Beyond its ambition of pursuing profitable growth, Dufry also wants to ensure that it makes a positive contribution to the travel retail industry and to society in general. In order to provide our stakeholders more visibility over the efforts made by the company to further develop our sustainability engagement, in the previous year 2016, we reviewed the framework of our sustainability reporting based on a materiality assessment developed with the support of Ernst & Young. Through the analysis, Dufry established a detailed view on which sustainability topics are material to our business from both a company and a stakeholder perspective.

Based on this first assessment, and in the interest of a transparent and comparable sustainability reporting, we have orientated our work on the guidelines of the Global Reporting Initiative (GRI) as a reference to identify relevant topics and metrics to be considered. As a result of this process, in 2017, we have now prepared our first report on sustainability in accordance with the GRI Standards – Core Option. More detailed information may be found in the dedicated sustainability section of our corporate website: www.dufry.com/en/company/sustainability-dufry

**Materiality Analysis**

As part of the materiality assessment, we mapped the topics that we consider most important for our stakeholders, and identified the ones having the highest impact on our business from a broad perspective, and in particular from a sustainability point of view.

In order to optimally link the company strategy and the broader company environment with the expectations of our stakeholders we have chosen to follow a company specific approach rather than a pure sustainability view, when defining the list of topics which we consider relevant for us and which we want to work with going forward. To compile the list of potential topics we included internal and external sources such as our existing policies and regulations; publicly available materiality assessments of peers; the SASB requirements (Sustainability Accounting Standard Board) as well as the report of the Governance & Accountability Institute.

The main stakeholder groups included in our materiality assessment and the subsequent definition of the topics are: airports, customers, employees, investors (incl. shareholders, bondholders and lending banks), public authorities, society and suppliers. Based on the definition of the stakeholder groups and the materiality assessment, and following the GRI guidelines as a main reference, Dufry identified a list of topics and indicators to report on as a way of providing clear and comprehensive information about Dufry’s sustainability vision. These topics have been grouped into the three dimensions of our sustainability strategy: Economic, Environment and Social.

**Our Sustainability Goals**

For Dufry, success goes beyond commercial and financial performance. As the leading travel retailer, operating over 2,200 stores in over 390 locations across 64 countries and with a workforce of more than 32,000 employees, we understand that our business activities have also an impact on the societies of the countries we operate in. In addition to this, Dufry is aware of the role it plays in the travel retail industry, where we aim to further improve the overall traveler experience and initiate growth opportunities that benefit brands, airports and travelers alike. For these reasons, we believe our goals are more articulate as we aim to create and increase value for all our stakeholders in a sustainable way, ensuring the impact we have is a positive one.
MATERIALITY MATRIX

Note: Within boxes topics are listed in alphabetical order

IMPORTANCE FOR STAKEHOLDERS

IMPORTANCE FOR DUFY

ECONOMIC DIMENSION
- Be profitable.
- Create shopping environments where people want to buy.
- Support local economies by buying local goods and services, paying local taxes and employing local staff.

ENVIRONMENTAL DIMENSION
- Minimize our environmental impact by operating an integrated and efficient logistics chain to transport products.
- Reduce our waste and energy consumption.

SOCIAL DIMENSION
- Maintain quality work environments for our employees.
- Responsible procurement practices.
- Support the communities in which we live and work.
- Support individual social projects, especially focusing on helping disadvantaged children and their families.
Dufry operates in an industry that has shown solid and resilient growth in the last few decades – and which is expected to continue to grow. According to Generation Research, a travel retail market research specialist, the travel retail industry had an estimated market value of USD 63.6 billion dollars in 2016 and it is expected to reach USD 85 billion in 2020.

Within this prospective business environment, Dufry follows a strategy of profitable growth – see also our strategy section on pages 26 to 79 – in order to secure a sustainable development for the company and all its stakeholders.

Operating in an industry with solid and resilient growth.

As a retailer, our ambition is to create the best possible shopping environments to capture the interest of passengers and to generate selling opportunities. Our role is performed in conjunction with airport authorities and brand suppliers, incorporating their opinions and feedback into the store planning and operation processes. This collaborative work results in improved passenger services as well as more visibility and opportunities for brands. Testament to this collaboration, and just as a remarkable example, is the London Heathrow Airport – where Dufry operates more than 60% of the retail offer by value and that has been recognized by Skytrax, winning the Best Airport Shopping in the world accolade for the last eight years.

That ambition has translated to Dufry having a long history of strong financial results, maintaining a solid balance sheet and financial position that has fueled the growth of our company and built solid foundations for its future.

Taking the shopping experience to the next level

Dufry’s leading position in the travel retail industry provides an opportunity and a responsibility to the company, and this is to remain best in class when it comes to customer service. As reflected in our corporate brand statement, WorldClass.WorldWide, at Dufry we strive to provide our customers with the best retail experience in any store we operate. For the economic aspects related to our customers, please refer to the Customer Section on page 68.

In 2017, we have invested in renewing, refurbishing and upgrading our stores and to include additional services that improve the passengers’ shopping experience. Both the physical construction of the stores and the adoption of corporate best practices are part of a digitalization strategy that the company is rolling out and that is detailed in the Focus Story on page 30 of this report.

New services and shopping experiences provided to travelers around the world.

An important component of these store renovations is to create a strong sense of place in our stores, linking the shopping environment to the country’s cultural heritage, where they are located. The powerful combination of store designs with local touches, together with a curated selection of local products on offer that are acquired from local suppliers, results in unique
shopping spaces that invite customers to a full cultural immersion in the destination.

