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NON-FINANCIAL PERFORMANCE STATEMENT
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2.4.1 ECODESIGN AND CIRCULAR ECONOMY

Each *métier* and each production unit is committed not only to applying the principles of eco-design to use materials wisely, but also to reduce waste and promote recycling to move towards a circular economy.

POLICY

The Group's policy is to go even further in terms of the eco-design of its products, by using "non-renewable resources as little as possible, preferring the use of renewable resources, and which are used while respecting their renewal rate, as well as being combined with waste recovery processes that promote reuse, repair and recycling."¹ 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.

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 period of use.**

MEASURES IMPLEMENTED AND RESULTS

The quality of the raw materials used is the first guarantee of the durability of Hermès objects. For this reason their selection is subject to a rigorous process. By their very nature, Hermès' fundamentals include eco-design principles in its product designs and have done so since long before the term became popular.

"A luxury product is one that can be repaired", said Robert Dumas: making sustainable objects is the best way to adhere to the principles of sustainable development. Hermès objects are designed to last because their technical design and manufacturing methods favour robustness, in the tradition of saddler craftspeople. The famous "saddle stitch", still used in leather goods workshops, was born out of the need for seams to resist the pressure from the harness. This design also allows objects to be repaired. From saddles to silk to watches, all owners of Hermès objects can request their repair. With 161,000 repairs carried out in 2021, this commitment is a working reality, worldwide.

Furthermore, the materials **used come from natural**, renewable sources, taken while respecting their potential for regeneration, such as in the case of hides from farmed animals, or for the main textile materials (silk, cashmere and wool). The House's historical preference for natural fibres avoids the use of non-renewable resources based on petroleum chemistry. **The métiers have always focused on minimising production waste.** The Group is committed to a trajectory leading to the recycling or reuse of all its unsold products in France by 2022.

In addition, the Group has launched a number of actions to strengthen its circular economy approach, with the creation in 2020 of a Circularity Committee to enable the exchange of best practices and technical solutions between the *métiers*, and develop new upcycling opportunities more quickly through pooling, such as for silk and cashmere. Its work and initial results inspire the House's creative thinking, thus helping to strengthen product eco-design initiatives. **With a view to continuous improvement and eco-design, the métiers now conduct life cycle analyses on their most emblematic products. Some 63% of the métiers did this in 2021 and this figure is expected to increase over the coming years.**

2.4.1.1 MATERIALS RESPONSIBLE MANAGEMENT

The Group uses only the highest quality materials, optimises their use through its production methods and develops the reuse, or recycling, of all production offcuts. Purchases are adjusted as closely as possible to needs in order to limit waste. The integrated artisanal approach is an advantage in this respect, ensuring close proximity between buyers and craftspeople. Each *métier* works to constantly improve the use of these rare and precious materials, consuming only what is necessary.

2.4.1.1.1 Leather

Leather tanning

Leather is an animal product, specially tanned and made imputrescible, either in a tannery 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 for food. 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. The leathers used by Hermès are thus rare and of exceptional quality. The hides come from our own tanneries or from long-standing partners.

Management of crocodile breeding on the *alligator mississippiensis* and *crocodylus porosus* farms, close and constant relations with suppliers of exotic raw hides, and the control of all processing operations (river, tanning, dyeing and finishing) enable the division to control as accurately as possible its purchases and use of materials in manufacturing processes. Several projects are being rolled out in farms and tanneries to improve quality control and optimise the use of raw materials. For example, digital systems for taking images of hides at the start of the tannery process are already in use or are being rolled out. They allow the identification of defects, facilitate sorting and thus maximise the use of hides while reducing waste.

1. ADEME definition.

Leather work

The frugal use of leathers has always been a key concern of the production units: thus, cutter craftspeople are trained, from the moment they join the House, in how to cut leathers as sparingly as possible. Coordination among production units is managed on a daily basis to optimise the use of hides and offcuts: the analysis of the rate of use of hides is a management indicator used in the workshops.

This coordination was strengthened in 2021 thanks to the launch of the waste inventory digitisation project. The purpose of this project is to promote visibility and opportunities for exchanges and therefore to preserve materials on each site. Seven pilot sites have already started up in 2021 and full rollout will take place in 2022.

