

2023 Universal Registration Document

CSR Extract

Non-Financial Performance Statement (NFPS)



2.5.5 WASTE MANAGEMENT

As a major aspect of environmental protection and societal responsibility, waste and discharge management means that each of the House's métiers contributes to the overall effort to reduce the production of waste and discharges and to recycle or recover them.

CHANGE IN VOLUME OF WASTE (EXCLUDING FARMS) OVER THE LAST FOUR YEARS

WASTE	2020	2021	2022	2023
NHW ¹ in tonnes	6,012	10,043	11,143	12,321
HIW ² in tonnes	5,189	2,787	3,193	4,019
TOTAL IN TONNES	11,201	12,830	14,336	16,340

(1) Non-hazardous waste (NHW): this is waste that does not present any of the 15 hazardous properties defined at European level. Management rules are more flexible than for hazardous industrial waste. This includes, for example, bio-waste, glass or plastic waste, wood, etc.

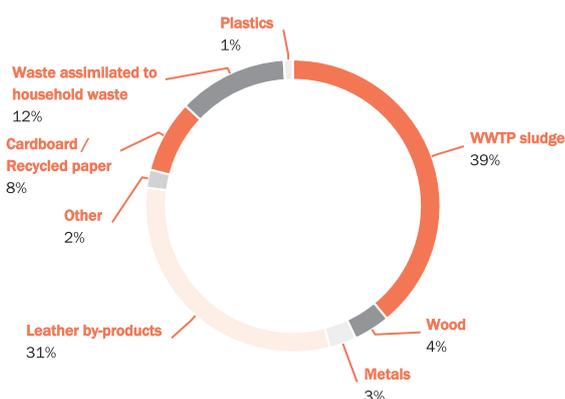
(2) Hazardous industrial waste (HIW): this is waste that presents one or more of the 15 hazardous properties defined at European level: flammable, toxic, dangerous for the environment, etc. Hazardous industrial waste is subject to specific management rules due to the particular environmental and health impact risks associated with its handling.

In order to align with European legislation on waste classification, sludge from the treatment of effluents from the Tanneries division has been reported in the NHW category since 2021; it was previously reported in the HIW category).

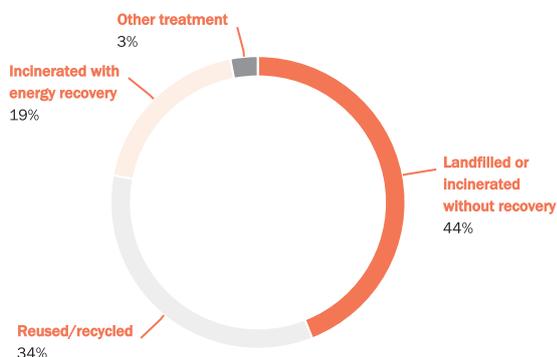
Between 2022 and 2023, the quantity of waste increased by 14.0% at Group level (excluding farms), although this increase is less significant than the increase in activity.

Types of non-hazardous waste generated by manufacturing sites

TYPES OF NON-HAZARDOUS WASTE GENERATED BY MANUFACTURING SITES



The main types of non-hazardous waste generated by manufacturing sites are WWTP ⁽¹⁾ sludge, process sludge and matter resulting from cleaning operations, as well as leather by-products generated during the tanning steps (non-usable parts of raw hides or cutoffs related to thinning, for example).



The hazardous industrial waste generated (24.6% of the total) consists mainly of cullet (crystal debris) that cannot be reused at the Cristalleries Saint-Louis but is reused in a metal refinery, sludge and distillate from surface treatment sites or dyes used in textile printing units.

Waste destination

The wide range of métiers prevents an overall waste management policy, other than the general principle of avoiding its production and working to improve its reuse and recovery. Waste management is therefore entrusted specifically to each manufacturing division by means of a dual policy of waste reduction and its recycling wherever possible. The main contributors are the tanneries, textile, crystal manufacturing, leather, perfumes and real estate divisions.

In 2023, 53% of waste was recovered (reuse, recycling, energy recovery), compared with 41% in 2022 and the Group aims to increase this ratio in the coming years.

Tanneries / 11% increase in waste production in 2023 compared to 2022

The increase in waste in 2023 is linked to the increase in production and the improvement in the treatment of discharged water effluent, generating more sludge.

