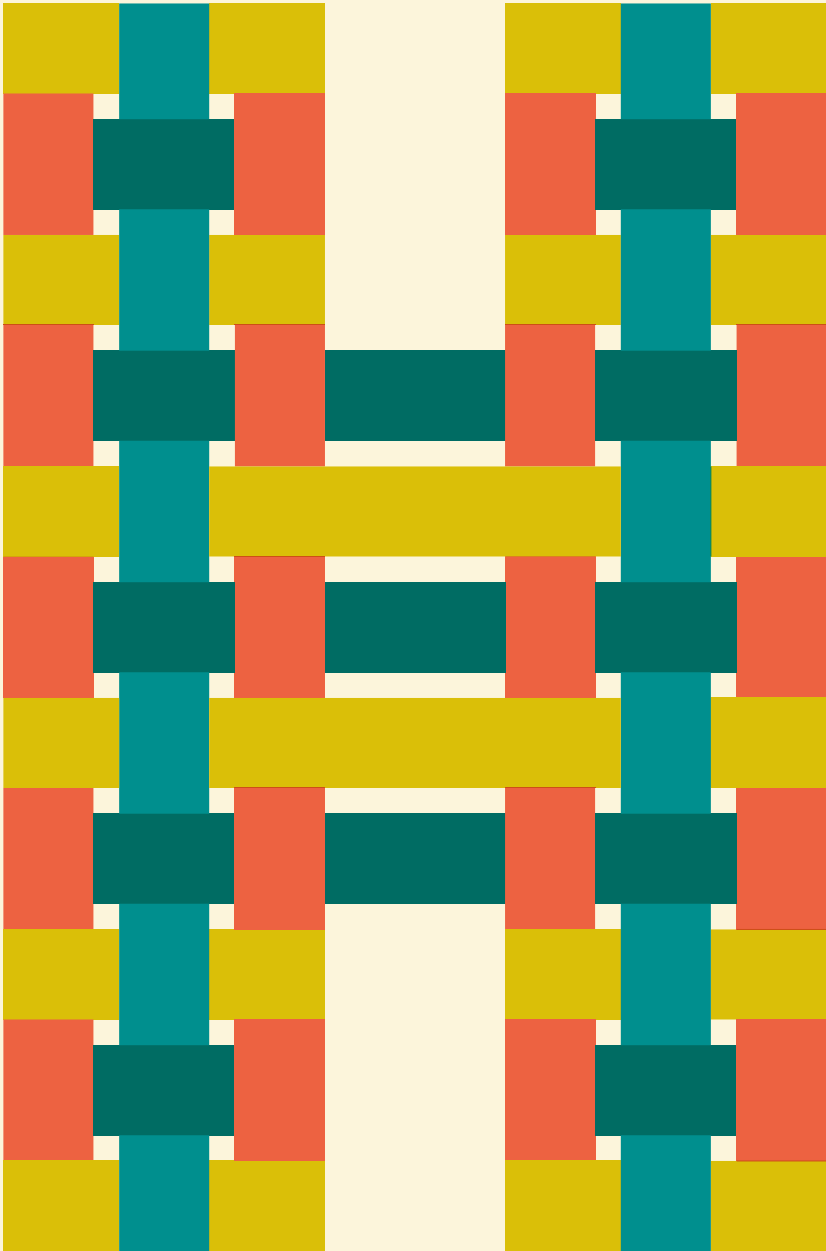


2020 Universal registration document

CSR EXTRACT
Non-Financial Performance Statement (NFPS)



2.5.1 RESOURCES AND WASTE MANAGEMENT

The control of water and energy consumption, inseparable from ecological and economic responsibility with respect to the major global challenges facing us today, is a goal shared by all the House's divisions. Thanks to its craftsmanship model, Hermès is distinguished by a low energy and water footprint as well as generating only small amounts of waste in absolute terms. Its footprint is even lower in relative terms (the Group has one of the lowest carbon intensities of CAC 40 companies). The *métiers* are working to limit their respective consumptions through actions described in more detail below.

POLICY

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

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

The House has a policy of using renewable energies, in particular, it works with the Group real estate department on the installation of geothermal heating or cooling, photovoltaic panels, the supply of green electricity for sites in France, connection to district heating and cooling networks and the use of wood-fired boilers on some sites.

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

MEASURES IMPLEMENTED AND RESULTS

2.5.1.1 INNOVATE BY USING ENVIRONMENTALLY-FRIENDLY SOLUTIONS

2.5.1.1.1 Contributing to the energy transition

Since 1 November 2015, Hermès has decided to participate actively in the energy transition process. **All French sites (production, services, stores) are now 100% supplied with green electricity** (hydro, solar or wind) produced in France. Distribution subsidiaries are gradually following this momentum. **In 2020, 82.4% of the Group's global electricity supply came from renewable sources (78% in 2019)**. The Group has committed to lead its companies towards actions that are compatible with the less than two degrees global warming trajectory, through a "fair-transition" to achieve net zero CO₂ emissions in 2050, through its SBTi commitment or its membership of the Fashion Pact. Since 2002, the Hermès Group has been decoupling energy consumption from the growth of its activity: the energy consumption of the industrial sites has only increased 1.7-fold, while industrial activity has risen five-fold, testifying to improved management of its consumption.

This indicator has been included in the calculation of the Executive Chairman's compensation since 2019.

To continue these efforts, in 2019 and 2020 Hermès has been auditing energy consumption on all industrial sites, office sites and stores in France. The results of these audits have provided data for the energy sobriety action plans for each site. For new sites, particular attention is paid to this energy consumption. New production units are built with future energy efficiency in mind. This entails advance work structured around priorities: adjusted construction measures, energy consumption, energy management tools, sobriety in the equipment installed and implementation of renewable energy production solutions.

The general affairs department has established an energy management system that also includes water consumption. This tool has helped make a dramatic drop in water consumption (down 10% from 2017 to 2019) thanks to the management of alerts through remote meter reading and the optimisation of certain equipment in the Île-de-France.

2.5.1.1.2 Renewable energy

Hermès wants to use energy from renewable sources wherever possible and **has committed to implementing a policy of 100% renewable energy in its own operations by the year 2030**. All new industrial investments are prohibited from using natural gas of fossil origin, unless this is proven technically impossible.

In addition, the Group is developing pilot initiatives, designed to be expanded as and when new investment projects, available technologies and regulations in force permit.

As part of its renewable energy policy, Hermès sites (production, farms, logistics) produce electricity directly through the installation of photovoltaic panels. **In 2020, the resulting electricity production was 1,763 MWh, which is equivalent to the electricity consumption of three Leather Goods workshops.**

Leather

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

- ♦ wood: to heat the Manufactures de Belley, des Abrets and Nontron;
- ♦ solar: several Leather Goods workshops (Allan, Maroquinerie de Haute Maroquinerie, Guyenne, Montereau) are equipped with photovoltaic systems (see below).

