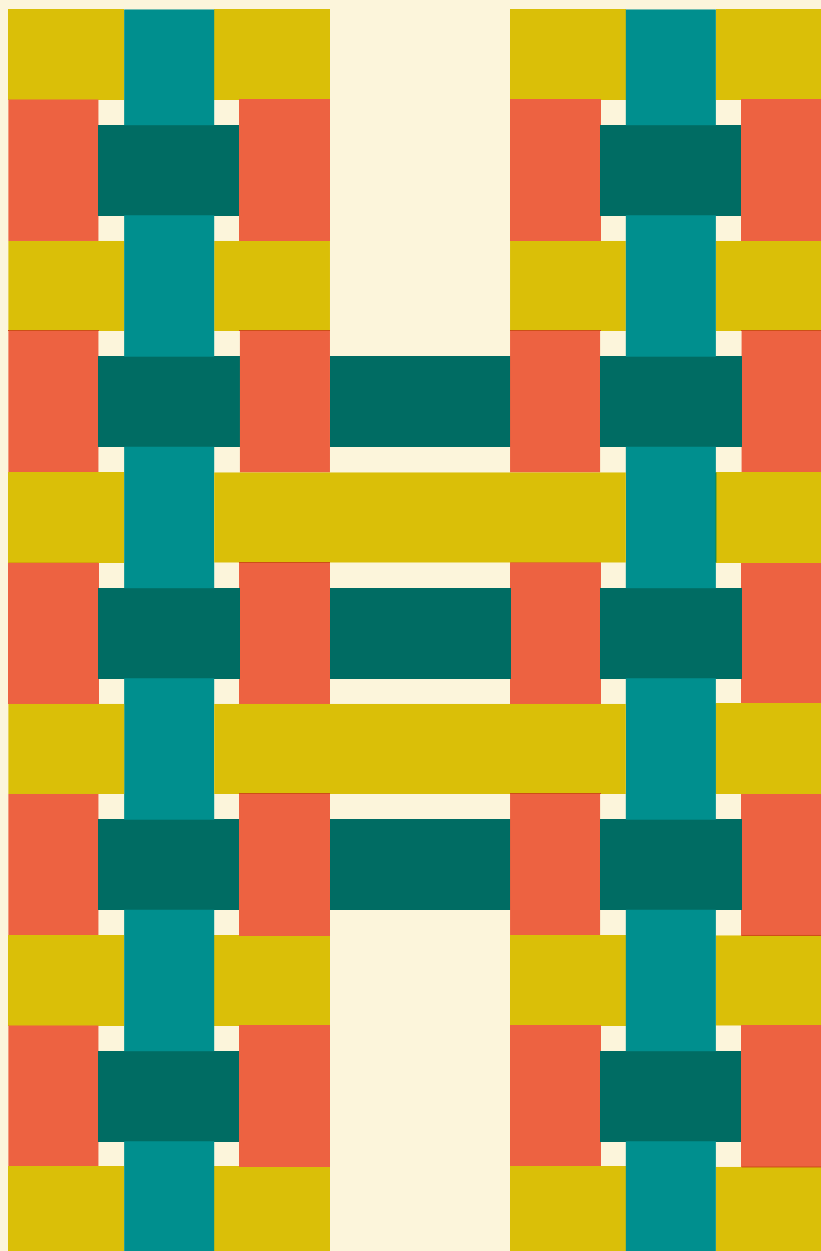


2020 Universal registration document

CSR EXTRACT
Non-Financial Performance Statement (NFPS)



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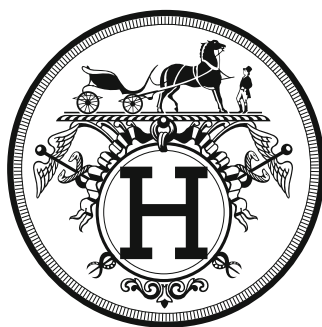
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Elements constituting the statement of non-financial performance are clearly identified in the contents with the **NFPS** pictogram.



2020
UNIVERSAL
REGISTRATION
DOCUMENT

CSR EXTRACT
Non-Financial Performance Statement (NFPS)

Including the Annual Financial Report

MESSAGE FROM THE EXECUTIVE MANAGEMENT



Hermès, a refuge, a beacon and a prescriber

2020 was a pivotal year. We are proud of the robustness and solidarity that the House displayed, and grateful to all of its teams.

The resilience and courage demonstrated by its 16,600 employees have allowed Hermès to sustain its entrepreneurial spirit and strengthen the bonds it has cultivated with local customers. We can look to the future with confidence.

Throughout the year, in the face of this unprecedented crisis, we sought to make Hermès a place of refuge, true to our human values, by maintaining salaries worldwide without recourse to state subsidies, donating 20 million euros to the Paris hospitals in France among many other local initiatives, producing and donating face masks and hand sanitiser, and paying an exceptional bonus of 1250 euros to all employees in 2021.

The solid results that we are pleased to share reflect the pertinence of our artisanal model and our rigorous financial management. Hermès, contemporary artisan of durable objects, is adept at accompanying changing habits – digital transformation in particular – and growing in a reasoned way, with respect for natural ecosystems. In these troubled times, the House has played its role as a beacon of light.

But make no mistake, our identity is also bound up in the conviction that creativity is at the heart of all development. The success of our collections, the originality of our designs, the innovative nature of our materials, and the ways in which our objects are used all reflect the vitality of our house and our ability to be a style prescriber.

We emerge from this year of change with enthusiasm for our métier of artisan, attentive to the perennity of our know-how, and alert to the changes in the world that demand constant agility.

2021 holds the promise of a wonderful odyssey that we can embark upon serenely.

Axel Dumas
EXECUTIVE CHAIRMAN

Émile Hermès SARL
EXECUTIVE CHAIRMAN
REPRESENTED BY HENRI-LOUIS BAUER

1

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1.1 SIX GENERATIONS OF CRAFTPEOPLE

The Hermès adventure began in 1837 when the harness-maker Thierry Hermès opened a workshop in rue Basse-du-Rempart in Paris. Gradually, generation after generation, the House followed a dual thread - on the one hand the painstaking work of the craftpeople in his workshop, and on the other the active lifestyles of its customers. Carried by an enduring spirit of freedom and creativity, Hermès remains highly sensitive and attentive to the changing nature and needs of society.

In 1880, Charles-Émile Hermès, the founder's son, moved the workshops to 24 Faubourg Saint-Honoré, and set up an adjoining store. At this now-emblematic address, harnesses and saddles were made to measure. The business was already standing out for the excellence of its creations.

AN INNOVATIVE HOUSE PASSIONATE ABOUT ITS ERA

During the interwar period, lifestyles changed and the House broke new ground under the management of Thierry's grandson, Émile Hermès. He decisively influenced the family firm's destiny when, while travelling in Canada, he discovered the opening and closing system of an automobile hood. In 1922 he obtained exclusive rights to this American "universal fastener" - known today as the zip - which was used extensively in the House's luggage and other designs. Under the impetus of Émile Hermès, the House opened up to other *métiers*, while retaining a close connection with the equestrian world, drawing on its mastery of raw materials and its artisanal culture to create its first ready-to-wear collections. In 1937, the famous silk scarf was born with the *Jeu des omnibus et dames blanches* design, the first in a long series.

Robert Dumas - one of Émile Hermès' sons-in-law, who took the helm of the House in 1951 - was a regular visitor to the workshops and designed objects whose details (buckles, fasteners, saddle nails and anchor chains) exuded an elegance that in no way diminished their practicality. Hermès objects stand out for their noble materials, their mastery of *savoir-faire*, and their bold creativity, stimulated by the House's keen vision of the world. The silk *métier* now invites artists to create unique designs.

A VISIONARY HOUSE

From 1978 onwards, Robert Dumas' son Jean-Louis gradually revolutionised the House, diversifying it and projecting it onto the world map. Hermès embraced new *métiers* founded on unique *savoir-faire*, with watchmaking from 1978, along with the integration of new Houses into the group - the bootmaker John Lobb in 1975, Puiforcat silversmiths in 1993, and the Saint-Louis crystalworks in 1995. Hermès has also created its own footwear, designed by Pierre Hardy, since 1990.

In 1987, for the House's 150th anniversary, Parisians were treated to a memorable firework display that launched the first theme, a tradition that has been perpetuated annually ever since to nourish all forms of creativity with a shared source of inspiration.

Jean-Louis Dumas also supported the development of Hermès around the world with the opening of numerous stores, which all ingeniously combined the identity of 24 Faubourg with local culture. Among these stores, several Maisons Hermès were inaugurated: on Madison Avenue, New York in 2000, in Ginza, Tokyo - in a building of glass bricks designed by Renzo Piano - in 2001, and in Dosan Park, Seoul, in 2006.

From 2006, Patrick Thomas decentralised the strategic organisation of the *métiers* and reorganised Hermès' presence across the world into geographical regions. He also ensured the transition to the sixth generation of the family.

HERMÈS TODAY

In 2005, Pierre-Alexis Dumas, son of Jean-Louis Dumas, was appointed Artistic Director. The House expanded its range of *savoir-faire*, complementing its jewellery product offer with a first *Haute Bijouterie* collection in 2010. The following year, the home universe offered home furnishing fabrics and wallpapers for the first time. Creativity, combining innovation and imagination, became ever more abundant within the different *métiers*. In 2008, Pierre-Alexis Dumas also created the Fondation d'entreprise Hermès, which supports artistic creation, supports artisanal *savoir-faire*, and promotes the conservation of biodiversity.

Executive Chairman since 2013, Axel Dumas, nephew of Jean-Louis Dumas, strengthened the dynamic growth of the group with the inauguration of the fifth Maison Hermès in Shanghai in 2014. He has driven the implementation of the group's digital strategy, which culminated in the redesign of the hermes.com website in 2018. Axel Dumas has also taken Hermès into the new technological era in keeping with the expectations of customers who are becoming more and more connected. The *Apple Watch Hermès*, initiated in 2015, bears witness to a bold and innovative partnership with Apple. In addition, the group is stepping up the omnichannel dynamic within its organisation.

On 18 June 2018, Hermès International entered the CAC 40 index, illustrating the remarkable industrial trajectory and stock market performance of an independent, family-run House of artisans that distributes its objects through a dynamic network of 306 stores around the world. For over 150 years, Hermès has enriched its *métiers* without deviating from its strict quality standards. In this regard, the House attaches great importance to pursuing the development of its production in France, with its 17 manufactures.

Defying the trend for industrial standardisation and globalisation, Hermès stands out for its unique business model.

HERMÈS IN KEY DATES

1837

- ♦ The workshop of artisan saddler and harness-maker Thierry Hermès opens in the Grands Boulevards district in Paris.

1867

- ♦ Thierry Hermès receives an award at the Universal Exhibition in Paris for the excellence of his work.

1880

- ♦ Thierry Hermès' son, Charles-Émile, moves the workshops to 24 Faubourg Saint-Honoré and opens a store selling bespoke harnesses and saddles.

1900

- ♦ Creation of the *Haut à courroies* bag.

1922

- ♦ Émile Hermès, son of Charles-Émile, brings the American "universal fastener", later known as the zip fastener, to France, with exclusive rights for its development.

1925

- ♦ Creation of a golf jacket, the first ready-to-wear garment.

1927

- ♦ Creation of the first piece of jewellery, the *Filet de selle* bracelet.

1937

- ♦ Creation of the first silk scarf, *Jeu des omnibus et dames blanches*.

1945

- ♦ The *Duc attelé, groom à l'attente* design by Alfred de Dreux from the Émile Hermès collection, representing a horse-drawn carriage, becomes the Hermès emblem.

1949

- ♦ Creation of the first tie.

1951

- ♦ Robert Dumas creates the *Chaîne d'ancre* bracelet.
- ♦ The creation of the *Eau d'Hermès* fragrance marks the founding of a new *métier*.

1956

- ♦ The bag created by Robert Dumas in 1930 is named the *Kelly* in tribute to Grace Kelly.

1967

- ♦ Presentation of the first women's ready-to-wear collection.

1973

- ♦ Launch in Germany of the publication *Die Welt von Hermès. Le Monde d'Hermès* is created two years later in France.

1978

- ♦ Jean-Louis Dumas, Robert Dumas's son, takes the reins of the House. Creation of the La Montre Hermès watchmaking subsidiary in Bienne, Switzerland.

1984

- ♦ Jean-Louis Dumas creates the *Birkin* bag, named after the singer and actress Jane Birkin.
- ♦ Creation of the first dinner service, *Les Pivoines*.

1987

- ♦ Hermès celebrates its 150th anniversary with a firework display on the Pont-Neuf bridge in Paris. Ever since, an annual theme has guided inspiration for all of the House's *métiers*.

1992

- ♦ Leather workshops established in Pantin.

1993

- ♦ Flotation of Hermès International on the stock exchange

2000

- ♦ A Maison Hermès opens on Madison Avenue in New York.

2001

- ♦ A Maison Hermès opens in Ginza, Tokyo. Launch of the first e-commerce website in the United States.

2006

- ♦ Patrick Thomas becomes Executive Chairman of Hermès.
- ♦ A Maison Hermès opens in Dosan Park, Seoul.

2008

- ♦ Creation of the Fondation d'entreprise Hermès under the impetus of the House's artistic director Pierre-Alexis Dumas, son of Jean-Louis Dumas.

2010

- ♦ Creation of petit h.
- ♦ Creation of the first *haute bijouterie* collection, designed by Pierre Hardy.
- ♦ The first *Saut Hermès* at the Grand Palais takes place in Paris.

2013

- ♦ Axel Dumas, nephew of Jean-Louis Dumas and sixth generation family member, is appointed Executive Chairman.

2014

- ◆ A Maison Hermès opens in Shanghai.

2015

- ◆ Apple and Hermès launch the Apple Watch Hermès.

2018

- ◆ Hermès International enters the CAC 40.
- ◆ Launch of the new hermes.com website in Europe and China.

2019

- ◆ A new market launches in Poland with the opening of a store in Warsaw.
- ◆ Opening of the Fitilieu leather workshop, the group's 17th manufacture in France.

2020

- ◆ Launch of the 16th *métier*: Beauty.
- ◆ Innovation of the double-sided scarf, printed on both sides.
- ◆ Presentation of the new *Passifolia* tableware.
- ◆ Creation of aluminium cuffs.
- ◆ Launch of the *Haute Joaillerie Lignes Sensibles* collection.
- ◆ The hermes.com website is one of the leading stores, with online sales now operating in 28 countries.
- ◆ As at 31 december 2020, Hermès had 306 stores worldwide.

1.2 GROUP GOVERNANCE

1

The Executive Management ensures the management of Hermès International. The role of Executive Chairman is to manage the Group and act in its general interest, within the scope of the corporate purpose and subject to those powers expressly granted by law or by the Articles of Association to the Supervisory Board, to the Active Partner and to Shareholders' General Meetings.

The Executive Chairmen's roles are distributed as follows: Mr Axel Dumas is in charge of strategy and operational management, and Émile Hermès SARL, through its Executive Management Board, is responsible for vision and strategic priority areas.

The Executive Chairmen are supported in their management of the Group by the Executive Committee. This consists of Managing Directors, each of whom has well-defined areas of responsibility. The role of Group management is to oversee the Group's strategic and operational management. Its composition reflects the Group's main areas of expertise.

The Operations Committee, which reports to the Executive Management, is made up of the Executive Committee and the Senior Executives of the main *métiers* and geographical areas of the Group.

Its duties are:

- ♦ to involve Senior Executives in the Group's major issues and strategic orientations;
- ♦ to promote communication, sharing and reasonable exchanges amongst its members in their area of responsibility;
- ♦ to enable the Executive Committee to take certain decisions.

Detailed information on the administrative and management bodies is provided in chapter 3.

The Supervisory Board exercises ongoing control over the Company's management. For this purpose, it has the same powers as the Statutory Auditors and receives the same documents as they do, at the same time. Detailed information on the composition and work of the Supervisory Board is provided in chapter 3.



1

The members of the Executive Committee in the Hermès store on Avenue George-V, Paris. From left to right: Éric du Hailgouët, Catherine Fulconis, Wilfried Guerrand, Axel Dumas, Olivier Fournier, Charlotte David, Guillaume de Seynes, Pierre-Alexis Dumas and Florian Craen.



2

*Éric de Seynes
Chairman of the Supervisory Board*

1.3 STRATEGY

In 2020, faced with an unprecedented health and economic crisis, Hermès, faithful to its humanist values and its commitments as a responsible employer, engaged actively with the situation and demonstrated the strength and agility of its independent craftsmanship model.

Faced with the acceleration of several major trends, such as the digitisation of uses, the positive dynamics of the Asian market and the major challenges of social and environmental responsibility, this model confirms its resilience.

The Hermès strategy revolves around our values: spirit of conquest, creativity, craftsmanship, quality, authenticity and independence. It is based on three pillars: freedom of creation, the high standards of craftsmanship *savoir-faire* and the balance of the exclusive distribution network.

CREATION AT THE CORE OF HERMÈS' STRATEGY

In this singular context, creation is at the heart of the model. It is the best response to the crisis, with unique objects that last and arouse desire beyond fashions and circumstances.

Hermès creates and manufactures quality objects designed to last, to be passed on from one generation to the next, to be repaired. This approach, as well as the search for excellence, particularly in materials, requires consideration of the challenges of sustainability and quality at every stage from design to sales.

Hermès' strategy is based on creative freedom, driven by its creators and Artistic Directors around the *theme*, which inspires the House's creative activities. With pride in its craftsmanship model, in 2020 Hermès paid tribute to the extraordinary tool that is the human hand, as well as to the ingenuity that drives every one of the House's craftpeople and women. For it is this combination that characterises the innovative spirit of Hermès, the *Saddler's spirit*.

High standards in design and manufacturing encourage the creation of objects that aim to surprise and amaze customers. This creativity, revolving around traditional *savoir-faire*, is coupled with innovative processes to revisit timeless models and create exceptional pieces, without departing from Hermès' trademark humour and imaginative flair. This is true of the House's 16 *métiers* as well as its other products and brands, in particular, the bootmaker John Lobb, Cristalleries Saint-Louis and the silversmith Puiforcat. The unbridled creativity flourishes in each *métier*, as reflected in the numerous scarf designs printed every year. It is then expressed through over 50,000 references, developed around a unique identity and a style blending exceptional quality, innovation, surprise, elegance and simplicity. In 2020, it was expressed through the successful launch of the Beauty *métier*, with a first collection of lipsticks.

Hermès' mission is to create unique and original objects to elegantly satisfy the needs and desires of its customers. Its goal is the pursuit of excellence, in each of its *métiers* and services, with craftsmanship at the heart of its model.

UNIQUENESS AND PERFORMANCE OF THE CRAFTSMANSHIP MODEL

Hermès leverages its craftsmanship division, the second pillar of its strategy, with nearly 5,600 craftpeople and women in France. A House of over 180 years, backed by a rich history shaped by six generations of craftpeople, Hermès draws from its past through its *savoir-faire*, and is geared to the future through values that address the concerns of our modern societies. Hermès moves with the times, but always respecting tradition, transmission and innovation. The quest for excellence and quality, the search for precision and elegance are the values that guide its action. It is over this long period of time that the House has forged its *savoir-faire* and its values, and that the Hermès strategic vision has developed.

The craftsmanship model is one of the pillars of Maison Hermès, and ensuring that it lasts is key to its strategy. The House thus works alongside those who master, preserve and transmit craftsmanship *savoir-faire* through their knowledge of materials and their exceptional techniques. Each new leather goods workshop is an architectural project in its own right and creates around 250 jobs, promoting a pleasant working environment on a human scale.

Hermès continued its investments in production capacity in 2020, demonstrating the Group's confidence in the future and in the strength of its craftsmanship model, despite the uncertainties of the crisis.

The House attaches great importance to the continuous improvement of its craftpeople's skills and *savoir-faire*, as evidenced through its *École du cuir*. The craftsmanship model is at the heart of all the *métiers* of Maison Hermès, drawing on exceptional materials.

STRENGTH OF VERTICAL INTEGRATION

To guarantee the long term excellence of this craftsmanship model, the House takes particular care to secure its supplies of materials. Vertical integration, through partnerships and acquisitions, supports the development strategy, with regards to materials as well as techniques and *savoir-faire*. More than 60% of production is integrated and 80% is located in France.

This vertical integration is present throughout the production chain, from supply to the distribution network. Strongly anchored in France, based on the mastery and excellence of *savoir-faire*, a *métier* rather than a task, it has enabled the Group to be agile in the face of the crisis. As a result, the Group has been able to adjust its production volumes and reallocate its orders to some geographical areas in order to enable optimal inventory management. Its craftpeople have all mobilised to ensure the continuity of production and thus limit delivery disruptions.

The vertical integration and sustainable relationships with its partners ensure rigorous traceability of its supply chains, strict control of its supplies and reinforce the House's responsible development strategy with regard to materials, techniques and *savoir-faire*.

THE DYNAMICS OF AN EXCLUSIVE DISTRIBUTION NETWORK

The omnichannel offer has been further developed this year in the exclusive and geographically balanced distribution network. This in-house distribution model, with Hermès' own network of stores and e-commerce sites, proved its effectiveness during the crisis. The House's tools have been adapted to a transformed customer relationship in order to respond to rapid changes in demand, and thus maintain a special relationship with customers. 2020 saw the widespread rollout of an omnichannel service relationship that enabled business continuity.

The exclusive distribution network, consisting primarily of branches run by the Group around the Hermès brand, is the third pillar of Hermès' strategy. Each of the 306 stores across the world offers a personalised selection of objects, to exceed the specific expectations of its customers and offer a distinct purchasing experience in each and every store. Each store enables its customers to explore and discover the most beautiful products, and extends the House's lustre worldwide.

The importance of e-commerce and the digital ecosystem has been confirmed in the face of the Covid-19 crisis. For the past five years, Hermès has made the strategic choice of ramping up online sales, with the successful rollout of its new proprietary platform worldwide, the attraction and retention of new customers, and the development of services and initiatives. This strategy supports the House's customers and accelerates the digitisation of uses. This digital flagship is designed like any Hermès store with its spirit of fantasy, authenticity and diversity, its windows, its products, its services and its stories gathered in a single virtual place.

Customers are placed at the core of the multi-channel integrated network, so as to best meet their expectations and offer them a unique experience. Hermès is appreciated by a loyal local clientele in each country where it operates, whose desire for the objects of the House enabled it to resist the interruptions of international travel. Across the world, Hermès stores are veritable "homes for Hermès objects", offering customers a unique experience, complementary to its website hermes.com. This offer is backed by innovative services aimed at welcoming and serving customers in the best possible manner at all times. The House also hosts special occasions that strengthen the bonds among Hermès' stakeholders, revolving around events in the world and dynamic and animated set designs. Each opening or reopening is an opportunity for the House to bring together customers that value its creativity and *savoir-faire*. Hermès's unique communication ensures the strength of the House's influence in France and around the world. It has adapted this year and invented new formats to maintain its presence in a difficult context while nurturing the link with customers, with agility and creativity, and through hybrid communication strategies.

Hermès, present in 45 countries, has an omnichannel network that is geographically balanced, with measured development and a constant search for prime locations.

AN ENTREPRENEURIAL SPIRIT AND FREEDOM OF PURCHASE

The entrepreneurial spirit has been at the heart of Hermès since its creation, never leaving its side and guiding all facets of the Company's development. It is illustrated by its abundant creativity, a capacity for constant innovation, new *métiers*, new production workshops and store openings. An entrepreneurial and innovative spirit underlies the creation of every object.

The strategy offers store managers freedom of purchase, to meet the specific needs of their customers. Two podiums are organised every year, presenting the fall-winter and the spring-summer collections. These bring together all store and country managers, managers of the different *métiers* as well as designers, to present all collections to the sales teams in all regions of the world. They are thus responsible for their own collections and make their store unique with a special mix of products. The presentation of the collections adapted to new formats this year, turning to digital presentations of the collections. This freedom means that in each country where Hermès is present, the Group's customers are presented with a diversified and unique mix of products resulting from this flurry of creativity, blending iconic products and the House's new references, created by its designers, artists, colourists and Artistic Directors, to best meet local expectations and dedicated to the elegance of its customers.

AN INDEPENDENT HOUSE

Hermès continues to assert its independence, underpinned by a strong family-based shareholding structure, committed to retaining most of its production in France and perpetuating its *savoir-faire* to serve creativity and its long-term vision.

This independence, and the House's financial strict management, made it possible to continue operational investments in 2020, both in production capacities and in the network and cross-functional projects, in order to preserve the House's long-term performance and value creation.

Economic and financial independence, debt-free, has enabled the House to maintain the jobs and basic salaries of its 16,600 employees all over the world, without the use of public subsidies. Committed to the community, Hermès donated €20 million to AP-HP (the Parisian public hospital system), and its subsidiaries in all geographical areas took action locally, with the manufacture of hydroalcoholic gel by Hermès Parfum on the Vaudreuil site, as well as donations of masks and equipment for caregivers. Finally, the Executive Chairmen waived the increase in their compensation and the dividend awarded in 2020 was maintained at the same level as that paid in 2019.

Hermès' strong and sustained development is the result of prudent and rigorous management, and a resilient business model. These make it possible to preserve the uniqueness of the House, which has been part of the CAC 40 index since June 2018, in volatile contexts. This is achieved by maintaining the Group's profitability, its high cash level, its operating cash flows, targeted and qualitative investments, and the security of its assets. Financial independence ensures that its long-term strategy is safeguarded.

VIRTUOUS AND RESPONSIBLE GROWTH UNDERPINNED BY HUMANIST VALUES

The majority of Hermès' production takes place in France, at 51 production sites grouped to create regional clusters. Hermès' strategy is to pursue this sustainable, responsible and social value-based growth model, with commitment to regions where there is a high level of manufacturing *savoir-faire* to create high-quality jobs.

Hermès is a humanist company, deeply respectful of all those who, with their commitment, *savoir-faire* and passion, are working to make the House a success. In response to the crisis, Hermès employees acted with solidarity and commitment to overcome obstacles and move forward.

Through its engagement with local authorities and communities where its production sites are located, Hermès contributes to revitalising regions, and provides working conditions that offer proximity and stable employment. Thanks to the Fondation d'entreprise Hermès, the Company is expanding its philanthropic actions in the public interest through artistic creation, education and transmission, solidarity and the preservation of biodiversity. In the face of the crisis, Hermès, as an economic player, has made a commitment to its ecosystem and its stakeholders, in particular by supporting partners and sectors, for example by maintaining and adapting orders, and sharing best practices in terms of health measures with its partners to help them return to business, as well as on climate and biodiversity issues.

As a company that respects nature and inspires it, Hermès ensures the preservation of its resources and its impact on natural environments and local ecosystems.

Hermès' craftsmanship model leaves a careful environmental footprint. In its direct sphere of influence, biodiversity in particular is systematically taken into account in the construction of its production sites. In its indirect sphere, the Group has a positive impact on its supply chain, by preserving autonomous ecosystems and participating in global initiatives. The House's high standards are confirmed and ensured in its subsidiaries, as well as in its objectives to combat global warming with

the target of reducing scope 1 and 2 carbon emissions by 50% in absolute terms, as well as reducing the carbon intensity of scope 3 emissions, by the year 2030.

Hermès includes responsibility and sustainability in all its actions and creations.

As regards sustainable development, Hermès is determined to leave a positive global footprint, by paying the utmost attention to the performance of corporate social responsibility, in keeping with the House's DNA and its craftsmanship model. Hermès' objects are created, designed and made to last, using the most beautiful and robust natural materials and the best craftsmanship *savoir-faire*. A Hermès object acquires a beautiful patina over time and frequently improves with age. Craftsmanship of excellence means a piece that can be repaired. The House has therefore always had craftpeople dedicated to this activity, in France as well as abroad. Offering long-lasting, repairable objects that are made to be handed down is also a way to reduce the impacts of over-consumption and the wasting of resources, one of the principles to which Maison Hermès is particularly attached. There is a strong commitment to the creation of social value, both collectively through job creation in communities, and individually through free share awards, profit-sharing and an incentive scheme for employees. This is testimony to the Group's desire to share the fruits of its growth with those who make it happen on a daily basis. Hermès' commitment also implies strong signals from management.

Hermès' remarkable solidity is the result of this strategy, which is based on high standards, the transmission of unique *savoir-faire*, local anchoring and strong vertical integration. It reinforces the choices made in the past and encourages the Group to show initiative and innovation to forge the successes of tomorrow.

This strategy is the result of the high standards of a House founded on craftsmanship and independence and driven by its exceptional *savoir-faire* to serve unbridled creativity. It hinges on historical *savoir-faire* while remaining resolutely forward-looking, through its accelerating transformations, its creativity and innovation, and its ability to understand and anticipate the aspirations of its customers today.

The crisis we have been through has seen the affirmation of commitments with social and environmental responsibility, the digitisation of uses and the positive market dynamics in Asia. Taking into account these profound and lasting changes allows us to remain confident in the future.



For Hermès, craftsmanship is a sustainable and human adventure, in a constantly changing world.

1.4 SIMPLIFIED ORGANISATION CHART AND GROUP LOCATIONS

1.4.1 SUMMARY DESCRIPTION OF THE GROUP AS AT 31 DECEMBER 2020

HERMÈS INTERNATIONAL



HERMÈS BRAND						
						
RETAIL			WHOLESALE PRODUCTION AND DISTRIBUTION	PRODUCTION		
<ul style="list-style-type: none"> Argentina Australia Belgium Brazil Canada China, Hong Kong, Taiwan Czech Republic Denmark France 	<ul style="list-style-type: none"> Germany Greece Guam India Italy Japan Malaysia Norway Mexico Poland Portugal 	<ul style="list-style-type: none"> Principality of Monaco Russia Singapore South Korea Spain Sweden Switzerland Thailand Turkey United Kingdom USA 	<ul style="list-style-type: none"> Perfumes division Watches division Home division J3L division (metal parts) 	<ul style="list-style-type: none"> Leather Goods division Tanneries and Precious Leathers division Textiles division 		
				BESPOKE DESIGN		
			<ul style="list-style-type: none"> Petit h 	<ul style="list-style-type: none"> Hermès Horizons 		

OTHER BRANDS ²			
<ul style="list-style-type: none"> Bootmaker John Lobb 		<ul style="list-style-type: none"> Cristalleries Saint-Louis 	
<ul style="list-style-type: none"> Puiforcat 			
<ul style="list-style-type: none"> Métaphores¹ 	<ul style="list-style-type: none"> Verel de Belval¹ 	<ul style="list-style-type: none"> Bucol¹ 	<ul style="list-style-type: none"> Le Crin¹

(1) Furnishing fabrics.

(2) On 23 December 2020, Exor's investment in Shang Xia through a reserved capital increase, enabled it to become the majority shareholder in the company.

The main consolidated companies as at 31 December 2020 (distribution subsidiaries and holding companies of the divisions) are listed in Note 35 of the consolidated financial statements.

1.4.2 PRODUCTION SITES

The Hermès Group operates 64 production sites, including 51 in France. The Group also operates production sites in Switzerland, the United States, Australia, Italy, Portugal and the United Kingdom.

Métiers	Company (production sites)
Leather	Hermès Sellier (<i>Paris Faubourg-Saint-Honoré, Pantin-Pyramide, Pantin-CIA, Pierre-Bénite</i>)
	Les Maroquineries des Alpes (<i>Aix-les-Bains, Belley, Fitialieu, Les Abrets</i>)
	Maroquinerie de Saint-Antoine (<i>Paris</i>)
	Maroquinerie des Ardennes (<i>Bogny-sur-Meuse, Charleville-Mézières</i>)
	Maroquinerie de Sayat (<i>Sayat, Riom</i>)
	Manufacture de Franche-Comté (<i>Seloncourt, Héricourt, Allenjoie</i>)
	Maroquinerie du Sud-Ouest (<i>Nontron, Saint-Junien, Montbron</i>)
	Maroquinerie de Normandie (<i>Val-de-Reuil, Louviers</i>)
	Maroquinerie de Guyenne (<i>Saint-Vincent-de-Paul</i>)
	Maroquinerie de Montereau (<i>Montereau</i>)
Tanneries and Precious Leathers	Tannerie de Montereau (<i>Montereau</i>)
	Tannerie de Vivoin (<i>Vivoin</i>)
	Tannerie d'Annonay (<i>Annonay</i>)
	Mégisserie Jullien (<i>Chabris</i>)
	Conceria di Cuneo (<i>Cuneo/Italy</i>)
	Tanneries du Puy (<i>Le Puy-en-Velay</i>)
	United States division, including Reptile Tannery of Louisiana (RTL) (<i>Lafayette</i>)
	Australia division
Perfumes	Comptoir Nouveau de la Parfumerie (CNP) (<i>Le Vaudreuil</i>)
Textiles	Métaphores (<i>Bourgoin-Jallieu</i>)
	Société d'Impression sur Étoffes du Grand-Lemps (SIEGL) (<i>Le Grand-Lemps</i>)
	Ateliers A.S. (<i>Pierre-Bénite</i>)
	Holding Textile Hermès (HTH) (<i>Pierre-Bénite, Bourgoin-Jallieu</i>)
	Établissements Marcel Gandit (Gandit) (<i>Bourgoin-Jallieu</i>)
	Ateliers de Tissage de Bussières et de Challes (ATBC) (<i>Bucol, Le Crin</i>) (<i>Bussières, Challes</i>)
	Société Novatrice de Confection (SNC) (<i>Nontron, Bourgoin-Jallieu</i>)
	Ateliers d'Ennoblement d'Irigny (AEI) (<i>Irigny</i>)
Crystal	Compagnie des Cristalleries de Saint-Louis (<i>Saint-Louis-lès-Bitche</i>)
Silversmith	Puiforcat (<i>Pantin-CIA</i>)
Porcelain and Enamel	Compagnie des Arts de la Table et de l'Émail (CATE) (<i>Nontron</i>)
	Beyrand (<i>Saint-Just-le-Martel</i>)
Watches	La Montre Hermès (LMH) (<i>Bienne/Switzerland</i>)
	Les Ateliers Hermès Horloger (<i>Noirmont/Switzerland</i>)
Metal parts	J3L - Lasco (<i>Champigny-sur-Marne</i>)
	J3L - Juléa (<i>Champigny-sur-Marne</i>)
	J3L - Scap (<i>Roye</i>)
	J3L - Goulard (<i>Châtillon-le-Duc</i>)
	J3L - Polissage Brun (<i>Bonnétage</i>)
	J3LP (<i>Fundão/Portugal</i>)
Bootmaker	John Lobb (<i>Paris Mogador, Northampton/United Kingdom</i>)
	Atelier HCI (<i>Milan/Italy</i>)
Logistics	Hermès Sellier (<i>Bobigny</i>)



1.4.3 DISTRIBUTION NETWORK

Hermès objects are available worldwide through a network of 306 exclusive stores. Hermès watches, perfumes and tableware are also sold through networks of specialised stores. The branches are located in the following geographical areas: 75 in Europe (including 13 in France), 45 in the Americas (including 29 in the United States), 95 in Asia (including 29 in Japan), and 6 in Oceania.

