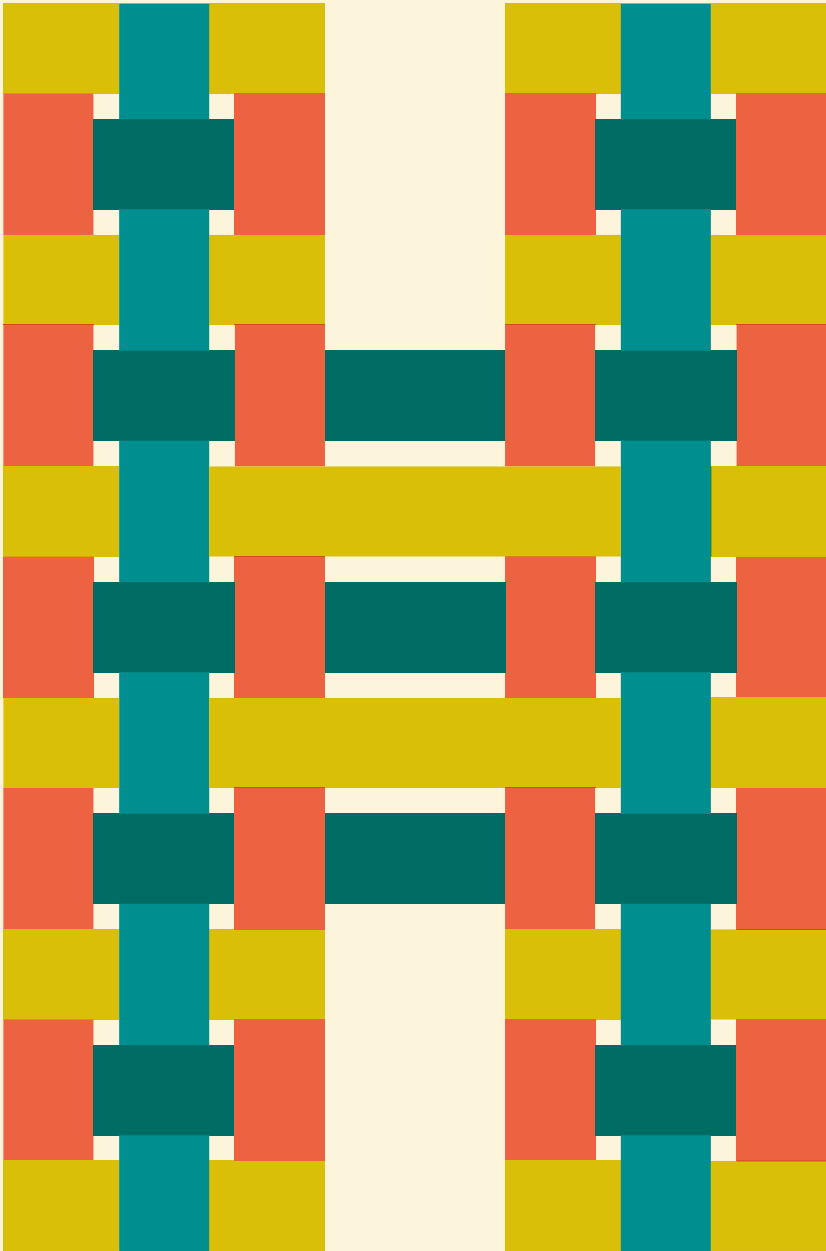


# 2020 Universal registration document

CSR EXTRACT  
Non-Financial Performance Statement (NFPS)



## 2.1 BUSINESS MODEL

The Hermès Group presents its value creation model using graphics (see the following pages) in order to facilitate understanding of the distinctive features of the French craftsmanship manufacturing model. This approach is designed to help explain the activities of the House, its footprint and contribution to a more sustainable world, in their economic, social, societal and environmental dimensions.

The Hermès Group's model is unique in many ways:

- ◆ a family-run business rooted in a tradition of craftsmanship, the foundations of an eagerness to ensure transmission of skills and durability;
- ◆ fundamental heritages, sources of sustainability, that are continuously reinvented: creation, *savoir-faire*, materials and retail;
- ◆ objects designed to last: rigor and responsibility that are the life force of the House's 16 *métiers* (see § 1.6 in chapter 1 "Presentation of the Group and its results");
- ◆ a French House with an international reach: an integrated model, from manufacturing, which is primarily carried out in France, to distribution throughout the world, tailored to local situations;
- ◆ controlled development and solid results;
- ◆ a contribution to a more sustainable world through its model, through a humanist vision of its activity, and a desire to give back to the world some of what the world gives it.

## A FRENCH MODEL OF CRAFTSMANSHIP THAT IS SUSTAINABLE AND CREATES VALUE

### OUR ROOTS AND VALUES

An independent creative House since 1837, guided by the characteristics of craftsmanship. An integrated model of French manufacturing. A humanistic management of employees. A wide product offering of useful and long-lasting objects. A socially responsible company that is generous with the world.

### UNIQUE HERITAGE

#### CREATIVE HOUSE

##### Creative heritage

Originally a harness workshop, Hermès has revolutionised riding equipment. Driven by creative freedom, the House innovates and revisits its timeless models.

#### CRAFTSMANSHIP MANUFACTURING MODEL

##### Savoir-faire heritage

Hermès develops and protects its often unique craftsmanship savoir-faire. The excellence of the craftsmanship techniques is passed on through a proactive internal training policy.

#### HERMÈS RETAIL

##### Retail heritage

Hermès takes a unique approach to developing its distribution network and digital flagships. Its artistic and poetic spirit permeates the creativity of stores and window displays.

##### Materials heritage

Hermès uses, respects and preserves the most noble materials, secures its supplies and seeks to limit their impact on biodiversity.

+50,000 products

48% of employees work in production

96% of hides are by-products from food industry

Operating in 50 countries

### A FRENCH HOUSE WITH A GLOBAL REACH

51 production sites in France

- ◆ 2 sites in America
- ◆ 5 sites in Australia
- ◆ 6 sites in Europe

306 exclusive stores, including

- ◆ 29 in France



80% of objects made in France

61% of objects made in our in-house and exclusive workshops

63% of employees in France

92% of leather sourced in France and Europe

90% of sales outside of France

Detail in Section 1.4.2

## EXCEPTIONAL OBJECTS DESIGNED TO LAST



### Creative freedom

The designers sketch, innovate and revisit the House's models with the greatest artistic freedom and without ostentation.



### Exceptional materials

Rare leathers, precious fabrics. Only the most beautiful materials are selected.



### Development

Reconciling responsible sourcing, optimisation of uses, quality, innovation and eco-design for a virtuous life cycle.