The raw material used in the tanneries is the entire hide, referred to as “raw” hide, a putrescible organic product. Tanning involves processing the hide into a durable product, a finished leather, using successive operations that eliminate matter and generate scraps. The reduction of tannery waste naturally starts with the improvement of the quality of the raw hides. Tanning then generates unavoidable waste, associated with trimming the edges of the hides (“trimming”) or preparing the internal surface of the hide (“fleshing”) to achieve the desired mechanical properties and touch.

In 2023, an initial mapping of production waste was carried out at each tannery in order to accurately quantify the losses during the manufacture of leather and with a view to pooling in the most virtuous sectors. At the division’s sites, most of the waste is non-hazardous (over 90%). The source of non-hazardous waste produced by the leather sector in France is estimated at 37,000 tonnes/year according to a study by the CTC in 2023, which is relatively low compared to other sources of waste (elements of comparison in France: used textiles = 700,000 tonnes, wood energy = 3,500,000 tonnes). This explains the lack of recovery channels in France, especially as the sources are fragmented around the country.

1. WWTP: Wastewater Treatment Plant.

The tanneries are therefore constantly seeking new reuse channels and are active participants in the think tanks that are brought together at Hermès to discuss leather waste, and in the work done by the Centre Technique du Cuir (CTC). The Tannery division is also studying the retrieval and recovery of leather scraps from tanning with various partners.

The treatment of the hides in successive baths also produces effluents which are treated in the sites' treatment plants. This water treatment generates sludge, the management of which is strictly regulated in the geographical areas where the Group operates its tanneries (European Union). In the Tanneries division, this sludge represents 43% of the non-hazardous waste generated.

The continuous improvement in the performance of effluent treatment systems led to an increase of 11% in the production of sludge, which is sent to specialised treatment centres. Ways are being studied to improve sludge drying and thus open up new recycling options.

At-source sorting of waste streams is in place on sites and 100% of the waste produced is evacuated to approved channels. On-site waste storage is optimised to prevent any pollution risk (sheltered storage areas, retention basins, etc.) and regular awareness-raising initiatives focusing on sorting and the layout of work areas are carried out among employees.

Farms / 0.2% decrease in waste production in 2023 compared to 2022

The amount of waste generated on farms remained constant in 2023 (-0.2%) in a context of growth in activity at the new Australian farm and the end of the associated works. Hide inspection activities also produce waste, mainly non-hazardous waste (95% of annual production) and is composed of operating waste (animal by-products, sludge from effluent filtration systems, wood or cardboard) as well as waste from the renovation of facilities (inert waste, plastics or ferrous scrap metal) and household waste. The salt used in the salting of raw hides is considered hazardous industrial waste (under the regulations in force in the States in which the hide processing and inspection facilities are located) and makes up almost all the hazardous industrial waste generated by the division. In order to avoid any pollution, this waste is stored in covered and retention areas. They are then evacuated to approved local treatment channels.

Textile / 5.5% increase in waste production in 2023, 20% reduction in waste generated per unit produced

The waste produced on the division's sites increased by 5.5% in 2023 in a context of strong growth in activity: expressed in intensity, this represents a reduction of 20% in waste generated per unit produced.

This result is due to specific monitoring by site, the implementation of indicators, regular discussions with the teams and the implementation of supporting actions.

The total weight of hazardous industrial waste remained stable, while dye waste, which represents 50% of the total volume of hazardous industrial waste, decreased slightly for the first year since 2020. The volume of non-hazardous waste increased by 11.8%: 98% of this non-hazardous waste is recycled, composted or recovered.

Some 72% of all the waste from the Textile division's direct production was recovered, mainly as energy; 22.6% was sorted and recycled, 4.8% followed another treatment method (mainly composting) and only 0.6% was incinerated or buried. Thus, only specific waste is disposed of in this way, such as IHCW⁽¹⁾ or part of the waste from isolated sites where there is currently no alternative treatment.

Through monthly meetings involving the sites as well as the service provider, the sector ensures that recycling and recovery solutions are systematically favoured. Each new flow is validated.

Each site implements local adjustments to reduce the waste emitted; for example, the AEI site has changed the packaging machine films from 110 microns to 85 microns, enabling a reduction of 23% in plastic consumed; the ATBC site is working to reduce its cardboard and plastic waste by returning the thread cones to suppliers for reuse and working with their partners on packaging optimisation, with an estimated saving of five tonnes of waste.

At the same time, the Textile division is carrying out in-depth projects to significantly reduce the volume of waste emitted. Ateliers AS and SIEGL have developed a system for holding textile parts using a reusable adhesive film to replace glue. This system avoided the consumption of 2.6 tonnes of glue while production increased.