Europe

Germany: 15

11 branches:

- ◆ Baden-Baden
- ◆ Berlin KaDeWe
- ◆ Berlin West
- ◆ Cologne
- ◆ Düsseldorf
- ◆ Frankfurt
- ◆ Hamburg
- ◆ Kampen
- ◆ Munich
- ◆ Nuremberg
- ◆ Stuttgart

4 concessionaires

Austria: 2

2 concessionaires

Belgium: 3

3 branches:

- ◆ Antwerp
- ◆ Brussels
- ◆ Knokke-le-Zoute

Denmark: 2

1 branch:

- ◆ Copenhagen
- 1 concessionaire

Spain: 5

5 branches:

- ◆ Barcelona Diagonal
- ◆ Barcelona Paseo de Gracia
- ◆ Madrid Canalejas
- ◆ Madrid Ortega y Gasset
- ◆ Marbella

France: 29

13 branches:

- ◆ Aix-en-Provence
- ◆ Biarritz
- ◆ Bordeaux
- ◆ Cannes
- ◆ Deauville
- ◆ Lille
- ◆ Lyon

- ◆ Marseille
 - ◆ Paris Faubourg Saint-Honoré
 - ◆ Paris George-V
 - ◆ Paris Sèvres
 - ◆ Saint-Tropez
 - ◆ Strasbourg
- 16 concessionaires

United Kingdom: 9

7 branches:

- ◆ Glasgow
 - ◆ London Bond Street
 - ◆ London Harrods
 - ◆ London Royal Exchange
 - ◆ London Selfridges
 - ◆ London Sloane Street
 - ◆ Manchester Selfridges
- 2 concessionaires

Greece: 1

1 branch:

- ◆ Athens

Ireland: 1

1 branch:

- ◆ Dublin

Italy: 15

11 branches:

- ◆ Bologna
 - ◆ Capri
 - ◆ Florence
 - ◆ Milan
 - ◆ Naples
 - ◆ Padua
 - ◆ Palermo
 - ◆ Porto Cervo
 - ◆ Rome
 - ◆ Turin
 - ◆ Venice
- 4 concessionaires

Luxembourg: 1

1 concessionaire

Norway: 1

1 concessionaire

Netherlands: 3

2 branches:

- ◆ Amsterdam De Bijenkorf
 - ◆ Amsterdam P.C. Hooftstraat
- 1 concessionaire

Poland: 1

1 branch:

- ◆ Warsaw

Portugal: 1

1 branch:

- ◆ Lisbon

Principality of Monaco: 1

1 branch:

- ◆ Monte Carlo

Czech Republic: 1

1 branch:

- ◆ Prague

Russia: 3

3 branches:

- ◆ Moscow Gum
- ◆ Moscow Stolesnikov
- ◆ Moscow Vremena Goda

Sweden: 1

1 branch:

- ◆ Stockholm

Switzerland: 11

9 branches:

- ◆ Basel
 - ◆ Bern
 - ◆ Crans
 - ◆ Geneva
 - ◆ Gstaad
 - ◆ Lausanne
 - ◆ Lugano
 - ◆ St Moritz
 - ◆ Zurich
- 2 concessionaires

Turkey: 4

3 branches:

- ◆ Istanbul Emaar
- ◆ Istanbul Istinye Park
- ◆ Istanbul Nisantasi

1 concessionaire

Americas

Argentina: 1

1 branch:

- ◆ Buenos Aires

Brazil: 3

3 branches:

- ◆ Rio de Janeiro
- ◆ Sao Paulo Cidade Jardim
- ◆ Sao Paulo Iguatemi

Canada: 5

4 branches:

- ◆ Calgary
- ◆ Montreal
- ◆ Toronto
- ◆ Vancouver

1 concessionaire

Caribbean: 1

1 branch:

- ◆ Saint-Barthélemy

Asia

Mainland China: 28

25 branches:

- ◆ Beijing China World
- ◆ Beijing ParkLife
- ◆ Beijing Peninsula
- ◆ Beijing ShinKong
- ◆ Changsha IFC
- ◆ Chengdu Swire
- ◆ Chongqing Mixc
- ◆ Dalian
- ◆ Guangzhou Taikoo Hui
- ◆ Hangzhou Hubin
- ◆ Hangzhou Tower
- ◆ Harbin Mykal
- ◆ Kunming Ginko
- ◆ Nanjing Deji
- ◆ Ningbo Heyi Avenue
- ◆ Qingdao Hisense Plaza
- ◆ Shanghai IFC
- ◆ Shanghai Maison
- ◆ Shanghai Plaza 66

Chile: 1

1 concessionaire

United States: 36

29 branches:

- ◆ Atlanta
- ◆ Bergen County
- ◆ Beverly Hills
- ◆ Boston
- ◆ Chicago
- ◆ Dallas
- ◆ Denver
- ◆ Greenwich
- ◆ Hawaii Ala Moana
- ◆ Hawaii Waikiki
- ◆ Houston
- ◆ Las Vegas Bellagio
- ◆ Las Vegas Crystals
- ◆ Las Vegas Wynn
- ◆ Miami
- ◆ New York Madison
- ◆ New York Meatpacking
- ◆ New York Men on Madison
- ◆ New York Wall Street

- ◆ Orlando
 - ◆ Palm Beach
 - ◆ Palo Alto
 - ◆ Philadelphia King of Prussia
 - ◆ San Diego
 - ◆ San Francisco
 - ◆ Seattle
 - ◆ Short Hills
 - ◆ South Coast Plaza
 - ◆ Washington
- 7 concessionaires

Mexico: 7

7 branches:

- ◆ Cancún
- ◆ Mexico Artz
- ◆ Mexico Guadalajara
- ◆ Mexico Masaryk
- ◆ Mexico Moliere
- ◆ Mexico Monterrey
- ◆ Mexico Santa Fe

Panama: 1

1 concessionaire

- ◆ Shenyang Mixc
 - ◆ Shenzhen City Crossing
 - ◆ Suzhou Matro
 - ◆ Wuhan International Plaza
 - ◆ Xi'An
 - ◆ Xiamen
- 3 concessionaires

South Korea: 18

10 branches:

- ◆ Busan Shinsegae
 - ◆ Seoul Dosan Park
 - ◆ Seoul Galleria
 - ◆ Seoul Hyundai Apkujung
 - ◆ Seoul Hyundai Coex
 - ◆ Seoul Hyundai Daegu
 - ◆ Seoul Lotte
 - ◆ Seoul Shilla
 - ◆ Seoul Shinsegae Gangnam
 - ◆ Seoul Shinsegae North
- 8 concessionaires

Hong Kong: 7

7 branches:

- ◆ Hong Kong Elements
- ◆ Hong Kong Harbour City
- ◆ Hong Kong International Airport
- ◆ Hong Kong Landmark Prince's
- ◆ Hong Kong Lee Gardens
- ◆ Hong Kong Pacific Place
- ◆ Hong Kong Sogo

India: 2

2 branches:

- ◆ Mumbai
- ◆ New Delhi

Indonesia: 2

2 concessionaires

Japan: 36

29 branches:

- ◆ Chiba Sogo
- ◆ Fukuoka Hakata Hankyu
- ◆ Fukuoka Iwataya
- ◆ Hiroshima Sogo
- ◆ Kobe Daimaru
- ◆ Kyoto Takashimaya
- ◆ Nagoya JR Takashimaya
- ◆ Nagoya Matsuzakaya
- ◆ Nagoya Mitsukoshi
- ◆ Okayama Takashimaya
- ◆ Osaka Hilton
- ◆ Osaka Shinsaibashi Daimaru
- ◆ Osaka Takashimaya
- ◆ Osaka Umeda Hankyu
- ◆ Sapporo Daimaru
- ◆ Sendai Fujisaki
- ◆ Tokyo Ginza
- ◆ Tokyo Ikebukuro Seibu
- ◆ Tokyo Marunouchi
- ◆ Tokyo Nihombashi Mitsukoshi
- ◆ Tokyo Nihombashi Takashimaya
- ◆ Tokyo Shibuya Seibu
- ◆ Tokyo Shibuya Tokyu
- ◆ Tokyo Shinjuku Isetan
- ◆ Tokyo Shinjuku Takashimaya
- ◆ Tokyo Tamagawa Takashimaya
- ◆ Urawa Isetan
- ◆ Yokohama Sogo
- ◆ Yokohama Takashimaya

7 concessionaires

Middle East

Bahrain: 1

1 concessionaire

United Arab Emirates: 5

5 concessionaires

Oceania

Australia: 6

5 branches:

- ◆ Brisbane
- ◆ Gold Coast Pacific Fair
- ◆ Melbourne Chadstone
- ◆ Melbourne Collins Street
- ◆ Sydney

1 concessionaire

Kazakhstan: 1

1 concessionaire

Macao: 4

4 branches:

- ◆ Macao Cotaí
- ◆ Macao Four Seasons
- ◆ Macao One Central
- ◆ Macao Wynn

Malaysia: 3

2 branches:

- ◆ Kuala Lumpur Pavilion
- ◆ Kuala Lumpur The Gardens

1 concessionaire

Philippines: 1

1 concessionaire

Singapore: 6

6 branches:

- ◆ Singapore Changi Airport T1
- ◆ Singapore Changi Airport T2
- ◆ Singapore Changi Airport T3
- ◆ Singapore Liat Tower
- ◆ Singapore Marina Bay Sands
- ◆ Singapore Takashimaya

Taiwan: 9

6 branches:

- ◆ Kaohsiung
- ◆ Taichung
- ◆ Tainan Mitsukoshi
- ◆ Taipei Bellavita
- ◆ Taipei Regent
- ◆ Taipei Sogo Fuxing

3 concessionaires

Thailand: 5

4 branches:

- ◆ Bangkok Central Embassy
- ◆ Bangkok Icon Siam
- ◆ Bangkok Siam Paragon
- ◆ Phuket Floresta

1 concessionaire

Vietnam: 2

2 concessionaires

Kuwait: 1

1 concessionaire

Lebanon: 1

1 concessionaire

Qatar: 2

2 concessionaires

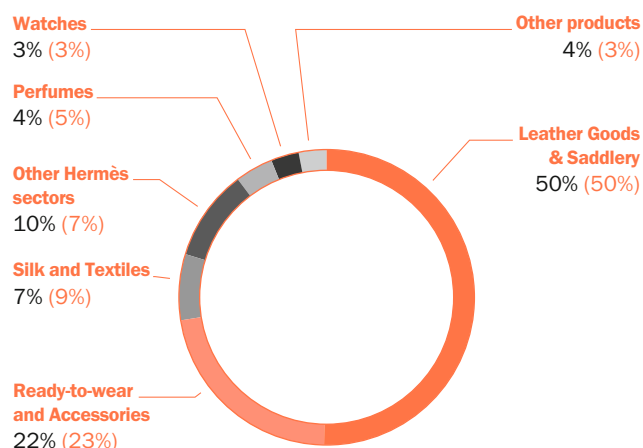
Guam: 1

1 branch:

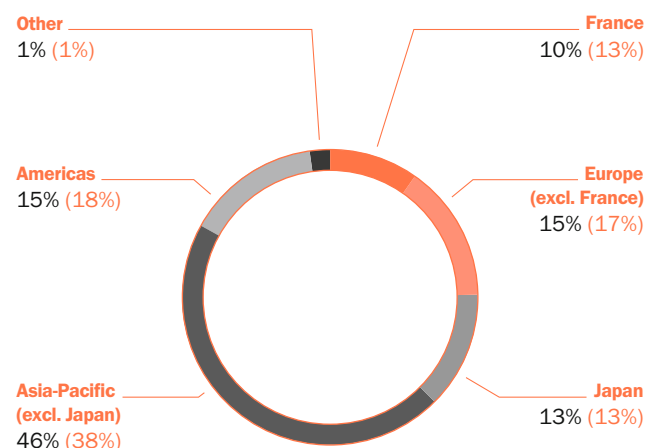
- ◆ Guam

AFR 1.5 KEY FINANCIAL FIGURES

1.5.1 REVENUE BY SECTOR IN 2020 VS. 2019



1.5.2 BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA 2020 VS. 2019



1.5.3 KEY CONSOLIDATED DATA

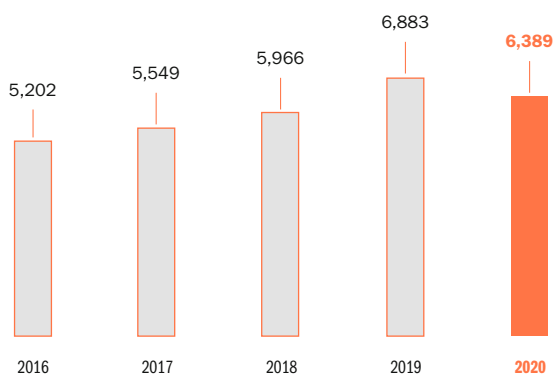
In millions of euros	2020	2019	2018 Restated *	2017	2016
Revenue	6,389	6,883	5,966	5,549	5,202
Growth at current exchange rates vs. n-1	(7.2)%	15.4%	7.5%	6.7%	7.5%
Growth at constant exchange rates vs. n-1 ¹	(6.0)%	12.4%	10.4%	8.6%	7.4%
Recurring operating income ²	1,981	2,339	2,075	1,922	1,697
In % of revenue	31.0%	34.0%	34.8%	34.6%	32.6%
Operating income	2,073	2,339	2,128	1,922	1,697
In % of revenue	32.4%	34.0%	35.7%	34.6%	32.6%
Net income attributable to owners of the parent	1,385	1,528	1,405	1,221	1,100
In % of revenue	21.7%	22.2%	23.6%	22.0%	21.2%
Operating cash flows	1,993	2,063	1,863	1,580	1,427
Operating investments	448	478	312	265	262
Adjusted free cash flow ³	995	1,406	1,447	1,340	1,212
Equity attributable to owners of the parent	7,380	6,568	5,470	5,039	4,383
Net cash position ⁴	4,717	4,372	3,465	2,912	2,320
Restated net cash position ⁵	4,904	4,562	3,615	3,050	2,345
Workforce (number of employees)	16,600	15,417	14,284	13,483	12,834

* Including the impact of IFRS 16 on leases. In accordance with IAS 8, Hermès has applied the new standard on a full retrospective basis, and has restated the financial statements for the period ended 31 December 2018.

- (1) Growth at constant exchange rates is calculated by applying, for each currency, the average exchange rates of the previous period to the revenue for the period.
- (2) Recurring operating income is one of the main performance indicators monitored by the Group's management. It corresponds to operating income excluding non-recurring items having a significant impact that may affect understanding of the Group's economic performance.
- (3) Adjusted free cash flow is the sum of cash flows related to operating activities, less operating investments and repayment of lease liabilities recognised in accordance with IFRS 16 (aggregates in the consolidated statement of cash flows).
- (4) Net cash position includes cash and cash equivalents presented under balance sheet assets, less bank overdrafts which appear under short-term borrowings and financial liabilities on the liabilities side. Net cash position does not include lease liabilities recognised in accordance with IFRS 16.
- (5) The restated net cash position corresponds to net cash position plus cash investments that do not meet the IFRS criteria for cash equivalents due in particular to their original maturity of more than three months, less borrowings and financial liabilities.

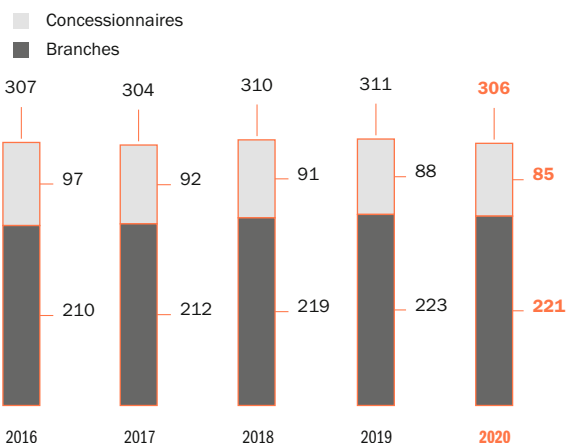
1.5.3.1 CHANGE IN CONSOLIDATED REVENUE

In millions of euros



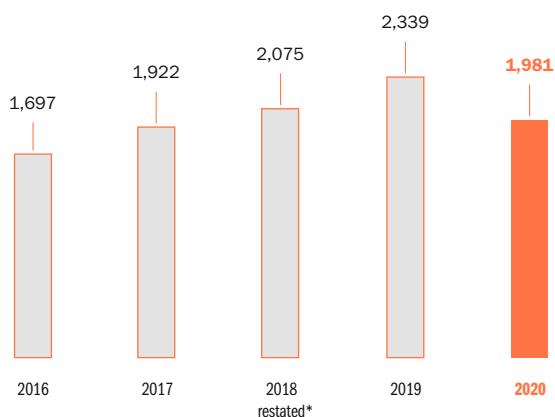
1.5.3.4 CHANGE IN THE NUMBER OF EXCLUSIVE HERMÈS STORES

In millions of euros



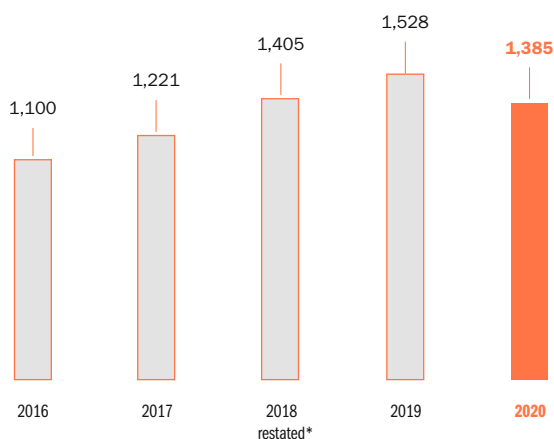
1.5.3.2 CHANGE IN RECURRING OPERATING INCOME

In millions of euros



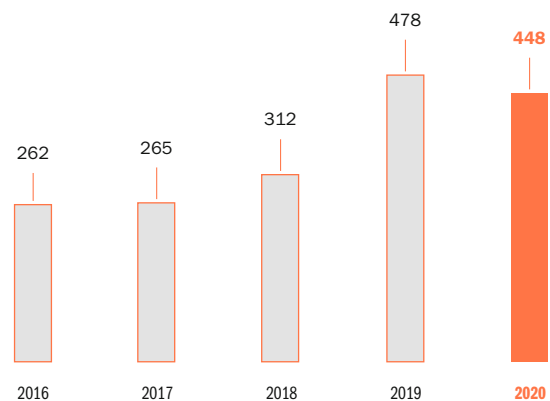
1.5.3.5 CHANGE IN NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT

In millions of euros



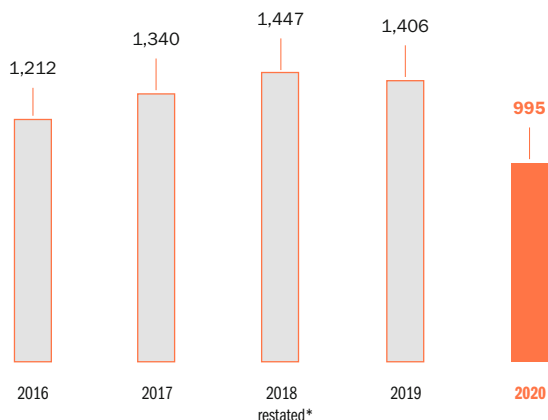
1.5.3.3 CHANGE IN OPERATING INVESTMENTS

In millions of euros



1.5.3.6 CHANGE IN ADJUSTED FREE CASH FLOW

In millions of euros



AFR

1.6 REVENUE AND ACTIVITY BY MÉTIER

					Change	
	2020 Revenue in millions of euros	2020 mix in %	2019 Revenue in millions of euros	2019 mix in %	at current exchange rates	at constant exchange rates
Leather Goods & Saddlery	3,209	50%	3,414	50%	(6.0)%	(4.8)%
Ready-to-wear and Accessories	1,409	22%	1,574	23%	(10.5)%	(9.2)%
Silk and Textiles	452	7%	592	9%	(23.7)%	(22.8)%
Other Hermès sectors	643	10%	525	7%	22.4%	23.9%
Perfumes	263	4%	326	5%	(19.2)%	(19.0)%
Watches	196	3%	193	3%	1.3%	2.3%
Other products	218	4%	258	3%	(15.7)%	(15.3)%
CONSOLIDATED REVENUE	6,389	100%	6,883	100%	(7.2)%	(6.0)%

AFR **1.7 REVENUE AND ACTIVITY BY GEOGRAPHICAL AREA**

	2020 Revenue in millions of euros	2020 mix in %	2019 Revenue in millions of euros	2019 mix in %	Change	
					at current exchange rates	at constant exchange rates
Europe	1,573	25%	2,069	30%	(24.0)%	(23.6)%
♦ France	620	10%	867	13%	(28.6)%	(28.6)%
♦ Europe (excl. France)	953	15%	1,202	17%	(20.7)%	(20.0)%
Asia-Pacific	3,749	59%	3,454	51%	8.6%	9.9%
♦ Japan	834	13%	864	13%	(3.5)%	(3.7)%
♦ Asia-Pacific (excl. Japan)	2,915	46%	2,590	38%	12.6%	14.4%
Americas	959	15%	1,241	18%	(22.7)%	(20.5)%
Other	108	1%	120	1%	(9.8)%	(9.9)%
CONSOLIDATED REVENUE	6,389	100%	6,883	100%	(7.2)%	(6.0)%

AFR **1.8 COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS****1.8.1 INCOME STATEMENT**

<i>In millions of euros</i>	2020	2019
Revenue	6,389.4	6,883.4
Cost of sales	(2,013.3)	(2,124.9)
Gross margin	4,376.2	4,758.5
Sales and administrative expenses	(1,698.5)	(1,815.7)
Other income and expenses	(696.2)	(604.0)
Recurring operating income	1,981.4	2,338.9
Other non-recurring income and expenses	91.1	-
Operating income	2,072.5	2,338.9
Net financial income	(86.1)	(68.6)
Net income before tax	1,986.4	2,270.3
Income tax	(613.0)	(751.0)
Net income from associates	16.1	15.9
CONSOLIDATED NET INCOME	1,389.6	1,535.3
Non-controlling interests	(4.1)	(7.0)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	1,385.4	1,528.2

In 2020, the Group's consolidated revenue amounted to €6,389 million, a decrease limited to 6.0% at constant exchange rates and 7.2% at current exchange rates.

The gross margin rate reached 68.5%, down by 0.6 points compared to 2019. This slight decrease was due to the under-absorption of production costs in the first half of the year, despite the favourable impact of currency hedges.

Sales and administrative expenses, which represented €1,699 million versus €1,816 million in 2019, include in particular €279 million in communication expenditure compared with €357 million in 2019, after the postponement or cancellation of numerous events due to the health crisis.

Other income and expenses amounted to €696 million, compared with €604 million in 2019. They include depreciation and amortisation of €468 million (€407 million in 2019), half of which relates to property, plant and equipment and intangible assets and the other half to rights-of-use. The increase compared to 2019 reflects the continuation of investment projects in the distribution network, digital and information systems. Other expenses also include €118 million related to free share plans and the donation of €20 million to AP-HP (the Parisian public hospital system).

Recurring operating income amounted to €1,981 million, compared with €2,339 million in 2019, a decline of 15%. Cost control and agility in inventory management kept recurring operating profitability at a high level, i.e. 31% for the full year (34% in 2019).

After taking into account a non-recurring profit of €91 million related to the deconsolidation of Shang Xia, operating income amounted to €2,073 million, or 32.4% of sales.

Net financial income, which includes interests on lease liabilities, financial income from cash investments and the expense relating to foreign exchange hedges, represented a net expense of €86 million, compared with €69 million in 2019.

The income tax rate amounted to 30.9%, a decrease of 2.2 points compared to 2019, mainly due to the non-taxation of Shang Xia's deconsolidation proceeds and a favourable geographical mix.

After taking into account the net income from associates (income of €16 million) and non-controlling interests, the consolidated net income attributable to owners of the parent amounted to €1,385 million compared with €1,528 million in 2019, i.e. a decrease limited to 9%.

1.11 FONDATION D'ENTREPRISE

Created in 2008, the Fondation d'entreprise Hermès was keen to pursue its actions during this unusual year, supporting the programs that structure it. The four main pillars that drive the Foundation – creation, transmission of *savoir-faire*, protection of the environment and solidarity – have continued to guide its choices in the public interest, while it has remained attentive to needs that may have emerged in the areas in which it runs initiatives.

In 2020, time seemed to stand still not once but twice in France, however the Foundation continued its commitments. It was very active alongside its beneficiaries, artists, project leaders, charitable associations, etc. so that everyone could continue to move forward. The Foundation has been sure to roll out its activities and to adapt to the situation, even reorganising some of its programmes, such as Manufact'Home, so as to compensate for the interruption of Manufacto due to the closure of schools. Led by craftpeople, three tutorials invite participants in their own homes to create contemporary objects, step by step, using everyday equipment and tools. Accessible to everyone, the Manufact'Home videos were uploaded to the Foundation's YouTube channel and relayed on social networks, allowing a large audience to familiarise themselves with craftsmanship *savoir-faire* in a fun way. The Fondation d'entreprise Hermès has also acted to ensure that Manufacto's 2019-2020 school year was successful, despite the weeks of interruption. Thanks to the help of our craftpeople and schools, each student in the Manufacto program was able to feel pride in having handcrafted an object on their own.

As soon as the lockdown ended, various calls for projects were launched so that the groups concerned could start new initiatives as quickly as possible with the Foundation's support. Its strength and commitment alongside its beneficiaries have been essential during these periods of uncertainty. This enabled applications for the Manufacto 2020-2021 school year to be opened and relayed by partner academies, some of which for the first time. In December 2020, 55 schools were involved in this program, i.e. more than 1,400 students from primary schools to high school. At the same time, applications opened on 11 May using professional networks seeking craftpeople, designers and engineers wishing to explore other avenues of innovation in the field of glass, the material to which the fifth *Académie des savoir-faire* will be dedicated in 2021. A call for international New Settings projects was similarly launched for artists from all backgrounds wishing to experiment with new

forms of theatrical expression. In this very difficult context for the performing arts, the Foundation continues to support creators in order to promote the emergence of daring projects from people willing to venture off the beaten track. Lastly, the call for applications for the "Artists in the City" scholarship scheme, intended for students enrolled in a public dance and theatre school, was launched on the 1 July in order to be able to support new students in financial difficulty, from the start of the school year.

In addition to these many forward-looking initiatives, the Fondation d'entreprise Hermès has continued to be involved on the ground, including monitoring the solidarity initiatives identified as part of the H³ – Heart, Head, Hand programme, or production support for visual artists in residence in Maison Hermès' production units. While a few dates had to be moved, the Foundation's exhibitions were able to open for their audiences in dedicated spaces in Europe and Asia. In addition, following Gregory Halpern's residency in Guadeloupe, the "Soleil Cou Coupé" exhibition by the American photographer, the fourth winner of Immersion, a Franco-American photographic commission, was inaugurated in September at the Fondation Henri Cartier-Bresson in Paris.

Traditionally dedicated to new stage productions, the autumn season was disrupted by the announcement of a new lockdown. The first high point of New Settings #10 – which now runs between autumn, spring and summer – was interrupted after the presentation of the first show. Several productions were therefore postponed to the next two occasions, or possibly even to next year, thanks to the Foundation's mobilisation alongside artists directly affected by the closure of performance venues.

Lastly, in 2020, the Fondation d'entreprise Hermès expanded its multi-faceted action in favour of biodiversity and ecosystems by undertaking to create a contemporary garden with the Saline Royale d'Arc-et-Senans, designed to be an oasis of biodiversity, in the same vein as the eighteenth-century project imagined by Claude-Nicolas Ledoux.

Throughout a turbulent year, the Fondation d'entreprise Hermès has chosen to strengthen its support to ensure the continuity of the projects undertaken as part of its programmes. Consistency, loyalty and responsibility have guided its choices to meet the challenges of our time.

The full report on the activities of the Fondation d'entreprise Hermès is available at: www.fondationdentreprisehermes.org, in the section "The Foundation".

2

CORPORATE SOCIAL RESPONSIBILITY

NFPS

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Through its sustainable development approaches, Hermès implements practices that reconcile economic and social progress with preservation of the planet's natural equilibrium, in a long-term vision. These societal and environmental challenges, linked to the 17 Sustainable Development Goals for 2030, provide the framework for the House's action in this area.

For more than six generations, Hermès has been a family business, nurtured by the values of craftsmanship. It has been able to adapt to changes by diversifying its *métiers*, while maintaining its specificity of craftsmanship excellence and favoring a long-term approach.

The Group's craftsmanship manufacturing model is based primarily anchored in the creativity and *savoir-faire* of men and women located in France, and draws on the House's four essential heritages: creation, *savoir-faire*, exceptional raw materials and the retail universe. It is based on the geographical and cultural proximity between designers and craftspeople in our production units. It is supported by a network of regional manufacturing sites, which Hermès enhances, with a desire to ensure the transmission of this exceptional *savoir-faire*. The model operates in a spirit of balance and sobriety in the use of raw materials and a commitment to a low environmental footprint. The promotion of these four heritages has contributed to the sustainability of this craftsmanship model since 1837.

The Hermès Group's ambition for sustainable development is to enable virtuous economic and social development, not only for employees and shareholders, but more broadly for its stakeholders, and the future of the next generations. This objective will also be achieved by reducing its impacts, however moderate, on the planet. This goal is accompanied by a deep humanistic desire to give back to the world some of what the world gives to Hermès.

The scope of this Non-Financial Performance Statement (NFPS) covers all of the Hermès Group subsidiaries and sites, all *métiers* and all regions included, the scope of which is detailed below.

Methodological note

This NFPS is based on the qualitative and quantitative contributions of the *métiers*, subsidiaries and central departments, and by the following Group corporate departments: Human Resources, Industrial Affairs, Real Estate, Legal, Finance and Sustainable Development. From the end of the first half-year, the various contributors came together to rank the subjects they wished to discuss and prepare a schedule extending to the end of the year. This year, special attention was paid to information related to the management of the health crisis linked to Covid-19. Given the time frames, certain annual data is reported at end of October, in particular for the industrial affairs department. Each department uses tools to consolidate the information related to their activities. These main contributors rely on their respective networks in order to summaries and highlight the most significant progress and the work carried out on the major strategic sustainable development challenges. This operating mode enables a fairer reflection of operating reality, in an environment in which the activities of the House are very diversified.

Finally, verification work is carried out by an independent third party (PricewaterhouseCoopers), which is also one of the Company's Statutory Auditors, with audits are carried out before publication. The issuance of a reasonable assurance report, which is a higher level of certification than the limited assurance provided for by law in France, covers nearly 50% of the workforce, and therefore more than the required 20% (see § 2.9 of chapter 2 "Corporate Social Responsibility").

As stated in § 3.5.2.4, the assignment was approved as a "service other than certification of the financial statements" by the Audit Committee, and is compliant with the French rules on independence.

2.1 BUSINESS MODEL

The Hermès Group presents its value creation model using graphics (see the following pages) in order to facilitate understanding of the distinctive features of the French craftsmanship manufacturing model. This approach is designed to help explain the activities of the House, its footprint and contribution to a more sustainable world, in their economic, social, societal and environmental dimensions.

The Hermès Group's model is unique in many ways:

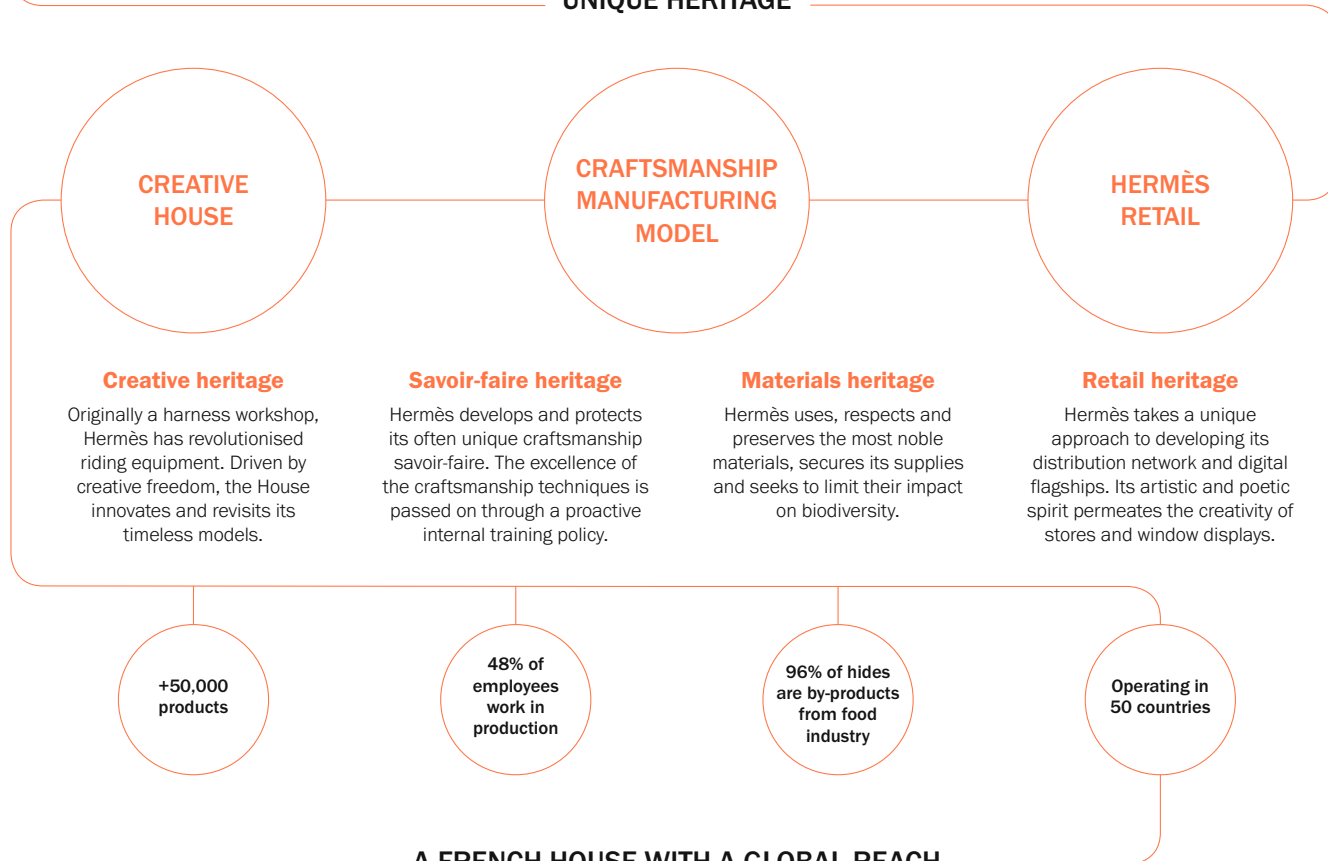
- ♦ a family-run business rooted in a tradition of craftsmanship, the foundations of an eagerness to ensure transmission of skills and durability;
- ♦ fundamental heritages, sources of sustainability, that are continuously reinvented: creation, *savoir-faire*, materials and retail;
- ♦ objects designed to last: rigor and responsibility that are the life force of the House's 16 *métiers* (see § 1.6 in chapter 1 "Presentation of the Group and its results");
- ♦ a French House with an international reach: an integrated model, from manufacturing, which is primarily carried out in France, to distribution throughout the world, tailored to local situations;
- ♦ controlled development and solid results;
- ♦ a contribution to a more sustainable world through its model, through a humanist vision of its activity, and a desire to give back to the world some of what the world gives it.

A FRENCH MODEL OF CRAFTSMANSHIP THAT IS SUSTAINABLE AND CREATES VALUE

OUR ROOTS AND VALUES

An independent creative House since 1837, guided by the characteristics of craftsmanship. An integrated model of French manufacturing. A humanistic management of employees. A wide product offering of useful and long-lasting objects. A socially responsible company that is generous with the world.

UNIQUE HERITAGE



A FRENCH HOUSE WITH A GLOBAL REACH

51 production sites in France

- ◆ 2 sites in America
- ◆ 5 sites in Australia
- ◆ 6 sites in Europe

306 exclusive stores, including

- ♦ 29 in France



80% of objects made in France

61% of objects made in our in-house and exclusive workshops

63% of employees in France

92% of leather sourced in France and Europe

90% of sales outside of France

- Detail in Section 1.4.2

EXCEPTIONAL OBJECTS DESIGNED TO LAST



Creative freedom

The designers sketch, innovate and revisit the House's models with the greatest artistic freedom and without ostentation.



Exceptional materials

Rare leathers, precious fabrics. Only the most beautiful materials are selected.



Development

Reconciling responsible sourcing, optimisation of uses, quality, innovation and eco-design for a virtuous life cycle.



Purchasing freedom

Store managers choose the products to propose to their customers.



Handcrafted production

Exceptional materials, expert skills. Production units take the greatest care in manufacturing the products ordered by the stores.



Exclusive distribution

Each store showcases a unique selection suited to its local market. The customer experience is unique and tailored with care.



Logistics

Destined for stores around the world, carriers deliver products to their destination while limiting environmental impact.



Lasting products

Because Hermès objects are passed down through generations, the House's repair shops maintain them and prolong their lifespan.



Responsible communication and transparency

Showing the outside world our achievements allows better understanding of actions undertaken.



End-of-life

Work is constantly taking place to innovate and anticipate end-of-life of products and materials in order to optimize their usage.

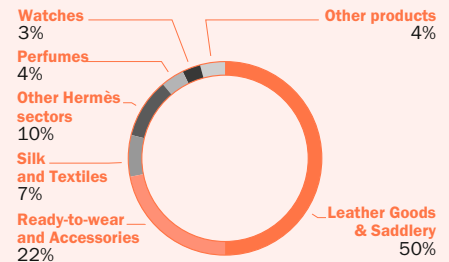


CONTROLLED DEVELOPMENT, SOLID RESULTS...

ECONOMIC*Design and grow*

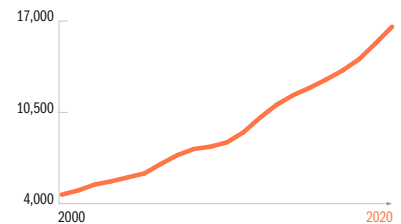
- ◆ €6.4 bn in revenue
- ◆ A limited decrease in revenue to 6% at constant exchange rates in 2020, despite the health crisis
- ◆ €2 bn in recurring operating income
- ◆ €448 m in operating investments
- ◆ €93 bn in market capitalisation as at 31 December 2020

BREAKDOWN OF REVENUE BY MÉTIER

**SOCIAL***Value and transmit*

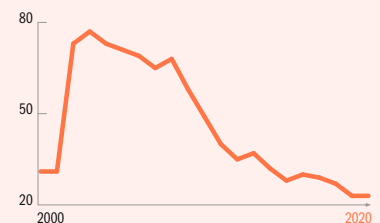
- ◆ 16,600 employees in 2020, of whom 5,617 are craftspeople in France
- ◆ 23 new production sites in France over the past five years
- ◆ Leather Goods division: 83 trainers instruct craftspeople in their new métiers for 22 leather goods workshops
- ◆ 60% of managers in the Group are women
- ◆ 25.8% of employees have more than 15 years of service (France)

CHANGE IN WORKFORCE

**ENVIRONMENTAL***Respect and preserve*

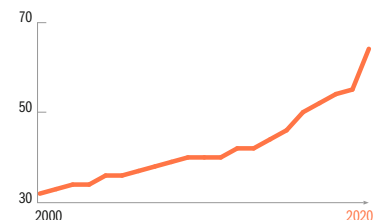
- ◆ Over the last 10 years, reduction in industrial energy intensity -41.5% and industrial water -25.3%
- ◆ -4.7% of market-based Scopes 1 and 2 carbon emissions since 2018 (absolute value)
- ◆ Offsetting of 134% of carbon emissions from production, administrative and logistics sites, and stores (Scopes 1 and 2) with Livelihoods
- ◆ Collaboration with NGOs such as WWF France in the sustainable development of certain supply chains (leather, cashmere, wood, etc.)
- ◆ Nearly 120,000 repair requests per year
- ◆ 82.4% green electricity supply

ENERGY INTENSITY IN MWH

**SOCIETAL***Develop and participate*

- ◆ Presence in 12 of the 13 French regions with more than 80 sites (production units, stores, logistics sites, offices)
- ◆ Creation of regional divisions of excellence
- ◆ 20-year average relationship with the 50 main direct suppliers
- ◆ 56% of purchases made in France (Top 50 direct suppliers)
- ◆ 100% of leather goods made in France

CHANGE IN NUMBER OF PRODUCTION SITES IN FRANCE

**GOVERNANCE**

- ◆ CSR criteria in the variable compensation of the two Executive Chairmen
- ◆ A Sustainable Development Committee meets every two months with two members of the Executive Committee
- ◆ A CSR Committee within the Supervisory Board
- ◆ Internal and external ethics whistleblowing systems
- ◆ Contribution to 15 of the United Nations' 17 Sustainable Development Goals (SDGs)
- ◆ Global Compact Advanced Level

WE SUPPORT



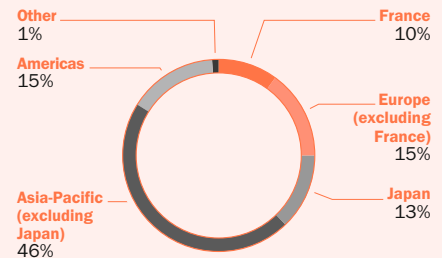
► ...CONTRIBUTING TO A MORE SUSTAINABLE WORLD

ECONOMIC

Design and grow

- ◆ 6 stores opened in 2020
- ◆ 31% consolidated tax rate
- ◆ 13,000 employee shareholders under the 2019 plan
- ◆ 4,356 new employees over the last five years

BREAKDOWN OF REVENUE
BY GEOGRAPHICAL AREA



SOCIAL

Value and transmit

- ◆ 70% of employees have taken at least one training course worldwide, 2020
- ◆ 861 new employees in France in 2020
- ◆ 6,100 employees trained by the School of Leather since 2011
- ◆ 283 professional certifications obtained in 2020
- ◆ Partnership with the French Job Centre and education in the craftsmanship professions
- ◆ Disability: employment rate 5.68% (2019)
- ◆ 69% of the Operations Committee are women
- ◆ 92/100 Gender equal pay index (France)

HERMÈS
mission handicap

ENVIRONMENTAL

Respect and preserve

- ◆ -50% GHG emission reduction targets (2030 vs 2018)
- ◆ 96% of skins are by-products from food industry
- ◆ Act4Nature commitment: Global Biodiversity Score study
- ◆ Publication of standards on Animal Welfare and creation of a monitoring committee since 2019
- ◆ 100% recycled gold and silver processed in the workshops
- ◆ Livelihoods: 130 million trees planted

act4nature
international

SOCIETAL

Develop and participate

- ◆ 1 direct job created in a rural area indirectly leads to at least 1.5 other jobs
- ◆ 85% of direct suppliers committed to a CSR policy
- ◆ €40 m allocated to the budget of Fondation d'Entreprise Hermès over five years
- ◆ 12 Living Heritage Companies (EPV)
- ◆ 22 Meilleurs Ouvriers de France (MOF)
- ◆ €2.4 m in total purchases from socially supported organisations (EA, ESAT)
- ◆ 340 solidarity projects worldwide

**FONDATION
D'ENTREPRISE
HERMÈS**

GOVERNANCE

- ◆ Signature of the Fashion Pact in 2019
- ◆ Sustainalytics: 72/100 in 2019 (outperformer)
- ◆ ISS ESG: C (prime threshold: C+)
- ◆ CDP 2020: A- (Water security), B (Climate change, Forest, Cattle)
- ◆ Positivity index 2020: B+, (CAC 40 average: C+)

CDP

2.1.1 A FRENCH MODEL OF CRAFTSMANSHIP

2.1.1.1 ROOTS AND VALUES

Hermès has remained true to its values since 1837 and continues to thrive as a house where craftspeople are at the fore. By selecting the finest materials, it produces exceptional, useful and aesthetic objects, designed to last (thanks to their quality and desirability) and to be passed on. Hermès now has a world-wide reputation, but the House has always been, and remains, an independent company supported by family shareholders, the sign of stability and longevity. Promoting French manufacturing, its project is based on the excellence of the craftsmanship *métiers*; human hands, *savoir-faire* and quality are the keys.

