

2023 Universal Registration Document

CSR Extract

Non-Financial Performance Statement (NFPS)



2.4.1 ECO-DESIGN AND CIRCULAR ECONOMY

Each métier and each production unit is committed not only to applying the principles of eco-design to use materials wisely, but also to reduce waste and promote reuse and recycling to move towards a circular economy. The Group works to reduce the impact of its objects by focusing its approach and actions on their sustainability, circularity, reparability and traceability.

GOVERNANCE

The industrial transition & quality department, created in 2022, provides cross-functional support for the Women's and Men's ready-to-wear, Shoes, Fashion Accessories, Silk and Textile, Home, Internet of Things (IoT) and Jewellery métiers, as well as on eco-design and the circular economy. This approach is also underway in the Leather Goods, Hermès Horloger and Perfume and Beauty métiers.

The team that makes up the industrial transition & quality department has been ramped up from seven employees at the end of 2022 to 20 in the course of 2023. It is structured into four departments to coordinate sustainable development initiatives, namely:

- ♦ quality & innovation department to coordinate cross-functional innovation and adapt processes to growth;
- ♦ continuous improvement department to manage industrial projects common to the métiers, in particular traceability;
- ♦ métiers Italy operations department/under construction, to structure the relays in the métiers with Italian partners;
- ♦ environmental impact department to support the reduction of environmental impacts, drive reparability, circularity and responsible purchasing.

Thanks to this organisation, the métiers, supported by expert internal resources, now conduct precise life cycle analyses with more and more specific data on their flagship products in order to be able to reduce their environmental impact. More than 80% of the métiers did so in 2023.

This approach is built in line with the Group's carbon strategy managed by the industrial affairs department. For example, the carbon data from the precise LCAs carried out by the métiers will make it possible to refine the scope ⁽¹⁾ 3 calculations of the carbon footprint assessment related to the life cycle of the raw materials in our products (§ 2.5.6.2.1). The action plans will contribute to the Group's decarbonisation (§ 2.5.6.2.1)

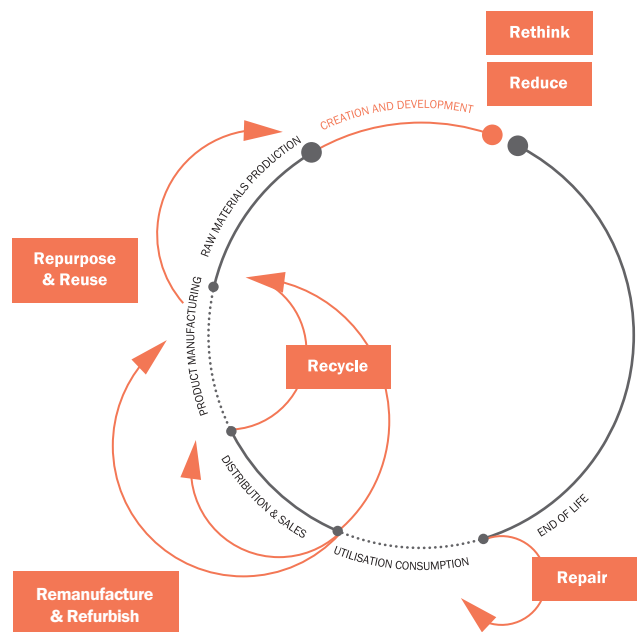
POLICY

The Group's policy is to go even further in terms of the eco-design of its products, by using "non-renewable resources as little as possible, preferring the use of renewable resources, and which are used while respecting their renewal rate, as well as being combined with recovery processes for surplus materials and production offcuts that promote

reuse, repair and recycling". This preventive approach, based on dedicated tools, in particular LCA ⁽²⁾, contributes to minimising the environmental footprint of products over their entire life cycle, without compromising on their properties in use.

The House's ambition is to offer sustainable, eco-designed products that respect nature, and which retain their technical characteristics over time. The House's creative excellence, and the often timeless nature of the collections also allow Hermès objects to remain desirable over the long term, thus extending their period of use.

Hermès' circular approach follows the principle of the 9Rs, a system proposed by the European Union. It begins with the design of the object, seeking to minimise its impact on the environment through optimised use of resources: reuse dormant materials, integrate recycled materials and refillable products, etc. It applies to all of the products of the House, which produces more than 55% of its objects in-house, and is gradually being rolled out to our suppliers and our value chain, in particular for the regeneration of raw materials channels, with the clear objective of reducing the consumption of raw materials and the generation of waste.



- ♦ **Rethink:** this involves rethinking the design of objects using the principles of eco-design (§ 2.4.1.1).
- ♦ **Reduce:** all métiers adopt sober approaches in the use of exceptional materials, which are often difficult to source (§ 2.4.1.7).
- ♦ **Reuse:** reuse production materials within our métiers (more than 35,000 products reuse materials) (§ 2.4.1.3) and recover materials from unsold goods (§ 2.4.1.4).

1. Definition established by the French Agency for Ecological Transition (ADEME)
2. Life Cycle Analysis

- ♦ **Repair/maintain:** Hermès objects can be passed on from one generation to another, due to their durability. After-sales services make it possible to maintain objects and extend their life (§ 2.4.1.5).
- ♦ **Refurbish:** this principle means refurbishing and/or modernising an old product, so that it can be used in its original function. At Hermès, this means specific repairs known as “renovation”.
- ♦ **Remanufacture, remake, rework:** this involves recovering components from a product with a similar function but with the qualities and specifications of a “new product”. This principle is beginning to be rolled out in the House, for example, in fashion accessories or ready-to-wear.
- ♦ **Recycle:** in France, unsold products are either donated or recycled (§ 2.4.1.6). This recycling is carried out in either an internal loop (the métiers use recycled materials) or an open loop (the materials are a resource for other industries).

