



2022

# UNIVERSAL REGISTRATION DOCUMENT

CSR EXTRACT NON-FINANCIAL PERFORMANCE  
STATEMENT (NFPS)



Page numbers have been retained from the original version

## 2.4.2 SUPPLY CHAINS

The sustainability of Hermès' activities depends on the long-term availability of the exceptional raw materials used. **Hermès is committed to sustainably developing supply chains**, by going beyond compliance with environmental, ethical and social regulations, and contributing to the future availability of these resources.

### POLICY

The Group's strategy is to better understand its supply chains, strengthen them with high expectations to ensure their quality, ethics, environmental and societal sensitivity, and develop them to anticipate future growth.

This approach is based firstly on compliance with the regulations concerning the various materials. This notably means legislative provisions: ensuring compliance with the Washington Convention (CITES), an agreement between States for the worldwide protection of species of flora and fauna threatened with extinction. This can have an impact on the materials used in the leather goods workshops, certain tanneries, or certain perfume ingredients. The Group must also comply with health regulations (hides from cattle and sheep that were raised for meat) and regulations on animal welfare.

The policies used to implement this strategy are, on the one hand, the implementation of supply chain briefs to manage the entire value chain and co-construct sustainable development action plans, and a CSR brief for the Group. All suppliers and manufacturers involved in supplying Hermès *métiers*, and finally, an **animal welfare policy** formalised in 2021. All of these documents are available on the Group's website <sup>(1)</sup>.

### GOVERNANCE

Hermès has long initiated a management approach for its raw materials sectors. Since 2019, the direct purchasing department has accelerated the process with the following ambitions:

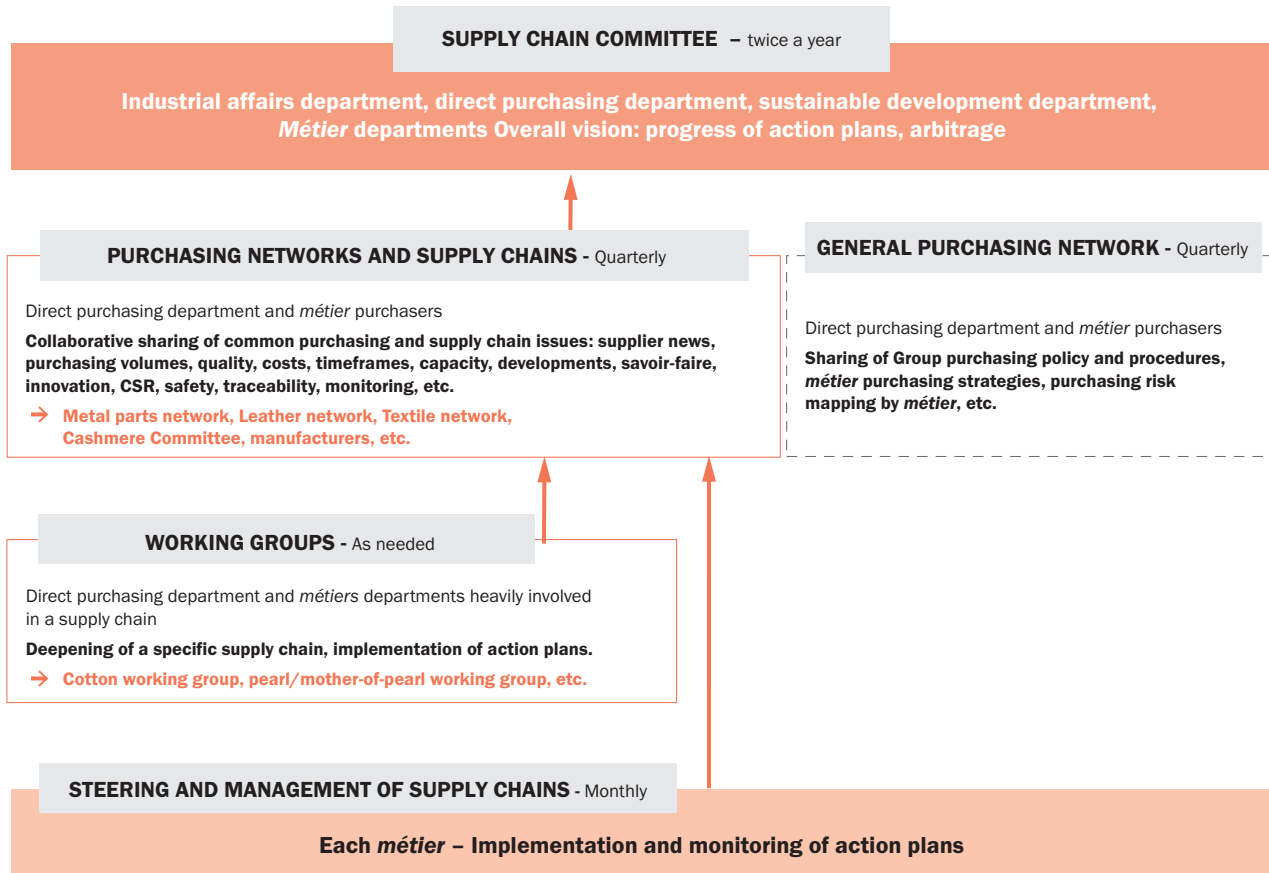
- ◆ commit to a process of in-depth knowledge and management of all the House's raw materials supply chains;
- ◆ meet risk management commitments, in particular with regard to human rights and fundamental freedoms, health and safety of people and the environment;
- ◆ capture value creation opportunities for the House, local authorities and the environment;
- ◆ develop more virtuous supply chains in which CSR issues are a priority, guaranteeing that 100% of raw materials used in the manufacture of products come from sustainable and responsible channels.