Moreover, Dufry has a track record in delivering successful shopping concepts, specialized stores and marketing activations that are recognized by the industry year after year. Some of the latest awards gained by Dufry include the Frontier Award to the best Marketing Campaign of the Year by Retailer for the Rogue One: A Star Wars Story activation in Gatwick Airport; Best Marketing Activity in the TFWA awards for Dufry’s specialized sunglasses store in London Heathrow Terminal 5 or the award to the Icons of Whisky ‘Travel Retailer of the Year’ award for the second year running to our Edinburg and Glasgow whiskey-specialized stores, World of Whiskeys. A detailed list of the awards won is available under www.dufry.com/en/company/our-awards

Stakeholder Value Allocation by Dufry in 2017
The stakeholder value allocation of Dufry corresponds to corporate output less third-party inputs. The calculation is based on Dufry’s EBIT plus personnel costs. It does not comprise of values allocated to business stakeholders, such as suppliers and landlords.

The value allocated reached CHF 1,553.7 million in 2017 (CHF 1,327.1 million in 2016). Out of this amount, CHF 1,135.0 million was accrued to our employees in form of remuneration and social security payments. CHF 259.6 million was for interest payments to our bondholders and lending banks. Income taxes to public authorities and communities in which the group companies are located were CHF 91.0 million. The remaining amount was allocated to retained earnings and local partners.

Anti-corruption and anti-competitive behavior
Corruption is a worldwide phenomenon which is linked to many negative economic, social and environmental impacts. From a business perspective, corruption distorts market mechanisms and undermines governance institutions and the rule of law, which increases the cost of doing business.

The subject of corruption is of considerable importance to Dufry as the Company expands its operations to many countries with elevated corruption levels and participates in many public procurement processes to bid for airport, seaport and other concessions around the globe each year.

Dufry does not tolerate bribery or corruption in any form. We believe that in order to remain a solid business leader, all business must be conducted ethically and in full accordance with all applicable laws, rules, and regulations. Dufry requires all of its employees, managers and executives to behave at all times with honesty, ethics and within the confines of the law and in full compliance with Dufry’s Ethics, Sustainability and Integrity in Business Transactions Policy. Where laws, rules or customs exist that are different from the principles set out in the Policy, Dufry managers, executives and employees are required to follow whichever sets the higher standard in this regard.

Dufry also wants its officers, managers and employees to fully respect the safeguarding of integrity and fair dealing when performing their activities on behalf of Dufry and to promote the sustainability, diversity, decent work, human rights, anti-harassment and non-discrimination standards adopted by the Dufry Group. Dufry’s management operates a no-tolerance approach to active and passive corruption and seeks to minimize the circumstances in which corruption could occur in its global business development activities and operations.

Dufry’s Ethics, Sustainability and Integrity in Business Transactions Policy outlines the types of conduct which are not permissible and imposes strict rules in relation to charitable contributions and sponsorships as well as gifts, hospitality and entertainment expenses and facilitation payments to minimize the risk of corruption. In addition, it requires careful due diligence to be conducted on external partners it is working with and includes a procedure that must be fol-
allowed to vet all new joint venture partners, consultants and other service providers.

Dufry also conducts on-going training to all managers and executive board members, as well as all employees who have otherwise been identified as being at a greater risk of exposure to corruption.

Dufry’s Legal and Governance Department, in consultation with management and HR, regularly evaluates the content of Dufry’s training on Governance and Corporate Policies and the employees who may require such training.

Dufry also undertakes to properly investigate all complaints and to prohibit retaliation against any employee for such reports made in good faith. To ensure the integrity of such investigations, Dufry has a centralized contact point through a dedicated Dufry email address through which any wrongdoing or corruption concerns can be reported directly to the CEO. The identity of any employee reporting such concerns or possible violations of Dufry’s Ethics, Sustainability and Integrity in Business Transactions Policy is kept strictly confidential, unless the disclosure of the identity is required by law.

The Legal and Governance Department conducts Governance and Corporate Policies training, which covers Dufry policy on active and passive corruption, charitable contributions and donations, facilitation payments, and gifts, hospitality and entertainment expenses on an ongoing basis. The training is conducted in full coordination with the CEOs of each Division (DCEO) and the HR Department who help identify the individuals, including new hires, who should attend the training.

678 managers have been trained in total since the training was started in 2012. These individuals have been selected based on the following criteria:
1. community heads at Headquarters (Finance, Treasury, Procurement, Business Development, Internal Audit, HR, IT, Commercial, Marketing, Customer Service);
2. heads of all Divisions;
3. local managers with exposure to business development, external partners and third-party contractors;
4. managers with exposure to procurement negotiations;
5. managers with exposure to government officials such as airport authorities, customs or other public authorities;
6. managers with signatory power or appointed as directors or officers of a Dufry Group subsidiary;
7. Investor Relations managers;
8. all members of the Legal and Governance Department;
9. all members of the Internal Audit Department; and
10. all HR managers worldwide.

As reflected in the chart below, between April and December 2017, 458 managers at Headquarters and across all 5 Divisions have completed this training. This reflects nearly a 100% rate of training for governance board members and employees identified as requiring the training pursuant to the criteria set out above.

Dufry employees who don’t meet the criteria outlined above are not currently provided training on Dufry’s corporate and governance policies. However, all of Dufry’s corporate and governance policies, including its Policy on Ethics, Sustainability and Integrity in Business Transactions are available to all Dufry employees, managers and executive board members on the Group’s intranet – Dufry Gate – for their reference.

