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CSR EXTRACT
NON-FINANCIAL PERFORMANCE STATEMENT
(NFPS)

Page numbers have been retained from the original version.

2.4.2 SUPPLY CHAINS

The sustainability of Hermès' activities depends on the availability of the high-quality raw materials used. 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 strategy is to better understand its supply chains, strengthen them with high expectations to ensure their quality, ethics, environmental and societal sensitivity, and develop them to anticipate future growth.

This approach is based firstly on compliance with the regulations concerning the various materials. This notably means legislative provisions: ensuring compliance with 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.

The policies used to implement this strategy are, on the one hand, the establishment of **supply chain briefs** to control the entire value chain and co-construct sustainable development action plans and, on the other hand, an **animal welfare policy** formalised in 2021 and available on the Group's website.

2.4.2.1 MANAGEMENT OF SUPPLY CHAINS

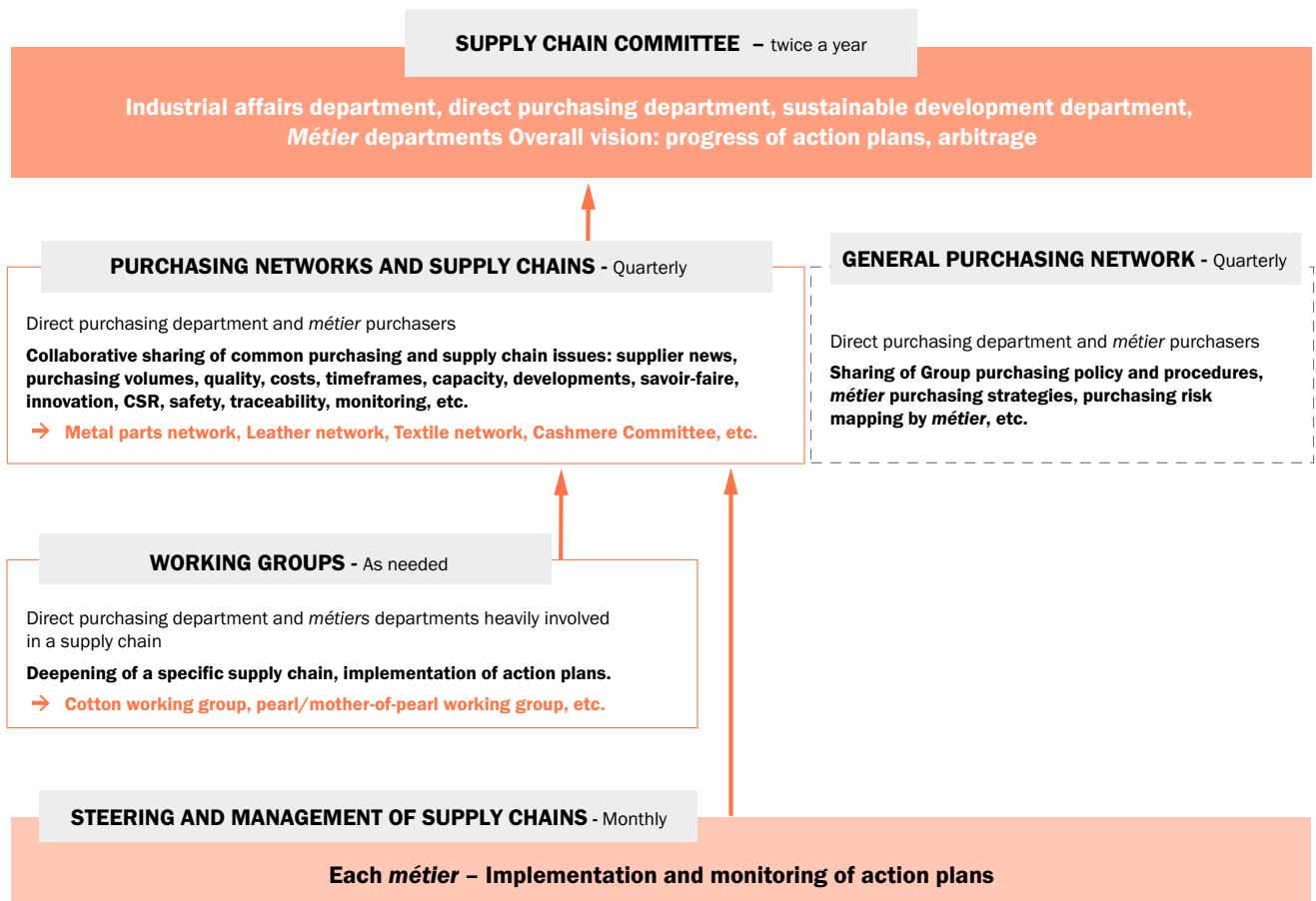
Hermès has long initiated a management approach for its raw materials sectors. Since 2019, the direct purchasing department has accelerated the process with the following ambitions:

- ◆ commit to a genuine process of in-depth knowledge and management of all the House's raw materials supply chains;
- ◆ meet risk management commitments, particularly with regard to human rights and fundamental freedoms, health and safety of people and the environment, but also capture opportunities to create value for the House, local authorities and the environment;
- ◆ develop more virtuous supply chains in which CSR issues are a priority, guaranteeing that 100% of raw materials used in the manufacture of products come from sustainable and responsible channels.

Thus, with the support of an independent expert firm, since the end of 2019, Hermès has set up a systematic approach to analysing its supply chains, to map each supply chain, take stock of traceability, assess inherent and specific risks, avail of opportunities and define insurance and certification procedures, and accordingly implement ambitious action plans managed by the *métiers*. Over the past two years, **74 raw material supply chains have been analysed in detail**, starting with the main ones used by Hermès (calfskin, cowhide, cotton, cashmere, etc.) not forgetting those used in smaller quantities (straw, wicker, mother-of-pearl, etc.) for the sake of completeness.

In addition, in 2021, supply chain governance was put in place with, in particular, **the creation of a Supply Chain Committee**, which, twice a year, brings together the direct purchasing department, industrial affairs department and sustainable development department, together with the Executive Management of all *métiers*. This body makes it possible to obtain an overview of the management of the supply chains and the progress of the action plans and, if necessary, arbitrate on certain points. To support this Supply Chain Committee, purchasing networks and supply chains specific to certain sectors have been set up, managed by the direct purchasing department, to share with the buyers of the *métiers* concerned the challenges common to these sectors, in particular in terms of CSR and traceability.

HERMÈS SUPPLY CHAIN GOVERNANCE



2.4.2.1.1 Supply chain brief and tools

Since 2019, buyers have had a “supply chain toolbox” to use in structuring their supply chain analyses, provide a methodology and ensure a cross-functional Group approach. It makes it possible to:

- ◆ map the sector, listing each link in the supply chain and the stakeholders;
- ◆ identify the risks related to this sector, by assessing the risks with respect to human rights and fundamental freedoms, the health and

safety of people, and the environment (carbon, water, deforestation, biodiversity), as well as the risk of corruption;

- ◆ capture value creation opportunities for the House, local authorities and/or the environment;
- ◆ define action plans to sustainably improve the sector and make it more ethical and responsible.

Of the more than 80 supply chains now identified, 74 had been analysed in detail by the end of 2021. The objective is to complete all the detailed analyses in 2022.

These analyses of supply chains gave rise to a supply chain brief co-constructed by the *métiers*, the sustainable development department and the direct purchasing department, with the support of a firm of independent experts. The first version, including around 10 supply chains, was published at the end of 2020. In December 2021, version 5 was released; it now includes 50 supply chains.

The supply chain brief is intended for all suppliers involved in the supply of raw materials used in the manufacture of the House's products. It allows Hermès to share with them its ethics and sustainable requirements and those relating to the protection of people, animals and the environment.