Thus, with the support of an independent expert firm, since the end of 2019, Hermès has set up a systematic approach to analysing its supply chains, to map each supply chain, take stock of traceability, assess inherent and specific risks, avail of opportunities and define insurance and certification procedures, and accordingly implement ambitious action plans managed by the *métiers*. Over the past three years, **80 raw material supply chains have been analysed in detail**, starting with the main ones used by Hermès (calfskin, cowhide, cotton, cashmere, etc.) not forgetting those used in smaller quantities (straw, wicker, mother-of-pearl, etc.) for the sake of completeness.

In addition, supply chain governance was put in place in 2021 with, in particular, the creation of a Supply Chain Committee, which, twice a year, brings together the direct purchasing department, technical and innovation industrial affairs department, sustainable development department and the Group Management of all the *métiers*. This body makes it possible to obtain an overview of the management of the supply chains and the progress of the action plans and, if necessary, arbitrate on certain points. To support this Supply Chain Committee, purchasing networks and supply chains specific to certain sectors have been set up, managed by the direct purchasing department, to share with the buyers of the *métiers* concerned the issues common to these sectors, in particular in terms of CSR and traceability. The risks of each sector are studied by this committee and, if necessary, are discussed by the Board of Directors for decisions to be made.

1. <https://finance.hermes.com/en/animal-welfare/>

## HERMÈS SUPPLY CHAIN GOVERNANCE



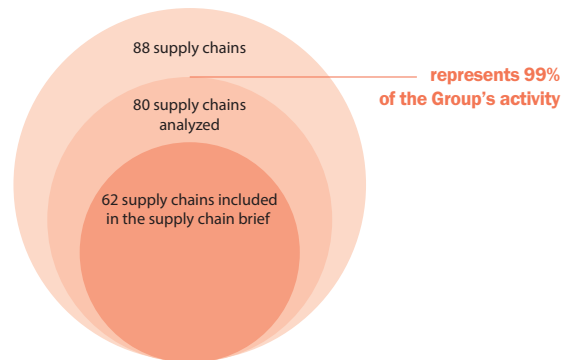
### 2.4.2.1 SUPPLY CHAIN BRIEF AND TOOLS

Since 2019, buyers have had a “supply chain toolbox” to use in structuring their supply chain analyses, provide a methodology and ensure a cross-functional Group approach. It enables:

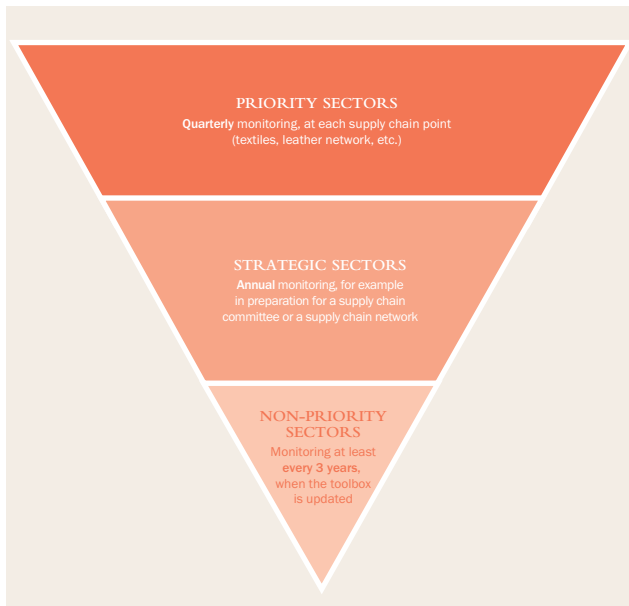
- ◆ the supply chain to be mapped, listing each link in the supply chain and the stakeholders;
- ◆ identification of the risks related to this sector, by assessing the risks with respect to human rights and fundamental freedoms, the health and safety of people, and the environment (carbon, water, deforestation, biodiversity), as well as the risk of corruption. In 2022, the topics of circularity, material and process innovation, as well as the subject of plastics (in line with the Group’s commitments) were added;
- ◆ value creation opportunities to be seized for the House, local authorities and/or the environment;
- ◆ action plans to be defined that will sustainably improve the supply chain and make it more ethical and responsible.

Of the more than 88 supply chains now identified, 80 had been analysed in detail by the end of 2022, i.e. 99% by value.

These multi-criteria analyses, including the assessment of CSR risks related to the duty of care, made it possible in particular to establish the categories below and their methods for monitoring the supply chains.



