

# 2019 UNIVERSAL REGISTRATION DOCUMENT

## CSR EXTRACT NON-FINANCIAL PERFORMANCE STATEMENT (NFPS)



# 2

## CORPORATE SOCIAL RESPONSIBILITY

NFPS

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### 2.5.1 CHALLENGE: LIMITING CONSUMPTION OF NATURAL RESOURCES (WATER, ENERGIES)

The use of natural resources and their long-term availability are fundamental challenges for human development and the sustainability of the House's activities. The control of water and energy consumption, inseparable from ecological and economic responsibility with respect to the major global challenges facing us today, is therefore a goal shared by all the House's divisions. Thanks to its artisanal model, Maison Hermès is distinguished by a low energy and water footprint in absolute terms. Its footprint is even lower in relative terms (the Hermès Group has one of the lowest carbon intensities of the CAC 40 companies in France). The *métiers* are working to limit their respective consumptions. Their efforts are described in more detail below.

#### 2.5.1.1 POLICY

The House's policy is based on the following pillars:

- ◆ improve the measurement of consumption and put in place reduction solutions;
- ◆ improve production processes by encouraging the use of the most resources efficient technologies;
- ◆ innovate by using environmentally-friendly solutions (in energy, for example).

The House has a policy of using renewable energies. In particular, it works with the construction development department for the installation of photovoltaic panels, the supply of green electricity for sites in France, and the use of wood-fired boilers on some sites.

Everyone's efforts are needed at every site if we are to achieve these goals.



**- 7%**  
**industrial  
water consumption**



**- 2%**  
**industrial energies  
consumption**

#### 2.5.1.2 MEASURES IMPLEMENTED AND RESULTS

##### Water

Water for industrial use is mainly used for industrial consumption in the tanneries and textile units (668,469 m<sup>3</sup>/year at global level).

Over the last 10 years, the Hermès Group has maintained its aim of decoupling, with industrial water consumption changing by a factor of 1.9 while activity grew 3.6-fold.

In 2019, global water consumption for industrial use fell significantly (down 7%) compared to 2018, despite a rise in activity at constant rates of 12.4%. This was thanks to the efforts of the tanneries and textile teams in particular, which reduced their water use in industrial processes.

In 2017, the general services department implemented an initiative to optimise consumption over the 140,000 m<sup>2</sup> of the buildings in Île-de-France. Between 2017 and 2019, despite an increase in surface area, this approach helped us reduce our electricity consumption by 9%, gas consumption by 17% and district cooling by 12%. These significant declines were achieved thanks to a new, powerful tool that enables centralised data collection, analysis and alerts, thus making it possible to identify specific sources of progress, optimise the programming of our buildings and pinpoint which equipment needs to be updated. This initiative will be fully rolled out by the end of 2019 across 56 sites, covering a total of 220,000 m<sup>2</sup> in France.

In addition, the farms (United States, Australia) use water in the crocodile breeding tanks, representing a volume of 4,513 dam<sup>3</sup>/year (water withdrawal including recycled volumes from the cane sugar production plant).

As mentioned under section 2.5.2 “Adapting to climate change”, a water risk assessment was conducted alongside WWF in 2019 using the Water Risk Filter and Acqueduct tools, the latter being developed by the WRI (World Resources Institute). The findings will be gradually incorporated into the sites’ action plans.

Water usage data by stores are not published owing to the insignificant proportion of the Hermès Group’s overall water use it represents, being mainly water used in washrooms.

**Access to water**

It should be noted that Hermès is committed to providing all its employees with access to drinking water and sanitation and hygiene facilities at their workplace.

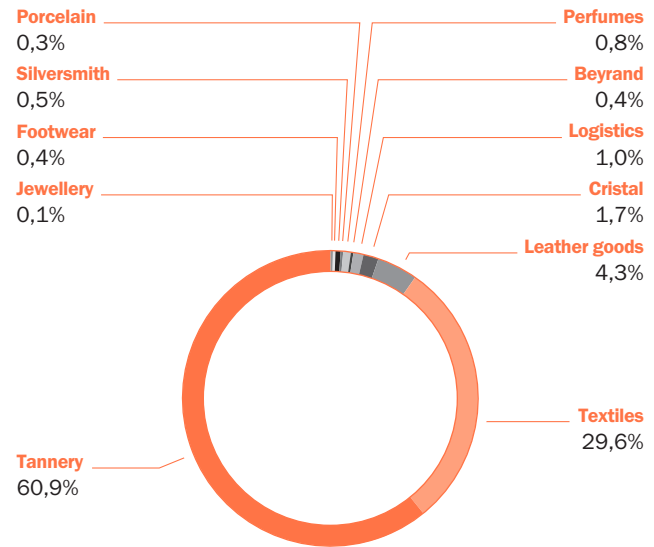
**INDUSTRIAL WATER**

IN THOUSANDS OF M <sup>3</sup>	2018	2019
Tanneries	434	407
Textile	219	198
Leather	33	29
Cristallerie	11	11
Other	23	23
Total	720	668

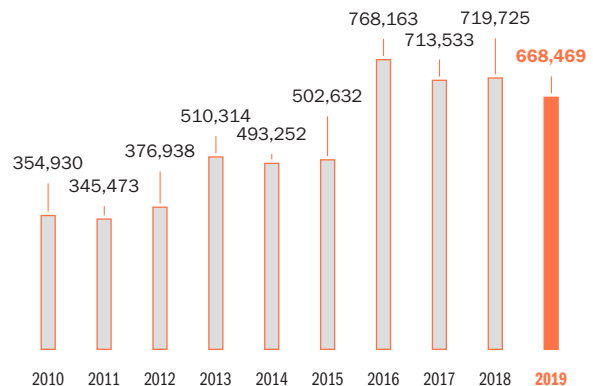
Note: figures for farms in the United States and Australia, whose consumption is by nature different, are not included in these charts.