In order to preserve and use our materials as efficiently as possible, the sector has implemented a major textile offcut recycling project. This project aims to recycle more than 50% of offcuts of natural materials by 2024. Over the reference period, 17 tonnes of textiles were sent for recycling, which represents 22% fewer offcuts compared to the previous year. Significant investments and resources have been mobilised to deal with this issue: a new workshop has been set up including a specific cutting machine and the sustainable development project manager, who joined the sector in March 2023, dedicates 60% of her time to this.

An exceptional sludge dredging operation was carried out on the ITH site in 2023 to preserve rainwater runoff around the site. 461 tonnes of sludge were disposed of as non-hazardous waste. They were not included in the total waste generated by the site.

1. *Infected healthcare waste.*

Crystal manufacturing / 14% reduction in waste production in 2023 compared to 2022

The Cristalleries Saint-Louis is developing a waste sorting, treatment and recovery policy adapted to the environmental and economic issues. It is coordinated around the following major axes:

- ◆ reduce the amount and harmfulness of waste produced;
- ◆ prioritise the recovery of products whenever possible;
- ◆ choose sustainable treatment channels adapted to the products;
- ◆ commit to a green economy that is more respectful of people and their environment.

In 2023, the overall quantity of waste produced on the site decreased by 14%. This reduction is the result of the efforts implemented by the production unit's proactive waste sorting, treatment and recovery policy, as well as being linked to a significant quantity of waste produced the previous year due to the renewal of the gas melting furnace and associated construction work, which generated a greater quantity of waste during the financial year.

The crystal manufacturing plant is also committed to a circular approach, with a rate of cullet (production waste) reuse reaching on average 63% of the share of the raw material composition over the last financial year compared to 57.6% in 2022. This performance has a dual advantage: recovering production waste and reducing the quantities of raw materials used in the composition of the crystal.

Leather / 19% increase in waste production in 2023 compared to 2022 ⁽¹⁾

At constant scope, the quantity of waste generated decreased by 4% compared to 2022. The increase in the amount of waste generated in 2023 is linked to the increase in the number of Leather Goods workshops.

The proportion of non-hazardous waste recycled and recovered for energy out of the total tonnage generated by the Leather Goods division was 81% in 2023. Household waste represents 59% of the total. Composting facilities have been set up at certain leather goods workshops to recover organic waste and avoid its transportation. The other main sources of non-hazardous waste are cardboard (12%) and wood (5%).

The leather goods activity generates little hazardous industrial waste: 8% of the total annual tonnage of waste in 2023. Most of this deposit consists of packaging, glues and dyes used in the manufacture of

leather goods. 90% of all hazardous industrial waste is recycled or recovered.

Leather scraps, parts not used in the production unit's "cutting" activity, are sold to specialised channels, sorted and reused, both internally (§ 2.4.1.6) and externally. These by-products from activity are not included as "waste" in this report.

The division also takes part, in the context of the recovery of production waste, in working groups on the reuse, recycling and recovery of its waste within Hermès, as well as in the work carried out by the Centre technique du cuir (CTC – Leather Technical Centre) and other actors.

2.5.6 CONTROL OF POLLUTION RISKS

The policies conducted by Hermès in terms of prevention and the fight against pollution aim, based on a study of risks, to control them and limit their impact on the environment, whether on soil, air or water. Hermès assumes all its responsibilities as a company that places goods on markets, to ensure the regulatory compliance of all products sold, in all countries where it operates, in particular in terms of chemical risk management.

2.5.6.1 EFFICIENT SOLUTIONS FOR WASTE MANAGEMENT

Hermès is committed to going beyond current regulations to reduce the use of hazardous substances. Most sites are subject to European regulations, which are some of the strictest in the world. The House's internal requirements, for its own operations and for supplier specifications, nevertheless impose limits that may be even more stringent.