### Purchasing freedom

Store managers choose the products to propose to their customers.



### Handcrafted production

Exceptional materials, expert skills. Production units take the greatest care in manufacturing the products ordered by the stores.



### Exclusive distribution

Each store showcases a unique selection suited to its local market. The customer experience is unique and tailored with care.



### Logistics

Destined for stores around the world, carriers deliver products to their destination while limiting environmental impact.



### Lasting products

Because Hermès objects are passed down through generations, the House's repair shops maintain them and prolong their lifespan.



### Responsible communication and transparency

Showing the outside world our achievements allows better understanding of actions undertaken.



### End-of-life

Work is constantly taking place to innovate and anticipate end-of-life of products and materials in order to optimize their usage.

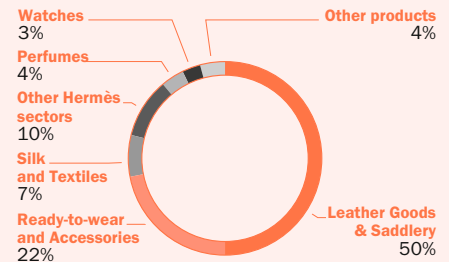


## CONTROLLED DEVELOPMENT, SOLID RESULTS...

**ECONOMIC***Design and grow*

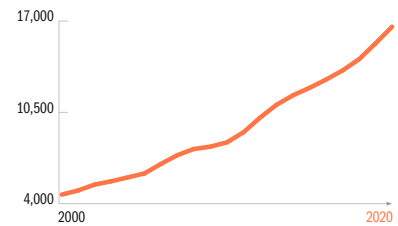
- ◆ €6.4 bn in revenue
- ◆ A limited decrease in revenue to 6% at constant exchange rates in 2020, despite the health crisis
- ◆ €2 bn in recurring operating income
- ◆ €448 m in operating investments
- ◆ €93 bn in market capitalisation as at 31 December 2020

## BREAKDOWN OF REVENUE BY MÉTIER

**SOCIAL***Value and transmit*

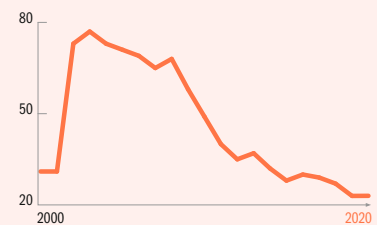
- ◆ 16,600 employees in 2020, of whom 5,617 are craftspeople in France
- ◆ 23 new production sites in France over the past five years
- ◆ Leather Goods division: 83 trainers instruct craftspeople in their new métiers for 22 leather goods workshops
- ◆ 60% of managers in the Group are women
- ◆ 25.8% of employees have more than 15 years of service (France)

## CHANGE IN WORKFORCE

**ENVIRONMENTAL***Respect and preserve*

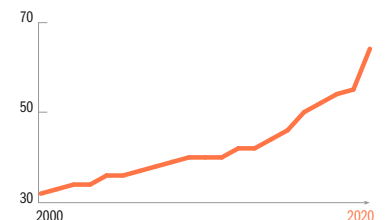
- ◆ Over the last 10 years, reduction in industrial energy intensity -41.5% and industrial water -25.3%
- ◆ -4.7% of market-based Scopes 1 and 2 carbon emissions since 2018 (absolute value)
- ◆ Offsetting of 134% of carbon emissions from production, administrative and logistics sites, and stores (Scopes 1 and 2) with Livelihoods
- ◆ Collaboration with NGOs such as WWF France in the sustainable development of certain supply chains (leather, cashmere, wood, etc.)
- ◆ Nearly 120,000 repair requests per year
- ◆ 82.4% green electricity supply

## ENERGY INTENSITY IN MWH

**SOCIÉTAL***Develop and participate*

- ◆ Presence in 12 of the 13 French regions with more than 80 sites (production units, stores, logistics sites, offices)
- ◆ Creation of regional divisions of excellence
- ◆ 20-year average relationship with the 50 main direct suppliers
- ◆ 56% of purchases made in France (Top 50 direct suppliers)
- ◆ 100% of leather goods made in France

## CHANGE IN NUMBER OF PRODUCTION SITES IN FRANCE

**GOVERNANCE**

- ◆ CSR criteria in the variable compensation of the two Executive Chairmen
- ◆ A Sustainable Development Committee meets every two months with two members of the Executive Committee
- ◆ A CSR Committee within the Supervisory Board
- ◆ Internal and external ethics whistleblowing systems
- ◆ Contribution to 15 of the United Nations' 17 Sustainable Development Goals (SDGs)
- ◆ Global Compact Advanced Level



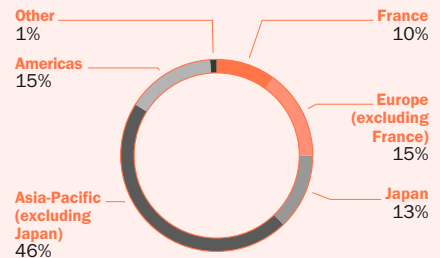
► ...CONTRIBUTING TO A MORE SUSTAINABLE WORLD

**ECONOMIC**

*Design and grow*

- ◆ 6 stores opened in 2020
- ◆ 31% consolidated tax rate
- ◆ 13,000 employee shareholders under the 2019 plan
- ◆ 4,356 new employees over the last five years

BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA



**SOCIAL**

*Value and transmit*

- ◆ 70% of employees have taken at least one training course worldwide, 2020
- ◆ 861 new employees in France in 2020
- ◆ 6,100 employees trained by the School of Leather since 2011
- ◆ 283 professional certifications obtained in 2020
- ◆ Partnership with the French Job Centre and education in the craftsmanship professions
- ◆ Disability: employment rate 5.68% (2019)
- ◆ 69% of the Operations Committee are women
- ◆ 92/100 Gender equal pay index (France)



**ENVIRONMENTAL**

*Respect and preserve*

- ◆ -50% GHG emission reduction targets (2030 vs 2018)
- ◆ 96% of skins are by-products from food industry
- ◆ Act4Nature commitment: Global Biodiversity Score study
- ◆ Publication of standards on Animal Welfare and creation of a monitoring committee since 2019
- ◆ 100% recycled gold and silver processed in the workshops
- ◆ Livelihoods: 130 million trees planted



**SOCIETAL**

*Develop and participate*

- ◆ 1 direct job created in a rural area indirectly leads to at least 1.5 other jobs
- ◆ 85% of direct suppliers committed to a CSR policy
- ◆ €40 m allocated to the budget of Fondation d'Entreprise Hermès over five years
- ◆ 12 Living Heritage Companies (EPV)
- ◆ 22 Meilleurs Ouvriers de France (MOF)
- ◆ €2.4 m in total purchases from socially supported organisations (EA, ESAT)
- ◆ 340 solidarity projects worldwide