GROUP	2017	2018	2019
Intensity m <sup>3</sup> /Revenue €M	129	121	97

**INDUSTRIAL WATER BY MÉTIER IN 2019**



**CHANGE IN INDUSTRIAL WATER CONSUMPTION (IN M<sup>3</sup>)**



### Tanneries

Hermès operates six tanneries, four of which are in France (Annonay, Le Puy-en-Velay, Vivoin and Montereau), one in Italy and one in the United States.

Water consumption and effluent treatment are major challenges for the Hermès Group's tanneries. Historically located close to rivers, they use this water for the purposes of tanning, dyeing and finishing hides. The water of the division's six tanneries comes mainly from rivers or boreholes (68% of the total water consumed in the division). The rest comes from municipal sources.

Water consumption control is based on monthly monitoring of water consumption, preventive maintenance programmes for facilities, regular verification and calibration of meters, installation of new individual meters, and programmes to raise employee awareness. Significant discrepancies unrelated to production differences are analysed and verified in order to locate and repair any possible leaks. The division's total water consumption was down 7% in 2019 for production activity very similar to that of 2018. This decline was driven by all the daily efforts described above and in particular the measures implemented in the Puy tannery to optimise water consumption for process requirements (2016 consumption: 315 K m<sup>3</sup>, 2019: 204 K m<sup>3</sup>).

### TANNERIES (FROM NOVEMBER 1<sup>ST</sup> N-1 TO OCTOBER 31<sup>ST</sup> N)

	2015	2016 <sup>1</sup>	2017	2018 <sup>2</sup>	2019 <sup>2</sup>
Water in m <sup>3</sup>	184,956	501,775	436,997	433,895	407,231

(1) The reporting scope includes Les Tanneries du Puy, acquired in November 2015.

(2) The reference period is the 12-month period from November 1<sup>st</sup> of the previous year to October 31<sup>st</sup> of the current year.

N.B.: figures for farms located in the United States and Australia, whose consumption is by nature different, are not included in these figures.

### Farms

The Farms division comprises an alligator farm in the United States (*Alligator mississippiensis*), three crocodile farms in Australia (*Crocodylus porosus*) and two hide processing and inspection sites in Australia. They represent a strategic link in the crocodile hide supply chain.

Water consumption and effluent treatment are major challenges for the farms. Water is a vital component in the breeding of crocodilians, which are aquatic reptiles. Their body temperature varies according to external factors (air and water temperature, in particular). As such, they require breeding tanks with the right water temperature and satisfactory bacteriological quality, which contribute to the thermoregulation process and their well-being.

The water used in the farms of the Australia division comes mainly from boreholes (63%) whereas the use of municipal sources is limited (11.38%). The balance (25%) corresponds to recycled process water used in a sugarcane production plant located near a farm. The water from this sugarcane production plant alone covers half the neighbouring farm's requirements throughout the greater part of the dry season (from June to December), while also saving energy. The sugarcane extraction process produces a high amount of steam. Some of this steam, converted into water with a temperature of between 50 and 60 °C, is then channelled to the farm via a 10 km-long pipe. The temperature and flow achieved at the farm's entrance are then adjusted so that the water can be used in the tanks immediately. Use of this water doubled between 2015 and 2018, thus requiring a storage basin to be built in 2016 to absorb these additional volumes and allow the water to cool down slightly before directing it to the tanks. Depending on climate conditions and the stage in the breeding cycle, the water can be pre-heated or the

temperature kept stable by way of boilers. In addition, as is discussed below in section 2.5.3.2, an industrial ecological system has been implemented locally as wastewater from this farm is then used to irrigate the sugarcane fields.

The American farm uses only borehole water derived from hot water sources, enabling it to substantially limit its energy requirements.

Water consumption control relies on the monthly monitoring of the farms' water consumption and the water quality of the tanks and effluents (in accordance with applicable standards). Each farm is thus equipped with biological effluent treatment tanks (see "Effective waste management solutions" below). In 2019, the farms abstracted 4,513 dam<sup>3</sup> of water. The water sample data from the Pinnacle farm in the United States contains significant uncertainties related to the measurement equipment installed in 2019.

### Textile division

Water is an essential and precious element in silk ennoblement, whether used in washing, dyeing or dye preparation processes. The Silk division makes daily efforts to minimise its water requirements, find innovative solutions to increase the proportion of recycling, and quantitatively monitor the impact of the actions carried out.

By way of example:

At the AEI site, in order to mobilise each employee to achieve the targets, the quantity of water used per kilogram of silk produced is included in the calculations for incentive schemes. The division's water consumption is also a sector-specific incentive criterion for all HTH employees.

The ITH and AEI sites have conducted campaigns to identify and treat leakages in water used for sanitary installations. These actions helped reduce the consumption of municipal water by 2,000 m<sup>3</sup> (i.e. 30%) at both sites.

The Gandit facilities engraving line, the main water consumer at the site, was reconfigured this year to operate at 57% in a closed circuit. Since 2017, the site's green space has been watered using a rainwater harvesting system.

