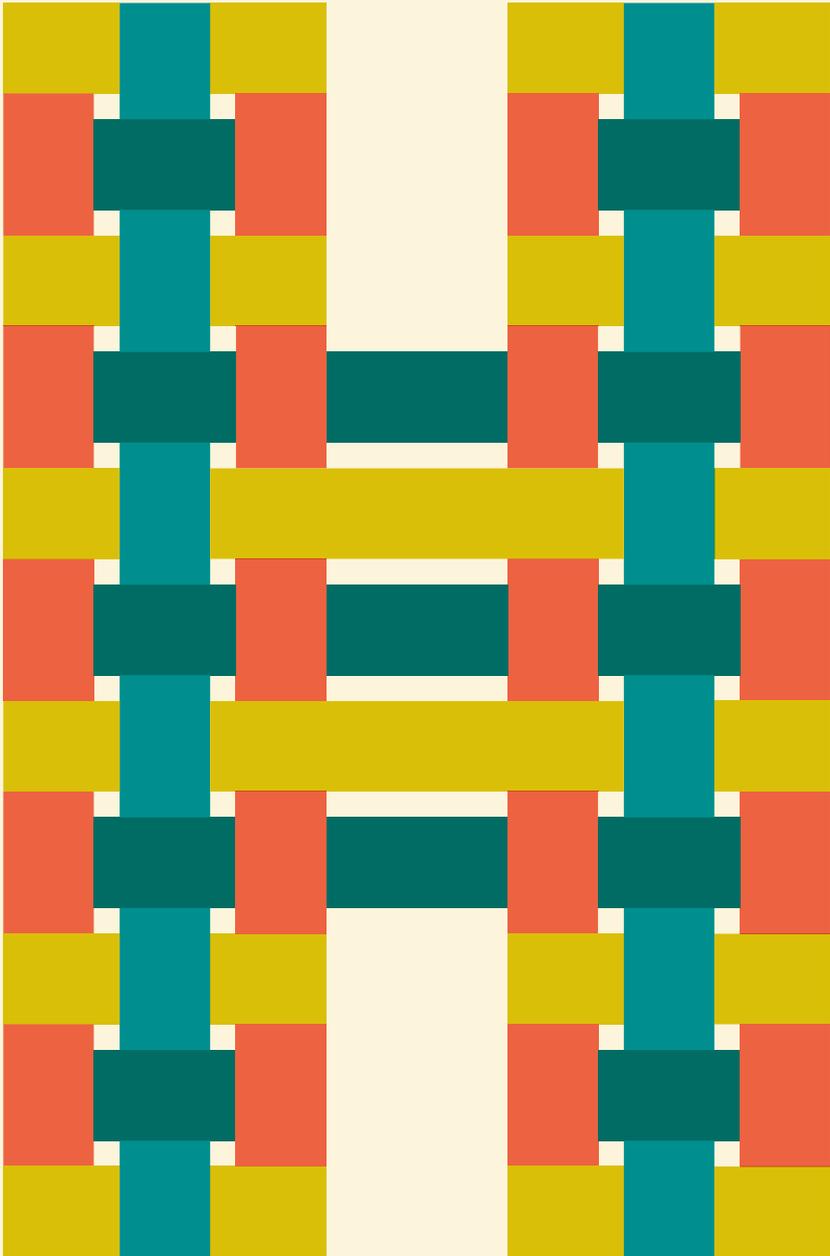


2020 Universal registration document

CSR EXTRACT
Non-Financial Performance Statement (NFPS)



This supply chain brief is built around commitments that the House is co-developing with its partners on the following bases:

MAIN COMMITMENTS FOR BETTER CONTROL OF SECTORS AND SUPPLIERS

ANIMAL SECTORS	
Cashmere	Responsible Wool Standard (RWS) certification
Feather/Down	Responsible Down Standard (RDS) certification/PFC (Parent Farm Certified)
Leather	Leather Working Group (LWG) certification of tanneries
Precious leather	IFCA certification for crocodile farms LPPS certification for lizard farms
PLANT SECTORS	
Cotton	GOTS certification
Linen	Master of Linen certification
Cellulosic fibres	FSC fibre sources (list of prohibited suppliers)
Wood	FSC and/or PEFC certification
MINERAL SECTORS	
Stones	RJC and/or IRMA certification
Gold/Silver	RJC certification and use of recycled materials