**GOVERNANCE**

- ◆ Signature of the Fashion Pact in 2019
- ◆ Sustainalytics: 72/100 in 2019 (outperformer)
- ◆ ISS ESG: C (prime threshold: C+)
- ◆ CDP 2020: A- (Water security), B (Climate change, Forest, Cattle)
- ◆ Positivity index 2020: B+, (CAC 40 average: C+)



## 2.1.1 A FRENCH MODEL OF CRAFTSMANSHIP

### 2.1.1.1 ROOTS AND VALUES

Hermès has remained true to its values since 1837 and continues to thrive as a house where craftspeople are at the fore. By selecting the finest materials, it produces exceptional, useful and aesthetic objects, designed to last (thanks to their quality and desirability) and to be passed on. Hermès now has a world-wide reputation, but the House has always been, and remains, an independent company supported by family shareholders, the sign of stability and longevity. Promoting French manufacturing, its project is based on the excellence of the craftsmanship *métiers*; human hands, *savoir-faire* and quality are the keys.

The attention paid to people has a natural place at the heart of the House's craftsmanship business model, both at its sites as well as its partners and suppliers. Hermès is attentive to working conditions, respecting a balance in terms of diversity and stringently applying the fundamental principles of the United Nations and OECD.

The attributes of craftsmanship have shaped the development of the House since its founding and, at the same time, its relationship with the world. Naturally rooted in respect and humility, these attributes, over time, have become company values. The presence of these values permeates all employees, suppliers and partners. They form the platform for the House's actions in matters of sustainable development by appropriating the notions of individual and group responsibility, authenticity in the search for excellence, or acceptance of the long-term approach as a factor influencing performance. Lived and embodied by the Senior Executives and all employees, today they are the lifeblood of its *raison d'être*<sup>1</sup> and represent the founding pillars of the Corporate Social Responsibility (CSR) approach that Hermès shares with its stakeholders:

- ◆ **responsibility:** a handmade leather object is the work of a single person. Following the original principle "one person, one bag", a single person masters all of the steps necessary for an object's creation, and is accordingly responsible for its final quality. This sense of responsibility also covers the materials used, which must not only be the most beautiful but also of indisputable origin: they must be worthy of serving to create exceptional objects. This accountability also extends to the product's future life: each craftspeople has a view that transcends beyond the production process. This heightened awareness of responsibility nourishes the individual and group sustainable development practices;
- ◆ **authenticity:** the craftspeople are passionate about emphasizing the "authenticity" of beautiful materials and eschew the use of imperfect materials, even when the end result may seem acceptable. This demanding attitude is reflected in the attention paid to all the aspects that comprise the handmade object and its craftsmanship. The inside is afforded just as much care and attention as the outside. Hermès craftspeople, and all employees of the House, are nonetheless aware of their limits and imperfections, and constantly question each stage,

so as to perpetuate the values of excellence. Sustainable development is pursued in this spirit of sincerity, excellence and continuous improvement. It is built on accomplishments rather than abstract commitments, without fanfare but with the goal of long-term efficiency;

- ◆ **acting with urgency while taking the time to do things well:** our craftspeople do not like to put off until tomorrow what they can accomplish today. Hermès' craftspeople, and by extension the House, see time as an ally, that enables them to work well, to integrate the internal or external challenges of all stakeholders, in order to see things in a balanced perspective. In the making of an object by hand, it is impossible to skip a step to save time, everything flows in continuity, everything is necessary. These modes of operation shape and determine the way projects are conducted. They encourage the implementation of responsible policies and practices, using a participative approach, blending exacting requirements and efficiency to obtain a high-quality end result. While considering changing and accelerating contexts, projects take into account the necessary rhythm for sustainable change among employees, partners and natural ecosystems. Urgency to act and hasty execution should not be confused.

### 2.1.1.2 UNIQUE HERITAGES

The Hermès integrated model is distinguished by its different tangible and intangible heritages. Creative freedom, manufacturing expertise and retailing freedom are the operating modes. Their perpetual abundance, balancing preserved tradition and renewed modernity, is a source of continuous innovation and progress. There are four types of heritage:

- ◆ **creative heritage:** the artistic department invents new pieces, objects and patterns, and revisits its timeless models, unfettered by limits or constraints. The quality of creation allows objects to retain their desirability;
- ◆ **savoir-faire heritage:** in addition to the emblematic saddle stitch, Hermès' craftspeople are masters of singular skills which are often unique and rare techniques. The preservation of knowledge, its transmission through apprenticeships and a proactive internal training policy play key roles. The care taken over in-house training ensures the article's durability. This *savoir-faire* also extends to creative designers, people working in retail and managers;
- ◆ **materials heritage:** only the most noble materials are used. They bring the promise of long life to each object. Hermès monitors its supply chain very closely, chooses renewable materials carefully from responsible industries and manages their environmental impact, in particular on biodiversity;
- ◆ **retail heritage:** Hermès has developed an exclusive distribution network, – both physical and digital – a reflection of the uniqueness of the House and its creativity. The stores are oases of exceptional customer experience, freely adapted to each local market.

1. Sense of purpose

### 2.1.1.3 EXCEPTIONAL OBJECTS DESIGNED TO LAST

From the original idea to manufacture, from purchasing to its use by the customer, the Hermès object follows a life cycle that reflects the uniqueness of the House and its frugal craftsmanship model. This is characterized by a reasoned development at each stage.

#### Creative freedom

Supervised by Pierre-Alexis Dumas, a sixth-generation member of the Hermès family and member of the Group's Executive Committee, the artistic department remains true to the inventiveness that has always characterized the House's success. Based on an annual theme, it proposes and renews the collection and objects. The creative designers imagine new items or revisit the classics and propose collections with unique style, while the craftspeople innovate, improving their processes, pushing the limits of materials and ensuring they use only the necessary resources. Creative freedom, balanced by the stores' freedom to purchase as they choose, is asserted while respecting harmony and consistency.

#### Development

Close cooperation between our creative minds and developers ensures that original ideas become a reality. This step is crucial in defining the manufacturing processes that reconcile optimization, quality, innovation and aesthetics for a virtuous life cycle. The supply chains, mainly in Europe, are numerous and sometimes complex. But they are based on a limited number of partners, with whom we have long-term relationships. Buyers verify the origin of the materials and partnerships, which must respect the environment and ethics principles as well as animal welfare. The House is committed to the most demanding standards in terms of responsible and sustainable management in the supply chain, which it helps draw up. The use of materials is optimized from creation to production, with careful use of only the essential resources, in order to avoid unnecessary waste and surplus materials.