At Ateliers AS, the total decline in water consumption (domestic and borehole) was 4.6%. These results were achieved thanks to the continued implementation of the daily water consumption monitoring plan, and the full-year effect of the investment made in 2018 on the washing machine for several printing lines, allowing water to be recycled by decantation, which is much more effective than the previous system. The commissioning this year of a new printing line that incorporates the latest water recycling improvements should make it possible to continue these positive results in the long term.

At SIEGL, a technical study was launched to improve the performance of the existing treatment plant. After several tests involving various possible processes, the construction of a new plant started in October and is due for completion at the end of 2020. The specifications include clear targets for reusing the water effluents generated by the processes, with a first target of 5% recycling as from 2020 (year in which the facility will be started up and developed). Furthermore, the process for washing digital printing machines has been changed.

Maintaining or launching these various local initiatives has delivered practical results, since the sector's overall consumption has been declining for several years in relation to its activity.

Over a period of five years, the sector has managed to reduce its water consumption by 22.7% in its production of silk scarves and other textile products, despite the activity's growth.

**TEXTILE (FROM NOVEMBER 1<sup>ST</sup> N-1 TO OCTOBER 31<sup>ST</sup> N)**

	2015	2016	2017	2018	2019
Water in m <sup>3</sup>	256,534	210,577	219,968	219,458	198,300

**Leather**

The production units of the Leather Goods division have a low environmental impact in terms of water, which is used only for sanitary purposes. No water is used in production processes.

With consumption of 28,802 m<sup>3</sup> in 2019, the Leather division's water consumption declined by 4,005 m<sup>3</sup> compared with 2018. The ratio measuring water consumption (at constant activity scope) improved by 21% compared with 2018.

There are three main reasons for these results:

- ♦ the implementation of management tools enabling more precise management and earlier identification of any leakages;

- ♦ water-saving actions. The Sayat production unit, for example, has introduced flow rate restrictors in the sanitary facilities;
- ♦ the implementation of communication and operational control actions among employees.

The "Water" environmental impact is taken into account when designing new production units: in the most recent Leather Goods division's units built (Tardoire, Iséroise & L'Allan), a rainwater harvesting system has been installed to supply the sanitary facilities with water (main source of water consumption in our production units).

**LEATHER (FROM NOVEMBER 1<sup>ST</sup> N-1 TO OCTOBER 31<sup>ST</sup> N)**

	2015	2016	2017	2018	2019
Water in m <sup>3</sup>	27 929	24 590	27 274	32 810	28 802

**Cristallerie**

Water consumption totalled 11,358 m<sup>3</sup> in 2019. In comparison to previous years and with respect to the activity level, this consumption is stable. The savings made with respect to the previous year were mainly due to technical optimisations applied to the melting and finalisation

processes, with new installations enabling water recycling, together with organisational efforts to reduce water consumption.

Moreover, a study was carried out to identify a solution to recycle the wastewater treated by the neutralisation station.

**CRISTALLERIE (FROM NOVEMBER 1<sup>ST</sup> N-1 TO OCTOBER 31<sup>ST</sup> N)**

	2015	2016	2017	2018	2019
Water in m <sup>3</sup>	11,662	10,578	12,275	11,088	11,358

Energy (electricity, gas)

Energy consumption (electricity, gas) is 203,640 MWh/year at Group level. The energy is almost entirely consumed by manufacturing activities (the cristallerie, the tanneries, textile, leather), which represent nearly 78%, i.e. 158k MWh/year (stores and offices represent 22% of the total). The consumption of renewable energy generated by the Group

(photovoltaic panels, wood-burning furnaces, geothermal energy, biomass, etc.) is not consolidated due to its low materiality.

The Group's consumption is distributed as follows, in a context in which the Hermès Group manufactures 61% of its objects in Hermès exclusive and internal workshops.

GROUP IN MWH	Industry	Stores	Services	Total	Intensity in GWh/Revenue €M
2017	160,662	31,234	16,510	208,406	0.038
2018	161,531	31,305	15,846	208,682	0.035
2019	158,117	31,952	13,952	203,640	0.030
2019 in%	78%	16%	6%	100%	

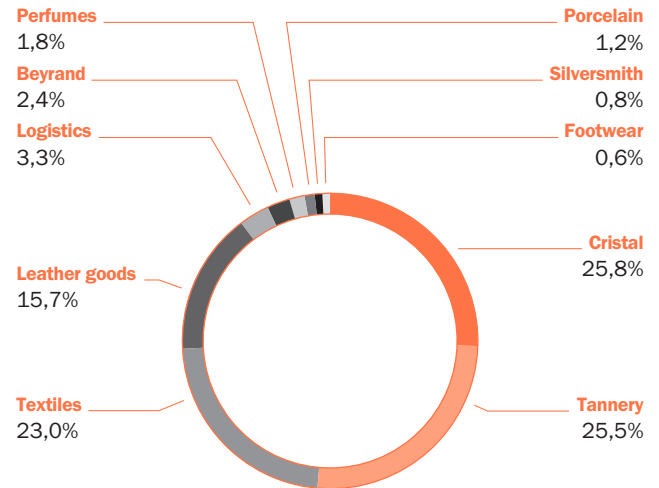
Over the last decade, the Hermès Group has maintained its ambition of decoupling consumption from growth with an increase in industrial energy consumption of 1.34 times compared with an increase of 3.6 in activity volumes. This result testifies to the improved management of consumption. In 2019, total energy consumption decreased slightly (-2.1%) compared to 2018.

