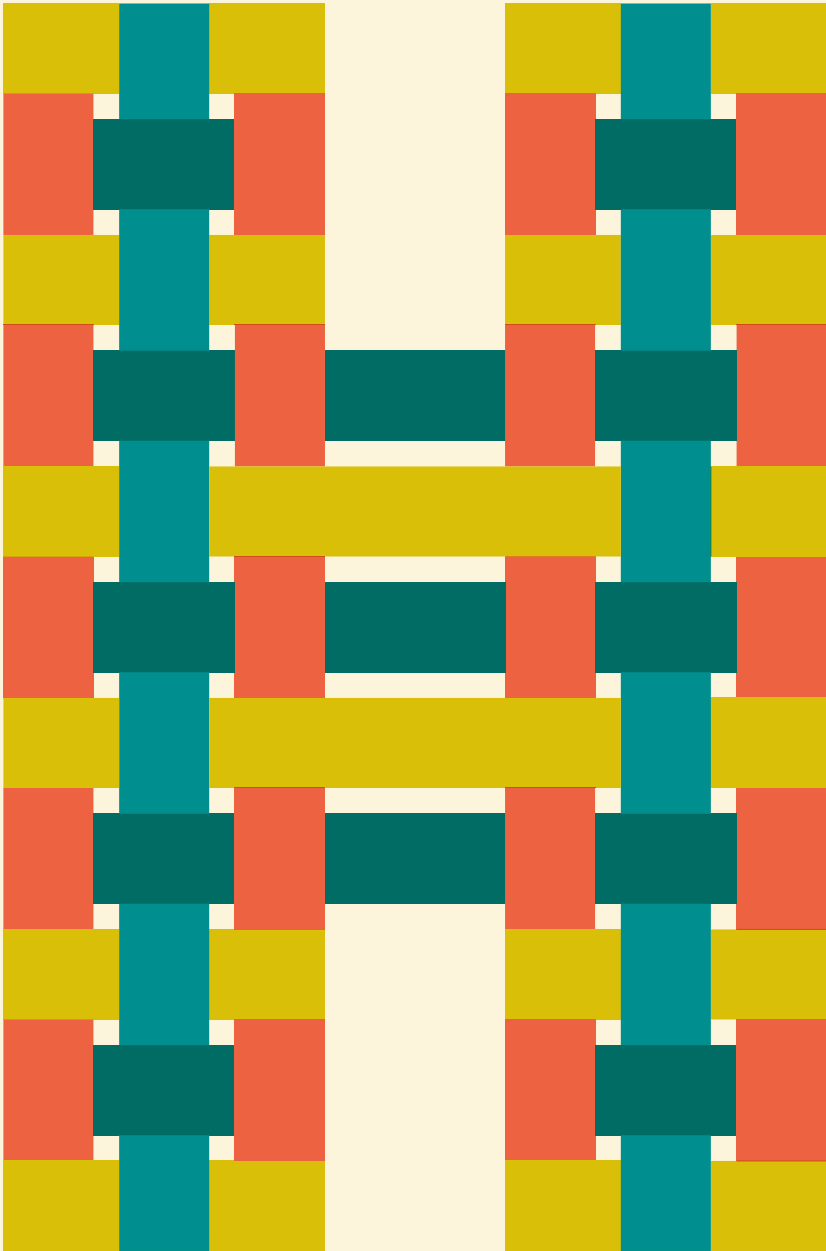


# 2020 Universal registration document

CSR EXTRACT  
Non-Financial Performance Statement (NFPS)



The nine key topics of the SASB are organised around four headings, as detailed below:

- A. Chemicals management (CG-AA-250);
- B. Environmental footprint of the supply chain (CG-AA-430a);
- C. Working conditions in the supply chain (CG-AA-430b);
- D. Supply of raw materials (CG-AA-440).

#### A. Chemicals management (CG-AA-250)

§ 2.2.1, 2.4.2, 2.5.1 and 2.6 of this document provide more details on the topics listed below.

