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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.

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 waste recovery processes that promote reuse, repair and recycling" ⁽¹⁾. This preventive and innovative 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.**

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 and Jewellery *métiers*, as well as on eco-design and the circular economy. This approach is also underway in the Leather Goods, Watches and Perfume and Beauty *métiers*.

The team of six employees that make up the industrial transition & quality department is being structured and ramped up to lead sustainable development initiatives, namely: environmental impact measurements, eco-design awareness, circularity, traceability, etc. Training courses are conducted to encourage people who can influence action on these subjects to use any levers more systematically. Thanks to this organisation, **the *métiers* now conduct precise life cycle analyses with more and more actual data on their flagship products. More than 80% of the *métiers* did so in 2022.**

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 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)

2.4.1.1 SYSTEMATIC LIFECYCLE ANALYSES

Ambition

Hermès teams have always worked on the design of **aesthetic, high-quality objects that have very long lives**. The Life Cycle Analysis (LCA) method supports this responsible design approach through more standardised and quantified calculations, and provides a complementary scientific perspective. 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, herringbone covers, ribbons, and shopping bags). With regard to livestock farming, 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). This increasingly involves making use of actual and unitary metrics and not sectoral averages. For tanning, the actual emission factors of the Group's tanneries were used. The process began in 2020 with the main emblematic high-volume products, with the help of an external firm. Skills are organised so that it can be rolled out to more and more of the House's products.

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 10 references of emblematic products, such as the *Birkin* bag, the women's cashmere coat, porcelain tableware or a piece of furniture.

Six indicators were selected:

- ◆ CO₂ equivalent;
- ◆ water consumption;
- ◆ pollution of aquatic environments;
- ◆ air pollution;
- ◆ impact on soil;
- ◆ waste production.

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. Each of the three LCA campaigns lasted between six and eight weeks, from data collection to results.

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

First of all, the teams must be trained so that these new approaches can be concretely integrated into their operations. In a second step, they must conduct 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

1. Definition of ADEME.
2. Life cycle analysis.

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. Lastly, the LCA methodology could be extended more widely with a view to eco-design, with a team sized to meet the issues and which will at the same time address the subject of packaging and will be able to provide real decision-making support to the *métiers*.

Results

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. This durability of Hermès objects contributes to more favourable LCA results than the market benchmarks.

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.

Since 2021, the Tanneries division's teams have initiated LCAs to assess the environmental impact of tanned leathers, capitalising on the work on the carbon footprint of the tanneries and farms.

They take into account each species (crocodile, lizards, calves and goats), each production site (farms and tanneries) and the manufacturing processes of emblematic items (for example, Himalaya, Box or Epsom). The scope of these LCAs extends from livestock farming to leaving the tanneries. This specific data can be used directly by the Hermès' *métiers*. In compliance with ISO 14040-44 standards, the methodology of the Product Environmental Footprint Category Rule (PECFR) Leather, a European environmental information project, is used for these analyses.

The assessment method used (Environmental Footprint 2.0) makes it possible to calculate **16 Impact Indicators**, which are used to record:

- ♦ air pollution (climate change, ozone depletion, photochemical ozone formation, acidification);
- ♦ aquatic pollution (depletion of water, eutrophication of freshwater and marine water, eco-toxicity of freshwater);
- ♦ soil pollution (soil eutrophication, land use, depletion of fossil, mineral and metal resources);
- ♦ health impacts (cancer and non-cancer toxicity, particulates).

At the date of publication of this report, 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 were presented to the division's Management Committee and to the tanneries in order to identify eco-design actions. They will be presented to farms in 2023 so that actions can be implemented on the ground.

The division also contributes to the sector's work initiated by the Centre technique du cuir (CTC – Leather Technical Centre) and the French National Leather Council ("supply chain" carbon footprint assessment).

The objects of Cristalleries Saint-Louis are **designed to last and be passed on from generation to generation**. Furthermore, a working group on the issues introduced by the anti-waste law for a circular economy (AGEC) was launched in 2022. The objective for Saint-Louis is to accelerate changes in its production and consumption model in order to limit waste and preserve natural resources, biodiversity and the climate, for example, in the energy field, through more efficient furnaces.