Overall, energy consumption in La Cristallerie, Textile, Leather, Tannery and Construction divisions was down slightly compared with 2018, despite increased activity, marking the efforts made in this area.

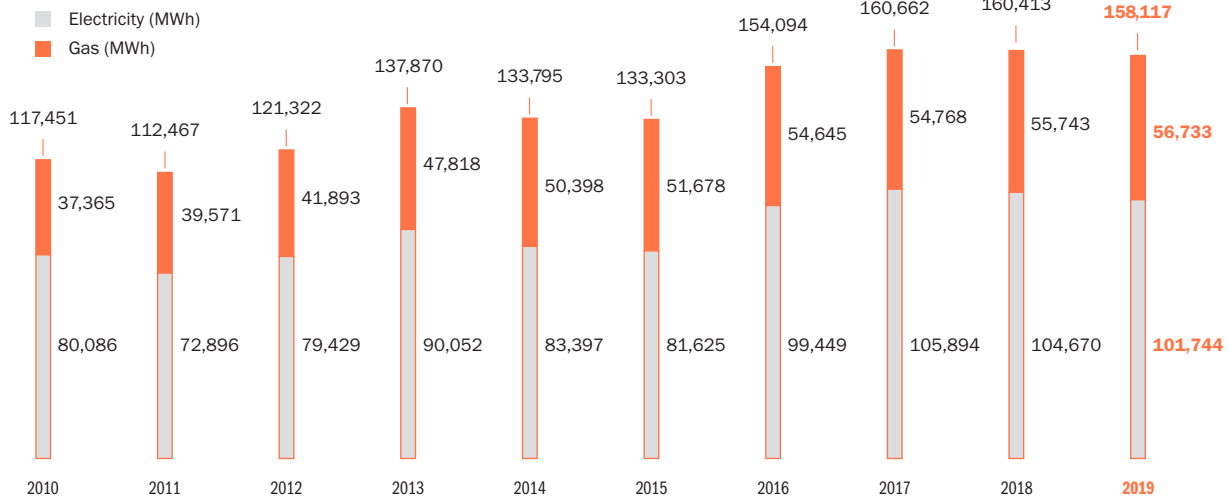
INDUSTRIAL ENERGY

IN GWH	2018	2019
Cristallerie	42	41
Tanneries	41	41
Textile	37	35
Leather	24	22
Other	18	19
<b>TOTAL</b>	<b>162</b>	<b>158</b>

ENERGY CONSUMPTION (GAS, ELECTRICITY) BY MÉTIER 2019



CHANGE IN ENERGY CONSUMPTION (ELECTRICITY, GAS) IN 2019



INDUSTRIAL - GROUP

	2017	2018	2019
Intensity in MWh/Revenue €M	29	27	23

Since November 1<sup>st</sup> 2015, Hermès has decided to participate actively in the energy transition process. All the French sites (production, services, stores) are now 100% supplied with green electricity (hydro) produced in France. Worldwide, the Group was 78% supplied with green electricity in 2019.

In signing the Fashion Pact, the Hermès Group has committed to lead its companies towards actions that are compatible with the Paris agreement 1.5°C trajectory, through a "fair transition" to achieve net zero CO2 emissions in 2050. Since 2002, the Hermès Group has been decoupling energy consumption from the growth of its activity: the energy consumption of the industrial sites has only doubled, while industrial activity has quadrupled, testifying to improved management of its consumption. In 2019, this indicator was included in the calculation of the Executive Chairman's compensation. To continue these efforts, since September 2019 Hermès has been auditing energy consumption on all industrial sites, office sites and stores in France. The audit results have provided data for the energy sobriety action plans for each of these sites. For its new sites, particular attention is paid to environmental impacts and more specifically to energy consumption. New production units are built with future energy efficiency in mind. This entails advance work structured around priorities: adjusted construction measures, energy consumption, energy management tools, sobriety of the equipment installed and implementation of renewable energy production solutions.

The general services department has established an energy Management System that includes water consumption. This tool has triggered a dramatic drop in water consumption (down 10% from 2017 to 2019) thanks to the management of alerts through remote meter reading and the replacement or improvement of certain equipment in the Île-de-France buildings.

Cristallerie

The processes using the most energy at the production unit are melting the material and working with it while hot. During each investment project, research is carried out to ascertain the best available technology in terms of energy efficiency and production volumes, which is then implemented. The last two furnaces renovated (pot furnace and gas melting furnace) as well as the reorganisation of the hot-part workshop are good examples of this.

Although the production unit's output increased by volume, the initiatives implemented in 2019, particularly the optimisation of the operating settings for multipot furnaces and the gradual replacement of high-consumption equipment, helped to improve the production unit's energy efficiency.

Total energy consumption changed following the replacement of the main multipot furnace at the end of 2016. The various operations and adjustments made during 2019 to stabilise this new facility have had a positive impact on the energy consumption profile. Electricity consumption has stabilised, whereas natural gas consumption decreased compared with 2018. The replacement at end-2018 of a natural gas-fired cellular furnace by an electric energy facility, and the replacement at end-2019 of two openings, are part of this strategy to optimise the site's energy efficiency.

The site's fuel oil consumption corresponds to that of the generators, especially during their periodic testing. The replacement of the generators in 2016 and 2018 has substantially reduced the site's fuel oil consumption.



