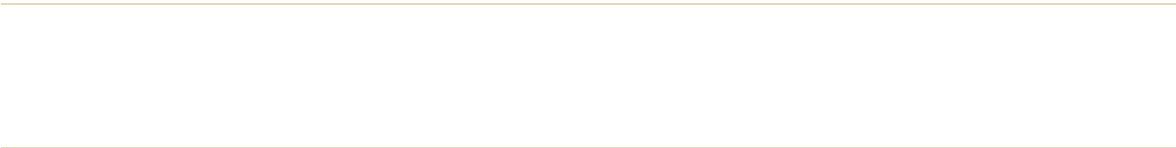


# Chloé

## Materiality analysis

April 2023



# The materiality matrix at a glance

## Introduction

Sustainability is an integral part of our strategy. This is why, in 2020, we shifted our Maison to a purpose-driven business model that embraces environmental and social sustainability in everything we do. Our company purpose – Women Forward. For a Fairer future – inspires our choices and translates into a long-term plan with a set of measurable goals and actions.

We are proud of our progress but also aware of the path ahead, the many areas for improvement and the challenges we will have to face in the coming years. We have therefore updated the materiality assessment we last performed in 2021. This assessment is a key tool in our sustainability journey, enabling us to identify, contextualise and prioritise material ESG topics by engaging with a variety of internal and external stakeholders. For example, this engagement has taken the form of 12 interviews (internal, suppliers and clients), 29 survey participants, 900 customer voices and 20,000 social media posts, plus additional insights and data gained from the Richemont Group materiality assessment.

Our materiality assessment specifically allowed us to re-evaluate the four strategic pillars of our approach to sustainability that we laid out in 2020. These are:

- ◆ Fair & equal opportunities for our people
- ◆ Responsible sourcing
- ◆ Impact on the planet
- ◆ Impact on communities

These strategic pillars are complemented by a transversal pillar covering actions that can impact on any or all of the four strategic pillars.

"Materiality" broadly refers to those issues relating to the environment or people that can significantly (or "materially") impact us as a company, or on which our activities can have a significant impact. Topics to which we must give high priority are therefore referred to in this report as "highly material".

Overall results

Fig. 1 - Materiality matrix



The materiality assessment identified 19 ESG topics that are of material importance for us. Of these, 13 (the boxes coloured bright orange) were identified as highly material. The remaining six topics (in the pale orange boxes) were identified as being of moderate materiality.

The findings confirm the validity of our strategic pillars. Specifically, the materiality assessment highlights the particular importance of the topics in the upper right field for our four ESG pillars:

*Pillar 1: Fair & equal opportunities for our people*

- ◆ Diversity, equity & inclusion across the value chain (with a focus on gender): This topic is deeply rooted in our purpose – *Women Forward. For a fairer future* – and informs our actions to especially foster greater equity and inclusion of women within our own operations, but also the wider communities of our supply chains.

*Pillar 2: Responsible sourcing*

- ◆ Human rights and labour standards in supply chains: This topic is highly material due to our great responsibility to ensure that human rights are protected and advanced at all our suppliers' sites and sub-contractors (e.g., among garment workers) throughout the highly complex value chains of the fashion industry. Here and in many other areas, we strive to go beyond compliance standards.
- ◆ Transparency & traceability of raw materials: Transparency & traceability was identified as a key enabler of greater sustainability and thus as highly material. We have showcased the potential of transparency and traceability by rolling out its Digital ID with the Vertical Project within the Summer collection 2023.

*Pillar 3: Impact on the planet*

- ◆ Circular economy: Recent estimates of the future size of the pre-loved luxury market and related circular business models highlight the potential to transition towards even more lower impact business models that build on the craftsmanship, quality and timelessness of our products and designs.
- ◆ Climate, emissions & energy: This topic was deemed to be highly material in light of fashion's and our prominent role in fighting climate change given the significant contribution of fashion to global greenhouse

gas emissions.