2.4.1.1 SYSTEMATIC LIFE CYCLE ANALYSES AMBITION

AMBITION

Hermès teams have always worked on the design of aesthetic, high-quality objects that have very long lives. An object that lasts and is passed on from generation to generation is implicitly an eco-designed object. The Life Cycle Analysis (LCA) method, implemented for a number of years, supports this responsible design approach through more standardised and quantified calculations, and provides a complementary scientific perspective. This subject has been structured in order to be able to follow the ISO standard for the environmental footprint method in the métiers based on three axes; preparation of future environmental labelling (see § 2.7.3.2), the precise measurement of the impact of materials, processes and products in order to work on a holistic impact reduction starting with emblematic and permanent projects and lastly, awareness-raising of the development and studio teams to integrate eco-design in the creative process as early as possible.

For the leather goods workshop, for example, the calculation includes farming, tanning, extraction of metals used, product manufacture, and all transportation until their arrival in stores and packaging elements (orange boxes, pouches, ribbons, and shopping bags). The calculations are based either on internal analyses or on reference databases in the LCA sector, such as the ADEME footprint database or the EcolInvent database. With regard to livestock farming, for example, data are taken from the Agribalyse® database and the LCA are conducted according to a selection of criteria derived from the assumptions of the European PEF regulations (environmental score, Product Environmental Footprint). For tanning, the specific emission factors of the Group’s tanneries were used. This increasingly involves making use of actual and unitary metrics, which make it possible to set concrete improvement targets, rather than more descriptive sectoral averages.

GOVERNANCE

The subject of the environmental footprint and eco-design is overseen by the Sustainable Development Board and implemented by operational bodies as closely as possible to technical realities. In addition to the manager in the industrial department, a team of five people is dedicated, for example, to the calculation of the LCAs of the Group’s eight métiers.

The Tanneries and Leather Goods divisions are also responsible for these calculations. A community has been set up and constitutes an internal LCA network, in order to ensure consistency in the work and the sharing of best practices. It works closely with the House’s other networks, including that in charge of decarbonisation.

APPROACH

The Group project was introduced in 2021, in collaboration with the Leather Goods, Women’s and Men’s Ready-to-wear, Shoes, Fashion Accessories, IoT (Internet of Things), Silk and Textiles métiers and Hermès Maison. Each métier presented between one and ten references of emblematic products, such as the *Birkin* bag, the women’s cashmere coat, porcelain tableware or a piece of furniture.

The various stages of these 50 LCAs involved several dozen employees over a period of six months, grouping the studies by major families of objects: textiles, multi-material products, complex products, etc.

The initial lessons led the industrial transition & quality department to formalise a three-step Group-wide approach:

- ♦ first of all, the teams must be trained so that these new approaches can be concretely integrated into their operations, but according to a harmonised approach and in line with best practices;
- ♦ in a second step, they will undertake pilot studies, for example in the regulatory framework of environmental labelling in the clothing textiles and shoes sector. Thus, the teams participate in the “supporting studies” for the European PEF (Product environmental footprint) to test the European methodology on two products present in all our collections (leather dress and *Oran* sandal). Internally, additional tests are carried out to assess the robustness of the tools. Hermès has also been involved in testing an alternative method for assessing and displaying the environmental and social performance of products in the fashion sector, led by the FHCM (Fédération de la Haute Couture et de la Mode) as part of ADEME’s Xtex call for projects. More holistic, based on an LCA foundation, it includes social criteria as well as a savoir-faire dimension. This work should make it possible to stabilise a qualitative Group methodology.

In 2023, under the aegis of the LCA network, a Group tool was tested. The objective is to have one LCA tool common to all of the Group’s métiers. The assessment method is consistent with the European Product Environmental Footprint methodology and makes it possible to calculate 16 impact indicators that tend to transcribe human health issues (toxicity, particles, etc.), impacts on natural resources (depletion of water, depletion of fossil resources, etc.) and impacts on ecosystems (climate change, soil eutrophication, etc.).

RESULTS

20% of the Métiers division’s volumes (which includes the Clothing, Shoes and Accessories, Jewellery and Art of living activities, see chapter 1 “Presentation of the Group and its results”, § 1.6) were covered by representative LCAs in 2023. This work is part of a strategy to prepare the métiers to meet the requirements of French environmental labelling, which is planned to be voluntary in 2024 and mandatory in 2025. In this short-term approach, a mapping of items critical to this obligation has identified clothing products as a priority.

Hermès objects are mainly composed of raw materials of natural origin (mineral, animal or vegetable), the production of which can have very different environmental impacts, thus giving rise to very diverse studies. These materials, noble and of the highest possible quality thanks to careful sourcing, contribute to the long life of the products. This durability has to be taken into account in the assessment of the environmental footprint, which is assessed as the ratio between a sum of impacts and the life of the object.

These calculations make it possible to confirm major trends, as well as to identify less intuitive issues. For the vast majority of the products studied, freight, for example, represents only a relatively small part of the carbon impact (less than 5%). On the other hand, due to the very high number of hours of craftsmanship required to manufacture Hermès objects, employees commuting to and from work (included in the methodology on a voluntary basis) can sometimes represent a significant part of a product's CO₂ impact (for example, for a leather goods item requiring two days of craftsmanship work, the carbon emissions of four commuting trips are allocated to a single item). This calculation illustrates the specificity of Hermès' craftsmanship model, and the need to have a global vision of the impacts of the activity in relation to the expected quality and durability over time of the objects.

The Tannery division's teams have been conducting LCAs since 2021 to assess the environmental impact of the leathers tanned by the House. The scope of these LCAs extends from the breeding of animals to the leathers leaving the tanneries, such that the data can be reused directly in the LCAs of the métiers using the leathers. Access to specific data on a product's value chain is crucial in carrying out a pertinent environmental analysis. Hermès Cuir Précieux's approach is to associate each emblematic and strategic item with an environmental footprint, in accordance with the regulatory references and eco-design approaches that the House applies. They therefore take into account each species (crocodilians, lizards and calves at this stage), each production site (farms and tanneries) and the various manufacturing processes of emblematic items (for example, the *Himalaya* Box leather or Epsom leather bag). In accordance with ISO 14040-44, the LCAs carried out by the Group's tanneries follow the methodology of the Product Environmental Footprint Category Rules (PECFR), a European environmental labelling project, for Leather, whenever possible. The latter is applicable to the hides of cattle, sheep and goats. The LCAs of exotic leathers also closely follow the guidelines of this methodology intended to inform the end consumer.

