

2023 Universal Registration Document

CSR Extract

Non-Financial Performance Statement (NFPS)



2.4.2 SUPPLY CHAINS

The sustainability of Hermès' activities is based on its ability to secure the availability of the exceptional raw materials used. Hermès is also committed to sustainably developing its supply chains, by going beyond compliance with environmental, ethics 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 on the other hand, a CSR brief for all suppliers and manufacturers involved in supplying Hermès' métiers, and finally, an Animal Welfare policy formalised in 2021 and updated in 2023. All of these documents are available on the Group's website⁽¹⁾ and updated regularly as knowledge advances.

GOVERNANCE

Hermès has long initiated a management approach for its raw materials sectors, using a local approach with operational staff and specific sector experts. This approach was organised in a decentralised manner and made it possible to lay the foundations for a more comprehensive approach. Since 2019, the direct purchasing department has accelerated this process with the following ambitions:

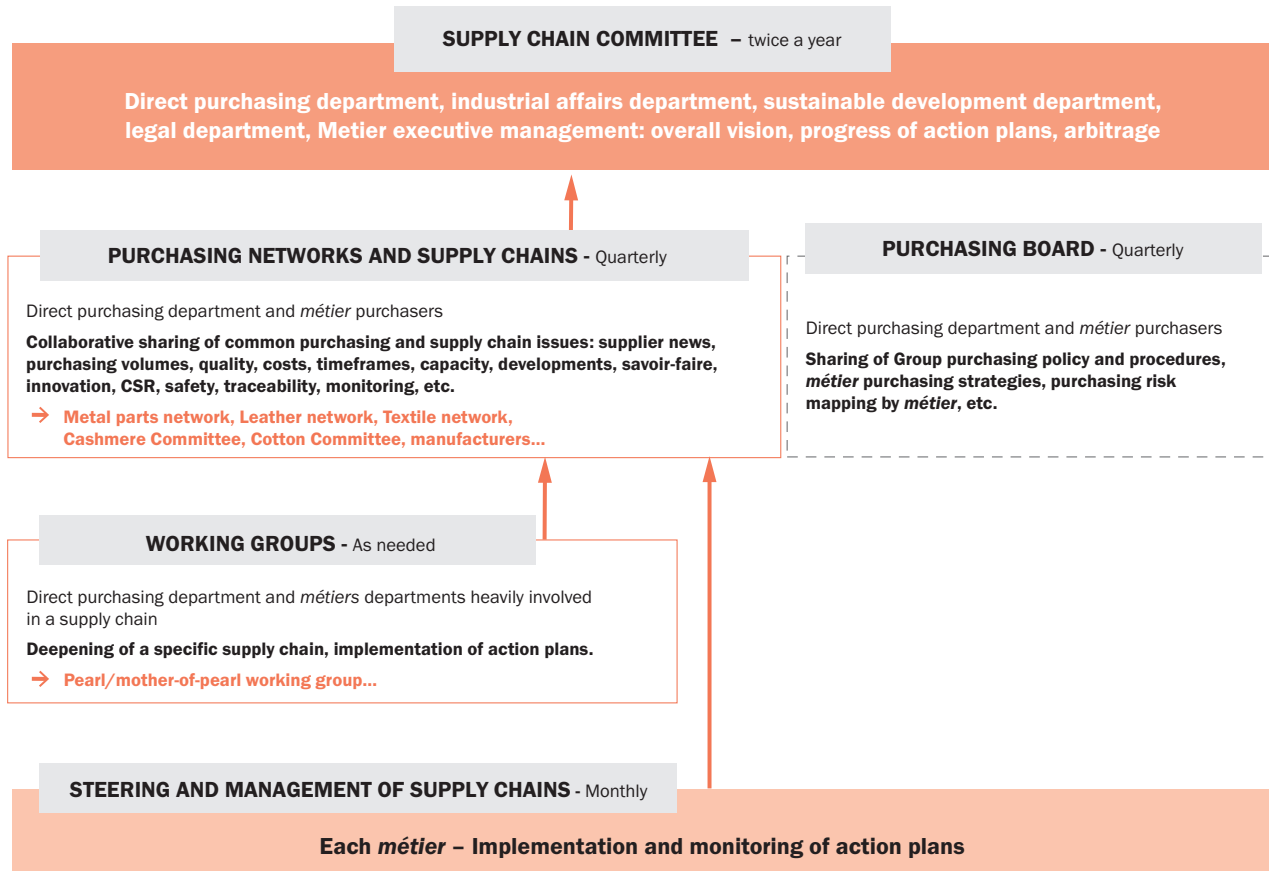
- ◆ commit to in-depth knowledge and management of all the House's raw materials supply chains;
- ◆ meet risk management commitments, in particular with regard to human rights and fundamental freedoms, health and safety of people and the environment, in line with future duty of care requirements;
- ◆ capture value creation opportunities for the House, the supply chain, 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 of them, 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 four years, more than **90 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.) or temporarily not used, for the sake of completeness.