Water discharges

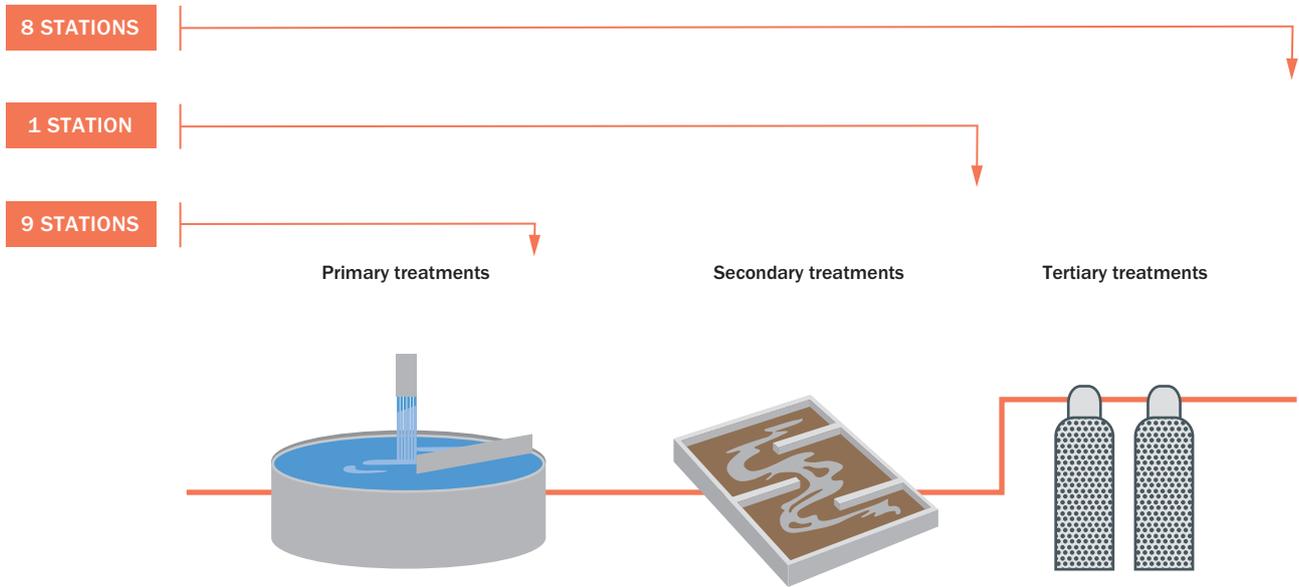
18 manufacturing sites (representing 77% of water abstraction) have their own wastewater treatment plants, including filter gardens. 78% of industrial water discharges (423,107 m³) were treated on site by these plants, with the most appropriate technologies for the substances discharged in accordance with the limits imposed by the environmental authorities, almost exclusively in France. 7% of industrial water discharges are composed of water from washrooms. The rest of the wastewater discharged is sent to municipal treatment plants.

WATER DISCHARGES <i>in megalitres</i>	2021	2022	2023	Change 2022/2023
Manufacturing sites	529.0	591.8	543.3	-8.2%
Farms	4,523.4	4,231.0	4,204.5	-0.6%
TOTAL	5,052.5	4,822.8	4,747.8	-1.6%

1. For comparison purposes, the waste production of the Leather logistics site located in the Lyon region is not included in the indicators in this paragraph but is included in the Group's overall waste production.

Breakdown of the highest level of treatment of the plants at manufacturing sites:

- ♦ primary treatment (primary physico-chemical treatment – flocculation, settling, formation of primary sludge): nine plants;
- ♦ secondary treatment (biological treatment – bacteria): one plant;
- ♦ tertiary treatment (with, for example, microfiltration, ultrafiltration, nanofiltration, reverse osmosis, filtration on granular media, infiltration-percolation, targeted treatment – nitrogen, chlorine disinfection, ozone, UV, dephosphatation, activated carbon): eight plants including one temporary prior to construction of the permanent plant.



Depending on the activity, regulations and agreements signed with the operators of municipal wastewater treatment plants, the manufacturing sites monitor various parameters such as temperature, pH, suspended solids, biochemical oxygen demand for five days (BOD5), chemical oxygen demand (COD), phenol index, organohalogen compounds (AOX), concentrations of nitrogen (N), phosphorous (P), nitrites (NO₂), nitrates (NO₃), ammonia (NH₃), ammonium (NH₄), and heavy metals.

At these sites, chemical oxygen demand (COD) is one of the water quality parameters measured. In 2023, 362 tonnes of oxidisable substances measured by COD were released (395 tonnes in 2022), of which a very large quantity will be treated by downstream municipal stations. New indicators and targets will be put in place by 2025 for the quality of discharged effluents, in line with the expectations in terms of reducing the “freshwater pollution” pressure that Hermès takes into account through the use of the SBTN method (§ 2.4.3).

As stipulated in § 2.5.1.4, no site has been subject to a formal notice relating to water quality.