*Pillar 4: Impact on communities*

- ◆ Social impact (& community support): Since this topic is embedded in our brand DNA and is one of its strategic pillars, it is inherently a highly material topic. Due to the particular importance of this issue, we are developing an open source social P&L methodology that will enable us to further drive industry-wide impact.

*Horizontal topics*

- ◆ Customer expectations & satisfaction on sustainability: Customers are increasingly concerned about ESG-related topics, which intrinsically makes this topic highly material for us.

Two topics – *conflict minerals and sustainable finance* – were identified as non-material, or limited relevance for us. The topic of *conflict minerals* was assessed as non-material because conflict minerals (e.g., gold, coloured gemstones and diamonds) are not used in our products. The topic of sustainable finance was identified as non-material as this issue is handled primarily by our parent company Richemont.

The updated materiality assessment reflects changes in the environment and the context of our activities since the initial assessment. Two key changes include customers' expectations with regard to sustainability and increasing regulatory pressure towards corporate citizenship, especially in the EU. In light of these shifts, three topics are positioned differently in the 2023 assessment compared to 2021:

- (1) Climate, emissions & energy: The impact on business and people or the environment is now seen to be greater due to increasing attention to how fashion impacts on climate change (because of the substantial GHG footprint caused by carbon-intensive materials and textile production).
- (2) Biodiversity: The impact on people or the environment was deemed to have increased due to rising public attention (e.g., COP15) to fashion's impact on biodiversity, for example through the production of materials in farming/agricultural settings. We are therefore pioneering biodiversity measurement standards.
- (3) Social impact (& community support): The impact on business was seen to have increased due to our purpose-driven mission launched in 2021, which positions social impact actions far beyond compliance as one of the core values of our brand – as an integral part of our heritage and brand DNA.

**Conclusion and next steps**

This latest update to our materiality assessment will guide us as we move towards becoming a "*société à mission*" with a purpose-driven business model. Specifically, the assessment will translate into action on three levels. First, the results will feed into the development of our ESG strategy, our B Corp recertification and our sustainability journey as a whole. Second, we will continue to engage with our stakeholders on topics of material importance to collaboratively improve our actions and incorporate their individual expertise and expectations. Thirdly, through this dialogue, we will also prepare for our next materiality assessment, again in the spirit of continuous improvement. Overall, these results encourage us to continue to lead the way as an agent of change for sustainability in the fashion industry

# The materiality matrix - An in-depth perspective

**Detailed results overview**

To dig deeper and allow individual ESG topics to be identified, prioritised and contextualised, this year's materiality assessment includes several additional dimensions. Overall, the detailed materiality matrix (see below) now visualises five dimensions:

- (1) Impact on business: the actual or potential (financial) impact of the topic on us
- (2) Impact on people or the environment: the actual or potential impact of our activities on this topic (people or the environment)
- (3) Relevance to stakeholders: relevance to external or internal stakeholders, indicated by the size of the bubble
- (4) Dynamics of the topic: the extent to which the topic is expected to increase its impact on the business, people, the environment or all three. The projected change is indicated by the arrow.
- (5) Strategic ESG pillars: These have not changed since the initial assessment.



**Relevance to stakeholders**

Four topics have been identified to be of highest relevance to our stakeholders.

- ◆ Climate, emissions & energy: Given the continuous public debate, which

is also amplified by global annual political events such as COP, this topic is top of mind for our stakeholders.

- ◆ DEI (with a focus on gender): Considering our purpose – Women Forward. For a fairer future – and recent debates on gender equity and inclusion, this topic is of high relevance to our stakeholders.
- ◆ Customer expectations on sustainability: As consumers are increasingly aware of the fashion industry's impact on the environment and people, lower impact choices are increasingly expected by our consumers.
- ◆ Product, innovation & quality: Given our reputation for our product quality and the need to innovate lower impact raw materials, product innovation & quality appears to be of highest relevance to our stakeholders.

**Dynamics of the topic**

Four additional topics are highlighted given their dynamics, meaning that we expect them to increase their impact on business or on people or the environment.