<table>
<thead>
<tr>
<th>DIVISION</th>
<th>Total Number of Managers to be trained/retrained in 2017</th>
<th>Number of Managers trained until December 2017</th>
<th>Remaining Number of Managers to be trained</th>
</tr>
</thead>
<tbody>
<tr>
<td>HQ</td>
<td>84</td>
<td>81</td>
<td>3</td>
</tr>
<tr>
<td>Southern Europe and Africa</td>
<td>103</td>
<td>99</td>
<td>4</td>
</tr>
<tr>
<td>UK, Central and Eastern Europe</td>
<td>119</td>
<td>119</td>
<td>0</td>
</tr>
<tr>
<td>Asia, Middle East and Australia</td>
<td>86</td>
<td>81</td>
<td>5</td>
</tr>
<tr>
<td>Latin America</td>
<td>61</td>
<td>61</td>
<td>0</td>
</tr>
<tr>
<td>North America</td>
<td>17</td>
<td>17</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>470</td>
<td>458</td>
<td>12</td>
</tr>
</tbody>
</table>
Dufry operates over 2,200 retail stores across 64 countries, where it sells products sourced from over 1,000 suppliers. For information on our divisional structure and countries / major locations covered by each Division please refer to pages 46 to 65. All the stores operated can be categorized into one of five channels, which are explained on pages 66 to 67.

Three Global Distribution Centers.

As a pure retailer, the company does not have any production sites. However, Dufry consumes materials in several parts of its supply chain, from the materials used to build stores and the boxes and pallets used to transport products, to office supplies and the carrying bags given to its customers with every sale.

Transportation

Our main logistics operations (Global Distribution Centers) are centralized in 3 major platforms: Offingen (Switzerland), mainly serving Division 1 (Southern Europe and Africa), Division 2 (UK and Central Europe) as well as Eastern Europe and The Middle East; Hong Kong (China) serving Division 3 (Asia and Australia); Montevideo (Uruguay) attending Division 4 (Latin America) and Division 5 (North America). These main distribution centers receive the long-haul and major shipments and organize the further dispatch of the goods to the local entities at country and shop level. Through the high efficiency in our logistics chain, we ensure that the environmental impact of transporting the goods is kept low. Moreover, the World Duty Free operations in Spain and the UK started their integration in the Dufry supply chain.

CO₂ emission

Reducing CO₂ emissions is one of Dufry’s concerns. Whenever possible, transports of goods are done by shipping containers on sea-ships, thereby choosing the most CO₂-efficient way of transportation. Through reconfiguration of goods in our Global Distribution Centers and regional logistics stations, we reduce intercompany transportation of the goods to a minimum. The distribution to the individual shop locations is usually done by road whereby Dufry outsources the transportation to specialized national or international logistics partners, who partly have their own environmental strategies in place.

Dufry has retail shops in 20 of 37 carbon neutral airports worldwide.

Further actions to reduce the CO₂ emissions are in the area of business travel: We advise our employees to consider alternatives to traveling such as the use of virtual meeting systems (video conferencing, conference calls, computer live-meetings, Skype-for-business) or reducing travel frequencies by optimizing each trip. In addition, Dufry employees are also encouraged to use public transport systems not only for business trips but also for their daily journeys to and from work. In specific locations the company grants contributions to employees using public transport for commuting.

According to Airport Carbon Accreditation (airport-carbonaccreditation.org), the airport industry accounts for about 5% of the air transport sector’s to-
tal carbon emissions. The organization, launched in 2009, currently has 211 accredited airports in its pro-
gram, which are spread across 61 countries worldwide.
In 2017, based on information by Airport Carbon Ac-
creditation 67 of these airports have actively reduced
the CO2 emissions under their direct control, and 37
airports have achieved carbon neutrality. Dufry has
retail shops in 20 of these 37 carbon neutral airports,
including Dallas Fort Worth, Athens, Antalya, London-
Gatwick, Helsinki, Milan-Malpensa, Manchester and
Stockholm airports just to name a few.

Waste and Recycling
Avoiding any waste in the first place or recycling it,
if it occurs, is an effective way to save valuable re-
sources. The European Distribution Center is out-
sourced and run by a specialized logistics company and
packaging material which mainly consists of card-
board, paper, plastic film, wood as well as electronic
and plastic consumables such as neon lamps and PET
are sorted out in different containers and sent for re-
cycling. The recycling process is outsourced to spe-
cialized service providers. If these providers have a cli-
mate program in place, Dufry’s Swiss logistics provider
supports their program by paying a surcharge on the
transports, which is devolved to “myclimate” (www.my-
climate.org).

In the shops, the waste produced by our operations is
mostly packing material handled through the land-
lord’s waste disposal system and recycled accordingly
where possible. Dufry actively collaborates with the
airport’s sustainability teams where possible, as is the
case at Heathrow airport in the UK, to contribute to
further improve recycling systems and reduce energy
consumption.

We have observed
a decrease in the
number of bags used
in the last years
in main operations.

The reduction in the consumption of shopping bags is
another area where Dufry is seeking sustainable solu-
tions by replacing traditional plastic bags with reus-
able bags and/or advising its retail staff to ask cus-
tomers if they need a bag and by increasing its bag
assortment to several sizes so that packaging relevant
to the size of the products purchased is used with less

plastic waste. As a result, we have observed a decrease
in the number of bags used per transaction in the last
years in our main operations. Investigating alterna-
tives to reduce the number of bags and the impact of
each individual bag is however an ongoing improve-
ment objective for Dufry.

Regarding cartons and pallets used to transport and
protect products, Dufry ensures these are reused as
much as possible and therefore consumption of new
resources is also reduced.

Lastly, in the offices, the reduction of paper consump-
tion is one of our biggest challenges. Dufry has put in
place local initiatives to reduce paper and other office
material consumption, including tips to reduce the
amount of paper used such as printing double sided,
avoiding printing of the legal text on the bottom of
emails, and encouraging people only to print when
necessary.