The attention paid to people has a natural place at the heart of the House's craftsmanship business model, both at its sites as well as its partners and suppliers. Hermès is attentive to working conditions, respecting a balance in terms of diversity and stringently applying the fundamental principles of the United Nations and OECD.

The attributes of craftsmanship have shaped the development of the House since its founding and, at the same time, its relationship with the world. Naturally rooted in respect and humility, these attributes, over time, have become company values. The presence of these values permeates all employees, suppliers and partners. They form the platform for the House's actions in matters of sustainable development by appropriating the notions of individual and group responsibility, authenticity in the search for excellence, or acceptance of the long-term approach as a factor influencing performance. Lived and embodied by the Senior Executives and all employees, today they are the lifeblood of its *raison d'être*¹ and represent the founding pillars of the Corporate Social Responsibility (CSR) approach that Hermès shares with its stakeholders:

- ♦ **responsibility:** a handmade leather object is the work of a single person. Following the original principle "one person, one bag", a single person masters all of the steps necessary for an object's creation, and is accordingly responsible for its final quality. This sense of responsibility also covers the materials used, which must not only be the most beautiful but also of indisputable origin: they must be worthy of serving to create exceptional objects. This accountability also extends to the product's future life: each craftspeople has a view that transcends beyond the production process. This heightened awareness of responsibility nourishes the individual and group sustainable development practices;
- ♦ **authenticity:** the craftspeople are passionate about emphasizing the "authenticity" of beautiful materials and eschew the use of imperfect materials, even when the end result may seem acceptable. This demanding attitude is reflected in the attention paid to all the aspects that comprise the handmade object and its craftsmanship. The inside is afforded just as much care and attention as the outside. Hermès craftspeople, and all employees of the House, are nonetheless aware of their limits and imperfections, and constantly question each stage,

so as to perpetuate the values of excellence. Sustainable development is pursued in this spirit of sincerity, excellence and continuous improvement. It is built on accomplishments rather than abstract commitments, without fanfare but with the goal of long-term efficiency;

- ♦ **acting with urgency while taking the time to do things well:** our craftspeople do not like to put off until tomorrow what they can accomplish today. Hermès' craftspeople, and by extension the House, see time as an ally, that enables them to work well, to integrate the internal or external challenges of all stakeholders, in order to see things in a balanced perspective. In the making of an object by hand, it is impossible to skip a step to save time, everything flows in continuity, everything is necessary. These modes of operation shape and determine the way projects are conducted. They encourage the implementation of responsible policies and practices, using a participative approach, blending exacting requirements and efficiency to obtain a high-quality end result. While considering changing and accelerating contexts, projects take into account the necessary rhythm for sustainable change among employees, partners and natural ecosystems. Urgency to act and hasty execution should not be confused.

2.1.1.2 UNIQUE HERITAGES

The Hermès integrated model is distinguished by its different tangible and intangible heritages. Creative freedom, manufacturing expertise and retailing freedom are the operating modes. Their perpetual abundance, balancing preserved tradition and renewed modernity, is a source of continuous innovation and progress. There are four types of heritage:

- ♦ **creative heritage:** the artistic department invents new pieces, objects and patterns, and revisits its timeless models, unfettered by limits or constraints. The quality of creation allows objects to retain their desirability;
- ♦ **savoir-faire heritage:** in addition to the emblematic saddle stitch, Hermès' craftspeople are masters of singular skills which are often unique and rare techniques. The preservation of knowledge, its transmission through apprenticeships and a proactive internal training policy play key roles. The care taken over in-house training ensures the article's durability. This *savoir-faire* also extends to creative designers, people working in retail and managers;
- ♦ **materials heritage:** only the most noble materials are used. They bring the promise of long life to each object. Hermès monitors its supply chain very closely, chooses renewable materials carefully from responsible industries and manages their environmental impact, in particular on biodiversity;
- ♦ **retail heritage:** Hermès has developed an exclusive distribution network, – both physical and digital – a reflection of the uniqueness of the House and its creativity. The stores are oases of exceptional customer experience, freely adapted to each local market.

1. Sense of purpose

2.1.1.3 EXCEPTIONAL OBJECTS DESIGNED TO LAST

From the original idea to manufacture, from purchasing to its use by the customer, the Hermès object follows a life cycle that reflects the uniqueness of the House and its frugal craftsmanship model. This is characterized by a reasoned development at each stage.

Creative freedom

Supervised by Pierre-Alexis Dumas, a sixth-generation member of the Hermès family and member of the Group's Executive Committee, the artistic department remains true to the inventiveness that has always characterized the House's success. Based on an annual theme, it proposes and renews the collection and objects. The creative designers imagine new items or revisit the classics and propose collections with unique style, while the craftspeople innovate, improving their processes, pushing the limits of materials and ensuring they use only the necessary resources. Creative freedom, balanced by the stores' freedom to purchase as they choose, is asserted while respecting harmony and consistency.

Development

Close cooperation between our creative minds and developers ensures that original ideas become a reality. This step is crucial in defining the manufacturing processes that reconcile optimization, quality, innovation and aesthetics for a virtuous life cycle. The supply chains, mainly in Europe, are numerous and sometimes complex. But they are based on a limited number of partners, with whom we have long-term relationships. Buyers verify the origin of the materials and partnerships, which must respect the environment and ethics principles as well as animal welfare. The House is committed to the most demanding standards in terms of responsible and sustainable management in the supply chain, which it helps draw up. The use of materials is optimized from creation to production, with careful use of only the essential resources, in order to avoid unnecessary waste and surplus materials.

Exceptional materials

Hermès manufactures high quality products, mainly from renewable natural resources. The House's most emblematic raw materials are leather, silk and cashmere. The Group has a tangible influence on its entire value chain, a major portion of which is managed internally.

Leather and exotic hides. Most leathers used by Hermès (cattle, sheep, goat) are by-products from food production, to which the House is giving a second life. The most beautiful hides come from ethically raised animals. Exquisite hides only come from animals that have been treated well. Hermès uses more than 35 different types of leather to make its leather goods. All leathers needed are purchased directly from tanneries, without intermediaries, and come mainly from European livestock with controlled production. The vast majority of its requirements are covered by the six tanneries owned by the House, as well as other French and European tanneries, which are all subject to rigorous standards. For exotic hides, such as crocodile, alligator, lizard and ostrich, Hermès is supplied by livestock farms in the United States, Africa and Australia. These farms all comply with the rules established under the supervision of the United Nations by the Washington Convention for the protection of species, and rigorous internal standards and are routinely audited.

Silk and cashmere. For these two precious materials, the Hermès Group has long-established partnerships with a small number of suppliers. For the past 20 years, this method has promoted the development of a sustainable silkworm industry in Brazil (state of Paraná) and contributed to the preservation of habitats while generating activities providing regular income to thousands of families. Cashmere wool comes mostly from China (inner Mongolia). In this specific case, Hermès relies on an expert European partner to select farmers who operate under the most rigorous standards, controlled by local authorities and regular audits.

Other materials. Hermès uses mainly natural raw materials, often in small quantities, favoring the best sources with very high-quality materials, from producers concerned about their environmental and social impacts. The House dedicates time and resources to understanding, quality control and ensuring the sustainability of its partners' supply chains. Programmes are also carried out to improve the quality of their manufacturing.

Handcrafted production

The uniqueness of Hermès is based on a mode of production in France that confers responsibility and is highly integrated. The Hermès Group produces 61% of its objects in its in-house and exclusive workshops. The manufacturing sites are mainly established in France (80%, 51 sites out of the total of 64 are in France), in nine of the 13 mainland regions of the country. Organized in regional hubs and by *métiers*, the leather goods sites in particular, are reasonably sized with between 250 and 300 employees. In terms of employment, these sites promote local access to jobs, in particular through the process of recruiting "by simulation", without *Curriculum Vitae*, based on aptitude, in partnership with the "Pôle Emploi" employment centers. The focus is then on internal training, which guarantees the transmission of exceptional *savoir-faire* (83 trainers for 22 leather goods workshops).

The Leather Goods & Saddlery division accounts for half of the Hermès Group's sales, while the Silk, Textile (Ready-to-wear) and Accessories activities generate one-third of the total. More than a dozen other *métiers* round off Group revenue. The use of subcontracting is limited and relies on long-term partnerships. Most of its subcontractors – mainly based in France or other European countries – are closely monitored in terms of quality, ethics, labor procedures and their impact on the environment.

Logistics

Mainly manufactured in France, the products are distributed from the Hermès Group's integrated logistics platforms, the largest of which is on a 31,000 m² site in Bobigny (Île-de-France). Some 90% of distribution is to international locations. The choice of a centralized logistics model makes it possible to optimize flows, to find and implement transport solutions that can both reduce the carbon footprint and also meet product delivery requirements, particularly in terms of delivery times and safety. Operators prepare orders for stores around the world with a view to streamlining volumes and packaging. The search for optimal modes of transport to deliver orders to their destination is constantly being studied in order to limit the carbon impact and reduce the environmental footprint associated with transportation of goods.

Purchasing freedom

Present worldwide, Hermès is strongly committed to the principle of giving purchasing freedom to its retail subsidiaries and stores. Hermès' distinctive approach in this area can be seen in the freedom given to store managers to compose their own offerings as they see fit, tailoring them to suit their local customers, during the four annual meetings held to present the new Hermès collections of the *métiers* (the pre-collections and podiums). This approach has many benefits – the service logistics of the exclusive points of sale are optimized, the offering is varied and relevant, the environmental footprint is controlled and waste reduced.

Exclusive distribution

While its products are made in France, they are distributed worldwide. Hermès has 306 exclusive stores, including 221 branches. Online commerce, first launched in 2002, continues its stellar growth, complementing this physical network. Hermès favors the qualitative development of its network, applying to both the embellishment of its stores and the expansion, in some cases, of existing stores. Special attention is given to their architectural quality, social impact (quality-of-life of sales teams) and their environmental footprint during construction, including operating materials (such as lighting), renovation and end-of-life (recycling).

Responsible communication and transparency

CSR communication is a major focus, with the aim of making the House's sustainable development strategy and actions more transparent. It takes shape on a daily basis through a multitude of actions and tools that serve to improve external communication: dialogue with the press and influence, information for employees, Group's first ambassadors, etc. On a pro-active basis, responses are provided to external questionnaires and analysts. In addition to official communications such as this report, a "sustainable development" section has been added to the new financial site, launched in September 2020, and provides tangible information on objectives and achievements. (<https://finance.hermes.com/en/a-value-creating-and-sustainable-french-model/>). Since its launch, this site has been a tremendous success.

Lasting products

Hermès objects are designed to withstand the rigors of time. They develop a patina, they are cared for, repaired and renovated using the *savoir-faire* of specially trained craftspeople in the Group's exclusive in-house workshops in France or abroad, regardless of their date of manufacture. Nearly 80 employees handle a volume of more than 120,000 such requests each year. Their longevity – inseparable from the spirit of craftsmanship – allow them to be passed on from one generation to another. The design and manufacture of the objects reflect a sustainable and reasonable model, a world away from excessive consumerism. Purchasing a sustainable object is a responsible action. At the same time, the *métiers* are working on ways to reuse and improve the circularity of materials and finished objects with the aim of recycling, innovating and finding new uses.

End-of-life

Although the craftsmanship model is, by design, a factor that helps streamline and optimize the use of materials, work is being carried out to anticipate the end-of-life of objects. The *métiers* and subsidiaries, guided by the various departments, innovate and work on concrete projects which aim to extend the life of products and master material waste, in particular through donations and circular channels (reuse, recycling, etc.).

2.1.2 CONTRIBUTIVE, SOLID AND SUSTAINABLE GROWTH

2.1.2.1 CONTROLLED DEVELOPMENT FOR STRONG RESULTS

Covid-19 – A resilient and contributive model in a situation of crisis

The impact of the Covid-19 pandemic in 2020 – the scale, length and geographic scope of which are changing daily – currently remains difficult to assess.

Hermès has played its role as a company to fight against this pandemic and its collateral impact. The House has thus taken steps to learn from the negative effects and has adapted each aspect of its business.

The main measures taken at all levels are summarized below:

- ◆ employees: protection of all employees by maintaining jobs and wages. Implementation of systems for returning to sites safely, and flexibility in rolling out new ways of working. During all these periods, the Group decided not to seek any State aid relating to partial activity measures. This decision was applied in all countries where the Group operates;
- ◆ partners: assistance and continuation of local relationships, dialogue, and economic support, as well as the donation of hydroalcoholic gel;
- ◆ customers: reinventing the customer relationship with the adaptation of e-commerce and the in-store customer experience;
- ◆ Hermès Group: continued investments in new manufacturing sites in France and contribution to maintaining activities, for example, the integration of J3L, a manufacturer of metal parts;
- ◆ society: numerous donations of masks and gel and financial sponsorship, the most significant of which is the donation of €20 million to AP-HP (*Assistance publique – Hôpitaux de Paris*, the Paris Public Hospitals Authority in France).

The Group remains very involved and active, regularly reviewing the situation and adapting its systems to the measures required by the medical and public authorities.

Details of the actions are provided in the various sections of chapter 2 of this document.

For more than 10 years, the Hermès Group has seen steady growth. This trajectory is the outcome of the House's assets: its creativity, the uniqueness of its craftsmanship model and its selective distribution, accompanied by a controlled development strategy and prudent management. The success of this model led to a 2.2-fold increase in the House's revenue over 10 years; recurring operating income also grew 2.2-fold over the same period, while the workforce grew 1.9 fold. In 2020, the Company confirmed its robust economic health, with net income attributable to owners of the parent of €1,385 million. At the same time, the international expansion of Hermès continues. With a commercial presence in 50 countries, the Group is strengthening its network with the opening of six points of sale in 2020.

Facing economic, social and environmental challenges worldwide, this craftsmanship growth model is part of the solution to the challenges of more sustainable development. It creates jobs and uses renewable raw materials that allow the creation of sustainable objects with a small environmental footprint. As an example, Hermès has one of the lowest carbon intensities of CAC 40 companies.

Currently managed by the sixth generation of family shareholders, Hermès is aware of its responsibility to pass on a sustainable company to future generations.

2.1.2.2 CONTRIBUTION TO A MORE SUSTAINABLE WORLD

Buoyed by its results, its sustained growth and dynamic outlook, Hermès is committed to sharing the fruits of its success, always motivated by the conviction that it should give back to the world some of what the world gives it. Several examples of accomplishments are set out below, with an exhaustive presentation of actions detailed in the remainder of this chapter 2:

- ♦ **craftsmanship savoir-faire:** managing 5,600 craftspeople in France, as they pass on to future generations skills and techniques that are often-exclusive, taking part in the preservation of the *métiers* and this heritage of French *savoir-faire*;
- ♦ **long-term employment:** Hermès' strategy of investment brings long-term jobs;
- ♦ **biodiversity and ecosystems:** ethical purchasing of raw materials contributes to its reasonable production. This has a positive effect on some locations, with impacts extending to the protection of endangered species, the preservation of ecosystems and the living conditions of local communities;
- ♦ **vitality in the regions:** with 861 new direct jobs in France in 2020 and the opening of an average of one production site each year for the past six years, Hermès is active in the creation of dynamic regions, especially in rural France. A responsible player committed to the communities in which it is established, Hermès believes in the importance of developing partnerships with all players in its host regions, in an approach that is economic and civic-minded, pragmatic and systematic. Each direct job created in a rural setting indirectly leads to at least 1.5 additional regional jobs. These established sites

allow us to support, and even re-energize, economic activity and promote, by creating economic value, local, social, civic, environmental and cultural benefits. With 80% of production carried out in France, this demonstrates its positive social impact;

- ♦ **value sharing:** the allocation of the Hermès Group's net income is constant over time: one-third goes to investments, one-third goes to shareholders, and one-third is put in reserve. The Hermès Group's effective tax rate is 30.9%. The amounts distributed to employees have been rising at the same pace as added value. Employees also share in the benefits of growth through an ambitious wage rise policy, incentive schemes, profit-sharing and recurring shareholding plans, available to more than 13,000 employees. **The Fondation d'entreprise Hermès has a five-year budget of €40 million (2018-2023) which allows it to support new general interest projects.** These projects are, moreover, in addition to more than 340 local initiatives (human and financial sponsorship, etc.), carried out directly by the subsidiaries in France and abroad.

2.1.3 STRUCTURING CSR AMBITIONS

Hermès works to ensure sustainable development by seeking to maintain a positive contribution towards its employees, its stakeholders, and more broadly, to economic and social development, while continuing its efforts to minimize its environmental footprint, in relative and absolute value. The House, mindful of its legitimacy, also wishes to contribute to debates and serve the common interest in areas in which it may have a real impact or take concrete action. This approach has two major focuses:

- ♦ **improving operating practices** to achieve better integration of societal changes and environmental and climate urgency, sobriety and resilience, based on the strengths of the craftsmanship model and the values of the House. Examples of this include:
 - consolidating the business model by highlighting its assets,
 - continuing a high level of recruitment and training in France,
 - continuing the decoupling of energy and water consumption and carbon emissions, from activity growth,
 - the continuation of its biodiversity strategy, initiated in 2018 and reconfirmed this year by the commitment to Act4Nature International,
 - long-term societal actions.
- ♦ **advocating for different modes of production:** against the tide of mass consumption, the craftsmanship model is an approach, in the same way as low-intensity agriculture, that in itself gives voice to more responsible, sustainable and open solutions, and can help face the challenges of future transitions. For Hermès, the results of this model bear witness to its success. By identifying the distinctive features of its approach and sharing them, Hermès wishes to take part in public dialogue and contribute to defining a future path for the necessary economic and environmental changes. This ambition echoes the transmission of values so dear to the House.

2.1.3.1 CSR CHALLENGES

In 2020, Hermès updated the materiality analysis of its principal CSR challenges. The matrix below shows the main results of this update. This materiality matrix follows up on the work carried out for several years by the Sustainable Development Committee and the sustainable development department, together with the Executive Committee, and in collaboration with the audit and risk management department. It contributes to the risk analyses carried out at Group level.

Identification, assessment and ranking of challenges

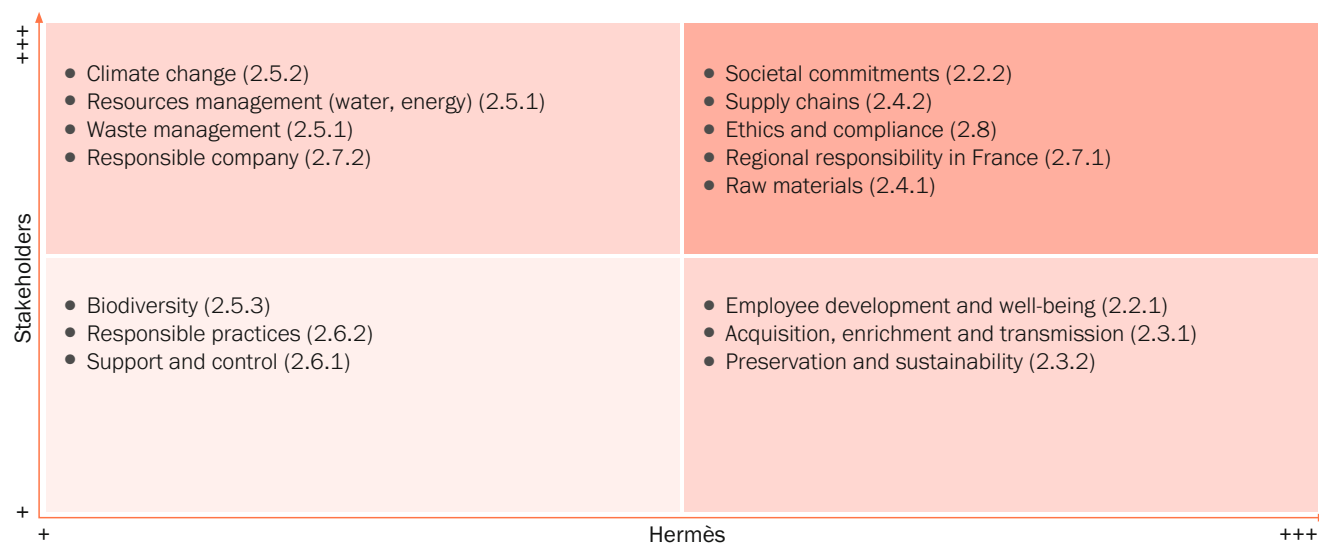
A tool for structuring the CSR strategy, the “sustainable development issues mapping” matrix takes into account the interests of each of the

stakeholders with which Hermès interacts. This 2020 analysis took the form of four internal working groups and the contribution of qualified external observers:

- ◆ internal stakeholders reflecting the House's various functions: manufacturing, support, retailer, *métiers*;
- ◆ external stakeholders: suppliers, NGOs, elected officials, professional networks, companies, analysts, customers, shareholders.

Understanding that the notion of risk itself contains an opportunity factor, Hermès uses the term “challenges” to qualify its CSR approach in this statement of non-financial performance. These challenges are summarized as part of the CSR strategy, and described in more detail in the following sections of the document.

These five groups (over 100 people) ranked the challenges according to a dual scale of importance (for the Hermès model and more broadly for the world), as summarized in the four quadrants below (numbers refer to sections in the report):



Comments on results

- ◆ the upper right quadrant of the matrix shows the subjects considered most important both by stakeholders, and for the development of Hermès. It includes topics related to ethics, societal commitments and regional responsibility, as well as environmental issues such as the management of materials and supply chains;
- ◆ the topics highlighted by stakeholders are found in the top left quadrant. They are linked to major global issues such as climate change, frugal actions with regard to the environment, such as resource and waste management and, lastly, to societal issues such as the role of a responsible company;

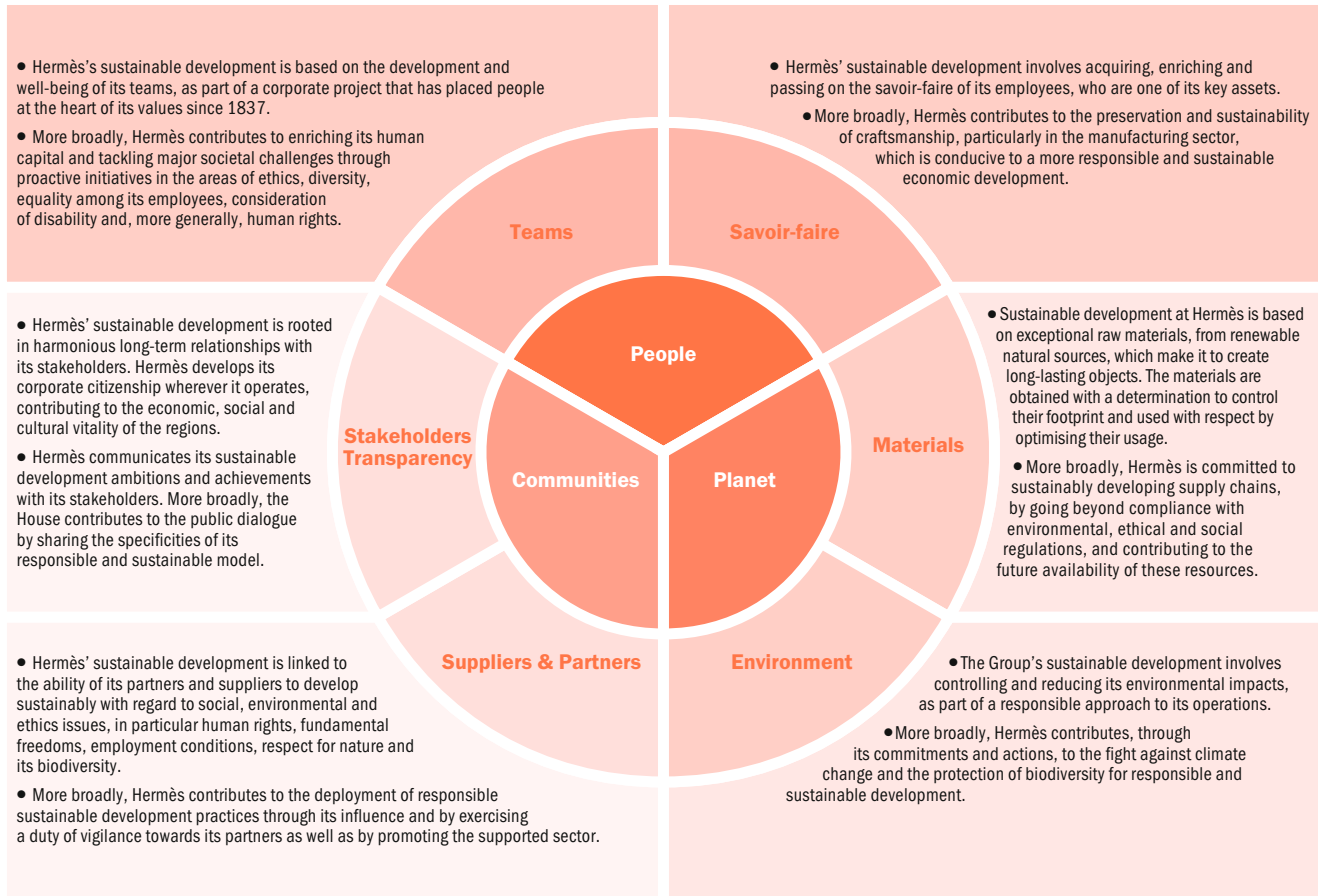
- ◆ the topics assessed, relatively, as most important for the Hermès model (bottom right quadrant) are related to its specificity and its unique model, with human aspects and in particular the development of employees as well as the transmission, preservation and sustainability of *savoir-faire*.

These challenges were taken into account and incorporated into the five categories of specific risks identified in the Group risk mapping presented in § 4.1 in chapter 4 "Risks and control".

2.1.3.2 CSR STRATEGY

Developed in 2015 and updated in 2020, the Hermès CSR strategy “Ambitions” is based on the premise: “We are all artisans of our sustainable development”, and constitutes the CSR reference framework applicable to all employees. This is based on appropriation and

implementation of topics at a collective level, a key factor in its sustainability. The Sustainable Development Committee and the sustainable development department assist and supervise the Group's subsidiaries and *métiers* to ensure its proper application. Three major axes, People, Planet, and Communities, broken down into six themes, characterize this strategy:



2.1.3.3 GOVERNANCE OF THE CSR APPROACH

Hermès, through its family and craftsmanship business model, incorporates the challenges of sustainable development as a normal part of its activity. The approach has been given greater structure since 2002 with the implementation of an environmental policy. Governance has gradually been organized with the creation of dedicated bodies, effective tools and a strategy that was unveiled in 2015.

The House's actions with respect to sustainable development are steered by a Group sustainable development department and have been supervised by the Sustainable Development Committee since 2007.

YEAR	2002	2003	2007	2009	2012	2015	2019	2020
Environmental policy	X							
EHS Network (Environment, health and safety)		X						
Creation of the Sustainable Development Committee			X					
Ethical charter				X			Up date	
Sustainable development department					X			
Code of business conduct					X		Up date	
Ambitions Hermès strategic framework						X		Up date
Anti-corruption code of conduct							X	
External communication: CSR expert page								X

The actions undertaken involve various corporate bodies:

Executive Management and Executive Committee: Hermès Group Management plays an active role in the implementation and rollout of the approach. The Executive Chairman, Axel Dumas, is involved in many subjects. Since 2019, the Supervisory Board (see chapter "Corporate governance") has approved the implementation of a variable compensation component for the Executive Chairman of Hermès based on three CSR criteria (environmental, human resources and societal). Two members of the Executive Committee sit on the Sustainable Development Committee, and are able to share key challenges within both committees.

Sustainable Development Committee: this committee validates the strategy, conducts governance and oversees CSR activities. Composed of 11 members including two members of the Executive Committee, it includes managers from the Human Resources department, the industrial affairs department, distribution, two *métiers* (Leather and Textiles), and the Fondation d'entreprise Hermès. It reports to the CAG-CSR Committee of the Supervisory Board twice per year, and its reports are provided to the Executive Committee. **It met six times in 2020, the attendance rate of members was 91% and 100% for the two members of the Executive Committee.**

Group sustainable development department: reporting to a member of the Executive Committee, this proposes and implements the strategy and oversees the approach taken by all operating departments and Hermès Group subsidiaries, both in France and internationally. It monitors accomplishments, coordinates the operation of various committees (the Sustainable Development Committee and a Group Operations Committee), assists local committees and manages cross-functional projects.

Group Operations Committee: composed of 45 representatives from the different corporate functions. It analyses and validates projects' technical and functional aspects and facilitates information sharing between its members. It met seven times in 2020.

Local Sustainable Development Committees: run by the main *métiers* and subsidiaries, they initiate and track actions launched, and share them during regional meetings. For example, the Leather Goods division's Sustainable Development Committee has met every six weeks to share the latest developments since 2020. For the seventh consecutive year, the Heads of the Sustainable Development Committees of the Greater China, South Asia and Japan regions met remotely for two mornings of conferences. Environmental initiatives are driven more specifically by an "HSE network" in France, run by the industrial affairs department.

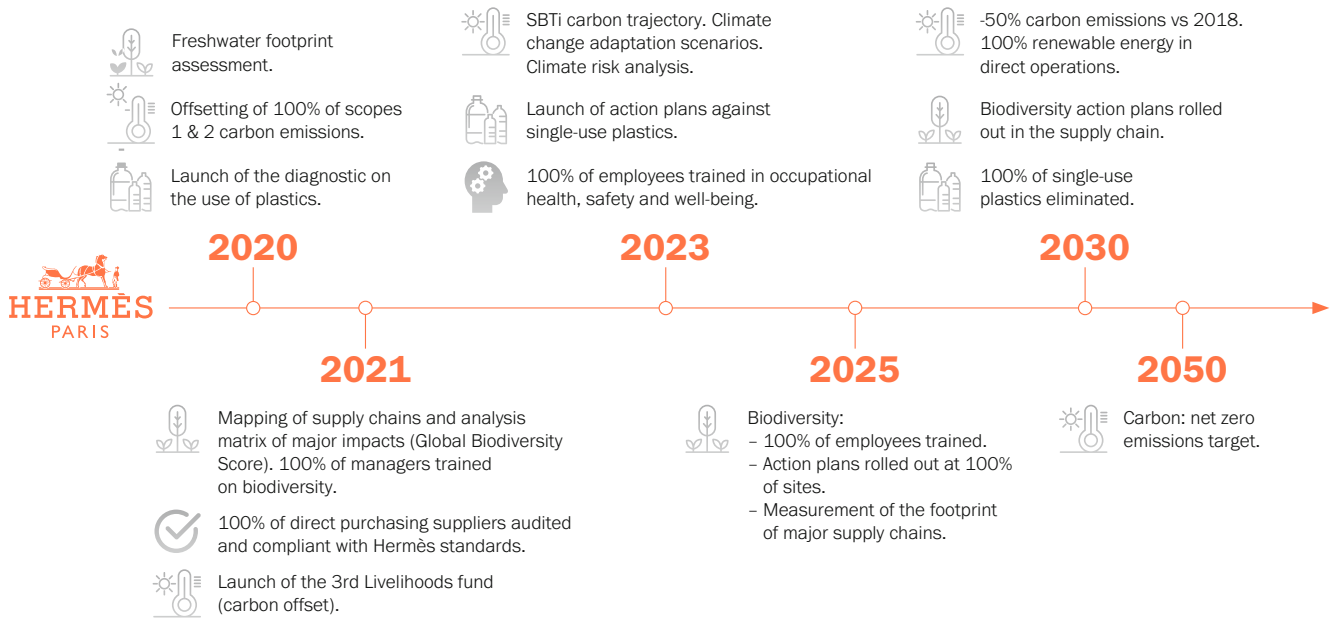
These bodies may be supplemented by management and *Ad Hoc* Committees when new sustainable development projects are implemented by subsidiaries and entities. Cross-functional committees, led by Hermès' head office departments, manage issues that are of common interest and often of a medium-term nature. They focus in particular on issues relating to recycling, materials innovation, sustainable construction and logistics.

Management Committee: within the *métiers* and subsidiaries, the Management Committees are responsible for leading the approach at their level, and for maintaining a CSR roadmap each year.

2.1.3.4 CONCRETE AND LONG-TERM COMMITMENTS

In addition to its internal ambitions and, by extension, ambitions for the sustainable development of the planet, the House has made commitments at a number of levels. These commitments confirm a desire

to be more actively involved in global actions carried out by different bodies and companies. In order to accelerate the transition to progress, as well as on key issues, they are implemented at several levels:



During the Covid-19 pandemic, the basic salary of all employees was maintained in full, both in France and internationally



©Photographer: Masaya Kudaka

2.2 PEOPLE: TEAMS

Hermès's sustainable development is based on the fulfillment and well-being of its teams, as part of a corporate project that has placed people at the heart of its values since 1837.

More broadly, Hermès contributes to enriching its human capital and tackling major societal challenges through proactive initiatives in the areas of ethics, diversity, equality among its employees, consideration of disability and, more generally, human rights.

2

Introduction

The family business model adopted by Hermès for six generations places people at the heart of its project. The Group's Human Resources, focused on the employee experience, formalize their ambition as: "To contribute to the sustainable growth of Hermès. To nurture its unique culture by offering an employee experience that promotes individual achievement and collective success. Through development opportunities and recognition, to enable employees to participate in the Hermès journey." Diversity and inclusion are ingredients in the House's success, which is expressed in different ways.

Health and safety at work are a priority. Specific actions complement long-standing ones in favour of well-being at work and the development of employees. They are supported by regular diagnostics, in order to implement a structuring and empowering approach and pursue the objective of improving the quality of life at work. In addition, in order to adapt the workplaces, particular attention is paid to the architecture and ergonomics of the production units, stores and offices.

Harmonious labour relations are strengthened, in France, by the Hermès Group's agreement on social dialogue and the exercise of union rights, which sees regular activity at both local level and centrally.

Hermès' economic success is regularly shared in various forms. The contribution made by employees to the House's development, whatever their role, is acknowledged through various profit-sharing mechanisms in order to involve them in the project over the long term.

Covid-19: HEALTH CRISIS MANAGEMENT

Confronted with an unprecedented health context, impacting every continent on several occasions throughout the year, Hermès has responded by reaffirming its people-focused values and its commitment as a socially responsible employer, through unprecedented action and adaptation of its operations.

During this period of instability and uncertainty generated by the Covid-19 crisis, Hermès maintained all jobs throughout the world and all salaries in full, while making the protection and safety of all employees a priority. For many employees, Hermès has proven to be a safe haven that has acted in an extremely responsible manner. Social dialogue was the keystone of this support, allowing the implementation of measures adapted to the realities on the ground, accepted and understood by all employees. In order to provide everyone with the best support, managers benefited from coaching in order to help manage periods of lockdown and exit from lockdown. Employees could access support from psychological counsellors, if they felt the need.

STEERING

A group monitoring unit was set up on 28 February 2020 to anticipate and then support in the best way the various stages of prevention during the pre-lockdown, lockdown and exit from lockdown periods. This unit comprised 10 employees, including representatives from the human resources department (labour relations department and internal communication department), the safety department and the

audit and risk management department. This crisis unit worked closely with a large number of contacts: general services for the supply of masks, gloves and wipes, Hermès Beauty & Perfumes for the production of hydroalcoholic gel, *métiers*, distribution subsidiaries, production subsidiaries, and support functions. A forward-planning unit was added to the monitoring unit to look at the evolution of Covid-19 in all regions and propose longer-term actions.