Lastly, a new energy audit was conducted in 2019 with a focus on the production unit's process and buildings, and energy savings and recovery. The findings of this audit will be used in projects conducted in

the coming year, in particular the renovation of the Logistics division, which will be carried out in 2020 and 2021.

#### CRISTALLERIE (FROM NOVEMBER 1<sup>ST</sup> N-1 TO OCTOBER 31<sup>ST</sup> N)

	2015	2016	2017	2018	2019
Electricity in MWh	8,578	7,534	6,599	6,927	6,954
Gas in MWh	27,020	27,303	35,193	35,243	34,251
Fuel oil in MWh	190	96	71	27	32
<b>TOTAL</b>	<b>35,788</b>	<b>34,933</b>	<b>41,863</b>	<b>42,197</b>	<b>41,237</b>

#### Tanneries

The division's power consumption remained stable between 2018 and 2019.

The Tanneries are continuously working to improve the energy efficiency of existing facilities, during renovations or during the construction of new premises. By way of example, the following points are receiving special attention: supervision of equipment by centralised technical management system (GTC), thermal insulation of buildings, insulation of pipes, and the replacement of conventional lamps by LED lights.

Moreover, the Tannerie de Vivoin benefited from an energy audit in 2019 as part of the energy audit programme initiated by the Hermès Group. This audit is not directly covered by the regulatory framework governing the performance of an energy audit (Decree No. 2013-1121 of December 4<sup>th</sup> 2013 and Article L. 223-1 of the French Energy Code), since the Tanning and Precious Leathers division's tanneries are not subject to the regulation. However it includes the same regulatory requirements and supplements them with a thorough analysis of the buildings and technical equipment. This programme will be rolled out in the Tanning and Precious Leathers division's other tanneries in 2020.

The Paris headquarters of the Tannery division conducted a regulatory energy audit of its premises during the year.

#### TANNERIES (FROM NOVEMBER 1<sup>ST</sup> N-1 TO OCTOBER 31<sup>ST</sup> N)

	2015	2016 <sup>1</sup>	2017	2018 <sup>2</sup>	2019 <sup>2</sup>
Electricity in MWh	6,572	10,627	11,031	11,269	11,438
Gas in MWh	15,019	30,085	29,690	30,010	29,808
Fuel oil in MWh	52	48	59	42	30
<b>TOTAL</b>	<b>21,643</b>	<b>40,760</b>	<b>40,780</b>	<b>41,321</b>	<b>41,276</b>

(1) The reporting scope includes the Le Puy tanneries, acquired in November 2015.

(2) The reference period is the 12-month period from November 1<sup>st</sup> of the previous year to October 31<sup>st</sup> of the current year.

Note: The farms located in the United States and Australia are excluded from the reporting scope.

#### Textile division

Energy consumption (gas and electricity) can be attributed mainly to equipment that requires high-temperature steam, heating and lighting (workshops and offices). As such, each site has continued the efforts already started in previous years to optimise consumption time and move towards more energy-efficient equipment.

The entire division is continuing its conversion to "all-LED" energy-efficient lighting: SIEGL has thus invested €50,000 in changing the lighting in its kitchen, fixing rinsing and inkjet workshops; at Ateliers AS, two printing lines are now fully lit with LED lamps, as are two pedestrian walkways.

In early 2018, the AEI site set up a local dashboard to monitor the ratio of gas and electricity consumption with respect to the amount of silk produced. These indicators are communicated to all employees each month, accompanied by a commentary. The purchase of a new boiler in 2018, fitted with an exchanger and a high-output burner as well as the installation of thermal insulating mattresses for steam pipes reduced gas consumption by 13.7%.

On the Bourgoin-Jallieu site, electricity consumption, which is the main source of energy both for heating and cooling of buildings, continued to drop in spite of the 8% increase in the workforce. This was achieved through a combination of investments in equipment, programming adjustments and awareness-raising initiatives. Electricity production via photovoltaic panels also enables the site to generate energy savings with an annual output of about 15 MWh. Lastly, there are patrols every evening on the site to check that all lights have been switched off and to adjust the air-conditioning equipment if necessary.

At Ateliers AS, next-generation burners and an economiser were installed on the steam production boilers to reduce natural gas consumption. This modification, which was recommended after an energy audit conducted in 2018, should increase output by 3% in the long term.

On the ATBC site, changes have been made to reduce gas and electricity consumption. For example, air conditioning set-points are blocked during the summer to prevent excessive consumption. In the older part of the building, the insulation and sealing of the roof was entirely renovated to substantially reduce energy losses.

TEXTILE (FROM NOVEMBER 1 <sup>ST</sup> N-1 TO OCTOBER 31 <sup>ST</sup> N)	2015	2016	2017	2018	2019
Electricity in MWh	13,034	12,856	12,081	12,058	11,754
Gas in MWh	25,407	26,016	25,702	25,389	23,511
<b>TOTAL</b>	<b>38,441</b>	<b>38,872</b>	<b>37,783</b>	<b>37,447</b>	<b>35,279</b>

#### Leather Goods division

Electricity is the main source of energy for the production units. The main areas of consumption are lighting, air-conditioning, ventilation, office automation and sometimes heating (depending on the site).