Energy consumption
For the most part our travel retail shops are operated
in premises and buildings such as airports or seaports,
ships and downtown resorts, which are owned by third
party landlords. Thus, a large portion of the utilities
consumption, such as energy or water sourcing and
usage in the shops cannot be directly changed or in-
fluenced by Dufry as these factors are predetermined
by the landlords and the building construction. The
highest influence in energy efficiency can be taken
when Dufry is designing or re-designing stores. The
main focus thereof is on substituting traditional light-
ing for more energy-efficient lighting systems (e.g.
LED) on ceiling and furniture displays, and on using A-
rated electronic devices (e.g. air conditioning, refrig-
erators) in our stores. The same concept of using lat-
est energy-efficient technologies also applies for our
Basel headquarter, division offices and the regional
operations centers.
Socio-Economic Compliance
Having operations in 64 countries also means complying with different national and supranational regulations. For this reason, from a global perspective, Dufry’s position towards regulations necessarily needs to go beyond the compliance and statutory requirements of the norms and have a more holistic and ample approach. In this regard, Dufry has a number of initiatives and control mechanisms in place that permit the company to monitor and ensure compliance with national and international laws and follow respective ethical standards.

Supplier Social Assessment
Dufry is aware of its responsibility beyond its own direct activities and strives to ensure that suppliers of goods and services behave responsibly towards society and the environment. To ensure this, Dufry expects suppliers and business partners to comply with the law, stipulated contract conditions and international best practices in respect of human rights, the environment, health and safety as well as labor standards. In this context, in 2017, Dufry has developed a new Supplier’s Code of Conduct, which is currently being implemented in relation to Dufry’s largest as well as new suppliers.

Caring about our Employees
We encourage our employees to work together with a focus on our customers, our partners and our company’s goals every day. We take pride in the professionalism of our teams, their outstanding commitment to first-class service to our customers, their team spirit and the close collaboration with our business partners. This builds a strong base for Dufry’s continuing success and makes Dufry a unique place to work and partner with.

Dufry offers attractive working environments, interesting tasks, fair and competitive wages, and a general working atmosphere based on mutual respect and appreciation for each individual. We foster employee development by supporting a broad range of in-house as well as external training and development opportunities.

We also strongly believe that regularly planning the next career steps together with an individual employee is an important aspect to a long-term, successful employer-employee relationship. Therefore it is important for us to build a constructive dialogue between each individual employee and manager on goals, priorities and personal development. Our staff members receive an annual performance review aimed at evaluating the performance and identifying further personal development potential for next career steps.

Having grown to an organization with over 29,000 employees worldwide
In the past four years, our workforce has increased by 82% from 16,423 employees at the beginning of 2014 to 29,879 people (FTE) by the end of 2017. The two acquisitions of Nuance in 2014 and World Duty Free in 2015 and their timely integrations have not only changed our footprint in the market and have made Dufry the undisputed market leader in travel retail; they have also meant a lot of transformation and integration in terms of our human resources projects. Overall, our total workforce remained stable during 2017 with 29,879 people (FTE) working for the group at December 31, 2017 compared to 28,848 at year-end 2016.

Dufry’s unique cultural diversity
Our workforce comprises colleagues from more than 70 nationalities across all functions and Divisions. This has been a consistent situation for many years and we continue to believe that this broad cultural diversity represents a unique competitive advantage. We also
EMPLOYEES BY DIVISION

- **NORTH AMERICA**: 30%
- **SOUTHERN EUROPE AND AFRICA**: 18%
- **LATIN AMERICA**: 24%
- **UK, CENTRAL AND EASTERN EUROPE**: 18%
- **ASIA, MIDDLE EAST AND AUSTRALIA**: 8%
- **HEADQUARTERS AND DISTRIBUTION CENTERS**: 2%

EMPLOYEES BY GENDER

- **FEMALE**: 66%
- **MALE**: 34%
view it as a key element in the successful development of our Group and in the implementation of our long-term growth strategy.

The staff in each country is to a high extent local people.

For our employees, it creates a truly international working environment with colleagues from across the world and interesting career opportunities. The staff in our local shops in each country is to a high extent local people. Dufry’s know-how on operating local businesses in 64 countries around the world make us a strong job creator in a large number of cities, many of them being located in emerging markets, thus contributing to local development and wealth beyond the community engagement projects (see also page 93).

Roll-out of the new HR information system across the Group

The new Human Resources information system “Dufry Connect” is supporting HR and line managers to place additional focus on people management activities, enabling greater automation and solid interface to manage people, development and careers at Dufry. The system implementation was completed in 2016 for the Global functions and in key operations in the Divisions during 2017, with more locations to be added during 2018. As a result, we expect a major efficiency impact on the employee management processes. Another key improvement is related to the learning management platform: The new learning platform comprises all Dufry learning programs and enables training paths by employee role, easily accessible worldwide.

Talent Management

Dufry ensures that future and long-term management needs are being addressed by an optimal balance of promoting internal high-level personnel and hiring external talents (for example in new countries where we start operations). Dufry operates a global, systematic integration process to identify high-potential talents in the organization and to develop them toward the key roles in our business model.

The talent pipeline

We strongly believe that talent management and succession planning are ongoing processes. Accordingly, we keep enhancing the pipeline of candidates ready for the key managerial roles and we carry out yearly reviews of the quality of our talent pipeline at two levels:

- The first level concentrates on a limited number of candidates that will be able to occupy one of the pre-defined key positions in our entire organization. At year-end 2017, this pool of talents included 74 high-potential managers. We trust that with these managers, we are able to address and safeguard the succession in specific key management position.