DESTINATION OF WATER DISCHARGES FROM FARMS AND MANUFACTURING SITES in megalitres

	2021	2022	2023	Breakdown	Change 2022/2023
Water discharged on the surface (marshes, rivers, lakes, etc.)	4,464.0	3,818.4	3,332.3	70.2%	-13%
Water discharged to a third party	588.5	484.1	447.7	9.4%	-8%
Water used for irrigation	-	520.3	967.8	20.4%	+86%
TOTAL	5,052.5	4,822.8	4,747.8	100%	-2%

Atmospheric emissions excluding greenhouse gases

Air emissions from manufacturing sites are related to the operation of furnaces, boilers, surface treatment activities, dry degreasing activities, spray booths, as well as the use of solvent-based products (adhesives, chemical printing pastes, etc.). Verifications of emissions from such equipment, as identified in the prefectural orders or site permits, are performed in accordance with the applicable regulations.

The solvent management plans are regularly updated and sent to the authorities.

Depending on the activity and regulations, industrial sites monitor various parameters such as emissions of volatile organic compounds (VOCs), sulphur oxides (SO_x), nitrogen oxides (NO_x), hydrochloric acid (HCl), heavy metals, dust and cyanides, total acidity, total alkalinity.

Tanneries

The quality of effluent discharges is central to sites' environmental concerns. Each tannery is equipped with an effluent treatment station and verifies that its industrial emissions comply with the applicable regulations. These points are systematically reviewed and audited as part of LWG certifications. Regulatory inspection reports, as well as improvement projects, are submitted to the local authorities on a regular basis. As a reminder, the tanneries are solely located in France (six sites) and Italy (one site), and their stringent regulations are subject to frequent controls. In accordance with these regulations, the Group monitors, among other measures, the biological and chemical oxygen demands of its discharged water and ensures that they do not exceed the thresholds set by its prefectural orders. **To date, 100% of our water is treated internally** and 98% of this water enters the municipal network for a further treatment in the municipal stations.

Among our sites, the Vivoin tannery has one of the Group's most advanced water treatment levels, with primary, secondary and tertiary water treatments enabling the achievement of COD levels well below the very strict discharge limit. This performance is achieved thanks to an ultrafiltration unit and two activated carbon filters. The Cuneo tannery and the Tanneries du Puy are also equipped with primary, secondary and tertiary treatments, and the others have a sufficient level of primary physico-chemical treatment to ensure the compliance of discharges. It is also planned that the quaternary treatment of the discharges of the Tanneries du Puy will be operational by 2028 in order to achieve the water quality necessary for its reuse in production.

Between 2020 and 2023, more than €12 million was dedicated exclusively to projects to improve the quality of water discharged.

In addition to simple regulatory compliance, the division's tanneries are working to further improve the quality of waste in order to develop solutions for the reuse of water for washing and production.

A pilot reverse osmosis unit was tested during the year at the Montereau tannery, as was the reuse of the concentrate from the evapo-concentrator.

At the end of 2023, the Vivoin tannery also began trials by directly recovering water from their treatment plant in order to measure the impact on the quality of the leathers.

The Annonay tannery is studying the possibility of reusing water directly from the municipal WWTP located downstream of the tannery.

The Cuneo tannery already reuses rainwater for maintenance and cleaning purposes thanks to retention basins installed on the roofs, thus enabling water savings of 15%. The implementation of a similar solution is also planned at the Montereau tannery.

Numerous studies and optimisation projects for tannery waste management facilities are thus carried out annually. The amount of this work represented an investment of around €10 million in 2023, a sharp increase due to the start of work on the Tanneries du Puy WWTP.

Air emissions at the division's tanneries result primarily from the operation of the boilers, the dry degreasing activity and the finishing booths. Verifications of such equipment, as identified in the prefectural orders or site permits, are performed in accordance with the applicable regulations. The solvent management plans are sent to the authorities and the consumption of VOCs per hide is audited and is subject to a performance assessment as part of the LWG certifications.

Farms

In Australia, 32% of water discharged from animal farming is reused through irrigation projects after filtering. All of the agricultural water discharged by one of the farms is notably reused to irrigate sandalwood in collaboration with Hermès Perfume and Beauty in order to harvest the essence of the wood in a circular manner within a few years, as a raw material for their formulation.

Irrigation systems are also set up on other farms to produce fodder for local farmers or to irrigate sugar cane plantations on neighbouring agriculture farms in an industrial ecology scheme.

These projects are a priority area of work as part of the water strategy rolled out by the Farms division.

A study is also underway on the American farm to map uses, characterise the water resources and identify relevant planting/irrigation projects for the breeding and tanning activity.