J3L aims to carry out its first life cycle analyses on metal parts intended for Hermès objects in 2023, with the assistance of an external firm. To this end, four products that are emblematic of its production have been identified. The results will make it possible to highlight the most impactful phases of the life cycle and to launch eco-design actions.

The material intended for the advertising of Perfume and Beauty products has also undergone an LCA, leading to modifications to limit its environmental impact: flat 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.

Lastly, LCAs are underway on the main product families of the HCl *métier* (Shoes) with the aim of being an incubator for best practices on our in-house sites and sharing the results with partner workshops.

2.4.1.2 CIRCULARITY, INTEGRATED IN THE DESIGN OF OBJECTS

Thanks to its craftsmanship dimension, **the Group has always followed the principles of the circular economy**, in particular with its expertise in repairs and after-sales. Today, the aim is to continue along this path as much as possible by leading recycling and upcycling projects for objects, as well as by working on packaging.

GOVERNANCE

Circularity is a subject that the industrial transition & quality department monitors with all the House's experts through cross-functional circular projects. 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 AGEC 2022 & 2024 deadlines. 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 the *métiers*, to allow the exchange of best practices and dedicated technical solutions in a more restricted network. **The *métiers* have always focused on minimising production waste.** The Group is committed to a trajectory leading to the recycling or reuse of all its unsold products in France. Given the Group's strict quality requirements, the organisation is in place to achieve the goal of zero destruction between 2025 and 2030 at the global level.

2.4.1.2.1 After-sales: repair to extend the life of objects

The design of objects also allows them to be repaired. From saddles to silk to watches, all owners of Hermès objects can request their repair. With **202,000 repairs carried out in 2022**, representing a 25% increase in this activity, this commitment is a working reality, worldwide. Customers are increasingly receptive to this and do not hesitate to ask the dedicated teams to give a second life to an old object in particular.

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. This activity illustrates the durability of the objects and the House's desire to help extend their lifespan. A strategic focus for Hermès, it occupies 60 craftspeople in the workshops and more than 60 people at central level, who helped to handle 70,000 products in France in 2022. The main aims of this expert service are: management of maintenance requests sent by exclusive stores, management of interventions in workshops and supplier relations, support for the *métiers* on quality and reparability issues, exclusive store support for customers. The team was strengthened in 2022 with the addition of jeweller craftspeople and the expertise of one of our craftspeople was also enhanced by obtaining a jeweller's diploma.

The first contact for these interventions is the in-store sales associate and 2022 was an opportunity to better inform them with a few essential messages per product. 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 all the countries where the exclusive stores are located, as well as the monitoring and support of the subsidiaries. An internal workshop dedicated to jewellery accessories was specifically set up in 2022 in the United States to meet local demand. In this vein, the House is also continuing to set up local internal workshops dedicated to Leather repairs alongside 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 2022, **more than 132,000 repairs were carried out locally**, of which 24% on leather goods, by 37 craftspeople expatriated to subsidiaries. Before departing, these craftspeople undergo a dedicated seven-month training course in order to enhance their *savoir-faire* and expertise specific to the maintenance and restoration of leather objects.

2.4.1.2.2 Innovation for the circular economy

The circular approach, inherent in the House, starts with the design of the object, by seeking to **minimise its impact on the environment through optimised use of resources**: reuse of spare materials, integrating recycled materials and refillable items, etc.

Without waiting for the publication of the French AGEC law (anti-waste and the circular economy), the *métiers* have accelerated their initiatives through numerous working groups, which have designed solutions that create a second life for objects and recycle objects, and which are now in widespread use. **Thus, in 2022, 18 tonnes of textile materials from manufacturing offcuts were recycled.**

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. The development of their new channels for use and obsolete supports made it possible to reintegrate 56,755 units of obsolete textile products in 2022, i.e. 5.4 tonnes of material for internal and external projects. For example, House designers committed to upcycling have produced ready-to-wear pieces by reworking unused stock.