These analyses of supply chains also gave rise to a supply chain brief co-constructed by the métiers, the sustainable development department and the direct purchasing department, with the support of a firm of independent experts. The first version, including around 10 supply chains, was published at the end of 2020. In December 2022, version 8 was released; it now includes 62 supply chains.



The supply chain brief is intended for all suppliers involved in the supply of raw materials used in the manufacture of the House's products. It allows Hermès to share with them its ethics and sustainable requirements and those relating to the protection of people, animals and the environment.

It provides a reminder of the principles of Hermès' responsible purchasing policy:

- ◆ **transparency: knowledge of its supply chains through its network of manufacturers and partners, is at the heart of Hermès' concerns.** It aims to guarantee the highest level of quality, the best traceability and the careful use of raw materials. Hermès wants to have a transparent vision of each link in the supply chains of its *métiers*, in collaboration with the players in each sector;
- ◆ **high standards:** Hermès rigorously selects materials, in compliance with regulations and best practices, according to the following fundamentals:

- promote exceptional sectors, developed locally as close as possible to the raw material: breeders, farms, cooperatives, etc. Hermès listens to the players involved in the field, to develop partnerships, improve operating conditions and generate long-term improvement projects,
- respect human rights and fundamental freedoms: in addition to compliance with benchmark conventions, the House's vigilance plan includes respect for human rights, fundamental freedoms and employment conditions for both its suppliers and their own suppliers and subcontractors,
- ensure animal welfare: anchored in a multi-stakeholder collaboration and continuous improvement approach, Hermès' policy ensures compliance with the fundamental principles of animal welfare (five fundamental freedoms of the World Organisation for Animal Health – WOAH). Hermès favours observation of animals to demonstrate results and improve animal welfare in pragmatic ways and based on science,
- respect and protect biodiversity: materials from species threatened with extinction or whose trade is illegal are strictly prohibited. Risks related to natural materials of animal origin need to be controlled through internal audits and/or audits by independent third parties and are the subject of targeted action plans,
- protect the environment: managing the environmental impact of its entire value chain is a core preoccupation for Hermès. Respecting natural resources, promoting regenerative agriculture and forestry, controlling energy resources, favouring the cleanest technologies in its production processes, limiting waste and having ambitious EHS objectives are all pillars of the environmental policy implemented.

In addition to these fundamentals, **Hermès is committed to taking advantage of the best available standards and working to improve them**, while always integrating respect for people, animals and the environment.

- ◆ **fairness:** through their informative purpose, these guidelines are part of the Hermès *métiers*' desire to provide long-term support to their partners and co-construct responsible sectors. This also means promoting the virtuous initiatives already undertaken.

All the recommendations and requirements formulated in the cross-functional recommendations and in the briefs of each sector are communicated to the players concerned via the specifications, purchasing terms and conditions or dedicated discussions. All or part of these points may be subject to control visits, internal audits and/or audits by independent third parties. Targeted action plans will be

drawn up jointly following these discussions, visits and/or audits.

This supply chain brief then presents, for each sector, the short-term objectives and the trajectory for 2024, the points requiring particular attention and those that are prohibitive. In particular, it includes certification objectives for most of the sectors according to the best existing standards.

## MAIN SUPPLY CHAIN CERTIFICATION COMMITMENTS

	Types of certification and/or specific procedures	Supply chain covered by the Animal Welfare policy
<b>ANIMAL SUPPLY CHAINS</b>		
Wool and fur	RWS/RAS/RMS certifications	Yes
Feather/Down	RDS certification	Yes
Leather	LWG certification	Yes
Precious leathers	IFCA certification for crocodile farms	Yes
	SAOBCS certification for ostrich farms	Yes
	LPPS certification for the Lizard sector	Yes
Silk	GOTS certification	Yes
Mother-of-pearl/pearls	ASC/MSC certifications	NA
<b>PLANT SUPPLY CHAINS</b>		
Cotton	GOTS certification	NA
Linen	"Master of Linen" certification	NA
Cellulosic fibres	Sources of FSC fibres	NA
Wood	FSC certification	NA
Rubber	FSC and GOLS certifications	
<b>MINERAL AND METAL SECTORS</b>		
Stones	RJC certification	NA
Gold/Silver	RJC certification and use of recycled materials	NA
Other metals	IRMA or ASi certifications	NA

### 2.4.2.2 ANIMAL WELFARE POLICY

The Group has set up **a strict and ambitious policy in terms of animal welfare for all the animal supply chains concerned**, both within its direct sphere of responsibility and for its external partners. Formalised in 2021, this policy, and all the concrete objectives it sets, have been shared with Hermès' suppliers and partners. It is published on the Hermès website<sup>(1)</sup>. This policy is part of a process of continuous improvement of practices. Thus, in 2022, the policy was updated to take into account the latest advances (scientific and internal). For example, the silkworm sector was studied and added to the 14 "species" files already in existence.