Consumption in 2019 was 6% lower than in 2018 and the ratio of electricity consumption to the level of activity improved by 15%. These improvements are primarily due to:

- ♦ the installation of LED lamps, which consume less energy, at most production units;
- ♦ changing air-handling units (AHU) and the improvement of management and time-control systems;

- ♦ the installation of motion sensors with time-delay switches for turning lights on and off;
- ♦ improvements to the insulation of building structures;
- ♦ improvements to the compressor management system.

Gas is only used to heat 12 of the Hermès leather goods workshops.

Consumption in 2019 was 11% lower than in 2018 and the ratio of gas consumption to the level of activity improved by 20%. These improvements are primarily due to insulation works, process optimisation of boilers and technical operations on these boilers.

LEATHER (FROM NOVEMBER 1 <sup>ST</sup> N-1 TO OCTOBER 31 <sup>ST</sup> N)	2015	2016	2017	2018	2019
Electricity in MWh	13,581	14,317	15,217	16,056	15,140
Gas in MWh	7,071	7,533	8,975	8,225	7,354
<b>TOTAL</b>	<b>20,652</b>	<b>21,850</b>	<b>24,192</b>	<b>24,281</b>	<b>22,494</b>
Electricity – Consumption as a proportion of activity	77	75	75	75	63
Gas – Consumption as a proportion of activity	55	56	60	52	42

#### Construction

Our environmental reporting primarily measures the energy consumption of stores and the offices of distribution branches around the world. Since 2015, this reporting has been further strengthened by the gradual deployment of an automated system to consolidate energy consumption data on all new construction sites.

The energy consumption of exclusive concession stores, not operated by the Group, is not included, neither is the consumption of certain branches in shopping centres, because of the difficulty (even impossibility in some cases) to obtain currently information.

Energies consumptions data are only available when it is possible to install individual meters.

#### Methodological note

New sites are included in the reporting from the date of opening, or when they are consolidated by Group; sites that close or leave the Group during the year covered by the reporting are also taken into account on a *prorata* basis. Primary data are collected from contributors at each distribution subsidiary (through a network of over 30 contributors worldwide) and are centralised within the construction development department, which runs various checks and analyses. These data are reconciled with the previous year's figures (comparisons with similar

sites) and are then consolidated. For energy consumption, only the electricity consumption indicator is published. The consumption of other forms of energy, which is very marginal, is excluded from this publication.

Electricity consumption data from the distribution grid covers nearly 79% of Hermès branches across the world, as well as the John Lobb, cristallerie Saint-Louis and Puiforcat branches.

In France, data for 100% of stores are included in the reporting. The same applies to all French branches of John Lobb, Saint-Louis and Puiforcat.

For Faubourg-Saint-Honoré, the store accounts for 34% of total consumption of the building, hosting also offices and workshops. Total consumption at Faubourg-St-Honoré dropped 12% in 2019 with the switch to LED lighting, the optimisation of air-handling units and a reduction in equipment operating hours.

In Europe (excluding France) almost 95% of stores are included in the reporting. In Asia, over 95% of stores in Greater China (mainland China, Hong Kong and Macao) and 100% of stores in Thailand, Malaysia and Australia are covered. In Japan, the four main stores are also included. For the Americas, 72% of stores are covered, including 79% of stores in the United States.

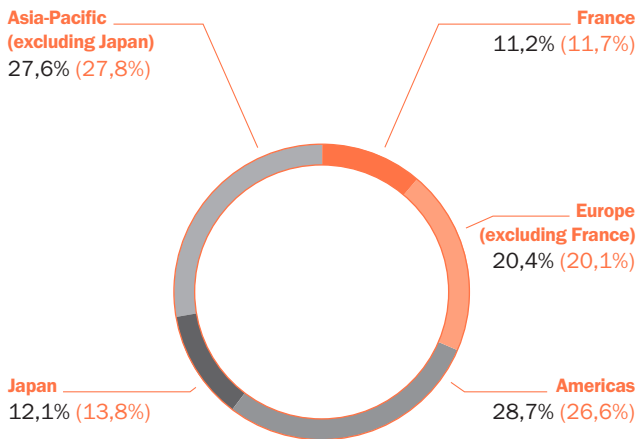
**Consumption of stores**

Stores consumed 31,952 MWh of electricity in 2019, making an increase of 2% compared to 2018. These figures are correlated to a large extent by a balance between sales surface areas, mainly in Asia and the United States, and store closures and openings.

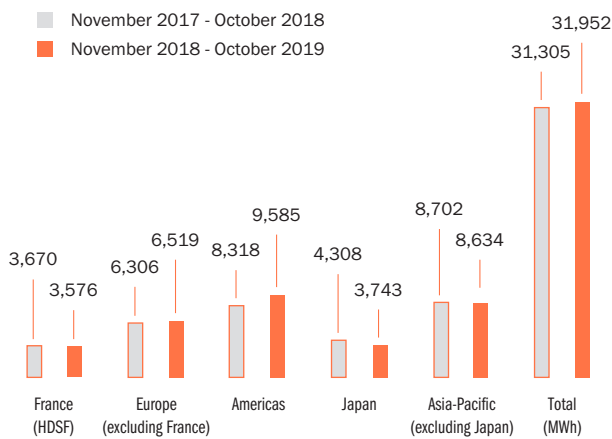
The downward trend in the ratio of energy consumed by unit of sales surface (KWh/m<sup>2</sup>), especially in France and Asia, is attributable chiefly to the increase in LED lighting, together with improved management of energy consumption, which continued in 2019.