Local intelligence units have also been activated within each *métier* division and each country.

At Hermès Maroquinerie-Sellerie, for example, the *métier* with the largest workforce, a central unit made up of Human Resources Directors, divisional managers and the corresponding central teams was set up, with further units in each regional division composed of members of the CSSCT¹, the divisional director, the Health, Safety, and Environment manager and human resources department, together with an occupational health doctor and the central functions of the *métier*.

These units have made it possible to establish health protocols, ensure widespread dissemination of information on the measures taken and ensure compliance with generic protocols adapted to the activity of each division.

Given the unprecedented nature and complexity of the situations to be managed and anticipated, the meetings of these units were held weekly or daily as required.

1. Commission Santé Sécurité et Conditions de Travail : Health, Safety and Working Conditions Commission.

The Human Resources function, which was heavily used during this period, proved to be solid and able to act as a true partner in the face of the crisis, close to the teams, with positions shared almost daily at global level between all the Human Resources Directors of the *métiers* and countries.

SUPPORT FOR MANAGERS

Regular discussions with the management community, involving employee representatives, made it possible to jointly identify the appropriate health measures to adapt operations and the communication to be put in place. These exchanges allowed for a controlled dissemination of information, increased proximity between managers and effective reporting of individual situations within the teams.

In order to support managers, but also to equip them, an ambitious support plan was rolled out very quickly with special opportunities for discussion between Human Resources and Managers to listen to and advise them, and co-development workshops for sharing feedback. On a voluntary basis, **managers were able to benefit from internal group or individualized coaching from April 2020 to share their experiences of teleworking and lockdown**, to prepare for the reception of teams when normal operations resumed, to share their concerns and questions and finally to communicate on new work habits (alternating patterns, wearing of masks, distancing rules, health protocols in the event of contamination, etc.). This programme was relaunched in October. **More than 1,129 managers took part in 175 group sessions in France and Europe in 2020.**

SUPPORT FOR EMPLOYEES

During all these singular periods, regular communication was set up with teams *via* local managers or Human Resources teams in order to maintain contact, receive news and keep everyone informed of developments in the situation, both in France and internationally. Governmental guidelines issued in each country were strictly adhered to, as were all employee safety guidelines.

Within Hermès Maroquinerie-Sellerie, numerous direct exchange networks for all employees, which were particularly important for the more than 4,000 craftspeople, were set up to facilitate the flow of information in real time, as well as to respond to their questions and needs. Other entities such as Hermès Cuirs Précieux have formed "Confinés mais inspirés" (Locked down but inspired) groups in order to maintain a working community dynamic.

During the first wave lockdown in France, the resumption of activity began with a welcome session for each team, led by its manager, in

order to take time to share experiences during lockdown and feelings about returning to work. Advance on-site visits were offered to employees who wanted this, so that everyone could familiarize themselves with the conditions put in place for the resumption of activity. Occasionally, adjustments were made to working hours to take into account certain specific situations.

Fixed-term professional training contracts that were about to expire were extended until training resumed and the completion of the courses could be validated.

A guidance and psychological counselling unit, open to everyone, was set up. It provided confidential and personalised support to more than 55 employees during the first wave, with 172 interviews. This unit was reactivated for the second wave and supported 13 employees with 22 interviews.

Subscriptions to a platform designed to facilitate childcare were offered to all employees in France. Particularly appreciated when schools were closed, this platform recorded nearly 200 memberships.

All employees in France were able to access training content online on a weekly basis *via* the Group Campus newsletter, as well as remote lecture cycles provided by internal and external contributors, "breathing workshops" *via* the "InterHactions" programme and the provision of the My Campus training portal.

MEASURES TAKEN IN FAVOUR OF EMPLOYEES

The basic salary of all Group employees was maintained in full during the various periods of store closures or lockdowns, both in France and internationally.

During all these periods, the Group decided not to seek any State aid relating to partial activity measures. This decision was applied in all countries where the Group operates.

On the production sites, activity was able to resume on 14 April 2020, under very strict conditions given the still very uncertain global health context. The House wanted to recognize the commitment of its employees by awarding them a return to work bonus. A Group agreement on emergency measures to deal with the Covid-19 pandemic was negotiated remotely with the representative trade unions. Thanks to everyone's commitment, this agreement made it possible to prepare for the resumption of activity on the sites, in consultation with the SECs¹ by placing all employees on paid leave for one week during the closure period. The relationship with personnel bodies and trade unions was thus decisive in supporting employees during the lockdown, as well as in preparing for the resumption of activity. Employees responsible for looking after their children benefited from adapted working hours or an adjusted workload.

ADAPTATION OF ORGANISATIONS

The plans for the implementation of lockdowns and then the resumption of activity were drawn up while respecting both the *savoir-faire* and social dialogue, by jointly involving HSE managers and employee representatives.

Each resumption of activity was carried out with adapted working hours or in alternating shifts, if necessary with reduced hours, in order to significantly reduce the rate of simultaneous presence and avoid crowds on public transport. For distribution activities, the resumption was also gradual with “open days” in stores before reopening to present to employees the health measures, the new organisation, the adaptation of working hours and the maximum number of customers in stores. In the United States, in a context where government regulations were less stringent, Hermès Of Paris took every precaution to reconcile both purchasing possibilities for customers using a “by appointment only” system and preservation of employee health by limiting risks.

Following the first lockdown wave and before reopening the first stores on 5 May, the sales and operational teams collaborated extensively on guidelines, resources and protocols to ensure the safety of employees and customers. Guidelines on daily preparation for a clean environment, personal protective equipment standards, self-certification forms and checklists for managers were put in place. The sales department defined a *modus operandi* for the reception of customers while respecting social distancing, with the implementation of customer visits by appointment, agreement for the delivery of Click In Store purchases (sometimes carried out in the open air in states where customers could not be welcomed in stores), as well as operating processes to manage after-sales and returns, and the management of payments.

In accordance with the recommendations issued by the respective governments of each country, numerous barrier measures were implemented:

- ♦ resumption of activity kits (masks, gels, leaflets) sent to employees’ homes;
- ♦ on arrival at the premises, hand washing with hydroalcoholic gel is mandatory, as is wearing a mask (provided), temperature-taking on some sites;
- ♦ reorganisation of living areas (markings on the floor, increased cleaning of premises, installation of plexiglass dividers, rearrangement of break and kitchen areas) in order to comply with social distancing measures.

Throughout this period, the Group has shown marked agility in its performance, demonstrating an ability to completely rethink its organisation, as illustrated by the implementation in just a few days of rotating work schedules in production units during lockdown.

More generally, this most unusual year has accelerated the digital transformation within the entire Group, with the development and animation of several communities using tools such as Teams or via social networks, and the organisation of numerous work sessions by video-conference.

This period also greatly accelerated e-commerce activity and prompted the *métiers* to organise themselves in terms of resources and communication in this constrained context.

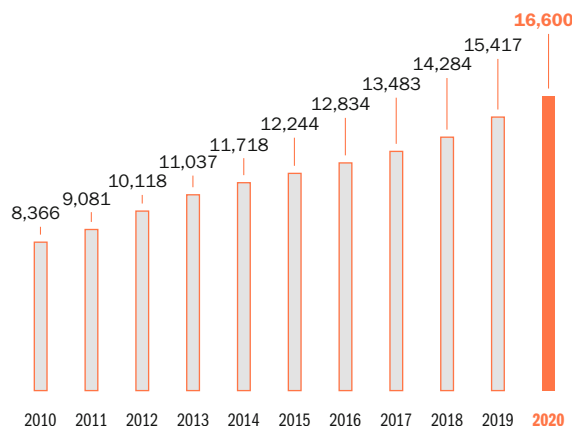
These changes have been supported by the transformation of working methods, particularly for the support functions, which have been able to adapt to full teleworking.

CASE FOLLOW-UP

Covid-19 cases or contact cases were monitored via the HRIS¹ and local reporting worldwide, in compliance with related legal and confidentiality restrictions.

Employment

The workforce within the Hermès Group includes active permanent staff members and people on fixed-term employment contracts of more than nine months, including apprenticeship contracts. The permanent active staff represents 95% of the total workforce. **Increasing by nearly 98% over the last 10 years, the Group’s global workforce totaled 16,600 people as at 31 December 2020.**



1. Human resources information management system

PEOPLE: TEAMS - CHALLENGES AND KEY FIGURES

Covid-19



175 management coaching sessions in Europe during the Covid crisis

Development and well-being



75% of employees have taken part in a well-being survey since 2018



61% of the production workforce benefit from flexible work schedules



More than **70%** of employees worldwide benefit from additional statutory health, pension and welfare plans

13,000 employee shareholders are eligible for the 2019 plans



€1 billion valuation of employee shareholding at 31 December 2020 (1.09% of the share capital)



100% of new hires received training in corporate culture since 2018



69 social dialogue agreements and amendments signed in France in 2020

Societal challenges



92/100 Equal Pay Index (France)



69% of the Operations Committee are women



60% of managers in the Group are women



5.68% of employees are people with a disability (France)



100% of employees receive the code of business conduct, the ethics charter and the anti-corruption code

2.2.1 EMPLOYEE DEVELOPMENT AND WELL-BEING

Hermès seeks to support the transformation of working practices, including digital and organisational, while remaining faithful to its values. Hermès is founded on a project of living together while respecting the balance of life, the aspirations of each individual, but also the development of new working technologies and interactions both at work and with customers. The uniqueness of Hermès therefore also rests, beyond the creations and products, on this quest for permanent balance between the evolution of the world and the project of living together in a qualitative way.

The sustainability of the House rests on the women and men who contribute to its functioning and development. It is therefore essential to create the conditions for their well-being and development. Hermès is very demanding when it comes to the quality of its employees' working conditions. It strives to enable each employee to work, develop and fulfil his or her potential and give meaning to his or her actions, not only by safeguarding health and safety, but also by providing a pleasant working environment, whether at production sites, in stores or in offices. Achieving this objective involves various actions to improve the quality of life at work and reconcile professional and personal life, and which are most demanding and vigilant in the areas of health and safety at work.

POLICY

The Group's policy is to integrate health, safety and well-being challenges in its operational strategy as a priority, in particular for its manufacturing activities. This policy is applied by the senior management of the Group's *métiers* and subsidiaries. Working time is managed by each entity in compliance with the regulations in force and according to the particularities of its activity, with a view to ensuring a balance between private and professional life. Social dialogue is a priority and is organised in each country according to local laws and regulations. In addition, faithful to its family tradition, the House involves all its employees in the Group's long-term growth through generous programmes. In terms of employee compensation, a wide range of individual and collective compensation tools are used. These systems are described in chapter 2 "Corporate social responsibility", §2.2.1.4.

MEASURES IMPLEMENTED AND RESULTS

Hermès contributes to the development and well-being of its teams, and more broadly to major societal challenges through its proactive actions in terms of ethics, diversity, equality between its employees, consideration of disability and, more generally, human rights. The impact of these actions is measured regularly in order to assess their effectiveness and adjust them if necessary.

2.2.1.1 ENSURING THE WELL-BEING AND DEVELOPMENT OF EMPLOYEES

2.2.1.1.1 Working conditions and environment (HSE)

The diversity of the Group's *métiers*, from production to retail, not forgetting the support functions, involves managing extremely different issues. The Group's vision of health, safety and working environment issues therefore involves adapting to the specificities of its activities and to local differences.

Since 2018, the human resources Department of the Group has launched a health and well-being approach in France called SATIN.

This is based on taking stock of the situation every few years via an internal survey of all employees in France, and the introduction of action plans. The questionnaire, designed by the INRS (National Institute for Research and Safety) and the University of Lorraine, enables each employee to anonymously express their feelings on various topics relating to physical and mental health, stress, the work environment, activity and organisation.

This approach continued in 2020, despite an unfavourable context, with the rollout to three new sites. **Since its launch, 6,777 employees at 29 sites have taken part, i.e. 65% of employees in France.** The average response rate of 83% is a sign of the commitment of employees and provides a strong representation of their views.

An analysis was undertaken of nearly 24,600 *verbatim* statements by employees on the way they feel about work. The content of jobs is the strong point of their commitment to work.

Areas for improvement cited include workload, the physical environment and fatigue.

Commitment to the Group's values is exceptionally high, regardless of the *métier*, age and seniority. More specifically, 88% of employees say that they like their work and 82% feel good in the Company. In addition, 83% said they see themselves being in the same position in two years with a similar level of health. A sizeable majority believes that the content of their work (81%) and employment relationships (89%) play a role in their sense of satisfaction. A large majority finds interest, usefulness and variety in their work, and is satisfied overall with the responsibilities they are given. Craftspeople particularly appreciate the manual craftsmanship, the quality and beauty of the products made to the highest standards, and the nobility of the materials used. Diversity of contacts and autonomy are perceived as factors aiding fulfilment. Overall, 98% of employees believe that they have the ability to meet the demands of their work. Some 74% said their morale was good and they had confidence in the future, and 87% expressed satisfaction in terms of job security and professional development.

Following this diagnostic phase, the French sites set up an Observatory of health and well-being at work. This determines the priority lines of work and coordinates the action plan via working groups, working with the Management Committee and the Health, Safety and Working Conditions Commission at each site. The themes selected locally are varied: time management, fatigue and physical health, warm-up/stretching, management of hazards, repetitive strain injuries (RSI), management of emotions, communication, etc. Recurring themes that can be part of Group initiatives are identified and dealt with collegially at the same time. This Observatory remains a reference point in the long-term prevention

and identification of risk situations relating to health or well-being. Similar approaches to analysing well-being at work, explained below, are carried out within our Retail subsidiaries.

More than 65 participatory workshops with employees and employee representatives were set up at the sites on identified themes for progress, such as “Fair and unfair – Optimising relations at work”, “Stress management and emotional load”, “Development and commitment”, “Workstation ergonomics and the working environment”.

For example, Hermès Cuirs Précieux (HCP) identified areas for improvement in managerial culture and interpersonal relations, physical fatigue linked to the arduous nature of production workstations, and the social climate. Action plans are developed jointly with the observatories of each of the sites and in connection with the Hermès Cuirs Précieux Innovation approach, since a significant proportion of the projects put forward concern well-being at work.

In addition, similar employee engagement initiatives continued in Europe, China, the United States and Japan. A total of 1,751 employees in these four geographical areas also had the opportunity to share their opinions on all topics relating to engagement and well-being at work. **In total, 75% of the Group's workforce have completed these well-being questionnaires over the last three years.**

Hermès was also recognised in the Capital/Statista 2020 ranking of the top 500 employers in France, taking first place in the top 30 companies with the highest ratings by their employees, all categories combined, as well as first place in the Clothing and Accessories sector.

Lastly, Hermès was awarded the Humpact Emploi France Grand Prix 2020, which, for the second time, is given to listed companies that create jobs and have implemented the most virtuous social policies in France. **Hermès secured 1st place** “thanks to the comprehensiveness of its actions on all the themes of the Humpact universe and its remarkable transparency”.

Industrial activity

Since 2003, the industrial affairs department has led a health, safety and environment network (HSE network) comprising HSE managers from the House's different *métiers*. With around 20 members, this network meets several times a year to set targets, share results and learn about best practices in each of the *métiers*. Industrial activity represents 48% of the Group's workforce.

The main actions of the House's various *métiers* are described below. They go beyond simple regulatory compliance whenever necessary to aim for true well-being at work.

As the Group's different *métiers* have unique working conditions, each *métier* develops a specific system and defines and formalises an HSE policy, which it monitors at its own level. Given the diversity of the House's actions, this pragmatic approach is the most effective.

Any useful improvements in occupational health and safety conditions, as well as environmental issues, are financed as a priority and off-budget if necessary.

Since 2002, HSE audit cycles at the various units have been conducted by a specialist external consultancy, spread over three years. These audits aim to check regulatory compliance and assess the safety culture of each site. The fifth cycle began in 2018 and eight audits were carried out in 2020, in the context of the pandemic. Audits are also conducted at the time of construction or acquisitions, in order to cover all of the House's industrial assets over a three-year period. The information system deployed on the sites for the Hermès Group's environmental reporting is also used to coordinate the follow-ups to these audits and monitor changes in environment, health and safety regulations, with the assistance of a specialist external body.

Leather Goods division

The Leather Goods division has the objective of making its production units safe places, supporting tradition, excellence in *savoir-faire* and innovation. The resources enabling employees to work safely, perform their duties over the long term, and protect their health are a priority within each site.

The division's senior management meets each quarter to discuss health and safety issues at work. It guides strategy on priority topics, encourages local initiatives and validates the actions of central coordination. An external body conducts regular audits on the degree to which the production units have adopted a strong health and safety culture in accordance with Hermès' own guidelines.

An HSE manager is appointed in each production unit. This manager monitors the progress plans defined with his or her management in accordance with the Leather Goods & Saddlery division's policy. The HSE manager deals with everyday matters relating to health and safety at work, working closely with the cross-functional teams (maintenance, occupational health, etc.).

Central coordination ensures the consistency of the improvement plans carried out by each production unit and establishes priorities. It provides material support to the actions carried out on site, selects experts when their participation is needed, and monitors changes in regulations and technical innovations. It develops and distributes shared training, reporting and regulatory compliance tools.

In order to structure the approach, a health and safety at work roadmap was drawn up by senior management and is organised around the following six pillars:

- ◆ eliminate any risk of serious injury;
- ◆ comply with regulations;
- ◆ protect employees' health over the long term;
- ◆ aim for zero accidents;
- ◆ take care of employees' well-being;
- ◆ make a health and safety culture at work a permanent consideration of employees.

For 2020, 16 action plans stemming from these six pillars and covering all Leather Goods workshops were managed.

Among the priorities, the fight against repetitive strain injuries (RSIs) was the subject of several types of actions:

- ♦ **the introduction of electric height-adjustable workbenches has begun.** More than 1,000 Leather Goods craftspeople, out of a total over of more than 5,000, already use this device, which makes it possible to easily and individually adjust the working height according to the movement being performed in order to reduce joint stress. The use of this tool is accompanied by a training module developed in collaboration with a team of biomechanics;
- ♦ in addition, **work was carried out in collaboration with biomechanics and physiotherapists to measure the biomechanical impact of each movement performed by craftspeople on a daily basis.** This innovative protocol using new technologies has made it possible to prioritise training actions and define tools to reduce physical stress in strict compliance with *savoir-faire*;
- ♦ **to reinforce the ergonomics skills of key functions in the Leather Goods workshops** and thus support the teams, training specifically adapted to Hermès Maroquinerie-Sellerie was provided to 60 local managers, 80 “ergo relays”, craftspeople whose duties are in part dedicated to the prevention of repetitive strain injuries in their workshops, and 40 employees from support functions (training, *savoir-faire*, etc.). Finally, for the third consecutive year, the ergo-motor skills module “Un Corps Pour La Vie” (A Body for Life) was run in 2020, with the aim of better preparing the organisation and supporting the demands inherent in the specific activities of saddlers and leather workers (for example, warm-up activities). **To date, 2,900 craftspeople and women have been trained;**
- ♦ a shoulder realignment tool, aimed at preventing repetitive strain injuries of the upper limbs, was developed and tested at the Leather Goods workshop in the Ardennes. In view of the very positive results, it was rolled out in 2020 at three other Leather Goods workshops: Allan, Seloncourt and Héricourt. The process is supervised by local physiotherapists.

The special focus initiated in 2019 continued on the prevention of work accidents linked to interventions by outside companies on Leather Goods sites. New methodologies were developed and more than 50 Leather Goods & Saddlery division employees were trained through a two-day module.

The Leather Goods sites provide financial support to the practice of sports and offer daily initiatives to foster well-being. Such actions include stretching and muscle-building courses, the provision of masseurs and the organisation of teams to take part in local sporting and charitable events. Moreover, each Leather Goods site offers muscular awakening sessions or rebalanced physical exercises at the start of and during work.

Lastly, actions to improve the machine fleet, which began in 2014, are continuing, with noise reduction as a major objective. Working closely

with manufacturers or suppliers of equipment, the central teams are revising the systems for noise reduction at source to ensure greater acoustic comfort in the workshops. In 2020, the soundproofing system for digital cutting equipment, which had been introduced at the manufacture de Pierre-Bénite in 2018, was rolled out to six other Leather Goods factories.

Workbench lighting, which contributes to reducing the visual fatigue of craftspeople, and thermal comfort management in workshops are also two issues central to the concerns of the Leather Goods division's workshops and benefit from substantial investments.

Tanneries division

For several years, the sites have been working to improve health and safety conditions, and many initiatives have already been undertaken, in line with workplace risk assessments. These actions are managed by the HSE managers of each production site, with the support of the Site Managers. All of the data is shared within the division, and joint improvements are implemented at the instigation of the industrial department.

To coordinate cross-division duties relating to HSE, quarterly meetings among the HSE managers of the tanneries are held at the division's sites or at other Hermès sites. These meetings are a chance to discuss regulatory updates and share best tanneries practice.

To structure the HSE approach on an operational level at all of the division's production sites, a Health, safety and environment policy was drawn up by senior management in 2020, accompanied by a roadmap for the period 2020-2023.

This policy is based on six strategic axes, around which the sites' action plans are built:

- ♦ ensure and maintain regulatory compliance of sites;
- ♦ eliminate major risks and aim for “zero work accidents”;
- ♦ protect employees' health over the long term;
- ♦ control and reduce the impact on the environment;
- ♦ sustainably embed a health, safety and environment culture at all levels of the organisation;
- ♦ guarantee the chemical compliance of leathers over time.

One of the priorities of this roadmap concerns the prevention of risks within the sites. In this respect, numerous training sessions, carried out annually, were provided, in addition to regulatory training: handling of chemical products, movements and postures, OHS (first-aiders at work), reinforced HSE welcome for new arrivals.

These training sessions complement the risk prevention initiatives carried out by site management teams as well as the various initiatives carried out during the year to improve working conditions. By way of example:

- ♦ improved machine fleet safety;

- ◆ improved air collection, extraction and renewal mechanisms in the workshops;
- ◆ reduced noise pollution in workspaces;
- ◆ improving the ergonomics of workstations by modifying production equipment or training by physiotherapists and ergonomics consultants;
- ◆ the acquisition of an assessment tool that automatically quantifies the postural risks that may lead to repetitive strain injuries (RSIs) and thus makes it possible to anticipate them;
- ◆ regular communication campaigns on site;
- ◆ improved safety on sites when renovating buildings, notably at the tanneries du Puy.

This year, all tanneries also continued to work on optimising the management of chemical products, replacing certain substances and measuring employee exposure to certain chemical agents.

In order to control the safety of finished hides from the division's tanneries, the in-house chemical analysis laboratory created in 2019 became operational in 2020. This laboratory is responsible for testing, in addition to independent external laboratories, the chemical compliance of the finished hides with the most stringent regulations in force around the world or with customer specifications. Monitoring is also conducted in order to analyse the permanent changes in regulations, in particular with regard to REACH (registration evaluation authorisation and restriction of chemicals), POP (persistent organic pollutants) or biocide regulations, and to anticipate future regulations.

In addition, performance criteria for occupational health and safety at work are included in the tanneries' incentive scheme agreements in order to underline their importance and to support team motivation.

Farms (United States and Australia)

Actions relating to environmental, health and safety issues are steered by local management teams, assisted, if necessary, by specialist consultants. They also benefit from the expertise of the Hermès' industrial operations department.

Furthermore, in order to strengthen the health and safety culture at work and the prevention of occupational risks on livestock farms and processing sites, external audits by specialised consultants and the widespread rollout of "safety moments" by management started in 2019, continued in 2020.

Numerous actions to prevent risks and improve working conditions were also carried out by site management teams. By way of example:

- ◆ improved on-boarding of newcomers thanks to a mentoring initiative by experienced employees;
- ◆ improved ergonomics at certain workstations;
- ◆ the arrangement of work and storage areas or the renovation of buildings in order to optimise daily production and logistics operations.

Textile division

While the health crisis particularly disrupted the "health and safety at work" programme, it also enabled the Textile division to stress the centrality of HSE issues in the organisation. Thus, the division has maintained its efforts to follow the health and safety strategy set for all sites in the sector. This strategy is based on three fundamental pillars:

- ◆ move towards a clear and efficient organisation;
- ◆ coordinate and share experiences;
- ◆ take action to comply with the HSE sector charter.

In terms of organisation, the establishment manager and the local contact person are placed at the heart of HSE projects, each one having to be an actor and a driving force at their own level and to champion the subjects with conviction. The hiring of an HSE facilitator for Ateliers AS has strengthened this organisation.

To optimise the coordination of actions, HSE network half-days are organised every six months to bring together HSE officers, nurses and Site Managers, to discuss progress and difficulties and to share any new guidelines. Since 2020, a bimonthly HSE Operations Committee meets to address operational issues and share new tools. A mobile discussion group has also been created to facilitate and boost the exchange of information.

The sector's roadmap is based on its HSE charter, which gives the sites a clear vision of the main rules and fundamental values to be developed in order to improve performance in terms of safety and the environment. It is based on four major areas:

- ◆ strengthening and anchoring the HSE culture: through training for Management Committees and managers, as well as discussion workshops with teams. Additional actions have been implemented locally: dedicated HSE welcome booklet, integration of health and safety criteria into the incentive scheme, HSE topics in communication bulletins, employee involvement in maintenance operations;
- ◆ risk management and control: this is based in particular on monthly internal audits (safety inspections), chemical risk management software used on all sites, audits conducted by an external firm, the involvement of insurers who are also involved in risk anticipation and an external advisor for the transport of hazardous materials. 2020 was marked by the rollout of compliance checks for substances subject to occupational exposure limits, the rollout of training and monitoring of equipment for working at height, as well as the reinforced monitoring of external companies and the implementation of actions to reduce the risks of co-activity. Finally, the ATBC, Ateliers AS and AEI sites were audited by the external firm appointed by the Group. These audits led to detailed action plans to improve the safety management system. The actions cover several themes such as the precise definition of roles and responsibilities, targeted training on the risks encountered in the company and the implementation of communication routines and safety audits;

- ♦ controlling and monitoring of the regulatory compliance of equipment and machinery: this priority area was the subject of an action plan common to all sites, defined in September 2018 and the first stage of which, in 2019, was a comprehensive and shared inventory of the anomalies encountered. 2020 was devoted to the treatment of these anomalies, the last phase of the project: 51% have now been resolved, and the aim is to have all points resolved by 2022;
- ♦ prevention of RSIs: handling is the leading cause of work accidents in the sector, which is why this year, communication was strengthened through awareness-raising and training actions, such as golden rules and correct movements. The sector is also continuing its work on the development of workstations with physiotherapists and ergonomists. Numerous other local initiatives have made it possible to limit employee exposure and improve the ergonomics of their workspaces (handling equipment and trolleys/clamps, hoists, posture review, height-adjustable workstations, conveyors, etc.).

Cristalleries Saint-Louis

Management's commitment to health, safety and the environment has been set out in a formal policy. This is developed and coordinated by all of the Company's departments, which contribute to its application. In 2020, HSE topics at the crystal manufacturing division were coordinated by a safety facilitator, a nurse, an environmental engineer, and a technical Health, Safety and Environment manager.

The safety at work initiative, launched in 2018, was reinforced by an assessment carried out with the help of an external consultant, conducted over several years and with all employees. The feedback at the end of 2019 made it possible to establish a general and detailed roadmap for each department. An "observatory" made up of management, the health and safety department, employee representatives, craftspeople and department managers was set up to ensure monitoring.

Each department regularly feeds into an action plan for the management and continuous improvement of working conditions, particularly in terms of ergonomics. The most significant actions in 2020 were: the installation of a new maintenance workshop, the improvement of the ergonomics of "picking" and "grinding" operations in the hot-part workshop, the replacement of the internal transport vehicle or the renovation of the roof and the replacement of the lift in the logistics building.

The update of the chemical risk assessment of the production units made it possible to specify the level of exposure of certain homogeneous exposure groups (HEG). The results of these samples revealed the performance of the actions previously carried out and made it possible to identify additional actions to be implemented. Among the most important are: the implementation of suction systems at workstations in the maintenance workshop, new equipment for transferring raw materials in the composition workshop and the optimisation of process settings.

In 2020, a "lead committee" was set up, made up of workshop managers, members of the Health, Safety and Working Conditions Committee, the HSE team and the Company's management. Lastly, as regards regulations relating to arduous working conditions, production units still operate using the "alternating shift work" patterns, in particular the "material preparation" and "cutting" workshops.

Perfumes

Following the SATIN survey, working and discussion groups were organised at Comptoir nouveau de la parfumerie in 2020. They made it possible to define areas for improvement and recommendations grouped around three themes: management, professional development and mobility, and workload. The concrete action plan resulting from each of these recommendations will be drawn up at the level of each department in order to provide the most appropriate responses to each context, while ensuring consistent consolidation at the level of Comptoir nouveau de la parfumerie.

The implementation of the Integrated Management System (IMS), initiated in 2018 and based on ISO Quality, Safety and Environment Corporate social responsibility standards, continued on the basis Comptoir nouveau de la parfumerie's Quality Safety Environment policy and associated objectives. Regular HSE site visits, internal system audits, process reviews, monitoring of indicators and formalised management reviews help to ensure its smooth operation.

Launched in 2019, the OPERA (Organisation of Production in Responsible and Autonomous Teams) project is also continuing its implementation within production teams. This comprehensive approach makes it possible to broaden the range of professional skills of production staff, to acquire new *savoir-faire*, to evolve in the organisation, to be more independent through the valuing of skills, to be actors in improving the organisation of work and the team and gaining access to new responsibilities, to promote professional development through better monitoring of training. In concrete terms, since the end of 2020, production staff have been following a skills development pathway based on eight defined themes: packaging, quality, adjustment, safety, supply, coordination, continuous improvement, sheathing, each broken down into three levels of expertise. Each employee personalises his or her career path according to their aspirations and the needs of the Company.

In order to improve workplace ergonomics, a collaborative robot was installed on one of the perfume packaging lines to carry out the packing and unpacking operations, previously carried out manually by an operator and bearing a repetitive strain risk.

J3L

The J3L group, which joined the Hermès Group in July 2020, has considered HSE topics to be a formalised priority area since 2014.

The J3L division consists of six production sites covering all stages of the manufacture of metal parts, as well as a central entity housing various support services and the single-entry point for the various Hermès *métiers* and other customers. This division has existed in this form since 2015 and today represents 580 employees.

On the basis of a detailed regulatory audit of each entity, carried out at the end of 2013, J3L embarked on a programme of HSE compliance actions: numerous investments, internal actions supported by external partners were put in place, implemented between 2014 and 2017. The site departments drove around 80% of the actions carried out, supported and advised by the industrial performance manager who led the rest of the joint and cross-functional actions at the sites.

At the end of 2017, the regulatory assessment was updated via a new audit which validated nearly 75% of the priority actions. This assessment also included an assessment of the level of safety culture.

The HSE project continued its structuring from 2018 to 2020. Industrial performance now coordinates an HSE community made up of HSE managers or intermediaries at each production site. This community meets twice a year, holds monthly conference calls, organises one or two working groups per year on priority themes, and carries out an annual review with the establishment of a common roadmap in the presence of the Site Directors.

Among the topics in 2020, the following stand out:

- ♦ continuation of the “working at height” programme initiated in 2019, the Hermès Group’s annual theme;
- ♦ implementation of a training and coaching programme in HSE leadership, for all departmental managers in the division. The objective is to discover the challenges related to the safety of employees and to learn how everyone, in line with their own *métier* and *savoir-faire*, can participate in the prevention of work accidents for themselves and for others;
- ♦ carrying out a transport and hazardous materials (THG) audit, together with the appointment of a safety advisor, common to the division, to facilitate the sharing and processing of points to be improved.

Retail operations and other functions

Within Hermès Distribution France, the sustainable development ambassadors appointed in each store help to roll out the values of inclusion and CSR. At their initiative, well-being briefs were organised in some stores (initiation to meditation, breathing exercises, stretching, etc.). To support sales associates who had a heavy workload at the end of the year, 145 massages performed by a company which employs people who are blind were offered in seven stores.

Within Hermès Distribution Europe, an engagement survey conducted at European level in 2018 led to the establishment of working groups in 2019 on various topics, with results bearing fruit in 2020.

In the United Kingdom, recent employee surveys measuring engagement and well-being resulted in high scores. Among the various schemes, an individual well-being allowance is allocated to each employee to help take care of their physical health and well-being. In addition, free weekly cardio training lessons, mindfulness sessions and

workshops are offered, as well as free in-home access to virtual exercise subscriptions through the Company’s private health insurance. Employees have been trained to provide mental health first aid. Individual interviews were organised with the HSBC Bank for all employees experiencing financial difficulties in managing their budget.

In Germany, a Glassdoor-type survey conducted by Kununu was launched among employees. Conducted in October, this study will identify areas for improvement for 2021. A daily fitness programme is also offered to employees.

In the United States, Hermès Of Paris launched its second employee engagement survey. The objectives of this survey were to establish qualitative benchmarks to measure the progress made while reaffirming to employees the importance of inclusion. In addition, the survey goals are also to collect actionable data, to obtain employee feedback on the organisation and support future organisational growth in the best way. Hermès Of Paris has committed to conducting an employee engagement survey every two years.

The survey conducted in August saw 755 employees express their views, representing a very high participation rate of 91%, up from the first survey, which already stood at 83% in 2018.

The survey is intended to measure the degree of alignment of employees with different levers of engagement or motivation relating to pride, team dynamics, fairness, job satisfaction, leadership, communication, work-life balance, professional development and growth, retention and corporate social responsibility.

The most positive response was the statement that employees are proud to work for Hermès, with which 98.5% of Hermès Of Paris employees agreed, followed closely by several items, for which the scores were also very high:

- ♦ Hermès is a socially responsible company 96%;
- ♦ dynamism of the team, encouraging people to do their best 94%;
- ♦ being treated respectfully at work 89%;
- ♦ job satisfaction by making the link between work and company objectives 97%;
- ♦ openness and quality of communication with management 92%;
- ♦ working at Hermès offers a healthy work-life balance 89%;
- ♦ ability to see yourself still working at Hermès in three years’ time, 93%.

The survey also included open-ended questions, which made it possible to collect numerous statements about Hermès’ culture, the business and opportunities for change and innovation. Hermès Of Paris received 2,683 responses, totaling 255 pages of comments. After analysing this material, Hermès wants to focus on improving communication practices, sales processes, talent development and learning opportunities, omni-channel selling methods and employee engagement initiatives.

In addition, initiatives on diversity, inclusion and family were launched, including action committees and conference series. A health and welfare reimbursement (\$100 per year) was offered to all employees. The month of October has been designated “Health and Well-being Month”.

In Mexico, given the context of insecurity, psychological support sessions were organised to help team members improve their confidence and reassurance.

In Japan, all employees were approached as part of two surveys. The first, on their commitment to work, obtained a participation rate of 94% and involved 718 employees. The second, an update of a survey on stress management at work already carried out in 2018, obtained a 98% response rate.

The engagement study covers numerous areas in order to improve working methods, such as the expansion of non-sales workspaces (inventory, rest areas, locker rooms, etc.), the introduction of flexible working hours for office staff, key employee motivation points and work organisation issues.

All employees have a mandatory annual medical check-up (exceeding regulatory requirements). The local policy of maintaining wages during maternity leave, in accordance with the Group’s policy, was effective. Coverage of hospital stays for employees has begun to apply to real cases. Every year, all employees carry out a stress level check, following which the company doctors provide them with personalised advice, which may include a temporary sick leave. Yoga classes are offered in many departments and relaxation areas have been introduced in offices.

Logistics division

For the past five years, the Bobigny site, one of Hermès Commercial’s two sites, has been constantly introducing improvements. Logistics ships more than five million products to 306 stores each year. Faced with a constantly increasing flow, various projects are carried out to mechanise certain tasks despite the wide variety in terms of product turnover, volume and value. Thus, the time between receipt and shipment of a product, previously lasting 15 days, has been reduced by more than 30% while developing more targeted quality control, ensuring uniform quality and improving working conditions.

Logistics is increasing its productivity, but above all, remains attentive to ensuring that operators develop new skills, flourish and feel collectively responsible for the proper functioning of the site. This is the goal of the Pulse project launched in 2018, which consists of installing machines in several phases to improve efficiency and mechanise difficult or repetitive tasks, limit shifts in load and optimise employee travel. During this third year of the Pulse project, the modernisation of the site is continuing, driven by a common desire to be efficient and to value the work of everyone. In addition to the renovation of the locker rooms, a pilot scheme is under way with a shuttle bus from the metro station in the morning.

Two concrete projects have significantly reduced the risk of repetitive strain injuries (RSIs) on certain operations.

Hermès Femme and IDO

Internal communication on CSR was carried out during the year in order to engage all teams. Several CSR projects were presented at Hermès Femme’s monthly meetings, bringing together more than 250 employees connected simultaneously, with open Q&A sessions. Hermès Femme’s sustainable development team was expanded in 2020 with the arrival of an employee in charge of implementing circular economy projects across the *métiers* and entities of the Company.

Real estate division

Since 2019, the Hermès Group has implemented a process aimed at gradually ensuring that all occupied buildings have air quality in which concentrations of the main pollutants are below the levels recommended by the World Health Organisation (WHO).

In China, the Hermès stores in Shanghai IFC, Xiamen, Qingdao and Harbin are the first stores to have been equipped with systematic pollutant measurement systems and efficient air filtration, resulting in a reduction in the number of particles of around 90% between outdoor and indoor air.

In 2020, special attention was paid to the well-being of users of the new Guyenne Leather Goods workshop in St-Vincent-de-Paul (Bordeaux), with natural lighting, soft light in the workshop, an efficient heating and cooling process, a high quality of fresh air and effective acoustic treatment. Biophilic design, incorporating pleasant natural spaces, is also a source of well-being.

Hermès Group Services

In the summer of 2020, Hermès Group Services’ teams moved to a brand new building, named *Carrousel*, in Pré-Saint-Gervais. Renovated, this brick and glass building has been rebuilt to create light and bright modern offices, suitable for teamwork in the twenty-first century. Boasting three environmental labels, Well, Breeam and High Environmental Quality, *Carrousel* was designed to promote the well-being of teams.