Hermès' animal welfare policy is based on the following principles:

- ◆ a commitment to fundamental principles of animal welfare ("the five freedoms"<sup>(2)</sup> defined by the FAWC<sup>(3)</sup>), based on the most recent observations and knowledge of scientists and university experts on the subject according to the species. In order to ensure proper animal welfare, Hermès' approach focuses on the observation of animals and their behaviour. This therefore means an obligation of results ("outcome based") to be compared with more traditional approaches, which are limited solely to a material analysis of resources, without taking the animal into account;
- ◆ adoption of the "One Welfare" concept. This holistic approach recognises interdependency links between animal welfare, human well-being and the environment, and promotes interdisciplinary collaboration;

1. <https://finance.hermes.com/en/animal-welfare/>

2. Absence of hunger, thirst and malnutrition, absence of physical or thermal discomfort, absence of pain, injury or disease, ability to express normal behavioural patterns, absence of fear or distress.

3. Renamed the Animal Welfare Committee (AWC) in 2019.

- ◆ a multi-stakeholder collaboration to ensure that the results obtained on animal welfare correspond to the expectations and analyses of a wide range of stakeholders, including several international and national associations (NGOs) involved in the Group's issues;
- ◆ a formal governance framework: in 2019, the House created an Animal Welfare Committee which brings together members of Group Management, the purchasing departments of the various *métiers*, the technical and sustainable development departments. An independent welfare expert is also a member of this Committee which meets at least every six months (in 2022, two committee meetings were held) to update the policy and standards, measure progress and ensure that resources are in place;
- ◆ implementation of strict standards detailing best practices, specific to each supply chain, covering, depending on the species, a broad range of areas such as farming and slaughtering practices, transportation, traceability, employee working conditions and training, the environmental performance of farms and their safety, the promotion of biodiversity, conservation of species and assistance to communities and populations;
- ◆ a monitoring system adapted to each sector allowing progression of best practices by conducting regular internal, or external, controls and audits in the supply chains.

An animal welfare roadmap has been drawn up for each species concerned by the sale of products, in all of the Group's *métiers*, and the House is working with its suppliers to draft operational roadmaps.

### 2.4.2.3 RESPONSIBLE SUPPLY CHAINS

#### 2.4.2.3.1 Leathers

Leather reflects the animal's life. It bears traces of injuries, and health issues, like parasites. Beautiful hides come from animals that have been well-treated and cared for. Hence, the Hermès Group's demand for high quality hides helps to improve the industry by encouraging livestock farming methods that respect the animals.

All leathers used for leather goods manufacturing are purchased directly from tanneries, with no intermediaries. The vast majority of the needs are covered by the French, Italian, German and Spanish tanneries, all of which must adhere to European standards, which are some of the highest in the world for the industry.

Hermès uses more than 35 different types of leather to make its goods, most of which come from calves raised in France (including our flagship "Box" leather, made using an English tanning technique), but also natural cowhide in our equestrian leather product line and "exotic" leathers such as crocodile, lizard and ostrich.

Since February 2020, Hermès has been a member of the LWG's (Leather Working Group) Animal Welfare Group. LWG is a multi-stakeholder group that promotes sustainable environmental practices in the leather industry. It has developed rigorous audit standards and protocols comparable to industry best practices. These protocols have been reviewed by several NGOs, including Greenpeace, NWF, WWF (United States), sustainability organisations and academic institutions. LWG verifies compliance through independent audits conducted by approved third parties. Its approach is holistic, both on environmental aspects, the search for best practices and by defining guidelines for continuous improvement.

Since February 2020, all Hermès Leather Goods & Saddlery tannery

suppliers have been encouraged to undergo assessment using the LWG audit protocol. At the end of 2022, 76% of the Leather Goods division's suppliers had already been certified.

The Tanneries division has also defined an LWG audit programme for its sites. In 2022, the Cuneo tannery obtained LWG Silver Level certification during its re-certification audit following its first audit in 2020, while the Vivoin tannery was certified LWG Bronze Level. The HCP division will have the remaining tanneries and taweries audited in 2023.

At Group level, at the end of 2022, 66% of leather suppliers were LWG certified, with nearly 50% of suppliers already at Silver or Gold levels. The objective is to reach 100% of suppliers certified by 2024.

Moreover, LWG certification confirms that the supply does not contribute to deforestation.

Lastly, in 2022, the CDP Forests awarded an A- rating to Hermès for its performance in the "cattle products" sub-category.

#### Calfskin

**Hermès, together with other brands in the luxury sector, participates in the collective initiative *Cuir de Veau Français Responsable (Responsible French Calfskin)***, which aims to pool and deploy animal welfare verification audits throughout the French calfskin production sector in collaboration with players in the calfskin sector (farmers, integrators, slaughterers) in France.

In 2022, a joint audit protocol co-constructed by all members of the initiative, veterinary experts and Idele (Institut de l'Élevage) was validated and pilot audits were carried out by a third party in 50 farms.

This audit protocol, built on the principle of the five freedoms (absence of discomfort, absence of hunger and thirst, absence of disease, absence of stress and fear, appropriate behaviour), covers 63 points to be verified and in particular includes points related to calf observation.