In 2022 and 2023, approximately 40 leathers have been subject to an LCA and several types of tanning have been studied in order to measure their benefits from an environmental point of view. The lessons learned from these LCAs are examined by the HCP Management Committee and the tanneries in order to identify eco-design actions. The approach was also presented to the Hermès métiers and to the HMS teams exploring chemical or material innovations related to leather. The division also contributes to the leather sector initiatives initiated by the Centre Technique du Cuir (CTC) and to those of the crocodilian breeding sector initiated by the International Crocodilian Farmers Association (ICFA).

In 2023, the rollout of LCAs as an eco-design and regulatory compliance tool continued within the Tanneries division. For example, HCP was one of the drivers of the call for tenders for the selection and testing phase of an online LCA tool for the Group. As part of the

work to respond to French environmental labelling, a mapping of items critical vis-à-vis this regulation (clothing items) was carried out. Thus, 14 specific LCAs were carried out in 2023 on crocodilian, lizard and calfskin leathers used more specifically for ready-to-wear, shoes or accessories such as belts or gloves.

Hermès watches are durable, repairable objects intended to be passed on from generation to generation. Hermès Horloger nevertheless wishes to minimise their environmental footprint over their entire life cycle. With the help of an external firm, the métier launched an approach in 2023, based on the LCA of the *Heure H*, an emblematic watch with high volumes, using the methodology of the European PEF regulations (Product Environmental Footprint). The results highlighted the phases and materials with the most impact over the life cycle and will be used to assist eco-design objectives. Hermès Horloger is also working with its stakeholders (competitors, professional associations, etc.) on the creation of an LCA methodology specific to the Swiss watch industry.

The Group also calculates LCAs outside its production chain. For example, the material intended for point-of-sale advertising for Perfume and Beauty products has also undergone an LCA, enabling identification and implementation of modifications to limit its environmental impact: flat-pack delivery is now widespread, in order to limit the volume transported and thus reduce the LCA impact by 47%, lamination has been eliminated to facilitate cardboard recycling, and recycled plastic is systematically used in certain parts.

2.4.1.2 CIRCULARITY, ANCHORED IN THE DESIGN OF OBJECTS

Thanks to its artisanal dimension, the Group has always followed the principles of the circular economy, with the central concern of reducing production scraps as much as possible and reusing them, as well as the application of its expertise in repair and After-Sales service. The emblematic agenda leather covers were originally designed to use materials from the manufacture of saddles in the 1930s. Today, the aim is to continue along this path as much as possible by leading more systematic recycling projects for all materials and upcycling projects for objects, not forgetting the subject of packaging.

Several circularity loops have been put in place within the House. These may involve the recycling or reuse of materials or the recycling of products, in addition to the approaches presented in § 2.4.1.3, 2.4.1.4. and 2.4.1.5. Materials recovery can be carried out by a partner, or within the Group, between the various métiers, when, for example, a yarn composed of 20% recycled silk from Hermès scarves is used in the knit of a muffler.

GOVERNANCE

Given their strategic issues, these subjects are monitored at a higher level by the Executive Committee, to take into account their creative, industrial, cooperative and image aspects. The numerous cross-functional circular projects within the métiers are monitored operationally by two experts from the industrial transition & quality department. This department facilitates for each métier the provision of unused materials for the benefit of the Group's other métiers and coordinates recycling operations for all categories of products and métiers subject in France to the deadlines set for 2022 & 2024 by the Agec law. Given the maturity acquired by the teams, the Circularity

Committee, which had led these topics in 2021, was replaced in 2022 by specific bodies within all the métiers, working as a network, which allow the exchange of best practices and dedicated technical solutions in a more restricted network. The organisation is operational to achieve the “zero destruction” objective between 2025 and 2030 at the global level, taking into account the Group's quality requirements, and complies with the various regulations to which it is subject in the medium term.

APPROACH

The CSR training courses provided to the House's various métiers include a module dedicated to circularity in order to disseminate the principles widely. They also make it possible to identify the sources of materials that can be recycled and reused.

For the sake of pragmatism, the Group works with independent service providers, often start-ups, who have developed and acquired highly specialised savoir-faire in order to carry out studies with them on the recyclability of products. The lessons learned from these studies are incorporated into the design of products to facilitate any eventual dismantling and help improve the level of maturity of these various sectors, as well as developing internal skills in this area. Like its partners, the Group is working to improve its recycling processes, avoid downcycling⁽¹⁾ and to move towards greater added value. It is also trying to promote use of the shortest loops, avoiding the modifications and additional processing steps that are present in the longest loops.

In order to avoid waste and promote this circularity, human and material resources are being mobilised to identify and recover all surplus raw materials and offer them internally to the métiers, as a priority, and then either as a donation or for recycling.

Engaging our métiers and creators around circularity in a fun way – the Recycl'H award

In order for employees to take ownership of the concepts of circularity, the recycl'H award was created, with a pilot award conducted in 2022. This circularity challenge between the métiers of Hermès aims to reward the creation of a useful object for internal use by upgrading unused materials. The first teams to compete for the award chose leather scraps as their main source of material and made cases (for an access badge holder or small piece of equipment). More than 2,000 of these small objects were produced at the end of this first edition, and were used internally as gifts with such success that the operation is likely to be renewed.

The métiers have integrated this philosophy and several projects were launched in 2023:

- ◆ this year, women's Ready-to-wear offered several capsules including the upcycling of dormant materials and components, for example with the reuse of silk scarves;
- ◆ the men's Ready-to-wear clothing line has designed shirts embellished with silk patches using dormant materials;
- ◆ hats designed caps and headbands made from scraps of exotic hides;
- ◆ silk imagined products called “happy encounters” which are created from the association of unsold cashmere shawl designs;
- ◆ in the Shoes métier, recycled materials are incorporated into certain training shoes and exotic leather upcycling is carried out on certain flat and high-heeled sandals;
- ◆ some of the throws in the Home métier integrate 10% fine wool instead of cashmere to reduce their overall environmental impact;
- ◆ the metal buckles of our IoT objects⁽²⁾ can be repolished if they have a quality defect, and if their reuse is not possible the metal parts are systematically reused elsewhere or recycled;
- ◆ some of the herringbone fabric covers that wrap our objects now include, in addition to cotton, silk from the recycling of our silk products, which makes it possible to recycle and not destroy the material, as well as to reduce the consumption of cotton. A high-quality industrial approach, requiring several years of work, was put in operation at the end of 2023 (see § 2.4.1.6 for more details).