Holding Textile Hermès

Since 2018, the division has been conducting a major transformation project at its manufacture de Pierre-Bénite: the *Passerelles* project. Its ambition is to build a living space to welcome, connect, grow together and make the Holding Textile Hermès industry really shine. The expected benefits are as follows:

- ♦ anticipate changes in the production capacity of Ateliers AS to meet customer expectations;
- ♦ professionalise the management of production flows through a sector logistics organisation;
- ♦ develop operational proximity between production and support functions;
- ♦ support increases in the division’s headcount and the development of working methods for better living together, thus consolidating its local integration.

The physical organisation of the manufacture de Pierre-Bénite is therefore set to change as part of this project, which places people and the environment at the heart of its choices.

While waiting for the delivery of the final buildings, the various teams concerned are experiencing a transition period in temporary living spaces. In order to maintain good working conditions, without compromising on employee safety, and wishing to use this period as a time for experimentation and accompanying the change, Holding Textile Hermès has implemented certain actions:

- ♦ definition of a plan to support change on four major axes: management, communication, test & learn, participation; conducting impact analyses and specific workshops;
- ♦ regular feedback on the changes implemented, introduction of “attitude agreements” on the basis of this feedback in order to find an operating mode adapted to the transitional spaces, the results of which will enrich the new project;
- ♦ implementation of participatory workshops to build future living spaces together that meet the needs of employees and the desired changes: catering, reception, parking and new modes of transport;
- ♦ co-construction of the future offices by running 24 workshops involving more than 90 employees, who were able to define their layout and project their individual, collective and managerial modes of operation onto these new spaces;
- ♦ management of various experimentation levers: tests of furniture, opening up of offices, customisation of spaces;
- ♦ making regular communication with all employees in the sector a key event: publication of two newsletters per year, production of films showing the progress of the project (in particular the delivery of the industrial part) and interviews with employees, updates on the progress of the work and any discomfort generated;

2.2.1.1.2 Organisation of working hours and schedules

Given the diversity of its activities, the Group gives its subsidiaries a **great deal of freedom in the organisation of working time and flexible working hours**, in order to be able to adapt them as closely as possible to the realities of their *métier*. In this context, Hermès pays particular attention to compliance with the regulations applicable in the countries concerned in terms of working hours, maximum working hours and minimum breaks, depending on the activities. The Group encourages each entity to put in place all measures likely to contribute to the well-being of employees at work, such as flexible working hours for French entities.

The Group Director of Human Resources and in particular the Director of Labour Relations, issue general contextual instructions, for example during the health crisis, negotiate agreements and carry out arbitration on any complaints, and intervene in the event of non-compliance with the general rules established by the House.

With regard to work-life balance, the Group communicates internally to share best practices and encourages subsidiaries to apply them. Managers are expected to be role models.

Given that 84% of employees are either craftspeople or work in stores, teleworking is less significant than in other industries. Except in exceptional circumstances, it is examined on a case-by-case basis, particularly in France. Globally, 95% of employees work full-time. Some 762 employees worked part-time in 2020. Various working time flexibility schemes have been established, notably in the Leather Goods workshops (47% of employees in France).

Flexibility at Hermès more often means adaptation of working hours on the sites than the systematic use of teleworking. Through its philosophy and its activity with a strong craftsmanship component, the House values the presence of the teams and attaches particular importance to working together, which necessarily involves a significant presence on sites. Creation appears to be essentially collaborative work that draws on the exchange of ideas and direct contact.

61% of the production workforce benefits from working time arrangements.

Work-life balance

The annual appraisal form for all sites in France has been adapted to include a discussion on work-life balance, a subject systematically addressed during the annual appraisal that each manager conducts with each of his or her employees.

Hermès Maroquinerie-Sellerie

With the exception of the training workshops, which follow fixed schedules to ensure the pedagogical quality of the apprenticeship programmes, all production workshops benefit from a flexible work schedule.

Extended periods are offered on all sites for the morning arrival, lunch break or to leave the production unit at the end of the day. Each craftspeople is responsible for distributing its hours over the week and thus benefits from significant flexibility to combine their working hours and personal life. These time slots are extended in the event of external constraints (heatwaves, strikes, etc.).

Holding Textile Hermès

Members of the Management Committees were asked to monitor the annual leave taken and the recuperation time of their teams. Rules and deadlines have been put in place to allow each employee to reduce untaken hours and leave. Within SNC, an additional break was introduced for seamstresses and a flexible working schedule was introduced. Staggered arrival is authorised on the first day of the school year.

Logistics

The operations of the logistics department were reviewed as a whole, both in terms of people and productivity. In addition to the reorganisation of tasks, the introduction of work tools and training, and a new working time agreement now provide more flexibility.

Employees now benefit from variable arrival, lunch and departure times. They have a minimum number of hours to work per week, with the possibility of working more. This change, which is rarely so extensive within a logistics site, is both a major managerial change and a sign of trust in employees. It has been very well received by the teams, who experience less stress in the morning and can adapt their schedules to their personal constraints and changes in volumes. Clear communication on figures and activity enables managers to anticipate peaks and to give everyone responsibility.

In addition, the Switch multi-skills programme, which began two years ago, trains volunteer employees in a wide range of logistics *savoir-faire*. The “Switchers”, numbering 30 at the end of 2020, work on similar jobs, as well as on very different assignments, for example by alternating quality control, preparation, shipping and e-commerce. This virtuous principle reinforces the flexibility of the *métier*: by developing their skills, these operators can also better meet the various needs in the event of a peak in activity.

United States

To ensure the physical and mental well-being of the teams, a number of arrangements are offered. All sales associates benefit from a continuous weekend off each month. Hours have been changed in some stores to avoid employees having to work on Sundays. Extra care is taken in the preparation of schedules and rotations to ensure an equitable distribution of late work, particularly during busy periods. In addition, compensatory time of 30 minutes is granted for late hours in high season.

All employees can legally request flexible working hours, particularly in the event of childcare constraints. Parents can also combine their working hours to alternate four weeks of work and one week of rest. All employees with more than 10 years of service are now eligible for five weeks of paid leave.

Annual leave is planned from the end of the previous year to ensure that everyone uses all their rights and that rotations are balanced.

Japan

Given the culture of strong engagement, employees are encouraged to take at least their annual holiday of five days. Management ensured that all Hermès Japan employees complied with this legal requirement. Detailed information on overtime hours is communicated to management each month so that it can monitor the working hours and rest of its employees. Employees whose overtime hours are significant or excessively high have a meeting with the company doctor and are subject to increased vigilance by their manager.

South Asia

Employees are encouraged to use all their annual leave. In Singapore, additional childcare leave was granted to employees with children aged 12 or under.

Distribution Europe

Overtime and associated rest are monitored on a weekly basis in order to preserve everyone's rest time.

For example, in Italy, headquarters employees enjoy great flexibility, which is much appreciated, in their arrival times in order to adapt their professional life to their personal life (public transport, children to drop off at school, etc.).

Teleworking

The health crisis has greatly increased the use of teleworking. During the two lockdown periods, the number of employees teleworking is estimated at more than 4,000. They demonstrated strong commitment and very satisfactory engagement, which made it possible to limit the impact on projects or deliverables. In support functions, teleworking was generalised on all sites during the two lockdown periods and during the intermediate summer period.

In order to prevent the psycho-social risks associated with both the isolation that may be experienced during teleworking and the climate of health uncertainty and associated anxiety, each manager and member of the human resources function contacted their direct teams in order to obtain news and identify any additional needs specific to this period.

Within Holding Textile Hermès, specific tools were provided to facilitate teleworking by designers and colourists.

2.2.1.1.3 Absenteeism

In France, the absenteeism rate was 9.58% (4.1% in 2019). The rate of absenteeism was notably impacted by the health crisis, particularly during the first wave of lockdowns, during which compensation was maintained in all countries even when teleworking was not possible. Thus in France, in addition to Covid-19 cases and contact cases, a certain number of employees had to be placed on authorised paid absence for various reasons including the closure of production workshops and stores and, for reasons related to the health context such as childcare or the need to protect vulnerable people. These factors increase the absenteeism rate accordingly. **The Group's absenteeism rate stood at 6.45% in 2020** (compared to 2.9% in 2019). This restates the cumulative number of hours of absence for the following reasons over a period less than or equal to 90 consecutive days: illness or occupational illness; absence as a result of a workplace or commuting accidents; and unjustified or unauthorised absences.

Changes in absenteeism are systematically monitored and analysed by entity in order to identify causes and propose action plans. Return-to-work interviews are one of the tools that HR departments use for improvement. This type of measure helps to encourage dialogue and to better understand the causes of the absence while respecting medical confidentiality. Managers are also trained in managing returns to work based on the type of absence, which is a key element for limiting their frequency.

This monitoring system has led certain companies to establish short- and medium-term objectives with regard to absenteeism. These objectives are accompanied by initiatives focusing on an improvement of working conditions, development of versatility or manager training regarding the management of absenteeism. Measures adopted include communication, awareness-raising and prevention actions (vaccinations, presence of a doctor on the sites, etc.), but also control, in order to increase the accountability of employees and managers. Moreover, based on the demographics of certain sites, specific actions have been implemented in order to support maternity under the best possible conditions. These specific action plans consist, for example, in adapting workspaces, or putting in place preventive measures aimed at enabling pregnant women to remain in employment, if they so wish, until the start of their maternity leave (see chapter 2 "Corporate social responsibility", § 2.2.2.1.3).

2.2.1.1.4 Work accidents

The diversity of the Group's *métiers*, which are both industrial and retail, and its geographical locations in France and abroad, make it difficult to make global analyses and comparisons of work accident statistics. Health and safety are a key priority for all of the House's managers.

For a number of years, Hermès has been developing a policy to prevent work accidents, occupational illnesses and repetitive strain injury, as well as an active policy to maintain employment and prevent people being unable to work, based on a number of awareness-raising campaigns (nutrition, physical activity, etc.).

In 2020, the frequency rate of lost time work accidents for the Group as a whole stood at 9.08, with a severity rate of 0.41 (respectively 10 and 0.45 in 2019). This calculation is based on the total number of actual hours worked. It is difficult to interpret because of the variety of *métiers* in the Group. No work accidents resulted in fatalities in 2020.

In France, the frequency rate is 12.30 with a severity rate of 0.67 (respectively 14.3 and 0.71 in 2019). The industrial workforce represents 77% of the workforce in France, and consequently affects these rates. The rates for the main *métiers* concerned (leather and crystal) are below the rates for their industries.

Looking at figures for International alone, the frequency rate was 4.72 and the severity rate was 0.06 (respectively 4.3 and 0.11 in 2019).

In order to prevent the risk of road accidents during business or personal travel, a Group programme has been prepared in France covering a multi-year plan of practical training and awareness-raising workshops.

Leather Goods division

In the Leather Goods division, the frequency indicator for work accidents with and without lost time, in relation to activity, improved by 30.5% between 2019 and 2020. The severity indicator for lost-time work accidents in relation to activity improved by 70.4%.

Each work accident or major event (near-misses with significant potential severity, for example) is the subject of an investigation with an analysis of the causes, the conclusions of which are systematically shared with the other Leather Goods division production units. Thus, a sharing of experiences and best practices is in place, allowing health and safety at work departments to exchange their opinions and think about common solutions to the risks identified.

Tanneries division

The Tanneries division ended financial year 2020 (12 rolling months) with a frequency rate of 35 and a severity rate of 1.37. While the frequency rate has worsened compared to 2019, the severity rate has decreased. These results encourage us to maintain constant vigilance and to multiply our actions in terms of risk prevention and management. Improving the safety culture remains a priority for the division over the coming years. Each work accident or significant incident is the subject of an analysis to identify the causes and an information note distributed to all sites so that preventive actions can be implemented.

Crystal manufacturing division

In 2020, the frequency of reporting of high-risk situations improved significantly (the frequency rate was 26), the result of an awareness-raising initiative that is gradually embedding itself in daily operations. The severity rate remains low (1.22). The organisation put in place made it possible to involve all employees on a daily basis. A steering committee meets monthly to assess the performance of the system.

A process of periodic audits of the various sectors by the relevant managers was initiated in 2020, in order to maintain the transversal momentum of this project. The members of the Social and Economic Committee, recently trained in risk prevention and workshop visits, will join the pool of auditors from 2021.

Textile division

The Textile division ended financial year 2020 with an accident frequency rate (rolling 12 months) of 7.44 and a severity rate of 0.89. These very positive results mark a drop of 39% in the frequency rate and encourage us to maintain our target. Currently, each significant incident is thoroughly investigated, leading to corrective actions. Feedback on major events is produced and distributed to all sites in the sector.

Perfumes

The number of work accidents with lost time remained limited in 2020 (the frequency rate was 6.19) and the severity level is low (0.065). These two indicators remain well below the rates for the chemicals industry. Accidents are mainly related to travel or traffic on site. All minor accidents are tracked and monitored daily. Action plans are initiated in the event of significant potential severity or recurrence. As every year, a campaign to monitor employee exposure to chemical agents was carried out.

2.2.1.2 SHARING THE CORPORATE PROJECT AND ITS VALUES

A pillar of Hermès' coherence and uniqueness, this desire to share values, which strengthens the sense of belonging and enhances understanding of the business model, is driven by three main challenges: facilitating adherence to the corporate project, informing and enriching the employee experience, bringing the culture to life and driving collective dynamics. This challenge guarantees the long-term effectiveness and cohesion of the teams and the sustainability of the business model.

Since 2018, all new employees have taken part in Hermès corporate culture training.

2.2.1.2.1 Facilitating the adherence of employees to the corporate project

In the specific context of the health crisis, internal communication played a central role in 2020. By regularly informing employees, it has helped to mobilise them around the business model. By maintaining the House's connections, with the various communities and within the teams, it also continued to bring to life the culture and values of a people-focused House.

The many internal communication systems have been reinvented and intensified. The *HermèsSphère* digital workplace has been an essential internal medium:

- ♦ newsfeed publications have refocused on unifying messages from general management and echoed the House's day-to-day news, so that employees could follow the Group's progress;
- ♦ a great deal of content related to the corporate culture was shared to feed the knowledge, a way to recall the origins of the House and its fundamentals. *H TV*, the in-house video channel, has been enriched by a new series entitled "Living Heritage" presenting the vocation of the Hermès *Conservatoire des Créations* team and several objects from the collection;
- ♦ the *HermèsSphère Rewind* newsletter, previously weekly, has been transformed into *HermèsSphère Day to Day*. By announcing the publications of the day, it has become an unmissable and expected event;
- ♦ when lockdown was introduced in the United States, the *Bonjour HOP* series was launched in the space dedicated to employees of the American subsidiary Hermès Of Paris. The American teams were able to start each day with the message of a friendly face: photos, anecdotes, words of encouragement.

HermèsSphère is gradually expanding its audience and is preparing to be launched at Hermès Japan and Hermès China, in addition to their current advertising, in a renewed format and with permanent content in Chinese and Japanese versions. These versions will also benefit from a contribution area dedicated to their employees.

During the year, the Chief Executive Officers, the Management Committees and the managers of the various entities were invited to numerous meetings and seminars, mostly virtual, in order to share the lessons learned from the crisis and share the course of action and the challenges but also to participate in discussions.

In France, the entities have reinvented their internal communication method to stay as close as possible to the teams, share news, present projects and answer questions, with initiatives such as the "Workshop cafés" aimed at craftspeople in the Hermès Maroquinerie-Sellerie Craftsmanship division.

Hermès Maroquinerie-Sellerie has launched several studies and projects aimed at supporting growth and driving change. Among them, internal communication aims to transmit the House's culture, to bring to life the values, and to maintain a strong bond between each employee despite the distances involved. First concrete achievement, the programme "HMS unveils itself" was offered from April to October. Once or twice a week, a Hermès Maroquinerie-Sellerie employee took the floor during a virtual meeting to discuss a topic: his or her *savoir-faire*, *métier* or role, a project or a passion. Since November, the monthly newsletter *Le point Sellier* distributed to all employees of the division has replaced it. A fun and joyful way to share news from the division, teams and projects.

Newsletters and internal newspapers multiplied in 2020, both in the distribution network (Belgium, Mexico, Spain, China, France, Japan, Brazil, etc.) and in production channels such as the Hermès Horloger division, John Lobb and Holding Textile Hermès. An effective way to involve employees in the activity and results of each subsidiary, to maintain the link, to celebrate career paths and welcome new employees.

Internationally, to bring subsidiaries that are further away from the heart of the House and foster relationships, the members of the Executive Committee have often spoken to employees. At the initiative of Hermès Of Paris, employees from North America, South America and Canada were invited to a virtual session with Axel Dumas, Executive Chairman of Hermès, to listen to the story of six generations of entrepreneurs and share the vision of the future.

In the vast South Asia region, which includes entities located in Australia, Malaysia, Indonesia, Singapore, India, the Middle-East, Thailand and Korea, the Regional Management Committee set up "Virtual Townhalls" in order to communicate on the results and strategic challenges, to collect testimonials on different themes and to discuss actions related to the management of the health crisis. An opportunity for all employees in the region to also be able to question the Management Committee during these meetings.

2.2.1.2.2 Fostering the collective dynamic and family spirit

The networking mechanisms contribute to the development of employees throughout their career in the House. They enable transformative discoveries, preserve the quality of the connections and foster curiosity and open-mindedness.

In early February, the traditional Podium Discovery Day gave around 40 craftspeople from production sites in France and Switzerland the opportunity to discuss new collections with the *métiers*, to discover the Hermès *Conservatoire des créations* in Pantin and to take a guided tour of the Faubourg-Saint-Honoré store.

However, health restrictions prevented the "Tandem" programme, created in 2008, and the "Tilbury" programme, launched in 2018, from running. These occasions, where people from the complementary worlds of craftsmanship and sales meet, share and discuss, involve craftspeople and women, sales associates, store managers and

production Site Managers, who each spend a week “in the shoes” of another person. In 2019, more than 30 such operations were carried out.

Although the year was not conducive to geographical exchanges, the spirit of the network remained very much present thanks to local “live my life” initiatives. At John Lobb, for example, the programme took the form of networking between the support functions, the workshop and the stores, supplemented by the “Lobb Business Buddy” programme, an international mentoring programme between various John Lobb employees. Hermès Commercial, Hermès Maison, Puiforcat and Holding Textile Hermès have also offered “live my life” within their entities. Footwear and Jewellery division, activities managed by the same Executive Vice-President and Artistic Director, have created a network between these two *métiers*.

The *Prix de l'Adresse*, an internal competition that revives little or no longer used *savoir-faire* is a true invitation to go the extra mile for volunteer craftspeople. In teams, supervised by technical advisors and Human Resources employees, participants have several months to manufacture an exceptional item from the Hermès *Conservatoire des collections* or to create an original item. **In 2020, the 5th Prix de l'Adresse was prepared, ready for launch next year. In the meantime, a travelling exhibition “La Caravane du Prix de l'Adresse”, featuring the winning pieces of the first four editions, was presented in January in Pantin, where it received more than 1,100 visitors.** It then took to the road to cover eight stages in Paris, Normandy, the Ardennes and the Franche-Comté division. The adventure will continue in 2021.

2.2.1.3 MAINTAINING THE QUALITY OF SOCIAL DIALOGUE

It is Hermès' policy to constantly ensure that it implements and guarantees both high quality social dialogue and freedom of expression for its employees. This involves both collective bargaining and daily participation by employee representatives in various projects. It is essential to the functioning of the Hermès Group's various companies.

In France (63% of employees), **social dialogue is organised on a company-by-company basis, through representative bodies and agreements signed each year.** In other countries, dialogue takes various forms, depending on local customs and regulations. The Hermès Group's ethics charter confirms Hermès' commitment to the conventions of the International Labour Organization (ILO), especially with regard to freedom of association. In all the countries concerned, the policy is to ensure that the principles of freedom of association and collective bargaining are implemented, in compliance with local regulations. Hermès does not interfere with and encourages the free exercise of these fundamental rights for workers.

With regard to distribution activities, the quality of social dialogue internationally depends on respect for freedom of expression and satisfaction surveys that are regularly conducted by the Human Resources Directors of the area (or country, depending on the size of local markets). Carried out anonymously, these surveys allow employees

to express themselves in complete confidence and with total freedom on various aspects of their work. For example, the survey carried out at the end of 2018 in 10 European countries made it possible to ask employees about their level of resources, pay equity, the link with performance and the balance between professional and personal life. These are all subjects that contribute to quality social dialogue. Throughout 2019 and 2020, working groups were set up and implemented action plans. Similar surveys have been carried out in the United States and Japan.

In addition, in 2020, throughout the lockdown and store closures, numerous internal communication meetings, cross-functional projects aimed at involving all employees, as well as training initiatives, were developed in order to maintain a link and a high-quality social dialogue with all employees.

In France, all companies concerned set up their SECs (Social and Economic Committees) on 31 December 2019, taking into account the reality of the organisation of the various divisions or sites. This tailor-made approach has made it possible to structure things according to the needs and social and operational realities of each entity. The Social and Economic Committee has replaced the elected employee representatives in the Company. It merges all the employee representative bodies, employee delegates, Works Council and the Health, Safety and Working Conditions Commission.

In France, social dialogue also takes place through the annual meeting of the Group Works Council, which fosters discussion with employee representatives and representatives of the five national trade unions present in the Group. This meeting enables dialogue and the sharing of results from the previous year and the outlook for the coming years. Furthermore, a Social Dialogue Monitoring Committee (France) was set up in 2008 pursuant to the agreement on social dialogue and the exercise of union rights within Hermès Group companies, signed in 2008 by all of the representative trade unions.

In early 2020, as a follow-up, this Monitoring Committee sent anonymous questionnaires to all employee representatives (and their deputies), managers of representatives and a panel of employees. Three joint working groups were set up in 2019. Composed of a representative from each trade union, two members from Human Resources, a manager and an employee, the task of these working groups was to provide answers to the concerns and difficulties identified, on the following topics: “The attractiveness of mandates and the role of employee representatives”, “Communication and the image of employee representatives” and “The training and development of the skills of employee representatives”. Finally, all of these proposals were presented at a plenary session in July bringing together all those involved in the renewal of social dialogue. These proposals served as the basis for discussions undertaken in the framework of the renegotiation of the Hermès Group agreement on social dialogue and the exercise of trade union rights in September 2020. The labour relations department and the Group union coordinators met twice face-to-face and continue to negotiate remotely due to the health situation.

Social dialogue in France is also nourished by the annual meeting of the reflection and exchange group on healthcare costs, a forum for dialogue set up on a voluntary basis to allow constructive exchanges on the balance and evolution of the healthcare cost regime applicable within the majority of the Group's companies.

In the various French companies, social dialogue thus involves the permanent operation of these employee representative bodies and a robust and active collective bargaining process. Collective agreements have been concluded in all companies that have union representatives or with the Social and Economic Committees authorised to negotiate certain agreements. **In France in 2020, 69 agreements and amendments were signed (including a group agreement for the payment of a profit-sharing bonus for financial year 2019, a group agreement on emergency measures to deal with the Covid-19 pandemic, and a second group agreement to promote the professional integration and job retention of people with disabilities)** on subjects as varied as salary increases, incentive schemes and profit-sharing, working hours, or gender equality.

Social dialogue has also played a central role in managing the consequences of the Covid-19 crisis in the various French companies and internationally. A group agreement on emergency measures to deal with the Covid-19 pandemic was signed electronically on 26 March 2020. **This agreement made it possible to implement a whole series of measures intended to support the temporary closure of the sites, in particular the full maintenance of the usual compensation of employees in a situation of inactivity, the use of teleworking and the taking of one week's paid leave by all employees.** Regular formal meetings and ongoing discussions were held with union representatives, the Social and Economic Committee and the Health, Safety and Working Conditions Commission in order to monitor the economic and health status of each Group company. The relationship with personnel bodies and trade unions was decisive in supporting employees during the lockdown, as well as in preparing for the resumption of activity. Remote social dialogue continued with dedicated groups on social networks, consultations with employee bodies by video-conference or by the electronic signature of agreements.

2.2.1.4 IMPLEMENTING VALUE-SHARING MECHANISMS THROUGH AMBITIOUS COMPENSATION POLICIES

Hermès pays constant attention to the compensation conditions and development of all its employees, in order to offer them comprehensive compensation packages and recognise their contribution to the House's development.

At all levels of the organisation, equality of opportunity, diversity and inclusion in terms of employment, training, supervision and remuneration are truly supported by the House's commitment, whose objective is to take concrete and sustainable actions.

The compensation policy therefore consists of offering a wide range of individual and collective compensation schemes, because the Group believes that each individual contribution creates value and contributes to the collective dynamic that makes it possible to achieve its medium- and long-term development strategy.

This ambitious policy incorporates the following elements and benefits:

- ♦ in the short term, fixed salaries, individual and collective bonuses, paid holidays, and various profit-sharing schemes;
- ♦ in the medium and long term, employee shareholding plans awarded to all employees worldwide;
- ♦ post-employment benefits through end-of-career bonuses and supplemental pension plans that are set up for the vast majority of employees and in accordance with local legislation and market practices;
- ♦ lastly, social protection schemes enrich the employer offering with additional health and personal protection guarantees.

Compensation levels within the various entities, in accordance with Group policies, mainly reflect the skills and *savoir-faire*, level of responsibility and the needs of the subsidiaries and local employment and compensation markets.

The Group's policy, in France and abroad, is that all of its employees should receive overall compensation that competitively meets best market practices, strictly complies with applicable standards and regulations, and is higher than the minimum legal or locally defined salaries. This attitude is illustrated, for example, by the granting, on several occasions in recent years, of rights to Hermès International free shares to all its employees worldwide (see § 2.2.1.4.2 below). For the third year in a row, Hermès is paying all employees on permanent contracts worldwide an exceptional and additional bonus in respect of 2020 of more than €1,000 in recognition of their contribution to Group performance.

In terms of social protection, employees are protected against the major risks of everyday life. Benefits cover the risks of mortality (accidental and all other reasons) and long-term illness, but also medical and maternity care, and retirement.

The compensation paid to Corporate Officers is shown in chapter 3 "Corporate governance" of this document.

2.2.1.4.1 Compensation

The annual change in compensation in all subsidiaries is made in accordance with the budget guidelines sent by the Group, which take into account both inflation and trends in local compensation markets. Particular vigilance with regard to compliance with the principle of gender equality and possible discrepancies with the market (internal and external) is systematically recommended for the performance of salary reviews.

Specific budgets are granted if adjustments are necessary. Several agreements signed by subsidiaries provide for equal pay monitoring indicators – during and after maternity, adoption and/or education leave (see chapter 2 "Corporate social responsibility", § 2.2.1.4.4 below).

Hermès is committed to rewarding employee performance at both the collective and individual levels, and the development of variable compensation at both levels in recent years reflects this commitment, whose objectives and assessment criteria are clearly shared with employees in the interests of transparency and motivation.

In addition to the changes in fixed salaries from which employees benefited, additional and exceptional measures were also decided by the House throughout the year:

- ◆ a flat-rate profit-sharing supplement that is identical for everyone was allocated to employees in France;
- ◆ an exceptional bonus in support of purchasing power in the amount of €1,000 was paid to all eligible employees within the meaning of the law, under the agreement signed with the social partners; it also

benefited other Group employees in France without any social or tax exemption scheme;

- ◆ eligible employees of foreign entities also benefited from equivalent measures with the payment of a bonus of up to €1,500, implemented in accordance with local customs and legislation.

In 2020, a year deeply marked by the health crisis due to Covid-19, the Group wished to recognise the day-to-day contribution of all employees in a spirit of appreciation, solidarity and generosity:

- ◆ **basic salaries were maintained for all employees during periods of lockdown and store closures, without resorting to state aid in all countries where the Group is present;**
- ◆ exceptional bonuses were paid twice to recognise the commitment of employees who made a particular contribution during these periods of general lockdown;
- ◆ In line with its ambition of responsible employer, the Group will pay in 2021 a bonus of €1,250 to all employees for their commitment and contribution to financial results.

IN MILLIONS OF EUROS

	2018	2019	2020
Total payroll	695	777	1,040

The Hermès Group's payroll (excluding profit-sharing and incentive schemes) was €1,040 million in 2020, compared with €777 million in 2019, plus €323 million in social security charges.

Payroll costs (excluding exchange rate impact) reflect increases in both workforce and salaries ¹ in all geographical areas.

In order to offer a clear, comprehensive and transparent view of all the elements of direct and indirect compensation, since 2018 the Group has produced an individualised summary of compensation for all employees in France. The clarity and completeness of these summaries are particularly appreciated by employees.

2.2.1.4.2 Employee shareholding plans

Faithful to its family tradition and wanting to involve all employees worldwide in the Group's medium- and long-term growth, Hermès has set itself apart in recent years by **the implementation of employee shareholding plans, and notably free share plans in 2007, 2010, 2012, 2016 and 2019.**

The desire to recognise the commitment of employees, who are key to the success and outreach of the House, by sowing the seeds of its long-term success and cultivating the exceptional *savoir-faire* preserved and developed within the Hermès Group, led Executive Management to decide to set up a fifth free share allocation plan on 1 July 2019. Under this collective plan, each eligible employee worldwide (i.e. more than

13,000 employees in all ² of the House's entities in the various countries) thus received rights to free shares, i.e. a total of 500,544 shares. At 31 December 2020, employee shareholding represented 1.09% of the share capital, i.e. over one billion euros.

All of these plans send a single message to employees worldwide and their objective is three-fold:

- ◆ to show the confidence of the House in the long-term commitment of its employees and unite them around the Hermès Group strategy;
- ◆ to acknowledge the contribution made by all employees, whatever their role, to the development of the House, by providing a single compensation component to share the benefits of our growth, enabling employees to identify more closely with the long-term Hermès growth decisions;
- ◆ to consolidate the strong links between employees and the House.

In order to promote, on the one hand, the loyalty of employees over the medium and long-term, and on the other, collective performance, these plans are accompanied by:

- ◆ vesting periods of at least four years;
- ◆ conditions of presence;
- ◆ performance conditions (for a portion of the allocation).

1. Including, where applicable, gains from free share allocation plans.

2. Subject to a condition of uninterrupted seniority on the grant date.

The Group's ambition is to continue to involve all its employees in its corporate project in a single way by strengthening employee shareholding. The vast majority of employees who become shareholders through these employee shareholding plans keep their shares well beyond the mandatory vesting and holding periods (in France, where applicable). At the end of 2020, nearly 80% of employees held rights that were vesting and accordingly, continue to be involved in the Hermès Group's governance and operations over the long-term, in a spirit of mutual trust with the House.

2.2.1.4.3 Profit-sharing and incentive schemes (France)

Since 2012, a special profit-sharing agreement signed with all of the representative unions has enabled all employees of the companies in France to share in the profits of the Hermès Group in a harmonised manner.

Incentive scheme agreements are in place at all Group companies in France. These agreements, concluded for a period of one to three years,

IN MILLIONS OF EUROS	Incentive schemes	Profit-sharing	Total (France)
2018	33.4	48.2	81.6
2019	34.2	53.1	87.3
2020	40	73.6	113.6

2.2.1.4.4 Other social benefits and social protection schemes

In addition to the fixed and variable compensation paid to employees, the Hermès Group provides health insurance and welfare benefits not only in France but also in other countries where it operates.

In 2019, the Hermès Group put a comprehensive maternity policy in place, which includes maintaining full basic pay for at least **16 weeks'** maternity leave and covering 100% of maternity-related healthcare costs. This policy continued to be rolled out in all subsidiaries worldwide in 2020 and its effective implementation is monitored as part of Group procedures. The House remains very attentive to offering its employees favourable working conditions and work-life balance when they welcome a new child.

In terms of social protection, the House's policy is to encourage the implementation of voluntary coverage that supplements the required legal schemes, based on local market practices. For the vast majority of employees around the world, these schemes are mainly funded by the subsidiaries.

Furthermore, several years ago, Hermès set up a supplementary defined-contribution pension plan under a collective agreement for all employees in France. This plan, for which most of the contributions are paid by the Group, allows them to build up individual savings for retirement. In 2020, this plan represented total contributions of €6.7 million, of which over 90% were financed by the employer.

For all entities together, as detailed in note 28 the consolidated financial statements, the Group's total commitment to post-employment and similar benefits amounted to €368 million in 2020.

aim to **involve employees in the development of locally-determined indicators** that are relevant with regard to the activity and environment of each of these entities, notably quality, safety (for example, workplace accident rate at Hermès Sellier), productivity and sustainable development objectives (for example, water consumption in the Textile division).

Employees of foreign entities (37% of all Group employees in 2020) also benefit from a range of regular additional compensation initiatives in line with performance and local customs.

In France, **€113.6 million was distributed in incentive and profit-sharing schemes**, and €3.5 million in employee support activities, compared with €87.3 million and €3.2 million in 2019 respectively. These amounts have a significant positive impact on the overall compensation of the House's employees and reflect its desire to share the fruits of growth with everyone.

Outside France, in line with local practices, the Group participates in whole or in part in the financing of these defined-contribution supplemental pension plans provided for by law or by agreements. The management of these systems is entrusted to specialist external partners (insurer, bank or other).

More than 70% of employees worldwide benefit from additional statutory health, pension and welfare plans.

Inclusion and work/life balance are priority objectives, the concrete achievement of which is ensured by agreements and action plans relating to professional equality in place for several years and within many entities. Thus, several companies in France (across all business divisions) have signed agreements with social partners that include measures aimed at:

- ♦ ensuring equity in terms of compensation before and after maternity, paternity, adoption or education leave;
- ♦ adjusting on a full-time basis, the payment by the employer of pension contributions on a full-time basis for employees who have chosen to work part time, and allowing parents to benefit from a leave of absence in the event of the serious illness of a child (up to 10 hours per week, to be adjusted in agreement with their manager);
- ♦ offering employees the opportunity to donate their days off (up to five days per year and on an anonymous basis) for the benefit of their colleagues whose children are seriously ill.

In a desire to give free rein to this commitment, the House also allows international solidarity leave, business creation leave or more traditionally, sabbatical leave.

The principle of these agreements is to set precise and relevant indicators and to ensure their annual assessment and monitoring with the aim of continuous improvement, even when the prior diagnostics have not revealed any major imbalance between the situation of women and men.

Hermès, the vast majority of whose employees work in OECD countries, applies regulations on working hours and minimum wages strictly, in compliance with ILO conventions.

2.2.2 SOCIETAL COMMITMENTS

Maintaining diversity in terms of people and talents is the foundation of the House's wealth, creativity and longevity. The Hermès Group is committed to the principles of recognition and respect, irrespective of one's origin, gender, family situation or *métier*. The diversity policy is overseen by a member of the Executive Committee in charge of governance and organisational development. It is based on the values and ethics of the House and on the actions overseen by the Group's Human Resources department.

POLICY

The responsible employer policy implemented in the Hermès Group aims to further actions to enhance the development of its employees, the foundation of the House's economic performance. It covers aspects related to diversity and difference. Attaining these two interlinked and complementary objectives involves a range of initiatives to promote responsible integration and responsible management. Drawing on the conviction that diverse talent is a source of wealth, creativity and innovation, Hermès strives to facilitate the integration of employees in all their diversity by developing practical actions in favour in particular of people with disabilities or the long-term unemployed, senior workers, and people from visible minorities or disadvantaged neighborhoods and areas.

The policy consists of establishing conditions that provide equal opportunity in terms of recruitment and employment, under its various components, and refraining from any form of discrimination.

Hermès' employee compensation policy is part of the fight against forced labour, by systematically complying with the requirement to issue a pay slip at regular intervals, explaining all legal deductions, and prohibiting the payment of recruitment fees paid by employees, regardless of their location in the world.

MEASURES IMPLEMENTED AND RESULTS

The Group undertakes regular actions to improve its approach to diversity and inclusion. This momentum is illustrated by the **signing of the second Group Disability Agreement in 2020**, the continuation for the second

year of the gender equality index, and the rollout of a maternity policy for all employees with a minimum of 16 weeks leave and payment of salaries.

The decision was also made to launch a working group on the creation of a network of women within the Group. This body will be set up by 2021 with the aim of understanding the career dynamics of women at all levels of the Company and determining how best to support them.

Furthermore, on the subject of inclusion, the decision was taken to launch a diagnostic on inclusion practices in 2021, with the aim of ensuring that no-one in the Group is treated less favourably than another because of an irrelevant factor, such as origin, gender, sexual identity, marital status, health, sexual orientation, religious beliefs or any other pretext. As part of a coordinated group initiative, a common international foundation built on the Group's shared values will be established through a participatory approach and will enable each subsidiary to commit to an action plan in line with its local and cultural challenges.

2.2.2.1 FACILITATE THE INTEGRATION AND RECOGNITION OF TALENTS IN THEIR DIVERSITY, AND PROMOTE EQUAL OPPORTUNITIES AND INCLUSION

Respect for differences is formalised and presented to employees in the ethics charter drawn up in 2009 and updated in 2019. This foundation document guarantees objectivity, equal opportunities and the promotion of diversity without discrimination in recruitment, career development and day-to-day management.

You are reminded that, under French law, this means avoiding any situation in which, on the basis of origin, gender, family situation, pregnancy, physical appearance, particular vulnerability resulting from a person's economic situation, apparent or known, name, place of residence or bank domiciliation, state of health, loss of autonomy, disability, genetic characteristics, morals, sexual orientation, gender identity, age, political opinions, trade union or mutualist activities, exercise of a local elective mandate, ability to express themselves in a language other than French, membership or non-membership, real or supposed, of a particular ethnic group, nation, race or religion, a person is treated less favourably than another is, has been or will be treated in a comparable situation. These elements are adapted in the subsidiaries in accordance with local culture and applicable laws.

2.2.2.1.1 Responsible management, inclusion

To develop responsible management, the **"Alterego" training programme on inclusion highlights the wealth of diversity** for the company and thus reinforces fair management in access to employment and career management. This programme, which began in 2017, was continued in three sessions in 2020, **bringing to 750 the number of executive and local managers who took part in this programme**. The aim is to share the Hermès culture as a responsible employer and an actor and to pass on the ambition of inclusion, particularly with regard to disability, religion, gender equality and intergenerational management.