This collective initiative aims to roll out this audit programme nationally by 2025. In addition to classifying the performance of farms in terms of animal welfare, this approach will make it possible to identify and share the levers to be implemented to improve the level of performance on this subject through financial and technical support for farmers, fuelled by the initiative.

Furthermore, Hermès is involved in the association FECNA (Filière d'Excellence des Cuirs de Nouvelle-Aquitaine), which brings together several luxury French brands, the region, abattoirs, tanners, agricultural cooperatives and independent breeders of "suckling calves". The approach adopted is based on the fact that the quality of the livestock directly impacts the improvement in the quality of the hides. In practical terms, raising awareness among farmers of best practices and training for farmers is currently being rolled out. The next step will be to implement health treatments (against ringworm and lice) on a large scale. Lastly, the project also includes an approach that will ensure "end-to-end" traceability.

Convinced that the traceability of hides is essential to improve farming practices and the quality of the hides, in addition to the steps taken with suppliers to implement the marking of hides, the House's Tanneries division continued its direct laser marking of raw hides at the Annonay and Le Puy sites. Developed in partnership with the Centre technique du cuir (CTC - Leather Technical Centre), it ensures the traceability of hides from the farm to the finished leather. The

number of hides traced increased significantly: on average over the whole of 2022, 40% of tanned hides were laser-marked by suppliers and by the tanneries themselves. The continued rollout of this equipment on suppliers' raw hide sorting lines will make it possible to exceed 65% in 2023.

Looking ahead, a working group made up of the Tanneries division, the Leather Goods division, and the Group's sustainable development and direct purchasing departments, was set up to select pilot projects in France in the calfskin sector. These projects, focused on "one welfare" and regenerative agriculture, take into account the overall carbon footprint (including animal feed), water, biodiversity, animal welfare and fair and appropriate compensation for farmers. The selection of projects will take place in early 2023.

#### Goat

In order to identify potential risk in terms of deforestation in connection with the farming of goats as "subsistence" farming in India, Hermès commissioned a study by the Cambridge Institute for Sustainability Leadership (CISL) in 2022. The main results are summarised in the paragraph Biodiversity § 2.4.3, which concludes that there is a low risk on this subject.

## 76% of Hermès Leather Goods & Saddlery's suppliers are LWG-certified

#### Exotic hides

##### Crocodilians

Virtually all of the crocodilian hides the House uses come from farms in the United States, Africa and Australia. All Hermès partner farms must comply scrupulously with the rules drawn up under the aegis of the UN for the Washington Convention, which defines protection for endangered species. Hermès requires that its partners meet the highest standards for the ethical treatment of alligators and crocodile, in accordance with recommendations by expert veterinarians and local authorities such as the Fish and Wildlife Service in the United States, a federal nature protection agency, or the departments of environment and natural resources in Australia (Northern Territory and Queensland) and Zimbabwe. In addition to strict compliance with the Washington Convention, in 2016 Hermès initiated a study with WWF France to

assess respect for animal welfare and measure the environmental footprint of alligator hides in the United States. The progress plan drawn up at the end of this study continued to be actioned in 2021 and 2022.

Prior to the establishment of the ICFA standard, the Tanneries division had drawn up a charter of best breeding practices in 2009 (an innovation for the profession at the time). This was updated in 2016. These best practices encompass in particular CITES regulations, animal welfare, the farms' environmental management, employee labour conditions, safe working conditions and infrastructure. They were all subject to one or more audits carried out by internal teams between 2016 and 2018.

Since then, the Tanneries division has outsourced these audits of the breeding farms and the meat processing and hide inspection sites to secure its relations through independent reviews. These audits, carried out by local Bureau Veritas auditors trained in the specificities of crocodile farming, are part of a broader process of "Bureau Veritas Group Recognition" of sites. The audit protocol associated with this best farming practices charter was also reviewed by this organisation, using its expertise in the assessment of farming conditions in other animal sectors. In 2022, 100% of the crocodile farming sites with which the Tanneries division has business relations signed the best livestock farming practices charter and 97% of the raw crocodilian hides purchased by the Tanneries division came from farms that have been subject to an initial external audit, or even a follow-up audit. The progress plans drawn up with the farms are monitored annually with the local specialist auditors and the division's purchasing teams.

In addition to these efforts, which have been ongoing for nearly 15 years, the Hermès Group contributes to the improvement of professional standards. Since 2016, Hermès has participated in the ICFA (International Crocodilian Farmers Association) alongside the main players in the industry (farmers, tanners, manufacturers and brands). This association aims to develop and improve sustainable crocodile breeding practices in farms by combining the experience of its members and a scientific community specialised in crocodiles, which has gathered together all practices and existing scientific studies. In 2018, the ICFA accordingly defined a standard aligned with international best practices in the field. A panel of scientists, veterinarians, farmers, brands and specialists in the area of regulations or in ISO compliance participated in the approval of this standard. This was then reviewed and amended by the CSG (Crocodile Specialist Group), an NGO member of the IUCN's Species Survival Commission and working under the aegis of the UN. The Group is continuing to work with the ICFA to support scientific research and the ongoing improvement of crocodile farming systems.

