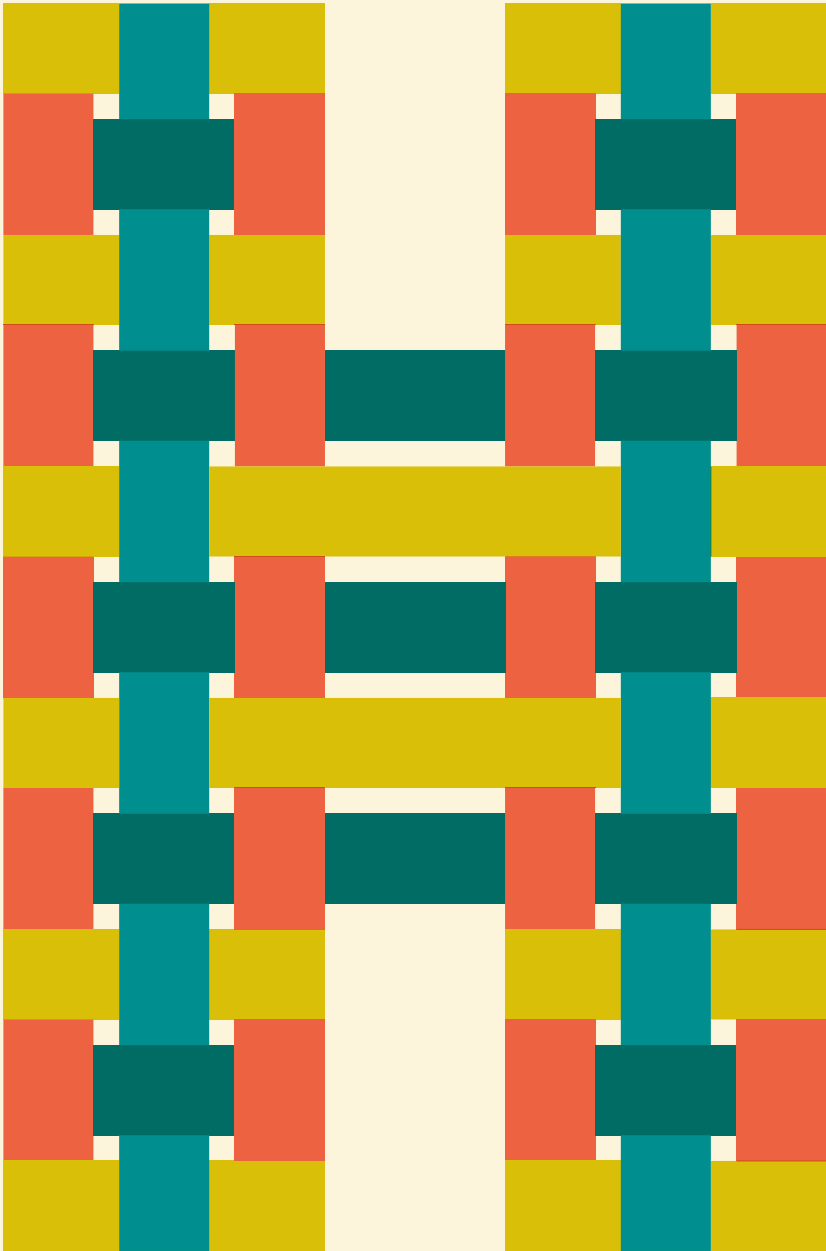


# 2020 Universal registration document

CSR EXTRACT  
Non-Financial Performance Statement (NFPS)



### Plastic

Hermès launched a working group in 2020 to reduce the use of plastics in its activities, in particular with **the aim of stopping the use of single-use plastics in 2025**. These plastics are either the result of external purchases (packaging for articles or materials received), or for packaging used in internal processes: the transit of items between the various sites and to the stores in certain plastic packaging, such as Minigrip (polybag). They are not generally intended to be given to customers.

This working group brings together around 30 internal stakeholders. It worked with experts to analyse the issues and possible substitutions (bioplastics, recycled plastics, recyclable plastics, etc.). It also studies opportunities for circularity within organisations. Representatives of the House participate in the discussions of the Fashion Pact, which has also initiated a wide-ranging project on the subject.