It provides a reminder of the principles of Hermès' responsible purchasing policy:

- ◆ transparency: knowledge of its supply chains through its network of manufacturers and partners, is at the heart of Hermès' concerns. It aims to guarantee the highest level of quality, the best traceability and the careful use of raw materials. Hermès wants to have a transparent vision of each link in the supply chains of its *métiers*, in collaboration with the players in each sector;
- ◆ high standards: Hermès rigorously selects materials, in compliance with regulations and best practices, according to the following fundamentals:
 - promote exceptional sectors, built locally as close as possible to the raw materials: breeders, farms, cooperatives, etc. Hermès listens to the players involved in the field, to develop partnerships, improve operating conditions and generate long-term improvement projects,
 - respect human rights and fundamental freedoms: in addition to compliance with benchmark conventions, the House's vigilance plan includes respect for human rights, fundamental freedoms and employment conditions for both its suppliers and their own suppliers and subcontractors,

- ensure animal welfare: anchored in a multi-stakeholder collaboration and continuous improvement approach, Hermès' policy ensures compliance with the fundamental principles of animal welfare (five fundamental freedoms of the World Organisation for Animal Health – OIE). Hermès favours observation of animals to demonstrate results and improve animal welfare in pragmatic ways and based on science,
- respect and protect biodiversity: materials from species threatened with extinction or whose trade is illegal are strictly prohibited. Risks related to natural materials of animal origin are already controlled through internal audits and/or audits by independent third parties and are the subject of targeted action plans,
- protect the environment: managing the environmental impact of its entire value chain is a core preoccupation for Hermès. Respecting natural resources, promoting regenerative agriculture and forestry, controlling energy resources, favouring the cleanest technologies in its production processes and limiting waste are all pillars of Hermès' environmental policy,
- in addition to these fundamentals, Hermès is committed to taking advantage of the best available standards and working to improve them, while always integrating respect for people, animals and the environment;
- ◆ goodwill: through their informative purpose, these guidelines are part of the Hermès *métiers*' desire to provide long-term support to their partners and co-construct responsible sectors. This also means promoting the virtuous initiatives already undertaken.

This supply chain brief then presents, for each sector, the short-term objectives and the trajectory for 2024, the points requiring particular attention and those that are prohibitive. In particular, it includes certification objectives for most of the sectors according to the best existing standards.

MAIN SUPPLY CHAIN CERTIFICATION COMMITMENTS

	Types of certification and/or specific procedures	Supply chain covered by the Animal Welfare Policy
ANIMAL SUPPLY CHAINS		
Wool and fur	RWS/RAS/RMS certifications	Yes
Feather/Down	RDS certification/PFC certification	Yes
Leather	LWG certification	Yes
Precious leather	IFCA certification for crocodile farms SAOBCS certification for ostrich farms LPPS certification for lizard farms	Yes Yes Yes
PLANT SUPPLY CHAINS		
Cotton	GOTS certification	NA
Linen	Master of Linen certification	NA
Cellulosic fibres	Sources of FSC fibres	NA
Wood	FSC or PEFC certification	NA
MINERAL SECTORS		
Stones	RJC and/or IRMA certification	NA
Gold/Silver	RJC certification and use of recycled materials	NA

2.4.2.1.2 Analysis of the main supply chains

The objectives and recommendations concerning Hermès' supply chains are presented in the supply chain briefs. For example, the work carried out in 2020 and 2021 covered the following sectors in particular: cashmere, cotton, linen, viscose, sheep and merino, feathers and goose and duck down. The results for cashmere are presented as an example in the Experts' Handbook in this section.

Focus on water in supply chains

Water is an issue at supply chain level and has been the subject of a specific analysis with the main suppliers, through the use of the Water Risk Filter in partnership with WWF.

The main supply chains, for exotic hides (crocodile and alligator), calf hide, cashmere and wood, are also reviewed by the WWF, including environmental aspects.

2.4.2.2 ANIMAL WELFARE

2.4.2.2.1 Hermès animal welfare policy

The Group has set up a **very strict policy in terms of animal welfare for all the animal supply chains concerned**, both within its direct sphere of responsibility and for its external partners. Formalised in 2021, this policy, and all the concrete objectives it sets, have been shared with Hermès' suppliers and partners. It is published on the Hermès website. This policy is part of a process of continuous improvement of practices.