#### Exceptional materials

Hermès manufactures high quality products, mainly from renewable natural resources. The House's most emblematic raw materials are leather, silk and cashmere. The Group has a tangible influence on its entire value chain, a major portion of which is managed internally.

**Leather and exotic hides.** Most leathers used by Hermès (cattle, sheep, goat) are by-products from food production, to which the House is giving a second life. The most beautiful hides come from ethically raised animals. Exquisite hides only come from animals that have been treated well. Hermès uses more than 35 different types of leather to make its leather goods. All leathers needed are purchased directly from tanneries, without intermediaries, and come mainly from European livestock with controlled production. The vast majority of its requirements are covered by the six tanneries owned by the House, as well as other French and European tanneries, which are all subject to rigorous standards. For exotic hides, such as crocodile, alligator, lizard and ostrich, Hermès is supplied by livestock farms in the United States, Africa and Australia. These farms all comply with the rules established under the supervision of the United Nations by the Washington Convention for the protection of species, and rigorous internal standards and are routinely audited.

**Silk and cashmere.** For these two precious materials, the Hermès Group has long-established partnerships with a small number of suppliers. For the past 20 years, this method has promoted the development of a sustainable silkworm industry in Brazil (state of Paraná) and contributed to the preservation of habitats while generating activities providing regular income to thousands of families. Cashmere wool comes mostly from China (inner Mongolia). In this specific case, Hermès relies on an expert European partner to select farmers who operate under the most rigorous standards, controlled by local authorities and regular audits.

**Other materials.** Hermès uses mainly natural raw materials, often in small quantities, favoring the best sources with very high-quality materials, from producers concerned about their environmental and social impacts. The House dedicates time and resources to understanding, quality control and ensuring the sustainability of its partners' supply chains. Programmes are also carried out to improve the quality of their manufacturing.

#### Handcrafted production

The uniqueness of Hermès is based on a mode of production in France that confers responsibility and is highly integrated. The Hermès Group produces 61% of its objects in its in-house and exclusive workshops. The manufacturing sites are mainly established in France (80%, 51 sites out of the total of 64 are in France), in nine of the 13 mainland regions of the country. Organized in regional hubs and by *métiers*, the leather goods sites in particular, are reasonably sized with between 250 and 300 employees. In terms of employment, these sites promote local access to jobs, in particular through the process of recruiting "by simulation", without *Curriculum Vitae*, based on aptitude, in partnership with the "Pôle Emploi" employment centers. The focus is then on internal training, which guarantees the transmission of exceptional *savoir-faire* (83 trainers for 22 leather goods workshops).

The Leather Goods & Saddlery division accounts for half of the Hermès Group's sales, while the Silk, Textile (Ready-to-wear) and Accessories activities generate one-third of the total. More than a dozen other *métiers* round off Group revenue. The use of subcontracting is limited and relies on long-term partnerships. Most of its subcontractors – mainly based in France or other European countries – are closely monitored in terms of quality, ethics, labor procedures and their impact on the environment.

#### Logistics

Mainly manufactured in France, the products are distributed from the Hermès Group's integrated logistics platforms, the largest of which is on a 31,000 m<sup>2</sup> site in Bobigny (Ile-de-France). Some 90% of distribution is to international locations. The choice of a centralized logistics model makes it possible to optimize flows, to find and implement transport solutions that can both reduce the carbon footprint and also meet product delivery requirements, particularly in terms of delivery times and safety. Operators prepare orders for stores around the world with a view to streamlining volumes and packaging. The search for optimal modes of transport to deliver orders to their destination is constantly being studied in order to limit the carbon impact and reduce the environmental footprint associated with transportation of goods.



### Purchasing freedom

Present worldwide, Hermès is strongly committed to the principle of giving purchasing freedom to its retail subsidiaries and stores. Hermès' distinctive approach in this area can be seen in the freedom given to store managers to compose their own offerings as they see fit, tailoring them to suit their local customers, during the four annual meetings held to present the new Hermès collections of the *métiers* (the pre-collections and podiums). This approach has many benefits – the service logistics of the exclusive points of sale are optimized, the offering is varied and relevant, the environmental footprint is controlled and waste reduced.

### Exclusive distribution

While its products are made in France, they are distributed worldwide. Hermès has 306 exclusive stores, including 221 branches. Online commerce, first launched in 2002, continues its stellar growth, complementing this physical network. Hermès favors the qualitative development of its network, applying to both the embellishment of its stores and the expansion, in some cases, of existing stores. Special attention is given to their architectural quality, social impact (quality-of-life of sales teams) and their environmental footprint during construction, including operating materials (such as lighting), renovation and end-of-life (recycling).

### Responsible communication and transparency

CSR communication is a major focus, with the aim of making the House's sustainable development strategy and actions more transparent. It takes shape on a daily basis through a multitude of actions and tools that serve to improve external communication: dialogue with the press and influence, information for employees, Group's first ambassadors, etc. On a pro-active basis, responses are provided to external questionnaires and analysts. In addition to official communications such as this report, a "sustainable development" section has been added to the new financial site, launched in September 2020, and provides tangible information on objectives and achievements. (<https://finance.hermes.com/en/a-value-creating-and-sustainable-french-model/>). Since its launch, this site has been a tremendous success.

### Lasting products

Hermès objects are designed to withstand the rigors of time. They develop a patina, they are cared for, repaired and renovated using the *savoir-faire* of specially trained craftspeople in the Group's exclusive in-house workshops in France or abroad, regardless of their date of manufacture. Nearly 80 employees handle a volume of more than 120,000 such requests each year. Their longevity – inseparable from the spirit of craftsmanship – allow them to be passed on from one generation to another. The design and manufacture of the objects reflect a sustainable and reasonable model, a world away from excessive consumerism. Purchasing a sustainable object is a responsible action. At the same time, the *métiers* are working on ways to reuse and improve the circularity of materials and finished objects with the aim of recycling, innovating and finding new uses.

### End-of-life

Although the craftsmanship model is, by design, a factor that helps streamline and optimize the use of materials, work is being carried out to anticipate the end-of-life of objects. The *métiers* and subsidiaries, guided by the various departments, innovate and work on concrete projects which aim to extend the life of products and master material waste, in particular through donations and circular channels (reuse, recycling, etc.).

## 2.1.2 CONTRIBUTIVE, SOLID AND SUSTAINABLE GROWTH

### 2.1.2.1 CONTROLLED DEVELOPMENT FOR STRONG RESULTS

#### Covid-19 – A resilient and contributive model in a situation of crisis

The impact of the Covid-19 pandemic in 2020 – the scale, length and geographic scope of which are changing daily – currently remains difficult to assess.