- The second level focuses on our stores. Within the top-performing stores’ personnel and supervisors, we have identified 397 “Retail talent” employees as of year-end 2017, on whose development we will focus in order to ensure a quality store management succession pipeline.

Training and professional development

Dufry carries a strong Learning and Development portfolio, both at the local and global level. As for global programs, our flagship initiatives are “Dufry Sales Academy” and “Step Ahead”, with which we strive to consistently provide our professionals with the tools, knowledge and capabilities they need to perform well in their jobs and develop to their full potential at Dufry.

The Dufry Sales Academy learning program includes two sub-programs: Out in Front and Dufry + 1 both national award winning programs. Out in Front was launched in 2012 and is a dedicated program for our sales professionals, shop managers and supervisors in the retail operation. At the start of 2017, Out in Front was running in 47 countries and has been expanded to 57 countries by year-end 2017. The learning program is being implemented across all WDF operations and a total of 357 retail managers were educated at Dufry, Nuance and WDF locations in 2017.
In 2017 we completed delivery of our integrated Dufry +1 program to 7,300 team members, out of which 6,000 were from World Duty Free retail operations. We continued to educate new shop floor hires on our Dufry +1 program across the entire Group in 64 countries.

The experimental learning format of both programs, Out in Front and Dufry +1, is delivered by a Dufry Certified Trainer. The number of trainer certificates increased by 193 at year-end 2017.

Step Ahead includes two avenues, one focused on management skills and the other on our operational business processes, procedures & tools. Managers running important segments in our value chain, such as commercial, logistics, procurement, marketing and retail operations, partake in these various learning offerings to achieve company performance outcomes and run the company according to the Group’s performance expectations.

The Management Skills avenue launched in 2013 provides our managers with a formal education allowing them to assess their current capabilities and improve their role as a manager of teams. In 2017, 4,049 managers participated in our formal sessions covering several topics from the Step Ahead Management Skills suite.

In the Step Ahead Operational avenue we educated 49 managers from various functions in 2017.

**Equal employment**

Dufry fosters a culture of equal opportunity. Our HR policy is to provide equal employment conditions and to offer career opportunities without discrimination to all our employees. We offer and promote working environments where everyone receives equal treatment, regardless of gender, color, ethnic or national origins, disability, age, marital status, sexual orientation or religion. In addition, we adhere to local legislation and regulations in all the countries were we operate. Any kind of child labor or forced labor is strictly forbidden and clear recruitment procedures and regular workplace controls ensure that this never happens at any location.

Anti-discrimination, diversity and ensuring equal opportunities are and have always been important social and corporate issues for Dufry across all locations, especially (but not exclusively) in developing countries. Many locations in which the Group operates still pose challenges to guarantee equality. We monitor those countries closely to ensure we provide equal opportunities to all our staff.

We provide our employees with fair and competitive wages based on an individual’s background and experience, the particular job within our organization, the appropriate market benchmark in the respective countries and locations as well as her/his performance.

We assess the remuneration structure of our employees on a regular basis to make sure there is no discrimination related to any kind of diversity. In this context, we also proactively engage with our women employees in an internal forum ~ Women@Dufry ~ where we discuss today’s challenges of women at the workplace in order to make sure that our female employees can fully develop their potential and career opportunities within the company. The forum is attended by selected female representatives of the company, HR management and is sponsored by the CEO.

**Freedom of Association and Collective Bargaining**

Dufry respects legally recognized unions and internal forums created to represent their employees’ interests. The Company’s policy on collective agreements is tailored to each location in which it operates, as each location is subject to its own specific laws and regulations. As an example, the current practice in some of the main Group operations is described below:

- In Brazil, there is a collective agreement in place which covers core employee related topics such as salary reviews, general allowances (meal, transport, transportation, training, etc.).
benefits, etc.), work contract restrictions/special conditions, work shifts, vacations, health and safety, contributions, gratifications, awards and requirements aiming employee's guarantees.
- Greece also has a collective agreement in place ruling the main employee topics.
- In Spain, Dufry has a collective agreement in place that covers all employees in that location except the senior management. The agreement is negotiated between the Company and a committee made up of employee representatives and labor union members and outlines conditions such as salary, holiday days and health and safety in the workplace, among other human resources related matters.
- In the UK, Dufry has an employee forum – "Voice" – made up of staff representatives. This forum was created as a partnership between the company’s management and employees to influence and communicate business change.
- In the US, there are a number of recognized trade unions that Dufry engages with, including Unite Here, Workers United, United Food and Commercial Workers, Teamsters, Newspaper Guild, Culinary Workers.

**Dufry World – The internal news magazine for our employees**

Dufry regularly reports on important news in its corporate-magazine “Dufry World”, which is published in 5 languages. This ensures that important trends in the travel retail industry and developments of our Group are communicated to our staff members in full. Every issue of the magazine also portraits individual employees or teams and their personal stories within Dufry’s global environment and within the Dufry family. Dufry World is issued 4 times per year. During 2017, we inaugurated a new section called “Wall of Fame” to pay tribute to individuals that have gone beyond the extraordinary either in their personal or in their professional lives, leading by example to the rest of the Dufry employees.

In addition, all internal and external information is also made available in Dufry’s intranet “Dufry Gate”. In 2016, the communication channel of Dufry Gate was transformed into a fully responsive online news channel called “mygate” thus considerably extending the reachability of additional employee groups in our locations. Mygate can easily be accessed from desktop workstations as well as through mobile devices.