##### 1. Compliance of regulated substances (GC-AA-250a.1)

###### General principles

Hermès assumes all its responsibilities as a company that places goods on markets, to ensure the regulatory compliance of all products sold, in all countries where it operates. Two main activities make it possible to respect this commitment, monitoring and validation of products:

- ♦ regulatory monitoring is carried out through a large number of actions with stakeholders and is coordinated by the industrial affairs department:
  - coordination of the Colbert Committee's "Regulations" working group,
  - participation in the "Regulations" working group of Francéclat (Porcelain and Silversmith), the BJOP (Jewellery, Silversmith),
  - regulatory update at least once a year with the CTC (Leather), IFTH (Textiles), FPPP (Porcelain), BJOP (Jewellery, Silversmith), the Fédération du Verre et du Cristal, the Fédération Horlogère,
  - taking into account the monitoring prepared by a specialised service provider (Bureau Veritas) on certain products,
  - update twice a year (during the podiums), with all the House's subsidiaries, on the regulatory changes relating to products in each country. All possible incidents are dealt with in these meetings;
- ♦ product validation from a regulatory point of view, which is carried out at two levels:
  - the annual update of product specifications (CDC), which takes into account all the results of regulatory monitoring. These CDCs include compliance with the most stringent product regulations in the world (all countries to which Hermès exports products). It is generally the European regulations that are the strictest, even if this is not always the case,
  - all products are tested (internally and/or externally), in approved laboratories, against the technical criteria and according to the standards described in the product specifications.

###### Use of controlled substances

The list of controlled substances monitored by the Group (RSL) is the list of controlled substances worldwide. The Group has set a target of compliance with the most stringent regulations, which are generally European regulations. This list is shared within the Colbert Committee. For each substance, the name of the substance, its CAS number, the

most stringent limit in the world and the laboratory control standard for the substance appear.

The Group's list of substances, the permitted limits as well as the control standards, are common to the production units and apply to the suppliers. More specifically, product specifications (including this substance regulation) are shared with suppliers. The approval of products manufactured by suppliers follows exactly the same pattern as products manufactured by the Group. A good example is that of the tanneries: the Leather *métier* purchases hides from the Group's tanneries, but also some of its needs from external tanneries. The "leather" specifications are exactly the same in both cases, and new hides from in-house tanneries or those of colleagues follow the same approval path.

Hermès has put in place preventive processes to restrict or prohibit certain substances, in particular by discussing and signing product specifications with suppliers, which contains all the regulations and technical requirements, as well as the corresponding control methods.

###### Control of materials and products

For its raw materials, Hermès adapts the frequency and type of controls according to the volumes concerned. For very limited volumes, control may be at the unit level, but it is carried out on a statistical basis for larger volumes. Depending on the nature of the materials, which can be technically very different (leathers, textiles, perfume essences, etc.), the volumes and the history of the quality results, a sampling and testing frequency is chosen by the quality department to ensure a maximum confidence level in the quality of incoming materials. In the event of a negative result, the goods are blocked and sampling and controls increased.

With regard to products (whether manufactured in-house or by suppliers), the Group procedure is exactly the same: the aim is to verify, with a maximum level of confidence, that the entity placing the goods on the market has fulfilled its responsibilities. Some of the House's products are subject to checks on every unit for certain characteristics that are considered critical. Others are checked on a regular basis and yet others on a random basis. The great diversity of products (Leather Goods, textiles, porcelain, crystal, silverware, jewellery, watches, ready-to-wear, perfumes, etc.) means that an appropriate control scheme and the proper frequency must be defined for each product.

Hermès uses the services of both in-house and external laboratories for these checks. This decision is made according to the workload of the in-house laboratories as well as the nature of the measurements to be carried out.

In summary, the Group's generic procedure (SOP) is that no raw material or product is supplied without a specification being defined and accepted by the supplier, and without the raw material or the finished product having been tested according to these specifications.

###### List of controlled substances

As explained above, there is a single list of controlled substance (RSL), which includes all substances that are or could be used in products. For each substance, the most stringent regulations in the world are systematically adopted. The aim is to produce products that comply with regulations, regardless of the country in which they are sold.