Together with various service providers and partners in France and abroad, solutions for the reuse and recycling of silk and cashmere waste and offcuts from production have been developed for a number of years. These should make it possible to accelerate the reuse of these materials on an industrial scale.

The production of recycled silk thread for the manufacture of new products, such as protective covers for Hermès products or felt for leather goods from manufacturing offcuts, are examples of projects for the recycling of materials. All the operations implemented aim to come as close as possible to achieving the specifications of a new material and thus create a true materials loop in order to reduce the use of natural resources as well as chemical inputs. Thus, for example, the padding of the Hermès quilted stole is also made from recycled silk wadding. In addition, thanks to an innovative silk fibre sorting and recovery technique, it was possible to develop a yarn composed of 20% recycled silk and 80% virgin cashmere, with characteristics comparable to 100% cashmere and used in accessories such as mufflers, gloves and hats for men.

Several tonnes of materials were also used in tests to create acoustic panels or clothing. These initiatives are designed to lead to industrial processes aimed at recycling most of the textile production scraps.

This can be seen in 2022, when although the activity was increasing, the final textile waste of the HTH division decreased by 28% (78 tonnes in 2022 compared to 109 tonnes in 2021).

2.4.1.2.3 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.**

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. Ends of collections, accessories, obsolete items (such as a whole collection of pommels from the 1960's), leather scraps, fabrics, silk, porcelain, etc., all these materials which, put to a new use, ennobled and sometimes relieved of a tiny initial defect, are reborn thanks to unique *savoir-faire* and talented 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.

This is how the *métier* combined a saddle tree, the frame of an old saddle, and leather, to create the framework of a chair, which knotted spaghetti-like strands of rolled silk then transformed into a colourful hammock. The 1,000 knots needed were tied in a sheltered work establishment whose employees with disabilities were trained and are now autonomous in this delicate mission. The environmental and social concerns of petit h are thus combined in this purpose.

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 craftsman 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, at the whim 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 2022, Dubai and Bangkok 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.

2.4.1.2.4 Management of unsold stock

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. Orders are made directly and freely 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. This trend was even stronger in 2022, given high demand, where many exclusive stores were unable to meet all their customers' demands.

The management of unsold items is organised around various successive and complementary actions. Exceptional sales to the public are organised by the distribution subsidiaries to allow the sale of products that have not been sold in exclusive stores. Regular sales to staff are an additional channel used to avoid waste. In addition, for several years now, donations of de-branded products have been made to different partner associations. In this way, several thousand products are donated each year to these partners, who distribute them to people in difficulty.

Finally, some products are disassembled to recover their raw materials, which are reused or recycled. In 2022, in addition to partnerships signed with recovery and recycling specialists, a circularity workshop led by Hermès Commercial was set up. It has created two jobs, and two people from a sheltered work establishment (the Association des Paralysés de France) work there to dismantle silk scarves and ties from unsold items or destocking. This material is reworked to make a new silk thread that will then be used by our production sites for our packaging, more specifically in the weaving of herringbone covers.

The Hyères Festival between creation and circularity

In 2022, for the third year, Hermès renewed its commitment to the Hyères International Fashion, Photography and Accessories Festival with the Hermès Accessories Award. With this award, Hermès is pleased to support young talent and shows its commitment to daring and innovation, levers of creativity.

The Hermès Fashion Accessories Award and its grant of €20,000 was awarded this year to a candidate selected for the creation of a belt, following the themes of jewellery accessories in 2020 and gloves in 2021. The 10 young designer candidates were invited to use Hermès overstocks. At the end of 300 hours of work and the support of 14 of the House's craftspeople, the jury voted for the brown calfskin belt designed by Lola Mossino and Indra Eudarc, simply called "La Cavalière", as a link between body and material.