The management of the supply chains is one of the points of attention of the Purchasing Board. The Purchasing Board decides on strategic orientations and any arbitration points. It reviews the métier risk mapping. Supply chain operational 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 department, sustainable development department, legal department and the Senior 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 Executive Committee for decisions to be made. In 2023, a carbon task force was created with an officer for each métier. This steering committee meets every three months and monitors the roadmap aimed at collecting accurate carbon data within each supply chain and integrating them into the Group's scope 3.

1. <https://finance.hermes.com/en/responsible-sourcing/>

HERMÈS SUPPLY CHAIN GOVERNANCE

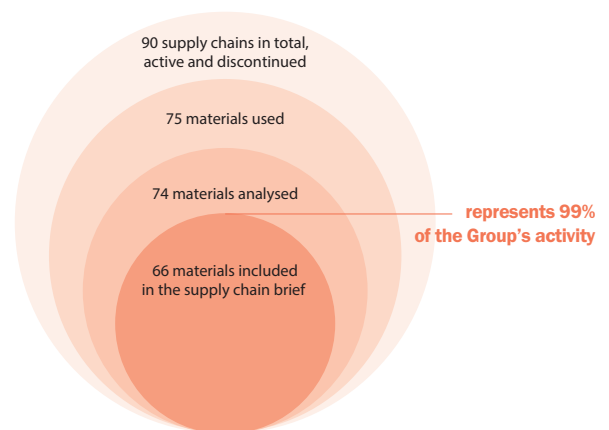


2.4.2.1 SUPPLY CHAIN BRIEF AND TOOLS

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:

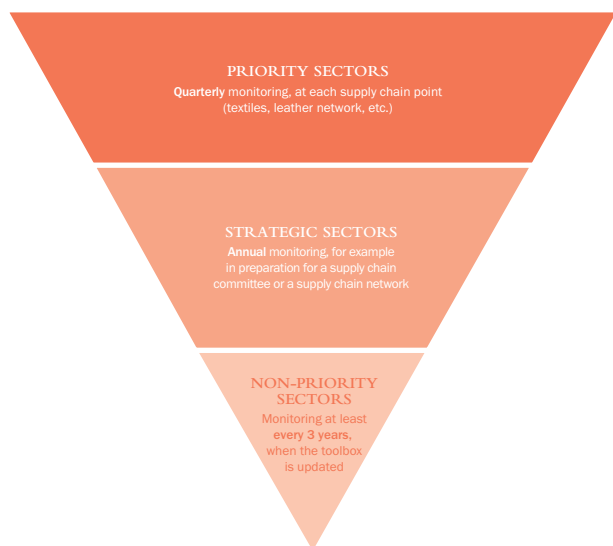
- ◆ the supply chain to be mapped, listing each link in the supply chain and the stakeholders;
- ◆ identification of the risks related to this sector, by assessing the risks with respect to human rights and fundamental freedoms, the health and safety of people, the environment (carbon, water, deforestation, biodiversity), and the risk of corruption;
- ◆ value creation opportunities to be seized for the House, the supply chain, 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 75 materials used by the Group, at the end of 2023, 74 materials were subject to a detailed analysis, and 66 of these are included in the supply chain brief, *i.e.* more than 99% in terms of purchase value. Six new supply chains were analysed in 2023. These multi-criteria analyses notably include the assessment of CSR risks related to the duty of care (see § 2.8.4), and have 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, the roadmap in this area) co-constructed by the *métiers*, the sustainable development department and the direct purchasing department, with the support of an independent firm of experts. The first version, including around 10 supply chains, was published at the end of 2020. In November 2023, version 10 was released; it now includes 66 materials. The materials presented in the supply chain brief include all of the materials analysed, sometimes proposing groupings when relevant (for example, the cowhide leather section