For the Leather Goods & Saddlery craftsmanship division, the renewable energy generated by the production units accounted for 3% of consumption in 2020.

Textile

The ITH site is also equipped with solar panels (16 MWh).

Tanneries

At Cuneo in Italy, electricity production from 296 photovoltaic panels installed on the roof of the tannery and from gas cogeneration covered 23% of the site's total electricity consumption in 2020.

J3L

The division is taking advantage of the renovation of the site's roof in Portugal to install a large surface area of photovoltaic panels. Estimates suggest that this project, which is currently being finalised, could make the site almost self-sufficient in energy.

Farms

Following studies carried out in 2019 and immediate roll out, the five sites of the Australia division (farms and processing facilities) are now equipped with photovoltaic panels installed on the buildings housing offices, storage and technical facilities. This equipment provided 20% of the electricity consumed in 2020.

Real estate

In the United States, the Dayton logistics center in New Jersey has been equipped with photovoltaic panels on the roof since 2017, in order to produce the electrical energy required by the site. This center received LEED Gold certification in 2018.

Since 2018, the Maroquinerie de l'Allan in the town of Allenjoie (Montbéliard) has produced 16% of its electricity needs using photovoltaic panels installed on the building's roofs.

In 2019, the MHM Leather Goods production unit in Aix-les-Bains signed a contract with an electrical power supplier to install a 292 kWp photovoltaic power plant on the roof shades of its car park. This renewable energy production generates approximately 25% of the site's energy needs.

In 2020, a photovoltaic solar system was installed on the roof of the new Maroquinerie de Guyenne in St-Vincent-de-Paul (Bordeaux), generating 169 kWhpe/m²/year of electricity. An integrated Microgrid system (balancing between photovoltaic panels, storage batteries and consumption sources), allows the management of electrical energy. This system covers 40% of the site's energy needs and the site consumes 80% of the electricity it produces. Charging sockets for electric vehicles have been installed in car parks. The required level has been almost reached for a BEPOS E3 level of the E+C- label. This new building was classified Gold in the Hermès sustainable construction framework with an Excellent performance level for its energy consumption efficiency.

In 2020, the new buildings of the Maroquinerie de Montereau were equipped with 263 m² of hybrid photovoltaic panels for a power of 42 kWp.

2.5.1.2 LIMITING CONSUMPTION OF NATURAL RESOURCES: WATER, ENERGY

2.5.1.2.1 Water

Water for industrial use is mainly used for industrial consumption in the tanneries and textile units: 580,253 m³/year at global level. **Over the past 10 years, the Hermès Group has maintained its aim of decoupling, with industrial water consumption changing by a factor of 1.7 while activity grew 2.5-fold. Over 10 years, water consumption intensity has fallen by 25.3%.**

In 2020, overall water consumption for industrial use decreased significantly (-13.2%) compared to 2019. This is the result of continued reduction efforts but also of the exceptional shutdown of the majority of workshops during the first lockdown in France.

On farms (United States, Australia), water is used to supply crocodile breeding ponds, for a volume equal to 4,514 ML/year, part of which comes from a recycled hot water source.

In order to formalise this long-standing commitment to reduce consumption, the Group has set itself the target of reducing its water consumption by 5% per year in intensity (m³ per million euros of revenue, constant scope) over the period 2018 to 2023. All the industrial divisions are actively working to achieve this ambitious target, in a spirit of joint effort. **In 2020, Hermès obtained an A- score on the CDP Water Security questionnaire ((A/A-) Leadership: implementation of current best practices).**



-13.2%
industrial
water consumption

As mentioned under § 2.5.2.1, a water risk assessment was conducted alongside WWF in 2019 using the Water Risk Filter and Aqueduct tools, the latter being developed by the WRI (World Resources Institute). The findings are gradually being incorporated into the sites' action plans.

Water usage data for stores are not published owing to the insignificant proportion of overall consumption it represents, being mainly water used for sanitary purposes.

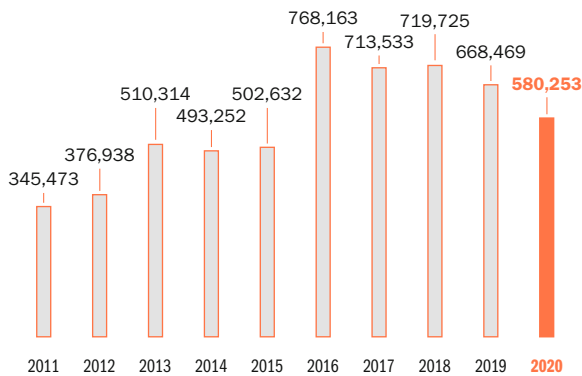
Access to water

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

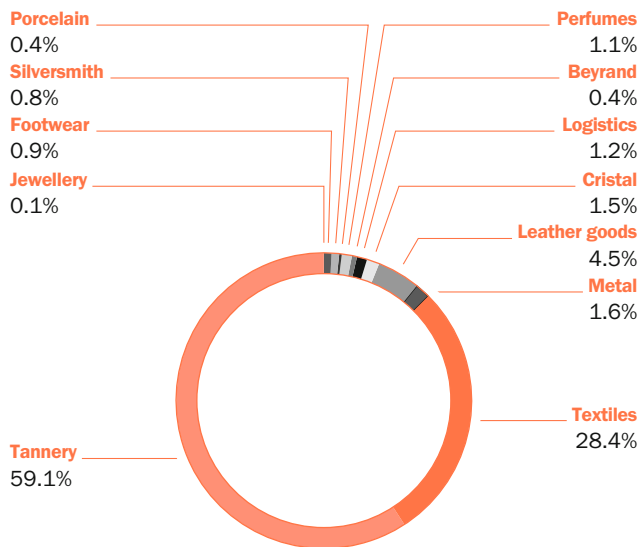
INDUSTRIAL WATER

IN MEGALITRES	2018	2019	2020
Tanneries	434	407	343
Textile	219	198	165
Leather	33	29	26
Metal			9
Crystal manufacturing	11	11	9
Other	23	23	28
Total	720	668	580

EVALUATION OF INDUSTRIAL CONSUMPTION (IN M3)



INDUSTRIAL WATER BY MÉTIER IN 2020



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

GROUP	2018	2019	2020
Intensity m ³ /Revenue in millions of euros	121	97	91

Tanneries

Hermès operates seven tanneries, five of which are in France (Annonay, Le Puy-en-Velay, Vivoin, Montereau and the Mégisserie Jullien in Chabris, acquired in May 2020), one in Italy and one in the United States.