In addition, a **guide to best cutting practices** exists on each site. This guide, which is based on self-assessment, is gradually updated with new practices that have been successfully tested by cutter craftspeople and shared with all sites. Each site is regularly assessed by the central team (Hermès Leather Goods & Saddlery production department) and 38% were assessed in 2021.

In order to develop the culture of materials optimisation, new production managers and cutting workshop managers are now systematically trained in the calculation of materials consumption and the analysis tool introduced in 2020 to enable them to ensure optimal management of this consumption, and to acquire notions of best practices more quickly.

2.4.1.1.2 Silk and cashmere

The level of integration of the Textile division through all processing operations (weaving, printing, finishing and manufacture) ensures that the raw materials supplied are used as frugally as possible. All production units carry out monitoring and actions to minimise scraps and waste, which form part of the quality approach.

At the weaving stage, a working group made it possible, following analysis and technical tests, to identify and launch new ways to **reduce cashmere waste** by resizing the widths of the material to improve the ratio of printed surface to the area of the material and segregating flows by material to recycle the non-reduced fraction. Partial lengths have been optimised to reduce material waste.

At the printing stage, the widths of silk are selected according to their specifications in order to adapt the material to the printing techniques and products being made. This approach makes it possible to increase the rate of use of the widths and avoid rejection of non-compliant widths.

For the Silk *métier*, the management of “lean” planning has made it possible to dramatically reduce production waste since 2018. Some silk accessories are made from very wide pieces, which reduces the amount of cutting waste and limits energy and water requirements throughout the process. In the same way, the lengthening of printing tables at Ateliers AS enabled substantial savings in dye and textiles, thereby reducing offcuts.

A working group of representatives from each Holding Textile Hermès (HTH) division unit launched in 2019 to optimise cashmere use, continued its work in 2021.

In its Circular Economy approach, HTH has intensified its reuse or upcycling actions aimed at optimising the rate of use of raw materials. The development of new ways of using obsolete materials and components made it possible in 2021 to reintegrate 48% of obsolete silk textile components, i.e. 39,000 metres, for internal and external projects in the development, for example, of ready-to-wear items from designers committed to upcycling.

Together with various service providers and partners in France and abroad, solutions for the reuse and recycling of silk and cashmere waste and offcuts from production are being jointly developed.

The production of recycled silk thread for the manufacture of new products, such as protective covers for products or felt for leather goods from manufacturing offcuts, are examples of projects under development for the recycling of materials. All the operations implemented aim to come as close as possible to achieving the specifications of a new material and thus create a true materials loop in order to reduce the use of natural resources as well as chemical inputs.

Several tonnes of materials were also used in tests to create acoustic panels or clothing. These initiatives are designed to lead to industrial processes aimed at recycling most of the textile production scraps.

Since 2020, analyses and technical tests have ensured the validation and implementation of ways to reduce wastage of materials, including reduction by directing small lengths of cashmere that are unsuitable for use in production to a dedicated workshop. A total of 21 tonnes of textile materials were recycled in 2021.

2.4.1.1.3 Other materials

A working group initiated in 2020 brings together around 30 internal stakeholders, with representatives from all *métiers*, logistics, purchasing, sustainable development and industrial affairs. With the help of experts, it is working on possibilities for substitution and **circularity of plastic** (bioplastics, recycled plastics, recyclable plastics, etc.). Representatives of the House participate in the discussions of the Fashion Pact, which has also initiated a wide-ranging project on the subject.

A new material has been developed by the US start-up MycoWorks using the **Fine Mycelium** biotech production process, which is based on the use of fungal threads. Biodegradable and strong, the sheets of this material are then treated and finished by Hermès tanners in France to further refine their resistance and durability. They were then used by our craftspeople to create the *Victoria* bag unveiled in March 2021.

Cotton

Among the wide diversity of natural materials used within Hermès, cotton occupies a smaller place. This textile fibre is found in all Fashion *métiers*, as well as the herringbone covers in Packaging. Anchored in a global market of which Hermès represents less than one hundred thousandth, the Group is no less demanding in this sector, both in terms of the quality sought for the fibres and in the prevention of the environmental and social risks borne by this sector.

