challenges that are intrinsically linked with family business in the MENA region: the challenge of passing on leadership and ownership to the next generation through succession planning; the appointment of non-family members; defining core values and clarifying the role.

The second set of challenges are economically related. Interdependent structural challenges such as decelerated growth of the private sector; fragile governance (public

and private) and ubiquitous corruption. All aforementioned challenges are heavily prevalent in the region. Strong dependence on expatriates further creates challenges to maintain a stable business.

It is through the strong foundations of family business and their cultural values that the structural political turbulence and economic reform can be turned into opportunities. At Chalhoub Group, we believe it is because of our strong family ties and family business structure that we have been able to thrive for so many years.

OUR SOLUTION

With almost sixty years to stand for, Chalhoub Group has lived through political instability, witnessing structural political change across the region's geographies as well as economic reforms. We believe in the potential of

"We have endless respect for our father, who founded this Group, and we will always try and fulfill his wishes for generations to come."

Anthony and Patrick Chalhoub
Co-CEOs

this region. We want to make sure that our Group will still be here in the generations to come. Our business, despite the volatile region continued to stay strong in the market, always guided by our values. As a family business we have a long term approach even if we face short term market pressures. We have formed strong partnerships based on trust and are recognised within the societies we operate in. We practice transparency through an open door policy and multiple communication tools transmitted to all our teams. Helping to foster a positive corporate culture driven by the values of Respect, Excellence and Entrepreneurial Spirit. Our well-established relationships with key stakeholders enables us to negotiate the best locations in the malls for our partner retail stores. Our market leadership has been possible with an innovative approach and concern to stay relevant for our customer.

Our family business model is the result of the cultural values imbedded in the private sector in the region. Business culture relies on commodities such as trust, partnerships, social ties and relationships. The pattern for private family businesses in the MENA region is to reinvest in the business for generations to come without the need to focus on short-term goals.

Our founders have created a stable base for the second generation, a company that is loved by its employees through the personal relationships each and every team member has with the family members. It is the second generation who now have the responsibility lying ahead to manage the generational transition to the third generation. Through

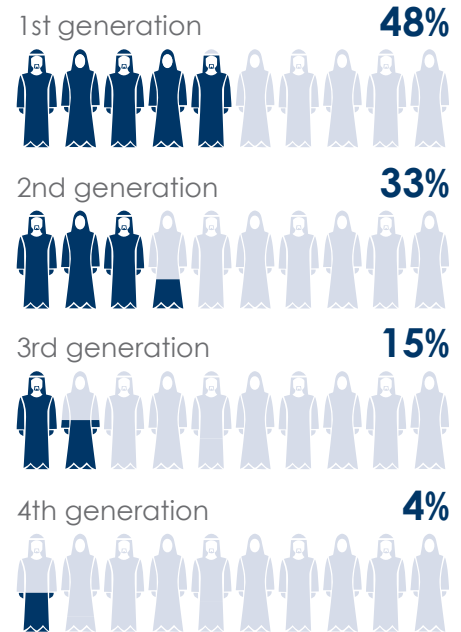
success planning and good corporate governance mechanisms we are working to enable an alignment, transparency and accountability amongst all family members, in order to make this transition as smooth as possible. We want Board level discussions to be about global challenges, growth, strategy, operations, profitability and sustainability rather than family issues. It is through our family governance structure that we create corporate protocols and address key ownership issues. We have the ambition to act as a role model for the region to ensure a sustainable future for generations to come.

90%
of companies in the Middle East are family-owned businesses, constituting over three-quarters of economic activity in the private sector

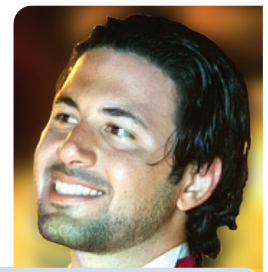
“The family business model has become a culturally appropriate vehicle for the region's sustainability.”

Professor Bjorn Kjerfve
Chancellor of American University of Sharjah

Statistics on family business in the GCC



* Source: Campden Wealth, 2013



“My cousins, my brother and I have at a very young age understood that life can throw unexpected and difficult challenges at you. With our parents and grandparents, as well as the people that work with the Chalhoub Group that we happily call our extended family, we have learnt that through courage, determination, perseverance, and being able to follow your passion without sacrificing your principles and values, you can ultimately succeed.”

Michael Chalhoub,
Family Board Member

Focus on Education



What has been the biggest educational achievement for the Group in 2014?



We encourage leadership through a 70:20:10 model, which represents On Job Learning: Informal Training: Formal Learning. We developed a powerful coaching programme to positively influence our teams. 9 of our employees are studying for their MBA/EMBA this year, and we implemented the internal accredited centre for ILM.



What is the key ambition for the future?



By furthering the Group's vision of becoming a learning organisation, through coaching for both behavioural and functional development across the Group.

Wassim Eid,
Chief Human Resources Officer

In the company that my father founded, I have wanted to give everyone the same chance. To put that in place, we have a progressive human resource strategy and team. Nothing is more important for me than training people and understanding their aspirations, which is why we set up a training programme to build on technical skills and personal strengths while also developing a research programme to help us to discover the talent and competency of each individual.

Patrick Chalhoub
CEO

THE CHALLENGE

Education is crucial for the socio-economic development of the region. Many countries in the Middle East face structural challenges such as high unemployment and low female labour force participation rates. According to the International Monetary Fund (IMF), more than 50 million jobs will be needed in the region over the next decade to ensure social and political stability.

The unemployment challenge is mainly due to the existing skills mismatch between the skillset available on the market and the actual availability of jobs. Rapid population growth will remain concentrated in cities such as Dubai, Doha and Abu Dhabi. This will continue to put pressure on public services, infrastructure and housing in urban areas. It will also create a large pool of labour that may be difficult to absorb into the private sector, owing to mismatches not only of skills, but also of expectations of wages and working conditions.

On-going education reforms will help, but will not resolve these mismatches within the next ten years.

Being part of a competitive sector wherein the biggest challenge is continuously attracting and retaining talent, we believe that investment in education for all our employees and the community at large is the only solution. Our commitment to developing the region goes hand in hand with our educational programmes and activities.

OUR SOLUTION

In order to truly practice sustainability through Group culture, we believe that an investment in people is necessary, not only internally but also through partnering with our external stakeholders. Chalhoub Group's knowledge sharing and training can begin from as early as 18, the minimum hiring age. In 2014, Chalhoub hired 34 interns/trainees, either fresh out of university or still in university.

