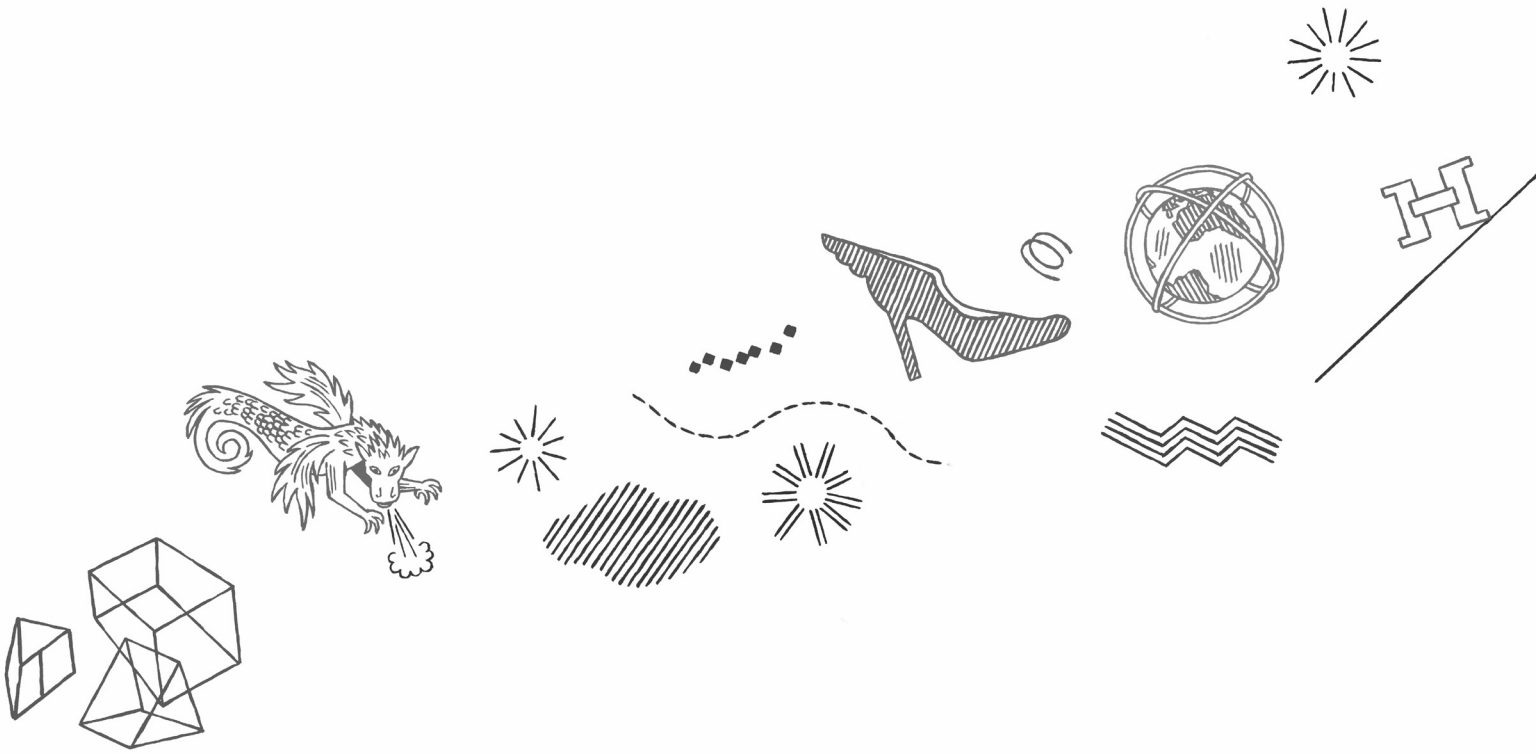
2019 UNIVERSAL REGISTRATION DOCUMENT

CSR EXTRACT
NON-FINANCIAL PERFORMANCE STATEMENT (NFPS)



HERMÈS
PARIS

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2 CORPORATE SOCIAL RESPONSIBILITY

NFPS

2.5.2 CHALLENGE: MANAGING GREENHOUSE GAS EMISSIONS

As mentioned above, Hermès is gradually taking practical measures to reduce its energy consumption and carbon footprint across all scopes. This involves, in particular, controlling our greenhouse gas (GHG) emissions through direct actions to reduce emissions across the entire value chain, as well as through a voluntary offset of emissions.

2.5.2.1 POLICY

The Hermès Group's policy is to assess the impact of its activities across all scopes (1, 2 and 3), to launch emission reduction actions in priority on various categories where the Group can take action, and to then implement offset initiatives. The Hermès Group's approach follows the COP 21 Paris Agreement.