includes different types of leather: cow, bull calf, etc.). A summary version of the Animal Welfare policy has been added to the supply chain brief for the sake of transparency. These supply chain briefs are available online and shared with our partners and suppliers.



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 four 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:
 - promoting exceptional supply chains, built 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;
- ◆ **caring:** the House believes that a long-term relationship is built with respect and a balanced vision of human and commercial relations, in a caring spirit. 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 for each supply chain are communicated to the parties concerned *via* the specifications, purchasing terms and conditions but above all through dedicated discussions thanks to the buyers and the corporate functions responsible for the subject. 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. It is regularly updated according to the Group's progress in risk analysis and new issues identified.

MAIN SUPPLY CHAIN CERTIFICATION COMMITMENTS

| | Types of certification and/or specific procedures | Supply chain covered by the Animal Welfare policy |
|----------------------------------|---|---|
| Animal supply chains | | |
| Wool and fur | RWS/RAS/RMS/SFA 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 | N/A |
| Plant-based supply chains | | |
| Cotton | GOTS certification | N/A |
| Linen | “Master of Linen” certification | N/A |
| Cellulosic fibres | Sources of FSC fibres | N/A |
| Wood | FSC certification | N/A |
| Rubber | FSC and GOLS certifications | N/A |
| Palm oil derivatives | RSPO certification | N/A |
| Mineral and metal sectors | | |
| Stones | RJC certification | N/A |
| Gold/silver | RJC certification and use of recycled materials | N/A |
| Other metals | ASi certification | N/A |

In order to constantly align itself with the most demanding certification standards, and to gradually support its métiers in the sourcing of significant volumes of certified raw materials, Hermès has extended its objective of certification of the supply chains: the Group is targeting certification and/or award of labels for 54 supply chains by 2030.

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, then updated in 2023, this policy, and all the concrete objectives it sets, have been shared with Hermès' suppliers and partners. It is published on the Hermès website⁽¹⁾. This policy is part of a process of continuous improvement of practices. The update of the policy in 2023 aims to better take into account the latest scientific and operational advances. Hermès' Animal Welfare policy is based on the following principles:

- ◆ a commitment to the fundamental principles of animal welfare (“the five freedoms⁽²⁾” defined by the FAWC⁽³⁾), 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;
- ◆ 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: **created in 2019, the Animal Welfare Committee brings together members of Group Management, the purchasing departments of the various métiers, the technical and sustainable development departments.** An independent expert, a specialist in animal welfare, is also a member of this committee, which meets regularly to discuss the strategy to be followed, the validation of the policy and the standards, measure the progress made and ensure that the resources made available are adequate;

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.*

- ◆ 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. Only an animal that is well treated and cared for, growing in a controlled environment (water, food, infrastructure), will provide a beautiful hide. 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" hides such as crocodile, lizard and ostrich.

Since February 2020, Hermès has been a member of the LWG (Leather Working 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 2023, 81% of leather suppliers in the Leather Goods division had already been certified (an increase of 5% compared to 2022) and represented 90% of the division's total purchasing volume, either internal to the Tannery division or external to the Group.

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. In 2023, the Annonay Tannery and the Montereau Tannery were certified Bronze Level and Silver Level respectively during their first audit. At the end of 2023, 100% of the tanneries in the Cuirs Précieux division had been audited according to the standards prescribed by LWG.