Mindful of the challenges surrounding youth unemployment, we have developed partnerships with universities across the Middle East region and Europe through which students are offered scholarship opportunities, mentorship and a general emphasis on exchange between academia and industry. The Chalhoub Scholarship Programme goes beyond funding and embraces the scholarship recipient as an ambassador of the Chalhoub values. Through the scholarship the student has preferential treatment for internships, mentorship and eventual employment. Through the Chalhoub Luxury Brand Management professorship with the American University of Sharjah, students are offered courses in luxury brand management, fashion marketing and basics in luxury principles. Students have been mentored by eight senior executives of the Group, and delivered twelve Chalhoub guest presentations in 2014, offered to share real life insights and case studies. More than 70 students have gone through the senior level courses since the launch in 2013.

In 2014, we initiated a partnership with Jusoor, a non-governmental secular organisation, with a mission aimed at helping young people in Syria realise their potential. A result of Chalhoub's partnership with Jusoor is the Chalhoub Literacy Centre, encompassing both a scholarship programme as well as vocational workshops. Our scholarship programme offers tuition fees, full board and flights for five students to complete their higher education in the UK.

Within the Group, our HR division remains committed to enhancing its functions to meet our business needs and best practices as we continue to grow. During the past years, we

have witnessed the evolution of our performance management and learning practices. As a further contribution to this evolution, we are now moving forward by engaging our workforce, top to bottom, and optimising their talents by providing the means and system to accelerate this development. As a result, DRIVE was launched in 2014 and covered 900 team members with a goal of covering 10,000 by September 2015. DRIVE will act as a holistic talent management solution that will encompass and capture an automation of our performance, KPI and learning processes. This system will allow team members to analyse, access and monitor progress, updates and general information at any time in regards to their HR talent file and/or that of their team.

One of our most beloved projects is the Retail Academy present in both the UAE and Saudi Arabia, created for the education of our front line teams. The Retail Academy launched in 2007 was the first of its kind in the region.

In 2014 we have introduced a new course, 'coaching for excellence', a motivational programme that strives to inspire participants to reach their individual goals. Colleagues are being paired with an internal & external coach, who will work with front liners and managers towards building the right environment for successful endeavours that will support in contributing to the organisations vision.

Moreover, we support our employees during their pursuit of higher education. Chalhoub offers financial assistance and study leave for chartered certifications and members have the opportunity to attend external courses with universities in the region, Europe and the US that will best fit their needs such as ESA, HULT, IESE, LBS and Harvard.

Ways in which we engage through education (internal and external)

1	Scholarship programme
2	Internships
3	Guest Lectures
4	Seminars and Roundtables
5	Mentorship
6	Retail Academy
7	RISE Retail programme
8	START Induction Programme



"Ever since our first introduction a year and a half ago, Chalhoub Group has been an instrumental donor to Jusoor and an anchor benefactor to its refugee education programme. I have worked with the wonderful team at Chalhoub and I'm very impressed with both their passion and their commitment to the Jusoor cause."

Dania Ismail,
Jusoor

Focus on

Gulfanisation



What has been the most effective Gulfanisation initiative in 2014?



The Emirati Graduate Programme (EGP) has proven to be an excellent tool to attract young and talented Emiratis



What is the key ambition for the future?



My dream for the future is to see the EGP candidates grow within the Group, understanding and living our values and moving onto senior positions

Mansour Hajjar
Managing Director, UAE

THE CHALLENGE

There is a region wide apprehension about high unemployment rates amongst nationals, predominantly amongst the rapidly expanding younger population. Across the region, governments are urging the private sector to play an important part in integrating the local community into their industries by providing job opportunities and developing experiential programmes. They have also been encouraged to collaborate on initiatives that adapt academic standards to private sector requirements. In the UAE, there will soon be no capacity to create jobs in the public sector. The local population need to help sustain the private sector to reduce the dependency on expatriates for

innovation and expertise. The government began developing Emiratisation initiatives for promoting employment and employability of the national youth within the private sector. Prominent barriers for the private sector are the generous public sector salaries and benefits defined for local employees, the difference in working standards and the hours per workday as well as the cultural climate in which the national population can feel alienated. Along with the Emiratisation effort, there has also been a big push to encourage and integrate women in the employment system. In the UAE, according to the world population review (2014), out of the **9.44 million** inhabitants, 13% are local nationals. Between the cultural difference and the

gap between government and private sector financial offerings, a creative approach for integration is necessary.

OUR SOLUTION

We are continuously working to attract, support and motivate the local workforce to adjust to the private sector school of thought. Our aim, in our medium to long-term strategy, is maintaining continuity by employing a majority of nationals in our respective countries along with focusing on attracting high calibre employees. With respect to the feminisation law, we are already well on the way in Saudi Arabia, as we had a representation of **over 50%** Saudi nationals in 2014, of which **90%** were women. In the UAE the situation

is more complex, however, as our team consisted of 4% GCC nationals in 2014, of which 2.16% (65) were Emiratis. With the enthusiasm of our team and with numerous Gulfanisation initiatives in place, we are confident we can attract more nationals and subsequently enhance our local talent pool in the process.

In 2013, we developed our Emirati and Saudi Graduate Programmes, also known as EGP and SGP. Our HR Talent Management team launched the programmes in 2014 to provide graduates with the opportunity to experience the diverse and multiple facets of our business through a 12-18 month career programme. The graduates undergo four rotation streams;

- Marketing
- Finance
- HR
- Commerical Development

In 2015 we are expecting the EGP to grow from 9 to 14 graduates and the SGP from 3 to 7 graduates.

In 2013, our steering committee designed a roadmap to define the Gulfanisation strategy for the Group. In 2014, the Committee met regularly to ensure thorough review of our national population, develop new initiatives for the attraction, integration and retention of nationals. Our recruitment team participated in a wide range of career and university fairs to engage with young people in the UAE, such as Tanmia, Tawdeef, UAE Career Fair, ENDP, Zayed University, American University of Sharjah and the Higher College of Technology. A strong effort was put into the Chalhoub Group employer branding to introduce and develop collateral specifically for local recruitment efforts.

In 2014, we also focused on deployment of a referral programme. Through the referral programme, employees were encouraged to recommend potential UAE National candidates. Three new recruitments took place in 2014 through the referral programme. In addition, we organised an 'Ask Ali' (Ali Al Saloum) workshop for middle management in order to share knowledge, raise cultural awareness and to encourage managers to further embrace nationals in their teams. The results of our collective actions has been the hiring of 48 GCC nationals.