The RSL is shared within the Colbert Committee working group. This list of substances is not distributed as such. Such distribution would not be of great interest, since this list contains only public information, being a collation of national or federal regulations.

#### Supply chain compliance

All raw materials purchased and all products purchased are subject to specifications. The specifications are discussed and formally approved by the supplier. They include all regulations corresponding to the material and/or product. Any raw materials purchased, just as any products purchased, are subject to technical approval including laboratory tests. All deliveries (raw materials or products) are subject to appropriate quality control. Certain supplies (materials or products) are accompanied by an inspection certificate, the tests having been carried out by the supplier, when this provision is stipulated in the specifications. Tier 1 suppliers undertake to develop the same approach (formal specifications, control procedures, etc.) with their own suppliers (tier 2).

In the event of non-compliance with the specifications for raw materials or products, the goods are blocked and, generally, a second verification check is launched. Hermès does not use non-compliant goods in its production. They are therefore returned for new manufacture or repair when technically possible.

## 2. Management of risks related to the use of chemicals (CG-AA-250a.2)

#### General principles

The Hermès craftsmanship model means that 61% of the House's objects are produced in in-house and exclusive workshops, 80% of which are located in France. The remaining 39% come from suppliers, the vast majority of which are located in France and Europe. Thus, of the top 50 suppliers of materials or products, 52% are in France, 42% are in Europe and only 7% are in countries further afield.

For all sites located in France and Europe, labour legislation requires a chemical risk analysis and the implementation of measures to protect workers. In owned units, as well as those of suppliers, regular audits are carried out to verify that the analyses are properly carried out, and the means of protection are in place and used.

For all sites in France and Europe, the national regulator imposes a limit on the chemical substances released into the air, effluents and soil. In the House's own units, as well as those of suppliers, regular audits verify that each entity is fully aware of the regulations to which it is subject, that the necessary means to comply with them are in place, and that regular checks make it possible to ensure that these methods are working.

For the small number of suppliers further afield, for the majority of materials suppliers, regular audits are used to verify regulatory

compliance, in terms of health and safety, as well as the environment. In the event that local legislation does not exist or is insufficient, Hermès helps its suppliers to adopt and comply with European standards.

#### Implementation

The chemical risk management approach is based on legislation which, in France and in Europe, is generally hazard-based.

The use of a chemical substance banned by a Reach-type regulation, for example in a French or European tannery, is a case that would undoubtedly be discovered either by the entity's audit or by product control. This demonstrates the importance of regular and in-depth audits, as well as appropriate product control frequency.

The main chemical risk management tool is the product specification. An accurate and exhaustive reflection of the most demanding regulations worldwide, it lists all the requirements in terms of substances, the limits set, and the corresponding laboratory control methods. The procedure begins with the sharing of this document with the supplier (in-house or external), then follows a formal agreement from the supplier, and it is completed by an approval check of the first products delivered. During the "series life", checks are carried out at an appropriate frequency.

The choice of chemical reduction and/or elimination projects is mainly based on an analysis of future regulatory changes. It is in this spirit that the Group conducts a very strict regulatory watch, both in France and abroad.

When there is a threat of changes in the regulations for a substance or a family of substances, an estimated decision schedule is drawn up, which sets out the work to be carried out and the timetable.

Hermès has set up a third-party certification target for each of its purchasing sectors (around 60). For example:

- ◆ 100% of farmed exotic leathers certified by ICFA (crocodile) and SAOBC (ostrich);
- ◆ RJC certification on metals and precious stones;
- ◆ SA 8000 certification of the leading OuterWear manufacturer of Women's Ready-to-wear;
- ◆ ISO 14001 certification of the largest manufacturer of cashmere coats;
- ◆ LWG for leathers;
- ◆ GOTS for packaging cotton;
- ◆ FSC for cellulose fibres (viscose).

As detailed in § 2.4.2, the Group's 2024 objective is to have 100% of the textile and leather sectors certified.