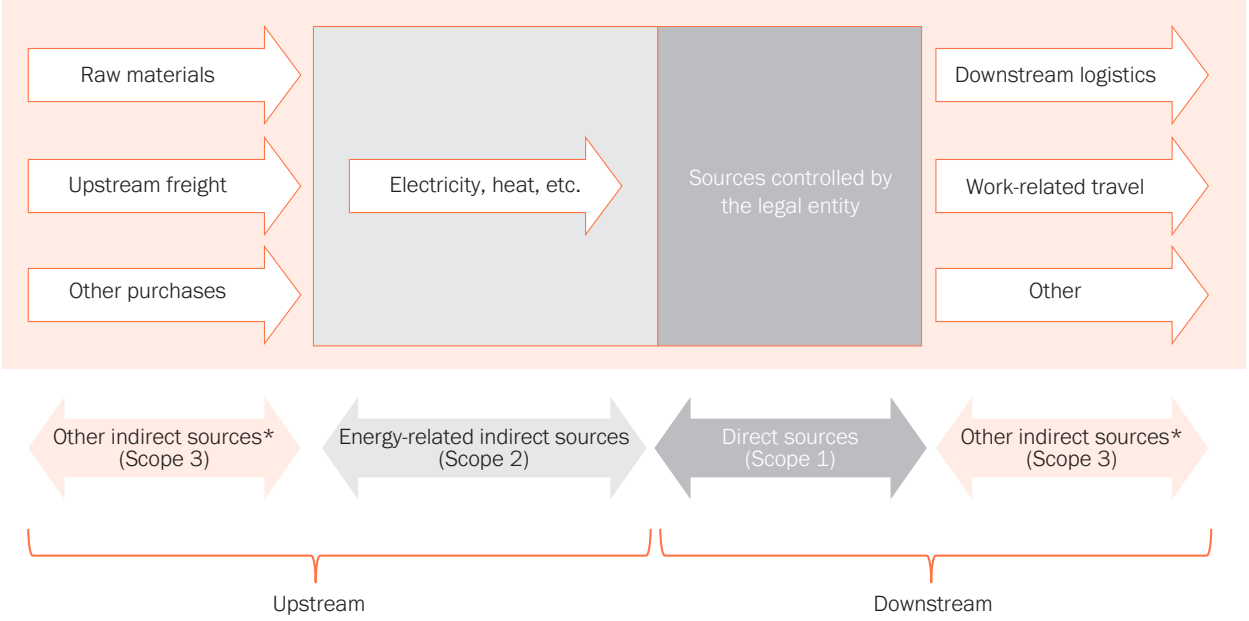
As part of the Fashion Pact, Hermès has committed, together with many companies in the fashion industry, to adopt climate science-based targets and to implement actions compatible with a 1.5 degree global warming trajectory through a "fair transition", in order to reach zero net emissions in 2050.

The GHG policy is overseen by the Sustainable Development Committee, on which two members of the Executive Committee sit, as well as the Deputy Managing Director in charge of Industrial Affairs and the Managing Directors directly in charge of the Group's major emitters (*métiers*, logistics and construction). The Hermès Group's carbon strategy was approved by the Executive Committee. Lastly, the climate risk mapping has been drawn up in the framework of the CDP's Climate Change Project (with a score of B obtained in 2019) and is updated every year in line with the development of knowledge in the field.

2.5.2.2 MEASURES IMPLEMENTED AND RESULTS

Since 2013, the Group has been equipped with the tools needed to carry out an annual update of the overall assessment of greenhouse gas emissions from its production and distribution sites. This work is carried out with the help of an independent external specialist, using the Bilan Carbone® method. In compliance with the requirements of the applicable regulations (Article 75 of law 2010-788 of July 12th 2010), Hermès has published its Bilan Carbone® (Carbon Assessment), as per the method and scope indicated by the legislation (direct emissions generated by fixed and mobile sources, and indirect emissions associated with the consumption of electricity, heat or steam).

Hermès details its scopes 1, 2 and 3 greenhouse gas emissions in this report and on its Hermès Finance website for the scope required by law (Article L. 229-25 of the French Environmental Code).



** Sources of emissions unaffected by regulatory requirements*
Source: Ministry of the Environment

In 2019, the Hermès Group's Bilan Carbone® (Carbon Assessment) was 543.8 k T CO_2 eq, down 7% from the previous year. The breakdown is as follows:

- 42.3 k T CO_2 eq for scopes 1 and 2, that are, emissions from production sites, offices, logistics centres and stores. In understanding this figure, it should be recalled that the Company has a business model in which 61% of objects are made in Hermès exclusive and internal workshops;
- 501.5 k T CO_2 eq for scope 3, which essentially takes into account the carbon footprint of raw materials (73% of scope 3) as well as all purchases, fixed assets, waste, subcontracting, packaging, transport of products and employee's travels. In 2019, scope 3 of the GHG assessment underwent improvement on the scopes and input data. The emission factors were also updated based on internationally recognised baselines.

These figures confirm the merits of a low-environmental-footprint French craftsmanship model: with a carbon intensity of 6.2 (scopes 1 and 2) or 79 (all scopes), Hermès is ranked as one of the least carbon-intensive companies of the CAC 40. The decoupling of the Hermès Group's activity growth from its footprint is being borne out, with a decline in absolute value starting to be seen (see breakdown of actions below).

As an investor in the Livelihoods carbon fund since 2012, Hermès receives carbon credits every year, and the quantity is increasing as it develops initiatives. In 2019, Hermès was eligible for 43,800 credits (compared to 35,700 in 2018), which offset all of its scopes 1 and 2 emissions, ahead of schedule on its targets. This means that the Hermès Group is neutral on its scopes 1 and 2, and the Group's net carbon footprint is 500 k T CO2 eq after offsetting.