Textile division

Holding Textile Hermès has operated a long-standing commitment to equal opportunities by implementing a socially responsible policy that emphasises diversity. In 2020, collective information sessions dedicated to women were organised with Pôle Emploi to present the textile printing *métier*. Holding Textile Hermès has also taken part in employment forums aimed at vulnerable populations and/or people with disabilities. The partnership with temporary employment agencies specializing in the recruitment of disabled or unemployed staff continued. Ateliers AS uses the “Alterego” programme to support its managers in terms of inclusion in its workshops.

Jewellery division

Managers were made aware of the diversity of profiles, so as to avoid discrimination during the recruitment process. Recruitment partners are also selected on the basis of their ability to commit to recruitment without any form of discrimination.

United States

The Diversity, Inclusion and Family mission of Hermès Of Paris includes a recruitment pillar, which aims to attract a diverse workforce of talented and unique individuals with different backgrounds, skills and visions of the world that will enrich the Hermès Of Paris family. To achieve this objective, recruitment practices and tools are regularly reviewed and adapted to ensure a more inclusive recruitment process. Among the various levers activated:

- ♦ review of the candidate assessment form, in order to better guide the interview and ensure an objective assessment of each person’s skills and professional criteria. The new form developed this year will first be piloted by recruitment firm partners, with the aim of rolling it out to hiring managers within the structures;
- ♦ monitoring salary negotiations, in order to ensure consistent and fair treatment, particularly between men and women. To this end, all data for the year 2020 was collected for analysis;
- ♦ the inclusive job description: a new job description has been devised, using simple and neutral language, without any indication of gender, emphasising skills linked to experience rather than education, removing corporate jargon or Hermès’ own terms, and focusing on the contribution that the potential new employee would make to the organisation. A prototype is being tested on the most common positions, with a view to it being rolled out in 2021.

For the second year running, Hermès Of Paris also continued mandatory training on unconscious bias, in order to help teams understand and overcome the mechanisms of bias and thus ensure that their behaviour, from hiring to employment, is impartial. It also contributes to the creation of an open and welcoming environment.

Japan

The Diversity & Inclusion project is one of the Human Resources department’s priority projects. “Unconscious bias” seminars were held with employees and management, and diversity was positioned as a key recruitment topic. The gender balance, as well as the age distribution, are regularly reviewed by the human resources department to improve diversity. Openness to people of other nationalities occurs gradually and contributes to reinforcing diversity in the Company and an inclusive mindset of employees.

2.2.2.1.2 Social diversity

In terms of recruitment, at all levels, Hermès’ policy is not to give disproportionate weight to qualifications, but conversely, to open up the spectrum by paying particular attention to the candidate’s experience, in order to give people of any social or geographical origin, whatever their background, the opportunity to join the Group. To further develop this approach, discussions were initiated in 2020 with associations likely to facilitate this type of recruitment, with a view to signing agreements in 2021.

Employee recruitment respects profile diversity wherever Hermès operates. To foster this diversity, certain sites work with specialised partners. Holding Textile Hermès chose Open Emploi, which specialises in employment diversity, as its partner to hire long-term job seekers and older workers. At Hermès Maroquinerie-Sellerie and cate recruitment is only carried out through aptitude tests and not using CVs, a system which favours a diversity of profiles.

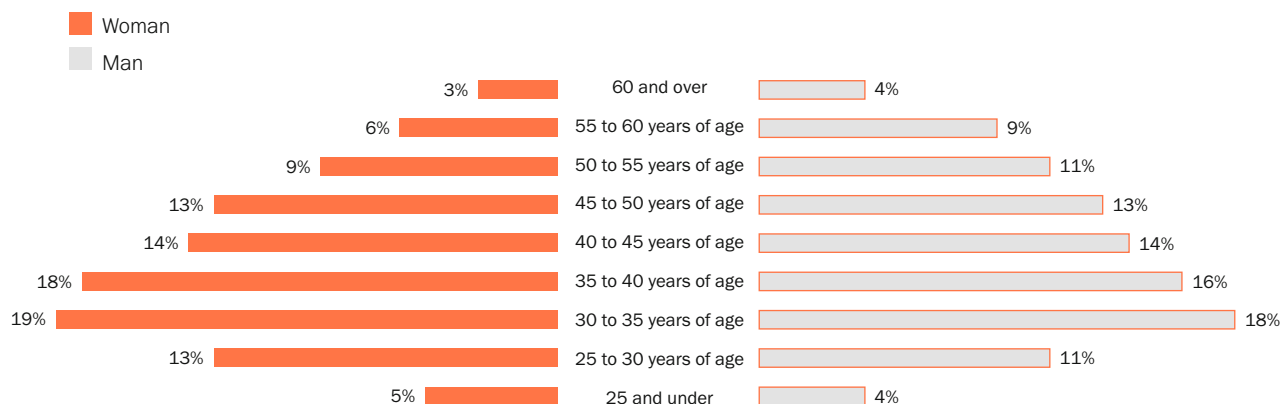
In the Retail Europe division, teams that are multicultural in terms of nationality are multiplying. The Hermès Italy team took part in a Diversity Day to recruit people from diverse backgrounds.

In the United States, all Hermès Of Paris employees receive diversity training. In 2020, 714 of them were trained in “Understanding unconscious bias” and 198 managers were trained in “Overcoming unconscious bias in the workplace”. To raise awareness of and prevent harassment in the workplace, Hermès Of Paris has placed harassment awareness modules online. These modules were taken by 537 employees and 203 managers in 2020 (90% of employees).

The decision was taken in 2020 to roll out these pilot training courses Group-wide.

Thanks to these concrete commitments, Hermès ranked **1st in its sector, and 5th overall in the “Diversity Leaders” 2020 ranking published by the British daily newspaper, the Financial Times**. This assesses employees’ perceptions of inclusion in companies, as well as the efforts made to promote diversity. To establish this, an independent survey was conducted among more than 100,000 employees of 15,000 companies in 16 European countries.

AGE PYRAMID BY GENDER



2.2.2.1.3 Gender equality

The Group's policy is to promote gender equality. Special attention is paid to equality, particularly in the awarding of equal pay for equal work and ensuring equal opportunities at all levels of employment. Training is provided to management and the subject is specifically addressed in the framework of human resources department meetings.

The Group is predominantly composed of women (67%), represented at all levels of the hierarchy (25% of the Executive Committee are women, 60% of managers are women, 69% of the Operations Committee are women) – see chapter 3 “Corporate governance”, § 3.2.3.1.1, 3.2.3.2 and 3.2.4.2; and in all activities.

In early 2019, Hermès harmonised its international maternity leave practices by defining a minimum maternity leave period of 16 weeks, maintaining 100% basic pay and making 100% coverage of maternity expenses available in all locations (see chapter 2 “Corporate social responsibility”, § 2.2.1.4.4).

In France, agreements or action plans relating to professional equality were renewed in order to reaffirm the guarantee of a balanced salary positioning between men and women, as well as respect for equal treatment in the allocation of salary increases, including during maternity leave. These agreements define progress targets for paternity leave, for example, in order to promote the role of fathers in the exercise of family responsibility, and to enable women to carry out a professional activity corresponding to their wishes.

For all companies in the Holding Textile Hermès division, all paternity leave benefits from compensation being maintained, as does maternity leave, including for executives and regardless of seniority. In the same vein, young fathers benefit from protection against dismissal during the four weeks following the birth of a child, in the same way as protection applicable to pregnant women. Upon returning from maternity, paternity or parental leave, all employees are offered a professionalisation interview to ensure they return to work under the best possible conditions. To support the use of part-time work at the request of employees and not penalise parents wishing to make this choice,

pension contributions are paid by the employer on a full-time basis. Women in managerial roles and positions of responsibility at production sites benefit from personalised coaching support.

These measures come in addition to more common measures, such as the authorised absence of the mother-to-be's partner for mandatory examinations, the adjustment of schedules for the start of the school year, and the allocation of the same number of additional days leave for a civil solidarity pact (PACS) as for a wedding, or the donation of days off or rest days for parents or spouses with a seriously ill child or spouse.

At Hermès Sellier, the crèche located in Pantin offers 33 places for employees' children, as well as six places for which the Pantin City Hall defines the allocation. In addition, further places are reserved by Hermès International and Hermès Sellier in Paris, Pantin and Lyon in inter-company crèches to facilitate the balance between personal and professional life (30 places in 2020, up by five for Hermès International).



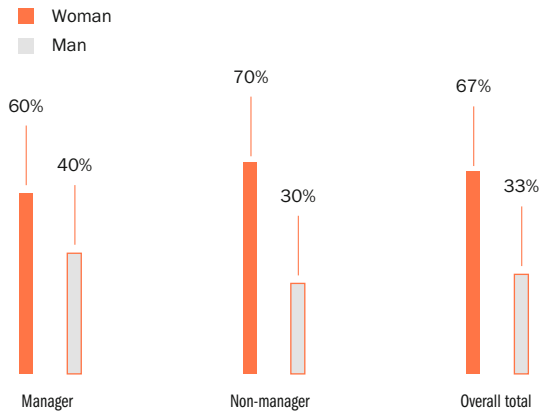
92/100*
**in the gender pay
equality index**

* global index of weighted averages

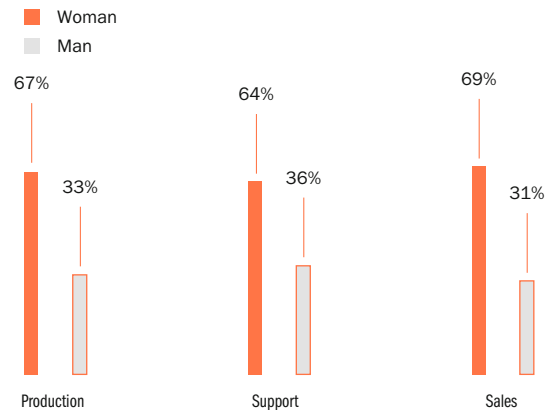
The gender equality index was created in 2019 in France to eliminate gender inequality in the companies. In companies with more than 250 employees, it is calculated based on five indicators: the gender pay gap, the gap in the breakdown of individual pay increases, the gap in the breakdown of promotions, the number of employees receiving pay increases upon returning from maternity leave, and parity among the 10 highest packages.

At Hermès, in the scope of relevant companies, the weighted average of the pay equality index is 92 out of 100. The indices of the different companies fall into a range between 81 and 100. The index of the holding company, Hermès International, is 98 out of 100.

GENDER BREAKDOWN BY CATEGORY (MANAGERS/NON-MANAGERS)



BREAKDOWN BY GENDER BY SECTOR



2

2.2.2.1.4 Disability

The Group has a proactive disability policy. Hermès has long been committed to integrating people with disabilities and their job retention in its various métiers.

Following the signing of the first Group Disability Agreement in 2017, numerous initiatives and commitments, relayed notably by the Disability Officers, have enabled the Group to make considerable progress, bringing **the disabled employment rate in just two years to 5.68% at the end of 2019. The number of employees with a disability has doubled in four years, exceeding 550 employees recognised in 2020.**

IN %	2018	2019	2020
Employment rate of people with disabilities	3.99	5.68	Publication June 2021

These results bear witness to the care that the House pays to employees facing a disability and who make inclusion a reality, as demonstrated by these examples from the year:

- ♦ a partnership started with the INJS – Institut national des jeunes sourds;
- ♦ a former soldier suffering from post-traumatic stress disorder enrolled in the Leather Goods training in Fitielleu, following the partnership initiated with the Cabat;
- ♦ the integration, supported by AspiJob, of a person with Asperger's syndrome at the Hermès International headquarters;
- ♦ the hiring on a permanent contract of a person with a disability for customer reception duties at a store in the Rhône-Alpes;
- ♦ the establishment of a two-person team from the association APF within the Exceptional Sales division for several months as part of the "Hors les Murs" initiative;
- ♦ customised support for a young student with DIS disorders employees with a disability and his manager in the activity.

This reality has become part of a long-term initiative with the **signing of the second Group Disability Agreement with all trade union coordinators on 22 July 2020**. A remote co-construction day involving the Disability Officers, trade union coordinators and representatives of occupational health services was organised in order to prepare for the implementation of this agreement.

Approved by DIRECCTE ¹ in November, this second agreement will come into force for 2021, 2022 and 2023. It will need to pursue the Group's ambitions in terms of inclusion, while adapting its commitments to new legislative and regulatory directives, and in particular addressing the following challenges:

- ♦ promoting the employment and integration of people with disabilities;
- ♦ structuring a genuine job retention policy;
- ♦ strengthening indirect employment through collaboration with the sheltered and adapted sector and self-employed disabled workers;
- ♦ strengthening the fight against decision-making biases caused by stereotypes or prejudices in terms of disability and changing views within the Company through information and communication;

1. Direction régionale des entreprises, de la concurrence, de la consommation, du travail et de l'emploi : French employment administration

- ♦ anticipating the scheduled end of the approved collective agreements as a means of managing the Group Disability Agreement, in order to continue initiatives in 2021-2022-2023 and allow all those affected by this situation to continue their activity under the best possible conditions.

In view of the Disability reform in France, the data for 2020 will be published at the end of the first half of 2021. Under the impetus of the first Group Disability Agreement, a decisive step was taken with an employment rate of people with disabilities of 5.68% at the end of 2019. The employment rate (excluding the various reductions that can be applied) is based primarily on a direct employment rate of 4.90% in 2019. At constant legislation, the employment rate (direct and indirect) exceeded 6%, excluding reductions, compared to 3.80% at the launch of the first Disability Agreement.

In 2020, taking into account the results achieved, Hermès reaffirmed its efforts and its commitment to disability issues by allocating a matching contribution in excess of €0.15 million per year to enable the Hermès Group's Disability Agreement team to continue its work over the three years of the agreement with the same budget.

The Hermès Group's Disability Agreement team is led by a network of 14 Disability Officers in each *métier* (Textile, Leather, Crystal, Perfumes, Home, Women, Hermès Group Services, Hermès International, Hermès Commercial, Hermès Distribution France) to help all sites make progress in integrating and maintaining the employment of those who are temporarily or permanently disabled.

The network of Disability Officers meets on a regular basis to share best practices, visit sheltered work establishments (ESATs) and promote skills development. This network is structured with Site Disability Officers present in the main divisions, such as Hermès Maroquinerie-Sellerie or Holding Textile Hermès, as well as at each site, regardless of its size, to help employees with disabilities in their daily work and to support those who wish to obtain an RQTH (*Reconnaissance de la qualité de travailleur handicapé* – recognition of the quality of disabled worker). A brochure intended for people who are reluctant to declare themselves as RQTH has been prepared and distributed to all employees and stakeholders in occupational health. In 2020, more than 35 French employees took their first steps to recognise their disability. Initiatives of this nature testify to the confidence these employees have in the Maison Hermès. The people concerned will benefit from dedicated support in their position and for job retention.

More than 50% of the Disability Agreement team budget was devoted to workstation adjustments, the financing of individual equipment or the granting of Cesu checks intended to compensate for disabilities by employing people at home to provide assistance with domestic tasks.

Despite the particular health situation, the Group's Disability Agreement team took part in six job forums dedicated to disability, mainly in virtual mode. The contacts undertaken in 2019 under the aegis of the Liaison Committee of the army wounded assistance unit, to develop the reclassification of wounded military personnel, made it possible to present various opportunities to several wounded military personnel, and finalise a recruitment. By supporting these soldiers, the Group contributes to the national defense effort.

The three-year partnership with Sciences Po Paris on the "Accessible" programme dedicated to students with disabilities continued with a meeting in early December, during the Sciences Po Accessible virtual forum, with around 20 students with disabilities considering internships, work-study programmes and jobs.

The commitment to 20 permanent contracts initially set for 31 December 2020, the date of the end of the first Disability Agreement, and reached in 2019, continued with more than eight permanent employees recruited in 2020, including one manager. Hermès Maroquinerie-Sellerie accounts for the majority of these permanent employment contracts, in view of the volume of annual recruitment, as well as management's objectives and the adoption of the Simulation Recruitment Method (SRM).

The Filitieu site, the production site and Alpes leatherwork training school, organised a recruitment session dedicated to people with disabilities in December, as part of its multi-year partnership with the Ohé Prométhée association, bringing together around 30 people with disabilities in the presence of French sign language translators. An adapted recruitment process is in place and, if necessary, an extension of the training period may be considered to facilitate the commencement of a permanent position.

The integration of different types of disability provides opportunities to improve the training of managers, tutors and colleagues, such as the DIS plan (for DISORDER, specific cognitive and associated learning disorders) rolled out at Hermès Maroquinerie-Sellerie in Pantin to promote the integration of a young student on a work-study contract.

In many *métiers* (Hermès International, Hermès Group Services, Hermès Maroquinerie-Sellerie, Parfums & Beauté, etc.), workers made available on a daily basis by EAs/ESATs contribute to various activities (cutting, order preparation or meeting rooms, logistics, security, concierge, mail dispatching, etc.). These collaborations provide long-term employment opportunities.

When the wearing of a mask became mandatory on the sites, several hundred transparent "inclusive" masks made by the APFs were distributed to promote exchanges with hearing-impaired employees.

In terms of purchases, Hermès has set itself the ambitious target of increasing its use of the protected sector and socially supported organisations in France by 20% per year over the period 2018-2020.

Achieved in 2018, this final objective has continued to benefit from a 20% increase every year, including in 2020. Purchases from EAs and ESATs thus increased from €0.7 million at the end of 2017 to €1.7 million at the end of 2019 and **€2.4 million at the end of 2020**, of which €1.1 million in the first half-year. Driven by a proactive policy, these purchases are mainly made at the initiative of Hermès Maroquinerie-Sellerie and Hermès Group Services.

The Hand'E Passeport application was made available to all employees in France throughout the year. Downloaded and used by 500 employees since the launch, this application provides information about the various types of disability in an enjoyable way, but also guidelines for how to behave as a considerate manager or colleague.

The Handi'Cap 2020 forum, an annual highlight organised this year in virtual form, **brought together more than 250 committed managers and internal players**, essential levers for the effective deployment of the Disability policy, **around the theme “Achievements and inspirations!”**. This forum invited managers to develop their commitment to inclusion by sharing ways to extend initiatives further. Through booths with various themes, participants were able to enhance their knowledge and draw inspiration from innovative practices such as:

- ♦ including employees with disabilities in stores;
- ♦ the particularities of recruiting people with disabilities;
- ♦ preparing the *Duoday* (hosting another employee within a department);
- ♦ Hermès Maroquinerie-Sellerie partnerships with EAs/ESATs;
- ♦ how to set up a network of Disability ambassadors;
- ♦ Hermès Commercial Logistique's collaboration with the APF ESAT teams, etc.

The meeting was marked and inspired by the authenticity of the testimony of the disabled athlete, Marie-Amélie Le Fur, President of the French Paralympic Committee. The highlights of this forum were relayed during the Solidarity Weeks organised by the sustainable development team, via two digital capsules open to all employees in France.

Almost 100 *Duodays* were planned for mid-November 2020, as so many invitations to change outlooks by welcoming people with disabilities from outside the Company, looking for work or from support structures such as ESATs, to share for a day the daily life of employees, and thus discover life behind the scenes of production *métiers* or support functions. Following the announcement of the lockdown in France, the Group decided to postpone this operation to welcome these duos in 2021 in the various production units.

The Perfumes and Beauty division managed to maintain eight *Duodays* in October, while respecting the health regulations, at the headquarters and on the Vaudreuil site, in the packaging, quality control and manufacturing *métiers*. Coming from various support structures such as Cap Emploi, ESATs or student associations, everyone was able to learn about a *métier* or an environment to help define an academic orientation, a training path or a professional project following retraining, all in a warm and caring environment.

Hermès Femme also raised awareness among teams about the *Duodays*, for which 15 managers had volunteered. To this end, close links have been established with a network of business schools, in order to organise tailor-made days according to the wishes of young people. Although the project was postponed due to the lockdown, contacts were made between students and managers, pending face-to-face meetings. In addition, a round table was organised with the new trainees to raise their awareness of disability and give them the first agreement brochure, in order to enable free speech from the start of their integration.

John Lobb is involved in mentoring students with disabilities at the University of Saclay, with the support of the ARPEJEH and Article 1 associations, to promote their inclusion. In France in November, the European Week for the Employment of People with Disabilities provided an opportunity to organise various events to change perceptions and combat stereotypes. Several conferences were offered, such as a new meeting with Marie Amélie Le Fur and nearly 120 employees, or the testimony of stores in Lyon and Bordeaux attended by 50 sales associates. Awareness-raising campaigns were maintained in the French production units, such as the HandiPoursuite challenge offered by Hermès Parfums & Beauté and attended by more than 100 participants.

World Disability Day in early December was also welcomed by several events, such as the disability awareness challenge organised in Saint-Louis or a mediation on art and disability for the Hermès Cuir Précieux teams. Holding Textile Hermès now sends a Disability newsletter to its 800 employees to share the division's commitment, mobilise all internal players and inform employees with undeclared disabilities about available support.

A substantial training plan on disability recruitment for recruiters and human resources employees has been rolled out to 45 key players in the integration process, to help them feel more comfortable recruiting people with disabilities. As part of the integration in Paris of a manager with an autistic disorder, the internal players concerned (manager, tutor, human resources) benefited from autism training provided by the CNRS¹. Lastly, the 14 members of the Hermès Perfume and Beauty and Hermès Social and Economic Committees and Health, Safety and Working Conditions Commission received training on disability.

2.2.2.2 ENGAGE EMPLOYEES IN SOLIDARITY ACTIONS INCLUDING SKILLS-BASED SPONSORSHIP

2.2.2.2.1 Ambition

In order to embody its commitment as a socially responsible employer and to “Give back to the world what it gives us”, Hermès encourages its employees to be involved in the social and solidarity economy, with the aim of strengthening its local integration in the areas where it operates, according to the public interest needs expressed locally.

To this end, skills-based sponsorship assignments are regularly offered to employees, in addition to the Fondation d'entreprise Hermès “H3” programme. Hermès' approach is to develop skills-based sponsorship with partner associations in the field of sustainable development, the Fondation d'entreprise Hermès and the Group Disability Agreement team, as well as with local structures in the context of long-term partnerships.

1. Centre National de la Recherche Scientifique: National Centre for Scientific Research.

This skills-based sponsorship approach enables the Group to nurture its values by supporting projects related to its identity, to strengthen pride in belonging, but also to leave employees free to choose the cause in which they wish to get involved. It also addresses an increasingly expressed desire to contribute to the common good. The projects supported must naturally be aligned with the values and priorities defined by Hermès, which relate to education, solidarity, support for craftsmanship, environmental protection and cultural development. They are generally long-term projects. Employees involved in these projects, in areas of activity that are often little known, show real personal satisfaction, motivation and increased skills. Operations carried out by several people also reinforce cohesion within the teams and unite the group.

The skills-based sponsorship initiative will be strengthened to mobilise more employees and express the Group's generosity. **An active network of more than 80 skills sponsorship ambassadors is organised to facilitate the rollout of this approach as closely as possible to the teams in France.** Since 2017, a dedicated Group methodology has been developed and shared within the subsidiaries in France to enable employees to support the needs of associations in different areas during their working hours. Through this volunteer program, **employees in France can benefit from five paid volunteer days to support the development of charitable associations.** In Switzerland and Spain, each employee is allocated one paid day per year to carry out charitable actions.

In 2020, this programme gained momentum in terms of internal visibility and employee engagement. Despite a somewhat complex context, **more than 120 French employees got involved** in 2020 and 260 hours were dedicated to skills-based sponsorship during the year. The assignments covered a wide range of subjects such as visual merchandising, logistics, management control, communication, legal matters, etc.

2.2.2.2.2 Organisation

In 2020, under the leadership of the Fondation d'entreprise Hermès, all sponsorship policies were structured and formalised, including skills-based sponsorship.

Each sponsorship operation is subject to a transparent selection process, which includes the necessary prior checks to ensure that the operation complies with local laws and regulations. A sponsorship selection document is drawn up for each project. The associations supported are verified in terms of governance, ethics and human rights, transparency, etc.

Sponsorship operations in which an Hermès Group employee has, directly or indirectly, a personal and/or financial interest must comply with the available conflict of interest prevention procedure and be reported to the Hermès International legal compliance department for validation. Sponsorship initiatives are the subject of signed letters of commitment. For long-term commitments and partnerships, or those

presenting a certain complexity, the terms of the agreement must be contractualised in order to clearly identify the commitments of each of the parties. Sponsorship operations are subject to regular control and monitoring of the successful completion of the operation.

In this context, each division has set up a sponsorship monitoring system, including a Sponsorship Committee in charge of selecting and approving the entity's sponsorship activities. This committee is made up of the division's or *métier's* Management Committee. All decisions taken by this committee are recorded in a formal report kept for a period of five years.

Each division defines its priorities according to its activity and location, as well as eligibility criteria (reputation, soundness of the project, history of the beneficiary, strategy of the entity, prevention of potential conflicts of interest, etc.) and control of sponsorship projects supported.

A dedicated budget is allocated each year by each distribution subsidiary.

The large-scale actions carried out in 2020 by the employees of the various subsidiaries in Europe involved the circular economy, eco-manufacturing, the solidarity collection of non-food products, the renovation of refugee reception centers, training in craftsmanship, the promotion of manual *savoir-faire* for professional reintegration, cleaning of natural sites, translation, distribution of clothing, and support for children in underprivileged families, not forgetting donations to associations.

Most of these actions are subject to a confidentiality clause that prohibits their disclosure in this document.

2.2.2.3 PROMOTING THE MAIN ETHICS PRINCIPLES AND THE APPLICATION OF REGULATIONS ON HUMAN RIGHTS AND THE FIGHT AGAINST CORRUPTION

The Group's policy is to adhere to the main universally recognised ethical principles, particularly those concerning human rights and the fight against corruption, and to ensure that they are implemented in its operations. This policy is formalised by several additional charters and codes:

- ♦ the Group ethics charter serves to enrich the corporate project around the genuineness of the Group's purpose and ethics. It ensures compliance with the duty to acknowledge that we have towards employees and partners. This charter does not replace the laws and regulations applicable in the countries where the Group operates, but rather aims to promote compliance with them and ensure their proper application. It is in line with fundamental principles such as the Universal Declaration of Human Rights, and the rules of the ILO, the OECD and the Global Compact governing sustainable development. It is an instrument of progress and dialogue: any employee of the Group who encounters difficulties in understanding or applying it must inform his or her manager;

- ♦ in addition to the Hermès Group's ethics charter, the code of business conduct, the anti-corruption code of conduct, available at <https://finance.hermes.com/>, and the whistleblowing system form the framework for employees to follow.

In addition, an Ethics Committee has been set up to receive and process alerts, and to provide advice and recommendations on the Group's ethics culture.

Chapter 2 "Corporate social responsibility", § 2.8, specifies these ambitions and describes in detail the principles of the ethics charter.

Our relationship with the Equiphoria institute has become a partnership in which our savoir-faire is used to the benefit of people with a disability.

The collaboration between Equiphoria and the Equestrian *métier* was born out of a need experienced by this equine therapy and hippotherapy centre (treatment using the movement of horses) based in Lozère in finding equipment that ensures the comfort of both the horse and the safety of their severely disabled patients. Using a scientific approach and a multidisciplinary team bringing together both therapists and horse specialists, Equiphoria works to improve the neurological function in people with motor or mental disabilities, using the horse's gait: "The human brain has the impression of walking". The patient-horse-therapist trio is the basis of numerous benefits for patients in terms of autonomy, neuron reconstruction and social integration. Horses work in partnership with therapists and as willing accomplices to patients. In this way, patients are able to feel the benefits on their motor skills, relationships and emotional capacities. In order to optimise both patients' sensations



and the comfort of the horses, the saddlery craftspeople in the Equestrian *métier* sought out unusual solutions. They designed a saddle pad, a genuine sheet of leather, to enable patients to really feel the steps of the horse in the best – and completely safe – way, while also ensuring the animal's comfort. The felt pad provides comfort for the horse, while the foam ensures comfort for the patient. The result is then covered in leather for an aesthetic appearance. This extraordinary item, donated by the *métier* in several sizes, is characterised by its purity, functionality and simplicity. This project has become unifying within the House, beyond the Equestrian *métier*, on account of its useful and generous nature, and is also a source of creative ideas, with the revolutionary design of the "ultimate" saddle. A moving film about this project was made and shared internally, showing how the *métier* teams and craftspeople found meaning in this work, and inciting singular emotions.

2.2.3 CONTRIBUTION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS (SDGS)

People are at the heart of the Group's sustainable development project and the Group initiatives that contribute to the UN's sustainable development goals (SDGs).



No. 3: Good health and well-being

- ◆ 3.4 "Reduce the premature mortality rate from non-communicable diseases"
Health, Safety and Environment actions for site employees, all in the OECD area, are subject to strict regulations. The management of indicators on health, safety and absenteeism has led, for example, to the implementation of training programmes on well-being and health or the prevention of MSDs (musculoskeletal disorders), in order to prevent and reduce the impact of occupational illnesses.
- ◆ 3.4 "Promote mental health and well-being"
Since 2018, an internal health and well-being survey is regularly conducted among all employees in France. The questionnaire enables each employee to anonymously express their feelings on various topics relating to physical and mental health, stress, the work environment, activity and organisation. Similar initiatives are also in place internationally. Since 2018, 76% of employees have taken part in it.
In the specific context of Covid-19, a listening and psychological counselling unit open to everyone has been set up.
- ◆ 3.8 "Achieve universal health coverage"
The House's employees have access to health coverage and social protection based on each country's regulations and practices. This coverage is the subject of a specific reflection and discussion group on healthcare costs. This body, set up on a voluntary basis, enables constructive discussions on the balance and development of the healthcare cost regime applicable in the majority of the Hermès Group's companies. Lastly, in addition to the fixed and variable compensation paid to employees, the Hermès Group also offers health insurance and welfare benefits, not only in France but also in the other countries where it operates.
- ◆ 3.b "Support the research and development of vaccines and medicines for diseases"
In the context of the Covid-19 pandemic, the Group carried out actions through numerous financial sponsorships, the most significant of which was the donation of €20 million to AP-HP (Assistance Publique-Hôpitaux de Paris) in France.



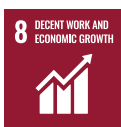
No. 4: Quality education

- ◆ 4.5 "Eliminate gender disparities in education and ensure equal access, including persons with disabilities"
Helping people with disabilities access and retain employment is a major issue. With the signature in France of a second Group agreement for 2021-2023, Hermès set itself the ambitious goal of increasing its use of socially supported organisations by 20% per year, a target that has been reached each year since 2018. As part of social dialogue in France, an agreement was signed on gender equality in 2019. In addition, during salary reviews, compliance with the principle of equality is systematically executed. Lastly, specific training in diversity management has been provided since 2017.



No. 5: Gender equality

- ◆ 5.1 "End all forms of discrimination against women"
Women represent an important part of the Hermès Group: 67% of employees.
- ◆ 5.5 "Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life"
At Group level, women managers represent 60% of employees. In particular, they represent 69% of employees on the Operations Committee.
- ◆ 5.a "Undertake reforms to give women equal rights to economic resources"
The House's pay equity index is 92/100.
- ◆ 5.c "Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality"
The policy consists of establishing conditions that provide equal opportunity in terms of recruitment and employment, under its various components, and refraining from any form of discrimination.



No. 8: Decent work and economic growth

- ◆ 8.2 *“Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors”*

Innovation and creation are at the heart of the House's artisanal and manufacturing model. Its human dimension is illustrated in particular by the continued creation of jobs in areas of low employment.

- ◆ 8.5 *“Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value”*

The Hermès Group contributes to job creation, especially in France. It strives to guarantee equal pay by taking into consideration each person's positioning in relation to their peers (level of responsibility, male/female). They are also involved in the Group's growth, through the allocation of free share plans, incentives and profit-sharing. The rate of full-time employment is 95%.

- ◆ 8.6 *“Substantially reduce the proportion of youth not in employment, education or training”*

Partnerships and agreements with educational establishments make it possible to recruit future employees. Welcome sessions are organised for school children and students within the various entities to present the diversity of the *métiers*.

The House is working to promote the arts *métiers* and craftsmanship to younger generations. In 2020, Hermès gave presentations to students in more than 40 higher education classes.

In terms of workforce, 17% of employees are under 30 years old.



No. 8: Decent work and economic growth

- ◆ 8.7 *“Ethics and vigilance in terms of human rights and working conditions, including child labour and forced labour”*

The House adheres to the Universal Declaration of Human Rights, the United Nations Global Compact, the United Nations guiding principles on human rights and, above all, the International Labour Organization (ILO) declaration on fundamental principles and rights at work.

Hermès prohibits the employment of people under the age of 16. In addition, if a Group employee has not completed their mandatory schooling, the Hermès Group promises to provide the necessary resources so that they may do so.

- ◆ 8.8 *“Promote safe and secure working environments”*

Hermès is very vigilant on these subjects, and implements a health and safety policy overseen by the HSE network. Compliance audits are carried out regularly. The actions of the business lines go beyond simple regulatory compliance to promote real well-being at work.

Hermès protects and develops craftsmanship *savoir-faire* through an in-house training policy



©Photographer: Giampaolo Vimercati

2.3 PEOPLE: SAVOIR-FAIRE

Hermès' sustainable development involves acquiring, enriching and passing on the *savoir-faire* of its employees, which is one of its key assets. More broadly, Hermès contributes to preserving and perpetuating craftsmanship, particularly in the manufacturing sector, which is conducive to a more responsible and sustainable economic development.

2

Introduction

The appeal of the Hermès model is a major advantage in attracting and recruiting the talents that will complement the House's needs for the different types of jobs, with very diversified activities. Its ability to recruit, but above all to directly train its employees in an internal logic of transmission of *savoir-faire*, guarantee the sustainability of its business model. To continue to develop its model, its culture and its unique *savoir-faire*, the House continually invests in training initiatives that enable employees to acquire new skills. A common assessment tool will be applied to all of the Group's training courses from 2021 and will enable the assessment of 100% of training courses in two years. The pursuit of this objective makes it possible to assess the efficiency of training programmes and to monitor employee results.

This commitment to employee training is reflected in all *métiers*. For production and distribution activities, training programmes are tailor-made and rolled out locally or by the Group in Paris. This can be seen, in particular, in the acquisition of *savoir-faire* in an employee's first job as a leather worker, in an engineering incubator within the École du Cuir and the École du Textile, and the recognition of the qualifications gained through certification or diplomas.

In the Leather Goods division, where the transmission of *savoir-faire* is of vital importance, a network of specialised *métier* trainers has been created. It holds regular meetings where trainers update techniques on the transmission of knowledge. In all French regions where Hermès opens leather workshops, partnerships are immediately forged with local schools so that training in the *savoir-faire* can be combined with hands-on practice.

For Retail operations, sales associates, store managers and support *métiers* are assisted by Retail Academies in the development of both their product expertise and their customer relationships skills. From a cross-cutting perspective, training programmes are also organised to stimulate the advancement of managers identified as future Management Committees members.

Hermès also contributes to the preservation and sustainability of craftsmanship *savoir-faire* outside its direct sphere of action through its relationships with professional training centers throughout France (whose expertise is used by other economic players) as well as by promoting the value of its *métiers* externally and among younger generations. By bringing the wealth and excellence of craftsmanship to the attention of individuals, and by expressing future needs, particularly in the manufacturing sector, Hermès is helping to create rewarding careers and professional prospects.

Covid-19

An tailor-made training offer

The Group has adapted to the constraints linked to the health crisis. Priority has been given to training that can be followed remotely. Retail training in digital format was offered and implemented quickly from the start of the lockdown in France, such as by the Hermès Academy (sharing the Hermès culture and other training on products, history, the collections and communication). Training that could not be delivered remotely had to be postponed until the end of 2020 or the beginning of 2021. Only priority training courses and those that could not be postponed were conducted in person. Throughout this period, the link between Maison Hermès and all employees was nourished through presentations and sharing on emblematic products. This period was also used within certain divisions to encourage employees to get to know each other better by sharing between different *métiers*, or to better understand the organisations and operating methods, for example with the *HMS is revealed* programme implemented within the Leather division and open to all employees.

PEOPLE : SAVOIR-FAIRE - CHALLENGES AND KEY FIGURES

Acquisition, enrichment and transmission

**5,617** craftspeople in France (6,265 worldwide)**61%** of objects made in the in-house and exclusive workshops**4,356** new employees in the last five years (worldwide)**72%** of employees have taken at least one training course (worldwide, 2020)**6,100** craftspeople have been trained at the École du Cuir in the past ten years**283** professional certifications were obtained in 2020**107** in-house trainers including 83 in Leather for 22 Leather Goods workshops (production, France)**17%** employees under the age of 30**25.8%** of employees have more than 15 years of service (France)**9 years** average seniority of employees (worldwide)

Preservation and sustainability

**12** *Entreprise du Patrimoine Vivant* (Living Heritage Company) – EPV**12** partnerships with leatherworker training schools in France**22** *Meilleurs Ouvriers de France* (Best craftspeople in France) (MOF)**40** presentations by Hermès to higher education classes (France)

2.3.1 ACQUISITION, ENRICHMENT AND TRANSMISSION

To develop its integrated craftsmanship model, Hermès must strengthen its teams in all professions: craftspeople, sales associates, producers, experts in transverse functions.

In a context of medium-term growth in activity, the House's sustainable development rests on its ability to recruit people who will be able to express their talents throughout their careers. Hermès pays particular attention to relations with educational establishments and recruitment in its employment areas.

POLICY

Recruitment is managed by each *métier* and subsidiary to ensure the perfect match with the local context. The policy for recruitment and relations with partners is defined by the holding company. In France, the holding company also manages relationships with educational establishments, communication and pooling of recruitments. In this way, the Hermès Group hopes to make applicants more aware of the *métiers* and the uniqueness of the House, attract candidates who believe in the business model and its values and will then be able to select the best profiles, capable of feeling at home within teams for a long time.