Hermès has played its role as a company to fight against this pandemic and its collateral impact. The House has thus taken steps to learn from the negative effects and has adapted each aspect of its business.

The main measures taken at all levels are summarized below:

- ◆ employees: protection of all employees by maintaining jobs and wages. Implementation of systems for returning to sites safely, and flexibility in rolling out new ways of working. During all these periods, the Group decided not to seek any State aid relating to partial activity measures. This decision was applied in all countries where the Group operates;
- ◆ partners: assistance and continuation of local relationships, dialogue, and economic support, as well as the donation of hydroalcoholic gel;
- ◆ customers: reinventing the customer relationship with the adaptation of e-commerce and the in-store customer experience;
- ◆ Hermès Group: continued investments in new manufacturing sites in France and contribution to maintaining activities, for example, the integration of J3L, a manufacturer of metal parts;
- ◆ society: numerous donations of masks and gel and financial sponsorship, the most significant of which is the donation of €20 million to AP-HP (*Assistance publique – Hôpitaux de Paris*, the Paris Public Hospitals Authority in France).

The Group remains very involved and active, regularly reviewing the situation and adapting its systems to the measures required by the medical and public authorities.

Details of the actions are provided in the various sections of chapter 2 of this document.

For more than 10 years, the Hermès Group has seen steady growth. This trajectory is the outcome of the House's assets: its creativity, the uniqueness of its craftsmanship model and its selective distribution, accompanied by a controlled development strategy and prudent management. The success of this model led to a 2.2-fold increase in the House's revenue over 10 years; recurring operating income also grew 2.2-fold over the same period, while the workforce grew 1.9 fold. In 2020, the Company confirmed its robust economic health, with net income attributable to owners of the parent of €1,385 million. At the same time, the international expansion of Hermès continues. With a commercial presence in 50 countries, the Group is strengthening its network with the opening of six points of sale in 2020.

Facing economic, social and environmental challenges worldwide, this craftsmanship growth model is part of the solution to the challenges of more sustainable development. It creates jobs and uses renewable raw materials that allow the creation of sustainable objects with a small environmental footprint. As an example, Hermès has one of the lowest carbon intensities of CAC 40 companies.

Currently managed by the sixth generation of family shareholders, Hermès is aware of its responsibility to pass on a sustainable company to future generations.

### 2.1.2.2 CONTRIBUTION TO A MORE SUSTAINABLE WORLD

Buoyed by its results, its sustained growth and dynamic outlook, Hermès is committed to sharing the fruits of its success, always motivated by the conviction that it should give back to the world some of what the world gives it. Several examples of accomplishments are set out below, with an exhaustive presentation of actions detailed in the remainder of this chapter 2:

- ♦ **craftsmanship savoir-faire:** managing 5,600 craftspeople in France, as they pass on to future generations skills and techniques that are often-exclusive, taking part in the preservation of the *métiers* and this heritage of French *savoir-faire*;
- ♦ **long-term employment:** Hermès' strategy of investment brings long-term jobs;
- ♦ **biodiversity and ecosystems:** ethical purchasing of raw materials contributes to its reasonable production. This has a positive effect on some locations, with impacts extending to the protection of endangered species, the preservation of ecosystems and the living conditions of local communities;
- ♦ **vitality in the regions:** with 861 new direct jobs in France in 2020 and the opening of an average of one production site each year for the past six years, Hermès is active in the creation of dynamic regions, especially in rural France. A responsible player committed to the communities in which it is established, Hermès believes in the importance of developing partnerships with all players in its host regions, in an approach that is economic and civic-minded, pragmatic and systematic. Each direct job created in a rural setting indirectly leads to at least 1.5 additional regional jobs. These established sites

allow us to support, and even re-energize, economic activity and promote, by creating economic value, local, social, civic, environmental and cultural benefits. With 80% of production carried out in France, this demonstrates its positive social impact;

- ♦ **value sharing:** the allocation of the Hermès Group's net income is constant over time: one-third goes to investments, one-third goes to shareholders, and one-third is put in reserve. The Hermès Group's effective tax rate is 30.9%. The amounts distributed to employees have been rising at the same pace as added value. Employees also share in the benefits of growth through an ambitious wage rise policy, incentive schemes, profit-sharing and recurring shareholding plans, available to more than 13,000 employees. **The Fondation d'entreprise Hermès has a five-year budget of €40 million (2018-2023) which allows it to support new general interest projects.** These projects are, moreover, in addition to more than 340 local initiatives (human and financial sponsorship, etc.), carried out directly by the subsidiaries in France and abroad.

### 2.1.3 STRUCTURING CSR AMBITIONS

Hermès works to ensure sustainable development by seeking to maintain a positive contribution towards its employees, its stakeholders, and more broadly, to economic and social development, while continuing its efforts to minimize its environmental footprint, in relative and absolute value. The House, mindful of its legitimacy, also wishes to contribute to debates and serve the common interest in areas in which it may have a real impact or take concrete action. This approach has two major focuses:

- ♦ **improving operating practices** to achieve better integration of societal changes and environmental and climate urgency, sobriety and resilience, based on the strengths of the craftsmanship model and the values of the House. Examples of this include:
  - consolidating the business model by highlighting its assets,
  - continuing a high level of recruitment and training in France,
  - continuing the decoupling of energy and water consumption and carbon emissions, from activity growth,
  - the continuation of its biodiversity strategy, initiated in 2018 and reconfirmed this year by the commitment to Act4Nature International,
  - long-term societal actions.
- ♦ **advocating for different modes of production:** against the tide of mass consumption, the craftsmanship model is an approach, in the same way as low-intensity agriculture, that in itself gives voice to more responsible, sustainable and open solutions, and can help face the challenges of future transitions. For Hermès, the results of this model bear witness to its success. By identifying the distinctive features of its approach and sharing them, Hermès wishes to take part in public dialogue and contribute to defining a future path for the necessary economic and environmental changes. This ambition echoes the transmission of values so dear to the House.

### 2.1.3.1 CSR CHALLENGES

In 2020, Hermès updated the materiality analysis of its principal CSR challenges. The matrix below shows the main results of this update. This materiality matrix follows up on the work carried out for several years by the Sustainable Development Committee and the sustainable development department, together with the Executive Committee, and in collaboration with the audit and risk management department. It contributes to the risk analyses carried out at Group level.