<https://finance.hermes.com/en/animal-welfare>

It is based on the following principles:

- ◆ a commitment to fundamental principles of animal welfare ("the five freedoms" defined by the FAWC¹), based on the most recent information supported by the best scientists and universities in the world. In order to ensure proper animal welfare, Hermès' approach

focuses on the observation of animals and their behaviour. This therefore means an obligation of results ("outcome based") to be compared with more traditional approaches, which are limited to a material analysis of resources, i.e. only an obligation of means;

- ◆ adoption of the "One Welfare" concept. This holistic approach recognises the links between animal welfare, human well-being and the environment, and promotes interdisciplinary collaboration;
- ◆ a multi-stakeholder collaboration to ensure that the results obtained on animal welfare correspond to the expectations and analyses of a wide range of stakeholders, including many international and national associations (NGOs) involved in the Group's issues;
- ◆ a formal governance framework: in 2019 the House created an Animal Welfare Committee. An independent welfare expert is a member of this Committee which meets at least every six months to update the policy and standards, measure progresses and ensure that resources are in place;
- ◆ implementation of strict standards detailing best practices, specific to each supply chain, representing local community expectations and covering a broad range of areas such as farming and slaughtering practices, transportation, traceability, employee working conditions, the environmental performance of farms and their safety, the promotion of biodiversity, conservation of species and assistance to communities and populations;
- ◆ a monitoring system adapted to each sector allowing progression of best practices by conducting regular internal, or external, controls and audits in the supply chains.

An animal welfare roadmap has been drawn up for each species concerned by the sale of products, in all of the Group's métiers.

1. FAWC: Farm Animal Welfare Council

2.4.2.2.2 Implementation

Ostrich

In partnership with the South African Ostrich Business Chamber (SAOBC), Hermès contributed to positive changes in the Ostrich sector (animals mainly raised for their meat and feathers, and used in the production of leather goods), through:

- ◆ the creation of a standard with all stakeholders (breeders, processors, scientists, government regulators, non-governmental organisations specialising in animal protection, and customers);
- ◆ financing and participation in the training of farmers and processors;
- ◆ a certification process conducted by an independent body since early 2020.

Since the end of 2021, all Hermès ostrich hides have been sourced from certified sites.

Crocodilians

Hermès also continued to support the International Crocodilian Farmers Association (ICFA) initiative to draw up and introduce an international certification framework for crocodilian welfare and the use of sustainable farming practices at farms (see below).

At the end of 2021, 90% of Hermès' supply of crocodile hides came from certified sites. By adding third-party audits according to an internal standard, **98.6% of the crocodile hides purchased by Hermès come from audited and/or certified farms (ICFA).**

2.4.2.3 RESPONSIBLE SUPPLY CHAINS

2.4.2.3.1 Leather

Leather reflects the animal's life. It bears traces of injuries, health issues, like parasites. Beautiful hides come from animals that have been well-treated and cared for. Hence, the Hermès Group's demand for high quality hides helps to improve the industry by encouraging livestock farming methods that respect the animals.

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

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

The leathers used are 95% (by weight) food by-products and 92% sourced in Europe, in compliance with strict and demanding regulations.

80% of subcontractors carrying out operations on leather have been audited or have been subject to EHS¹ NBP inspections over the last five years.

Since October 2020, Hermès has been a member of the LWG's (Leather Working Group) Animal Welfare Group. LWG is a multi-stakeholder group that promotes sustainable environmental practices in the leather industry. It has developed rigorous audit standards and protocols comparable to industry best practices. These protocols have been reviewed by several NGOs, including Greenpeace, NWF, WWF (United States), sustainability organisations and academic institutions. LWG verifies compliance through independent audits conducted by approved third parties. Its approach is holistic, both on environmental aspects, the search for best practices and by defining guidelines for continuous improvement.

Since February 2020, all Hermès Leather Goods & Saddlery tannery suppliers have been encouraged to undergo assessment using the LWG audit protocol, with the objective of reaching 100% by 2024. At the end of 2021, 55% of the sites were already certified.

The Tanneries division has also defined an LWG audit programme for its sites. The Conceria di Cuneo tannery (Italy) was audited in 2020.

Calfskin

The House is part of a working group, Interbev (the French inter-professional organisation for meat and livestock), that brings together several luxury French brands as well as all players in the sector. The aim is to define and implement a responsible calfskin sector, by installing full traceability of hides, defining strict standards in terms of animal welfare and ensuring the application of these standards through audits and certifications carried out by independent third parties.