For all tanneries and farms, the compliance of water discharges is checked at a frequency adapted to the monitored parameters and regulations: half-yearly, quarterly, daily or continuous measurements. Most of these parameters are measured at a higher frequency than that required by the authorities. The control samples are analysed on site or in approved external laboratories. The results of internal analyses are compared once or twice a year with those obtained by an independent and certified laboratory. In the event of a deviation from regulatory requirements, precautionary measures are immediately taken and actions are implemented to return within the defined parameters. All information is quickly transmitted to the authorities as well as to the managers of the wastewater treatment plants in urban areas, most of the time using dedicated IT platforms.

Textile

The three sites of the Textile division, which account for 98% of water discharges, are subject to daily self-monitoring of effluents. To ensure the reliability of these data, audit and calibration plans are regularly implemented.

The AEI and Ateliers AS sites, whose effluents are treated by the municipal WWTP, are gradually being equipped with physical and physico-chemical pre-treatment plants that will improve the quality of the water discharged, while incorporating the possibility of reusing manufacturing water in the process. For example, the chemical oxygen demand (COD) will be halved at Ateliers AS and reduced seven-fold at AEI, where the objective is to discharge to the municipal WWTP water whose quality would meet the levels required for discharge into the natural environment. For Ateliers AS, the building permit was filed in December 2021 and the facility will be operational in 2024. The AEI site is in the consultation phase.

On the SIEGL site, the new high-performance WWTP, whose construction began in 2018, is equipped with secondary biological treatments as well as tertiary treatments by membrane filtration and activated carbon. The WWTP is operational and the results are in line with expectations, with COD and BOD5 concentrations below the threshold set by prefectural decree (150 mg/l). The site is beginning the final phase of this WWTP relating to the stabilisation and reuse of wastewater, whose rates reached an average of 23% in 2023, with peaks of 45%.

Crystal manufacturing

The Saint Louis crystal manufacture adopts the same rigorous treatment of its discharges and effluents for the excellence of its production. As such, the processes are continuously improved and optimised upstream to:

- ◆ reduce the quantity of discharges induced by the activity;
- ◆ reduce the concentration of any pollutants as much as possible in the waste;
- ◆ guarantee the harmlessness of waste coming out of treatment cycles.

In line with the decrease in water consumption in 2023, the total volumes of water discharged by the site were also down by 2% over the same period. The water discharged comes from acid effluent neutralisation plants, treatment plants by settling for suspended solids and a plant and mineral treatment for all flows, described below:

The Cristalleries Saint-Louis have implemented an innovative water purification solution based on nature and use the technique of phyto-restoration to treat part of the water discharged, a technique more respectful of the environment which avoids the use of physico-chemical treatment techniques (§ 2.5.3.1.1). Requiring no input of energy or chemicals, the “Jardins de Saint-Louis” provide optimal water purification and their performance is superior to that of a traditional physico-chemical installation. This solution is based on a triple device of filtering basins:

- ◆ plant filters, reeds of the phragmites family, planted in peat, can trap suspended matter and nitrogenous pollution;
- ◆ mineral filters, surrounded by perennial herbaceous plants (miscanthus) then trap the soluble metal compounds by drainage;
- ◆ finally, plantations of endemic species complete the device and integrate it into the landscape.

The environmental monitoring of the quality of these discharges after treatment demonstrates its effectiveness: no deviation has been observed from the reference data and the qualitative and quantitative thresholds.

Leather

The Leather Goods workshops mainly use manual manufacturing processes that do not require water. The only wastewater discharge concerns water used for washrooms, which does not require on-site treatment and in most cases is directed to public wastewater collection networks. However, the Nontron and Sormonne Leather Goods workshops have a wastewater treatment facility that operates using the principle of phytoremediation.

None of the Leather division's sites received an administrative formal notice for reasons of non-compliance of wastewater discharges.

Manufacture de Métaux

As part of its commitments to preserve the environment and comply with regulations in force, Hermès Manufacture de Métaux implements measures aimed at significantly reducing its emissions into the environment, whether they are water or air emissions.

Concerning the management of discharges to water, the production units specialising in the surface treatment of metals are adopting an ambitious “zero discharge” policy. To this end, their sites are equipped with stations incorporating ion exchange resins and evapo-concentrators, which recycle water in a closed circuit.

With regard to atmospheric emissions, HMM's electroplating factories comply with rigorous standards defined by prefectural decrees, thus limiting emissions into the air. To meet regulatory requirements, HMM has equipped its facilities with source capture systems.