2.4.1.3 MATERIALS RESPONSIBLE MANAGEMENT, AT THE HEART OF THE STRATEGY

The quality of the raw materials used is the first guarantee of the durability of Hermès objects. Their selection is therefore quite naturally subject to a rigorous process. 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 Group uses only the highest quality materials, optimises their use through its production methods and develops the reuse, or recycling, of all production offcuts. 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.**

Furthermore, 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 natural fibres avoids the use of non-renewable resources based on petroleum.

2.4.1.3.1 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 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.

Management of crocodile breeding on the *alligator mississippiensis* and *crocodylus porosus* farms, close and constant relations with suppliers of exotic raw hides, and the control of all processing operations (river, tanning, dyeing and finishing) enable the House to manage as accurately as possible its purchases 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.

This coordination was strengthened in 2022 thanks to the use of software enabling waste inventories to be maintained digitally. Given the development of the activity, with site openings every year, it is important to highlight the visibility of inventories and the possibilities of exchanges between sites to preserve the material. The rollout of the application, already effective on 20 sites, has been met with genuine support from stakeholders, and maximises reuse.

In addition, **a guide to best cutting practices** is followed on each site. This guide, which is based on self-assessment, is gradually updated with new practices that have been successfully tested by cutter craftspeople and shared with all sites.

Lastly, thanks to substitution and eco-design operations, a 53% decrease in dormant inventories of traditional leathers was measured in 2022. The target is a 75% reduction over three years.

In order to develop the culture of material optimisation, new production manages and new cutting workshop managers are systematically trained in the analysis tool to ensure optimal management of this consumption, in order to assimilate the concepts of best practices more rapidly.

2.4.1.3.2 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.

The Textile division has initiated a project to recycle false selvages from cashmere weaving in order to make protective felt for leather goods. The first phase of this project, which consists of collecting and defibrating the material, was completed in December 2022. Up to 40% of the textile waste generated by ATBC will thus be included in this flow.

For the Silk *métier*, the management of “lean” planning has made it possible to reduce production waste since 2018. Some silk accessories are 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.

2.4.1.3.3 Other materials

Hermès, a creative house, has always been on the lookout for new, innovative materials, according to specifications that have been constant since 1837 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 both on traditional materials and on newer avenues.

A new material has been developed by the US start-up MycoWorks using the *Fine Mycelium* biotech production process, which is based on the use of fungal threads. 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.

Another initiative consisted in creating a new material called Vulcanium™ from the grinding of leather scraps or downgraded hides for use in fashion jewellery (Horse Head and *Chaîne d'ancre* pendants in 2022). For two years now, a new designer has been in charge of accessories and jewellery collections that further reduce environmental impact.

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 J3L, 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). J3L is exploring alternative solutions such as the recycling of rejected parts after grinding in order to make new ones.

In 2022, brass was added to the Group's supply chain brief.

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 61% are natural or of natural origin for perfumes and 58% for cosmetics.** 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.

2.4.1.4 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 emblematic orange boxes and bags, made respectively of 100% and 40% recycled materials, are fully recyclable because they are made of paper or cardboard, printed with natural inks. 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.).

Single-use plastic packaging

The comprehensive inventory of plastics throughout the production chain was completed in 2022. 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 30 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**.

Representatives of the House also participate in the work of the Fashion Pact, which has also launched a wide-ranging project on the subject. In 2022, Hermès took part in particular in a collective research and development initiative, for example, to find alternatives to resealable plastic bag (minigraps). This plastic packaging is only used for internal logistics flows and not given to customers; nevertheless it is mainly recycled.

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 completed in 2023.

In addition, plastic hangers are now made of recycled plastic.