At Group level, at the end of 2023, 74% of leather suppliers were LWG certified. The objective is to reach 100% of suppliers certified by 2024.

Lastly, in 2023, the CDP Forests awarded an A- rating to Hermès for its performance in the "cattle products" sub-category.

Calfskin

In 2023, the Group continued its long-term work to better understand and improve its supply chain through numerous concrete actions.

In order to have a holistic view of one of its main supply chains, in 2023 HMS conducted a multi-criteria study with AgroParistech, so that it can better understand the issues and associated economic, human and environmental impacts of the Calfskin sector in France. The results of this study, finalised at the end of the year, will be taken into account internally and in discussions with the various stakeholders. **Hermès, along with other luxury brands, was already participating in the "Cuir de Veau Français Responsable" (CVFR) collective initiative.** The approach, started in 2020, aims to pool and roll out animal welfare verification audits across the entire French calfskin production sector in collaboration with players in the Calfskin sector (breeders, integrators, slaughterers) in France. The objective is to support the players in the sector in improving the living conditions of animals and people, with the provision of training and investment programmes.

In 2023, as part of this initiative, 280 third-party audits were conducted based on the Audit Protocol⁽¹⁾, a joint venture co-constructed by all members of the initiative, veterinary experts and Idele (Institut de l'Élevage), increasing the number of farmers having benefited from a third-party audit to 400 since the start of the initiative. This collective initiative aims to roll out this audit programme nationally to 1,200 farms by 2025.

The support of integrators who are members and the training efforts deployed in 2023 made it possible to achieve a rate of 76% of audits with satisfactory results. The results of audits and discussions with players in the sector will make it possible to continually improve the level of performance and better adapt the resources made available in terms of financial investment and training provided by experts.

1. *The CVFR audit protocol is 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 audit is valid for three years.*

The constructive dialogue between brands and players in the sector, ensured by the Imagin'Rural association, has led to the gradual adoption of the approach and the support of several integrators representing nearly 60% of French calf farms.

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 programme includes various components: animal health and welfare, environmental conditions, etc. Hermès wishes to participate in the implementation of best livestock farming practices, not only as part of its environmental policy, but also because it is aware that the quality of the farming has a direct impact on the quality of the hide. 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. 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 has increased: on average over the whole of 2023, 60% of tanned leather was laser-marked by suppliers and by the tanneries themselves.

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, working conditions and fair and appropriate compensation for farmers. Thus, a partnership with a dairy cooperative was signed in 2023 and the implementation of actions on the issues of animal welfare, livestock farmer welfare and the environment will begin in early 2024. This approach is an opportunity to work with stakeholders at the very beginning of the chain.

Goat

The Group's supplies come partly from Europe, with long-standing players and the framework of EU regulations, and partly from India.

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. It concluded that the risk on this subject was low.

A study is also underway at the veterinary University of Tamil Nadu (TANUVAS) with the aim of analysing goat farming practices in south-east India and drawing conclusions on the evolution of the population in recent years, documenting livestock farming practices, assessing animal welfare, socio-economic impacts for farmers and impacts on water and biodiversity. The publication of the results is expected in early 2024.

Our commitment is also to roll out the entire LWG certification to our Indian tanning partners, with a target of 100% by the end of 2024.

Exotic hides

Crocodilians

The crocodilian hide industry has developed since the 1970s as a means of protecting endangered species by prohibiting the hunting of these animals in the wild and by organising a system that makes it possible to combine the preservation of the species and natural spaces with local economic development. This innovative and highly regulated organisation has helped to protect the species and allow wild populations to increase significantly. The system is based, in particular, on very controlled scheme for the harvesting of eggs, which are hatched and reared on specialised farms. Local administrations (often part of the Environment ministries) strictly control the management of populations through harvesting authorisations revised each year according to the size of the wild congregations.

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). 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 is still ongoing.

All operational improvement work was carried out by structuring standards and procedures and implementing systematic audits.

The Tanneries division had drawn up a charter of best breeding practices in 2009 (an innovation for the profession at the time), which 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.

