



SWAROVSKI

GLOBAL MARCH

Mr. Kailash Satyarthi
L6, Kalkaji
New Delhi 110019
India

May 4, 2006

Dear Mr. Kailash Satyarthi,

thank you for your letter of 3 May 2006. A recent article published in the London Observer/Guardian titled "The Price of Sparkle is Child Labor" incorrectly implicated Swarovski in the illegal practice of child labor, an accusation which is not only totally untrue; it also goes against every social standard that this family company has stood for in its 111 years of history.

The article painted an ugly picture of exploited children working in poor conditions in the Indian fashion industry, where popular forms of garment embellishment include sequins, stones and embroidery techniques. Swarovski manufactures high quality jewelry stones and crystal components and it is a fact that it has cooperated with top international designers and fashion icons for more than a century. The company is at the apex of the supply chain and sells to clients who may sell on, or engage subcontractors to complete items for sale in the luxury segment of the retail market. Although Swarovski does everything in its power to prevent any kind of exploitation through the network of its own clients, it would be virtually impossible to be able to control the use of small jewelry stones and beads right down to the final end user.

The published story made much of the fact that India is flooded with counterfeit crystal stones and that dealers selling to companies using child labor bore no identification as suppliers of our company's products. The story failed to present any evidence that the crystals mentioned in connection with child labor were our products and given the quality and price of Swarovski crystal components, it is also highly unlikely. In addition, Swarovski issued a full statement to the journalist in question categorically denying any involvement in child labor and pointing out the company's own strong stance on all



SWAROVSKI

humanitarian issues. The statement, received well in advance of the story's publication, was virtually ignored by the journalist concerned.

For more than a century this family company has stood rigidly by the principles of its founder Daniel Swarovski I. Indeed his exemplary social and humanitarian policies are cornerstone policies of the company and are respected in every culture and society in which Swarovski operates. As part of our ongoing Corporate Social Responsibility program, Swarovski is already actively engaged in social programs that target the welfare of children in India, Pakistan, Sri Lanka, Brazil and China - to name only a few of the targeted countries. It is also involved in the work of organizations like Doctors without Borders and acts swiftly with practical and financial support in the case of natural disasters like the devastating Tsunami that struck the Asian region in 2005.

Finally, we reiterate that these claims are totally without substance and just as we have in the past, we will continue in the future to stand by our obligations as a company with social responsibility – and to act correctly and accordingly.

With regards

A handwritten signature in black ink, which appears to read 'Markus Langes', is centered below the text 'With regards'.

Markus Langes Swarovski
Member of the Executive Board