Hermès' scopes 1, 2 & 3 emissions are as follows:

IN K T CO_2 EQ	2017	2018	2019	Change
Scopes 1 and 2 (A) *(production sites, offices, logistics centres, stores)*	42.3	42.2	42.3	0.2%
Scopes 1 and 2 carbon intensity *(in T CO_2 eq per € million revenue)*	7.6	7.1	6.2	-14%
Scope 3 *(materials, purchases, fixed assets, waste, subcontracting, packaging, transport, travel)*		542.2	501.5	-8%
Total carbon footprint		**584.4**	**543.8**	**-7%**
Scopes 1, 2 and 3 carbon intensity *(in T CO_2 eq per € million revenue)*		98	79	-24%

IN K T CO_2 EQ	2017	2018	2019	Change
Carbon offset (B)	-21.5	-35.7	-43.8	18%
Scopes 1 and 2 net emissions *(after offset) (A-B)*	20.8	6.5	-1.5	
Net carbon footprint *(all scopes)*		**548.7**	**500**	**-10%**

The diversity of the Hermès Group's activities means that the areas responsible for the highest scopes 1 and 2 emissions vary widely from one activity to another. Each *métier* has drawn up a plan addressing its own challenges. The energy consumption figures published above provide a picture of the main contributing *metiers*. Special attention is paid to the energy consumption of stores, which account for 16% of total consumption. Consumption reduction measures are presented above.

- 14 %

carbon intensity at production sites, logistics centres and stores
(scopes 1 et 2)

The GreenHouse Gas Protocol (GHG Protocol) proposes to determine the greenhouse gas emissions of scope 3 from 15 categories. Using the significant categories of the Hermès Group's activity as described in chapter 2.1, the calculation of the emissions of scope 3 was carried out with the help of a specialised consultant. It takes into account the most recent emission factors and technical definitions that are best adapted to the Hermès Group's specific needs. This approach will be refined as progress is made in this area.

For Hermès, the main categories are as follows:

- raw materials used: all leathers, silk, cashmere, other textiles, metals and precious stones, perfume ingredients (category [1]);
- packaging: logistics and products (category [1]);
- purchasing and sub-contracting (category [1]);
- transport of goods and products upstream of production units, inter-site transport and downstream transport of products to the stores (categories [4] and [9]);
- employee travel: commuting to and from work for artisans, national and international business travels (categories [6] and [7]).
- upstream energy consumed (categories [3]);
- fixed assets (category [2]);
- waste generated in operations (category [5]).

Within scope 3, in addition to materials, transportation represents a major share of emissions, which is the trade-off for French production and global distribution. As described below, these items are analysed in detail and subject to operational actions to lessen their impact.

The scope 3 changes observed stem from the reduction of emissions in some categories, the better measurement of other categories (estimates replaced by more precise calculations) and the update of the emissions factors.

Construction

In 2019, the Hermès Group performed two Bilans Carbones® (Carbon Assessments) one on a production site (Maroquinerie Iséroise des Abrêts) and one on a distribution site (George V store in Paris).

These assessments made it possible, on the one hand, to assess the environmental impact of the constructions, on the other hand, to adjust the standard layout and construction benchmark to guide our ambition to reduce CO_2 emissions on future projects through the Hermès sustainable construction framework.

The sustainable construction framework addresses carbon challenges and targets stemming from the Hermès Group's commitments related to new construction, renovation and dismantling projects.

In order to improve the Bilan Carbone® (Carbon Assessment) of new stores and new buildings, special attention must be paid to the choice of building materials, the reduction of their weight, the efforts to source supplies locally, and the modes of transportation with low carbon emissions.

The Hermès International construction department has committed to reducing the carbon footprint/m^2 of areas built or fitted by 50% between now and 2030. It should be noted that the scope retained for the calculation of the stores' Bilan Carbone® (Carbon Assessment) is the same as that for energy consumption (it only includes stores for which data is available).

Transportation

The commercial department is working on projects to improve the Hermès Group's logistics footprint. The main projects concern local transport services, giving priority to the use of carbon-neutral modes of transport; longer-distance transport, replacing air transport with sea or rail transport to replace air one when possible.

Local transport, i.e. deliveries from local warehouses to city centres, uses electric or hybrid vehicles whenever possible. The French logistics centre, for example, uses hybrid or electric vehicles for deliveries to the Paris sites.

For longer-distance transport (Asia, United States), sea transport is preferred when the nature, volume and quantity of the items to be shipped make it possible. This concerns in particular publications (for example the biannual magazine Le Monde d'Hermès), items related to communication events and store layouts. Tests are also conducted for sea (to Asia and the United States) or rail transport (to China) for other categories of items, in particular the uniforms of sales associates, furniture, leather goods and shoes.

Calls for tenders for goods transport systematically include a criterion related to the improvement of the carbon footprint.

Lastly, the optimisation of volumes transported will drive the improvement in our logistics footprint. In 2019, we modernised our order preparation tools: automated pre-packing, optimisation of order preparation circuits and automated adaptation of the height of transport crates before closing, all contribute to reduce the volumes transported, for an equivalent number of items.