For example, a programme was created, managed by the HMS division, in partnership with the J3L division. It aims to identify uses and products for which the House adopts single-use packaging, and to build an action plan to eliminate, reduce or replace it. Some sustainable product lines have already eliminated single-use plastics in favour of reusable crates that ensure the quality of the product during transport. Cate and the J3L SCAP site, in particular, have set up a flow dedicated to the return of these reusable crates.

With regard to packaging linked to inter-site transit, the plastic trays used to transport metal parts are 100% reused and have a lifespan of several weeks. To continue the improvement, a project was started on the J3L Goulard site to replace these trays with crates for transit for polishing in Portugal. This will extend the life cycle of this intermediate packaging.

In addition, a multi-*métiers* working group comprising representatives from the artistic, industrial and commercial departments was set up to work on plastics management. The objective is to exploit all the House's synergies to train, identify the plastic packaging, whether used during the manufacturing process or intended for the end customer, work on reducing consumption, promote the use of recycled plastic and finally explore alternatives.

### Real estate

In partnership with suppliers, consultants, design architects and local architects, the group real estate department systematically seeks out and prioritises local resources in terms of specifications, supply of construction materials and *savoir-faire*.

For several years, a thorough analysis has been conducted on the materials used in new stores and production sites, making it possible to progressively refine their selection and recycling, resulting in a significant reduction in the environmental impact.

#### Oïkos Lab: circular economy initiative

In order to preserve natural resources and reduce carbon emissions related to construction, renovation or refurbishing activities, the Group real estate department has initiated an approach for reusing materials not used by the various *métiers* (leather, silk, porcelain, textiles, decor, etc.) in the design of Hermès' living spaces (Leather Goods workshops, shops and offices, etc.).

Against this background, a laboratory, the Oïkos Lab, has been created, aiming to stimulate the design and singularity of living spaces while reducing the environmental footprint. The materials are thus recovered either for reuse within interior fittings (screens, wall cladding and furniture) or in the creation of objects (desk mats, POS), or through transformation to create new construction materials (tiles, insulation, cork, medium, etc.). The Oïkos Lab actively participates in the circular economy of the House and, with the help of the *métiers*, was able to avoid more than 345 tonnes of CO<sub>2</sub> emissions from its real estate construction, renovation and refurbishing activities in 2020.

#### Local sourcing and bio-sourced materials

With the same aim of preserving natural resources and reducing the carbon footprint of buildings, the Group real estate department is increasingly integrating bio-based materials and is working with LCA (life cycle assessment) to reduce the carbon footprint of construction materials. It involves all stakeholders (subsidiaries, architects, engineers and consultants) to develop the local sourcing of construction materials, decoration and *savoir-faire*. This approach is promoted by the Hermès sustainable construction framework. For example, in the Hermès Marunouchi store in Tokyo, the wall plaster for the staircase was made by a Japanese craftsman, Naoki Kusumi, using a 100%-local clay. In New Jersey, the façade of the Hermès Short Hills store was clad in glazed ceramic tiles made in the United States, and the fittings were also produced locally. Lastly, particular attention was paid to the choice of local materials in the construction of the new Leather Goods workshops in Guyenne and Montereau.

#### 2.4.1.1.2 Eco-design

Promoting the eco-design of products means designing products that respect the principles of sustainable development, using “non-renewable resources as little as possible, and preferring the use of renewable resources, which are used while respecting their rate of renewal, and combined with waste recovery that promotes reuse, repair and recycling”<sup>1</sup>. This preventive and innovative approach makes it possible to minimise the environmental footprint of products over their entire life cycle, without compromising their quality of use.