In addition, Hermès is involved in the association FECNA (*Filière d'Excellence des Cuirs de Nouvelle-Aquitaine*), which brings together several luxury French brands, the region, abattoirs, tanners and independent breeders of "suckling calves". The approach adopted is based on the fact that the quality of the livestock directly impacts the improvement in the quality of the hides.

In practical terms, raising awareness among farmers of best practices and training for farmers is currently being rolled out. The next step will be to implement health treatments (against ringworm and lice). Lastly, the project also includes an approach that will ensure "end-to-end" traceability.

In the firm belief that the traceability of the hides is vital to improving breeding practices and the quality of the hides themselves, the House continued with the laser marking of the raw hides received by the Tanneries d'Annonay and Tanneries du Puy. Developed in partnership with the *Centre technique du cuir* (CTC - Leather Technical Centre), it ensures the traceability of hides from the farm to the finished leather. In 2021, 30% of the calfskins tanned in the division's two tanneries were marked. Rolling this equipment out to our suppliers' raw hide sorting lines will be a key challenge over the coming years, as will be the performance of the automatic hide reading devices in the tanneries.

The target for 2022 has been set at 50% within the division. In addition, the project has now been extended to external tanneries and the aim is to achieve 30% unit traceability for all supplies by 2020.

Exotic hides

Virtually all of the exotic hides the House uses come from farms in the United States, Africa and Australia. All Hermès partner farms must comply scrupulously with the rules drawn up under the aegis of the UN for the Washington Convention, which defines protection for endangered species. Hermès requires that its partners meet the highest standards for the ethical treatment of alligators and crocodile, in accordance with recommendations by expert veterinarians and local authorities such as the Fish and Wildlife Service in the United States, a federal nature protection agency, or the departments of environment and natural resources in Australia (Northern Territory and Queensland) and Zimbabwe. In addition to strict compliance with the Washington Convention, in 2016 Hermès initiated a study with WWF France to assess respect for animal welfare and measure the environmental footprint of alligator hides in the United States. The progress plan drawn up at the end of this study continued to be actioned in 2021.

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

Since 2018, the Tanneries division has outsourced these audits of the breeding farms and the meat processing and hide inspection sites to secure its relations through independent reviews. These audits, carried out by local Bureau Veritas auditors trained in the specificities of crocodile farming, are part of a broader process of "Bureau Veritas Group Recognition" of sites. The audit protocol associated with this best farming practices charter was also reviewed by this organisation, using its expertise in the assessment of farming conditions in other animal sectors. **In 2021, 97.4% (+1.5% compared to 2020) of raw crocodile hides purchased by the Tanneries division came from farms that had undergone an initial external audit,** or a follow-up audit. The two farms that could not be audited in 2021, due to travel constraints imposed by the Covid-19 pandemic, will be audited in 2022. The progress plans drawn up with the farms are monitored annually with the local specialist auditors and the division's purchasing teams.

In addition to these efforts, which have been ongoing for nearly 15 years, the Hermès Group contributes to the improvement of professional standards. Since 2016, Hermès has participated in the **ICFA** (International Crocodilian Farmers Association) alongside the main

players in the industry (farmers, tanners, manufacturers and brands). This association aims to develop and improve sustainable crocodile breeding practices in farms by combining the experience of its members and a scientific community specialised in crocodiles, which has gathered together all practices and existing scientific studies. In 2018, the ICFA accordingly defined a standard aligned with international best practices in the field. A panel of scientists, veterinarians, farmers, brands and specialists in the area of regulations or in ISO compliance participated in the approval of this standard. This was then reviewed and amended by the CSG (Crocodile Specialist Group), a NGO member of the IUCN's Species Survival Commission and working under the aegis of the UN. The Group is continuing to work with the ICFA to support scientific research and the ongoing improvement of crocodile farming systems.