2.5.6.2 CHEMICALS MANAGEMENT

2.5.6.2.1 Compliance to restricted substances

General principles

Two main activities make it possible to respect Hermès' commitment as a responsible company marketing products by guaranteeing their regulatory compliance, in all countries where the Group operates:

- ◆ regulatory monitoring is carried out by various players, via various actions and is coordinated by the industrial department:
 - coordination of the Colbert Committee's “Chemical regulations” working group,
 - participation in the “Regulations” working group of Francéclat (Porcelain and Silversmith), the BJOP (Jewellery, Silversmith),
 - regulatory update at least once a year with the CTC (Leather), IFTH (Textiles), FPPP (Porcelain), BJOP (Jewellery, Silversmith), the Fédération du Verre et du Cristal, the Fédération Horlogère,
 - taking into account the monitoring prepared by a specialised service provider (Bureau Veritas) on certain products,
 - update twice a year (during the podiums), with all the House's subsidiaries, on the regulatory changes relating to products in each country. Any incidents are dealt with in these meetings;
- ◆ product validation from a regulatory point of view, which is carried out at two levels:
 - the annual update of product specifications (CDC), which takes into account all the results of regulatory monitoring. These CDCs include compliance with the most stringent product regulations in the world (all countries to which Hermès exports products). It is generally the European regulations that are the most demanding, although this is not always the case,
 - all products are tested (internally and/or externally), in qualified laboratories, on the technical criteria and in accordance with the standards described in the product specifications.

List of restricted substances

Hermès Group has a single Restricted Substance List (RSL), which includes all substances that are or could be used in its products. For each substance, the most stringent regulations in the world are systematically adopted. The aim is to produce products that comply with regulations, regardless of the country in which they are sold.

The RSL is shared within the Colbert Committee working group. This list of substances is shared with our partners and suppliers but it is not public to preserve the confidentiality of certain exclusive processes. Such distribution would not be of great interest, since this list contains only public information, being a collation of national or federal regulations. For each substance, the name of the substance, its CAS number, the most stringent limit in the world and the laboratory control standard for the substance appear.

Use of restricted substances

The Group's list of substances, the permitted limits as well as the control standards, are common to the production units and apply to the suppliers. More specifically, product specifications (including this substance regulation) are shared with suppliers. The approval of products manufactured by suppliers follows exactly the same pattern as products manufactured by the Group. A good example is that of the tanneries: the Leather métier purchases hides from the Group's tanneries, but also some of its needs from external tanneries, with identical specifications regardless of the source.

Hermès has put in place preventive processes to restrict or prohibit certain substances, in particular by discussing and signing product specifications with suppliers, which contains all the regulations and technical requirements, as well as the corresponding control methods.

Control of materials and products

For its raw materials, Hermès adapts the frequency and type of controls according to the volumes concerned. For very limited volumes, control may be at the unit level, but it is carried out on a statistical basis for larger volumes. Depending on the nature of the materials, which can be technically very different (leathers, textiles, perfume essences, etc.), the volumes and the history of the quality results, a sampling and testing frequency is chosen by the quality department to ensure a maximum confidence level in the quality of incoming materials. In the event of a negative result, the goods are blocked and sampling and controls increased.

With regard to products (whether manufactured in-house or by suppliers), the Group procedure is exactly the same: the aim is to verify, with a maximum level of confidence, that the entity placing the goods on the market has fulfilled its responsibilities. Some of the House's products are subject to checks on every unit for certain characteristics considered critical. Others are checked on a regular basis and some are checked on a random basis. The great diversity of products (leather goods, textiles, porcelain, crystal, silversmith, jewellery, watches, ready-to-wear, perfumes, etc.) means that an

appropriate control scheme and the proper frequency must be defined for each product.

Hermès uses the services of both in-house and external laboratories for these checks. This decision is made according to the workload of the in-house laboratories as well as the nature of the measurements to be carried out.

In summary, the Group's generic procedure (SOP) is that no raw material or product is supplied without a specification being defined and accepted by the supplier, and without the raw material or the finished product having been tested according to these specifications.

Supply chain compliance

All raw materials purchased, like any products purchased, are subject, on the one hand, to specifications that are discussed and formally approved by the supplier and include all the regulations corresponding to the materials and/or products, and on the other hand, to technical validation including laboratory measurements. All deliveries (raw materials or products) are subject to appropriate quality control. Certain supplies (materials or products) are accompanied by an inspection certificate, the tests having been carried out by the supplier, when this provision is stipulated in the specifications. Tier 1 suppliers undertake to develop the same approach (formal specifications, control procedures, etc.) with their own suppliers (Tier 2).