TANNERIES (FROM 1 NOVEMBER N-1 TO 31 OCTOBER N)

	2018	2019	2020
Water in m ³	433,895	407,231	343,121

- (1) The reporting scope includes the Tanneries du Puy, acquired in November 2015.
- (2) From 2018, the reference period is the 12-month period from 1 November of the previous year to 31 October of the current year.
- (3) The scope of reporting includes the Mégisserie Jullien (acquired in May 2020) whose data measured over the period May 2020 to October 2020 are included in these figures.
- (4) Figures for farms located in the United States and Australia, whose consumption is by nature different, are not included in these figures.

Water consumption and effluent treatment are major challenges for the Hermès Group's tanneries. Historically located close to rivers, they use this water for the purposes of tanning, dyeing and finishing hides. A total of 63% of the water for the division's seven tanneries comes from watercourses or boreholes. The rest comes from municipal sources.

Water consumption control is based on monthly monitoring of consumption, preventive maintenance programmes for facilities, regular verification and calibration of meters, installation of new individual meters, and programmes to raise employee awareness. Significant discrepancies unrelated to production differences are analysed and verified in order to locate and repair any possible leaks. The division's total water consumption fell by 16% in 2020 due to the efforts mentioned above but also due to the drop-in activity caused by the temporary closure of sites, as a result of the Covid-19 pandemic.

Textile

TEXTILE (FROM 1 NOVEMBER N-1 TO 31 OCTOBER N)

	2018	2019	2020
Water in m ³	219,458	198,300	164,636

Water is a fundamental and precious element for textile finishing, whether for washing, dyeing or colour preparation. Some 95% of the water abstracted comes from boreholes installed on production sites. The Textile division works every day to minimize water consumption, find innovative solutions to increase the proportion of recycling, and quantitatively monitor the impact of the actions carried out. As an example, at the AEI site, in order to mobilise each employee to achieve the targets, the quantity of water used per kilogram of silk produced is included in the calculations for incentive schemes. AEI represents 16% of the division's consumption.

At Ateliers AS, the total reduction in water consumption was 16.8%. Thanks to the work carried out in recent years on the recycling of water from washing equipment, this result was highlighted by the decline in activity linked to the health situation. This approach will be continued in 2021 by equipping one of the washing machines with the latest water reduction technologies. Likewise, the new printing line being installed will benefit from an innovative washing system that is low on water and energy. Ateliers AS has also launched a study on an additional wastewater treatment process that aims to recycle 50% of the site's total consumption for other basic uses (cleaning tools). Its commissioning is scheduled for the end of 2022, and will significantly reduce its environmental footprint.

On the ITH site, separate meters have been installed in order to distinguish between process and washroom consumption and to take rapid and targeted action in the event of drift. Since 2017, the site's green spaces have been watered solely using a rainwater harvesting system.

At Siegl, construction of the new wastewater treatment plant began in October 2019 for delivery scheduled for the end of 2020. The specifications include targets for the reuse of process water effluents, with an initial target of 5% upon commissioning and ultimately reaching 30%. Finally, the site has reduced its water consumption by 19% thanks to the integration of two additional washing tanks on the washing equipment and the installation of solenoid valves on the inkjet machines to adjust the water flow.

Thanks to these numerous local actions, the sector's overall consumption has been declining for several years. In 2020, the gross reduction in water consumption was 17%.

Leather

The Leather Goods division's production units have a low environmental impact on water. Water is essentially used for washroom water supply purposes (no water volume is used for the processes).

LEATHER (FROM 1 NOVEMBER N-1 TO 31 OCTOBER N)

	2018	2019	2020
Water in m ³	32,810	28,802	26,197

With consumption of 26,197 m³ in 2020, the Leather division's water consumption declined by 2,605 m³ compared with 2019. The ratio measuring water consumption in relation to activity improved by 9%. Four reasons explain this result:

- ♦ the implementation of tools allowing for more detailed management and early identification of any leaks;
- ♦ technical investments enabling lower consumption (change of cooling towers on a site in the Paris region);
- ♦ the implementation of communication and operational control actions among employees;
- ♦ the temporary closure, due to the Covid-19 pandemic, of certain water-consuming activities, such as company restaurants.

The "Water" environmental impact is taken into account when designing new production units: in the recently built Leather Goods workshops (Tardoire, Iséroise and Allan), a rainwater harvesting system has been installed to supply the washrooms with water (main source of water consumption in our production units).

Crystal manufacturing

CRYSTAL MANUFACTURING (FROM 1 NOVEMBER N-1 TO 31 OCTOBER N)

	2018	2019	2020
Water in m ³	11,088	11,358	8,750

Water consumption amounted to 8,608m³ in 2020, down compared to previous years and in terms of activity. The gains obtained mainly come from the technical optimisations carried out on the melting processes and the completion of new installations for recycling water, as well as from all the organisational efforts. In addition, a study to go further in terms of recycling treated effluents is scheduled for 2021.

The Cristalleries Saint-Louis have implemented an innovative water treatment solution based on nature and which uses the phyto-restoration technique to treat part of the wastewater,

a system that is more respectful of the environment and avoids the need for technical physical-chemical treatment solutions (see § 2.5.3.4). As it does not require any input of energy or chemical products, the system provides optimal water purification and its performance is superior to that of a traditional physical-chemical installation. It is based on a triple system of filter basins:

- ♦ plant filters, phragmite genus reeds, planted in peat, trap suspended matter and nitrogen pollution;
- ♦ mineral filters, surrounded by perennial grasses (miscanthus) then trap the soluble metal compounds by drainage;
- ♦ finally, plantations of endemic species complete the system and integrate it into the landscape.

J3L

All J3L sites are supplied with water from city networks, and the site in Portugal benefits from additional water from a well and underground tanks collecting rainwater.

Water is mainly used for washrooms. For the process, it is particularly involved in the lubrication of machined parts, the first stages of polishing and the rinsing of parts during surface treatment operations. The use of wastewater treatment plants by evapo-concentration at the surface treatment sites allows, thanks to recycling, a saving of three-quarters of the water used in the processes.

Building on the impetus given by the Water Energy Carbon master plan within the Hermès Group, J3L began installing additional water meters on some of the sites. This will continue in 2021 across the entire division.

Farms

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

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

The water used in the farms of the Australian division comes mainly from boreholes (62%) whereas the use of municipal sources is limited (15%). The remainder (23%) comes from a cane sugar production unit, located near one of the farms. The sugarcane extraction process produces a high amount of steam. Some of this steam, converted into water with a temperature of between 50 °C and 60 °C, is then channelled to the farm via a 10 km-long pipe. The temperature and flow rate reached on entry are suitable for immediate use in the pools. Depending on climate conditions and the stage in the breeding cycle, the water can be pre-heated or the temperature kept stable by way of boilers. The water from this plant alone, covering half of the farm's needs during a large part of the dry season (from June to December), is an innovative circular industrial operation between two different industries that enable a real energy saving. In addition, an industrial ecological system has been implemented locally as wastewater from this farm is then used to irrigate the sugarcane fields.