These risks were the subject of an in-depth analysis, (mapping of current uses and supply areas, risk analysis by country and stage of the supply chain, from cultivation to fibre processing and dyeing, and analysis of partners). A trajectory for 2024 was drawn up, with two complementary components, as set out in § 2.4.2.3.4.

Metals and stones

The “zero waste” principle is intrinsic to the manufacture of precious metal jewellery. Historically, it is the cost of these metals that has led industry players to develop strategies for saving materials, maximising their use and recovery of all offcuts, down to the smallest dust particles. Today, this expertise in collection and reprocessing contributes significantly to limiting the impact of the sector.

J3L, the Group’s metal parts manufacturer, contributes for example to the recycling circuit of its lead-free brass waste through one of its two suppliers for approximately 15 to 20% of its own consumption.

Perfumed compounds and cosmetic materials

Hermès Perfume and Beauty uses natural materials or materials of natural origin whenever possible (olfactory quality, accessibility to the material and sustainability of the source). To promote this approach, a **naturalness indicator** based on the ISO 16128 standard was rolled out in 2021. In perfumery, 60% of the raw materials used by Hermès are qualified as “natural” according to this standard and 8% are qualified as of “natural origin” under this standard. In cosmetics, 46% of cosmetics raw materials are “natural” and 13% are of “natural origin”. Overall, out of more than 300 raw materials, **64% of the portfolio is natural and/or of natural origin.**

2.4.1.2 LIFE CYCLE ANALYSIS

Ambition

Hermès teams have always worked on the design of aesthetic, high-quality objects that have very long lives. The Life Cycle Analysis (LCA) method supports this responsible design approach through standardised and quantified calculations, and provides a complementary scientific perspective. For the leather goods workshop, for example, the calculation includes farming, tanning, extraction of metals used, product manufacture, and all transportation until their arrival in stores and packaging elements (orange boxes, herringbone covers, ribbons, and shopping bags), etc. For livestock, the data are taken from the Agribalyse® database and PEF (environmental score) assumptions. For tanning, the actual emission factors of the Group’s tanneries were used. The process began in 2020 with a small number of emblematic high-volume products, with the help of an external firm.

In 2021, Hermès’ *métiers* launched more than 50 LCAs, on a very diverse range of emblematic products, in order to obtain their first environmental “identity card”.

This project has three complementary perspectives:

- ◆ train teams in the challenges and scientific rationale of LCA, as part of a move towards eco-design;
- ◆ understand the key impacts of the products, prioritised according to their sales or strategic impacts;
- ◆ anticipate future regulatory changes in terms of environmental rating of consumer products.

Scope and governance

The project was carried out in collaboration with the leather goods, Women’s and Men’s Ready-to-Wear, Footwear, Fashion Accessories, IoT (Internet of Things), Silk and Textiles *métiers* and Hermès Maison. Each *métier* presented between one and 10 references of emblematic products, such as the *Birkin* bag, the women’s cashmere coat, porcelain tableware or a piece of furniture.

Six indicators were selected:

- ◆ CO₂ equivalent;
- ◆ water consumption;
- ◆ pollution of aquatic environments;
- ◆ air pollution;
- ◆ impact on soil;
- ◆ waste production.

The various stages of these LCA were carried out by several dozen employees over a period of six months, grouping the studies by major categories of objects: textiles, multi-material products, complex products, etc. Each of the three LCA campaigns lasted between six and eight weeks, from data collection to results.

Results and lessons learned

The main conclusion of this LCA campaign is that the durability of Hermès objects gives more favourable results than the average market benchmarks.

They are often made up of a certain amount of raw materials of natural origin (animal, vegetable or mineral), the production of which can have environmental impacts that differ widely. These noble materials of the highest possible quality require careful sourcing in order to maintain their level of quality and excellence. They also contribute to the long lifespan of products, which underpins the environmental impacts.

A second finding concerns product transportation: although most Hermès objects are still delivered to stores using air transportation, for reasons of safety and time, it appears that, for the vast majority of products studied, this freight only represents a small part of the carbon impact (less than 5%). Significant work is underway, including pilot projects, to transfer transportation practices to responsible freight.