2.4.2.1.2 Analysis of the main supply chains

SUPPLY CHAIN ANALYSIS

2019	2020
- Methodology - Design of the supply chain toolbox	- Drafting of operational supply chain briefs - Certification procedures, labels
Analysis launch (pilot supply chains)	Continued analysis of supply chains
- Calfskin, bull calf, lamb, ostrich - Cashmere - Gold, silver, diamonds - Wood (walnut, mahogany), rosewood	- Yarns: sheep, merino, angora, mohair, horsehair, yak, alpaca, vicuna, camel - Feathers: goose, duck - Other: fur, fish, elaphe

The conclusions of the work conducted in 2020 on the materials most widely used by the Group are as follows:

Sheep, merino and mohair (angora goat)

The main risk identified during the analysis of these yarns concerns animal welfare, linked to farming and shearing conditions and mulesing practices. Intensive farming also carries a risk of groundwater pollution and soil desertification.

To prevent these risks, the decision is to move towards a responsible supply chain model, based on benchmark market standards, the Responsible Wool Standard (RWS) for sheep and merino, and the Responsible Mohair Standard (RMS) for mohair.

The action plan that was defined in the supply chain brief is as follows:

- ♦ in the short term (2021), continue the survey of all actors up to the breeding level, with information on the origin and species used;

- ◆ by 2024, choose sources of supply certified according to the benchmark labels of the Textile Exchange: Responsible Wool Standard (RWS)/Responsible Mohair Standard (RMS):
 - favour suppliers whose sources are fully RWS-compliant, with 100% of their flocks certified,
 - if the current sources are not certified, define an individual continuous improvement plan based on the above label and share with Hermès any difficulties in obtaining certification and the implementation timing,
- ◆ prohibit from the start suppliers who seriously infringe human rights and fundamental freedoms, suppliers who do not comply with the OIE (World Organisation for Animal Health) principles of animal welfare and, in particular, suppliers who perform surgical mulesing (peri-anal ablation) or chemical (freeze) mulesing.

Goose and duck feathers and down

The main risk identified during the analysis concerns animal welfare, particularly through the practice of de-breaking and plucking. The limited visibility of the supply chain and farms used is also a risk for Hermès.

A moderate environmental risk was also identified with regard to the pressures exerted on the ecosystem through the consumption of water and energy and the pollution of watercourses and groundwater generated by intensive farming.

To prevent these risks, the action plan is to move towards a responsible supply chain model, based on the benchmark market standard, the Responsible Down Standard (RDS).

The action plan that has been defined is as follows:

- ◆ in the short term (2021), continue the survey of all actors up to the breeding level, with information on the origin and species used;
- ◆ by 2024, choose sources of supply certified according to the Responsible Down Standard (RDS) label supplemented by the “Parent Farm Certified” (PFC) B2B certificate. Certification according to the NSF Global Traceable Down Standard (TDS) may also be accepted.

2.4.2.2 IMPOSING THE HIGHEST STANDARDS ON ANIMAL WELFARE AND IN THE ETHICS OF RELATIONSHIPS WITH LIVING CREATURES

The Hermès Group policy is to do more than strictly adhering to the laws and regulations in this area. It works constantly with its tanner, tawer and hide supplier partners and, more broadly, with the professional industry bodies. It has put in place a very strict animal welfare policy covering its specific areas of direct responsibility at the reptile farms, extending also to its external partners. The policy is based on the following principles:

- ◆ **a commitment to the fundamental principles of animal welfare (Five Freedoms)** based on the most recent information supported by

the best scientists and universities in the world. This essentially involves observing the animals and their behaviour (performance requirement), unlike more traditional practices which overlook the animal in the welfare assessment and focus solely on a physical analysis of resources (resource requirement);