**Awards programs – fully integrated during 2017**

Employee recognition is an important way to value employees’ and team achievements. With this in mind, Dufry created the Dufry One Awards, a global award recognizing locations globally, which have taken initiatives to actively improve sales, efficiency or performance contributing to Dufry’s ambition of continuous growth and improvement. The winners of the 2017 awards were announced in May and published in the employee corporate magazine, Dufry World, as well as in the news section of the company’s intranet, Dufry Gate.

**Dufry One Awards**

The Performance Award – A global award recognizing locations globally, which have taken initiatives to actively improve sales, efficiency or performance contributing to Dufry’s ambition of continuous growth and improvement. The 2017 awards went to:
- Division 1 – Antalya Airport, Turkey
- Division 2 – Edinburgh Airport, United Kingdom
- Division 3 – Bali Airport, Indonesia
- Division 4 – Dufry Cruise Services, Norwegian Cruise Line (NCL) Jewel
- Division 5 – San Francisco International Airport, USA

The Customer Service Award – Open to all shops participating in the global Mystery Shopper program, recognizes individual shop performance across the specific customer impact segments of the Mystery Shop. The winners of the 2017 awards were:
- Athens International Airport, Greece – Victoria’s Secret Store
- Antalya Airport, Turkey – Suncatcher Store
- Newark Liberty Airport, USA – Dufry Shop
- Gatwick South, United Kingdom – World Duty Free Main Shop
- Zurich, Switzerland – Lindt Store

The Best Initiative Award – A global award to recognize individuals or teams that have demonstrated proactivity, taking initiative to solve a challenge, increase sales or improve customer service. The 2017 awards went to:
- Division 1 – Athens International Airport in the Intra Schengen Area, Greece
- Division 2 – United Kingdom
- Division 3 – Singapore
- Division 4 – HR team in Uruguay
- Division 5 – Chicago O’Hare Airport team, USA

**Employee engagement**

Measuring employee engagement and satisfaction through regular surveys is an important tool to recognize potential for improvements across the Group. Our employee surveys are done systematically over specifically defined cycles: we ensure that the surveys always involve a substantial part of our more than 32,000 employees, and that they are carried out across the world, involve all Divisions as well as the
headquarters; and, that over a certain timespan, all employees have been involved in a survey. Applying this system results in regular surveys focusing on the action plans.

Excellent response and engagement rates in employee survey.

In 2016, we organized a global employee engagement survey which included over 28,000 employees; in this survey most of the WDF employees participated too. Over 60 countries across all five Divisions completed the survey with an overall response rate of 69%. The engagement rate was 61%, both of which are excellent rates compared to the overall benchmark of the survey system we use. During 2017, team leaders across Dufry have shared specific results of the survey with their teams and co-worked in putting together action plans to improve engagement. The next survey is expected to be carried out in the second half of 2018.

Health and safety
The health and safety of our employees is a top priority at Dufry. We ensure workplace safety additionally by regular learning and training courses, among them in fire safety and first aid to provide for the prevention and quick, correct reaction in cases of emergencies. Dufry strives to achieve high occupational Health & Safety standards and actively encourages compliance across the whole Group and among all its business partners and sub-contractors. The majority of our workforce operates in airport and cruise-ship environments, where employees have to comply and follow the respective airport’s, seaport’s or vessel’s safety regulations. As a result, Dufry has a number of different Health & Safety Policies throughout the organization. Regardless of the specific requirements of each local legislation, there are certain principles that all these policies adhere to, including:
- Adherence to country, state and local Health & Safety legislation and any other requirements
- Workplaces as safe and hazard-free spaces
- That employees have the necessary skills and training to perform their duties
- That employees have been informed of the contents of the policy
- That all the elements and protective equipment required for employees to carry out their job safely have been provided
- That the Group has procedures in place in case of emergency

In 2017, for the second year running, World Duty Free has been awarded by the Royal Society for the Prevention of Accidents (UK) the RoSPA Gold Award for having achieved a high level of performance underpinned by good occupational health and safety management systems and culture, which are delivering consistent improvement: www.rospa.com/awards/winners/2017/gold-awards/

Security practices
Due to the nature of our business, most of our staff is in the airport environment, either working in stores, in airport offices and or in airport warehouses. As part of that airport ecosystem, our staff has to adhere and follow the security principles and processes established at the airport where our stores are located. Most of these regulations and policies are harmonized across the world to ensure consistent levels of safety and consumer protection. Worldwide safety regulations are set by the International Civil Aviation Organization and within Europe by the European Aviation Safety Agency.

In order to work in our stores, members of our staff need to obtain the corresponding airport authorization, which in most of the cases implies training courses on security measures and procedures in the airport environment.
COMMUNITY ENGAGEMENTS

Dufry has been a sponsor of charitable organizations and partnerships across the world for many years. Our commitments are based on our strong belief that we can make a difference to the lives of people concerned. The main focus of our sponsorship programs is on supporting disadvantaged children, young people and their families – often some of the weakest members of our society. We further support charities that help victims of natural disasters, as well as cultural and sports events. Below are some of our major sponsoring activities during 2017:

Rio de Janeiro, Brazil – Helping to build the future of young teenagers
Since 1995, Dufry has been sponsoring a social promotion program in Rio de Janeiro, offering free professional education to 30 young people every year from communities around Galeão Airport. Every day, these teenagers go to the program headquarter where they participate in various classes and education modules such as English, computer classes, retail operations, professional orientation, teamwork, leadership, rules of etiquette, ethics and citizenship. Classes can be attended by 16 to 20 year-old female or male teenagers. The students also receive free meals, medical and dental care, life insurance, uniforms, school and educational material and transportation assistance. Dufry also supports the students with their career progression, alerting them to any opportunities within Dufry’s organization, or with external partners. Employability rates usually reach high levels for those teenagers taking part in the program. Since its beginning over 22 years ago, the program has benefited over 600 teenagers in total.