Within the “Fashion accessories” studio, a stylist is entirely dedicated to upcycling projects and offers each collection products incorporating dormant materials and manufacturing scraps by enhancing them thanks to her creativity and the House's savoir-faire.

Circularity is also implemented in the industrial world, for example through two projects in the Tanneries division (see § 2.5.3): one for the use of water from a sugar cane factory on our farms and then wastewater to be returned as fertilizer for fields, and a second for the use of farm water to irrigate a sandalwood plantation to be operated by Hermès Parfums.

2.4.1.3 PETIT H AND THE REUSE OF MATERIALS IN-HOUSE

Petit h is above all a unique approach to recreation: inventing objects, using materials that Hermès has not used in the production of the House's collections, intertwining the excellence of its savoir-faire and the creativity of the artists and designers. Petit h has existed for more than 10 years, having developed expertise derived from the experience that permeates all métiers. Each petit h craftsman works from available materials, brought together in a single, abundant location, where each resource is catalogued and awaits nothing more than the inspiration of a guest artist.

1. Devaluation, transformation into a material or product of lesser value
2. The Internet of Things.

These reverse creations, rather than creations from a preconceived idea, make it possible to develop a new typology of original, quirky, fun objects that retain the singularities of Hermès creations, namely, useful, repairable and sustainable over time. All of the Group's métiers are involved, and given creative freedom. The end of collections, accessories, obsolete items (e.g. a whole collection of pommels dating from the 1960s, etc.).

Scraps of leather, fabrics, silk, porcelain... All these materials which, adapted, enhanced and sometimes relieved of a tiny initial defect, are given a new life thanks to the unique savoir-faire and talent of the artists. They are often combined, either with each other or with raw materials (terracotta, cane, etc.). Scenography elements with untapped potential can also be kept while awaiting a new purpose.

Each material awakens the creativity of the artists and thereby assists innovation. The teams seek to give all the material fragments a chance so that they can become a new object thanks to the exceptional savoir-faire of the craftspeople.

Thus, in 2023, thanks to techniques developed in the workshop, the leather pieces will be shaped into crystal counterforms, finely cut chandelier rings or unused pieces of porcelain, all leaving their imprints. Two materials meet, leather and crystal or porcelain depending on the inspiration of the craftspeople, in a totally artisanal manufacturing process from which, in the end, the leather emerges as a container, with original subtly worked decoration, with neither seams nor cuts.

These innovative upcycling approaches have been extended to petit h's own circularity. Scraps from the petit h creative process are kept and used. Leather confetti has become delicate handles for unique pottery.

To date, this process of circularity is limited only by the artist's imagination, since the craftsperson who brings the object to life uses their savoir-faire to give free rein to the process of creation.

It is with this respect for materials and savoir-faire, this spirit of common sense, that petit h naturally participates in reusing exceptional materials.

Some creations are manufactured as unique pieces, depending on the availability of existing materials. Others are also produced in limited and controlled production runs. This creative and singular approach resonates through an original and inventive distribution channel that veers off the traditional paths, with a permanent base at the Sèvres store in Paris, and pop-up sales abroad. In 2023, Osaka and Beijing hosted these stopovers.

For more than 10 years, petit h has been a pioneering laboratory that has encouraged the métiers to identify original upcycling solutions, which are then marketed in larger series.

2.4.1.4 MANAGEMENT OF UNSOLD STOCK

GOVERNANCE

The Sustainable Development Board closely monitors the issue of unsold items, for the proper application of the Agec law in France and for its application to the entire Group scope. In 2023, a new committee was created, bringing together everyone responsible for delivering Hermès' "zero destruction" ambition, enabling the sharing of best practices and the continuous improvement of all operations aimed at achieving the target set. Within this body, a continuous improvement approach has been initiated for all processes related to the end of life of products, making it possible in particular to predict the volumes to be processed according to the possible outlets and to anticipate the action plans needed. As the recovery ecosystem is still under construction, new outlets are regularly appearing and being identified by the teams.

STRATEGY

The Hermès business model, based on the stores' freedom to purchase and the desirability of the House's products, means unsold stock volumes are naturally very low, significantly below the sector averages. In recent years, and in particular in 2023, having also been marked by difficulties in meeting the strong demand from our customers, the level of unsold items was low on account of the economic environment, which has favoured the Group's transition in this area.

The in-store offer is directly and freely defined by each manager, who is responsible for choosing the right assortment for his or her local customers. In addition, to optimise sales at regional level, the subsidiaries arrange inter-store transfers, leaving only a small number of unsold products.

The management of unsold items is organised around various successive and complementary actions. In some 15 countries, exceptional sales intended for our customers are organised as often as necessary by all distribution subsidiaries in order to enable the sale of products that have not been sold in stores, and in particular, seasonal products. Regular sales to employees of unsold goods and seconds provide an additional channel that can be used to avoid waste, in compliance with local and tax laws. Employees in the main countries now have access to a secure online sales tool.

In addition to these schemes, a "new chances for products" team has been set up to manage the collection of products that can be donated to partner associations, an approach introduced more than ten years ago. In this way, several thousand unbranded and anonymised products are donated each year to these partners, who distribute them to people in difficulty. These partners fight against the material insecurity of their beneficiaries and rely on a circular and solidarity-based economy approach while guaranteeing redistribution to the most vulnerable people they care for. This approach can rely on the collaboration of internal volunteers, and in 2023, 130 employees were mobilised in this way to unbrand the items eligible for donation, remove and replace identifying features such as buttons, and check the items before handing them over to the partner in charge of their distribution. This operation was launched in 2016 and has already involved more than 600 employees in total.