The practices thus defined are backed by scientific studies. The founding principle is to evaluate animal welfare throughout the breeding process in a manner that is both objective and measurable. A certification process for the livestock of its founding members was introduced in 2019, with the help of the independent certifying body BSI. All farms that join the ICFA adopt its standard and are audited. As such, all farms in the division have already been audited and certified by ICFA. In addition to animal welfare, as defined by the FAWC (Farm Animal Welfare Council) and the five freedoms for animals, these audits cover environmental and societal aspects of livestock farming.

In addition, special attention is paid to biosecurity rules on farms, in order to protect livestock from the introduction of infectious agents. This includes compliance with strict requirements when transferring animals on farms or between farms, the implementation of disinfection instructions and pest control or animal vaccination programmes. These different protocols were established in collaboration with veterinarians specialising in the species concerned. **In 2022, all HCP tanneries were thus members of the ICFA and 99.3% of raw crocodilian hides purchased by the Tanneries division came from farms that have been subject to an external audit by Bureau Veritas or BSI as part of the ICFA certification process.**

#### Focus on *porosus*

The Australian farms are a strategic link in the *crocodylus porosus* hide supply chain. After several years of significant investment in animal breeding facilities and the improvement of *savoir-faire*, the quality of supplies has continued to improve.

These farms are all ICFA-certified by the independent control body BSI. These different audits cover various topics such as best practices in farming, transportation and slaughter, compliance with CITES requirements, personal safety, compliance with social criteria, environmental management and site safety.

As part of a continuous improvement approach, research projects are conducted in the division in partnership with scientists to study the behaviour of animals on farms.

#### Lizard

In collaboration with experts in animal welfare (also members of the World Organisation for Animal Health) and in standardisation, the LPPS (Lizard Procurement and Processing Standard) was created for the “lizard” sector (*varanus salvator* in Malaysia). The purpose of this standard is to ensure compliance with current regulations and best practices throughout the supply chain. It covers the following topics: management of animal welfare, compliance with permits and authorisations, environmental management, employee social conditions, and safe working conditions and infrastructure as well as CITES regulations and unit traceability of hides. The certification of the Malaysian supply chain was carried out in 2022 *via* audits carried out by third parties which validated compliance with the defined standards.

In total, 33% of the lizard hides purchased by Hermès in 2022 are LPPS-certified, **Including 100% for hides purchased in Malaysia.**

Control and certification work on the supply chain, carried out jointly by the Leather Goods divisions, the Tanneries and Hermès' partner, continued with the audit of the sector by BSI in November 2022.

#### Ostrich

In partnership with the South African Ostrich Business Chamber (SAOBC), Hermès contributed to positive changes in the Ostrich sector (animals mainly raised for their meat and feathers, and used in the production of leather goods), through:

- ◆ the creation of a standard with all stakeholders (breeders, processors, scientists, government regulators, non-governmental organisations specialising in animal protection, and customers);
- ◆ financing and participation in the training of farmers and processors;
- ◆ a certification process conducted by an independent body since early 2020.

In 2022, as has been the case since the end of 2021, all of Hermès' supply of ostrich hides comes from certified sites.

#### 2.4.2.3.2 Silk

Silk is an essential resource for Hermès, and its production reflects the House's values of sustainability and ethics. This material is renewable and biodegradable. Its production uses less water, chemicals and energy than that of most other fibres, including cotton and synthetics.

For decades, **Hermès has sourced silk through a local partnership** with smallholders in the state of Paraná, in Brazil. This partner aims to work in harmony with nature through a production system based on low-intensity, regenerative and circular agriculture. The ecosystem thus maintained generates income for small local farms and more than 2,000 families. There is a dedicated annual budget to develop knowledge, qualitative techniques, and the sustainability of the activities and supply chains of these silkworm farms. According to a recent study by Intersoie (Union of Silk Producers), the carbon footprint of Brazilian silk is 30% lower than that of Chinese silk. The growth of the worms involves a diet based exclusively on mulberry leaves. Mulberry plantations sequester carbon, prevent erosion and contribute to soil regeneration. Mulberry cultivation uses far fewer agrochemicals than those in the surrounding agricultural land where they grow soybeans and sugar cane. Hermès' partner supports research into the rational use of pesticides and is positively engaged in a local dialogue to reduce their use in other more intensely managed neighbouring crops, as they are harmful to silkworms. The reduction of agrochemicals in the environment is potentially beneficial to the silk industry, but also to local biodiversity, in particular pollinators and soil fauna. Hermès provides financial support to its historical supplier so that it can adapt to climate change, such as irrigation and mechanisation, as well as carry out tests of mulberry trees that are more resistant to climatic hazards, with a view to adaptation.



Much of the waste from mulberry growing and silkworm farming is recycled locally. Each part of the cocoon as well as the other co-products of the industry have multiple uses, from fish food to fabric. Such circularity reduces the demand for raw materials, which leaves more uncultivated spaces conducive to biodiversity.