Tanneries

The Bilan Carbone® (Carbon Assessment) for the Tanning and Precious Leathers division was updated for 2019. The division's scopes 1, 2 and 3 emissions (excluding impacts related to livestock farming) increased between 2018 and 2019 (+5%). This increase is primarily due to the increase in emissions related to exotic skin supplies and waste production (see "Waste" below). These two sources of emissions, together with energy consumption and chemical products, accounts for more than 95% of emissions from production sites, with the energy consumed (gas and electricity) alone one-third of these emissions.

Since 2010, a sea transport system was set up for the skins of *Alligator mississipiensis* from the southern United States, *Crocodylus niloticus* from Africa and, since 2013, *Crocodylus porosus*, from Australia. The proportion of sea transport in the supply of raw crocodilian skins remained stable compared with 2018 and accounted for 20% of supplies. The percentage of raw skins from the United States and Africa was slightly higher with a quarter of the skins transported by sea in 2019.

In 2019, the division also began working to make its carbon impact related to crocodile and calf farming more reliable with the help of specialised consultants. This work will be continued in 2020.

Textile division

The Textile division's Bilan Carbone® (Carbon Assessment) is revised every year to analyse the impact of actions on greenhouse gas reductions. The activities producing the most emissions are purchasing (fabrics, chemical products and packaging), energy needs, inter-site freight, upstream freight and business travels.

The division's efforts to reduce energy consumption, the pooling of transportation and purchasing, the reduction of inventories, along with the implementation of travel rules and remote meetings, have helped reduce our emissions.

To reduce employee's travels and to find "soft" transport solutions, the Bourgoin and Pierre Bénite sites are taking part in the definition and organisation of travel plans. Since September, the ITH site has been part of a regional inter-company Mobility Plan in order to study ways of improving employee travel inside the business park. The HTH and Ateliers AS sites joined forces with the Pierre Bénite production unit, located on the same site, to conduct an overall audit on commuting. They have already carried out several actions following this diagnostic: employees receive financial assistance to buy bicycles and mileage allowances are paid. They are also provided with tools to facilitate remote meetings and with specific parking spaces for carpooling vehicles. Lastly, the transport assessment and the issue of the carbon impact are progressively being included in projects as well as in Product Development and Industrialisation Committees. For example, the Heavy Twill material, which used to be prepared at two production units 30 km apart, is now produced on a single site.

Leather Goods division

In the Leather Goods division, the first discussions on the carbon footprint of activities were launched in 2006 with a Bilan Carbone® (Carbon Assessment) process launched in the Pierre Bénite production unit and extended to all the other leather goods production units in 2008. Since then, the regular measurement of carbon emissions has provided concrete actions to progress plans such as the introduction of electric company cars and the increase in the share of renewable energies.

The energy savings made in 2019 (consumption reduced by 2,236 MWh compared with 2018) brought the annual Carbon impact related to scopes 1 and 2 to more than 250 tonnes of CO_2e down.

In 2019, mobility plans were implemented on the leather goods production units in Belley, Aix-les-Bains and Pierre-Bénite (collaborative approach with Textile division for Pierre-Bénite). Thanks to this exercise, we were able to identify concrete improvement actions that fed into a multi-year action plan specific to each site.

In line with the Hermès Group's carbon footprint reduction targets, the Leather Goods division has defined new objectives for the building of future production sites. Production unit construction programmes now include the positive energy building (BEPOS) target.

Cristallerie

The production unit Bilan Carbone® (Carbon Assessment) was updated for 2019. There are slight changes compared with 2018, in particular a drop in natural gas consumption and raw material purchases as well as a slight increase in downstream logistics. The material fusion process is still responsible for the majority of energy use. All the electricity used by the production unit come from "green" sources. The data collection process used for the Bilan Carbone® (Carbon Assessment) has become more structured and reliable, in particular with the use of more detailed data on freight and travel. This analysis approach will be used in future production unit projects and is used in the Water-Energies-Carbon Plan.

Livelihoods

In addition to its actions to reduce its carbon emissions in relative and then absolute values, the Hermès Group has decided to establish a voluntary carbon offset system in order to reduce its global footprint.

In June 2012, Hermès joined the Livelihoods Fund, a coalition of companies[1] financing carbon offset projects with high social and environmental value. Livelihoods' initiatives are described below as well as in the section covering relations with stakeholders, notably explaining that more than 130 million trees have already been planted, for the benefit of more than 1 million people (section 2.7.2.2).

This system functions according to seven defining principles that contribute to its value:

- reduction first of all: the carbon credits generated by the Livelihoods projects serve to complement internal reduction efforts, and are one of the parameters for achieving carbon neutrality by 2050;
- principle of additionality: the projects supported by Livelihoods would not have existed without its investments, and this required an in-depth study in complex social and economic contexts. These are not off-the-shelf or standardised projects, as is sometimes the case for certain renewable energy carbon projects. The aim is to help disadvantaged and sometimes marginalised communities to break out of poverty, as formalised in the Livelihoods charter;
- carbon credits certified to the highest standards, Gold Standard and Verra (formerly VCS), which validate the carbon effectively removed (and not carbon reduction estimates or future projections). Each project also results in a follow-up and calculations of impacts according to the United Nations' Sustainable Development Goals;
- an entrepreneurial risk to finance projects in the beginning: Livelihoods does not buy credits "on the market" from projects that have already been started, by accepting to pay a margin to an intermediary. It helps disadvantaged communities by investing for them right from the beginning, by taking a risk of €2 million to €6 million on each project, without an absolute guarantee of any return. The communities concerned do not have the means to carry out their projects without this risk-taking. Project financing occurs during the first years, with the results seen, for example, when the trees grow. This can be sometimes five years after the main investments have been made;
- a coalition of companies driven by the same spirit: all investors in Livelihoods pool their commitment and therefore receive credits from a portfolio of projects that have been developed and discussed together;
- a long-term approach: companies and project sponsors, as well as communities, are committed to projects lasting between 10 years (energy projects) and 20 years (farming projects). During this period, the fund will help communities, monitor projects and receive credits after few years. Commitments of this length are rare for company coalitions;
- local communities that benefit directly from projects: thanks to the NGOs that coordinate local projects, communities benefit directly from the advances provided by the projects: increase in soil fertility, regenerative farming, efficient agro-ecological practices, restoration of ecosystems, generation of farming, forestry and fishing income and the improvement of living conditions. This is actually one of the key success factors of the projects: the communities mobilise themselves because they find that there is a direct advantage to the project.

1. Danone, Crédit Agricole, Caisse des Dépôts et Consignations, Schneider Electric, La Poste, Hermès International, Voyageurs du Monde, SAP, Firmenich and Michelin.

The fund, whose carbon deliveries expand as the trees grow (the projects span a period of 20 years), delivered carbon credits to its shareholders for the sixth time in 2019, after verification from specialised auditors (using the Gold Standard and Verra standards). In 2019, they served to offset all Hermès' scopes 1 and 2 carbon emissions.

Adaptation to climate change

Just as Hermès is striving to reduce the impact of its activities on the climate, the House is examining potential adaptations to its value chain (internal, external) in order to reduce its exposure to the potential effects of climate change.

Depending on the regions and *métiers* concerned, the effects of climate change will have different impacts on Hermès's activity, through:

- the physical consequences of climate change (extreme climate events, increase in temperatures, increased or decreased rainfall, etc.);
- the impacts of measures taken for the transition towards a low-carbon world, in particular the fastest measures (transition risks: carbon tax, regulatory changes, client behaviour, etc.).

The impacts will depend on the extent and severity of these changes, in the same way as the various factors such as location, sensitivity of the upstream supply chain, the quality and capacity of local infrastructures and, more generally, the behaviour of the other players in the Hermès Group's ecosystem.

Hermès has based its approach to adapting to climate change on the identification of risks and the assessment of their relevance in order to define action plans within each *métier*, with the help of a consulting firm, if necessary, and the use of authoritative tools.

The physical risks related to global warming are identified for example by using tools such as WRI Aqueduct, Water Risk Filter, Mycris (Carbone 4) and Sea level rise by Alex Tingle.

The exposure to transition risk is studied both by the audit and risk management department in its vertical analysis of the House's main activities (production *métiers*, retail subsidiaries), by the industrial affairs and sustainable development departments and by the Sustainable Development Committee, with a more cross-cutting vision that covers the main challenges (water, climate, etc.).

The following risks were also examined: interruption of activities and continuity plans, changes in technologies and markets; impact of new regulations (or rapid change in current regulations) and lawsuits for the climate. These risks are reviewed under their various components (operating impact, legal impact, reputational impact, etc.).

The Group is implementing actions to identify physical risks. Hermès operates 55 production sites and 311 stores in 49 countries. Despite the fact that most of our products are manufactured in France, our sites are also exposed to acute and chronic extreme climate events. Therefore, the Group is looking at medium-term solutions, in particular for its real estate policy.

In 2019, it carried out a "Water" risk assessment with the WWF using the Water Risk Filter and Aqueduct tools. Aqueduct was developed by the World Resources Institute (WRI). These analyses concern water stress, the risk of drought, water quality, the risk of floods and the health of the ecosystem, for each of the geographical sites where the House has an industrial activity. The results were discussed with Group Management at the end of the year and the main challenges will gradually be integrated into the action plans of sites in order to adapt the contributions of all participants as best as possible to the "Water" risk in their respective water catchment areas.

Other physical risks are being assessed, in particular to estimate the resilience of each supply chain with respect to the various climate scenarios.

A partnership has been created with WWF to carry out in-depth audits on exotic skins, cashmere and the timber supply chain. Each audit enabled us to better understand the risks and to create a specific action plan. Hermès is ready to help its suppliers if they need to adapt to physical risks (technical, material and financial support, as needed).

2.5.3 CHALLENGE: MANAGING WASTE

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.

2.5.3.1 POLICY

The wide range of *métiers* prevents from 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 managed 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, leather, perfumes, crystal and construction.

IN TONNES/2019	OIW[1]	HIW[2]
Tanneries	4,275	4,254
Leather	837	63
Perfumes	581	269
Textile	529	798
Logistics	375	0
Porcelain/Enamel	147	31
Watches	156	43
Crystal	150	901

(1) OIW: Ordinary Industrial Waste.
(2) HIW: Hazardous Industrial Waste.