- ◆ Biodiversity: The impact on people or the environment is expected to increase even further in the future, bearing in mind that public attention (e.g., COP15) to fashion's impact on biodiversity is growing.
- ◆ Circular economy: Given expected market growth for circular fashion, this topic is expected to increase both in terms of impact on our business in its impact on people or the environment.
- ◆ Transparency and traceability: The impact of transparency and traceability on our business as well as on people and the environment is expected to significantly increase given its potential as a driver of sustainability, while also acknowledging the significant investment needed to achieve it in the complex fashion value chains.
- ◆ Product innovation & quality: Given the considerable need for product innovation in light of the sustainability challenges ahead as well as increasing expectation of customers, product innovation & quality is expected to increase in impact on our business.

**Matrix reading guide**

The figure below provides selective examples that make it easier to understand and interpret the detailed materiality matrix:

Fig. 3 - How to understand the detailed materiality matrix

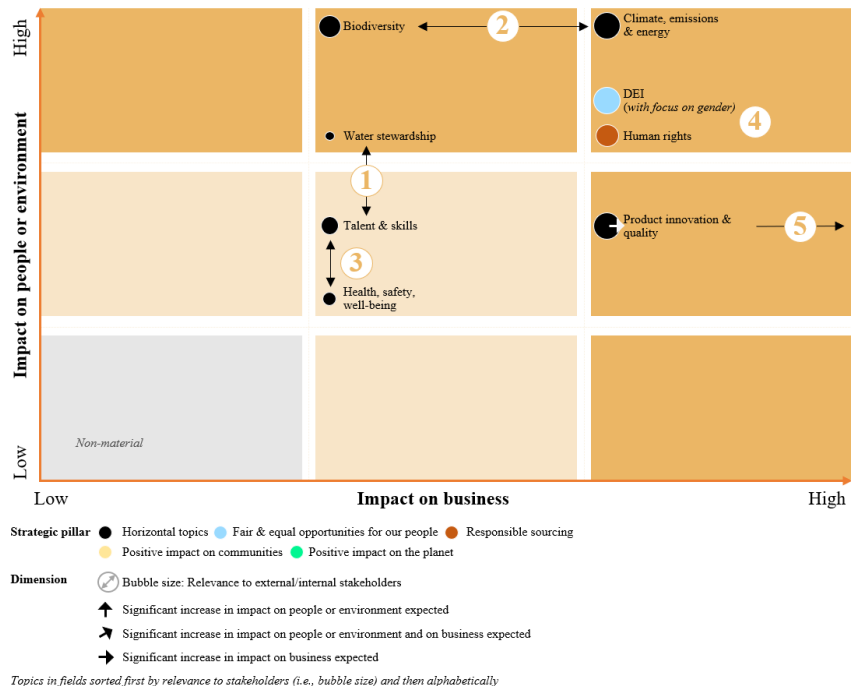
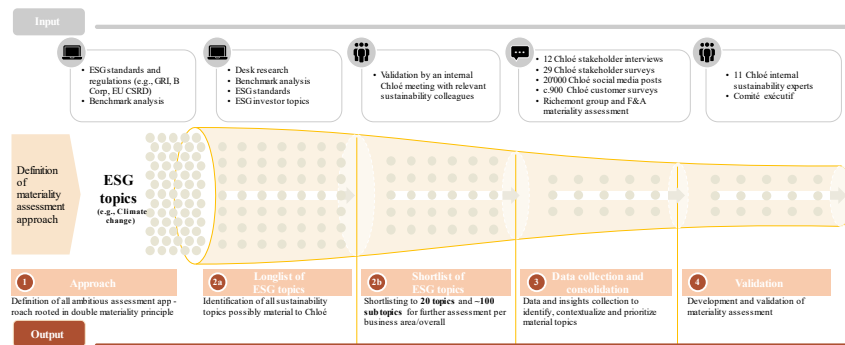


Fig. 3 - How to understand the detailed materiality matrix

- (1) Our water stewardship has a greater impact on people/the environment than talent & skills.
- (2) Climate, emissions & energy has a greater impact on our business than biodiversity.
- (3) For internal/external stakeholders, talent & skills are of higher relevance than health, safety and well-being.
- (4) DEI (*with a focus on gender*) relates to the strategic pillar "Fair & equal opportunities for our people" (indicated by the blue bubble), whereas human rights relates to "Responsible sourcing" (indicated by the red bubble).
- (5) The impact of product innovation & quality on our business is expected to increase.