The American farm exclusively uses well water from hot springs, which allows it to significantly limit its energy requirements.

Water consumption control relies on the monthly monitoring of the farms' consumption and the water quality of the tanks and effluents (in accordance with applicable standards). Each farm is thus equipped with biological effluent treatment tanks (see § 2.5.1.4.2 "Effective solutions

for waste management" below). Water abstracted use for farms in 2020 amounted to 4,514 ML. The water abstraction data from the Pinnacle farm (United States) contain significant uncertainties related to the measurement equipment in place in 2020.

2.5.1.2.2 Energy: energy, gas

Energy consumption (electricity, gas) was 199,177 MWh/year at Group level. Almost all energy is consumed (74%, i.e. 147,955 MWh/year) by industrial activity (crystal manufacturing, tanneries, textiles, leather), stores and tertiary buildings representing 26% of the total. The consumption of renewable energy generated by the Group (photovoltaic panels, wood-burning furnaces, geothermal energy, biomass, etc.) is not consolidated.

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



-6.4%
**industrial
energies
consumption**

GROUP IN MWH	Industry	Stores	Services	Total	Intensity in GWh/Revenue €M
2018	161,531	31,305	15,846	208,682	0.035
2019	158,117	31,952	13,952	203,640	0.030
2020	147,955	36,969	14,253	199,177	0.031
2020 in %	74%	19%	7%	100%	

Over the last decade, the Hermès Group has maintained its ambition of decoupling consumption from growth with a 1.32-fold increase in industrial energy consumption compared with a 2.25-fold rise in activity volumes. This result testifies to the improved management of consumption. **Industrial energy consumption intensity fell 41.5% over the same period.** In 2020, overall energy consumption fell slightly compared to 2019 (-6.4%), thanks to the solutions implemented by the industrial sites but also because of the first lockdown linked to the Covid-19 pandemic.

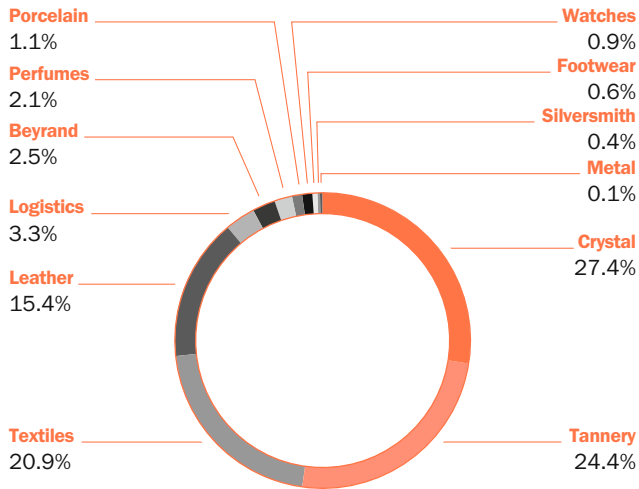
In 2020, Hermès decided to no longer use gas or any other fossil energy as an energy source for any new industrial investment, unless this is proven technically impossible. This program, dubbed "defossilisation of industrial sites", reaffirms Hermès's desire to actively participate in the energy transition necessary to limit global warming. The voluntary energy audit campaign initiated in 2019 on the French sites, enriches the action

plans for reducing energy consumption with a view to reducing greenhouse gas emissions.

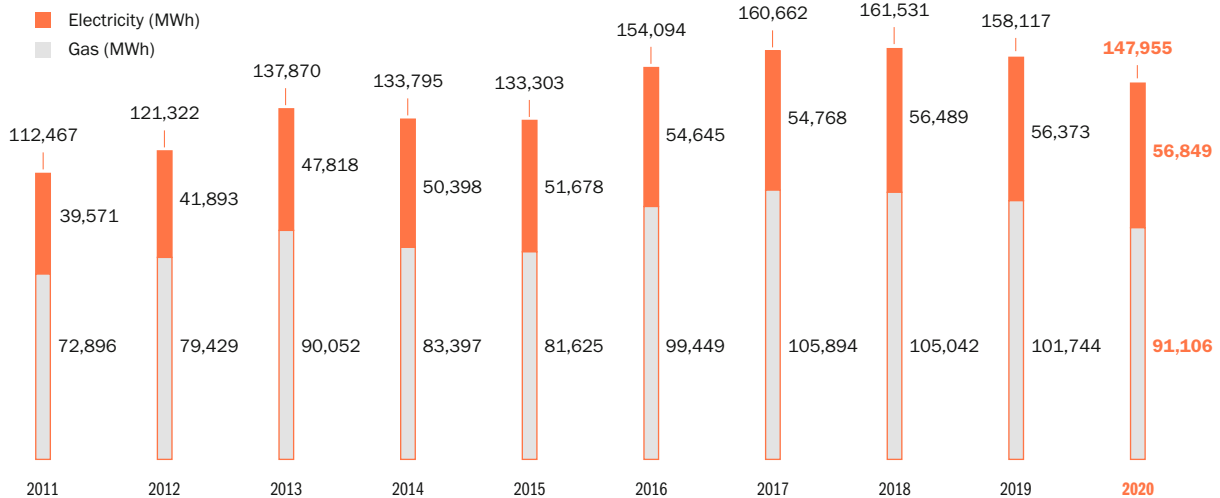
INDUSTRIAL ENERGY

IN GWH	2018	2019	2020
Crystal manufacturing	42	41	40
Tannery	41	41	36
Textile	37	35	31
Leather	24	22	23
Other	18	23	18
Total	162	158	148

BREAKDOWN OF ENERGY CONSUMPTION (GAS, ELECTRICITY) BY MÉTIER IN 2020



CHANGE IN ENERGY CONSUMPTION (GAS, ELECTRICITY) IN 2020



INDUSTRIAL – GROUP	2018	2019	2020
Intensity in MWh/Revenue €M	27.1	23.0	23.2

Crystal manufacturing

CRYSTAL MANUFACTURING (FROM 1 NOVEMBER N-1 TO 31 OCTOBER N)	2018	2019	2020
Electricity in MWh	6,927	6,954	7,120
Gas in MWh	35,243	34,251	33,461
Fuel oil in MWh	27	32	23
Total	42,197	41,237	40,604

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

In a context of a reduction in the level of activity in the first half, followed by a rebound in the second half, the actions carried out, in particular the optimisation of the operating parameters of the fusion tools and the gradual replacement of consuming equipment, contribute to the success of the production unit's energy efficiency. Total energy consumption changed following the replacement of the main multipot furnace at the end of 2016. The various operations and adjustments carried out during 2020 to stabilise this new tool have had a positive impact, particularly on

natural gas, for which consumption has decreased. The replacement of three openings in 2020 (three more are scheduled for 2021) or of consuming facilities are part of this approach to optimise the site's energy efficiency. The fuel oil consumption corresponds to that of the generators, especially during their periodic testing. The replacement of these in 2016 and in 2018 has significantly reduced this consumption.