The practices thus defined are backed by scientific studies. The founding principle is to evaluate animal welfare throughout the breeding process in a manner that is both objective and measurable. A certification process for the livestock of its founding members was introduced in 2019, with the help of the independent certifying body BSI. All farms that join the ICFA adopt its standard and are audited. As such, all farms in the division have already been audited and certified by ICFA. In addition to animal welfare, as defined by the FAWC (Farm Animal Welfare Council) and the Five Freedoms for animals, these audits cover environmental and societal aspects of livestock farming.

In addition, special attention is paid to biosecurity rules on farms, in order to protect livestock from the introduction of infectious agents. This includes compliance with strict requirements when transferring animals on farms or between farms, the implementation of disinfection instructions and pest control or animal vaccination programmes. These different protocols were established in collaboration with veterinarians specialising in the species concerned.

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

Due to travel constraints imposed by the Covid-19 epidemic, the year 2021 was used to select an independent audit body to certify this supply chain. This work, carried out jointly by the Leather Goods and Tanneries divisions and Hermès' partner, will continue in 2022 with the roll-out of certification in the supply chain.

Focus on porosus

The Australian farms in the Farms division are a strategic link in the *crocodylus porosus* hide supply chain. After several years of significant investment in animal breeding facilities and the improvement of *savoir-faire*, the quality of supplies has continued to improve.

These farms are all ICFA certified by the independent control body BSI and are also audited annually by Bureau Veritas, in the same way as the meat processing sites, as part of a “Bureau Veritas Group Recognition” process. These different audits cover various topics such as best practices in farming, transportation and slaughter, compliance with Cites requirements, personal safety, compliance with social criteria, environmental management and site safety.

In addition, research projects are conducted in the division in partnership with scientists to study the behaviour of animals on farms.

2.4.2.3.2 Silk

Silk is an essential resource for Hermès, and its production reflects the House’s values of sustainability and ethics. This material is renewable and biodegradable. Its production uses less water, chemicals and energy than the production of most other fibres, including cotton and synthetics.

For decades, Hermès has sourced silk through a local partnership with smallholders in the state of Paraná, in the Brazilian Atlantic Forest region, a hotspot for global biodiversity. This partner aims to work in harmony with nature through a production system based on low-intensity, regenerative and circular agriculture. The ecosystem thus maintained generates income for small local farms and more than 2,300 families. There is a dedicated annual budget to develop knowledge, qualitative techniques, and the sustainability of the activities and supply chains of these farms. According to a recent study by *Intersoie* (Union of Silk Producers), the carbon footprint of Brazilian silk is 30% lower than that of Chinese silk.

In 2020, Hermès began working with the Institute for Sustainability Leadership (CISL) at Cambridge University, a leader in the field of biodiversity, to undertake a study to confirm the environmental value of this local partner’s approach and to identify actions that could further enhance the benefits of this system. This study states:

“We believe that Hermès silk production in Brazil can be celebrated for its positive environmental benefits.”

The growth of the worms involves a diet based exclusively on mulberry leaves. Mulberry plantations sequester carbon, prevent erosion and contribute to soil regeneration. Mulberry cultivation uses far fewer agrochemicals than those in the surrounding agricultural land where they grow soybeans and sugar cane. Hermès’ partner supports research into the rational use of pesticides and is positively engaged in a local dialogue to reduce their use in other more intensely managed neighbouring crops, as they are harmful to silkworms. The reduction of agrochemicals in the environment is potentially beneficial to the silk industry, but also to local biodiversity, in particular pollinators and soil fauna.

Much of the waste from mulberry growing and silkworm farming is recycled locally. Each part of the cocoon as well as the other co-products of the industry have multiple uses, from fish food to fabric. Such

circularity reduces the demand for raw materials, which leaves more uncultivated spaces conducive to biodiversity.

The Hermès silk supply contributes to the development of materials with a low environmental impact. More broadly, it is part of its global strategy for biodiversity, formalised with Act4Nature International.

2.4.2.3.3 Cashmere

Cashmere comes from the *Capra Hircus Laniger* goat, known as the Cashmere goat, which lives in High Asia. Particularly well adapted to harsh climates, at the beginning of winter, the Cashmere goat develops an extremely fine and dense down beneath its permanent coat of hair, which allows it to effectively insulate itself from the cold. When temperatures rise again, this down is shed naturally during the spring moulting season. It is this extremely fine and soft down harvested by breeders that is commonly called cashmere.