Offices and ancillary premises consumed 13,571 MWh in 2019, 11,679 MWh of which at the Paris and Pantin sites.

**ELECTRICITY CONSUMPTION OF STORES BY GEOGRAPHICAL AREA (IN MWH)**



**BREAKDOWN OF ELECTRICITY CONSUMPTION OF STORES BY GEOGRAPHICAL AREA IN 2018/2019**



**Optimisation**

Improving energy efficiency in our stores means optimising the main areas of energy consumption, which are lighting and air conditioning.

**Lighting**

Since 2013, an “all-LED” lighting solution for all window displays, shelving and ceiling lights has been extended to all new store projects.

From 2014, the store projects department developed a range of LED bulbs specially developed for Hermès and adapted to all existing installations and equipment.

In 2019, in addition to the new stores, LED “relamping” operations continued across the global network of existing stores.

These three actions brought the total proportion of the Hermès Group stores equipped with LED lighting systems to 80% at the end of 2019, with an average reduction in energy consumption of about 20%.

In addition, window and store lighting schedules continue to be deployed across the entire Hermès distribution network in order to reduce energy consumption.

**Air conditioning**

Lower electricity consumption, coupled with the fact that LED lighting generates far less heat than traditional lighting, has enabled us to consider downsizing in-store air conditioning units.

This programme continued for all new projects and store renovations throughout 2019.

**Thermal insulation**

Special attention is paid to insulating store façades and industrial buildings by improved external insulation.

In 2019, other initiatives (installation of individual electricity consumption meters and motion detector systems in fitting rooms, washrooms and back offices) were continued in all new store projects. These automated energy consumption consolidation systems offer constant visibility which allows rigorous management of energy use. Increasingly efficient new technical solutions are constantly being evaluated for gradual incorporation into existing stores.

In 2019, energy and thermal audits campaign was carried out on all industrial and distribution sites in France. These audits made it possible to assess and schedule the improvements and the renovation of the building structures needed, as well as the renovation of technical equipment in buildings, in order to keep energy consumption as low as possible.

**Measures to improve energy efficiency**

In the conception phase of new leather goods production units, a special attention is paid to environmental impacts and more particularly, to energy consumption. New production units are built with future energy efficiency in mind. This proactive work focuses on four priority areas:

- ♦ energy consumption: this parameter is one of the main challenges of the technical programmes for new leather goods production units. As soon as a project is launched, various solutions are envisaged and thermal simulations are carried out by specialists from design firms commissioned for the project. Based on the results, the most suited solution for the construction project is selected. For example, the most recent leather goods production unit, commissioned at the end of 2017 (l'Allan production unit), was constructed to meet the very demanding standards of the HQE label, meaning it exceeds the 2012 Thermal Regulation objectives by 30% (regulation laid down at the Grenelle Environment Forum, which aims to limit the primary energy consumption of new buildings). To do so, reinforced thermal insulation and sealing, solar installations for the production of hot water and optimum output equipment (heat pump, etc.) were installed;
- ♦ energy management tools: as soon as a new leather goods production unit is put into operation, meters are positioned and dedicated software is set up to control energy consumption and the identification of possible drifts as accurately as possible;
- ♦ employing renewable energy production solutions: the most recent leather goods production unit commissioned (l'Allan production unit) has a park of photovoltaic panels for generating electricity of 152 kWp for own use;
- ♦ lowering machinery consumption: the energy impact of machinery was introduced as one of the decision-making criteria in the context of the machinery investment strategy for the leather *métier*. As such, new equipment introduced in new leather goods production units, but also in existing ones, are more energy-efficient. This approach can be implemented through a partnership with suppliers.

In 2018, the two least-efficient production units, in terms of energy related to heating and air-conditioning, underwent a thermal audit with a thermographic analysis of the building structure, allowing a specific investment programme to be drawn up for the coming years.

In 2019, in-depth energy audits were conducted on all the leather goods production units in the Leather division, providing a clearer picture of the energy profile of each unit and identifying specific or cross-cutting priority areas.

### Renewable energies

Hermès aims to use energy from renewable sources whenever possible. In France, through supply contracts with its supplier, the electricity that Hermès uses has been certified as coming 100% from renewable sources since 2015. In addition, the Group is developing pilot initiatives which aim at being expanded together with new investment projects, available technologies and regulations in force, when they are coming up.

As part of the Fashion Pact, Hermès has committed to implement a policy of 100% renewable energies in its own operations by 2030.

### Leather Goods division

The two renewable energies used by the Leather Goods division are:

- ♦ wood, which is used to heat the production units of Belley, Les Abrets and Nontron;
- ♦ solar energy: the L'Allan production unit has photovoltaic panels that provide 14.8% of the electricity used by the site. In 2019, the MHM leather goods production unit in Aix-les-Bains signed a contract with an electrical power supplier to install a 292 kWp photovoltaic power plant on the roof shades of its car park. This renewable energy production generates approximately 25% of the site's energy needs.

For the Leather Goods & Saddlery division, the renewable energy generated by the production units accounted for 4% of consumption in 2019.

As a reminder, all energy consumed by the division is also green.

LEATHER	2015	2016	2017	2018 <sup>(1)</sup>	2019
Renewable energies in MWh	546	495	444	1,247	895

(1) The reference period is the 12-month period from November 1<sup>st</sup> 2017 to October 31<sup>st</sup> 2018.