#### Identification, assessment and ranking of challenges

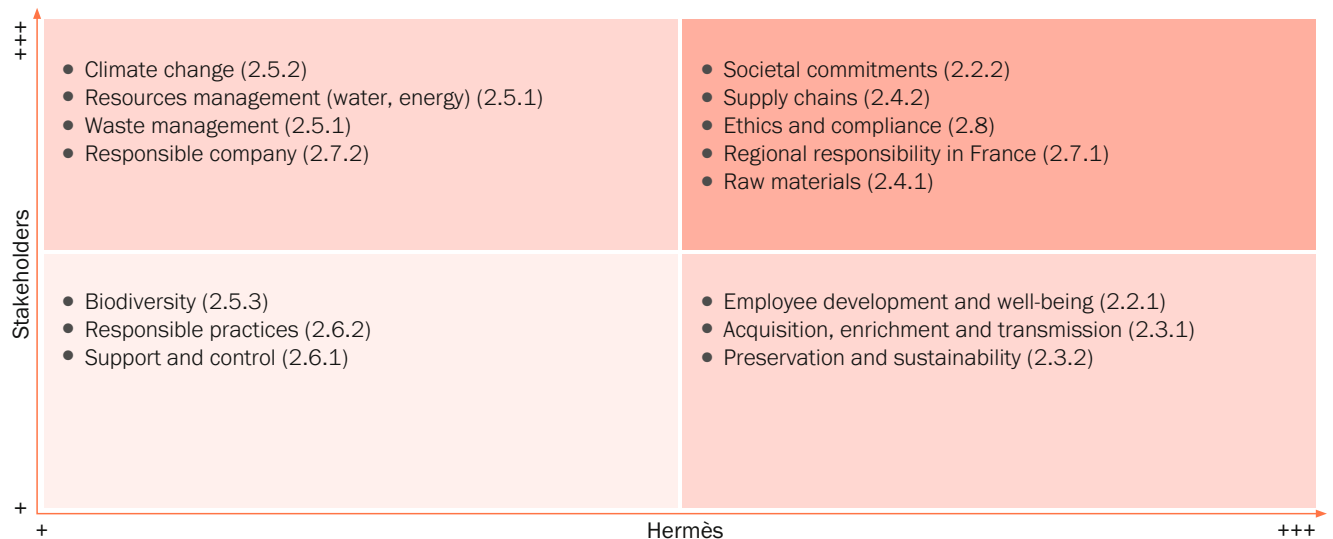
A tool for structuring the CSR strategy, the “sustainable development issues mapping” matrix takes into account the interests of each of the

stakeholders with which Hermès interacts. This 2020 analysis took the form of four internal working groups and the contribution of qualified external observers:

- ◆ internal stakeholders reflecting the House’s various functions: manufacturing, support, retailer, *métiers*;
- ◆ external stakeholders: suppliers, NGOs, elected officials, professional networks, companies, analysts, customers, shareholders.

Understanding that the notion of risk itself contains an opportunity factor, Hermès uses the term “challenges” to qualify its CSR approach in this statement of non-financial performance. These challenges are summarized as part of the CSR strategy, and described in more detail in the following sections of the document.

These five groups (over 100 people) ranked the challenges according to a dual scale of importance (for the Hermès model and more broadly for the world), as summarized in the four quadrants below (numbers refer to sections in the report):



#### Comments on results

- ◆ the upper right quadrant of the matrix shows the subjects considered most important both by stakeholders, and for the development of Hermès. It includes topics related to ethics, societal commitments and regional responsibility, as well as environmental issues such as the management of materials and supply chains;
- ◆ the topics highlighted by stakeholders are found in the top left quadrant. They are linked to major global issues such as climate change, frugal actions with regard to the environment, such as resource and waste management and, lastly, to societal issues such as the role of a responsible company;

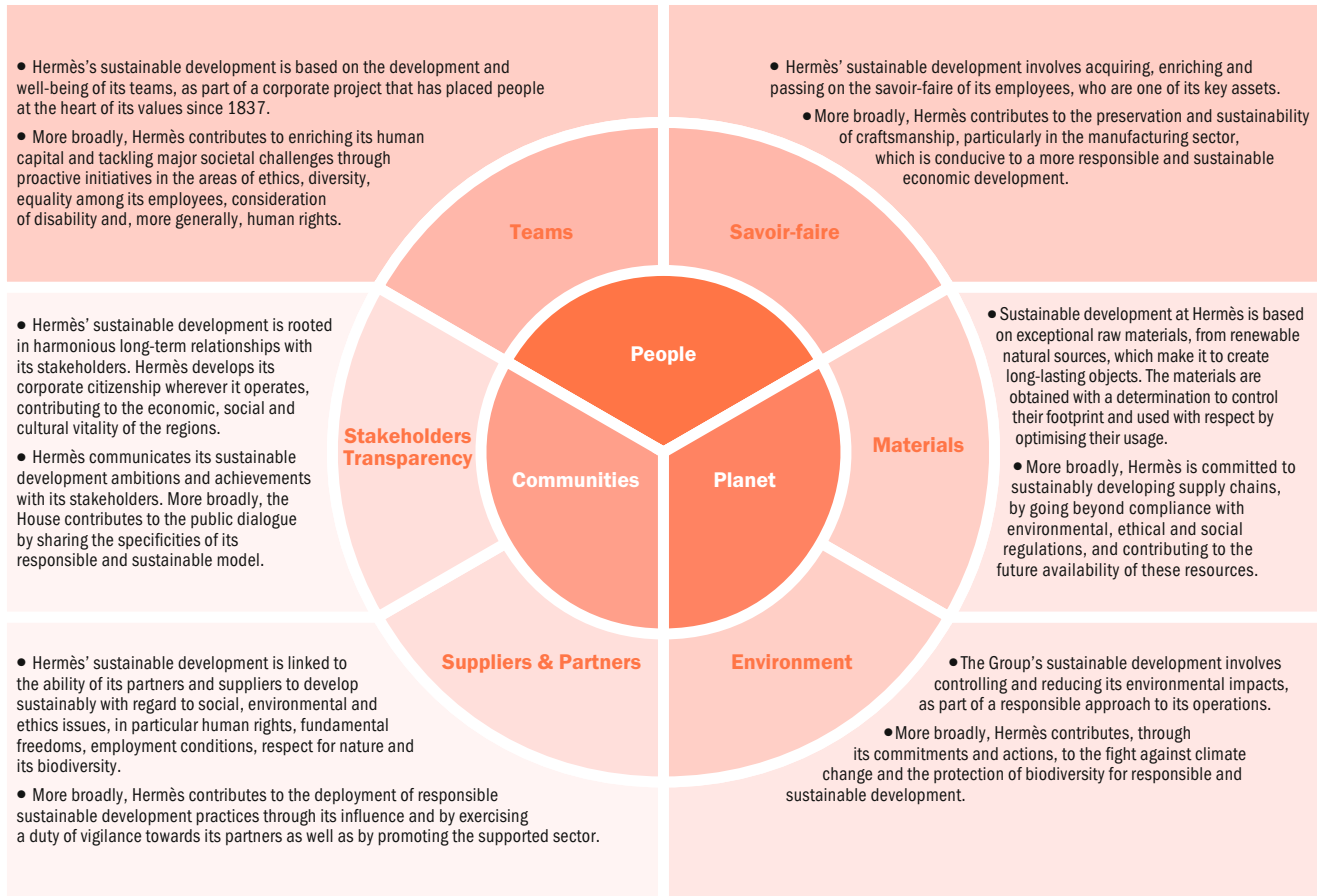
- ◆ the topics assessed, relatively, as most important for the Hermès model (bottom right quadrant) are related to its specificity and its unique model, with human aspects and in particular the development of employees as well as the transmission, preservation and sustainability of *savoir-faire*.