Eco-design is an integral part of the House’s artisanal manufacturing model:

- ◆ **the materials used come from natural, renewable sources**, taken while respecting the potential for regeneration of the resource, such as in the case of hides from farmed animals, or for the main textile materials (silk, cashmere and wool, for example). The House’s historical preference for natural fibres avoids the use of non-renewable petroleum chemistry;
- ◆ **the best way to adhere to the principles of sustainable development is to create sustainable objects**. Hermès objects are designed to last because their technical design and manufacturing methods favour robustness and long-term use, in the tradition of the saddler craftspeople. The famous “saddle stitch”, still used in Leather Goods workshops, was born out of the need for seems to resist the pressure from the harness. This design also allows objects to be repaired. “A luxury product is one that can be repaired”, said Robert Dumas. From saddles to silks to watches, all Hermès objects can be repaired and spruced up again. With 123,000 repairs carried out this year, this commitment is a working reality;
- ◆ **minimising production waste is a key concern for the métiers** (see § 2.4.1.1 in chapter 2 “Corporate social responsibility”). In Leather Goods, for example, the rate of use of hides is a performance indicator that is monitored at each site and is improving each year. For the Silk *métier*, the management of “lean” planning has made it possible to significantly reduce production surpluses and waste since 2018. In general, the use of high-quality materials reinforces the need to reduce waste and, where necessary, facilitates the economic equation of their reuse. As detailed above, each *métier* works on the reuse of its production offcuts, such as Leather which, for example, recycles all its cutting scraps. As indicated in § 2.5.1.4, **the Group recycles 43% of its industrial waste**, and is set to recycle or reuse all its unsold goods in France by 2022 (see § 2.4.1.5 in chapter 2 “Corporate social responsibility”);
- ◆ **a Circularity Committee was created in 2020**. It allows for the exchange of best practices and technical solutions between the *métiers* and, by sharing these, faster development of new avenues for up cycling such as in silk and cashmere. Its work and initial results inspire the House’s creative thinking, thus helping to strengthen product eco-design initiatives.

**The métiers conduct life cycle analyses on their most emblematic products**, to more specifically identify areas for improvement and develop eco-design. For example, the analysis of the carbon weight of leathers made it possible to consider animal feed upstream to purchasing; the study of the impact of the “water” component on the textile footprint has helped to prioritise plans to reduce water consumption; the increasing use of “green” electricity (82% of the Group’s consumption) was chosen as one of the levers to reduce the footprint of products. These analyses are used to prioritise actions, discriminate between materials according to their impact and reinforce manufacturing methods that optimise lifespan.

Faithful to the tradition of creative abundance and the search for the finest materials, Hermès’ teams (creative, research and manufacturing) are constantly exploring new areas of materials innovation by integrating the challenges of sustainable development through eco-design.

The House’s ambition is to offer sustainable, eco-designed products that respect nature, and which retain their technical characteristics over time. The House’s creative excellence and **the often timeless nature of the collections also allow Hermès objects to remain desirable over the long term, thus extending their use**: if the House’s objects are passed on from generation to generation, it is as much for their robustness and the particular patina that the beautiful materials take on, as for the pleasure that their use continues to bring.

#### 2.4.1.1.3 Petit h and internal reuse of materials

Petit h is above all a unique creative approach: inventing objects, using materials that Hermès has not used in the production of the House’s collections, thanks to the excellence of the *savoir-faire* and the creativity of the artists and designers. The *métier* works not from a preconceived idea, but from available materials. These reverse creations make it possible to develop a new typology of objects that are quirky, funny and useful. All of the Group’s *métiers* are involved, and with creative freedom. Ends of collections, accessories, obsolete items (such as a whole collection of pommels from the 1960’s), leather scraps, fabrics, silk, etc., all these materials which, put to a new use, ennobled and sometimes relieved of a tiny initial defect, are reborn thanks to unique *savoir-faire* and talented artists. It is in this respect for materials and *savoir-faire*, this spirit of common sense that petit h naturally participates in the preservation of exceptional materials. Some creations, around 200 pieces per year, are manufactured as unique pieces, at the whim of existing materials. Several hundred other items are also produced in limited and controlled production runs. This creative and unique approach is based on original and inventive distribution beyond the traditional paths, with pop-up sales abroad that are real “happenings” once or twice a year and a permanent spot in Paris at the Sèvres store.

1. ADEME definition.

Petit h is also a laboratory that encourages the *métiers* to identify original up cycling solutions, which are then marketed in larger production runs.