2.4.1.5 AFTER-SALES: MAINTENANCE TO EXTEND THE LIFE OF OBJECTS

“Luxury means items that can be repaired”, as one of the Group’s former Senior Executives used to say. Through their design, the quality of the materials and the savoir-faire, Hermès objects can be maintained, repaired and renovated in order to extend their life. From saddles to silk to watches, all owners of Hermès objects worldwide can request their repair. With 202,000 interventions or services⁽¹⁾ carried out in 2023, representing a 13% increase in activity, this commitment is an operational reality in all our stores. Customers, particularly in Asia, are increasingly receptive to this and do not hesitate to ask the dedicated teams to give a second life, in particular to an old object.

GOVERNANCE

With more than 1,000 service lines, Hermès unusually offers its customers a tailor-made After-Sales service, with no time limit, across all its métiers and throughout the world. The House makes a point of ensuring the maintenance and restoration of its objects, made by craftspeople, in order to prolong their life as much as possible.

A strategic focus for Hermès, this activity involves more than 90 craftspeople in four workshops, including a new one that opened in Paris in 2023. The objective is to support the Group’s growth and to develop the number of craftspeople and the infrastructures dedicated to this. The After-Sales activity also employs more than 70 people at the headquarters, who helped to process 82,000 products in France in 2023. The main aims of this expert service are: management of maintenance requests sent by stores, management of interventions in workshops and supplier relations, support for the métiers on quality and reparability issues, as well as store support for customers.

STRATEGY

The House’s strategy is to make these maintenance and repair operations as easy and efficient as possible for all our customers around the world. The first contact for these interventions is the in-store salesperson, who is trained to be able to pass on the key messages regarding the maintenance of products. In 2023, for example, the opening of a dedicated new After-Sales area in the Chicago store helped to strengthen their actions by taking advantage of the reopening of the store in November. Store renovations are an opportunity to create a special reception area, where customer requests are taken care of in optimal conditions. Details of the repair request are thus facilitated, whether for one-off services (over-dyeing of scarves, restoration of trunks, etc.), standard services (re-sizing of rings, supplying ties and cords, etc.) or essential maintenance for leather products to extend their life. Logistics for this department are unique because they involve the dispatch of individual products.

Moreover, in order to offer a local service to customers and reduce the carbon footprint associated with product returns, the After-Sales department also develops and coordinates local repairs around the

world. It ensures the selection, testing, auditing and approval of a certain number of workshops in most countries where the stores are located, as well as the monitoring and support of the subsidiaries. In this vein, the House is also continuing to set up local internal workshops dedicated to Leather repairs close to its flagships. These workshops are run by expatriate craftspeople who enable local customers to benefit from their expertise in the upkeep of all Hermès’ leather goods articles.

Thus, in 2023, more than 120,000 repairs or services were carried out locally, of which 26% on leather goods, by 40 craftspeople expatriated to subsidiaries. Before departing, they undergo a dedicated seven-month training course in order to enhance their savoir-faire and expertise specific to the maintenance and restoration of leather goods.

The first After-Sales seminar, bringing together several dozen members of the community, took place in June 2023 and was an opportunity to share an internal certification framework. The aim of this is to ensure the same level of service in all stores and offer our customers excellence in After-Sales. Madrid was spotlighted during this seminar as a pilot store that obtained its certification in June, following several months of preparation and a final audit carried out by the central After-Sales teams. The objective is to gradually certify all stores. The Lille store has already embarked on this certification process in France, and Singapore and Belgium will be the next countries in 2024.

2.4.1.6 RECYCLING INTERNALLY AND WITH SPECIALISED PARTNERS

All the operations implemented aim to come as close as possible to achieving the specifications of a new material and thus create a true closed materials loop in order to reduce the use of natural resources as well as chemical inputs.

When a material or a finished product cannot be reused and must be recycled, Hermès always favours the reintegration of the recycled material in-house, i.e. “in a closed loop”. Since any recycling operation transforms the raw material, it is sometimes difficult to reuse it for exactly the same purpose as when it was originally used. In addition to the technical difficulties of obtaining this new processed material, the issue is to identify a product or co-product in-house that can integrate this recycled material in a sustainable way and ensure that this operation effectively reduces the environmental impact of the entire system, while guaranteeing the traceability of the recycled materials used. In 2023, unsold items and silk production offcuts were recycled in this way: following various stages of sorting, cutting and transformation, allowing the recovery of the silk fibre, it is integrated as 20% of the materials used for the manufacture of weft yarn for protective herringbone covers. Similarly, it was possible to develop a yarn composed of 20% recycled silk and 80% virgin cashmere. Lastly, felt, used to protect leather goods, was also produced from cotton fibres and cashmere fibres from production offcuts. These initiatives are designed to lead to industrial processes aimed at recycling most of the textile production scraps.

1. *Change in the repair operations monitoring methodology: exclusion of alterations associated with an initial sale. The transactions recognised are those that contribute to the extension of the life of a product already sold. 2022 data reviewed: around 180,000 interventions or services.*

When the “closed loop” is not an option, particularly in view of the maturity of recycling technologies, the material will be directed to an “open loop”. This means that it will be sold to a professional in the recovery of this material, who will direct it once transformed to an application at another manufacturer. An illustration of this type of open-loop recycling is the melting down of surplus metal parts by specialised refiners, which then supply the European market for recycled metals.

Without waiting for the publication of the French Agec law (anti-waste and the circular economy), the métiers had accelerated their initiatives through numerous working groups, which have designed recycling solutions that are now in widespread use. In its circular economy approach, the Textile division (HTH) has intensified its reuse or upcycling actions aimed at optimising the rate of use of materials. Thus, in 2023, 24 tonnes of textile materials were recycled through internal and external projects, representing 28% of all textile waste produced by this division. This percentage has been growing in recent years.

2.4.1.7 RESPONSIBLE MATERIALS MANAGEMENT, AT THE HEART OF THE STRATEGY

Hermès objects are designed to last because their technical design and manufacturing methods favour robustness, in the tradition of saddler craftspeople. The famous “saddle stitch”, still used in Leather Goods workshops, was born out of the need for seams to resist the pressure from the harness. The quality of the raw materials used is the first guarantee of the durability of Hermès objects. Their selection is subject to a rigorous process, guaranteeing the sustainability of the House’s products.