These challenges were taken into account and incorporated into the five categories of specific risks identified in the Group risk mapping presented in § 4.1 in chapter 4 "Risks and control".

### 2.1.3.2 CSR STRATEGY

Developed in 2015 and updated in 2020, the Hermès CSR strategy “Ambitions” is based on the premise: “We are all artisans of our sustainable development”, and constitutes the CSR reference framework applicable to all employees. This is based on appropriation and

implementation of topics at a collective level, a key factor in its sustainability. The Sustainable Development Committee and the sustainable development department assist and supervise the Group’s subsidiaries and *métiers* to ensure its proper application. Three major axes, People, Planet, and Communities, broken down into six themes, characterize this strategy:



### 2.1.3.3 GOVERNANCE OF THE CSR APPROACH

Hermès, through its family and craftsmanship business model, incorporates the challenges of sustainable development as a normal part of its activity. The approach has been given greater structure since 2002 with the implementation of an environmental policy. Governance has gradually been organized with the creation of dedicated bodies, effective tools and a strategy that was unveiled in 2015.

The House’s actions with respect to sustainable development are steered by a Group sustainable development department and have been supervised by the Sustainable Development Committee since 2007.

YEAR	2002	2003	2007	2009	2012	2015	2019	2020
Environmental policy	X							
EHS Network (Environment, health and safety)		X						
Creation of the Sustainable Development Committee			X					
Ethical charter				X			Up date	
Sustainable development department					X			
Code of business conduct					X		Up date	
Ambitions Hermès strategic framework						X		Up date
Anti-corruption code of conduct							X	
External communication: CSR expert page								X

The actions undertaken involve various corporate bodies:

**Executive Management and Executive Committee:** Hermès Group Management plays an active role in the implementation and rollout of the approach. The Executive Chairman, Axel Dumas, is involved in many subjects. Since 2019, the Supervisory Board (see chapter "Corporate governance") has approved the implementation of a variable compensation component for the Executive Chairman of Hermès based on three CSR criteria (environmental, human resources and societal). Two members of the Executive Committee sit on the Sustainable Development Committee, and are able to share key challenges within both committees.

**Sustainable Development Committee:** this committee validates the strategy, conducts governance and oversees CSR activities. Composed of 11 members including two members of the Executive Committee, it includes managers from the Human Resources department, the industrial affairs department, distribution, two *métiers* (Leather and Textiles), and the Fondation d'entreprise Hermès. It reports to the CAG-CSR Committee of the Supervisory Board twice per year, and its reports are provided to the Executive Committee. **It met six times in 2020, the attendance rate of members was 91% and 100% for the two members of the Executive Committee.**

**Group sustainable development department:** reporting to a member of the Executive Committee, this proposes and implements the strategy and oversees the approach taken by all operating departments and Hermès Group subsidiaries, both in France and internationally. It monitors accomplishments, coordinates the operation of various committees (the Sustainable Development Committee and a Group Operations Committee), assists local committees and manages cross-functional projects.

**Group Operations Committee:** composed of 45 representatives from the different corporate functions. It analyses and validates projects' technical and functional aspects and facilitates information sharing between its members. It met seven times in 2020.

**Local Sustainable Development Committees:** run by the main *métiers* and subsidiaries, they initiate and track actions launched, and share them during regional meetings. For example, the Leather Goods division's Sustainable Development Committee has met every six weeks to share the latest developments since 2020. For the seventh consecutive year, the Heads of the Sustainable Development Committees of the Greater China, South Asia and Japan regions met remotely for two mornings of conferences. Environmental initiatives are driven more specifically by an "HSE network" in France, run by the industrial affairs department.

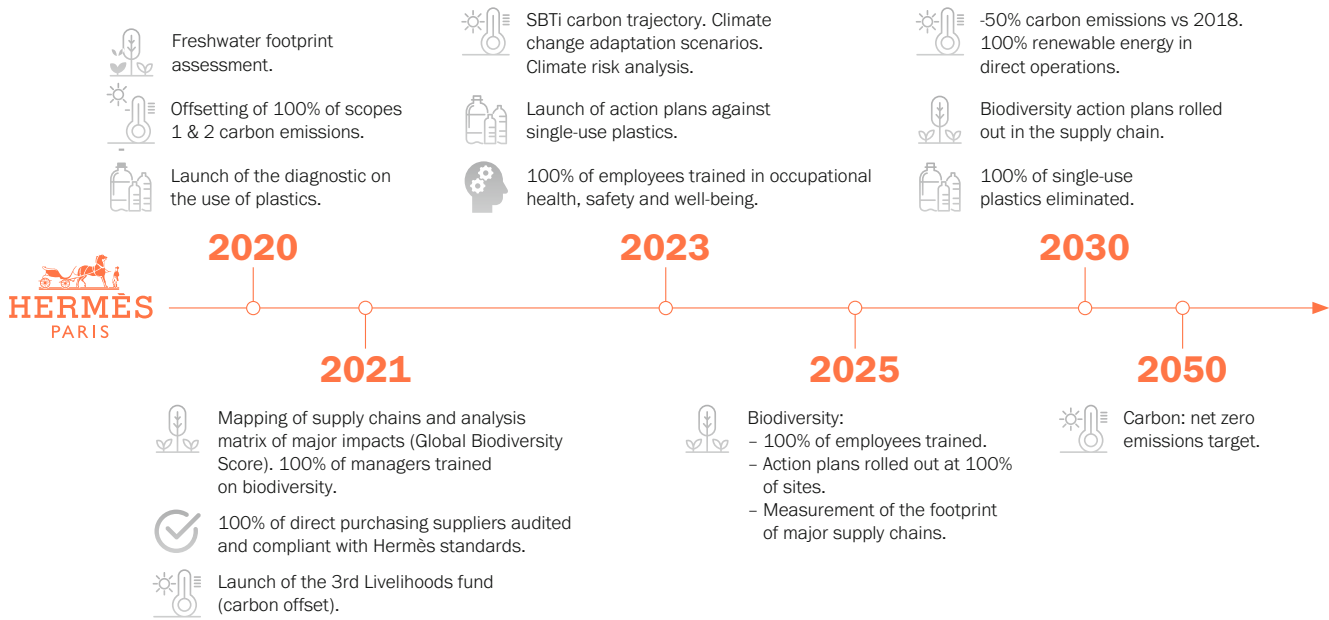
These bodies may be supplemented by management and *Ad Hoc* Committees when new sustainable development projects are implemented by subsidiaries and entities. Cross-functional committees, led by Hermès' head office departments, manage issues that are of common interest and often of a medium-term nature. They focus in particular on issues relating to recycling, materials innovation, sustainable construction and logistics.