Dufry employees are also extremely proud to be involved in this initiative and regularly participate as volunteers, as well as acting as mentors to individuals taking part. Every year, 60 volunteers from Dufry and other partners are involved in this important social action.

Devastating natural catastrophes in the Caribbean, Mexico and the US – A helping hand to our colleagues
In September 2017, the Caribbean region as well as some of the Southern states of the US faced a destructive hurricane season which impacted several countries in the area, including places where Dufry operates. Despite the material damage, Dufry’s main concern was the well-being of employees affected by the hurricanes. With this in mind, the Human Resources departments from the Divisions Latin America and North America launched an online global campaign to raise funds to help these colleagues. People from all our Divisions were able to donate, with Dufry committed to double the donations. The funds raised were used to send help to benefit 16 families in Grand Turk and around 200 employees in Puerto Rico, as well as many colleagues and families in the US.

We want to give back to society – mainly by supporting disadvantaged children and their families.

Three different SOS Children’s Villages programs in Brazil, Mexico and Russia
Our partnership with SOS Children’s Villages also dates back a long time, as we started our first support back in 2009. The project we sponsored at that time
was a social center in Igarassu, Brazil, for which Dufry funded the construction costs and has been supporting the running costs of the center and training classes ever since. Our two donations in 2017 enabled on one hand 465 infants, young children and teenagers with their mothers to benefit from family strengthening programs with child-minding and day care centers, and on the other hand financed the yearly family-budgets, medical costs and school fees for 24 children and their SOS-mothers.

Since 2013, Dufry also supports a SOS Children’s Villages social center program in Tehuacán, Mexico. This project allows mothers to leave their children in the safety of the SOS child care center during the day so that they can go to work and earn their own income. The Dufry contribution in 2017 supported 105 families and covered the running costs of the social center, including food, medical assistance as well as school and educational staff expenses. From July 2018 onwards, the children of the SOS Children’s village in Tehuacán will be relocated in the social families, but the engagement of the Social Center continues.

The third program, which started in 2015, supports the SOS Children’s Villages center in Lavrovo, Russia, a city located 350 km south of Moscow. When young people are ready to move out of the SOS families, they can join the SOS Youth Program, which supports them on their way to a higher education or gives them a start into vocational training. Dufry’s funding in 2017 supported 16 teenagers during one year on their way into adulthood.

An additional financing channel in favor of the SOS Children’s Villages organization are special coin collection boxes that Dufry has installed in many shops across the world. This supporting channel has been operating since 2013 and enables our customers and business partners to participate in the support of the charity’s child-care programs.

Hand in Hand for Haiti
Dufry has been sponsoring the Student Sponsorship Program launched by the Hand in Hand for Haiti Foundation since 2015. Our 2017 donation again supported 25 students at the school complex in Saint Marc, north of Port-au-Prince. The sponsored students receive free trilingual education in French, English and Creole. Through our donation they are also provided with meals, health services, uniforms, school supplies as well as bus transportation to and from the school.

Supporting the fight against cancer in Jamaica
Dufry employees also helped to raise funds for an initiative against cancer in Jamaica. They participated at the “Susan Komen Cancer Walk: Race for the Cure” organized by Susan G. Komen, a nonprofit organization that helps to fund research, education, screening and treatment of breast cancer.

Amelia Project Foundation – When transport changes everything in Myanmar
The “Please Take Me There” initiative of Amelia Project Foundation offers free transport to children who suffer from cancer and to their family members in Myanmar. Often located in rural areas, most families don’t earn enough to pay for the journeys to Yangon Children’s Hospital, Myanmar, which is the only hospital that can effectively treat a child in Myanmar. Many times, their journeys take 12 hours each way on average, on up to four different modes of transport. However, there are children who even need to travel for up to 3 days just to get to the hospital. Dufry is proud to have started to support this initiative in 2017. “Please Take Me There” provides a necessary free transport service and ensures that children with cancer will receive specialist medical treatment, thereby giving them an opportunity to survive.

Alzheimer’s Research UK – Increasing information about dementia
By participating in fundraising emails and newsletters of Alzheimer’s Research UK (ARUK) and various other activities by our World Duty Free employees, we support ARUK to provide more people with information about dementia. Dementia is a definition used to describe several symptoms that occur when brain cells stop working properly and die off. It is important to provide the public with information on how people suffering from dementia can get help and what is being done to cure it. Aside from Dufry’s general support, employees did a sky dive event, and raised funds through Valentines, Easter, Halloween, cake sales and summer activities as well as at the World Alzheimer’s Day and during a special Christmas Jumper Day.

“One” water project – sustainable clean water service for African communities
World Duty Free started to support The One Foundation as early as 2006. The foundation created the bottled water brand “One” in 2005 to support people who do not have access to clean drinking water. WDF sells the “One” brand water bottles, juiced water and jute bags in its UK stores and has thereby been able to raise significant funds for The One Foundation over the past years.
1 IGARASSU | BRAZIL
A SOS Children’s Villages project supported by Dufry since 2009.

2 TEHUACAN | MEXICO
A SOS Children’s Villages project supported by Dufry since 2013.
The funds raised in 2017 mainly supported projects in Rwanda and Malawi where safe water and improved hygiene and sanitation facilities for over 6,700 people were installed. Whether it is the building of the infrastructure needed to deliver clean water from pumping stations to community tap-stands, the training of community members to maintain and repair water pumps themselves or supporting the partnership between local governments, local communities and utility companies – these activities are all part of The One Foundation’s support and are changing lives in rural African communities. In addition to the water projects, a school feeding program for over 800 primary school children in Malawi also profited from the funds raised.