In the event of non-compliance with the specifications for raw materials or products, the goods are blocked and, generally, a second verification check is launched. Hermès does not use non-compliant goods in its production. They are therefore returned for new manufacture or repair when technically possible.

2.5.6.2.2 Management of risks related to the use of chemical products**General principles**

The Hermès craftsmanship model means that 55% of its objects are produced in-house, in exclusive workshops, 76% of which are located in France. The remaining 45% come from suppliers, the vast majority of which are located in France and Europe. Thus, of the top 50 direct suppliers (materials or products), 58% are located in France and 40% elsewhere in Europe.

For all sites located in France and Europe, labour legislation requires a chemical risk analysis and the implementation of measures to protect workers. In owned units, as well as those of suppliers, regular audits are carried out to verify that the analyses are properly carried out, and the means of protection are in place and used. The national regulator also imposes a limit on chemical substances released into the air, effluents and soil. In the House's own units, as well as those of suppliers, regular audits verify that each entity is fully aware of the regulations to which it is subject, that the necessary means to comply with them are in place, and that regular checks make it possible to ensure that these methods are working.

For the small number of suppliers further afield, for the majority of materials suppliers, regular audits are used to verify regulatory compliance, in terms of health and safety, as well as the environment. In the event that local legislation does not exist or is insufficient, Hermès helps its suppliers to adopt and comply with European standards.

Implementation

The chemical risk management approach is based on legislation which, in France and in Europe, is generally hazard-based.

The regular and in-depth audits carried out by Hermès in all entities, as well as the appropriate frequency of product checks, ensure that any use of chemical substances banned by Reach-type regulations, for example in a French or European tannery, is immediately revealed.

The main tool for managing chemical risk is the product specification, which includes a list of restricted substances. An accurate and exhaustive reflection of the most demanding regulations worldwide, it lists all the requirements in terms of substances, the limits set, and the corresponding laboratory control methods. The procedure begins with the sharing of this document with the supplier (in-house or external), then follows a formal agreement from the supplier, and it is completed by an approval check of the first products delivered. During the “series life”, checks are carried out at an appropriate frequency.

The choice of chemical reduction and/or elimination projects is mainly based on an analysis of future regulatory changes. It is in this spirit that the Group conducts a very strict regulatory watch, both in France and abroad.

When a probable change in regulations is identified for a substance or a family of substances, an estimated decision schedule is drawn up in order to set out the work to be carried out and the timetable.

Hermès has set up a third-party certification target for each of its purchasing supply chains (more than 60 listed in the Supply chain brief), which also includes aspects related to the use of chemical products (§ 2.4.2).

In line with the commitments made by Hermès, the Tanneries division has also defined an LWG audit programme for its sites.

Tanneries

Established in Europe (France and Italy), the Group's tanneries meet the highest standards in terms of protecting the health of their employees, customers and the environment.

The Group's approach is based in particular on the implementation of the European REACH regulation. It aims to control and protect human health and the environment against risks related to chemical substances by eliminating the most harmful substances and guaranteeing their absence in finished products above defined thresholds.

When standards outside the EU are even more demanding, they are adopted by the Tannery division. This is the case, for example, for

formaldehyde, whose standard is set at 100 ppm in Europe, and at 75 ppm in China: it is the latter standard that the Group has adopted.

Overall, the Group is constantly investigating scientific and regulatory developments in order to adapt the products it uses throughout the hide tanning process. It has thus replaced CMR products (carcinogenic, mutagenic and reprotoxic) and does not accept any new CMR substances. The few CMR substances still used are in minute proportions, strictly controlled and supervised in order to guarantee the safety of the teams throughout the production process.

As the management of chemical products is a major issue for its activity, Hermès Cuirs précieux joined the ZDHC (Zero Discharge of Hazardous Chemicals) initiative in August 2021. The ZDHC Roadmap to Zero Programme aims to implement best practices in terms of the use of hazardous substances and the quality of wastewater discharges in tanneries. The implementation of the ZDHC protocol in the division's tanneries began in 2021 and continued in 2022 with the support of an internal laboratory to ensure the safety of the leathers placed on the market and the quality of incoming products, in accordance with related regulations.

This is reflected, for example, in the implementation of a Manufacturing Restricted Substances List (MRSL), including during production, and guarantees by product formulators that their chemical products do not contain these substances. As part of the LWG certifications of the tanneries, the Group has mapped its level of achievement of the MRSL and is now aiming for 100% compliance.

The Group also relies on the savoir-faire of its suppliers, who themselves usually benefit from the recognition of reference labels (such as the EcoVadis gold rating, for example).