The Tanneries division then outsourced these audits to the breeding farms and the meat processing and hide inspection sites. These audits, carried out by local Bureau Veritas auditors trained in the specificities of crocodilian 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 2023, 100% of the crocodilian farming sites with which the Tanneries division has commercial relations signed the best breeding practices charter.

Given the maturity of the profession’s standards, the Group decided that its audits would be carried out using this standard, and still overseen by an external auditor.

To capitalise on the internal work carried out for nearly 15 years, the Group had contributed to improving the standards of the profession and their dissemination. 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 crocodilian breeding practices in farms and draw up standards 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.

The 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 the issue of animal welfare, as defined by the FAWC (Farm Animal Welfare Council) and the five animal freedoms, these audits also cover various topics such as best breeding, transportation and slaughter practices, compliance with

CITES requirements, personal safety, compliance with social criteria, environmental management and site safety.

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 2023, all HCP tanneries were thus members of the ICFA and 100% of raw crocodilian hides purchased by the Tanneries division came from farms that have been subject to an external audit by 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. 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 the compliance with the defined standards.

In total, 43% of the lizard hides purchased by Hermès in 2023 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 2023.

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 2023, as has been the case since 2021, all of Hermès' supply of ostrich hides came 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. The supply of Brazilian silk represents more than half of the Group's supplies of this material.

Hermès' local partner ensures it works 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 study conducted in 2018 by an expert firm for 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 worked 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 for the silk division 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 notably conducted in Inner Mongolia, 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 has since continued. In 2023, a new study was launched by Hermès and conducted by WWF France, WWF Mongolia and the Mongolian University of Life Sciences on the biodiversity issues of the cashmere sector in Outer Mongolia. This field study made it possible to better assess the risks of the local industry and highlight best sector practices and levers for progress.

In addition, the Group's collaboration with AVSF⁽¹⁾ continued, with a progress report communicated at the end of 2023 to identify ways to help maintain more sustainable livestock farms in the region.

The objective is ultimately to monitor and support breeders' agro-pastoral practices in order to preserve the resource and the biotope. These studies and on-site trips by the teams are also an opportunity to verify that the local populations and communities are free to make their own choices in terms of economic trajectory.

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 2023, our partners and suppliers also continued their certification initiatives, and already, 33% of the cashmere they purchase is SFA certified. In 2023, 35% of Holding Textile Hermès' supplies met this 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 standard.

A Cashmere Committee, dedicated to this material used in several métiers, meets twice a year 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, using an analysis based on the Verisk Maplecroft database: in 2023, 71% of cotton fibres used in Hermès products came from countries mapped as low risk or controlled risk. For other origins, specific control procedures are in place.

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

In 2020, work 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 environmental impacts and, in particular, the corresponding water consumption. This certification also includes a mandatory criterion for the ethical treatment of workers. In 2023, the supply of GOTS-certified cotton for our packaging elements (protective covers, which represent a significant part of the Group's needs) covered 48% of its cotton supplies in this segment. A working group specific to the cotton sector, including representatives of the various user métiers, was created in 2023 to continue the work of managing the sector. In this way, for example, the 2023 target of making 50% of covers from cotton that is GOTS certified or using recycled silk was achieved. The Group is aiming for 100% achievement of the target for the 2024-2025 period. The Cama shirts and leather workshops (suppliers to Men's ready-to-wear) obtained their GOTS certification in 2023, thus becoming the first Hermès Sellier sites to be awarded this label. This result is the fruit of the joint work of the workshops, the métier's sustainable development team and the Métier division's industrial transition team. This was an opportunity to rethink all processes, and to create an excellent collective dynamic among the craftspeople. The subject is now better understood and will in turn make it possible to support manufacturers in obtaining their certification.