- ◆ **a multi-party collaboration** to ensure that the animal welfare results obtained meet the requirements and analyses of a broad range of stakeholders, primarily the World Wildlife Fund (WWF), Royal Society for the Prevention of Cruelty to Animals (RSPCA UK), South African Ostrich Business Chamber (SAOBC), International Crocodilian Farmers Association (ICFA), Crocodile Specialist Group (IUCN-CSG), South East Asian Reptile Conservation Alliance (SARCA) and other professional organisations in France such as Interveau and Interbev;
- ◆ **a formal governance framework:** the House set up an Animal Welfare Committee in 2019. An independent welfare expert is a member of this Committee which meets at least every six months to update the policy and standards, measure progresses and ensure that resources are in place;
- ◆ **implementation of strict best practices**, specific to each supply chain, representing local community expectations and covering a broad range of areas such as farming and slaughtering practices, transportation, traceability, employee working conditions, the environmental performance of farms and their safety, the promotion of biodiversity, conservation of species and assistance to communities and populations. These standards aim to eliminate controversial animal welfare practices in these animal supply chains, limit the excessive use of antibiotics (only on prescription from a vet) and prohibit the use of growth hormones;
- ◆ **a monitoring system adapted to each sector** allows progression of good practices by conducting regular internal, or external, controls and audits in the supply chains. Several audits were conducted on all sectors in 2020 and are thus representative of all animal material supplies; In addition to animal welfare (as defined by the FAWC: Farm Animal Welfare Council), these audits cover environmental and societal aspects of livestock farming;
- ◆ Hermès also continued to **support the International Crocodilian Farmers Association (ICFA)** initiative to draw up and introduce an international certification framework for crocodile welfare and sustainable farming practices at farms (see above). The Group will continue to work with the ICFA to support scientific research and the ongoing improvement of crocodile farming systems;

All the Group’s *métiers* concerned have an animal welfare roadmap.

2.4.2.2.1 Leather

Leather is an animal product, specially tanned and made impudrescible, either in a tawery for lamb, sheep and goatskin or in traditional tanneries for hides from cattle or reptiles. Hides used in Leather Goods are by-products of livestock farming. People sometimes refer to hides as the “5th quarter”, which suggests we can consider **tanning to be the oldest recycling industry in the world**. Hermès uses only full-grain leather, the top part of the hide, without altering it in order to improve its appearance. To maintain consistency in the finished product it also only uses entire hides. Leather reflects the animal’s life. It may bear traces of injuries, health issues, like parasites, and other factors. Beautiful hides come from animals that have been well-treated and cared for. Hence, the Hermès Group’s demand for high quality helps to improve the industry by encouraging livestock farming methods that respect the animals’ welfare.

All leathers used for manufacturing are directly purchased from tanneries, with no intermediaries. The vast majority of the needs are covered by the House’s French, Italian, German and Spanish tanneries, all of which must adhere to European standards, which are some of the highest in the world for the industry.

Hermès uses more than 35 different types of leather to make its goods, most of which come from calves raised in France, including our flagship “Box” leather, made using an English tanning technique, but also natural cowhide in our saddlery leather products line and “exotic” leathers such as crocodile, alligator, lizard and ostrich.

The leathers used are 96% food by-products and 92% sourced in Europe, in compliance with strict regulations.



Calfskin

The House is part of a working group, Interbev (the French interprofessional organisation for meat and livestock), that brings together several luxury French brands as well as all players in the sector. The aim is to define and implement a “responsible French calfskin” industry by introducing, and ensuring compliance with, full traceability of hides and strict animal welfare standards. This joint study also covers the environmental impact of the farms that breed and feed the animals. In the firm belief that the traceability of the hides is vital to improving breeding practices and the quality of the hides themselves, the House continued with the laser marking of the raw hides received by the

Tanneries d’Annonay and Tanneries du Puy. This laser marking, developed in partnership with the Centre technique du cuir (CTC – Leather Technical Centre), offers traceability of hides, from the farm to the finished leather. In 2020, 35% of the calfskins tanned in the division’s two tanneries were marked. Rolling this equipment out to our suppliers’ raw hide sorting lines will be a key challenge over the coming years, as will be the performance of the automatic hide reading devices in the tanneries.

Alongside this working group and our hide marking efforts, in 2019 the House embarked on a study, in partnership with WWF France, to measure the environmental footprint of the European calfskin sector and identify areas for improvement from 2020.

Exotic hides

Virtually all of the exotic hides the House use come from farms in the United States, Africa and Australia. All Hermès partner farms must comply scrupulously with the rules drawn up under the aegis of the UN for the Washington Convention, which defines protection for endangered species. Hermès requires that its partners meet the highest standards for the ethical treatment of alligators and crocodiles following recommendations by expert veterinarians and authorities in the United States, such as the Fish and Wildlife Service, the federal nature protection agency. In addition to strict compliance with the Washington Convention, in 2016 Hermès initiated a study with WWF France to assess respect for animal welfare and measure the environmental footprint of alligator hides in the United States. The progress plan drawn up at the end of this study continued to be actioned in 2020.