Lastly, the energy audit carried out in 2019 with a focus on the production unit's process and buildings, and energy savings and recovery, feeds into future projects. For example, in 2020, the roof of the logistics building of 1,000 m² was completely renovated and insulated. In 2021, one of the improvement projects will involve the replacement of the boiler room in this building.

Tanneries

TANNERIES (FROM 1 NOVEMBER N-1 TO 31 OCTOBER N)	2018	2019	2020
Electricity in MWh	11,269	11,438	11,173
Gas in MWh	30,010	29,808	24,920
Fuel oil in MWh	42	30	21
Total	41,321	41,276	36,114

- (1) The reporting scope includes the Tanneries du Puy, acquired in November 2015.
- (2) From 2018, the reference period is the 12-month period from 1 November of the previous year to 31 October of the current year.
- (3) The scope of reporting includes the Mégisserie Jullien (acquired in May 2020) whose data measured over the period May 2020 to October 2020 are included in these figures.
- (4) The farms located in the United States and Australia are excluded from the reporting scope.

The tanneries continued work on improving the energy efficiency of existing facilities during renovations and also the construction of new premises. Particular attention is paid to the following points: supervision of equipment by centralised technical management (GTC), thermal insulation, insulation of pipes or replacement of lighting with LED bulbs.

All French sites underwent an energy audit as part of the programme initiated by the Group. These audits are not directly covered by the regulatory framework governing the performance of energy audits (Decree No. 2013-1121 of 4 December 2013 and Article L. 223-1 of the French Energy Code), since the division's tanneries are not subject to the regulation. However they include the same regulatory requirements and supplement them with a thorough analysis of the buildings and technical equipment.

The Paris headquarters of the Tannery division carried out the regulatory energy audit of its premises during the year. Similar audits are planned for 2021 for international sites.

In 2020, the division's energy consumption decreased by 12% compared to 2019, following a milder winter and a decline in activity caused by the temporary closure of sites, as a result of the Covid-19 pandemic.

Textile

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

TEXTILE (FROM 1 NOVEMBER N-1 TO 31 OCTOBER N)	2018	2019	2020
Gas in MWh	12,058	22,754	19,938
Electricity in MWh	25,389	23,511	11,022
Total	37,447	35,279	30,960

The entire sector is continuing its conversion to "all-LED" energy-saving lighting: the ITH site has increased from 25% to 75%; at Ateliers AS all nine printing lines are equipped, and the wide web line now benefits from this technology; finally, at ATBC the last neon bulbs have been replaced.

On the AEI site, a local dashboard enables monitoring of the ratio of gas and electricity consumption to the quantity of fabric produced. These indicators are displayed, communicated and commented on to the teams monthly. The insulation of all administrative offices and the installation of an air handling unit, completed in 2020, will improve the site's energy consumption.

On the ITH site, the production of electricity using photovoltaic panels allows energy savings, with an output of around 16 MWh in 2020.

At Ateliers AS, efforts were made to reduce gas consumption thanks to significant improvements to the operation of the boilers: optimisation of the burners and switching the boilers settings between day and night in order to adapt the production of steam to the needs of the workshops.

On the ATBC site, various actions were also undertaken: the last portion of the site's uninsulated cladding was renovated, the compressed air pressure set point was reduced and the programming of boiler heating times was optimised.

Leather

In 2020, the Leather Goods division's total energy consumption increased in absolute terms by only 1% compared to 2019, even though two additional sites were inaugurated.

LEATHER (FROM 1 NOVEMBER N-1 TO 31 OCTOBER N)	2018	2019	2020
Electricity in MWh	16,056	15,140	15,597
Gas in MWh	8,225	7,354	7,142
Total	24,281	22,494	22,739
Electricity – Consumption in relation to activity level	75	63	65
Gas – Consumption in relation to activity level	52	42	41

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

Electricity consumption in 2020 was 457 MWh higher than in 2019, *i.e.* an increase of 3% in the ratio compared to activity.

This change is essentially the result of the opening of two temporary buildings in 2020, as well as a much greater need for air conditioning than in 2019 to ensure the comfort of craftspeople at work.

However, these additional needs were offset by energy saving measures:

- ◆ implementation of “LED” technology lights in the majority of production units;
- ◆ changing air handling units (AHU) and the improvement of management and time-control systems;
- ◆ the installation of motion sensors with time-delay switches for turning lights on and off;
- ◆ improvement of the compressor control system.

Gas is used exclusively for heating the division’s 14 Leather Goods workshops. Consumption in 2020 was 212 MWh lower than in 2019, *i.e.* -3% in absolute value, despite the opening of two new buildings. These improvements are primarily due to insulation work, process optimisation of boilers and technical operations on these boilers.

J3L

Electricity is the energy most used within J3L. Two boilers meet the heating needs of the premises, one still running on fuel oil and the other on compressed wood pellets.

More than half of the electricity consumed is used for surface treatment sites, which use the process of wet deposition of precious metals, electroplating, which involves applying a precise current for a given time depending on the desired surface area and thickness of deposit. The equipment maintenance strategy and the ability to produce “right the first time” are levers for optimising electricity consumption.

As part of the program initiated by Hermès, J3L launched a voluntary energy audit campaign at its sites at the end of 2020 to identify the main levers for reducing energy consumption and opportunities to substitute natural gas with other sources of energy that emit less greenhouse gas.

Real estate

Our environmental reporting primarily measures the energy consumption of stores and the offices of distribution branches around the world. Since 2015, this reporting has been further strengthened by the gradual deployment of an automated system to consolidate energy consumption data on all new real estate sites. This system covers 80% of branches

worldwide (actual electricity consumption), plus a further 20% estimated from Hermès branches worldwide, John Lobb, as well as the Cristalleries de Saint-Louis and Puiforcat.

The consumption of some of the exclusive concession stores for which the Group does not control the operation and of certain branches in shopping centres for which access to information is difficult are included on an estimated basis.

In 2020, the scope of reporting was broadened and made it possible to collect consumption data from eight out of 30 concessionaires. An estimate (consumption in kWh and T CO₂eq) was made for assets for which data was not available, according to three categories: branches, concessions, and travel retail. The methodology used consisted of applying to the surface area of these stores an average consumption per m² calculated by country on the basis of consumption of other stores:

- ◆ as soon as new sites are opened or consolidated into the Group, they are included in the reporting;
- ◆ sites closed or removed from the Group’s portfolio during the reporting year are taken into account on a pro rata basis;
- ◆ primary data are collected from each distribution subsidiary (through a network of over 30 contributors worldwide) and are centralised within the Group real estate department, which runs various checks and analyses;
- ◆ these data are reconciled with the previous year’s figures (comparisons with similar sites) and are then consolidated;
- ◆ for energy consumption, only the electricity consumption indicator is published;
- ◆ the consumption of other forms of energy, which is very marginal, is excluded from this publication.