Our motivation has also been demonstrated by our continued involvement with the Abu Dhabi Centre for Technological and Vocational Education and Training (ACTVET) in support of ABSHER's 'yes to work' initiative. The initiative offers young high school Emirati students 2-3 weeks of professional experience in the private sector, creating a bridge between education and employment and changing the perception of the private sector, particularly that of the service industry. This year, we have had a great participation rate of **100 students**, compared to 46 students in 2013.

Our Retail Academy aims to officially launch our pre-assessment programme in 2015, targeting UAE nationals applying for frontline positions. They will be introduced to the roles and train them for the assessment centres, thereby increasing their chances of being selected.

In 2015, we also intend to organise more open days for UAE and GCC nationals. We aim to reinforce our sourcing team to focus on attracting qualified candidates and expanding the advertisement about our vacancies to KSA, Oman and Bahrain in order to gain interest

amongst GCC candidates. For our current GCC national employees, we have a goal to organise more regular gatherings in order to ensure we proactively integrate and create an open forum to share feedback and ideas.

Gulfanisation continues to remain a top priority on our list and we are working efficiently and sustainably to reach our goals.



"In my short experience with Chalhoub I have had many great experiences. Firstly with a very welcoming and friendly work environment and culture where everyone is willing to spend the time to teach you and guide you. Secondly, being surrounded by great talents and experienced people gave me the opportunity to learn in a very short time. Finally, open door for suggestions and new initiatives is really unique to have as it always pushes me to think out of the box."

Faisal Alshehhi
EGP Candidate

Focus on

Innovation and Entrepreneurship



What has been the most innovative achievement in 2014?

Level Shoe District is **has become** reference for innovation **globally**. It was recognised as 'Retailer of the Year' by Footwear News Achievement, 'The Most Innovative Retail and Leisure Concept' by Global RLI Awards and 'Best Retail Project' by MENA Interior Design Awards. Also launched was 'Wow by Wojooh, a beauty brand, through a collaboration of great minds.



What do you aim to achieve in the future?

In line with our three year plan, we will further invest in analysing the gaps in the region with the ambition of constructing innovative retail concepts that can be placed on the international map. With that, the integration of e-commerce is next in line, with the launch of **a new oriental fragrance** concept in 2015.

Fadi Jabbour
Chief Operating Officer, Retail



Wow by Wojooh is a stylish and trendy line of professional makeup inspired and targeted at the Middle East's beauty muses! Wojooh realised the region's consumer had no real choice when it came to a tailor made, Middle-Eastern oriented makeup line, and decided to change that. Wojooh blended consumer feedback with European knowledge and regional market expertise to create a line tailored to the desires of the Middle Eastern beauty lover. Wow by Wojooh offers 140 unique products and is growing. It ranges from heatproof foundation to an extreme wear lip lacquer to breathable nail polish – and so much more!

THE CHALLENGE

It was Joseph Schumpeter who first noticed that entrepreneurs are agents of innovation, through their enthusiasm, drive, creativity and willingness to take risks, and by contributing to economic progress.*

To battle unemployment, fostering and supporting the spirit of entrepreneurship has encouraged young people to create work for themselves. Business is a driver for social, economic and environmental change in the MENA region, and entrepreneurship is a growing trend that develops our economies and improves the communities in which we live by providing, private sector growth, youth employment opportunities and diversity. According to the International Labour Organization (ILO), half of the regions' youth population are under the age of **25 and 26.4%** are unemployed. The ILO calculates youth unemployment to rise to 28.4% by 2017 in the

region. To tackle that, jobs must be created for the youth. The emerging markets we operate in lack home-grown initiatives and creativity, which is of concern, along with the saturated regional job market. Chalhoub actively engages with local talent, empowering local entrepreneurs to find their potential and by creating new retail concepts to match market needs.

Entrepreneurship programmes share a common philosophy: providing young people the resources to create their own companies so that they can take agency over their own economic futures. In the MENA region it is a critical learning experience for young people.

OUR SOLUTION

At Chalhoub Group, we believe that it is this entrepreneurial spirit that drives innovation within the Group. Our values shape our strategy and our initiatives. We believe in empowering youth,

* Pol, E. & Carroll, P., 2006, "An introduction to economics with an emphasis on innovation", Thomson

by developing their skill set for a competitive market to prepare them to be the next leaders. Our long-term vision is to encourage private sector involvement and diversification of the economy.

In order to foster entrepreneurship, we leverage and share our business expertise wherever we can. Chalhoub partnered with the Khalifa Fund, a public entity based in Abu Dhabi, well known for its drive to develop a culture of entrepreneurship and to work towards private sector enrolment. Our partnership model has a three pronged approach, involving screening in order to shortlist retail projects that are presented by entrepreneurs, knowledge sharing through trainings, workshops and guest lecture sessions for the entrepreneurs, and incubation: shadowing our teams, receiving support from Chalhoub mentors, and observe back end store operations to seek inspiration.

Our creative retail concept stores are an accurate example of innovation and entrepreneurship. The Tanagra concept offers lifestyle gifts and art de vivre and was born from a vision Widad Chalhoub had in the 1980s. There was an array of concepts stores that followed to name a few, Wojooh, Katakeet and Level Shoe District. The concepts are examples of how we continuously strive to be one step ahead of the market by addressing consumer expectations. Level Shoe District is one of our most iconic concepts, spanning 96,000 square feet in The Dubai Mall, and being recognised as a global fashion destination with a curated space divided into 40 designer boutiques and 4 multi-brand areas, out of which a number are local designers.

In 2014, Chalhoub signed a partnership with Aldar in Abu

Dhabi to create the region's largest department store experience, comprising of 200,000 square feet of prime retail space within Yas Mall, expecting to be rolled out in 2015. This concept would be creating a unique shopping and leisure destination on Yas Island and a first of its kind for Abu Dhabi. The new store would showcase 200 global brands with concessions and designers covering beauty handbags and an extensive children's selection. Another new retail concept that has been signed off in 2014 features a children's district in the Dubai based community retail project called City Walk, which will have a variety of children's wear brands under one roof.

Innovation is also reflected in the way we conduct business. We always keep up with the times when it comes to offering training to our colleagues as well as experiences we offer to customers in our stores. In a region where we have fully contributed to the expansion and maturity of the retail luxury Industry, we understand that the path to sustainable growth will come from the experience we deliver to our customers. Our Guest Experience Management Division works to enhance the competence of our front liners by coaching our Store Managers. In 2014, 700 hours of individual coaching were conducted in UAE stores, with 23 Area Managers. Alignment at all levels will create a culture where we are able to see and feel a difference in Chalhoub stores.