For weaving, Hermès selects the most beautiful fibres. At the same time fine, long and extremely white, and boasting unrivalled softness, they come from the very best farms. The House’s historic yarn manufacturer has built strong, long-standing relationships of trust with raw material suppliers, thereby ensuring supplies of an exceptional quality. Most of Hermès’ supplies come from Inner Mongolia, in the People’s Republic of China, where farming practices are strictly controlled by the authorities in order to preserve the resources.

The Holding Textile Hermès division has direct control over all the processing operations such as weaving, printing, finishing and manufacturing. This integrated process ensures the use of exactly the right amount of raw materials, the streamlining of containers and packaging, facilitating the transport of products, and optimisation of transport.

A programme aiming for the sustainable development of the sector has been ongoing for several years with the support of NGOs present in the breeding areas in question. In 2019, an audit of practices was conducted notably with the support of WWF France. The conclusions, positive on the local practices implemented, led to an action plan and improvements, for example on the traceability of livestock farming practices, and optimisation of water use on hide processing sites. The monitoring of these actions continued in 2021.

The objective is ultimately also to monitor and support breeders' agro-pastoral practices aimed at preserving the resource and the biotope.

Hermès, together with the CCMI (Cashmere and Camel Hair Manufacturers Institute), supports the development and implementation of a code of practice for the accreditation of animal welfare and the environmental sustainability of cashmere production in China led by the ICCAW (International Cooperation Committee of Animal Welfare).

From 2021 onwards, 25% of Holding Textile Hermès' supplies met this new standard. This proportion will continue to increase in the coming years, until it gradually reaches 100% as breeders are trained and adhere to this new standard.

2.4.2.3.4 Other materials

Cotton

Hermès uses a very small volume of cotton in its collections. As for all materials, the cotton supply policy is guided by the search for the best quality and the guarantee of traceability. The cotton supply chain, based on long-standing partnerships, favours low-risk sources: more than 60% of the cotton fibres used in Hermès products come from Europe or the United States.

Hermès has implemented a control approach to ensure respect for human rights throughout the supply chain, from production to dyeing and spinning.

In 2020, the commitment within the Fashion Pact resulted in work with the main suppliers in order to switch all cotton supplies to organic cotton or GOTS (Global Organic Textile Standard) for packaging. These improvements will take place gradually from 2021 to 2024 on the herringbone covers and wrapping ribbons, which will significantly reduce the corresponding water consumption. This certification also includes a mandatory criterion for the ethical treatment of workers.

In 2021, the HTH Textile division also committed to a voluntary GOTS certification process for its sites. Thus, the ATBC Bussièrès weaving site and the HTH central entity obtained GOTS 6.0 certification for certain product lines in the second quarter of 2021. The SIEGL printing and AEI finishing sites also aim to gain this certification in early 2022. These initiatives have already led to concrete progress: in 2021, 10% of the cotton used by the HTH division was GOTS certified.

Wood

The woods used for Hermès objects are mostly certified (FSC certification for oak, SVLK for mahogany). Some partners, in addition to sourcing certified timber, have ensured their entire value chain is FSC-certified, guaranteeing Hermès supplies that are 100% certified.

The House collects information on how best to manage this natural resource. For the purposes of supply chain traceability, countries of origin, species used, forest type (plantation or natural forest) and supplier certificates are monitored and recorded. The risk assessment checks for corruption in the country and the species appearing on the IUCN (International Union for Conservation of Nature) and CITES red lists. To demonstrate its commitment, Hermès took part in the **CDP Forest disclosures in 2019, 2020 and 2021, obtaining an A- rating in 2021**. The objective is to ensure FSC certification of all timber supplies (excluding fruit and Indonesian timber, subject to other certifications) by 2025.

Metals and stones

The precious materials used by the Watches division, Hermès Bijouterie and the Leather Goods division are mainly gold, palladium and diamonds. Hermès has implemented very strict procurement practices that make it one of the leaders in the sector.