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

For the Faubourg-Saint-Honoré, the store accounts for 34% of total consumption of the building complex, which also houses offices and workshops. The Faubourg St Honoré’s overall consumption decreased by 10% in 2020 thanks to the optimisation of AHUs and the reduction of their operating hours.

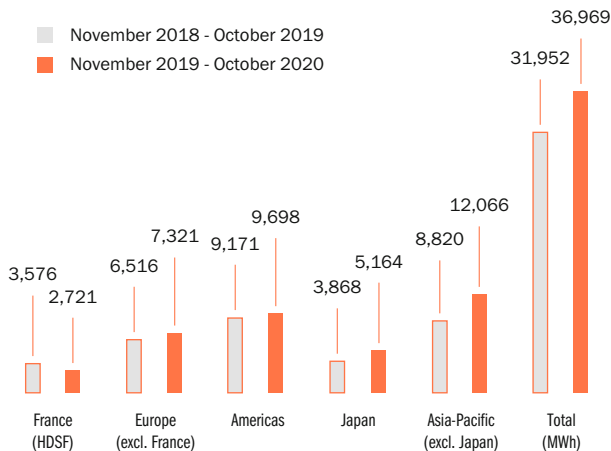
Consumption of stores

The branch stores consumed 36,969 MWh of electricity in 2020, of which 31,587 MWh on a like-for-like basis, *i.e.* a decrease of 1.1% compared to the 2019. These figures are correlated to a large extent by a balance between sales surface areas, mainly in Asia and the United States, and store closures and openings.

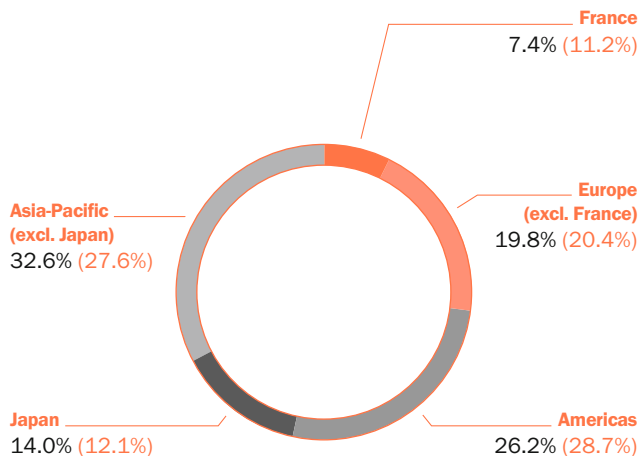
In 2020, the consumption of the concession and travel retail stores was estimated at 4,233 kWh. The downward trend in the ratio of energy consumed by unit of sales surface (kWh/m²), especially in France and Asia, is attributable chiefly to the increase in LED lighting, together with improved management of energy consumption, which continued in 2020.

Offices and ancillary premises consumed 14,253 MWh in 2020, of which 11,020 MWh at the Paris and Pantin sites.

BREAKDOWN OF ELECTRICITY CONSUMPTION OF STORES BY GEOGRAPHICAL AREA IN 2020



ELECTRICITY CONSUMPTION OF STORES BY GEOGRAPHICAL AREA IN 2019/2020 (IN MWh)



2.5.1.3 IMPROVING PRODUCTION PROCESSES BY CHOOSING THE CLEANEST, MOST ENERGY EFFICIENT TECHNOLOGIES AND THE MOST ENVIRONMENTALLY-FRIENDLY MATERIALS AVAILABLE

For stores, optimising the main areas of energy consumption, namely lighting and air conditioning, are the key drivers in improving energy efficiency.

Lighting

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

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

In 2018, in addition to the new stores, LED relamping operations continued across the global network of existing stores.

These three actions brought the total proportion of **the Hermès Group stores equipped with LED lighting systems to 80%** at the end of 2020, with an average reduction in energy consumption of about 20%. **By 2023, all stores will be 100%-LED, except where this is not technically possible.**

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

Air conditioning

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

This programme continued for all new projects and store renovations throughout 2020.

Thermal insulation

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

In 2020, other initiatives (installation of individual electricity consumption meters and motion detector systems in fitting rooms, washrooms and back offices) were continued in all new store projects. These automated energy consumption consolidation systems offer constant visibility which allows rigorous management of energy use. Increasingly efficient new technical solutions are constantly being evaluated for gradual incorporation into existing stores.

In 2019 and 2020, a regulatory energy and thermal diagnostic campaign was conducted on all industrial, tertiary and distribution sites in France. This audit campaign made it possible to assess and schedule action plans for the improvement and renovation of the building structures as well as the technical equipment of the buildings and even the industrial process in order to reduce energy consumption as much as possible, and achieve the objectives announced by the Hermès Group by the year 2030.

Measures to improve energy efficiency

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

- ◆ energy consumption: this parameter constitutes one of the main challenges of the new Leather Goods workshop technical programmes. As soon as a project is launched, various solutions are envisaged and thermal simulations are carried out by specialists from design firms commissioned for the project. The most suitable solution is selected from the results. For example, the building of the Maroquinerie de l'Allan, commissioned at the end of 2017, was carried out in accordance with the stringent requirements of the High environmental quality label, and exceeds the objectives of the 2012 French Thermal Regulation standard by 30%;
- ◆ energy management tools: as soon as a new Leather Goods production unit is put into operation, meters are positioned and dedicated software is set up to control energy consumption and the identification of possible drifts as accurately as possible;
- ◆ employing renewable energy production solutions: the most recent Leather Goods production unit commissioned (Allan production unit) has a park of photovoltaic panels to generate 152 kWp of electricity for its own use;
- ◆ lowering machinery consumption: the energy impact of machinery was introduced as one of the decision-making criteria in the context of the machinery investment strategy for the Leather *métier*. As such, new equipment introduced in both new and existing Leather Goods production units is more energy efficient. This approach is carried out in partnership with suppliers.

In 2019 and 2020, in-depth energy audits were conducted on all the production units in the Leather division, providing a clearer picture of the energy profile of each unit and identifying specific or cross-cutting priority areas. The five least efficient production units (heating and air conditioning) are subject to a specific investment program for future years.

All of the Group's other *métiers* benefit from feedback from this work carried out for Leather Goods workshops.

Louviers

Leather Goods workshops with positive energy. Hermès is building the first positive energy Leather Goods workshop in Louviers (Normandy). The first stone of the production unit was laid in September 2020. This project rehabilitates a brownfield site near the city center and serves as a proof of concept for the Hermès Group's future Leather Goods workshops. The objective of the project is to eliminate the electricity consumption of the Leather Goods workshop and reduce associated CO₂ emissions. This 20th Leather Goods workshop will not use fossil energy for its operation and will generate at least as much energy as it consumes. The building uses part of the electricity it generates and the surplus electricity is fed back into the grid.