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

WASTE	2017*	2018	2019
OIW (t)	5,467	6,478	7,050
HIW (t)	7,202	6,172	6,359

** excluding logistics site*

2.5.3.2 MEASURES IMPLEMENTED AND RESULTS

As part of its waste and end-of-life product management policy for its objects, the Hermès Group is engaged with partners in France and abroad to find them a second life wherever possible. The House's main *métier* (leather, silk) have ongoing programs in this area.

Tanneries

The raw materials used in the tanneries is whole skin, referred to as "raw" skin, which are putrescible organic products. Tanning involves processing the skin into a durable product, finished leather. The reduction of tannery waste naturally starts with the continuous improvement of the quality of the raw skins. Tanning generates unavoidable waste, associated with trimming the edges of the skins ("trimming") or preparing the internal surface of the skin ("fleshing"). Processing skins 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 we bring together at Hermès to discuss leather waste, and in the work done by the *Centre Technique du Cuir* (CTC), the French expertise centre on leather.

The division's total waste production increased by 15%. This is mainly thanks to the optimisation of sludge extraction at calf leather tannery treatment plants.

Generally speaking, the production of hazardous and non-hazardous waste within exotic leather tanneries, on the one hand, and calf leather tanneries, on the other hand, is relatively constant from one year to the next. 100% of the waste produced were evacuated to 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. Similar sorting solutions are currently being sought out by the RTL tannery in the United States.

On-site waste storage is optimised to prevent any pollution (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 optimise tannery waste management facilities were carried out in 2019 (see "Effective solutions for waste management" below).

Leather Goods division

Total waste generation relative to activity improved by 3% between 2018 and 2019. The amount of hazardous industrial waste increased by 5 tonnes in absolute terms, which is still proportionally lower than the increase in activity.

Recycled and recovered waste represented 88% of total waste by tonnage. Each type of waste is directed to an appropriate treatment or sorting chain.

Leather offcuts from production units, pieces not used within the context of "cutting", are resold to special processors and then turned into new raw materials for products other than leather goods. These by-products of our activity are not counted as waste in this report.

Perfumes division

CNP's waste volume increased by 7% in 2019 as a result of growth in perfume activity and the launch of the new bath product production and packaging activity. The proportion of waste recycling/recovery remained favourable with a recycling rate of 68% and energy recovery of 28%.

During Sustainable Development Week, CNP introduced an office waste collection, sorting, recycling and recovery service (paper and plastic cups, plastic bottles and metal cans) with a local adapted company. The aim is to play an active role in protecting the environment while also creating local and long-term jobs for people finding it difficult to get into work and/or disabled people.

Undistributed inventory is reprocessed in specialised channels that separate and reprocess liquids and packaging, such as the Cèdre platform, which is used by other industry players; soap is reprocessed and donated to charity.

Textile division

Waste management requires a great deal of flexibility and adaptation among the various stakeholders. The complex development of the waste market with saturation of local outlets (landfills and incinerators in the Rhône-Alpes region) requires careful management. Through monthly meetings involving the division's sites and the service provider, the division ensures that waste recovery and recycling solutions are always prioritised and that each new stream is validated.

The situation is also strained in hazardous waste treatment channels, but the métier remains vigilant about ensuring that energy recovery is carried out automatically when the products allow. Therefore, just 0.8% of hazardous waste is processed by elimination. Dye waste, which accounts for more than 50% of waste (all streams included), is 100% used for the manufacture of alternative fuel.

In addition to cross-divisional management, sites are also taking action to reduce and recycle their waste as best possible. Centralised recycling collectors are on trial at ATBC, HTH and ITH, allowing for improved waste sorting and raising awareness about what is thrown away. Plastic cups are gradually being replaced by cups or paper cups.

Cristallerie

Waste reduction, a major economic and ecological challenge for the cristallerie Saint-Louis, is closely tracked operationally. Cullet recycling increased by 65% in 2019 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 to be worked on and stabilised over the coming months.

The proportion of ordinary industrial waste decreased despite renovation works carried out. This large volume remains an area for improvement in 2020, in particular as regards plastic waste. However, the OIW management system in place since 2015 has made it possible to recycle this waste.

The amount of HIW (Hazardous Industrial Waste) and SIW (Special Industrial Waste) decreased relative to 2018 as a result of 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 in particular thanks to the new neutralisation facility renovated at the end of 2018.

On the occasion of World Cleanup Day, a cleanup campaign in the municipality where the Cristallerie is located was organised jointly between the municipal team and employees of the production unit. This kind of awareness campaign will be repeated in 2020.

Lastly, a partnership with the production unit's workwear supplier to ensure reasonable use of clothing and associated resources was cemented in 2019. New clothing bought in 2015 therefore will only be replaced if needed.

Farms

The quantity of waste generated in 2019 remained stable (OIW: 1,027 tonnes, HIW: 42 tonnes). 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 skins, 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 storage areas, and retention basins prior to evacuation into local treatment channels in line with regulations.

During the year, the Australia division also looked into the feasibility of composting animal food waste and by-products from processing facilities. The trial, which was successful, will be repeated in 2020.