The Group therefore only uses the best quality materials, and optimises their use through its production methods. It develops the reuse or recycling of any production waste. Purchases are adjusted as closely as possible to needs in order to limit waste. The integrated artisanal approach is an advantage in this respect, ensuring close proximity between buyers and craftspeople. Each métier works to constantly improve the use of these rare and precious materials, consuming only what is necessary.

The materials used come from natural, renewable sources, taken while respecting their potential for regeneration, such as in the case of hides from farmed animals, or for the main textile materials (silk, cashmere and wool). The House’s historical preference for leather and natural fibres avoids the use of synthetic and non-renewable resources based on petroleum.

2.4.1.7.1 Leathers

Leather tanning

Leather is an animal product, specially tanned and made imputrescible, either in a tannery for lamb, sheep and goatskin or in traditional tanneries for hides from cattle or reptiles. Hides used in leather goods are primarily by-products of livestock farming for food.

People occasionally refer to hides as the “5th quarter”, with tanning sometimes being referred to as one of the oldest recycling industries in the world. Hermès uses only “full-grain” leather, the top part of the hide, without altering it in order to improve its appearance. The leathers used by Hermès are thus rare and of exceptional quality. The hides come from our own tanneries or from long-standing partners. Buyers check these hides purchased from our suppliers individually, in order to verify their quality. For cowhide leather in particular, the long-standing relationships with our partners maintained by our tanneries have made it possible to develop real expertise, which is supported by the use of technology whenever necessary.

Concerning exotic skins, the management of crocodilian breeding on the alligator *mississippiensis* and *crocodylus porosus* farms (operated by the Group itself), close and constant relations with suppliers of exotic raw hides, and the control of all tannery processing operations (river, tanning, dyeing and finishing) enable the House to control as precisely as possible its purchases, quality, ethics issues and use of materials in manufacturing processes. Several projects are being rolled out in farms and tanneries to improve quality control and optimise the use of raw materials. For example, digital systems for taking images of hides at the start of the tannery process are already in use or are being rolled out. They allow the identification of defects, facilitate sorting and thus maximise the use of hides while reducing waste.

Leather work

The frugal use of leathers has always been a key concern of the production units: thus, cutter craftspeople are trained, from the moment they join the House, in how to cut leathers as sparingly as possible. Coordination among production units is managed on a daily basis to optimise the use of hides and offcuts: the analysis of the rate of use of hides is a management indicator used in the workshops. For this reason, new production managers and new cutting workshop managers are systematically trained in the analysis tool to ensure optimal management of this consumption, in order to assimilate best practices more rapidly and optimise the use of hides.

In addition, a guide to best cutting practices is followed on each site. This guide is gradually updated with new practices that have been successfully tested by cutter craftspeople and shared with all sites. An assessment of these best practices was carried out on 22 sites and demonstrated the proper application of the guide.

With the aim of maximising reuse within the workshops, coordination between sites was strengthened in 2023 thanks to the implementation of an internal software application allowing the digitisation of the stock of offcuts. Given the expansion of the activity, with site openings every year, it is important to promote the visibility of these inventories and the possibilities of exchanges between sites to preserve and recycle the material. The application was rolled out to all sites in 2023. It has met with real support from stakeholders and maximises the reuse of leather. Thus, **the manufacture of small items is increasingly carried out using these scraps.**

Thanks to this approach, which is being strengthened, and the computer visualisation of the data, these scraps are optimised and also make it possible to create products without the need to use new whole hides, reducing by the same amount the destruction of nature.

In 2023, substitution and eco-design operations resulted in 88,500 products being made from these scraps, without additional purchases of leather, i.e. an increase of 40% compared to 2022.

2.4.1.7.2 Silk and cashmere

The level of integration of the Textile division through all processing operations (weaving, printing, finishing and manufacture) ensures that the raw materials supplied are used as frugally as possible. All production units carry out monitoring and actions to reduce scraps and waste, as part of the quality approach.

At the weaving stage, a working group made it possible, following analysis and technical tests, to identify and launch new ways to reduce cashmere waste by resizing the widths of the material to improve the ratio of printed surface to the area of the material. Partial lengths have been optimised to reduce material waste.

At the printing stage, the widths of silk are selected according to their specifications in order to adapt the material to the printing techniques and products being made. This approach makes it possible to increase the rate of use of the widths and avoid rejection of non-compliant widths.

For the Silk métier, the management of “lean” planning has made it possible to reduce production waste since 2018. Some silk accessories are now made from very wide pieces, which reduces the amount of cutting waste and limits energy and water requirements throughout the process. In the same way, the lengthening of printing tables at Ateliers AS enabled substantial savings in dye and textiles, thereby reducing offcuts.

2.4.1.7.3 Other materials

Hermès, a creative house, has always been on the lookout for new, innovative materials, according to specifications that are constant and very demanding: physical quality and resistance, external appearance and aesthetic quality, durability over time and reparability, and controlled environmental footprint over the entire life cycle. This research is carried out on traditional materials as well as newer possibilities.

Thus, a new material was created using the Fine Mycelium biofabrication technology, which is made from the vegetative part of mushrooms, developed by the US start-up MycoWorks. Biodegradable and strong, the sheets of this material are then treated and finished by Hermès tanners in France to further refine their resistance and durability. They were then used by our craftspeople to create the *Victoria* bag unveiled in March 2021. The House is continuing its work to integrate this new resource into its productions.

The designer, who has been in charge of accessories and jewellery collections for three years, has further integrated the reduction of environmental impact into her creations, in an eco-design approach. One initiative consisted in creating **a new material called Vulcanium™ from the grinding of leather scraps or downgraded hides for use in fashion jewellery (Chaîne d'ancre pendant in 2023)**. In 2023, the métier also offered a larger number of parts in titanium, a metal with a lower environmental impact than those traditionally used for fashion jewellery (brass, stainless steel, etc.).