Most Hermès Leather Goods workshops use gas and electricity for their heating and cooling needs, and hot water for sanitary purposes. Recent buildings mainly use electricity or renewable energies, but without achieving the Positive Energy objective until this project. **The Maroquinerie de Louviers is aiming for this target (less energy consumed than energy produced) and the E4C2 label (energy performance and greenhouse gas reduction).**

This 6,400 m² bioclimatic construction is designed to make the most of its location and environment. It consists of three rows of north-facing sheds that provide natural and stable light, reducing energy requirements. The analysis of natural flows (wind, rain and sun) enabled the architect to considerably reduce heating and cooling requirements. A compact building whose load-bearing walls are made of brick and with a wooden frame, it optimises thermal inertia and uses geothermal energy. The building's 511,000 bricks were manufactured by a local company. The land was chosen in collaboration with the broader urban community to allow the rehabilitation of a brownfield site.

This project meets the sustainable development goals: SDG 7 (clean energy), by eliminating all sources of fossil energy and allowing the building to be self-sufficient; SDG 8 (decent work and economic growth), by offering new jobs; SDG 11 (Sustainable cities and communities), by rehabilitating a brownfield site and SDG 13 (take action to combat climate change), by achieving the objective of a positive energy Leather Goods workshop, and also aiming for the E4C2 label.

2.5.1.4 REDUCING THE FOOTPRINT AND CONTROLLING WASTE AND DISCHARGES

A major aspect of environmental protection and societal responsibility, waste management means that each of the various *métiers* does all it can to reduce waste production and to recycle or valorise its waste.

The wide range of *métiers* prevents a single overall waste policy, other than the general principle of avoiding the production of waste and working to improve its reuse and recovery. Waste management is therefore undertaken specifically by each manufacturing division by means of a dual policy of waste reduction and recycling wherever possible. The main contributors are the tanneries, textile, crystal manufacturing, leather, perfumes and real estate divisions.

IN TONNES/2020	OIW ¹	HIW ²	Total
Tanneries	3,434	3,332	6,766
Textile	603	576	1,179
Farms	942	37	955
Crystal	152	825	977
Leather	823	46	869
Perfumes	461	234	695
Logistics	321	0	321
Metal	37	117	154
Porcelain	62	8	70
Other	97	52	172
Total	6,932	5,226	12,156

CHANGE IN VOLUME OF WASTE (EXCLUDING FARMS) OVER THE LAST THREE YEARS

WASTE*	2018	2019	2020
OIW in tonnes	6,478	7,050	6,932
HIW in tonnes	6,172	6,359	5,226

* Excluding farms.

43.2% of all industrial waste is recycled (excluding energy recovery).

2.5.1.4.1 Waste management

Tanneries

The raw material used in the tanneries is the entire hide, referred to as “raw” hide, a putrescible organic product. Tanning involves processing the hide into a durable product, a finished leather, using successive operations that eliminate matter and generate effluent. The reduction of tannery waste naturally starts with the improvement of the quality of the raw hides. Tanning generates unavoidable waste, associated with trimming the edges of the hides (“trimming”) or preparing the internal surface of the hide (“fleshing”). Processing hides in successive baths also generates effluents, which are processed at site treatment plants and result in the production of sludge. The tanneries are constantly

seeking new reuse channels for this waste and are active participants in the think tanks that are brought together at Hermès to discuss leather waste, and in the work done by the Centre Technique du Cuir (CTC), the French expertise center on leather.

In 2020, the division’s total waste production decreased by 21%. This decrease is mainly due to the decline in activity caused by the temporary closure of sites, as a result of the Covid-19 pandemic.

In general, the production of hazardous and non-hazardous waste in exotic leather tanneries and calfskin tanneries is relatively constant from one year to the next, even if the continuous improvement of effluent treatment systems can lead to an increase in waste production, particularly through the extraction of sludge. 100% of the waste produced is evacuated through approved channels, and the at-source sorting of paper/cardboard, metal, plastic and glass waste streams was set up at the French and Italian sites.

On-site waste storage is optimised to prevent any pollution risk (sheltered storage areas, retention basins, etc.) and regular awareness-raising initiatives focusing on sorting and the layout of work areas are carried out among employees.

A number of projects to modernise and optimise tannery waste management facilities were carried out in 2020 (see § 2.5.1.4.2 “Effective solutions for waste management”).

Leather

Total waste generation relative to activity improved by 4% between 2019 and 2020. The tonnage of hazardous industrial waste fell by 17 tonnes in absolute value.

Recycled and recovered waste represented 98% of total waste by tonnage, an increase compared with 2019. Each type of waste is directed to an appropriate treatment or sorting chain.

Leather scraps, parts not used in the “cutting” activity of production units, are sold to specialised channels, sorted and reused. These by-products from activity are not included as “waste” in this report.

Textile

Waste management requires a great deal of flexibility and adaptation among the various stakeholders. The complex evolution of the waste market, the saturation of local outlets (landfills and incinerators in Rhône-Alpes), require careful management. Through monthly meetings involving the sites of the sector as well as the service provider, the sector ensures that recycling and recovery solutions are systematically favoured, and that each new stream is validated.

The sector saw a significant reduction in hazardous industrial waste (HIW) this year, with a reduction of 28% compared to 2019. Just 0.3% of hazardous waste is processed by elimination. All dye waste, which accounts for more than 50% of waste (all streams included), is used for the manufacture of alternative fuel. The balance sheet of non-hazardous waste is also positive: 63% was sorted and recycled by the service provider and 36% recovered as energy.

1. Ordinary Industrial Waste.
2. Hazardous Industrial Waste.

In addition to cross-divisional management, sites are also taking action to reduce and recycle their waste as best possible. Centralised recycling collectors are being tested at ATBC, Holding Textile Hermès and ITH, with the aim of improving waste sorting and raising awareness about what is thrown away. An audit of the ATBC site was carried out with the recycling officer of the community of municipalities in order to validate the appropriateness of the site's rules with those of the sector.

Crystal manufacturing

Waste reduction, a major economic and ecological challenge for cristallerie Saint-Louis, is closely tracked operationally. Cullet recycling stabilised at 65% in 2020 despite the difficulties encountered in the operation of the new gas melting furnace. This recycling rate, which is high compared with the sector average, remains an area for work and stabilisation.

The proportion of ordinary industrial waste decreased despite renovation works carried out. Although the proportion of recycled waste is increasing, this significant volume remains an area for improvement, particularly for cardboard and plastic waste. In this context, the water bottles available to all employees of the factory, previously made of PET, were replaced in 2020 by returnable glass bottles.

The amount of HIW and SIW (Special Industrial Waste) decreased relative to 2019, following the higher recycling rate at the main smelter and optimisation of the treatment of all effluents, which is currently done internally. This was made possible by the new effluent neutralisation and raw material preparation facilities renovated in 2018 and 2019 respectively.