Local Designers in Level

- ▶ Nour Jensen
- ▶ Emma Boutros
- ▶ Private Collection
- ▶ Tamashee
- ▶ Aennis Eunis

Khalifa Fund: Three phases of the partnership



Screening

- ▶ Access to Retail expertise by Khalifa Fund (KF)



Sharing Knowledge

- ▶ Training KF Teams
- ▶ Guest Speakers
- ▶ Retail Workshops



Incubation

- ▶ Access to retail expertise detail
- ▶ Shadow/Mentorship of an entrepreneur



"Chalhoub Group not only talks the talk but walks the walk in cultivating an entrepreneurial spirit in its employees thus allowing them to develop new and "out of the box" initiatives with full support from the Group"

Patricia Khoury
Operations Manager



Community Engagement

HOW WE WORK WITH OUR COMMUNITIES TO MAKE A POSITIVE CHANGE

The engagement of our team members and partners are key for the growth of “IMPACT”, our agent for community development. IMPACT is a regional strategy that aims to enhance team synergy, give back to the community and influence a movement towards socially responsible behaviour through initiatives in the areas of education, environment and humanitarian assistance.

We have been recognised by the Dubai Chamber with

the CSR Label Award for the second consecutive year, with an overall score that saw a rise from 68 to 72%. Additionally, we are committed to adhering to the ten universally accepted principles of the UN Global Compact. Furthermore, we have extended our global outreach as part of the Chalhoub Scholarship Programme with two additional university partnerships. We also raised funds to build two schools in Gaza with our partner Dubai Cares in 2014 by selling custom designed magnets in all our stores. As part of our environmental efforts, we teamed up with Emirates Marine Environmental

Group and Goumbook “Give a Ghaf program” with which we organised tree planting, underwater and beach clean-ups. In collaboration with Injaz, we organised two Job Shadow Days, where 24 Local UAE nationals were paired with Chalhoub team members to better understand the corporate world. We have supported local entrepreneurship through our partnership with Khalifa Fund, engaged local youth through an initiative with Dubai Carbon Centre of Excellence and partnered with Jusoor to alleviate humanitarian crisis through education.

AUS luxury brand management professorship



In partnership with the American University of Sharjah, Chalhoub Group hosts a luxury brand management professorship, where students are offered courses in luxury brand management and fashion courses. The course merges industry best practices with academic theory, aimed at developing and encouraging local talent in the field of luxury management by offering real life experiences, knowledge sharing and mentorship.

Scholars day

The Chalhoub Scholars Day was held for the second consecutive year in 2014. Chalhoub scholars were given the opportunity to meet with senior management of the Group and gained an insight on our business and values. The event was attended by nine students, three more participants than the previous year.

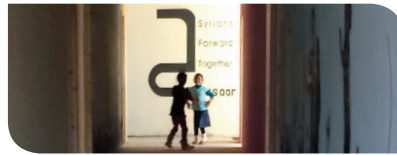
Our Initiatives

New University Partnerships



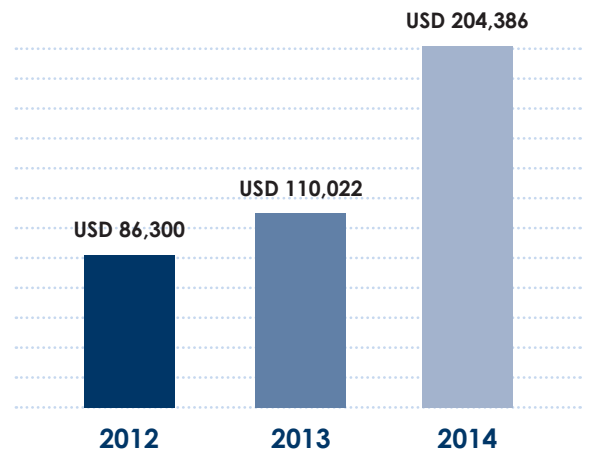
2014:
Bocconi and Effat University
Current: Zayed, AUS, Polimoda,
AUB, University of Saint Joseph,
Sciences Po

Partnership with Jusoor



2014:
* Jusoor scholarship programme (Syria) Literacy Centre opened in Lebanon: 6 teachers and supervisors recruited, 500 students enrolled between the age of 5-11
* Vocational Workshop: attended by 30 people
* 5 UK higher education scholarship opportunities provided to students

Donations collected for the Hope for Cancer Patients campaign



Khalifa fund



2014: Attended by 40 entrepreneurs
2013: New

Chalhoub's scholar day; students receiving scholarships and sharing insights



2014: 9 students
2013: 6 students

Gift of Giving: donation of school packs to underprivileged in the region and the Philippine community fund



2014: Bag collection: 13,335 stationary items collected and distributed
In store fund raising:
* 6,234 magnets sold
* 100,990 USD raised
* 154 stores participated
2013: 12,716 stationary items distributed

Hope for Cancer Patients campaign



2014:
* 582,200 AED raised through the sale of daffodil pins: 14,200 pins sold, 153 stores participated
* 28,280 AED raised through book sales
Colleagues from UAE, Kuwait, India, Bahrain and Qatar participated in awareness campaigns
2013:
* 404,147 AED raised
* 43,550 AED raised

Earth Day rituals



2014:
* Lights switched off in 420 stores in 79 malls in 9 countries.
* 58% increase in mall participation Vs 2013.
* Energy efficient light bulb campaign: 147 conventional light bulbs collected from employees
* Car free day – CO₂ reduced by 200kg – 36 people took the metro

Annual beach clean up – 54% increased participation



2014:
UAE: 135 volunteers and 1 tonne rubbish collected
KSA: 120 volunteers
Kuwait: 83 volunteers
Qatar: 43 volunteers
2013:
130 volunteers in the UAE

Health, Safety & Environment

We are striving to reduce our environmental footprint through engagement, awareness and maintaining efficiency in our operations. Our objective is to promote behavioural change that starts at home. In 2014, we continued undertaking several initiatives to promote greater environmental responsibility; through team member engagement during many of our events, our policies and our outreach programmes. We ran an **energy efficiency** campaign across eight countries with Chalhoub-centric messages in order to underline the link between environmentally responsible behaviour and

Group values. All facts & figures provided in the messages are related to the Middle East keeping in line with our regional approach to sustainability.