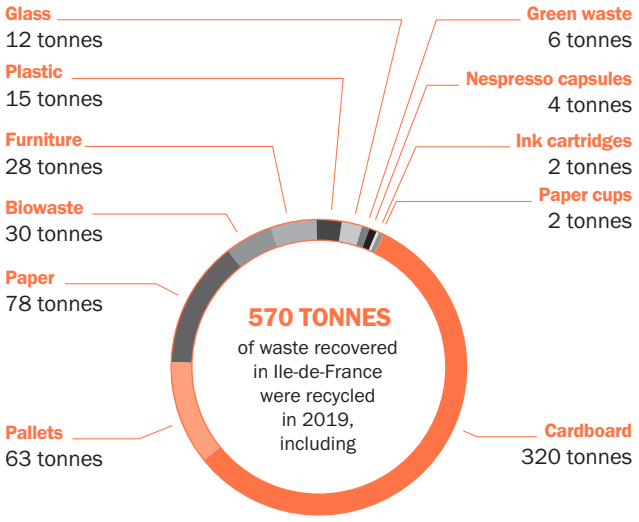
Construction

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. This waste management applies to all of the Hermès Group's construction projects.

Paris sites

In 2019, a new waste sorting and recycling system was rolled out at all Ile-de-France sites. This includes an increase in the number of sorting chains (22 in total) and the introduction of voluntary collection points. This allowed for the recycling of 570 tonnes, 180 tonnes more than in 2018.

In addition, in order to support employees in this process, the following were also deployed during the year: a network of 37 ambassadors, dedicated communications tools giving new recycling instructions, and the installation of 4,000 collectors.



Effective solutions for waste management

Hermès is committed to reduce the use of hazardous substances beyond regulatory requirements. That is why its internal requirements for its own operations and supplier specifications set out limits that in some cases are stricter than applicable regulations.

Leather Goods division

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 sanitary purposes, which does not require on-site treatment and in most cases is directed to public wastewater collection networks.

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 located in France (4), Italy (1) and Louisiana (1).

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 Tanning and Precious Leathers division's tanneries continually work on improving the performance of effluent treatment. Following pilot trials of evapoconcentration of its effluents, the Montereau site will open an evapoconcentration unit in 2020. A new building housing the current treatment plant and future additional treatment facilities was built in 2019. The Vivoin site carried out a nine-month pilot trial in 2019, which resulted in the adoption of an additional treatment system comprising a biological effluent treatment plant coupled with ultrafiltration and activated carbon filtration. The Le Puy tannery has changed its sludge treatment process with the construction of a building and a filter press facility. The Annonay tannery has continued with the considerable work initiated in 2018 concerning the treatment plant in order to make its operation more reliable. This resulted in the installation of additional physico-chemical treatment facilities and trials of effluent treatment by ozonation. In addition, studies into the division of chemical compounds present in effluents in various production sectors were carried out at the tanneries in order to better understand the composition of effluents. This work to optimise tannery waste management facilities represented investment of €1.8 million in 2019.

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

Textile division

Discharge to water at the AEI, Ateliers AS and SIEGL sites are self-monitored on a daily basis. 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 plant began in October 2019 and it will be functional at the end of 2020.

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). In order to refine analysis of the impact of each process on end waste, a sector study for each unit was performed by an environmental consulting firm. Following this study, a wastewater pre-treatment project was launched in order to improve the quality of wastewater before sending it to the treatment plant. This study was also carried out at the AEI site and allowed for identification of the process with the greatest impact, which will be treated by a dedicated stream.

Cristallerie

Industrial wastewater, pre-separated in the respective workshops and collected at a single point, has been purified by a phytotreatment facility since 2015. "Filtering gardens" thus serve to 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 2019. The results obtained confirm the proper functioning of the facilities with regard to atmospheric emissions.

Porcelain

At CATE, wastewater from enamel activity is pre-treated directly onsite following a physical and chemical treatment process. The dehydration sludge is sent to a suitable treatment company, and pre-treated water is discharged into the mains network. An external laboratory carries out monthly analyses to check that waste meets the required standards. The reduction in quantities of hazardous waste has been achieved primarily thanks to the optimisation of operating parameters at the water pre-treatment plant for the enamel activity. These new parameters have allowed for a reduction in quantities of treatment product and the volume of sludge generated at the end of treatment, without adversely affecting the quality of wastewater in the sewage system.

The Beyrand site has a water treatment station at the exit of the washer/scouring sluice. It uses a physical-chemical treatment process. Analysis of the compliance of the wastewater discharge into the public network is carried out every year.

Farms

A number of effluent re-use projects have been adopted at the Australia division level over the last two years. Effluents from farms, which are rich in organic material, can be used to water and fertilise crops. For example:

- since September 2018, irrigation of a 10 hectare sandalwood plantation on the property of one of the Australian farms in collaboration with the Hermès Group's Perfumes division. 20% of the farm's effluents were re-used on the plantation in 2019;
- since July 2019, irrigation of sugarcane plantation on farms neighbouring a farm in Australia. During the first few months of operation of the facility during the dry season, around 15% of the farm's wastewater was re-used on these plantations. As discussed in section 2.5.1, this structure is part of an industrial ecology blueprint as a portion of the water from this farm comes from the sugarcane production plant supplied by these fields.