In leather goods, innovations in the field of hide tanning have also made it possible to produce leathers that are increasingly adapted to a creative offering, more flexible, with different grains and specific colours, while optimising the use of inputs and reducing the environmental footprint of materials.

The use of 3D technology reduces paper printing and patterns when manufacturing ready-to-wear collections, which are increasingly worked using more responsible materials.

Metals and stones

The “zero waste” principle is intrinsic to the manufacture of precious metal jewellery. Historically, it is the cost of these metals that has led industry players to develop strategies for saving materials, maximising their use and recovery of all offcuts, down to the smallest dust particles. Today, this expertise in collection and reprocessing contributes significantly to limiting the impact of the sector.

At HMM, brass is one of the main materials used to make metal parts for Hermès objects. Particular attention is paid to this alloy in order to meet the environmental issues related to the extraction of its metals (mainly copper and zinc). HMM is working on the implementation of circularity initiatives, such as the recycling of rejected parts after grinding in order to make new ones.

True to the Group's ambition to limit the use and extraction of virgin resources, Hermès Horloger has set up a workshop specifically dedicated to working with gold in order to recover as much as possible from production offcuts. The latter is then sent back to the supplier in a closed loop. A similar project is planned for 2024-2025 on 80%-recycled steel.

Perfumed compounds and cosmetic materials

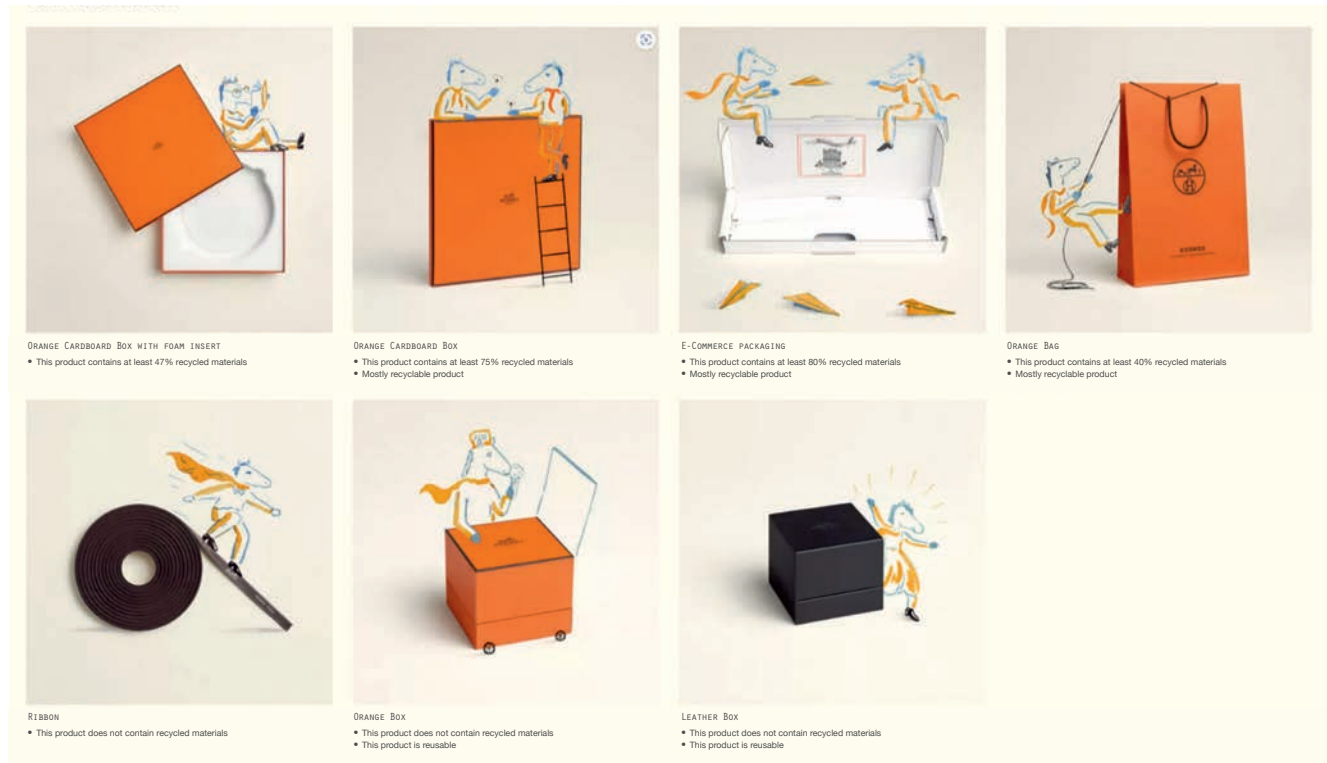
Hermès Perfume and Beauty continues its trajectory of classification and optimisation of raw materials for its perfumes and cosmetics. More than 400 different raw materials are in its catalogue. Some 76% are natural or of natural origin for perfumes (a 15-point increase) and 59% for beauty. In order to reduce our recycling rates for expiry, safety inventory levels have been reduced and all materials are stored in the best possible conditions, including nitrogen inerting of containers for 100% of inventories.

2.4.1.8 PACKAGING, OPTIMISED TO PROTECT EXCEPTIONAL OBJECTS AND THE ENVIRONMENT

Packaging is used at different levels throughout the life cycle of a product: during its manufacturing phase (packaging of materials, inter-site packaging) and during its sale in stores. In exclusive stores, 100% of orange bags are FSC-certified. The cardboard of the

emblematic orange boxes is made of 100% recycled material. The bags, made of 40% recycled materials, are recyclable, except for the handles. Hermès has implemented frugal packaging management: the orange box is used both as packaging for internal flows, but also for sales and customers. The boxes often have a long lifespan, as customers tend to keep them beyond purchase (they even lead to a second-hand market, etc.).

For the sake of transparency, this packaging is also presented on the House's website:



Single-use plastic packaging

The comprehensive inventory of plastics throughout the production chain is continuing. Single-use plastic packaging used by Hermès is either the result of external purchases (packaging for articles or materials received), or used in internal processes to transport articles between the various sites and to the exclusive stores.