We track and mitigate our environmental impacts through a register of all the significant impacts associated with our internal activities, such as water usage, offloading, printing and waste disposal. We are very conscious of the energy consumption on our premises and encourage environmentally friendly technologies. In addition to the LEED certification we have in our main warehouse, we replaced lighting systems with environmentally friendly alternatives such as LED and had

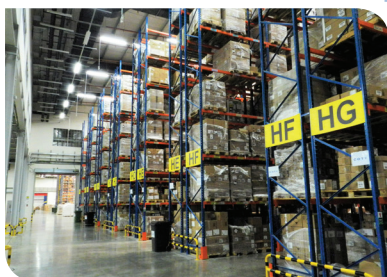
installed solar panels for lighting in our parking areas (which have been removed temporarily for renovation of the area). Sourcing energy from renewables is one of our long-term environmental goals.

In order to further reduce our greenhouse gas emissions through our fleet (consisting of 73 (Real Emirates) vehicles), we focus on route optimisation and fuel reduction through our fuel reduction programme. In addition, we encourage our drivers to become more energy efficient and environmentally aware through training. In 2014, 18 vehicle operators have been trained.

Encouraging Energy Efficiency through Visuals in and around our offices



New Group policies



Supply chain policy: Our supply chain policy enables us to collaborate with our suppliers from the onset through a supply chain questionnaire which helps us understand the current level of risk and performance in our supply chain. Moreover, the policy encourages our suppliers to improve their environmental and social performance and to maintain effective management systems in line with legal and regulatory requirements, UNGC and GRI principles, integrating environmental, occupational health and safety, human rights, ethics and labour policies into business and decision-making processes.

Environment policy: we endeavour to reduce our footprint through continuous improvement of the environmental performance of all our activities. We are committed to design and implement an energy management system to reduce the use of water, electricity and waste consumption at all our offices and stores where possible.

A comprehensive checklist, based on the standards set by Leadership in Energy & Environmental Design (LEED) was drafted and implemented to integrate green concepts into the design and operations of our stores in order to reduce our carbon footprint and to save energy. The key areas covered are indoor environmental quality, waste management and sustainability in logistics.



Total Electricity Consumed, KWH

2014 **2013** **2012**

Covers: Real FZE (includes new Head Office (HO2), Abu Dhabi (AD), DIP (Burjuman excluded)

14,174,422 13,543,547 13,193,068

* Values are higher in 2014 due to the new HO2



Total CO₂ – Electricity, Tonnes of CO₂ Emissions

Covers: Real FZE (includes new HO2), AD, DIP (Burjuman excluded)

11,623 10,818 11,106

* Values are higher in 2014 due to the new HO2



Total Water Consumption, Litres (converted from IG,CM)

Covers: Real FZE (includes new HO2), AD, DIP (Burjuman excluded)

56,829,864 43,128,602 45,087,924

* Values are higher in 2014 due to the new HO2



Non-recyclable waste collected, cbm

* main warehouse and DIP only

162,492 192,666 –



Incident Rate, [No. of Total incidents x 100,000 hrs. /No of working hrs.]

Covers: Total UAE (Real Emirates & Real FZE – logistics only)

4.28 3.95 –

* Incidents calculated per 100,000 working hrs.

* Includes any incidents regardless of severity. Small cuts & wounds, traffic accidents, major Accidents, accidents that caused only property damage, etc.



Total Recordable Incidents [No. of Total incidents x 100,000 hrs./No of working hrs.]

Covers: Total UAE (Real FZE & Real Emirates – logistics only)

0.0 0.23 –

* Recordable Incidents does not include any first aid injury.

* The benchmark used is 2.60 incidents at 100,000 hrs. worked. Reference: News Release on 4th Dec 2014 of Bureau of Labor Statistics – US Department of Labor



Paper Consumption, KG

Covers: Real FZE, Real Emirates

56,648 40,401 –

* Values are higher in 2014 due to the new HO2 and inclusion of Abu Dhabi



Plastic, KG

Covers: Real FZE & Real Emirates

24,984 19,283 –

* Values are higher in 2014 due to the new HO2



Non-recyclable waste collected, cbm

Covers: Main Warehouse and DIP only

2,713 1,880 –



Total CO₂ – Transport, Tonnes of CO₂ Emissions

Covers: Real Emirates, Real FZE,

* Includes Abu Dhabi

1,263 1,352 1,485

* Audit of drivers route is conducted monthly. The decrease in fuel consumption is attributed to route optimisation.

[There is a difference in the 2013 number we received this year – the calculation and comparison has been made on the figures received this year and not from last year.]



Fire Evacuation & headcount time

2014

Covers: (Real FZE & Real Emirates – logistics only)

* The policy is to conduct 4 drills per year in all logistics facilities with an evacuation target time of 4 minutes. The drills are repeated if the target time is not achieved.

Real FZE: Best time recorded: 3.46
223 persons were evacuated

Real Emirates: Best time recorded: 3.48
107 persons were evacuated



Fatalities

Covers: All locations

DART Rate* [days away, restricted, or transferred] [No. of DART Days x 100,000 hrs. /No of working hrs.]

Covers: Total UAE (Real FZE & Real Emirates – logistics only)

* DART Days calculated per 100,000 working hrs.

* Benchmark: 1.85 days at 100,000 hours worked. Reference: News Release on 4th Dec 2014 of Bureau of Labor Statistics – US Department of Labor

2014

2013

0.19 0.66



Over **6000** colleagues have used the shuttle service since September 2013, an initiative to reduce our **carbon footprint** and to encourage use of the metro



Over **1000** team members engaged in **environmental awareness campaigns** and programmes



18,565 kg paper recycled
316 trees saved



3 tonnes of rubbish collected



2000 trees planted,
216 attended movie screenings,
420 stores involved in earth hour



13,663 CO₂ saved from car free initiative

* * There is a difference in the DART Rate reported last year due to a miscalculation. This has been corrected and is reflected in this report



Our People

COMMITTED TO EXCELLENCE - LEADING THROUGH HUMAN CAPITAL DEVELOPMENT

True to our commitment to excellence, the Group prioritises the professional development of our people through skills training, team building seminars and leadership programmes to help individuals develop, grow and achieve.

We provide an extensive array of learning opportunities and programmes, including our Advanced Management Programme, Advanced Leadership Programme and Executive Education. We also partner with some of the world's best business schools such as IESE, London Business School, INSEAD and Harvard to develop our leaders and leaders of the future. We also offer courses approved by the Institute of Leadership Management (ILM).