Numerous projects are being carried out in the House at the same time to identify uses and reduce the use of plastic. In this respect, Hermès Commercial, which manages central logistics, undertook a major project to **eliminate the plastic heat-shrink wrapping of orange boxes** and, at the same time, improve the working conditions of the teams. The project had already been completed for small format packaging in 2021. This film had been replaced by a paper band sealing the orange box, with a message printed on the back highlighting its recyclability. In 2022, this approach was extended to large formats, thanks to a new mechanisation system and specific investment. At the same time, Hermès Commercial launched a project this year to make central logistics “**zero plastic**”. This initiative is being carried out in Bobigny (owned warehouse) and with the service provider in charge of the second warehouse. All uses of plastic (adhesive tape, bubble wrap, pouches, plastic film for pallets, etc.) in Hermès Commercial’s operations were recorded in 2022, on a scope also including after-sales service and exceptional sales. These studies make it possible to identify alternative solutions or create different processes. The consideration of ergonomics and the arduous nature of tasks is integrated into the approach. **The objective for 2023 is to continue to reduce the use of single-use plastic, estimated at around 30 tons.**

The general services team in France has also launched a project to identify plastics in the shipping activity. It has worked to replace adhesive rolls and wedge chips with materials that are just as efficient in terms of use but more virtuous (corrugated cardboard, adhesive tape, brown paper, etc.). In 2023, work will continue to replace the strapping, bubble wrap and air cushions.

The use of plastic for watch cases is gradually 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 will be continued for the leather cases used to package the gold jewellery ranges. In addition, Hermès Horloger uses 7.5 tonnes of plastic per year in the production process, with, for example, protective lids and bases, protective foams and films, finger cots, or air cushions and strapping. After the mapping, Hermès Horloger is aiming to eliminate single-use plastics from its production process by 2025. A new eco-designed case is being prepared.

In Hermès Bijouterie, the anti-static films that can be peeled off, used to protect items, which used to be made of PVC and were therefore difficult to recycle, have been replaced by polyethylene films. Unneeded excess-packaging is also identified in conjunction with suppliers and, the first consequence is: padded envelopes are expected to soon be eliminated.

In 2022, the process of replacing the plastic bubbles used to protect the Leather division’s bags with recycled plastic bubbles made it possible to reduce their carbon impact by 87%. A second stage has already been launched, which aims to replace the plastic and cushioning foams present in the orange boxes. In the Textile division, new packaging is entirely or partially made from recycled or biosourced materials.

Cristalleries Saint-Louis is undertaking a process of streamlining its end packaging (blue boxes) to limit the number and references. The bulk packaging of products, particularly tableware (glasses, mugs and tumblers, in particular), will be standardised to promote the sale of single items and pairs. At the same time, tests are underway to limit the materials used, and plastic in particular, to protect products in packaging boxes so that they are easily recyclable (paper, cardboard). In the medium term, Saint-Louis also wants to implement a more virtuous solution, without plastic, to replace the heat-shrink film of small-format blue boxes.

Metal parts intended for Hermès objects require special attention when shipping, which can sometimes lead to increased consumption of protective packaging. In order to minimise its environmental impact, J3L favours the circularity of cardboard packaging and foams. Reusable packaging trays are gradually being introduced for the internal transfer of articles.

The distribution subsidiaries are of course also involved in the project to eliminate the use of plastics. In order to raise employee awareness, the Hermès Suisse distribution subsidiary has been working with an NGO on the fight against plastic pollution since the end of 2021 with two objectives: enable its teams to engage in a long-term dynamic on topics related to sustainable development, and **support the reduction of plastic usage** and its impact on the environment, thanks to the funding paid to the association.

Cosmetics packaging

For more than 10 years, Hermès Perfume and Beauty has launched refillable perfumes: *Voyage d’Hermès*, *Jour d’Hermès*, *Galop d’Hermès* and *H24*. This virtuous offer will be developed, in parallel with actions to reduce the ecological footprint of packaging. Life cycle analyses carried out on the packaging of Perfume and Beauty items gradually improve their recyclability rate. For example:

- ♦ the recyclability rate of nail polish packaging has now reached 98% thanks to the elimination of the weighting of the cap;
- ♦ the lids of Eaux de Cologne are both made lighter and 100% recyclable by the elimination of plastics that prevent recycling;
- ♦ the lids of the perfumes in the *Hermessence* collection are now recyclable thanks to the substitution of materials.

These changes, updated in 2022, will be effective at the beginning of 2023.