### Tanneries

At Cuneo in Italy, electricity production from 296 photovoltaic panels installed on the roof of the tannery and through gas cogeneration covered 25% of the site's total electricity consumption in 2019.

### Farms

In 2019, the Australia division undertook a study on the installation of photovoltaic panels on all its sites (farms and transformation facilities). The five sites of the division are now fitted with photovoltaic panels installed on the buildings that house offices, storage and technical installations. Although they have already produced their first kilowatt-hours, these installations will be fully operational in 2020, with a target of providing an average of 30% of the electricity used by the sites and, if necessary, to reinject what has not been used by the site into the grid.

### Construction

In the USA, the Dayton logistics centre in New Jersey has been equipped with photovoltaic panels on the roof since 2017, allowing production of the electrical energy required by the site. This Centre received LEED Gold Certification in 2018.

## 2.5.5 CONTRIBUTION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS (SDGs)

Hermès's environmental commitments are reflected in a significant number of SDGs, including the following (the numbers refer to the UN's official typology):



### No. 3: Good health and well-being

- ◆ 3.9: "Reduce the health impacts of activities and pollution".  
Hermès operates in countries in which regulations are very stringent on this subject. The Hermès Group continues to improve its production processes in order to enhance the management of health risks, including those that may be generated by its products.



### No. 6: Clean water and sanitation

- ◆ 6.3: "Improve water quality".  
The Hermès Group and all of the *métiers* (tanneries, crystal, textile, and so on) have been actively working on controlling the important issues of water consumption and effluent management since 2002. Hermès is achieving significant results, having gradually uncoupled growth from consumption, and through the implementation of improved technical systems now available.
- ◆ 6.4: "Water scarcity".  
The main *métiers* that are concerned (textile, tanneries, crystal) are located in areas with low water stress. Improving discharge levels is a subject to which we pay careful attention, and which is governed by very stringent European or US regulations. A study was launched with the WWF in 2019 on this matter (Water Risk Filter). Within the Tanneries and the Silk division's sites, where water is a precious resource, the House has implemented water-saving measures resulting in a reduction in consumption.
- ◆ 6.6: "Protecting wetlands".  
The Hermès Group is participating in the Livelihoods project, which is contributing to the restoration of coastal wetlands totalling nearly 18,000 hectares (Casamance, Sundarbans, Sumatra). In addition, the growth of the alligator farming industry in the United States over the last 20 years, to which the Hermès Group contributes, encourages the preservation of the natural habitat of these animals and consequently the protection of wetlands in Louisiana and Florida.



### No. 7: Affordable and Clean Energy

- ◆ 7.2: "Increase the share of renewable energy".  
In France, 100% of electricity consumed comes from "green" sources. Since 2019, 78% of the Hermès Group's worldwide electricity supply comes from renewable sources. In addition, the Hermès Group has installed renewable energy devices (wood boilers at production sites, photovoltaic panels at sites and for the logistics centre in New Jersey in the United States).
- ◆ 7.3: "Improve energy efficiency".  
Our sustainable construction framework incorporates this concept into all new projects. Leather goods workshops like *Maroquinerie de l'Allan* and *Maroquinerie MHM* use renewable energy. We have seen a reduction in energy consumption in stores following the replacement of lighting with LED lighting. At the end of 2018, 80% of stores were fitted with LEDs. In the industrial area, the decoupling of energy consumption and growth has become a reality.



### No. 8: Decent work and economic growth

- ◆ 8.4: "Decouple consumption and growth".  
As a result of the work carried out, we have been able to decouple growth from energy and water consumption.



### No. 12: Responsible consumption and production

The Hermès Group strives to manage waste and chemical products throughout their life cycle. A major player in France in several *métiers* (tanneries, textile, crystal etc.), the Hermès Group strives to implement the best available reliable and sustainable operating solutions. It endeavours to control its emissions into the air, water and soil, in a context in which its sites are subject to the strictest regulations in this area (OECD). Energy consumption ratios relative to selling space (KWh/m<sup>2</sup>) are falling, particularly in France and Asia, mainly thanks to the development of LED lighting.



### No. 13: Climate action

- ◆ 13.2: “Integrate climate change measures”.  
Initiatives have been taken by various departments (Industrial, Construction, Logistics) to contribute to reducing energy consumption and greenhouse gas emissions. In addition, Hermès contributes to the Livelihoods initiative (130 million trees planted), which partly offsets the Hermès Group’s carbon emissions.
- ◆ 13.3: “Improve awareness-raising among employees on climate change issues”.  
Internal activities conducted throughout the year are an opportunity to raise teams’ awareness about environmental topics and explain our actions;



### No. 14: Life Below Water

- ◆ 14.2: “Manage marine and coastal ecosystems”.  
Crocodile farming requires the implementation of wetland protection measures, to which the Hermès Group and its partners make indirect contributions.



### No. 15: Life on land

- ◆ 15.1: “Protecting biodiversity”.  
The Hermès Group strives to preserve ecosystems insofar as it is concerned (sourcing of natural materials). It is studying its impacts to prevent adverse effects.
- ◆ 15.2: “Forest Management”.  
Hermès supports the sustainable management of forests through a sustainable purchasing policy on paper, cardboard and wood (bags, boxes, and packaging, etc.). The Hermès Group complies with regulations governing wood sourcing. Hides, used by the Hermès Group for leather goods production, are from European origin and do not come from farms that contribute to deforestation. The Livelihoods project has also contributed to the replanting of over 130 million trees.

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