# The materiality assessment process

Fig. 4 - Materiality assessment process



## Phase 1: Approach

In the spirit of continuous improvement, our second materiality assessment set out to define a more rigorous approach. This year's materiality assessment follows the double materiality principle recently introduced by the Corporate Sustainability Reporting Directive (CSRD) and its European Sustainability Reporting Standards (ESRS). This principle requires disclosure of both the impact of ESG topics on our business and our impact on people and/or the environment. This year's materiality assessment is therefore fully compliant with the widely accepted Global Reporting Initiative (GRI) standards, in line with the methodology recommended by B Corp.

## Phase 2a/2b: Long list and short list of ESG topics

We defined the long list of ESG topics by drawing on insights from Richemont's Group materiality assessment, conducting industry research, referring to ESG standards, and consulting both investor ratings and expert networks. The resultant long list of ESG topics was then reviewed by our sustainability experts, leading to a finalised short list of 20 ESG topics and around 100 sub-topics. The 20 ESG topics were clustered into four groups: environment, social, governance and value chain. Out of these 20 ESG topics, 19 were identified as material in the later phases.

## Phase 3: Data collection and consolidation

In phase 3, the 20 short-listed ESG topics were assessed by various stakeholders selected on the basis of an internal stakeholder prioritization exercise. This year's materiality assessment set out to engage with a broader and more diverse set of stakeholders. In particular, the involvement of our customers – a key stakeholder group – was considerably reinforced by the following activities:

- ◆ In-depth qualitative interviews with eight internal C-level stakeholders, our two strategic suppliers and two of our customers
- ◆ An online survey of 29 internal stakeholders



- ◆ A social listening analysis across 20,000 social media posts
- ◆ A customer survey with 900 participants

Next, the collected data was consolidated and complemented with additional desktop research to arrive at our conclusive materiality assessment.

**Phase 4: Validation**

The materiality assessment was validated by 11 internal sustainability experts and by our executive committee, all of whom have nurtured the development of the materiality assessment by providing continuous guidance, feedback and knowledge inputs.

# The ESG topic list

**Detailed descriptions of the ESG topics list** The table below provides detailed information on all 20 topics assessed in the materiality assessment as part of the ESG topic short list:

Horizontal topics	
<b>Customer expectations on sustainability</b>	Meeting (changes in) the expectations of high-value customers with regards to lower impact products and communicating how products and services are linked to our sustainability strategy and initiatives. A special focus lies on responsible communication, marketing & labelling. Additionally, it is about meeting high expectations on the quality, durability, and reparability of our products.
<b>Data privacy &amp; cybersecurity</b>	Promoting the responsible use and protection of data (e.g., of customers, employees, suppliers), including in e-commerce and boutiques.
<b>Governance, ethics &amp; compliance</b>	Fulfilling the stakeholder commitment to shift the Maison towards a purpose-driven business model, understanding but going beyond compliance with regards to sustainability and inspiring others to focus on positive social and environmental impact.
<b>Product innovation, creativity &amp; quality</b>	Developing innovative & lower impact materials and products (e.g., recycled cashmere & cotton, organic cotton & silk, lower-impact leather) and implementing measures to protect our trademark against counterfeiting (e.g., through technology). It is also about providing reliable quality, craftsmanship and maintaining the level of excellence we are known for. In addition, it is about elevating eco-design into an active tool to craft products designed with the aim of improving their impact on the environment or society.
<b>Stakeholder engagement</b>	Collaboration with key stakeholders (e.g., NGOs, political institutions, trade unions, shareholders, suppliers, customers, competitors etc.) to promote sustainable behaviours, for example, through (cross-)industry partnerships, knowledge, and best-practice transfers, as well as supplier education and capacity building programs.
Fair & equal opportunities for our people	
<b>Diversity, equity &amp; inclusion across the value chain (focus on gender)</b>	Promoting DEI with a special focus on gender (e.g., guaranteeing equal rights, skills, compensation, and access to opportunities for girls and women in all operations), DEI in company policies (e.g., procurement, HR, model selection and marketing practices) and DEI in products (e.g., for different fits).
<b>Health, safety &amp; well-being in own operations</b>	Ensuring occupational health & safety in the company's own operations, promoting employee well-being in terms of mental and physical health, and providing workplace benefits and a positive company culture.
<b>Talent attraction &amp;</b>	Preserving our craftsmanship and <i>savoir-faire</i> of high fashion by attracting