We believe that the most effective learning can be done on the job, as well as through coaching. Therefore, we introduced the 70:20:10 methodology in 2014¹. The 70-20-10 model suggests that lessons learned by successful and effective managers are derived roughly 70% through jobs (learning through experience), 20% from other people (feedback mostly provided by superiors), and 10% from courses and reading. Throughout 2015, we will be rolling out this methodology, running over one hundred workshops to ensure our staff members know how to fill their Performance and Development Review (PDR) with examples of how they achieved their learning during the year. In 2015, we will also be formally launching a functional consultancy as per the 70:20:10 methodology, a collaboration between functional expertise in the business, Learning

& Development, external consultants and/or universities to offer the best in market practice for our members.

Other programmes we are expecting to roll out in 2015 include a new retail front liner Learning Ladder consisting of programmes that support the Retail Competency Framework launched in 2014. The programmes will address the needs of employees at each level of career ladder. In addition, we will roll out a "Beyond Make-up Expert Training", which is aimed at developing our front liners/ beauty advisors and increase team members' make-up skills in line with the beauty advisor career ladder. We will also introduce the Level 1 Career Advancement Programme in 2015, aimed at supporting sales executives in retail in their efforts to move to the next level in their career.

Chalhoub Retail Academy



Established in 2007 in Dubai, the Chalhoub Retail Academy is the first of its kind in the region with the aim of inspiring "Excellence in Retail". The Academy proposes a complete career path to all our sales associates, by building on their strengths whilst enhancing their prospects for internal growth.

In collaboration with the world's largest qualification body "Edexcel", the Retail Academy delivers an internationally accredited certification in all aspects of the retail process. The Retail Academy is the realisation of the vision of the Chalhoub Group to offer its employees an international standard of learning. The goal is developing a talent pool of qualified and professional sales associates who are the ambassadors of our retail business.

¹ * Lombardo & Eichinger (1996)

Total Number of employees, Group level



2014
11,727

2013
9,979

2012
8,642

Total Male & Female, Group level



2014
6,008

2013
5,421

2012
4,792



2014
5,719

2013
4,558

2012
3,850

Total Number of Employees by UAE level

Top Management



2014
67

2013
58

* COMEX, GMs

Middle Management



2014
419

2013
365

* Department Managers, Division Managers and Sr. Division Managers

Back-office teams



2014
1957

2013
1243

Total Number Employees, UAE level



2014
5,351

2013
4,521

2012
3,762

* 34 student trainees work under a limited contract of 6 months as per university requirements, on Chalhoub's sponsorship

* All employees are full time

Total Male & Female, UAE level



2014
2,558

2013
2,256

2012
1,882



2014
2,793

2013
2,265

2012
1,880

New Employee Hires, total (UAE)



2014
1,601

* 272 left during probation

Total Male & Female, total (UAE)



2014
601



2014
1000

Retail Front liners



2014
2896

2013
2852

People Turnover



2014
1240

* These are a mix of resignations, terminations and others that have failed to complete their probationary period.

* Employees who leave the organisation voluntarily or due to dismissal, retirement or death in service.

Total Number of Employees that took Maternity Leave

2014
176 Employees

85%
of the **67 GM's**
opted for higher
education



We are committed to excellence in all that it undertakes. This commitment is met, in part, by treating our people fairly and equitably by providing a total compensation package that enables the Group to attract and retain highly talented people at all levels.

Our structured performance management system fosters and rewards excellent performance across the Group by aligning the objectives of team members with the Group's goals. It promotes consistency in performance assessment and motivates all team members to perform at their best. We also support a Total Reward

Philosophy that recognises over-achievements.

Recognising the value that team members bring to the table, our reward philosophy consists of a blend of all three main components of compensation, which are being readjusted on an annual basis based on inflation and economic circumstances: base pay; incentive pay and benefits. We provide a competitive benefits package. Some of the benefits include health care, life insurance and discounts with 3rd party partners including, car hire, insurance, gym membership, travel and hotels.

UNGC 6

In 2014, an effort has been made to improve the work life balance of front liners, by implementing a two day weekend, from one. Our back office teams' working hours, on the other hand, have been reduced with 30 minutes per day. These changes will be implemented in 2015.

Chalhoub Group is committed to ensuring our people have the time to take care of themselves and their families, through our flexible working hours policy, provision of recreational areas and many out of office social and sporting events and activities.

Total Number of training in 2014



Front liners

	Male	Female
2014	590	819
2013	523	399

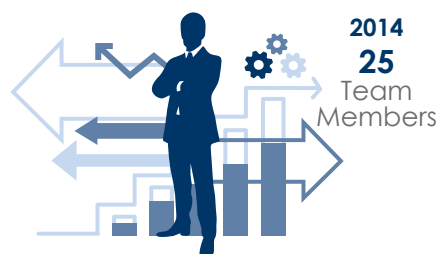
	2014	2013
Number of trained front liners that received qualifications	210	1038
QCF Level 2 diploma in Retail Skills	23	68
QCF Level 2 certificate in Retail Skills	142	106
QCF Level 3 certificate in Assessing Vocational Achievement	45	64
52-week training	42	77
START Induction Programme	312	496
Distribution Excellence	0	33
RISE Retail Refresher Programme* (number of participants)	441	19
Standardisation Day	29	12
START Distribution	160	80

Beyond Make-Up (Elementary) (New)



2014
87
Team
Members

Level 1 Career Advancement Programme (New)



Higher education opportunities

Number of Team Members that pursued their MBA/Masters with the support of Chalhoub



* An annual retail refresher programme that was aimed to all retail front liners in UAE with the specific key focus learning areas: Group Values; Health and Wellbeing at work; Customer Experience; Handling Multiple customers; Standard operating procedures; Security procedures and Telephone etiquette.

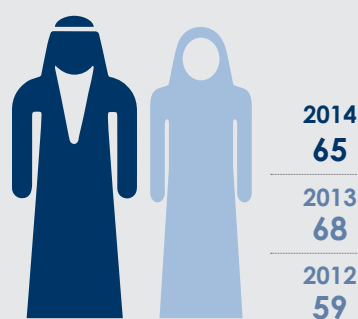
The Advanced Leadership Programme (ALP) was intentionally designed for the sole purpose of developing our 75 General Managers across the Group to establish a coaching culture that encourages knowledge sharing. Almost all GMs will have completed this course by 2015. In line with that, we are Institute of Leadership Management (ILM) accredited and offer a suite of courses that focus on communication, self-management and leadership, as well as conflict management. The Advanced Management Programme (AMP) brings an active learning experience to the table, but also helps shape the transition of middle management to senior management. Our other programmes, Coaching for Excellence and NPL, focus on coaching and fostering the right environment to grow within the organisation.