MEASURES IMPLEMENTED AND RESULTS

For more than ten years, the Leather Goods activity has been planning its recruitments based on site openings, notably in conjunction with the National Employment Agency. With its in-house training procedures, the House has the levers to strengthen its vital production force. **In 2020, Hermès launched a Strategic Workforce Planning approach** designed to anticipate the needs of the various sales functions for each region of the world and to manage this growth in the workforce as effectively as possible, in terms of recruitment, integration and development prospects, while ensuring the transmission of the culture that makes Hermès unique. The study reconciles the characteristics of the employees present and the forecasts in terms of the outlook including store openings and changing needs in future *métiers*, while including an average minimum turnover of 8%. Following this analysis, action plans are being prepared on the various dimensions: talent retention, recruitment strategies and mobility development, associated with development programmes for the future leaders of tomorrow.

2.3.1.1 IMPLEMENT SYSTEMS AND RECRUIT THE BEST PROFILES FOR THE VARIOUS MÉTIERS

An employer promise that reflects the reality of Hermès as a responsible high-quality employer

2.3.1.1.1 Employer brand

Hermès seeks to attract talented people who want to join the House, motivated by a collective project above all, a requirement for quality and a long-term vision. Once the technical skills have been secured, the recruitment criteria are largely based on personality attributes to ensure compatibility with Hermès' culture and values.

In 2020, Hermès rolled out the visual identity of its employer brand "Tous artisans" created in 2019 to better deploy its strategy. The challenge is to meet recruitment needs in terms of quality and volume while respecting the House's requirements in terms of *savoir-faire* and *savoir-être*, a guarantee of successful integration and success within Hermès.

On the career site, more than 214,262 applications were registered in 2020. The publication rate of LinkedIn posts has been stepped up to three per week in order to retain followers and involve them more closely in the life of Hermès in its multiple dimensions: creator, craftsman, retailer, manager and communicator. The varied content illustrates the vitality of Hermès around each of the pillars of its employer promise. Showing Hermès from the inside in this way allows candidates to get a better feel for the Company. This increase in publications, which totaled more than 60 over the year, resulted in an engagement rate of 5.44%.

The Maroquinerie de Guyenne received the 2020 CSR award from the list of companies recruiting in Bordeaux and the surrounding area, organised by the newspaper *La Tribune* in partnership with Bordeaux Métropole and Pôle Emploi.

In terms of the employer brand and recruitment in Europe, the partnership with the Easyrecrue platform makes it possible to offer European candidates recorded video interviews, which saves time for recruiters and provides for more modern interaction with candidates. Webinars and testimonials from the House's employees have been designed in a spirit of sharing to enable interns, work-study students and sales associates to prepare for the interview by immersing themselves in materials about the House.

Hermès China opened an employer page on Wechat in July 2020 to take advantage of the power of the most influential Chinese social network, which is widely used locally. The number of followers on the Hermès Wechat account was 1,149,000.

2.3.1.1.2 Recruitment

Despite the unusual context of this year, the House managed to maintain recruitment by relying on the strength of its model and adapting its recruitment methods to the situation.

Hermès is recruiting in four complementary areas:

- ♦ internal mobility is the preferred source for building the Hermès of tomorrow with the resources of today, for people wishing to have a long career within the House. An internal job posting platform enables employees to find numerous opportunities;
- ♦ when vacancies cannot be filled internally, they are posted on the career website <https://talents.hermes.com/fr/>;
- ♦ at the same time, all vacancies on the career website are automatically published on LinkedIn;
- ♦ finally, recruitment firms are involved in a search whenever the need arises.

The **House strengthened the digitization of its recruitment processes**, by rolling out widely remote interviews by video-conference. This has made it possible to absorb an increase in high-quality unsolicited applications, which reflects both Hermès' influence in its industry, and the current economic context.

These operational improvements ease the tensions that exist in certain markets or sectors. In China, recruitment within the distribution sector remains competitive given the country's dynamism. There is also tension around other roles such as Data Manager, Supply Chain MOA, or in positions with very specific skills such as jewellery and gemology. The mobility of candidates, which has been reduced due to the health crisis, makes certain searches more complex.

Hermès Maroquinerie-Sellerie, the Group division that carries out the most recruitment, has ensured greater coordination with local players (Pôle Emploi) and has set up a centralised recruitment process for certain divisions (collective information, workshop visits and training, simulation-based recruitment tests) in order to improve the quality of its recruitment.

A strategic workforce planning system has been put in place for the entire Retail sector with the aim of anticipating the needs of distribution subsidiaries over a five-year period (see above).

Hermès also received an award for best employer this year – ranking third in the luxury goods industry – in the Epoka-Harris Interactive ranking based on a survey of students and young graduates. Lastly, Hermès Australia was named Best Retail Employer of the Year in the world of distribution.

Employment

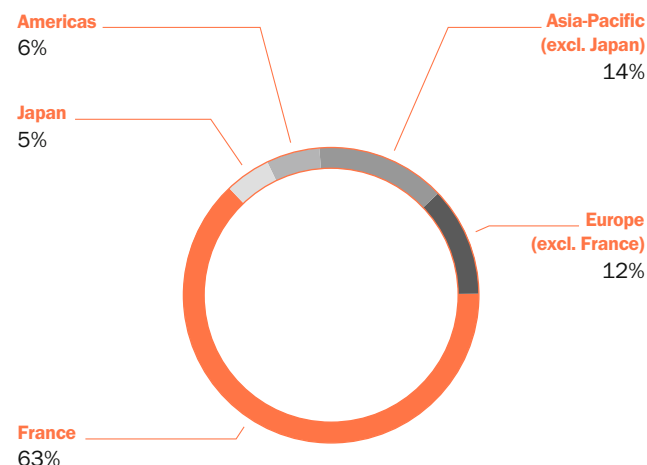
The Hermès Group continues to recruit and increased its workforce by 1,183 people (including 1,068 permanent employment contracts and 861 in France). Nearly half of this comes from the consolidation of the J3L group, Hermès' long-standing supplier. On a like-for-like basis, the workforce was up by 694 people.

At the end of 2020, the Group employed 16,600 people, including 10,383 in France. As has been mentioned, the Production sector saw the most growth, with the creation of 967 new jobs (481 in 2019), in order to increase production capacity and to protect savoir-faire and sources of supply, followed by the Retail sector, with 33 additional jobs created (388 in 2019). **Over the past five years, the workforce has increased by 4,356 people.**

The last 10 years have not required the Hermès Group to undertake any restructuring efforts for economic reasons that had any consequences with regard to jobs. During development operations (site construction), any transfers were on a voluntary basis. In France, individual redundancies involved 176 people in 2020 (193 in 2019).

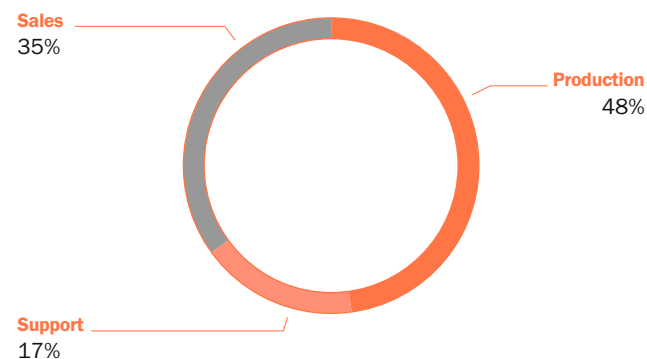
Hermès' policy is to ensure job security by recruiting the vast majority of its employees on permanent contracts. Concerning employee turnover, the total number of dismissals represented 1.09% of the Group's average global headcount.

BREAKDOWN OF EMPLOYEES BY GEOGRAPHICAL AREA



When recruiting, a particular focus is placed on the personality of the candidate: a sense of teamwork, a spirit of curiosity, a commitment to quality and attention to results are key criteria because they play a determining role in the future employee's ability to bring something to the corporate project while participating in the strong team spirit that informs the internal experience.

EMPLOYEES BY SECTOR



WORKFORCE BY REGION AND GEOGRAPHICAL AREA

	Production			Sales			Support			Total		
	2019	2020	%	2019	2020	%	2019	2020	%	2019	2020	%
France	6,488	7,162	89%	1,318	1,356	23%	1,716	1,865	69%	9,522	10,383	63%
Europe	398	699	9%	1,018	978	17%	236	261	10%	1,652	1,938	12%
Asia-Pacific	91	83	1%	1,966	1,977	34%	322	315	12%	2,379	2,375	14%
Americas	76	76	1%	802	802	14%	189	199	7%	1,067	1,077	6%
Japan			0%	724	748	13%	73	79	3%	797	827	5%
Total	7,053	8,020		5,828	5,861		2,536	2,719		15,417	16,600	
%		48%			35%			17%				100%

Craftspeople represent a workforce of 5,617 people in France and 6,265 worldwide. 17% of employees are under the age of 30.

In 2020, 1,452 job offers were published on the careers website (compared to 2,019 in 2019). This change is explained by the health crisis. The site registered 214,262 applications (compared to 176,623 in 2019), which illustrates the House's increased attractiveness, in particular due to its higher visibility. A total of 834 hires were made via the site (compared with 1,463 in 2019), including 249 permanent employment contracts, 124 fixed-term employment contracts, 113 work-study students and 348 interns.

2.3.1.2 ENSURING THE SUSTAINABILITY AND DEVELOPMENT OF SAVOIR-FAIRE

Hermès bases its growth model on a culture of continuous improvement. This is why the House ensures the sustainability and enrichment of its often-exclusive *savoir-faire*, its acquisition and transmission to all employees regardless of their function (craftspeople, sales associates, support personnel, etc.). This involves accompanying the development of employees throughout their career, supporting the excellence and effectiveness of their *savoir-faire* and preserving their employability. This commitment is reflected in appropriate training in all *métiers*, in all functions, both at Group level and locally (regional divisions, subsidiaries). **In 2020, 72% of Group employees took at least one training course.**

On-boarding new employees and passing on a unique corporate culture to them

The sustainable development of the House is based on the ability of its teams to be part of its long-term values and corporate project. So that those who join Hermès can take part in its corporate project under the best possible conditions, the House devotes care, attention and time to their integration. This involves passing on the fundamentals of the House's culture, the keys to understanding the organisation to guide them and direct them in their first decisive steps in their contribution and sense of belonging to Hermès. In most subsidiaries, the assignment of a mentor and the implementation of induction programmes are planned to welcome new employees.

For example, in 2020, Hermès Greater China launched the "100 days" programme for all new employees, a sponsorship lasting 100 days focusing on four key aspects of distribution. In addition, 171 people benefited from an induction day on the history, culture of Hermès and the subsidiary, as well as more operational information. In Japan, 52 new employees took part in H Style sessions, which give them the keys to understanding Hermès in several stages over the course of a year, both from a cultural and operational point of view.

The main programmes for integrating and transmitting the Hermès culture are described in more detail in chapter 2 "Corporate social responsibility", § 2.3.1.3.1.

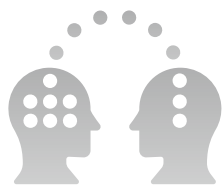
An ambitious and scaled-up development and training offer

In 2020, Hermès scaled up the Group's development and training offer to better support the subsidiaries and complement their local offer.

This Group-wide training offer has a new common identity, Hermès Campus, structured around four areas: House culture, management, expertise and personal development.

In the specific context of the health crisis, face-to-face training sessions were given during part of the year, then later in the year they were provided remotely.

In 2020, the Hermès Group devoted more than 391,737 hours to training, including over 237,300 in France (excluding apprenticeships and apprentice contracts). Nearly 70,154 training sessions took place (this figure corresponds to the total number of training sessions followed; any one employee may have followed several training sessions during the year), i.e. an average of 5.6 hours per training activity. Training costs in France (invoicing in 2020 of external and intragroup training) amounted to €2,388,000. This figure does not reflect the entire training effort, since it does not include *métier* training dispensed directly in the workspace.



391,737
hours of training
in 2020
(for 16,600
employees)

2.3.1.2.1 The House culture, the foundation for learning

The Group's policy is to develop an integration and acculturation pathway for all employees, through Group-wide and local programmes.

- ♦ **"Mosaïque"**, the week-long induction programme for all new employees in France on permanent employment contracts, has been scaled up. 206 employees were able to effectively assimilate the Company culture through visits, testimonials and presentations giving a broad and well-illustrated vision of Hermès;
- ♦ the **"Happy Culture"** programme, aimed at employees with more than three years of service, enabled 64 employees to deepen their understanding of Hermès culture, to better understand the new dimensions of the House and to discover behind the scenes;
- ♦ the **"IFH"** programme, dedicated to members of the Management Committees of the sites or subsidiaries, invited 21 employees to share the vision and strategy of the Group and the *métiers*, thanks to a new remote format;
- ♦ **"H Immersion"**, the integration programme for new employees of the Retail subsidiaries, was delivered in a local format lasting one to four days to all new employees in sales, *i.e.* 622 participants. Given the health situation, the sessions were managed remotely from March;
- ♦ in many subsidiaries, the **local integration programmes** were able to run: "Tous en Selle!" for 53 employees within the Hermès Maroquinerie-Sellerie central services division, "Au fil d'HTH", a three-day integration programme in the Textile division for 22 employees, "1ers regards" at Hermès Femme, "Bienvenue à la maison" for 50 Hermès Maison employees, a new integration programme for 10 work-study students at Hermès Commercial, and at Hermès Parfums & Beauté, the rollout of the "Premiers Pas" programme continued for all new permanent employment contracts and "Découvrons Hermès Parfums & Beauté" for fixed-term employment contracts, work-study students and interns.

In total, these integration programmes reached more than 1,000 employees Group-wide.

2.3.1.2.2 Management at the heart of the Group's ambition

In 2020, the House proposed a new individualised and ambitious development pathway for all managers, in order to strengthen their skills and thus contribute to the smooth and efficient functioning of the teams over time:

- ♦ the **"H Keys"** programme welcomes new managers for three days to give them the keys to understanding the House, help them adopt a managerial stance in line with its values and create links between the managers in various entities. The **"Hermès Manager"** programme provides a common foundation on the fundamentals of management techniques;
- ♦ lastly, 15 more specific modules are proposed (360°, communication, feedback, creativity, collaboration, co-development, recruitment, compensation, employment law, remote management, digital management, cross-functional management, etc.), allowing individualised support for each manager according to their needs.

Locally, new management training courses have been introduced for local issues. Thus Hermès Maroquinerie-Sellerie offered 65 managers the *Artisan Manager-Manager d'Artisans* course, a set of modules to deepen various aspects such as budget construction and management, personnel administration and applicable labour rules, and the fundamentals of employment law. New short formats of individual coaching or remote co-development workshops were introduced by Hermès Femme, Hermès Maroquinerie-Sellerie and Hermès Bijouterie. In the UK, John Lobb provided training to 30 managers on managerial skills and co-development between peers. Korea developed a new **"Luxury Attitude"** programme for nine managers.

Lastly, some training sessions usually conducted face-to-face have been adapted for remote use, such as the annual interview or the **"Collaborative Manager"** programme at Hermès Distribution France. The US subsidiary rolled out a new 360° assessment to help managers better understand their management style.

2.3.1.2.3 The high expectations of savoir-faire

The House's policy is to consolidate and develop individual expertise, increase versatility, ensure that *savoir-faire* is shared within teams and that this is passed on from generation to generation and preserve our talents. The excellence of all our *savoir-faire* is expressed not only through the quality of the objects but also through our ability to craft them in a way that respects both the craftspeople and the environment.

Hermès is developing in-house training schools for its major craftsmanship *métiers* – Leather, Textile and Tanneries – enabling this *savoir-faire* to be perpetuated and handed on. This can be seen, in particular, in the acquisition of *savoir-faire* in an employee's first job as a leather worker, in an engineering incubator within the École des Tanneurs and the École du Textile, and the recognition of the qualifications gained through on-the-job training¹, experience validation² or diplomas (CAP³, etc.). **The Group employs 107 full-time trainers in its *métiers* in France.**

1. CQP: vocational qualification certificate.

2. VAE: validation of acquired experience.

3. CAP: vocational aptitude certificate.

Within the **Leather Goods sector**, a network of *métier* trainers is structured and encouraged by regular meetings where new ways of working and transmission techniques are shared.

The École du Cuir has enriched its programmes to support the key challenges of development and transmission of skills. New hires receive initial training in Table, Cutting and Leather Goods stitching at all sites, and new starter training in Saddlery stitching was developed this year.

In total, the École du Cuir is 12 programmes enabled 515 employees to be trained in 2020 (i.e. a total of nearly 6,100 since 2011) and resulted in the achievement of 283 diplomas or certifications (i.e. despite the constraints related to the health context, a number close to the 321 obtained in 2019): 208 CAP vocational qualifications in leatherwork, 31 saddler and leather worker (*Sellier Maroquiniers d'Art*) diplomas, 19 CQP Cutting diplomas and two art *métiers* diplomas (*Brevets Métier d'Art*). As part of the validation of acquired experience (VAE) scheme, nine people received CAP vocational qualifications in leather work, five people the saddler and leather worker (*Sellier Maroquiniers d'Art*) diploma, eight people the CQP Cutting diploma and one the CQP Stitching diploma.

	Education	2019	2020
École du Cuir	CAP vocational qualifications in leather work	197	208
	<i>Sellier-Marouquinier d'Art</i> (saddler and leather worker) diploma	76	31
	CQP Cutting diploma	21	19
	<i>Brevets Métier d'Art</i> (Arts <i>métier</i> diploma)	-	2
VAE	CAP vocational qualifications in leather work	9	9
	<i>Sellier-Marouquinier d'Art</i> (saddler and leather worker) diploma	8	5
	CQP Cutting diploma	10	8
	CQP Stitching	-	1
Total CAP		206	217
Total certifications		321	283
Total trainers		82	83

Another important issue is the professionalisation and support of trainers, which has led to 83 trainers from the table, cutting and stitching sectors to take part in meetings to share experiences and receive regular training in areas such as communication, personal development and teaching.

Holding Textile Hermès has one of the largest Textile divisions in France in the Rhône-Alpes region (more than 850 people); the division is home to many unique forms of weaving and silk printing *savoir-faire*, which Hermès works hard to maintain.

In 2020, the two working groups dedicated to training related to the Outlook approach, in anticipation of retirements, intensified their discussions. One worked on the redesign of the Printer training course, notably with a local partnership initiative with an artisanal fabric printing workshop in Lyon, while the other worked on the “quality control” organisation for which 30 recruitments will be made by 2022.

The holding company also continued the *Résonances* programme, designed to sharpen artistic and cultural skills among development, colouring, and creation teams.

Hermès Maison developed the Supply Chain Pathway training course to enable all the players concerned to improve their knowledge of scheduling, planning and procurement expertise through the sharing of best practices with other *métiers* in the House.

Cristalleries Saint-Louis continue internal training on *métier savoir-faire* for 39 craftspeople. A training centre was set up in the hot-part workshops.

For **the distribution subsidiaries**, Hermès Group Campus designed, developed and rolled out several training programmes for sales employees. The Sales & Service Ambassadors programme, which aims to train people in customer service that matches the quality of the objects, is being rolled out around the world, but with a local twist. The Sales & Service Leader programme, launched in 2017 to give store managers the means to be true entrepreneurial owners of their local project, continued its rollout in the various regions. The Retail Developer programme, also introduced in 2017 and linked to the Sales & Service Leader programme, was also maintained.

In addition, Hermès Group Campus leads the community of *métier* and market trainers, in charge of product training for sales associates. Two remote Train The Trainer sessions were devoted to the seasonal collections to enable the 24 *métier* trainers to pass on their knowledge and expertise to the market trainers who, in turn, will train the store teams.

This year, all Retail subsidiaries have developed product training and distance selling techniques using new tools to create interactive and participatory learning experiences. The opening of the new stores in Moscow, Madrid and Stockholm posed the particular challenge of training the new teams in a way that provides the same level of quality but in a context that is often difficult. **The Retail subsidiary in France** introduced the *Sacrés Français* training for 150 employees in order to fully understand the specific expectations of French customers, better meet these expectations and encourage customer loyalty.

2.3.1.2.4 Increasing everyone's potential through personal development

At Hermès, *savoir-faire* is inseparable from *savoir-être*. The House therefore offers programmes mainly dedicated to developing behaviors in situations involving speaking in front of others, conducting meetings or project management, with priority placed on the quality of the relationship between individuals and collective harmony.

In the particular context of the health crisis, several of these programmes have been adapted to a distance format to ensure employees receive a high-quality learning experience, combining the acquisition of theoretical skills and moments of collective discussion.

For example, **Hermès Maison** created interpersonal skills workshops for all the division's employees and managers in order to develop constructive relationships, preserve emotional resources and cultivate positive emotions.

2.3.1.2.5 Propose a multimodal offer

In the specific context of the health crisis, the House accelerated the provision of a multimodal offer to support lifelong learning at Hermès by creating:

- ♦ the **My Campus digital training portal** for French-speaking employees, including new training and development tools: catalogue of the internal training offer, internal e-learning, talks, serious games, access to the *Culturiosité* general knowledge platform in partnership with Artips and to a business philosophy platform in partnership with Philonomist;
- ♦ the **Hermès Métiers Retail training digital portal** in five languages (French, English, Chinese, Korean and Japanese) containing the essentials of each of the 16 *métiers* and intended for all sales associates;
- ♦ The **"InterHactions"** programme, intended to maintain and develop links within the French-speaking community. The Campus newsletter is sent regularly to more than 1,500 French-speaking employees, including internal and external development content, along with invitations to talks on the themes of creation, digital, openness and understanding of the world and well-being. Some 20 talks have already taken place and have been attended by over 2,000 employees.

At the same time, the entities have also developed new tools: **Holding Textile Hermès** produced a virtual reality film to present ATBC Challes' exceptional *savoir-faire* in horsehair weaving. **The Hermès Of Paris subsidiary** developed 84 "Return to Learn" virtual classes with an average of 363 participants each time, with topics ranging from the development of professional skills to interviews with Hermès Senior Executives and the sharing of *métier* expertise. The aim was to maintain employee engagement and support the emotional well-being of the teams during this time of great uncertainty by connecting employees with each other.

2.3.1.3 INTEGRATING SUSTAINABLE DEVELOPMENT ISSUES INTO SAVOIR-FAIRE

Integrating sustainable development into the *savoir-faire* of all *métiers* and all employees is a strategic challenge.

The sustainable development strategy is set by the sustainable development department at Group level with Retail subsidiaries, production sites, *métiers* and support functions. It is based on raising awareness and empowering employees, who are the agents of change.

Given the great diversity of the *métiers*, the sustainable development department operates on a decentralised basis and relies on a network of more than 200 ambassadors worldwide. This network is broken down into different levels of expertise, functional or operational, so that all employees are stakeholders in projects and informed of news. The network includes sustainable development managers in several entities, the HSE network referents, ambassadors in stores and production sites. In 2020, this network continued to grow, in France and internationally. For example, Hermès Maroquinerie-Sellerie structured its organisation with the appointment of a CSR Director and the establishment of a dedicated team.

In addition, the *métiers* and subsidiaries organise Sustainable Development Committees specific to their scope. These continue to increase in all sectors.

Understanding and practical application of challenges locally require:

- ♦ **the structuring and monitoring of roadmaps** by holding Management Committee meetings and running dedicated seminars:
 - for the 7th consecutive year, the sustainable development department organised a "sustainable development Asia" seminar, held remotely. In addition to the work on the Group's strategy and challenges, two groups and two talks were organised around specific themes: green logistics and packaging. These talks generated exchanges between participants from the Asian subsidiaries and, more broadly, with in-house French and European specialists. This special occasion allowed around 60 people to share their achievements and update their overall vision of projects managed centrally,
 - building on the success of these talks, the sustainable development department decided to repeat the experience internationally four times during the year, each time bringing together around 80 employees,
 - in September, Hermès Of Paris hosted a remote seminar including a presentation of current events and the House's major sustainable development issues, and a dedicated presentation on packaging. Two sessions were organised, each time bringing together 50 ambassadors from the subsidiary and stores in the United States, as well as representatives from the Canadian subsidiary,

- the roadmaps of the House's various entities continue to be structured and rolled out. They include projects relating to governance, the structuring of networks through the appointment of dedicated contacts, local coordination, training and well-being of employees, or concrete topics such as continued efforts in recycling and energy saving (lighting), protection and preservation of biodiversity, sponsorship (skills and financial), and support for local associations,

- for the second consecutive year, the Hermès Distribution France subsidiary gathered its ambassadors for a day to present the Group's sustainable development challenges and those more specific to their business. It was an opportunity to discuss challenges in the field and to adopt tailored action plans;

♦ **specific training modules:**

- the Group's strategy is explained in each of the Hermès Group Campus' internal training courses (Mosaïque, IFH, Happy Culture): 13 sessions took place in 2020. Locally, the subject is presented in training formats ranging from induction programmes to training for new store managers and sales associates (France, Brazil, Mexico, United States, Asia, etc.). The *métiers* encourage employees to learn about the environmental impacts of their activities (eco-textiles, circularity, innovation, plastic, etc.),
- in addition, a Group training programme was launched and hosted in the new Group LMS (learning management system) training channel. A section dedicated to sustainable development offers modules on different topics, either related to fundamentals or more specific subjects such as biodiversity. This programme is intended for all Group employees. The aim is to make employees ambassadors for sustainable development. Essentially in e-learning format, these modules will be rolled out widely in 2021;

♦ **spreading a sustainable development culture:**

- each level has a role to play. A page dedicated to sustainable development, accessible to all employees, has been hosted on the *HermèsSphère* intranet since 2018. An Editorial Committee, managed with the internal communication department, ensures regular communication of strategic information, as current events occur: 17 publications were issued in 2020. An internal social network dedicated to sustainable development also enables a community of committed employees from all backgrounds to share their ideas and best practices, and to promote the culture of "All artisans of sustainable development";

♦ **the sharing of best practices and internal facilitation** have been adapted to the specific context:

- the European Sustainable Development Week took place in two stages following the postponement of the date by government bodies in France.

In May, a symbolic campaign to clean up email boxes was carried out by all employees of the French subsidiaries and sites. This operation continued during the summer and made it possible to raise awareness of the environmental impact of digital on everyday life.

More specific events were held for three weeks between September and October, on the theme of solidarity: collection of toys and clothing, talk on skills-based sponsorship, disability awareness. Other actions have made it possible to draw employees' attention to biodiversity issues on the sites, using the gardens of the Cité des Métiers in Pantin and the beehives of the Bobigny site. Markets with produce from market gardeners provided an opportunity to build relationships with local stakeholders and promote local, seasonal food. An event promoted soft mobility for employees, while going out to meet farmers installed along the Ourcq Canal. Lastly, employees at the Vaudreuil, Cristalleries Saint-Louis and J3L sites undertook activities to protect the environment by organising clean-up days in natural areas such as riverbanks, sometimes in cooperation with local residents,

- for several years now, foreign distribution subsidiaries have embraced Sustainable Development Week and made it an essential event to get their employees involved in concrete actions. In Italy, Switzerland, Germany and Greece, a hundred or so employees organised the cleaning of parks, gardens and riverbanks, and collected more than 200 kg of waste.

To mark the 10th anniversary of the Livelihoods carbon offsetting fund, a remote talk was organised in early November in the presence of members of the Executive Committee and 140 employees. This moment of discussion around Hermès' long-term commitment to projects with high social, societal and environmental resilience also enabled Bernard Giraud, Chairman of the Livelihoods fund, to conduct a retrospective of all projects around the world through the publication of his book: "*Ces mains qui réparent la terre, récits d'une aventure collective*" (These hands that repair the earth, stories of a collective adventure),

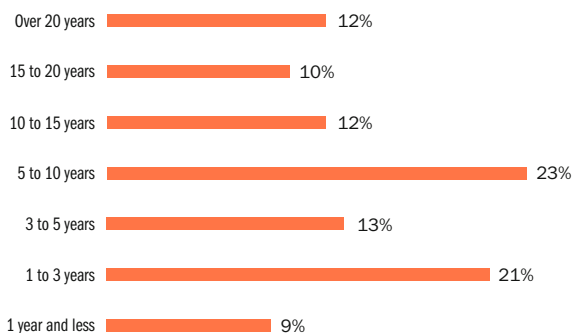
- in addition, the sustainable development department coordinates the actions of the Paris sites and manages an internal events calendar in France with regular events throughout the year: donation of clothing or toys, participation of local stores in Earth Hour (an event to mobilise citizens for the planet organised by the WWF), charity baskets for charities, harvesting and potting of faubourg Saint-Honoré honey with the help of employees, etc.

2.3.1.4 PROMOTING LONG AND SUSTAINABLE CAREERS

Loyalty is a value that contributes to the stability and sustainability of Hermès' model. For this reason the House strongly encourages the loyalty of its employees, makes them part of long-term projects and promotes long and sustainable careers.

Average seniority is nine years, and 43% of the Group's total employees have been with the Group for less than five years, resulting from fast growth in recent years. However, more than one-third of the workforce has been with the House for more than 10 years, illustrating the loyalty and opportunities for career development within the House. **In France, 25.8% of employees have more than 15 years of service.**

SENIORITY PYRAMID



2.3.1.4.1 Retain long-term employees

During the period of instability and uncertainty related to the Covid-19 pandemic, the commitment shown by the House (maintenance of salaries in full), its solidity and its ability to protect its employees were important factors in fostering loyalty.

More generally, Hermès activates a number of motivation levers that help to anchor attachment and develop a strong sense of belonging: training throughout the career, internal communication, particularly with the HermèsSphère digital platform, and dedicated and targeted content focused on the Company's fundamentals, its *savoir-faire*, its *métiers*, markets, organisation, as well as the quality of the workplaces, the systems dedicated to well-being and the convivial meetings that create strong links between the employees.

To support the sustained growth of its divisions, **Hermès Maroquinerie-Sellerie** develops in particular the professionalisation of central services, the empowerment of teams, versatility and multi-skilling, integration into continuous improvement project groups, temporary secondments, additional assignments, internal mobility and promotions. In addition, at the sites, a seniority bonus has been introduced for non-managers. Following the health and well-being study conducted in 2018 and 2019, local action plans have been rolled out to continue improving well-being at work in consultation with all teams.

Within **Hermès Cuirs Précieux**, numerous cross-functional projects dedicated to innovation in all areas encourage the learning of new skills and internal involvement. A management style conducive to close proximity also serves to build loyalty and recognition.

Hermès Femme implements various initiatives to promote loyalty: personalised annual training plan, showcasing former employees and experts in their field renowned for transmitting their *savoir-faire*, monthly dialogue meetings, Hermès Femme lunches accompanied by the Chief Executive Officer and Human Resources Director, proximity to the Management Committee, Human Resources managers and other managers.

In **the distribution network**, development paths combined with an abundant training offer help motivate teams, who are happy to learn and grow.

Within **Hermès Distribution France**, the development of multi-skills is encouraged by the creation of the *École des artisans de la vente*, which offers initial and continuing training courses, and by the implementation of participatory and collaborative cross-functional projects.

Hermès Grande-Bretagne has set up the "Hermès hears" system to allow employees to express themselves freely.

At **Hermès Japan** motivational actions such as morning sessions with managers and the Chairman, as well as the involvement of employees in projects, contribute to giving meaning and improving efficiency. This satisfaction is confirmed by the very low turnover within the subsidiary.

Developing so we can build tomorrow

Hermès intends to facilitate the construction of rich professional and personal paths within the Group to bring out the leaders and managers of tomorrow. The challenge is to build the Hermès of tomorrow with the men and women of today.

Each employee has an annual performance appraisal. The Managing Directors of the subsidiaries and their Human Resources Directors oversee the annual performance reviews, which are based on annual interviews that provide an opportunity to take stock of the past year and build the objectives for the coming year, in terms of training. The Human Resources teams collect all of the roadmaps and use them to put the training plan in place. In France, this update on employee skills and professional development takes place in the form of a professional interview, which by law must take place every two years. Hermès has chosen to conduct this every year and to discuss the subjects reviewed during the professional interview at the annual interview. The Human Resources Director supervises the organisation of both interviews:

- ♦ the annual appraisal including performance reviews, the work environment, skills analysis and objectives for the coming year;
- ♦ the professional interview, to discuss medium-term perspectives with the employee (professional assessment, professional project, skills development plan and training).

In subsidiaries abroad, annual interviews are opportunities for discussion, formalised by a document detailing : the achievement of targets, performance, the managerial relationship, work-life balance, ethics and compliance, training requirements and the targets set for the upcoming year. Certain subsidiaries (the United States, Japan, etc.) adapt the Group formats in keeping with cultural requirements and legal constraints. The support given to employees throughout their career is informed by these annual interviews. Once a year, the subsidiaries also organise a Careers Committee, in which the Management Committees share individual situations and stimulate in-house mobility, which is the first lever for employee development. Annual “Talent Reviews” are also a way of learning more about employees and following their trajectories closely. This enables individual Executive development to be followed closely.

The Group human resources department monitors the development of talents, in close cooperation with the divisional human resources departments, and offers a range of programmes for them. **In 2019, the “Cavaliers” programme gave six groups of young talents the chance to reflect on a topic representing a strategic challenge defined by the Executive Committee.** In 2020, seven employees were involved in the Colbert Labo (Comité Colbert) on the theme of “How to bring environmental responsibility to life in a luxury goods house in light of new consumer expectations?”. A number of external programmes have been offered to more than 50 – including 37 in the “Eve” and “Octave” programmes rolled out by Danone – employees whom the House wishes to support on leadership issues in particular and in their personal development more broadly. Thus, 14 employees took part in the Noé programme provided by Danone to learn innovation techniques, and 14 people benefited from the Octave programme, which explores the themes of intergenerational working and global changes. For the third consecutive year, four employees were able to join the “Campus Formation Étudiants Entreprises” programme, which adopts the combined work-study contract approach to provide trainees with the digital skills necessary to support ongoing changes in areas including design thinking, project management, digital techniques and collaborative working... This leads to a Master’s degree, which increases their employability.

A rich pool of talents to develop

Talent is a real asset for the Hermès Group as a whole, which shapes its future. Talent management is a joint project coordinated by the Group and managed in a spirit of sharing, transparency and consistency. The role of the Group Director of Human Resources and local Human Resources teams is to consider talented people in all their diversity and to stimulate their boldness and creativity.

The Group human resources department has been conducting a biannual talent review for the past 20 years. In 2020, it was decided to carry out this exercise on an annual basis in order to pay even greater attention to career management.

The talent identification and assessment model has been extensively revised to identify and support employees likely to take on responsibilities within the subsidiaries’ Management Committees and senior management. The emphasis has therefore been placed on the

ability to develop a strategic vision, to inspire and lead teams, to instill energy and promote the Hermès values. In order to achieve a fair assessment shared by the 27 subsidiaries, the Human Resources Directors conducted a calibration process for each major Upstream, *Métiers* and Distribution division, involving the managers of their Management Committees. At the end of the 2020 Talent Review, the “pool” of both expert and leadership talent was estimated at around 2.5% of the total workforce.

The Group’s desire is to nurture all these talents, by activating the levers of internal mobility, succession planning and the development plan.

A substantial range of Group development programmes is dedicated to this, such as the *Cavaliers* programme, which invites young talents to reflect on an issue defined and given to them by the Executive Committee (see above). For senior talents, the “Leading with art” programme was rolled out in 2020 to a group of 28 people: in two sessions of several days, this programme encourages leaders to lead in a creative and responsible way and promotes the emergence of an integrated, close-knit community of leaders.

In 2020, opening talks called *Hafterswork* brought together all of the Group’s Senior Executives on a bimonthly basis in order to put the situation into context, decipher the crisis and prepare for the future through a forward-looking approach. A very well-attended event, fueled by contributions from experts on contemporary and varied topics relating to leadership, sociology, economics, etc.

In parallel to these programmes, the Campus Hermès internal university offers training courses dedicated to leadership, in particular on understanding culture, management and management training. Furthermore, multiple external programmes are offered to support the development of talents in openness to the world, strategic thinking, leadership, digital, climate transition, etc.

2.3.1.4.2 Internal mobility

An organisation on the move

Benefiting from strong loyalty, the Hermès Group is very attentive to the issue of internal mobility, which is both the primary source of recruitment and the primary driver of employee development.

Various actions are led by the Group Director of Human Resources to build the Hermès of tomorrow with the employees of today: bi-monthly Career Committee bringing together the Human Resources Directors, “My way in Hermès” job vacancy platform, review of annual talent, constant coordination with the human resources network.

Locally, internal mobility employees are closely monitored. The regular organisation of secondments of employees offers the opportunity to experience a different *métier* or sector, as part of a specific assignment. Individual career interviews are offered when requested. The use of evaluation makes it possible to measure the potential to ensure adequacy with the requirements of the positions. In all subsidiaries, support, coaching and mentoring by managers aim to promote and encourage internal mobility.

During 2020, nearly 300 internal moves were carried out within the support and retail activities.

2.3.2 PRESERVATION AND SUSTAINABILITY

Hermès contributes to the maintenance and development of craftsmanship and manufacturing *savoir-faire*, in a context where this *savoir-faire*, and not only that of craftspeople, is in danger of disappearing.

Within a sector of excellence such as Hermès, these technical *métiers* represent a key asset and heritage. The singularity of all this *savoir-faire* is expressed not only through the quality of the objects made but also through our ability to craft them in a way that respects both the craftspeople and the environment. There is therefore a major challenge in attracting and retaining talent, consolidating, developing and perpetuating individual expertise, improving versatility and strengthening transmission from generation to generation.

POLICY

Hermès is developing in-house training schools for its major craftsmanship *métiers* – Leather, Textile division and Tanneries – enabling this *savoir-faire* to be perpetuated and handed on. The human resources department conducts a systematic training policy for new hires, with a dedicated training programme, mainly carried out internally and supplemented by external training. Keen to provide the world with a better understanding of these *métiers*, the House works upstream to promote *métiers* and crafts to younger generations, through local initiatives such as open houses and exchanges with educational establishments, or through the Fondation d'entreprise Hermès and in particular the “Manufacto” programme. Allowing young people to discover and become involved in a manual *métier* is essential; these *métiers* are often misunderstood and yet offer excellent prospects.