In 2020, Hermès began working with the Institute for Sustainability Leadership (CISL) at the University of Cambridge, a leader in the field of biodiversity, to undertake a study to confirm the environmental value of this local partner's approach and to identify actions that could further enhance the benefits of this system. This study states: **"We believe that Hermès' silk production in Brazil can be celebrated for its positive environmental benefits."**

The Hermès silk supply contributes to the development of materials with a low environmental impact. More broadly, it is part of its global strategy for biodiversity.

In 2022, Holding Textile Hermès tested the first GOTS-certified production of Silk and set itself the target of reaching 30% of its production by 2025. This objective will be achieved in accordance with the ability of our suppliers to gradually comply with these new requirements.

#### 2.4.2.3.3 Cashmere

Cashmere comes from the *Capra Hircus Laniger* goat, known as the Cashmere goat, which lives in High Asia. Particularly well adapted to harsh climates, at the beginning of winter, the Cashmere goat develops an extremely fine and dense down beneath its permanent coat of hair, which allows it to effectively insulate itself from the cold. When temperatures rise again, this down is shed naturally during the spring moulting season. It is this extremely fine and soft down harvested by breeders that is commonly called cashmere.

For weaving, Hermès selects the most beautiful fibres. At the same time fine, long and extremely white, and boasting unrivalled softness, they come from the very best farms. The House's historic yarn manufacturer has built strong, long-standing relationships of trust with raw material suppliers, thereby ensuring supplies of an exceptional quality. Most of Hermès' supplies come from Inner Mongolia, in the People's Republic of China, where farming practices are strictly controlled by the authorities in order to preserve the resources.

Thanks to a high degree of integration, through the Holding Textile Hermès division, the Group has a significant level of expertise and control of processing operations such as weaving, printing, finishing and manufacturing. This integrated process ensures the use of exactly the right amount of raw materials, the streamlining of containers and packaging, facilitating the transport of products, and optimisation of transport.

A programme aiming for the sustainable development of the sector has been ongoing for several years with the support of NGOs present in the breeding areas in question. In 2019, an audit of practices was conducted notably with the support of WWF France. The conclusions, positive on the local practices implemented, led to an action plan and improvements, for example on the traceability of livestock farming practices, and optimisation of water use on hide processing sites. The monitoring of these actions continued in 2022. The objective is ultimately also to monitor and support breeders' agro-pastoral practices aimed at preserving the resource and the biotope.

Since 2021, Hermès has defined the 2024 trajectory of its cashmere supply chain as regards ethical, social, environmental, animal welfare and traceability aspects. This trajectory has been communicated to all of its partners. As such, since 2021, Hermès has participated in the piloting of the implementation of a code of practice for the accreditation of animal welfare and the environmental sustainability of cashmere production in China under the supervision of ICCAW (International Cooperation Committee of Animal Welfare) and the SFA (Sustainable Fibre Alliance).

In 2022, 35% of Holding Textile Hermès' supplies met this new standard. This proportion will continue to increase in the coming years and will be rolled out to the entire Group with the aim of gradually reaching 100% as farmers are trained and adhere to this new standard.

A Cashmere Committee, dedicated to this material used in several *métiers*, meets every two months for cross-functional coordination of the sector.

#### 2.4.2.3.4 Other materials

##### Cotton

Hermès uses a very small volume of cotton in its collections. As for all materials, the cotton supply policy is guided by the search for the best quality and the guarantee of traceability.

The cotton supply chain, based on long-standing partnerships, favours low-risk sources: in 2021, more than 60% of the cotton fibres used in Hermès' products came from Europe or the United States. This figure is regularly updated during the analyses.

Hermès has implemented a control approach to ensure respect for human rights throughout the supply chain, from production to dyeing and spinning.

In 2020, a work initiative was undertaken with the main suppliers to switch all supplies to organic or GOTS (Global Organic Textile Standard) cotton for protective covers and ribbons. These improvements will take place gradually until 2024, which will significantly reduce the corresponding water consumption. This certification also includes a mandatory criterion for the ethical treatment of workers. For example, the 2023 target is to make 50% of covers in GOTS-certified cotton or using recycled silk.

## Wood

More than 50% of the woods used for Hermès objects are FSC, PEFC or SVLK-certified. SVLK certification is a local certification implemented in Indonesia. In addition, on-site audits guarantee the preservation of forests and the absence of deforestation.

Some partners, in addition to sourcing FSC-certified timber, have ensured their entire value chain is FSC-certified, guaranteeing that Hermès supplies are 100% certified.

In addition to the implementation of certifications, the House collects information to better manage this natural resource. For the purposes of supply chain traceability, data on country of origin, species used, forest type (plantation or natural forest) and supplier certificates are monitored and recorded. A risk assessment is conducted, looking in particular the level of corruption in the country, as well as species appearing on the IUCN (International Union for Conservation of Nature) and CITES red lists.

In 2023, in conjunction with WWF France, an in-depth study will be carried out on plant species sourced in Africa. The sustainability of each species will be analysed in detail and if it is not satisfactory, an improvement or substitution plan will be drawn up.