**Management Committee:** within the *métiers* and subsidiaries, the Management Committees are responsible for leading the approach at their level, and for maintaining a CSR roadmap each year.

### 2.1.3.4 CONCRETE AND LONG-TERM COMMITMENTS

In addition to its internal ambitions and, by extension, ambitions for the sustainable development of the planet, the House has made commitments at a number of levels. These commitments confirm a desire

to be more actively involved in global actions carried out by different bodies and companies. In order to accelerate the transition to progress, as well as on key issues, they are implemented at several levels:



## PEOPLE: TEAMS - CHALLENGES AND KEY FIGURES

## Covid-19

**175** management coaching sessions in Europe during the Covid crisis

## Development and well-being

**75%** of employees have taken part in a well-being survey since 2018**61%** of the production workforce benefit from flexible work schedulesMore than **70%** of employees worldwide benefit from additional statutory health, pension and welfare plans**13,000** employee shareholders are eligible for the 2019 plans**€1 billion** valuation of employee shareholding at 31 December 2020 (1.09% of the share capital)**100%** of new hires received training in corporate culture since 2018**69** social dialogue agreements and amendments signed in France in 2020

## Societal challenges

**92/100** Equal Pay Index (France)**69%** of the Operations Committee are women**60%** of managers in the Group are women**5.68%** of employees are people with a disability (France)**100%** of employees receive the code of business conduct, the ethics charter and the anti-corruption code

## PEOPLE : SAVOIR-FAIRE - CHALLENGES AND KEY FIGURES

## Acquisition, enrichment and transmission

**5,617** craftspeople in France (6,265 worldwide)**61%** of objects made in the in-house and exclusive workshops**4,356** new employees in the last five years (worldwide)**72%** of employees have taken at least one training course (worldwide, 2020)**6,100** craftspeople have been trained at the École du Cuir in the past ten years**283** professional certifications were obtained in 2020**107** in-house trainers including 83 in Leather for 22 Leather Goods workshops (production, France)**17%** employees under the age of 30**25.8%** of employees have more than 15 years of service (France)**9 years** average seniority of employees (worldwide)


## Preservation and sustainability


**12** *Entreprise du Patrimoine Vivant* (Living Heritage Company) – EPV**12** partnerships with leatherworker training schools in France**22** *Meilleurs Ouvriers de France* (Best craftspeople in France) (MOF)**40** presentations by Hermès to higher education classes (France)



## THE PLANET: RAW MATERIALS – CHALLENGES AND KEY FIGURES

### Raw materials


 **100%** recycled gold and silver processed in the workshops

 **39,000** products resulting from upcycling sold in 2020




 **15** tonnes of textile materials recycled in 2020

 **123,000** repairs worldwide


 **33** leather craftspeople expatriated to a subsidiary for repairs

### Supply chains



 **96%** of hides are by-products of the food industry




 **92%** of hides sourced in Europe



 **92%** purchasing categories where risks were mapped in 2020



 **100%** Group entities with an animal welfare roadmap

## THE PLANET: ENVIRONMENT – CHALLENGES AND KEY FIGURES

## Resources and waste management

**82.4%** of electricity from renewable sources (worldwide)**3** Leather Goods workshops equivalents using own photovoltaic electricity production**-25.3%** water consumption intensity over 10 years <sup>1</sup>**-41.5%** energy consumption intensity over 10 years <sup>1</sup>**80%** stores lit by LEDs (worldwide)**43.2%** recycled industrial waste (excluding energy recovery)

## Climate change (Green House Gaz : GHG)

**-5%** reduction in scope 1 and 2 GHG emissions since 2018 (absolute value)**-24%** in scope 3 carbon intensity since 2018**-50%** GHG emission reduction targets (2030 vs 2018)**134%** GHG offset scopes 1 and 2

## Biodiversity

**96%** of activities covered by the Global Biodiversity Score (GBS) study**4** commitments formalised as part of the biodiversity strategy (Act4Nature International)**130** million trees planted by Livelihoods

1. Excluding farms.

## COMMUNITIES : SUPPLIERS - CHALLENGES AND KEY FIGURES

### Support and control



**20 years** length of relationships (top 50 direct suppliers)



**56%** of purchases made in France (top 50 direct suppliers)

**100%** of Leather Goods objects made in France



**71** in-depth audits of tier one and tier two suppliers

**55%** of audits still took place despite the Covid-19 crisis



**85%** direct purchasing suppliers who signed handbooks 1 and 2 (CSR policy)



**+18%** outperformance of Group indirect supplier CSR scores compared to the EcoVadis benchmark

### Responsible practices



**100%** of suppliers listed in 2020 undergo CSR audits



**1<sup>st</sup>** luxury goods house certified RJC COP 2019 (gold, silver, platinum, diamonds, coloured gemstones)



**2020** commitment within the Leather Working Group (LWG, Leather Goods)



**€2.4** million in total purchases from socially supported organisations (EA, ESAT)

## COMMUNITIES: STAKEHOLDERS AND LOCAL INTEGRATION – CHALLENGES AND KEY FIGURES

### Regional responsibility in France



**51** production sites in 9 of the 13 French regions

**80%** of objects made in France



**31%** consolidated Group tax rate



**2,922** new employees in France over five years

### Responsible company



**€20 million** Group donation to AP-HP hospitals



**340** solidarity operations around the world, including 100 related to Covid-19



**€40 million** budget for the Fondation d'entreprise (over five years 2018-2023)



**1 million** people impacted by Livelihoods projects worldwide



**9** assessments on ESG performance



**1<sup>st</sup>** in the Carenews Corporate Foundation ranking (endowment vs revenues, 2019 study)