Farms

The amount of waste generated in 2020 remained stable. Ordinary waste, accounting for 96% of annual waste production, consisted of waste from operations (animal by-products, sludge from effluent filtration systems, OIW, wood and cardboard), as well as waste from facility renovation work (inert, plastic or scrap metal waste) and household waste. Salt, used within the context of salting raw hides, is regarded as hazardous waste in view of current regulations in the States in which the hide transformation and inspection facilities are located, and makes up almost all of the division's hazardous waste.

In order to avoid any pollution, this waste is stored in covered areas and retention areas. It is then evacuated to the treatment facilities in place in accordance with local regulations.

Real estate

Since 2019, scrupulous management of demolition waste, deconstruction of a site due to be renovated and construction site waste management have been systematically implemented for all construction projects in France and worldwide.

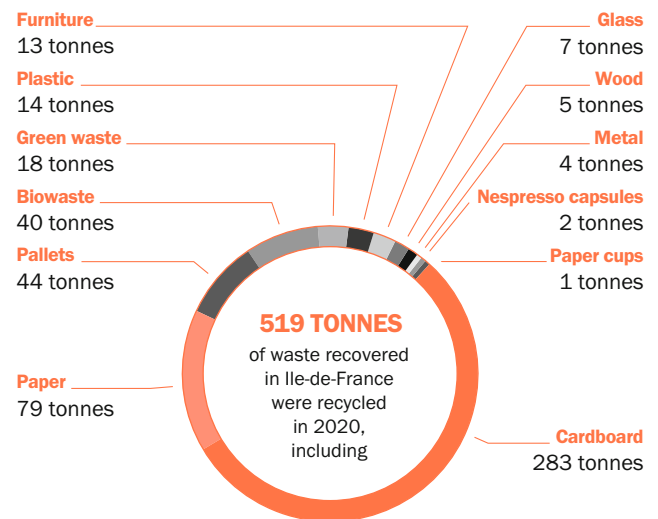
Paris sites

In 2020, 22 recycling channels were used on the sites to facilitate recycling.

The general services department has set up a specific and fun support programme (the *Caravane du Tri*) to encourage donations and recycling when internal removals are taking place. This made it possible to recycle or give a second life to 12 tonnes of equipment.

A procedure for the on-site recycling surgical masks was also introduced at the end of 2020.

WASTE RECOVERED AND RECYCLED IN ÎLE-DE-FRANCE IN 2020



2.5.1.4.2 Effective solutions for waste management

Hermès is committed to going beyond current regulations to reduce the use of hazardous substances. Accordingly, the House's internal requirements, for its own operations and for supplier specifications, sometimes impose stricter limits.

Tanneries

The quality of effluent discharges is central to sites' environmental concerns. Each tannery is equipped with an effluent treatment station and verifies that its industrial emissions comply with the applicable standards. Regulatory inspection reports are submitted to the local authorities on a regular basis. As a reminder, the tanneries are solely located in France (5), Italy (1) and Louisiana (1), and their stringent regulations are subject to frequent controls.

To date, almost all tannery effluents (92%) are discharged into the municipal network before further treatment by municipalities. Only the Vivoin tannery discharges its effluents directly into the river, however it is subject to much stricter discharge thresholds.

The Tanneries and Precious Leathers division's tanneries continually work on improving the performance of effluent treatment. The Montereau site, after having carried out several pilot tests on its effluents in recent years, has set up an evapo-concentration unit in a new building that also houses the current treatment plant. The operational implementation of this equipment was carried out at the end of 2020 and will make it possible to consider the recycling of part of the waste treated in the production processes. The additional treatment set up at the end of 2019 at the Vivoin site, consisting of a biological effluent treatment unit coupled with ultrafiltration and activated carbon filtration, achieves performance levels well above the thresholds imposed in 2020. After extensive work on the treatment plants of the Le Puy and Annonay tanneries, in order to make their operation more reliable, two studies were launched with a view to continuously improve the treatment performance at these two sites. This work to optimise tannery waste management facilities represented investment of €1.4 million in 2020.

Air emissions at the Tanneries and Precious Leathers division tanneries result primarily from the operation of the boilers, the dry degreasing activity and the finishing booths. Verifications of such equipment, as identified in the prefectural orders or site permits, are performed in accordance with the applicable regulations. Finally, in accordance with regulations, the French sites prepared a solvent management plan.

Textile

The AEI, Ateliers AS and Siegl sites, which account for 98.2% of water discharges, are subject to daily self-monitoring of effluents. All deviations are analysed and a corrective action plan is launched. To ensure the reliability of these fundamental monitoring data, audit and calibration plans are regularly implemented.

At the Siegl site, the pilot study launched in 2017 resulted in the creation of an additional facility for the activated charcoal treatment of effluents following the membrane microfiltration process. This facility has helped to improve depollution results and has been used as a test to model the future purification plant. Construction of the new facility is nearing completion and will be operational at the end of 2021.

Ateliers AS have continued their efforts to reduce pollution at source. As a result, stripping products, a source of hydrocarbons, have been recovered more thoroughly. This was accomplished by first setting up pits for the recovery of stripping products from the frames in the printing workshop washing booths, then by the recovery of the products used to wash the Atelier PEPS printing tables (prototypes, small series samples). A project to pre-treat aqueous effluents before sending them to a wastewater treatment plant is currently being studied. In this context, a pilot plant was installed in 2020 to process 25% of the overall flow; the results were convincing and the pre-treated water was below the

specifications of the discharge agreement: a significant drop-in the chemical oxygen demand and the concentration of heavy metals was observed. This pilot phase, 50%-subsidised by the Rhône Méditerranée water agency, is expected to result in a final installation by 2022.

Crystal manufacturing

Industrial wastewater, pre-separated in the respective workshops and collected at a single point, has been purified by a phyto-treatment facility since 2015. "Filter gardens" naturally treat the site's wastewater, combining environmental efficiency, landscape quality and a contribution to biodiversity. An awareness programme for users of water resources is ongoing with the aim in particular of sustaining performance at treatment facilities.

To further improve the quality of water emissions and anticipate possible changes in regulations, considerable research and optimisation at source have significantly reduced and stabilised the flows emitted.

Regular campaigns to measure water discharges confirm the good performance of purification plants (in particular the compliance of the new neutralisation workshop), with discharges well below regulatory thresholds.

Moreover, measurements of air emissions were carried out in the third and fourth quarters of 2020. The results obtained confirm the proper functioning of the facilities with regard to air emissions.

Leather

Leather Goods production units present limited sources of wastewater discharge thanks to primarily manual production processes that do not require water. The only wastewater discharge concerns water used for washrooms, which does not require on-site treatment and in most cases is directed to public wastewater collection networks.