The Hermès Group has had Responsible Jewellery Council (RJC) certification since 2013. The RJC is an international benchmark body for the profession. The audit for the renewal of this certification (Code of Practices – COP) took place in 2019 and was validated in 2020. Initially covering only gold, platinum and diamonds, the new certification rules now include silver and certain precious stones (rubies, emeralds and sapphires). **Hermès has become the first luxury house to be certified across the whole of this scope and according to the strengthened criteria of the new COP standard.**

The management of supply chains takes OECD recommendations into account. To this end, the House promises its partners that it will promote responsibility principles. This does not mean simply taking action with first tier suppliers but also going further along the chain, as far as mining, for stones, and recycling or refining for metals. Significant transparency and audit work is already bearing fruit, especially in gold and diamonds. 79% of the workshops with which Hermès works are certified members of the RJC, while 16% have already been audited and are awaiting the formalisation of their status. 100% of diamond dealers are certified.

Most of the jewellery is made from gold and silver, using pellets or primed materials such as plates or wires. This gold and silver comes from the European metal recycling sector, from the jewellery sector itself or from other industries such as electronics. **Hermès does not therefore use gold from mines in its jewellery.** The analysis of the origin of the metal of the components (chains, clasps) and gold salts used for the electroplating, initiated in 2020, confirmed that they came from similar recycling channels.

Refiners in the gold supply chain are certified by the RJC to the "Chain of Custody" or COC standard, which ensures monitoring of the sector and distinguishes between the different categories of recycling. Industrial waste and old gold are classified in one category, with investment gold refined before 2012 in another. In efforts to extend and formalise this chain of trust, more and more manufacturing workshops are also using this certification.

The House's diamond sector abides by the Kimberley Process and its corollary, the World Diamond Council (WDC) System of Warranties. The Kimberley Process, which came into force in 2003 and has been adopted by 81 countries including France, has prevented the arrival on the legal market of "conflict diamond", the sale of which funded guerrillas in unstable countries. The World Diamond Council's system of warranties incorporates broader issues, including working conditions and the fight against corruption.

All diamonds used by the House are natural and selected in accordance with the Hermès Group criteria. At the time of purchase in stores of an object containing diamonds, a certificate attesting to this commitment is given to the customer. Compliance with the aforementioned principles concerns the diamond trade, from mining to the cutting of the 57 facets, but also the trading of polished stones, as well as the setting of watches, their quality control, delivery and sale in store.

The gems or "coloured stones" market is the most complex, with a huge diversity of materials, origins and players. Since 2019, the RJC certification, extended to rubies, emeralds and sapphires, can be promoted in the coloured stones sector. Monitoring of these sectors continues despite delays due to health restrictions limiting travel. This constraint was partially offset by more stringent requirements and greater formalisation in the collection of information on origins. Hermès Bijouterie has created its own risk analysis grid to guarantee that social and environmental responsibility is as important a purchasing criterion as quality, even when this can sometimes lead to certain stones being rejected for lack of information.

Hermès Horloger, which uses 100% recycled gold for its watch cases, has also set itself the objective of improving its knowledge of high-risk sectors by 2022, initially working on the supply of hard stones and mother-of-pearl.

With regard to hard stones, a geographic mapping of the various suppliers of ornamental stones used in the manufacture of the dials was carried out. Today, all top-tier suppliers are European, and the division continues to analyse the supply chains to ensure full transparency throughout the supply chain.

At the request of Hermès Horloger and other watchmaking houses, the historical supplier of natural mother-of-pearl has simplified its supply chain and set up a new supply channel directly with the reseller fishing ports. This approach ensures better control of the supply chain and makes it possible to work with the supplier to respect ethical working conditions.

Finally, the market for ornamental stones and marbles is also a complex sector, with the presence of intermediary players and wide geographical diversity linked to the various mineral materials desired. In 2021 Hermès Maison and Puiforcat carried out an in-depth audit and study of the supply chains, identifying and tracing the stones in the collections, supplemented by points of attention. The analysis of the 13 stones present in the Hermès Maison collections makes it possible to guarantee Hermès' level of social and environmental commitment. In its new developments, Hermès Maison favours the use of stones extracted, machined and worked in Europe.



100%
**recycled gold and
silver processed
in the workshops**