For all the relevant sites, the compliance of the water discharge is monitored at a frequency suitable for the parameters under supervision: half-yearly, quarterly, daily or continuous measurements. The bulk of these parameters are measured more frequently than the authorities require. The samples from the monitoring are analysed on-site or in accredited outside laboratories. The results of the internal analyses are compared once or twice a year to those obtained by an independent, certified laboratory. In the event of a discrepancy between requirements, the conservative measures are adopted immediately and actions are implemented to reinstate the defined parameters. All information is sent promptly to the authorities and the managers of the wastewater treatment plants, for the most part through special IT platforms.

2.5.5 CONTRIBUTION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS (SDGs)

Hermès's environmental commitments are reflected in a significant number of SDGs, including the following (the numbers refer to the UN's official typology):

No. 3: Good health and well-being

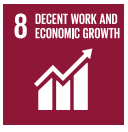
- 3.9: *"Reduce the health impacts of activities and pollution"*.
  Hermès operates in countries in which regulations are very stringent on this subject. The Hermès Group continues to improve its production processes in order to enhance the management of health risks, including those that may be generated by its products.

No. 6: Clean water and sanitation

- 6.3: *"Improve water quality"*.
  The Hermès Group and all of the *métiers* (tanneries, crystal, textile, and so on) have been actively working on controlling the important issues of water consumption and effluent management since 2002. Hermès is achieving significant results, having gradually uncoupled growth from consumption, and through the implementation of improved technical systems now available.
- 6.4: *"Water scarcity"*.
  The main *métiers* that are concerned (textile, tanneries, crystal) are located in areas with low water stress. Improving discharge levels is a subject to which we pay careful attention, and which is governed by very stringent European or US regulations. A study was launched with the WWF in 2019 on this matter (Water Risk Filter). Within the Tanneries and the Silk division's sites, where water is a precious resource, the House has implemented water-saving measures resulting in a reduction in consumption.
- 6.6: *"Protecting wetlands"*.
  The Hermès Group is participating in the Livelihoods project, which is contributing to the restoration of coastal wetlands totalling nearly 18,000 hectares (Casamance, Sundarbans, Sumatra). In addition, the growth of the alligator farming industry in the United States over the last 20 years, to which the Hermès Group contributes, encourages the preservation of the natural habitat of these animals and consequently the protection of wetlands in Louisiana and Florida.

No. 7: Affordable and Clean Energy

- 7.2: *"Increase the share of renewable energy"*.
  In France, 100% of electricity consumed comes from "green" sources. Since 2019, 78% of the Hermès Group's worldwide electricity supply comes from renewable sources. In addition, the Hermès Group has installed renewable energy devices (wood boilers at production sites, photovoltaic panels at sites and for the logistics centre in New Jersey in the United States.
- 7.3: *"Improve energy efficiency"*.
  Our sustainable construction framework incorporates this concept into all new projects. Leather goods workshops like *Maroquinerie de l'Allan* and *Maroquinerie MHM* use renewable energy. We have seen a reduction in energy consumption in stores following the replacement of lighting with LED lighting. At the end of 2018, 80% of stores were fitted with LEDs. In the industrial area, the decoupling of energy consumption and growth has become a reality.



No. 8: Decent work and economic growth

- 8.4: *"Decouple consumption and growth"*.
  As a result of the work carried out, we have been able to decouple growth from energy and water consumption.

No. 12: Responsible consumption and production

The Hermès Group strives to manage waste and chemical products throughout their life cycle. A major player in France in several *métiers* (tanneries, textile, crystal etc.), the Hermès Group strives to implement the best available reliable and sustainable operating solutions. It endeavours to control its emissions into the air, water and soil, in a context in which its sites are subject to the strictest regulations in this area (OECD). Energy consumption ratios relative to selling space (KWh/m^2) are falling, particularly in France and Asia, mainly thanks to the development of LED lighting.

No. 13: Climate action

- 13.2: *"Integrate climate change measures"*.
  Initiatives have been taken by various departments (Industrial, Construction, Logistics) to contribute to reducing energy consumption and greenhouse gas emissions. In addition, Hermès contributes to the Livelihoods initiative (130 million trees planted), which partly offsets the Hermès Group's carbon emissions.
- 13.3: *"Improve awareness-raising among employees on climate change issues"*.
  Internal activities conducted throughout the year are an opportunity to raise teams' awareness about environmental topics and explain our actions;

No. 14: Life Below Water

- 14.2: *"Manage marine and coastal ecosystems"*.
  Crocodile farming requires the implementation of wetland protection measures, to which the Hermès Group and its partners make indirect contributions.

No. 15: Life on land

- 15.1: *"Protecting biodiversity"*.
  The Hermès Group strives to preserve ecosystems insofar as it is concerned (sourcing of natural materials). It is studying its impacts to prevent adverse effects.
- 15.2: *"Forest Management"*.
  Hermès supports the sustainable management of forests through a sustainable purchasing policy on paper, cardboard and wood (bags, boxes, and packaging, etc.). The Hermès Group complies with regulations governing wood sourcing. Hides, used by the Hermès Group for leather goods production, are from European origin and do not come from farms that contribute to deforestation. The Livelihoods project has also contributed to the replanting of over 130 million trees.

Comprehensive annual report:
https://finance.hermes.com/var/finances/storage/original/application/098b0de969efabaace34b1a1c43e2a72.pdf

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