**Ongoing support to United Nation’s campaign #YouNeedToKnow**

Following the collaboration with United Nations (UN) that started in 2016, Dufry continued to support the UN in their goal of reaching over 2 billion people before the end of 2017 with their awareness campaign called #YouNeedToKnow. This campaign is part of a UN global effort to promote the importance of the 17 Sustainable Development Goals (SDGs), and how each individual could contribute towards a more sustainable and fairer world, by just making small changes in their day to day lives.

Building on the successful campaigns carried out in the Geneva airport in December 2016 and in London Heathrow and Zurich airports in early 2017, Dufry supported the UN by activating the #YouNeedToKnow campaign in 31 additional airports for an average period of 1.5 months between July and October, giving prominent space and visibility to the campaign. Either by showing the campaign in the multiple video screens and tills in the stores, or through interacting with passengers and engaging them to share the #YouNeedToKnow hashtag in their social media, Dufry reached over 52 million passengers during these activations, generated additional media coverage and gave a push to the UN campaign in the different social media platforms.

Moreover, the UN and Dufry, in collaboration with travel retail’s most influential publication, The Moodie Davitt Report, took the campaign to the most relevant industry events – including the TFWA World Exhibition and Conference in Cannes and the Trinity Forum – in-
spiring other industry members to support the campaign and resulting in other industry players interested in joining forces with the UN.

The support to this United Nations campaign will continue in 2018, and we are currently working with both the UN and airport operators in joint actions in over 60 locations.

**Manchester HOME project**

HOME is Manchester’s newest cultural organization founded by the merger of two of the city’s long-standing arts venues – Cornerhouse (established in 1985) and the Library Theatre Company (founded 1952), which has been supported by World Duty Free ever since 2003 in form of a community partnership for the Wythenshawe area in the South of Manchester. To date the engagement has reached over 2,000 participants attending drama workshops, theatre visits, joining intergenerational projects as well as adult creative writing courses.

In 2016 and 2017, WDF has funded two initiatives: the Wythenshawe Community Workshop and the Wythenshawe School project, both providing opportunities to young people and pupils to expand their horizons, build new skills, increase their confidence and ultimately give them the tools to help maximize their potential and prepare them for future training and employment.

**Hudson Group supports U.S. Communities in Schools and keeps U.S. troops connected**

Hudson Group, Dufry’s Division 5, continued to support Communities in Schools (CIS), the largest and leading dropout prevention group in the United States in 2017, through its fund raising program. In the U.S., approximately 1 in 5 children under the age of 18 live in poverty, shouldering more than they should have to. CIS and its over 160 local affiliates in the U.S. work directly inside schools, building relationships that empower students to succeed inside and outside the classroom. The organization works with nearly 1.5 million students and is proud on its success rate: 99% of their students stayed in school and 91% of their seniors graduated or received a GED (General Education Development credential). Funds for the CIS organization are collected in Hudson and Hudson News stores located in airports, bus and rail terminals with counter-top boxes at registers.
Hudson Group continues to partner with local charities in North America to provide support and engagement in the community, including the USO (United Service Organizations). Through local connections with USO chapters across the U.S., Hudson Group and its customers have helped keep America’s military service members connected to family and friends.

In 2017, Hudson Group reached a new record milestone in customer donations of phone cards to the military, sold at Hudson Booksellers, Hudson News, and Hudson airport store locations. The pre-activated AT&T cards allow troops to access the Internet and call home to their families and friends. The phone cards work from landlines and payphones across the globe, including war zone locations.

**Further donations and cultural events**

Dufry is supporting many other social projects with local activities in countries where it operates. In Greece, we continued the long-term partnership with the Hellenic Red Cross, supporting their refugees program by donating products in stock to the organization. Furthermore, we continued to support the Special Olympics Hellas, the largest sports and educational organization for people with intellectual disabilities in Greece, and numerous local community events organized by municipalities, embassies or local authorities.

In Spain, Dufry went into an agreement with Aldeas Infantiles (SOS Children’s Villages) that for every pack of Carremi Turron cakes sold in our Spanish stores, a substantial portion of these sales will go to Aldeas Infantiles. In Turkey, the team attended a Charity Run with 39 employees. The aim was to support disadvantaged children with their education and the Dufry team managed to collect funds for one year’s education of 14 children. Furthermore, Dufry supported TEMA, an organization that enables reforestation and protection of natural habitats in Turkey.

In Australia, Dufry is a supporter of the Diamond Dinner for the Children’s Cancer Institute. This fund raising event brought together over 250 high-net worth individuals, celebrities and industry leaders who support the work of this institute that is wholly dedicated to childhood cancer. The company also supported the Royal Flying Doctor, which is one of the largest and most comprehensive aeromedical organizations in the world. Using the latest in aviation, medical and communications technology, they deliver extensive primary health care and 24-hour emergency service to those who live, work and travel throughout Australia.

In Korea, we support through different donations local students for high school scholarship and English teaching classes for low-income children as well as Korean teaching to multicultural families.

The annual sponsorship of cultural events was also continued in 2017: Many local community events such as the Swiss Indoors tennis tournament in Basel or the Baloise Session, a three week music festival in Switzerland, as well as the Madrid Open tennis tournament received our support.

Our broad and worldwide network of travel retail shops offers another unique opportunity to support social programs: In many shops we maintain donation boxes and encourage our customers to participate in supporting specific local programs or victims of natural disasters. The amounts collected every year are always surprising and we thank all participants for their generous donations. The charities receiving them have been welcoming them greatly.