However, due to the very high number of hours of craftsmanship required to produce Hermès objects, commuting between home and work by employees can sometimes account for a significant proportion of a product's carbon footprint. This is one of the important lessons from this campaign; each of the production sites (production units, tanneries, workshops, etc.) will consequently work in conjunction with local authorities and each region to propose solutions.

Given the craftsmanship manufacturing model, the footprint of these sites remains limited. Nevertheless, work on LCA has strengthened priorities in terms of energy efficiency, reducing water consumption and increasing the use of renewable energies. Improvement levers have been identified for each product studied, ranging from the integration of materials of responsible origin, either certified or recycled, with a lower environmental impact, to the substitution or reduction of materials, including the transition to renewable energies in manufacturing.

Outlook

This LCA campaign gave rise to illustrated feedback passed to the management of each of the *métiers* that took part, which put action plans in place on the subject. Additional life cycle analyses for other key products or other *métiers* have been initiated. The methodology was also exported upstream of the product development phase in one of the *métiers*, the Home universe. These practices and demands of the collections are helping to anchor LCA in the development cycles.

The *métiers* are involved in national and European experiments on environmental labelling, for which LCA is the scientific basis. They are also working on the development of additional indicators, in particular within the FHCM (Fédération de la Mode et de la Haute Couture), both as part of the work of ADEME in France but also of the PEF (Product environmental footprint) at European level, on social and economic grounds in order to have the most holistic possible vision of the impacts of objects.

2.4.1.3 CIRCULARITY

Thanks to its craftsmanship dimension, the Group has always followed the principles of the circular economy, in particular with its expertise in repairs and after-sales. Today, the aim is to continue along this path as much as possible by leading recycling and upcycling projects, as well as by working on packaging.

2.4.1.3.1 After-sales: repair 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, across all its *métiers* and throughout the world. 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 50 people, who contributed to handling 161,000 requests in 2021.**

The main aims of this expert service are: management of maintenance requests sent by stores, management of interventions in workshops and supplier relations, support for the *métiers* on quality and reparability issues, store support for customers.

In 2021, **more 56,000 products** were handled centrally. These interventions are also opportunities, thanks to customised support for in-store teams, to strengthen the customer experience with 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.).

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 carries out the selection, testing, auditing and approval of a number of workshops, notably in the watchmaking/jewellery sector in various countries such as Japan, Russia, China and Hong Kong, as well as the monitoring and support of subsidiaries.

Thus, in 2021, **more than 105,000 repairs were carried out locally**, of which 24% on leather goods, by **33 craftspeople expatriated** to subsidiaries. Before departing, 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.

2.4.1.3.2 Innovation for a circular economy

The circular approach, inherent in the House, starts with the design of the object, by minimising its impact on the environment through optimised use of resources: reuse of spare materials, integrating recycled materials and refillable parts, etc.

Without waiting for the publication of the French AGEC law (Anti-Waste and the Circular Economy), the *métiers* have accelerated their initiatives through numerous working groups, which have designed solutions that create a second life for objects and recycle objects, and which are now in widespread use.

The actions are coordinated by a **Circularity Committee created in 2020**, which bring together all of the House's experts around cross-functional circular projects. In 2021, this Committee will continue its mission by facilitating the provision of unused materials for each *métier*, for the benefit of the Group's other *métiers*.

Pilot projects have been launched for all product categories (8,000 units) and *métiers* subject to the AGEC 2022 deadline. At Hermès Femme, for example, in 2021 more than 50,000 pieces incorporated a circular approach.

An exhibition entitled *Creation & Circularity* succeeded in raising the awareness of 1,100 employees during European Sustainable Development Week in October 2021.

OIKOS LAB: an eco-design and circular 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, stores and offices). This circularity approach has been systematised with our long-standing partner in interior design for all store projects.

Against this background, a laboratory, the Oïkos Lab, was 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 participates actively in the House's circular economy, having recovered 10% of dormant and downgraded leather inventories and through the recycling of all porcelain production waste from one *métier* in 2021.

2.4.1.3.3 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, intertwining the excellence of the House's *savoir-faire* and the creativity of the artists and designers. The *métier* starts from available materials rather than from a preconceived idea. 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, which was renovated and extended this year.