A working group initiated in 2020 brings together around 50 stakeholders, with representatives from all métiers, logistics, purchasing, sustainable development and industrial affairs. With the help of experts, it is working on opportunities for plastic substitution and circularity. This working group, which meets biannually, is now a privileged space within the House for the sharing of initiatives, the review of sector benchmarks, and regulatory monitoring on plastics issues.

The inventory of packaging plastics purchased by the Group by weight is complicated by the fact that invoices do not necessarily all include the same unit (weight, volume, quantity). According to an estimate for 2022, the Group purchases less than 900 tonnes of plastic

packaging, of which half is for its perfume and cosmetics activities. Excluding cosmetics, the most significant items are: hangers, foam for tableware, logistics items (wedges, strapping, films, adhesives) and ponchos for bags.

Hangers

The Group is continuing its work to find an alternative to the use of plastic and ensure its recycling. Plastic hangers are already made from recycled plastic. In addition, the hangers used for in-store display are made of wood, making them more durable and easily recyclable.

Tableware

The foams for wedging objects meet very demanding specifications, particularly in the context of the growth of e-commerce. The Group works with its suppliers, who are some of the most expert in the sector, on cardboard solutions that meet quality expectations and volume and weight constraints (so as not to generate new carbon emissions during transport). The foams used are gradually evolving towards recycled polyethylene and hollowed-out foams to reduce their volume and weight.

Logistics

Pending the development of a non-plastic solution that is satisfactory in terms of care for the packaged product and handling in the logistics flow, Hermès has undertaken to replace its virgin plastic bags with recycled plastic, an approach that will be fully completed in 2024. Numerous projects are being carried out in the House at the same time to identify uses and reduce the use of plastic.

After working on the elimination of plastic films in 2021 and 2022, in 2023 Hermès Commercial, which manages central logistics, identified and validated other alternative solutions to the remaining single-use plastic. One of the first changes was the use of paper instead of air cushions, to wedge the orange boxes in the shipping boxes. The second is the replacement of adhesive tape by sticky paper strips: traditional adhesive tape will be replaced by a gummed strip, and reinforced tape by reinforced kraft paper tape. Lastly, the final solution is the strapping of the supplier returns that are currently wrapped in plastic, reducing plastic consumption and improving ergonomics. These solutions are in the process of being implemented and will be in place in early 2024 for all logistics.

Work is continuing on clothing covers and the packaging of fragile items (silk).

In 2024, studies will continue to include changes in methods to eliminate remaining plastic consumables while taking into account ergonomic issues and physically difficult tasks.

Métiers

The Leather métier is also taking action to limit the use of plastic. Thus, in 2023, rain ponchos, historically systematically given to customers in sets of two to protect certain bags purchased, are now only distributed at the customer's request. This approach made it possible to halve the plastic used between 2021 and 2023 in this operation, i.e. 14 tonnes. With the help of its logistics partner, this métier has also replaced disposable tarpaulins that protect leathers during transport to the workshops with reusable tarpaulins. The project was initiated in 2023 with the gradual deployment of tarpaulins between the sites and the logistics platform and will be completed in 2024. This substitution approach should ultimately reduce consumption by 90% for this operation, i.e. 12 tonnes.

Year	2018	2019	2020	2021	2022	2023
Plastic consumption of the Perfume and Beauty métier (expressed in base 100 from the 2018 value)	100	110	82	87	100	92
Plastic intensity compared to the revenue of the métier	1.54	1.63	1.49	1.14	1.17	0.95

For more than 10 years, Hermès Perfume and Beauty has launched refillable perfumes: *Voyage d'Hermès*, *Jour d'Hermès*, *Galop d'Hermès* and *H24*. In 2023, the entire *Jardin* collection became refillable, followed in 2024 by *Hermessence*.

The use of plastic for jewellery boxes is gradually being phased out in favour of medium-density fibreboard (MDF). In 2022, this project concerned all cases for the silver range. 33 tonnes of plastic were thereby avoided. In 2023, the same approach was continued for the leather cases used to package the gold jewellery ranges. In addition, the overwrapping elements identified in 2022 are gradually being eliminated, with their complete disappearance planned for 2024 (bubble or shipping envelopes, for example, etc.). A packaging guide was sent to the manufacturing workshops to help them move towards more sustainable packaging, which consumes less plastic. The implementation of this solution is being rolled out across the entire Hermès Bijouterie range. In the long term, these projects will make it possible to reduce the consumption of plastic in the activity flow by 50%. At the same time, work is continuing in the *haute joaillerie* segment to build circularity into the packaging used and create reuse loops. These exceptional products are fewer in number and require very specific packaging, which can nevertheless be reused.

After mapping the single-use plastics used in the production process in 2022, Hermès Horloger is continuing its zero-plastic policy with the installation of a new machine for shipments and the replacement of plastic cushioning wedges with crumpled recycled paper. The process of streamlining watch cases is also continuing and will be accompanied by a complete dematerialisation of the product environment planned for 2025.

New packaging in the Textile division is entirely or partially made from recycled or biosourced materials.

The distribution subsidiaries are also involved in the project to eliminate the use of plastics, particularly in their supply chains and for inventory management (covers, hangers, etc.).

Cosmetics packaging

To reduce the use of plastics, a majority practice in the sector, the Group is working on various areas: extending the life of containers with the promotion of refillable fragrances (new perfumes will now be refillable), reducing the use of plastic for containers (with as a first step, priority given to the use of plastics from recycled and recyclable sources), reducing the use of plastic for packaging (both for the products themselves and for logistics operations).

Hermès Perfume and Beauty has carried out substantial work on perfume bottle caps. The caps of the Colognes have been made from 100% recyclable polypropylene since 2023. Changing the *Hermessence* cap reduced its environmental impact by 85% and made it possible to stop using neoprene glue in the range. The recyclability of this cap increased from 0 to 80%.

The film covering the product packaging has been replaced by a film made from 100% polypropylene, a highly recyclable plastic. Over a full year, this initiative makes it possible to replace 20 tonnes of materials with recyclable alternatives. Ten tonnes have been replaced since June 2023.