## Rubber

The rubber used comes from responsible sources of supply, guaranteeing respect for workers' rights and protection of forests. FSC certification for rubber plantations, with careful control of certificates and traceability, is a minimum requirement to be met. The GOLs (Global Organic Latex Standard) benchmark standard also ensures the sustainable use of rubber plantations and is desirable. The use of Yulex™, a rubber from an FSC-certified rubber supply chain and processed using a more responsible and innovative purification process is also a preferred option.

## Metals and stones

The precious materials used by Hermès Watches, Hermès Bijouterie and Hermès Leather Goods & Saddlery are mainly gold, palladium and diamonds. Hermès has implemented very strict procurement practices that make it one of the leaders in the sector.

## RJC

**The Group has been a member of the Responsible Jewellery Council (RJC)**, an international benchmark for the profession, since 2012, and obtained RJC COP (Code of Practices) certification in 2013. The audit for the renewal of this certification took place in 2019 and was validated in 2020.

This certification guarantees best environmental, social and ethical practices, from extraction to retail sale. Initially covering only gold, platinum and diamonds, the new certification rules now include silver and certain precious stones (emeralds and sapphires). Hermès has become the first luxury house to be certified across the whole of this scope and according to the strengthened criteria of the new COP standard. In 2022, the Group worked on renewing this certification for an additional three years and audits took place at the end of the year, as planned, on the entire scope concerned, from the Jewellery and Watches *métiers* to the stores.

In addition, true to the Group's ambition to always exceed the required level, and in accordance with its sustainable development roadmap, Hermès Horloger has chosen to source only recycled COC gold. **Les Ateliers Hermès Horloger, based in Le Noirmont, Switzerland, and producing the watch cases and dials, have applied for and obtained the RJC COC ("Chain of Custody") certification.** It can thus guarantee the traceability of this recycled COC gold throughout the supply chain, via a strict management system and a rigorous final audit conducted by a third party. Through this certification, Hermès Horloger underlines its commitment to transparency and is moving towards its objective: to offer watches with fully traceable precious metal components.

## Precious metals

The commitment to use recycled precious metals is also found within Hermès Bijouterie: Hermès jewellery is mainly made of gold and silver, from shot or prepared elements such as plates or wires. This gold and silver comes from the European metal recycling sector, from the jewellery sector itself or from other industries such as electronics. Hermès does not therefore use gold from mines in its jewellery.

More broadly, the analysis of the origin of the metal of the components (chains, clasps) and gold salts used for electroplating, initiated in 2020, confirmed that they come from similar recycling channels. On this basis, the granularity of the knowledge of refiners and the various sources of gold – in particular recycled – available on the market, was improved through systematic questioning. Lastly, a series of audits took place between 2021 and 2022, covering the vast majority of physical supplies of precious metals.

## Precious stones

Both as part of and as an extension to the Group's audit and supply chain management programmes, the Jewellery *métier* has been working on the precise mapping of its value chains. For stones, the identification of the origin of the gems has been required for several years. Each supplier must declare where it obtains its supplies and comply with the risk analysis grid for the regions of origin. The *métier's* teams audit or visit not only its direct partners, but also further upstream in the value chains. In 2022, the Jewellery *métier* audited several diamond and coloured stone cutting plants. In cooperation with other *métiers* that use sapphires, a detailed analysis of the sector was carried out.

The House's diamond sector abides by the Kimberley Process and its corollary, the World Diamond Council (WDC) System of Warranties. The Kimberley Process, which came into force in 2003 and has been adopted by 81 countries including France, has prevented the arrival on the legal market of "conflict diamond", the sale of which funded guerrillas in unstable countries. The World Diamond Council's system of warranties incorporates broader issues, including working conditions and the fight against corruption.

All diamonds used by the House are natural and selected in accordance with the Hermès Group quality and ethics criteria. At the time of purchase in stores of an object containing diamonds, a certificate attesting to this commitment is given to the customer. Compliance with the aforementioned principles concerns the diamond trade, from mining to the cutting of the 57 facets, but also the trading of polished stones, as well as the setting of watches, their quality control, delivery and sale in store.

### Steel

Hermès Horloger has chosen to source 85% of its steel from recycled channels. This material, which is predominant in Swiss watchmaking, is now the subject of much attention: in particular, the establishment of a closed circuit to recover the offcuts of watchmaking steel and reinsert them into the watchmaking circuit.

### Natural mother-of-pearl

At the request of Hermès Horloger and other watchmaking houses, the historical supplier of natural mother-of-pearl has simplified its supply chain and set up a new supply channel directly with the reseller fishing ports. This approach ensures better control of the supply chain and makes it possible to work with the supplier to respect ethical working conditions.

### Hard stones

Finally, the market for ornamental stones and marbles is also a complex sector, with the presence of intermediary players and wide geographical diversity linked to the various mineral materials desired. In 2021, Hermès Maison and Puiforcat carried out an in-depth audit and study of the supply chains, identifying and tracing the stones in the collections, supplemented by points of attention. The analysis of the 13 stones present in the Hermès Maison collections makes it possible to guarantee Hermès' level of social and environmental commitment. In its new developments, Hermès Maison favours the use of stones extracted, machined and worked in Europe.

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**100%**  
**non-mined gold  
and silver processed  
in the workshops**

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