UNGC 6

Course	Number of attendees
ALP- Advanced Leadership Programme	15
AMP: Advanced Management Programme	19
CFE: Coaching for Excellence	14
NLP: Practitioner and Certified Coach	32
ILM- Certified Courses	205
Insights Psychometric Practitioners	13
EMBA's Academic year 2013-2015	3
EMBA's Academic year 2014-2016	9
Exec Education	2
Exec Education completed in 2014	4

* * 2015 graduation class is the final ALP batch

Total Number of Emiratis

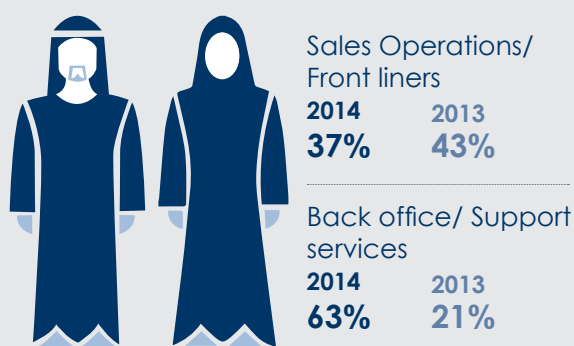


* 83 total with non-pension Emiratis

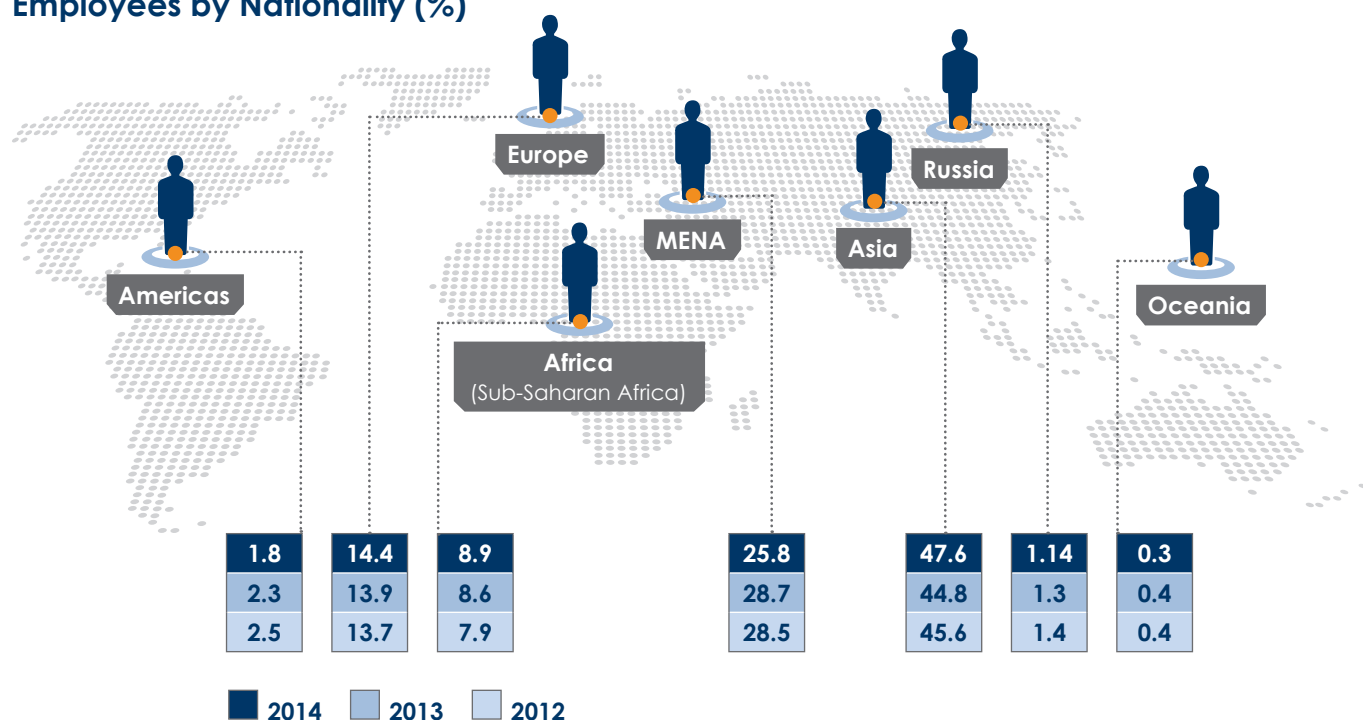
Total Male & Female



Distribution of UAE Nationals



Employees by Nationality (%)





GRI Index and Materiality Disclosures Service

This Report has been prepared in accordance with the Core level requirements in the G4's reporting standards as defined by the Global Reporting Initiative (GRI). This report has also undergone the Materiality Disclosures Service by GRI.



GENERAL STANDARD DISCLOSURES

General Standard Disclosures	Page Number	Comments	External Assurance	UNGC
Strategy and Analysis				
G4-1	6		no	
Organizational profile				
G4-3	8		no	
G4-4	8		no	
G4-5	8		no	
G4-6	8		no	
G4-7	9		no	
G4-8	8		no	
G4-9	8, 31		no	
G4-10	31,33		no	6
G4-11	–	N/A- Collective bargaining agreements are not currently permitted in the UAE	no	3
G4-12	14		no	
G4-13	2		no	
G4-14	28		no	7
G4-15	9		no	
G4-16	9		no	
Identified material aspects and boundaries				
G4-17	2, 9		no	
G4-18	14-17		no	
G4-19	16-17		no	
G4-20	17		no	
G4-21	17		no	
G4-22	17		no	
G4-23	2		no	
Stakeholder engagement				
G4-24	16-17		no	
G4-25	14-15		no	
G4-26	14-15		no	
G4-27	16-17		no	