<b>skill development</b>	and retaining talent, as well as training and developing specialised talent pools to execute the sustainability roadmap.
<b>Responsible sourcing</b>	
<b>Human rights &amp; labour standards across the value chain</b>	Advancing and protecting human rights and labour standards, including a fair living wage across the value chain, such as in textile and leather production/manufacturing (e.g., through fair-trade sourcing).
<b>Transparency &amp; traceability of raw materials</b>	Achieving transparency in the entire value chain and traceability of raw materials (e.g., leather and textiles) back to their origin in order to track, assess and drive positive impact on the environment and people.
<b>Impact on the planet</b>	
<b>Animal welfare &amp; protected species</b>	Positively impacting the treatment of animals and their welfare throughout the supply chain (e.g., by implementing due diligence processes in livestock breeding or by only procuring certified raw materials that guarantee a certain standard of animal welfare) and eliminating the use of protected species and exotic animals.
<b>Biodiversity &amp; ecosystems</b>	Avoiding the depletion of natural resources (especially regarding raw material production/procurement) and the preservation and regeneration of biodiversity & ecosystems (e.g., addressing the drivers of biodiversity loss: changing use of land, direct exploitation of organisms, climate change, pollution and invasive non-native species) to ensure business resilience.
<b>Circular economy</b>	Developing circular business models (e.g., for certified pre-owned fashion) to create new business opportunities, rethinking the end-of-life management of materials, packaging, and (sold and unsold) products (e.g., based on reduce, reuse, repair, resell, recycle, and upcycle principles), conducting life cycle assessments and developing sustainable and circular product and packaging designs.
<b>Climate, emissions &amp; energy</b>	Reducing Scope 1, 2 and 3 emissions (e.g., emissions from farming and textile/leather production, transport in e-commerce, end-of-life etc.), setting science-based net zero targets, engaging in GHG removal (e.g., carbon insetting) and promoting responsible and alternative energy use to minimize the impact on the environment.
<b>Hazardous chemicals</b>	Avoiding the use of hazardous substances in manufacturing and products (e.g., heavy metals in leather production) and promoting the use of more natural substances instead of chemicals in textile and leather production.
<b>Pollution of natural resources</b>	Avoiding pollution of living organisms and food resources, soil, water and air. For example, reducing the use of chemicals in raw material production and manufacturing as well as plastics (e.g., to avoid micro shedding of clothing and microplastics).
<b>Waste management</b>	Achieving sustainable production planning (e.g., adjusting collection sizes), no landfill or incineration of waste (e.g., unsold inventory, offcuts), and overall waste reduction throughout the value chain (e.g., unused textile products/raw materials, offcuts).
<b>Water stewardship</b>	Reducing water consumption and promoting circular water use in material and textile production (e.g., cotton farming or wet processes) as well as gaining full transparency on water consumption throughout all operations.
<b>Impact on communities</b>	
<b>Social impact (&amp;</b>	Driving positive and measurable social impact (through our specific open-

**community support)** source SP&L approach) in our operations and beyond (e.g., supporting communities in the supply chain, economic contribution, and employee volunteering) with a particular focus on promoting gender equity and inclusion.

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