Horsehair

The Group uses horsehair for its textile production and for certain objects in its collections (leather goods, homeware, etc.). In 2023, as part of the supply chain analyses, a special study was conducted on horsehair used in leather goods. To make exceptional bags composed of horsehair, HMS sources its supplies in Mongolia, a major pastoral country with a population of more than 4 million horses. Horses bred in Mongolia are an integral part of the country's multi-herd systems, in which they are considered the predominant species by many Mongolian families and an extremely important part of their culture. The horsehair does not come from the wild horses of the Mongolian steppes (the Przewalski horse), which is also found in this region of the world.

HMS works closely with the NAERC (Northeast Asian Environmental and Agriculture Centre), a training and research institute in Mongolia, and, in partnership with local herd breeders, to promote animal welfare, the preservation of the environment and self-sufficiency of populations (One Welfare approach). The NAERC supports a scientific approach to pastoralism and works with NGOs specialising in the management of the vast expanses of grassland whose ecosystems are rich in biodiversity. Hermès offers its complementary expertise in animal welfare in order to improve the requirements related to the welfare of horses in this country.

1. *Agronomes and Veterinarians without Borders.*

The horses live in extensive herds (nomadic breeding) and have permanent access to a natural diet. They are not confined and are free to roam throughout the year. They are also an important source of food for Mongolian families, both for the milk and the meat they provide.

HMS works closely with its suppliers to promote horsehair as a by-product, ensure proper compensation for breeders, reduce the number of intermediaries and, lastly, guarantee full traceability of its purchases. An audit of the sector was carried out in 2023.

Wood

The supply chain briefs were updated to include the issue of deforestation, whenever this subject was a concern (wood, straw, etc.). 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 supplies for Hermès' products are 100% certified.

In 2023, in conjunction with WWF France, an in-depth study was carried out on plant species from Africa. The sustainability of each species was analysed in detail in order to classify the species according to their impact on biodiversity, country and social risks. This work led to field audits enabling the end-to-end traceability of certain tropical species. Additional work was initiated at the end of 2023 to obtain scientific values and an additional perspective from a third-party organisation.

Work to replace low-volume species that could carry risks was initiated jointly by Hermès Maison and WWF. The changes in species will be effective in 2024.

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.

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's certification was renewed for an additional three years.

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 ("Chain of Custody") 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 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.

A new material, titanium, has been developed by the Fashion accessories innovation team, due to it having a lower LCA than the other metals conventionally used by the Fashion jewellery métier (brass, stainless steel).

PRECIOUS STONES

Both as part of and as an extension to the Group's audit and supply chain management programmes, the Jewellery métier has honed the operational 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. The mapping of the value chain of sapphires, emeralds and rubies was completed and strengthened in 2023 with the aim of knowing the origin of 100% of the individual stones as well as in mass balance for melee. Teams travelled to Thailand and India to meet rough stone brokers traders and cutters to ensure the House's requirements were being followed.

Steel

Hermès Horloger has chosen to source 85% recycled steel for all its material and component purchases. Discussions are underway to set up a closed circuit to recover watchmaking steel production offcuts and reinject them into the watchmaking circuit.

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.

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

2

Perfume and Beauty

During 2023, the mapping of environmental and social risks was carried out on 100% of the raw materials used in perfumery. Ambitious actions have been launched for the main raw materials used and at risk: 30% of alcohol purchases are made using certified French organic alcohol, and the commitment to growth of 10% per year should make it possible to achieve the **target of 100% organic alcohol by 2030**. For **vetiver**, contracts were renewed with all supplies coming from a Fair For Life certified supply chain. The House is participating in an action plan for a living wage and the fight against child labour in the **Pink peppercorn** sector in Madagascar, involving tier one and two suppliers and a local expert from a responsible purchasing firm established locally.

At the same time, the field audit grid for agricultural supply chains has been modified and enhanced to improve feedback to suppliers. These audits are carried out by a design office with expertise in agronomy, with support from métier in the preparatory phase prior to implementation in the field. Action plans, if necessary, and any follow-up thereto, are drawn up and implemented by the métier.

For the 20 perfume raw materials that represent 81% of purchases, 35% of the supply chains were audited at the end of 2023. The 2024 audit plan has been set and that for 2025 is being drawn up in order to reach **100% of supply chains audited, within the same scope, by 2026**.