All the crocodile farming sites the House deals with, including of course those operated by the House, have signed a best animal husbandry practices charter. The charter was introduced in 2009 (an innovation for the profession at the time) and was updated in 2016. These best practices encompass in particular CITES regulations, animal welfare, the farms’ environmental management, employee labour conditions, safety at work and safety of infrastructures. All have undergone one or more internal audits in the last three years.

Since 2018, the Tanneries division has outsourced these audits of the breeding farms and the meat processing and hide inspection sites to secure its relations through independent reviews. These audits, carried out by local Bureau Veritas auditors, trained in the specificities of crocodile farming, are part of a broader process of “Bureau Veritas Group Recognition” of sites. The audit protocol associated with this best farming practices charter was also reviewed by this organisation, thanks to its expertise in the assessment of farming conditions in other animal sectors. **In 2020, 96% of the crocodile hides purchased by the Tanneries division came from farms that had undergone an external audit in 2019 and/or 2020.** The two farms that could not be audited, due to travel constraints imposed by the Covid-19 pandemic, will be audited in 2021. The progress plans drawn up with the farms are monitored annually with the local specialist auditors and the division’s purchasing teams.

In addition to these efforts, which have been ongoing for nearly 15 years, the Hermès Group contributes to the improvement of professional standards. Since 2016, Hermès has participated in the **ICFA (International Crocodilian Farmers Association)** alongside the main players in the industry (farmers, tanners, manufacturers and brands). This association aims to develop and improve crocodile breeding practices by pooling the experience of its members and a scientific community specialised in crocodiles, which has gathered together all practices and existing scientific studies. In 2018, the ICFA accordingly defined a standard aligned with international best practices in the field. A panel of scientists, veterinarians, farmers, brands and specialists in the area of regulations or in ISO compliance participated in the approval of this standard. This was then reviewed and amended by the CSG (Crocodile Specialist Group), an NGO member of the IUCN's Species Survival Commission and work under the aegis of the UN.

The practices thus defined are backed by scientific studies. The founding principle is to evaluate animal welfare throughout the breeding process in a manner that is both objective and measurable.

A certification process for the livestock of its founding members was introduced in 2019, with the help of the independent certifying body BSI. All farms that join the ICFA adopt its standard and are audited. As such, two of the division's farms were already audited and certified during 2020. The division's remaining farms will be audited as soon as possible, the audits initially planned having been postponed to a later date due to the Covid-19 pandemic. In addition to animal welfare, as defined by the FAWC (Farm Animal Welfare Council) and the Five Freedoms for animals, these audits cover environmental and societal aspects of livestock farming.

In 2020, the Group paid particular attention to farm biosafety rules which protect the livestock from the introduction of infectious agents. This essentially involved introducing strict requirements for animal transfers on the farms and between farms, writing disinfection instructions and putting in place pest control and animal vaccination programmes. Specialist vets for the species involved guided us in the definition and implementation of appropriate measures.

In collaboration with experts in animal welfare (also a member of the World Organisation for Animal Health) and in standardisation, a standard was created for the "lizard" sector (*Varanus Salvator* in Malaysia). The purpose of this standard is to ensure compliance with current regulations and best practices throughout the supply chain. It covers the following topics: management of animal welfare (from capture to slaughter, including transport), compliance with permits and authorisations, environmental management, employee social conditions, and safe working conditions and infrastructure as well as CITES regulations and unit traceability of hides.

This work, carried out jointly by the Leather Goods divisions, Tanneries and Hermès' partner, will continue in 2021 with the implementation of an independent certification for this supply chain.

Ostrich

For several years, Hermès has been involved in improving the farming conditions for ostriches, animals mainly raised for their meat and feathers, and used in the production of Leather Goods. After carrying out a comprehensive audit in 2017 of the sector, which employs 15,000 people and makes a significant contribution to the social and economic well-being of rural communities, in 2018 Hermès set up a partnership with the South African Ostrich Business Chamber (SAOBC) on the basis of the conclusions of this audit, to promote responsible ostrich breeding. Hermès and the SAOBC were thus the forerunners of a working group which brings together a representative selection of ostrich breeders, processors, scientists, government regulatory bodies, ISO compliance specialists, veterinary specialists in animal protection, NGOs (RSPCA UK) and customers from the ostrich breeding sector. Hermès helped to finance this project which has led to the implementation of a standard, has also provided training for ostrich professionals and has piloted a certification system. The site certification process began in 2020, led by an independent certifying body and steered by the SAOBC. **The aim is for the whole sector to be certified by the end of 2022.**

Other industries

Lastly, the Tanneries division regularly develops new partnerships. **100% of its subcontractors carrying out operations on leather have been audited or have been subject to HSE inspections over the last five years.**

In 2020, 96% (surface) of the hides used for the manufacture of our products came from by-products of meat production.