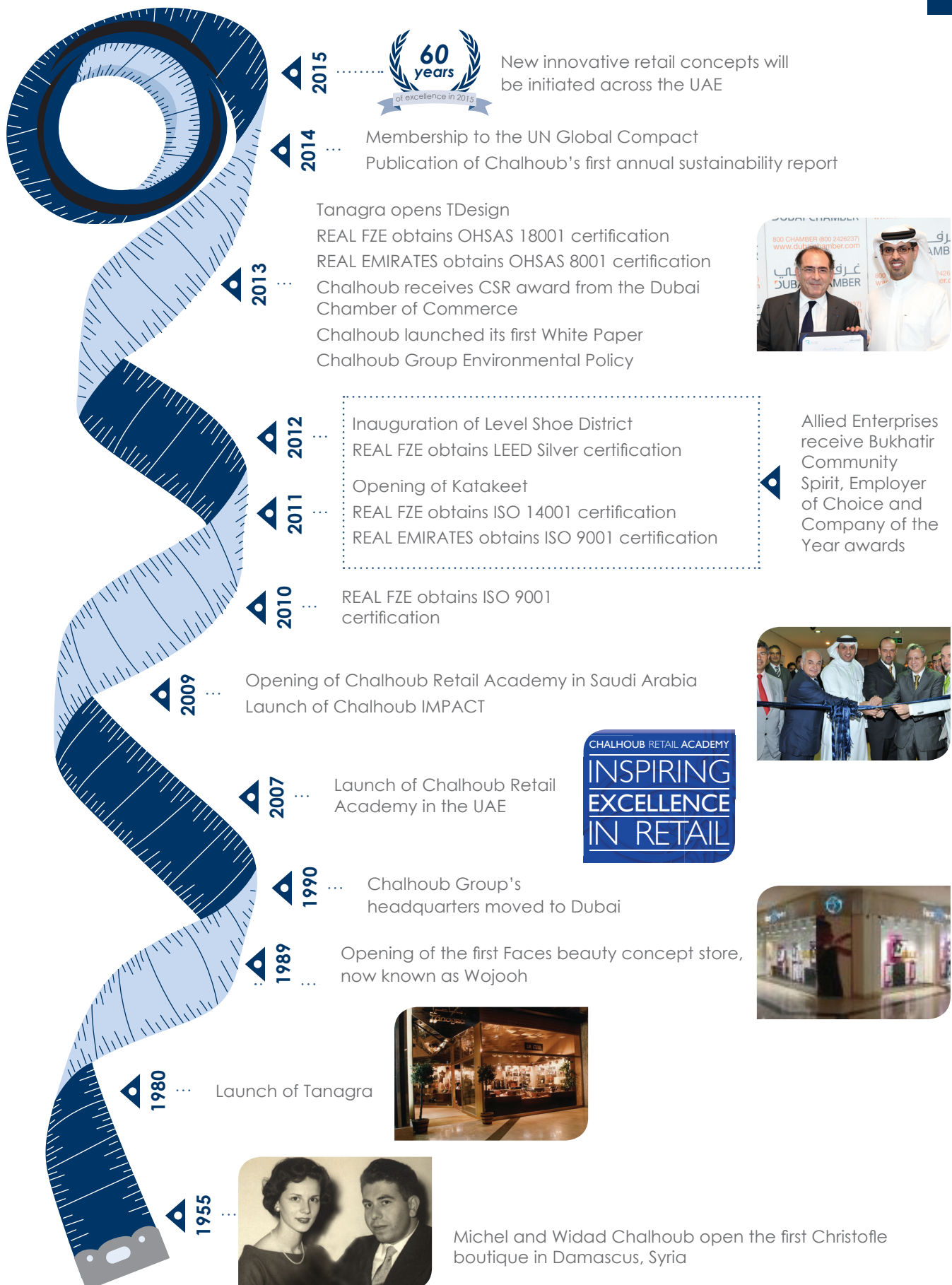
General Standard Disclosures	Page Number	Comments				External Assurance	UNGC
Report profile							
G4-28	2					no	
G4-29	2					no	
G4-30	2					no	
G4-31	2					no	
G4-32	2					no	
G4-33	–	No external assurance has been sought for this year's report. We aim to put an assurance process in place for our future sustainability reports				no	
Governance							
G4-34	12,13					no	
Ethics and integrity							
G4-56	10					no	10
SPECIFIC STANDARD DISCLOSURES							
DMA and Indicators	Page Number	Comments	Identified Omission(s)	Reason(s) for Omission(s)	Explanation for Omission(s)	External Assurance	UNGC
Economic							
Economic performance							
G4-DMA	32					no	
G4-EC3	32					no	
Market presence							
G4-DMA	33					no	
G4-EC6	33					no	6
Environmental							
Energy							
G4-DMA	29					no	
G4-EN3	29					no	7, 8
G4-EN6	29					no	7, 8, 9
Water							
G4-DMA	29					no	
G4-EN8	29					no	7, 8
Emissions							
G4-DMA	29					no	7, 8
G4-EN16	29					no	7, 8, 9
G4-EN19	29					no	9



DMA and Indicators	Page Number	Comments	Identified Omission(s)	Reason(s) for Omission(s)	Explanation for Omission(s)	External Assurance	UNGC
Effluents and waste							
G4-DMA	29					no	
G4-EN23	29					no	8
Compliance							
G4-DMA	29					no	
G4-EN29	29					no	8
Transport							
G4-DMA	29					no	
G4-EN30	29					no	8
Supplier environmental assessment							
G4-DMA	28					no	
G4-EN32	28					no	8
Social							
Labor practices and decent work							
Employment							
G4-DMA	31					no	
G4-LA1	31					no	6
Occupational health and safety							
G4-DMA	29					no	
G4-LA6	29					no	
Training and education							
G4-DMA	32					no	
G4-LA10	32					no	
G4-LA11	32					no	6
Diversity and equal opportunity							
G4-DMA	31					no	
G4-LA12	31					no	6
Supplier assessment for labour practices							
G4-DMA	28					no	
G4-LA14	28					no	
Human rights							
Child labour							
G4-DMA	10					no	
G4-HR5	10					no	5
Forced or compulsory labour							
G4-DMA	10					no	
G4-HR6	10					no	4
Supplier human rights assessment							
G4-DMA	10					no	
G4-HR10	10					no	2

DMA and Indicators	Page Number	Comments	Identified Omission(s)	Reason(s) for Omission(s)	Explanation for Omission(s)	External Assurance	UNGC
Society							
Local communities							
G4-DMA	27					no	
G4-SO1	27					no	1
Anti-corruption							
G4-DMA	10					no	
G4-SO4	10					no	10
G4-SO5	10	The Standard Disclosure or part of the Standard Disclosure is not applicable There has been no incident of anti-corruption				no	10
Product responsibility							
Customer health and safety							
G4-DMA	10					no	
G4-PR2	10	The Standard Disclosure or part of the Standard Disclosure is not applicable There has been no incident of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services				no	
Product and service labeling							
G4-DMA	11					no	
G4-PR5	11					no	
Marketing communications							
G4-DMA	10					no	
G4-PR7	10	The Standard Disclosure or part of the Standard Disclosure is not applicable There has been no incident of non-compliance with regulations and voluntary codes concerning marketing communications				no	
Customer privacy							
G4-DMA	11					no	
G4-PR8	11					no	

Our Sustainability Timeline





CHALHOUB GROUP

www.chalhoubgroup.com