#### 2.4.1.1.4 After-sales: repairs to extend the life of objects

With more than 1,000 service lines, Hermès unusually offers its customers a tailor-made after-sales service, with no time limit and across all its *métiers*. The House makes a point of ensuring the maintenance and restoration of its objects, made by craftspeople, in order to prolong their life as much as possible. **This activity illustrates the durability of the objects and the House's desire to help extend their lifespan. A strategic focus of the House, it involves more than 80 people who have contributed to handling 123,000 requests in 2020.**

This expert service is provided by a team of 50 people at the central level, with the following main missions: management of maintenance requests sent by stores, management of interventions in workshops and supplier relations, support for the *métiers* on quality and repairability issues, store support for customers.

In 2020, more than 43,000 products were handled centrally. These interventions are also opportunities to strengthen the customer experience through more unique services (adding a sparkle to jewellery and jewellery accessories and returning them in their original condition), services offered (resizing and polishing of rings, repairing of *Clic H* bracelets, supply of links and cords, etc.) and customised support for in-store teams (creation of dedicated digital sites, preparation of morning briefs, online training, etc.).

In order to offer a local service to customers and reduce the carbon footprint associated with product returns, the after-sales department also develops and coordinates local repairs around the world. It ensures the selection, testing, auditing, approval as well as the monitoring and support of subsidiaries.

In 2020, more than 80,000 repairs were carried out locally, of which 29% on Leather Goods, by **33 leather craftspeople working in subsidiaries**. Before leaving for expatriation, these craftspeople undergo a dedicated seven-month training course in order to enhance their *savoir-faire* and expertise specific to the maintenance and restoration of objects. In other *métiers*, the certification of a certain number of workshops, notably watches/jewellery in various countries such as Japan, Russia, China and Hong Kong, was also continued.

After-sales is committed to adapting to the current needs of its customers and stores, innovating and continuing to simplify its processes, digitise its activity and professionalise its network of local repairers.

#### 2.4.1.1.5 Management of unsold stock

The Hermès business model, based on the stores' freedom to purchase and the desirability of the products, means unsold stock volumes are naturally very low. Orders are not decided centrally and pushed out to the

stores, but are made directly and freely by each store manager, who is therefore directly responsible for choosing the right assortment for their local customers. In addition, within the geographical areas, the subsidiaries arrange inter-store transfers to optimise sales at regional level. The retail subsidiaries hold special sales to the public to offer products that have not been sold in the stores to a wider audience. Regular sales to staff are another channel to avoid waste. In addition, for several years now, donations of de-branded products have been made to different partner associations.

**Hermès has set itself the objective of not destroying new products intended for sale, particularly for clothing, by 2022** (under the AGEC law in France). Existing partnerships with specialised associations (some of which date back more than five years) have been strengthened, in order to reconcile their actual needs with the reality on the ground and the House's constraints. In addition, the internal working group (Circularity Committee) oversees the implementation of recycling and reuse solutions, both for production offcuts and for unsold goods, particularly for the reuse of materials. The search for and establishment of partnerships with educational establishments, specialised players and industries are explored in a context where the reprocessing channels are themselves being created and implemented. Hermès is part of a collaborative approach to contribute to the implementation of new innovations, always with a view to sustainability.

## 2.4.2 SUPPLY CHAINS

The sustainability of Hermès' activities depends on the availability of the high-quality raw materials. Hermès is committed to sustainably developing supply chains, by going beyond compliance with environmental, ethical and social regulations, and contributing to the future availability of these resources.

### POLICY

The Group's policy, which has been unchanged for decades, is to apply the highest standards to the sectors in terms of quality, as well as the environment and social issues. This is reflected in the need to better understand its supply chains, to strengthen them to ensure quality and their ethics, to raise their awareness of environmental and social issues, and to develop them to prepare for future growth.

The attention paid to raw materials begins with compliance with the regulations pertaining to them. This notably means legislative provisions: respecting the Washington Convention (CITES), an agreement between States for the worldwide protection of species of flora and fauna threatened with extinction. This can have an impact on the materials used in the Leather Goods workshops, certain tanneries, or certain ingredients in perfumes. We must also comply with health regulations (hides from cattle and sheep that were raised for meat) and regulations on animal welfare.