It is also important to mention that Hermès does not test its products on animals.

2.4.2.2.2 Textile

The Textile division's activity essentially uses two materials: silk and cashmere. For these two precious fabrics, partnerships have been established for a long time with preferred suppliers.

Silk

The supply chain for high-quality silk relies on a collaboration of more than 20 years with a partner established since the 1940s in the state of Paraná in Brazil, because of the local climate particularly suited to silk farming. This partnership controls the whole production cycle, from silkworm farming, to cocoon production and their raw silk spinning, as well as the growing of the mulberry bushes from which the leaves are used to feed the silk worms. Silk is special in that it is a renewable product that has a positive impact on the ecosystems, primarily because cultivation of mulberry bushes helps to regenerate the soil and consumes very little water: it is practiced without irrigation, the rains being sufficient to ensure its growth. As the *bombyx mori* silkworm is particularly sensitive to all forms of agrochemicals (it only eats untreated, unpolluted mulberry leaves), it is a very good indicator of the quality of the environment and the mulberry fields constitute zones that naturally have a wealth of biodiversity. The ecosystem sustained by silk production generates revenues for small local farms and over 2,500 families. There is a dedicated annual budget to develop knowledge, qualitative techniques, sustainable activities and supply chains of these partners. There are many discussions and exchanges, not only between the division and these farms regarding programmes to improve production quality, but

also between the division and universities to develop polyculture and permaculture. As part of the analysis of its impacts on biodiversity, this year the Group commissioned a **study with the University of Cambridge on this sector** (see § 2.5.3 of chapter 2 “Corporate social responsibility”), confirming its virtuous character in many respects: **"We consider that Hermès' silk production in Brazil can be celebrated for its positive environmental benefits"**.

Cashmere

Cashmere comes from the *capra hircus laniger* goat, known as the cashmere goat, which lives in semi-arid regions of Upper Asia where winters are hard and temperatures can fall to -35°C. The cashmere goat is particularly suited to this climate as it develops an extremely fine thick down under its permanent fleece at the start of winter, which provides effective insulation from the cold. When temperatures rise again, this down is shed naturally during the spring moulting season. When the time comes – between April and May – the farmers comb the animals by hand to collect this down before it is blown away in the wind. It is this extremely soft fine down that is commonly known as cashmere. For weaving, Hermès selects the most beautiful fine, long and extremely white fibres from the best farms to achieve incomparable softness. The House's historic yarn manufacturer has built strong, long-standing relationships of trust with raw material suppliers, thereby ensuring supplies of an exceptional quality. Most of Hermès's supplies come from Inner Mongolia, in the People's Republic of China, where farming practices are strictly controlled by the authorities in order to preserve the resources.

The Holding Textile Hermès division has direct control over all the processing operations such as weaving, printing, finishing and manufacturing. This integrated process ensures the use of exactly the right amount of raw materials, the streamlining of containers and packaging, facilitating the transport of products, and optimisation of transport. Fundamental work on sustainable development in the supply chain has been initiated with the support of NGOs present in the breeding areas from which Hermès source his materials. **In 2019, an audit of practices was conducted with notably the support of WWF France.** The conclusions, positive on the local practices implemented, led to an action plan and improvements, for example on the traceability of farming practices, and optimisation of water use on hide processing sites, which has already started and will continue in 2021. **The objective is ultimately also to monitor and support breeders' agro-pastoral practices aimed at preserving the resource and the biotope.**

More generally, the textile supply chain has a strong supplier loyalty policy with the aim of creating a long-term relationship of trust. Suppliers located in France or Europe, who are transparent about the life cycle of their products and are committed to major CSR actions are preferred. As a reminder, the Group uses the EcoVadis platform, which assesses the CSR performance of all indirect purchase suppliers.

A risk analysis is also carried out for the 100 major suppliers, which guides the strategy for audits carried out internally or by an external organisation. Internal audits are conducted by individuals from the quality/method and purchasing areas, with the aim of having audited all 100 major suppliers by 2023. The analysis of supplier risks, in this period of health and economic crisis, has led to support for those suffering from a downturn in activity on certain products, via training plans that develop versatility.