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

2.4.1.3.4 Management of unsold stock

The Hermès business model, based on the stores' freedom to purchase and the desirability of the House's products, means unsold stock volumes are naturally very low. Orders are made directly and freely by each manager, who is responsible for choosing the right assortment for his or her local customers. In addition, to optimise sales at regional level, the subsidiaries arrange inter-store transfers. Exceptional sales to the public are organised by the distribution subsidiaries to allow the sale of products that have not been sold in stores. Regular sales to staff are an additional channel used 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 by 2022 of not destroying new products intended for sale, particularly for clothing (under the AGEC law) **in France**. Existing partnerships with specialised associations (some of which date from 2016) have been strengthened, in order to reconcile their actual needs with the reality on the ground and the House's constraints. In addition, the Circularity Committee has set up partnerships with educational establishments, specialised players and industries, in a collaborative approach and in a context where the reprocessing channels are themselves being created and rolled out.

2.4.1.3.5 Packaging

Packaging is used at different levels throughout the life cycle of a product: during its manufacturing phase (packaging of materials, inter-site packaging) and during its sale in stores.

The emblematic orange boxes and bags, made respectively of 100% and 40% recycled materials, are fully recyclable because they are made of paper or cardboard, printed with natural inks. The boxes often have a long lifespan, as customers tend to keep them beyond the time of purchase.

Single-use plastic packaging

In stores, 100% of orange bags are FSC-certified. The comprehensive inventory of plastics throughout the production chain continued and will be completed in 2022.

Hermès continued its work aimed at reducing its packaging plastics, with notably the objective of **stopping the use of single-use plastics by 2025**.

Single-use plastic packaging used by Hermès is either the result of external purchases (packaging for articles or materials received), or used in internal processes such as Minigrip (polybag-type packaging), to transport articles between the various sites and to the stores.

Working groups are in place in the House's various métiers, including logistics and retail activities. Representatives of the House contribute to the Fashion Pact's work on the subject, in order to accelerate the development of alternative solutions.

Hermès Commercial, which manages central logistics, undertook a major project to **eliminate the plastic heat-shrink wrapping** of orange boxes and, at the same time, improve the working conditions of the teams. The project has already been successful on small formats. Thanks to a new mechanisation system, this film has been replaced by a paper strip personalised on the inside with a message highlighting its recyclability. This represents a saving of more than two tonnes of plastic per year. The objective for 2022 is to continue this implementation for larger formats, in the warehouse and at logistics partners.

In 2021, the HTH division launched two studies to optimise the environmental impact of packaging. The first concerns the shuttles used to transport finished products between the HTH depot and the Bobigny central depot. The study identified products with a lower impact, particularly in terms of materials and the carbon footprint. The other study, which aims to replace part of the plastic packaging of finished products is being finalised and should lead to the use of recycled or bio-sourced materials for all or part of the packaging in January 2023.

Pending an alternative material that meets all the environmental challenges, many new virgin plastic articles are gradually being replaced. For example, the structure of jewellery boxes is now made of recycled plastic or PEFC wood.

Cosmetics packaging

For more than 10 years, Hermès Perfume and Beauty has launched refillable perfumes: *Voyage d'Hermès*, *Jour d'Hermès*, *Galop d'Hermès* and this year, *H24*.

For the launch of the Beauty line, the *métier* used the same approach: offering products whose purpose is to last over time. Thus, by changing only the part containing the formula, the **refillable lipstick** reduces the environmental impact by 47% compared to the purchase of two lipsticks.

Similarly, the Blush powder compacts are designed to be kept and contain a removable cup. The purchase of a refill limits the environmental impact by 39% compared to the purchase of two compacts.

Hermès Perfume and Beauty has worked particularly hard on reducing plastic wedges. A first step was the replacement of the plastic sleeves of promotional campaigns by cardboard sleeves, with cut-outs. As a result, the use of 22 tonnes of PET was avoided. Some 80% of the virgin plastic spacers were replaced by recycled plastic, allowing the reincorporation of 39 tonnes of recycled materials. Regenerated plastic (PMMA) is also used for POS instead of new PMMA. Hermès Perfume and Beauty is part of a global and collaborative approach together with the profession by participating in the Spice initiative (Sustainable Packaging Initiative for Cosmetics), whose objective is to align the perfume-cosmetics sector with the definitions and principles of eco-design, including in terms of environmental claims.