MEASURES IMPLEMENTED AND RESULTS

2.3.2.1 PROMOTING AND VALUING THE TRANSFER OF SAVOIR-FAIRE EXTERNALLY

A responsible company through strong relationships with educational establishments

Hermès pursues an active policy of close relations with leading educational establishments in the fields of art, design, craftsmanship, engineering and commerce, both to make students aware of its values and to share its project and occupy a position of choice in their world. These relationships are coordinated with the subsidiaries that support these activities, and taking into account the rapid development of certain *métiers*. In the current context of the health and economic crisis, Hermès believes that it is more necessary than ever to prepare for the future by supporting students seeking work-study programmes and internships. The House also wants to take an active part in education in different forms and in various fields: welcoming students to its premises through presentations and discussions, and going to meet them throughout France during forums to offer internship and work-study opportunities, provide real-life case studies, etc.

For the most part, these actions took place in new talk and video-conference formats. **Hermès was able to reach an audience of more than 1,000 students in 2020, during 40 different presentations in France.**

Art and design schools

A major publisher of objects and designs, Hermès seeks to promote its creative culture and its unique *savoir-faire*, particularly among young people who are future players in the creative world. The House wants to identify young talents for future collaborations, identify potential interns and work-study students, provide them with an accurate perception of Hermès' reality through a concrete and immersive experience, be in direct contact with young designers, and capture their expectations and their questions about the world.

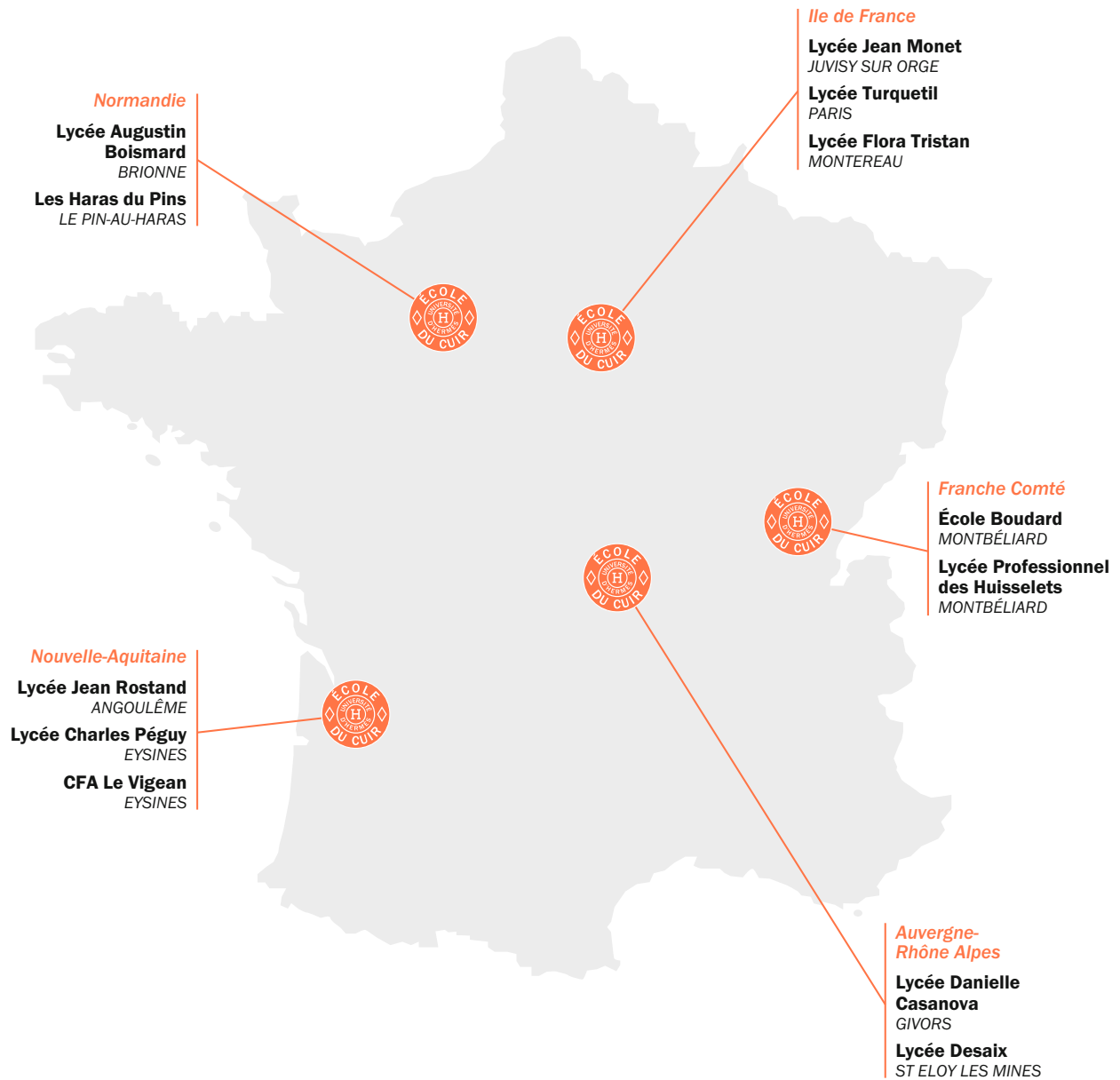
Hermès' general artistic department coordinates close relationships with several art schools. Students from **the Camondo school** were invited to create a communication object. Puiforcat involved students from **the Boule school** in a reflection on a moment of life. The *petit h* *métier* led a partnership with **the Eindhoven Design Academy**: 16 students worked on a theme defined by the Artistic Director, and the nominated student will be able to complete their project as part of their graduation project. He or she will be supported by the Creative Director of *petit h* and a creative contract will be offered if the result is successful. This partnership with the Eindhoven Design Academy also made it possible to recruit an intern for six months.

Craftsmanship schools

Craftsmanship employs more than 6,000 people at Hermès. It is the foundation of the House's vocation as a creator of high-quality sustainable objects. To continue recruiting for all *métiers* and to support the growth momentum of the Leather Goods segment, Hermès has forged long-term local partnerships with high schools and further education establishments, which are committed to understanding its specificities, culture and development.

Hermès Maroquinerie-Sellerie was thus able to start a CAP vocational qualification in leather work with the Lycée professionnel Flora Tristan vocational school in Montereau. The Hermès Maroquinerie-Sellerie division, which is expanding at a particularly dynamic pace, continued its partnerships with the École Boudard (Franche-Comté), the Thiviers training centre (Nouvelle-Aquitaine), the Lycée professionnel Jean Rostand vocational school in Angoulême (Nouvelle-Aquitaine), Les Compagnons du devoir, the Lycée Jean Monet de Juvisy-sur-Orge (Paris Val de Seine), the GRETA de l'Eure and the Lycée Boismard in Brionne (Normandy), the Lycée Charles Dupuy in Eysines (Nouvelle-Aquitaine) and the Maison familiale rurale in Isère. The partnership with the Lycée professionnel des Huisselets (vocational school in Franche-Comté) was strengthened with the integration of trainees from the first year of professional baccalaureate in Leather Goods. Steps have been taken to strengthen the partnership with Le Haras du Pins (Normandy). Pupils from La Fabrique's professional baccalaureate have been recruited by the Paris Val-de-Seine division.

12 PARTNERSHIPS WITH SCHOOLS OF LEATHERWORK IN FRANCE



2

Engineering schools

The Hermès manufacturing portfolio, with 51 sites in France and frequent plans to open new sites, offers engineers multiple opportunities, from production *métiers* to more cross-functional areas such as team management, quality, methods, safety, environment, technical and industrial development, etc.

The House cultivates regular links with several schools recognised for the quality of their project and their teaching.

For the past two years, the Group has been conducting work at École centrale de Paris to help highlight the artisanal-industrial business model, through cases assigned to students.

The École nationale des arts et métiers invited Hermès to come and share its project with the students, show the scope of its manufacturing portfolio and describe the opportunities for management positions on the production sites, in particular using the experiences of a former student.

Cristalleries Saint-Louis cultivates partnerships with the Lycée professionnel Jean Monnet vocational high school in Yzeure.

Hermès Cuirs Précieux is continuing its partnership with ITECH, a chemical engineering school offering a leather specialty. The “Young Tanners” programme, dedicated to creating an incubator for young engineers, was presented on campus. In a dual approach of social responsibility and local involvement, a collaboration with the GRETA in Montereau, located near the tannery, was initiated by the recruitment of an apprentice.

The Textile division has maintained close relationships with specialised schools such as the CFA Textile, ITECH, the vocational high schools Diderot, Émile Cohl, and Jean Claude Aubry, as well as the ENSAIT and with schools favouring disadvantaged populations and people with a disability. A partnership was initiated with the Rhône section of the Metropolitan Integration Centre for Employment to diversify the textile sector’s recruitment network with vulnerable populations. A presence at the Balbigny Employment Forum (Loire) resulted in the recruitment of weavers for the Bussièrès site.

Business and management schools

In November 2020, Hermès became sponsor of the European Chair in sustainable development and Climate Transition at Sciences Po Paris, which focuses on complementary and inseparable areas of sustainable development in any region: **climate transition, economic development and social inclusion**, through an approach that brings together a variety of players and expertise and is based on collective intelligence. This choice resonates perfectly with the House’s craftsmanship model, which is based on regional involvement and a strong social commitment. This chair will enable Hermès to go further in the analysis of regional involvement, a fundamental social and societal issue for the House.

At the same time, the partnership with Sciences Po Paris continued with the participation in forums, presentations in specialised masters’ courses and internship recruitment sessions.

Other initiatives carried out with the France’s Grandes Écoles bear witness to Hermès’ desire to play an active role in the emergence of a generation of managers trained in management techniques as well as in working together.

Hermès worked with Essec, Sciences Po Paris, EM Normandie, the University of Lugano in Switzerland in partnership with La Sorbonne Nouvelle, and with the students of the Design Fashion Luxury master’s programme at IAE Gustave Eiffel, EM Normandie – which received the MBA class from the University of Cracow, and the Grenoble École de Management to share its business project and interact directly with the students.

In addition, Hermès was able to welcome students from the Institut Français de la Mode who were following a retail course to give them an insight into its global Retail universe, a class from the Executive MBA Major Luxury at HEC to share its business model with them, and students from the École Estienne to show them the *savoir-faire* of the Pantin leather workshops.

Hermès Distribution France was welcomed by Pigier Création to enable its first-year students to understand Hermès’ expectations as part of a sales internship in a store. The division maintains close relations with IESEG, hosting students and participating in two forums in 2020, as well as with the Esmod school. Lastly, the students of the École Hôtelière Ferrières were invited to meet Hermès Distribution France managers who came to talk to them about the requirements of the Retail *métiers* and internship opportunities.

The Retail Hermès Switzerland subsidiary gave lectures at the University of Geneva and HEC Lausanne. Hermès Mexico continues a long-standing partnership with IES Moda Casa de Francia and has initiated new ones with Tec de Monterrey, Iberoamericana, ITAM and Panamericana universities to offer internship opportunities. The Hermès Of Paris subsidiary supports the Luxury Education Foundation (LEF) in partnership with Columbia & Parsons. The LEF provides opportunities for a first professional experience and knowledge of the luxury goods industry to design and business school students. It provides support in the form of financial resources, time and expertise to ensure the success of the foundation’s programmes and help promote study scholarships in the luxury industry. The Hermès Germany subsidiary has had a partnership with the AMD University of Design and Fashion in Munich since 2017. Hermès Grande-Bretagne has revamped its internship programme, which enables young university graduates to be hired on a 9 to 12-month contract in the field in which they wish to specialise. Hermès China, a high-recruiting subsidiary, has joined forces with Donghua University and Shanghai International Studies University.

Manufacto

The Hermès Maroquinerie-Sellerie division continues to support the “Manufacto” programme piloted by the Fondation d’entreprise Hermès, which aims to introduce children and teenagers to the universe of craftsmanship by showing them how to manufacture an object in several stages.

From the start of the 2020-2021 school year, this support was notably reflected in talks by eight craftspeople to several middle and senior school classes in the Paris region, Lyon, Normandy and Franche-Comté, and in the hosting of classes on certain sites in the Savoie-Dauphiné, Sud-Ouest and Franche-Comté divisions.

Since the start of the programme in 2016, nearly 4,000 students, or 160 classes, have met craftspeople during 12 production sessions.

Today, nine academies are participating in this programme to discover the worlds of carpentry, saddlery and upholstery, Leather Goods and plastering.

2.3.2.2 MAINTAIN HERMÈS' POSITION AS A LEADER IN TRAINING FOR ITS TRADITIONAL *MÉTIER*S AND PROMOTE ITS MANUFACTURING SAVOIR-FAIRE (VAE, MOF, EPV)

Meilleurs Ouvriers de France (MOF)

This prestigious title is awarded only in France by category of craftsmanship *métiers*, as part of a competition between professionals. It takes place every three years. The goal is to reward excellence and *savoir-faire*, which are the required criteria for the awarding of the title.

The House has 22 MOF, distributed as follows: two at the bootmaker John Lobb, 10 at Holding Textile Hermès (drawing-engraving, sabre velvet, weaving, printing and finishing), nine at Cristalleries Saint-Louis (crystal cutters, glassmaker by hand and using a blowtorch, as well as four Best craftspeople of France, glassmaker by hand and cutter), and a saddler-leather worker at Hermès Maroquinerie-Sellerie.

Entreprise du Patrimoine Vivant (EPV)

The Hermès Group is proud to have had **12 companies recognised by the *Entreprise du Patrimoine Vivant* (Living Heritage Company – EPV)** label in 2020, namely Hermès Sellier, Holding Textile Hermès (Bucol), Établissements Marcel Gandit, Ateliers A.S., Siegl, Ateliers de Tissage de Bussières et de Challes, Beyrand, Cristalleries Saint-Louis, Puiforcat, John Lobb and Les Tanneries du Puy (<http://www.patrimoine-vivant.com/>).

These distinctions bear witness to Hermès' commitment to the safeguarding, preserving and promoting heritage *savoir-faire*.

Concealed in a Hong Kong skyscraper, a quintessence of the House's *savoir-faire*

If you were to take the lift to the 22nd floor of a skyscraper stretching out from the heart of Hong Kong's Admiralty district, you'd expect to walk out into the offices of a large bank or the headquarters of a multinational. But you'd be wrong. What a surprise it is to discover traditional leather craftspeople and their tools nested incognito in the sky. Welcome to a Hermès repair shop. A concentration of the House's *savoir-faire*, hidden behind the scenes in major cities and available to customers around the world. This is the domain of Christelle, Farid and Alexandre, leatherwork magicians trained in French Leather Goods and dispatched to Hong Kong. A bevy of bags with the Hermès label are waiting patiently for a new handle, a colour stitch or a seam stitch at their gifted hands. In this workshop overlooking a city that never sleeps, time stands still. These objects with their individual histories come to life, recover, take on new colours, until they are ready for a new lease of life on the arms of their owners.



2.3.3 CONTRIBUTION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS (SDGS)

The Hermès Group's accomplishments in relation to *savoir-faire* contribute to the UN's Sustainable Development Goals (SDGs).



No. 4: Quality education

- ◆ 4.3 “Ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university”
Access to vocational training for women and men within the House is encouraged by the My Campus online platform and internal schools for the *métiers*, as well as by more specialised external training.
- ◆ 4.4 “Increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment”
The maintenance of *savoir-faire* is supported by training plans throughout their careers (107 trainers for all *métiers*, 283 certifications obtained at the *École du Cuir* in 2020). Employees participate in both external contests (*Meilleurs Ouvriers de France* - Best Workers in France) and internal challenges (the *Prix de l'Adresse*) in order to achieve qualifications, so as to sustain existing *savoir-faire* and revive any knowledge that is declining. Hermès also provides support to schools through the apprenticeship tax, and by offering apprenticeships.
- ◆ 4.7 “Ensure that all learners acquire the knowledge and skills needed to promote sustainable development”
Raising employees' awareness of sustainable development takes place throughout the year. The outlines are instilled by the sustainable development department and relayed locally by the network of sustainable development ambassadors. In 2021, an in-house training course called “The fundamentals of sustainable development” will be rolled out and made mandatory for all employees.



No. 11: Sustainable Cities and Communities

- ◆ 11.4 “Strengthen efforts to protect and safeguard the world's cultural and natural heritage”
Hermès is a House of creation that collaborates with many artists, thereby promoting the development of our creative heritage. Each collection involves the Artistic Director and the House's *métiers*, resulting in a profusion of creativity. These actions, recognised notably by the *Entreprise du Patrimoine Vivant* (Living Heritage Company), contribute to the Hermès Group's efforts to protect and maintain craftsmanship *savoir-faire*, as well as to promote these among young adults. Moreover, the Fondation d'entreprise is committed to supporting live performances and contemporary photography.

The integration of all processing operations in the Textile Division makes it possible to control and to optimize the use of materials.

2



©Photographer: François Lacour

2.4 PLANET: RAW MATERIALS

Sustainable development at Hermès is based on exceptional raw materials, obtained from natural sources, which make it possible to create long-lasting objects. The materials are obtained with a determination to control their footprint and used with respect by optimising their usage.

More broadly, 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.

Introduction

The sustainability of Hermès' activities depends on the availability of the high-quality raw materials that are at the heart of unique objects that sets the House apart. Hermès makes a conscious effort to respect and protect the environments in which these materials are developed and enhanced, and works to achieve the sustainability of the natural resources that it needs. **Hermès' iconic materials – leather, silk, cashmere and wood – are all natural, renewable and obtained in such a way as to minimise their footprint.** They undergo a thorough selection process detailed in specifications and complying with regulations and best practices, in the constant quest for the best quality and ethical integrity. Naturally, the Hermès Group does not use materials or species that are threatened with extinction or are sold illegally. For decades, the House's approach has been to learn more about its supply chains, to share its requirements with its suppliers (often long-standing partners) and to develop them to achieve the highest quality and thus prepare for future growth.

Over time, the search for new materials, the rediscovery of *savoir-faire*, the emergence of new standards and regulations, the development of new products and the growth in volumes, were all opportunities to enhance dialogue and improve practices.

The model and values of craftsmanship guiding the House have always promoted the careful and respectful use of these rare and precious materials. Craftspeople are keen not to waste anything, and to use only what they need. They also want to avoid throwing things away. To minimise offcuts, the *métiers* put the materials to the best possible use, for example in leather, by matching small and large items to optimise use of the material when possible. In all *métiers*, channels are also identified to recover and recycle manufacturing offcuts, in addition to the emblematic activities of *petit h*.

THE PLANET: RAW MATERIALS – CHALLENGES AND KEY FIGURES

Raw materials



100% recycled gold and silver processed in the workshops



39,000 products resulting from upcycling sold in 2020



15 tonnes of textile materials recycled in 2020

123,000 repairs worldwide



33 leather craftspeople expatriated to a subsidiary for repairs

Supply chains



96% of hides are by-products of the food industry



92% of hides sourced in Europe



92% purchasing categories where risks were mapped in 2020



100% Group entities with an animal welfare roadmap

2.4.1 RAW MATERIALS

Hermès' approach to sustainable development is based on exceptional raw materials, from renewable natural sources, obtained with a determination to limit their footprint. In addition to actions to control consumption of materials, each *métier* and production unit is committed to using materials wisely at each stage of their life, reducing waste and promoting recycling.

POLICY

The Group's policy is to use only the best quality materials, to optimise their use by adapting production methods, and to work on the recycling or reuse of any production waste. This policy consists of aligning purchases as closely as possible with needs, thereby reducing waste. The artisanal approach is an advantage in this respect, ensuring close proximity between buyers and craftspeople. In order to control the use of all materials, for several years reuse initiatives have been launched in a circular economy approach, both internally and externally, and Hermès regularly examines different ways to reduce the waste generated by its activities. Each *métier* works to constantly improve the use of these rare and precious materials, consuming only what is necessary.

MEASURES IMPLEMENTED AND RESULTS

Hermès is constantly seeking the best quality for all the raw materials used to manufacture its products. This quality guarantees the durability of Hermès objects: **"A luxury product is one that can be repaired", said Robert Dumas.** The selection of raw materials is therefore the subject of a rigorous selection process.

2.4.1.1 OPTIMISING THE USE OF RAW MATERIALS OVER THE ENTIRE LIFE CYCLE BY INTEGRATING THE PRINCIPLES OF THE CIRCULAR ECONOMY

As detailed below, the Group has launched a number of actions to reuse its materials, following a circular economy logic, for the most representative *métiers* in terms of materials consumption.

A Circularity Committee was also set up in 2020: it brings together all *métiers* and makes it possible to simplify the search for channels, other than those already existing for supplying petit h, in order to make materials not used of the original *métiers* available.

2.4.1.1.1 Materials

Leather

The leathers used by Hermès are rare and of exceptional quality. Purchases by tanneries are concentrated exclusively on the superior categories available. Hermès' Leather Goods are made to last and be passed on, thanks in particular to the cleaning and repair service offered to customers all over the world.

A number of craftspeople are trained and then dedicated to this specific activity, performed exclusively by Group employees. They are grouped in workshops in France and abroad. **In total, more than 80 craftspeople in 12 countries contribute in this way to extending the life of products.**

The very sparing use of leather is one of the main concerns for production units. From the moment a cutter craftsman joins the House, he or she is trained to cut exactly the right amount of leather. After taking his or her first steps, cutters are supported every day by their foremen to nurture this culture of optimisation, in particular by matching different models cut out of the same hide. Coordination among production units is managed on a daily basis to optimise the use of offcuts and hides.

A Best Practices Guide is reviewed annually at each Leather Goods manufacturing site and optimisation is monitored monthly at all sites. This guide is gradually supplemented with new best practices, and tested by cutter craftspeople with positive results. Each site is regularly assessed by the central team (Hermès Maroquinerie-Sellerie production department) and 95% have been assessed during the last three years. In 2020, the health crisis delayed this assessment, which will be completed in early 2021.

In addition, the sites' hide consumption target, managed on a monthly basis, made it possible to achieve 99% optimisation, a steady improvement for the past seven years.

Lastly, a new management tool was developed and rolled out in 2020: it enables the weekly consumption of each workshop to be measured, which improves its accuracy and thus promotes reduction.

Tanneries

The leathers manufactured by the division are rare and precious. Management of crocodile breeding on the *Alligator Mississippiensis* and *Crocodylus Porosus* farms, close and constant relations with suppliers of raw hides (crocodile, calfskin and goatskin), 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 in order to improve quality levels and thus optimise the use of the material. As an example, one of the division's tanneries is equipped with a system for taking images of the hides at the start of the process (optical reader), which makes it possible to identify defects, facilitate sorting and maximise the use of hides, reducing waste.

The division also takes part, in the context of the recovery of production waste, in working groups on the reuse, recycling and recovery of its waste within Hermès, as well as in the work carried out by the *Centre technique du cuir* (CTC – Leather Technical Centre) on this subject. For example, some of the hides not used in Leather Goods are offered to other *métiers* through an internal digital platform, allowing them to be used for various projects or objects. Furthermore, discussions are underway on the recovery of tanned waste by pyro-gasification, a process that generates a synthesis bio-gas that can then be used as fuel.

Textile

Once the raw materials have been provided (essentially silk, cashmere and cotton), the Textile division takes over all processing tasks: weaving, printing, finishing, fabrication. This unique integrated process makes it possible for us to control the use of materials down to the last thread. All manufacturing units in the division are involved in very active waste and scrap minimisation programmes, as part of the quality initiative that drives the whole sector.

This objective of maximising the use of materials is at the heart of the division's production model. For example, silk pieces are selected according to their quality to adapt the materials to the printing techniques. 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. Finally, a working group of representatives from each Holding Textile Hermès division unit was launched in 2019 to optimise cashmere use.

2020 was devoted to analyses and technical tests to validate ways of reducing waste, such as reducing losses by sending short lengths of cashmere that cannot be used in production to a dedicated workshop, or reducing the width of pieces to improve the ratio of printed surface to the area of the material. The objective is to implement on an industrial scale, from 2021, the main solutions identified.

Thanks to precise monitoring of products initially discarded and a strong development dynamic with the *métiers*, new products have been created in a spirit of "up cycling". Thus, in the Fall-Winter 2018 collection, 76% of the products initially rejected were given a second life and **more than 10,000 silk and cashmere items were reused in the Up-Silking collection**. Lastly, the manufacture of 10,000 textile masks to protect employees has also made it possible to reuse 6,000 meters, or more than one tonne of cotton.

The division is also working with a number of different service providers to find ways to re-use and recycle textile waste and production offcuts. A cross-functional working group has begun to work with partners in France and abroad to research methodologies for recycling silk and cashmere. Several tonnes of materials were used in tests to recreate acoustic panels or clothing. These multiple initiatives are designed to lead to industrial processes aimed at up cycling most of the textile production scraps.

Since June 2018, a multidisciplinary team from the Ateliers AS and Siegl production sites and process departments have been seeking ways to reduce adhesive consumption at the printing sites. Glue is essential to the process since it holds the textile in place during printing. Holding Textile Hermès complies with the regulatory framework for managing this

risk, but the solvents contained in these glues have potentially harmful effects on health when they are released into the atmosphere. The Group is continuing work in three directions to reduce these emissions: streamlining the daily use of these adhesives through procedures and the development of an adhesive application machine, the replacement of current adhesives with adhesive films, and the replacement of current adhesives with ones containing less solvents. Based on initial work, glue consumption decreased by 10% between 2019 and 2020.

In addition to these major areas coordinated by the division, each site also suggests initiatives for the responsible use of its materials and reduction of its consumables. In this way, the AEI site has reduced the weight of plastic used for packaging items by 27%, and has acquired a new packaging machine that halves the amount of plastic required. It has also discontinued the use of opaque plastics, which caused waste during changeovers. The ATBC establishment has also undertaken an approach to reduce plastic packaging by developing new inter-site transport bags. The estimated saving for 2021 is around one tonne of plastic. At the Gandit establishments, the recycling of printing frames is continuing and represents approximately 13% of the total number of frames, after rigorous selection in order to maintain a high level of printing quality. The fixing-washing workshops of Ateliers AS and Siegl are equipped with automatic dosing systems for the washing machines. In addition to reducing the teams' exposure, this system helps to optimise the consumption of soap and related products. Holding Textile Hermès logistics only uses cardboard from recycling circuits for its packaging. These boxes are then reused or recycled by the service provider Paprec.

In 2020, the commitment within the Fashion Pact resulted in work with the main cotton suppliers in order to be able to switch all cotton supplies to organic cotton or GOTS for packaging. These improvements will take place gradually from 2021 on emblematic and widely used elements, namely the herringbone covers and wrapping ribbons, which will significantly reduce the corresponding water consumption.

Hermès Femme

The Women's division's sustainable development team has devoted most of its resources to rolling out projects in favour of a circular economy, both internally and in partnership with external players. The team co-leads an inter-business Circularity Committee bringing together all Hermès experts around shared projects. **Several recycling pilot projects as an alternative to destruction made it possible to recycle 15 tonnes of textile materials in 2020 as well as to recreate 39,000 products.** Tools promoting reuse and internal up cycling have been jointly developed: decision trees to guide the *métiers* in their second-life circuits, up cycling bridges between *métiers*, and direct contact with external reuse and recycling partners. Finally, as part of an operational project aimed at maximising donations of finished products to several charities, more than 500 articles of uniforms and shoes were donated.

The Footwear *métier* implemented two actions aimed at optimising and reducing the impact of packaging. The “Palbox” project, a single large box adapted to the size of a pallet and equipped with a cover and a base, represents real time saving in shipping and reception, and greatly reduces the use of intermediate cardboard boxes, labels and adhesive tape. This initiative was launched in early 2020 with three pilot manufacturers, for an estimated saving of around three tonnes of cardboard. It will be rolled out with five additional partners in 2021. Lastly, downgraded or surplus hides from the Hats, Gloves and Women’s Ready-to-wear *métiers* were used to make leather covers to wrap special order pairs. Several hundred hides were reused in this way.

Plastic

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

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

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

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

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

Real estate

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

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

Oïkos Lab: circular economy initiative

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

Against this background, a laboratory, the Oïkos Lab, has been created, aiming to stimulate the design and singularity of living spaces while reducing the environmental footprint. The materials are thus recovered either for reuse within interior fittings (screens, wall cladding and furniture) or in the creation of objects (desk mats, POS), or through transformation to create new construction materials (tiles, insulation, cork, medium, etc.). The Oïkos Lab actively participates in the circular economy of the House and, with the help of the *métiers*, was able to avoid more than 345 tonnes of CO₂ emissions from its real estate construction, renovation and refurbishing activities in 2020.

Local sourcing and bio-sourced materials

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

2.4.1.1.2 Eco-design

Promoting the eco-design of products means designing products that respect the principles of sustainable development, using “non-renewable resources as little as possible, and preferring the use of renewable resources, which are used while respecting their rate of renewal, and combined with waste recovery that promotes reuse, repair and recycling”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.

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

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

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

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

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

2.4.1.1.3 Petit h and internal reuse of materials

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

1. ADEME definition.

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

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

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

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

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

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

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

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

2.4.1.1.5 Management of unsold stock

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

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

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

2.4.2 SUPPLY CHAINS

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

POLICY

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

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

Some 92% of the hides used are subject to stringent French or EU legislation, which contain strict requirements in this area.

MEASURES IMPLEMENTED AND RESULTS

2.4.2.1 CONTROL THE ENTIRE VALUE CHAIN AND CO-CONSTRUCT SUSTAINABLE DEVELOPMENT ACTION PLANS

Led by the industrial affairs department, **Hermès introduced a systematic approach to analysing its supply chains in 2020**, with the support of an independent expert firm, to take stock of traceability, inherent and specific risks, insurance and certification procedures, and thus set up action plans by the métiers in charge of the relationship. In this way, over the financial year, **24 main supply chains were reviewed**, and a Group policy was formalised based on general and specific principles, including certification objectives for most sectors according to the best existing standards by 2024. Hermès thus aims to obtain certifications and join labels by that date.

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

- ♦ commit to a genuine process of in-depth knowledge and management of 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 sectors 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.

2.4.2.1.1 Supply chain management: tools

The approach was launched during a Purchasing Day in September 2019, which brought together all of the House's 100 buyers. At the end of this day, it had become evident that a tool was needed to support the process. A "supply chain toolbox" was therefore built to structure the analysis of supply chains, 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.

More than 60 raw materials were identified in this way, and 31 priority sectors were analysed in 2020. Analysis is under way for 22 others and analysis of the final sectors will start in the first half of 2021 with the aim of completing all sectors by the end of 2021.

These sector analyses have led to the creation of a "supply chain brief", a document that explains our strategy, objectives and the means of achieving them. This brief was jointly prepared by the Hermès métiers, the sustainable development department and the direct purchasing department. An initial version was published in 2020, which will be extended to all sectors in the coming years, capitalising on operational feedback. A more comprehensive supply chain policy is being formalised, which will be published in 2021.

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 three important areas 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, in collaboration with the players in each sector, to have a transparent vision of each link in the supply chains of its métiers;
- ♦ **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 for 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 suppliers and subcontractors,
 - 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 protection of 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,

- environmental protection: 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 supply chains. This also means promoting the virtuous initiatives already undertaken.

This supply chain brief then specifies, for each sector, the short-term (2021) and medium-term (with a trajectory and targets for 2024) objectives that the House has set following analysis of the sector. This work was carried out with the support of a specialist consultant, and analysis of best practices and market benchmarks. It will be published in 2021.

This supply chain brief is built around commitments that the House is co-developing with its partners on the following bases:

MAIN COMMITMENTS FOR BETTER CONTROL OF SECTORS AND SUPPLIERS

ANIMAL SECTORS	
Cashmere	Responsible Wool Standard (RWS) certification
Feather/Down	Responsible Down Standard (RDS) certification/PFC (Parent Farm Certified)
Leather	Leather Working Group (LWG) certification of tanneries
Precious leather	IFCA certification for crocodile farms LPPS certification for lizard farms
PLANT SECTORS	
Cotton	GOTS certification
Linen	Master of Linen certification
Cellulosic fibres	FSC fibre sources (list of prohibited suppliers)
Wood	FSC and/or PEFC certification
MINERAL SECTORS	
Stones	RJC and/or IRMA certification
Gold/Silver	RJC certification and use of recycled materials

2.4.2.1.2 Analysis of the main supply chains

SUPPLY CHAIN ANALYSIS

2019	2020
- Methodology - Design of the supply chain toolbox	- Drafting of operational supply chain briefs - Certification procedures, labels
Analysis launch (pilot supply chains)	Continued analysis of supply chains
- Calfskin, bull calf, lamb, ostrich - Cashmere - Gold, silver, diamonds - Wood (walnut, mahogany), rosewood	- Yarns: sheep, merino, angora, mohair, horsehair, yak, alpaca, vicuna, camel - Feathers: goose, duck - Other: fur, fish, elaphe

The conclusions of the work conducted in 2020 on the materials most widely used by the Group are as follows:

Sheep, merino and mohair (angora goat)

The main risk identified during the analysis of these yarns concerns animal welfare, linked to farming and shearing conditions and mulesing practices. Intensive farming also carries a risk of groundwater pollution and soil desertification.

To prevent these risks, the decision is to move towards a responsible supply chain model, based on benchmark market standards, the Responsible Wool Standard (RWS) for sheep and merino, and the Responsible Mohair Standard (RMS) for mohair.

The action plan that was defined in the supply chain brief is as follows:

- ♦ in the short term (2021), continue the survey of all actors up to the breeding level, with information on the origin and species used;

- ♦ by 2024, choose sources of supply certified according to the benchmark labels of the Textile Exchange: Responsible Wool Standard (RWS)/Responsible Mohair Standard (RMS):
 - favour suppliers whose sources are fully RWS-compliant, with 100% of their flocks certified,
 - if the current sources are not certified, define an individual continuous improvement plan based on the above label and share with Hermès any difficulties in obtaining certification and the implementation timing,
- ♦ prohibit from the start suppliers who seriously infringe human rights and fundamental freedoms, suppliers who do not comply with the OIE (World Organisation for Animal Health) principles of animal welfare and, in particular, suppliers who perform surgical mulesing (peri-anal ablation) or chemical (freeze) mulesing.

Goose and duck feathers and down

The main risk identified during the analysis concerns animal welfare, particularly through the practice of de-breaking and plucking. The limited visibility of the supply chain and farms used is also a risk for Hermès.

A moderate environmental risk was also identified with regard to the pressures exerted on the ecosystem through the consumption of water and energy and the pollution of watercourses and groundwater generated by intensive farming.

To prevent these risks, the action plan is to move towards a responsible supply chain model, based on the benchmark market standard, the Responsible Down Standard (RDS).

The action plan that has been defined is as follows:

- ♦ in the short term (2021), continue the survey of all actors up to the breeding level, with information on the origin and species used;
- ♦ by 2024, choose sources of supply certified according to the Responsible Down Standard (RDS) label supplemented by the “Parent Farm Certified” (PFC) B2B certificate. Certification according to the NSF Global Traceable Down Standard (TDS) may also be accepted.

2.4.2.2 IMPOSING THE HIGHEST STANDARDS ON ANIMAL WELFARE AND IN THE ETHICS OF RELATIONSHIPS WITH LIVING CREATURES

The Hermès Group policy is to do more than strictly adhering to the laws and regulations in this area. It works constantly with its tanner, tawer and hide supplier partners and, more broadly, with the professional industry bodies. It has put in place a very strict animal welfare policy covering its specific areas of direct responsibility at the reptile farms, extending also to its external partners. The policy is based on the following principles:

- ♦ **a commitment to the fundamental principles of animal welfare (Five Freedoms)** based on the most recent information supported by

the best scientists and universities in the world. This essentially involves observing the animals and their behaviour (performance requirement), unlike more traditional practices which overlook the animal in the welfare assessment and focus solely on a physical analysis of resources (resource requirement);

- ♦ **a multi-party collaboration** to ensure that the animal welfare results obtained meet the requirements and analyses of a broad range of stakeholders, primarily the World Wildlife Fund (WWF), Royal Society for the Prevention of Cruelty to Animals (RSPCA UK), South African Ostrich Business Chamber (SAOBC), International Crocodilian Farmers Association (ICFA), Crocodile Specialist Group (IUCN-CSG), South East Asian Reptile Conservation Alliance (SARCA) and other professional organisations in France such as Interveau and Interbev;
- ♦ **a formal governance framework:** the House set up an Animal Welfare Committee in 2019. 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 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. These standards aim to eliminate controversial animal welfare practices in these animal supply chains, limit the excessive use of antibiotics (only on prescription from a vet) and prohibit the use of growth hormones;
- ♦ **a monitoring system adapted to each sector** allows progression of good practices by conducting regular internal, or external, controls and audits in the supply chains. Several audits were conducted on all sectors in 2020 and are thus representative of all animal material supplies; In addition to animal welfare (as defined by the FAWC: Farm Animal Welfare Council), these audits cover environmental and societal aspects of livestock farming;
- ♦ Hermès also continued to **support the International Crocodilian Farmers Association (ICFA)** initiative to draw up and introduce an international certification framework for crocodile welfare and sustainable farming practices at farms (see above). The Group will continue to work with the ICFA to support scientific research and the ongoing improvement of crocodile farming systems;

All the Group's *métiers* concerned have an animal welfare roadmap.

2.4.2.2.1 Leather

Leather is an animal product, specially tanned and made imputrescible, either in a tawery 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. 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. To maintain consistency in the finished product it also only uses entire hides. Leather reflects the animal's life. It may bear traces of injuries, health issues, like parasites, and other factors. Beautiful hides come from animals that have been well-treated and cared for. Hence, the Hermès Group's demand for high quality helps to improve the industry by encouraging livestock farming methods that respect the animals' welfare.

All leathers used for manufacturing are directly purchased from tanneries, with no intermediaries. The vast majority of the needs are covered by the House's 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, alligator, lizard and ostrich.

The leathers used are 96% food by-products and 92% sourced in Europe, in compliance with strict regulations.



Calfskin

The House is part of a working group, Interbev (the French interprofessional 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 French calfskin” industry by introducing, and ensuring compliance with, full traceability of hides and strict animal welfare standards. This joint study also covers the environmental impact of the farms that breed and feed the animals. 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. This laser marking, developed in partnership with the Centre technique du cuir (CTC – Leather Technical Centre), offers traceability of hides, from the farm to the finished leather. In 2020, 35% 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.

Alongside this working group and our hide marking efforts, in 2019 the House embarked on a study, in partnership with WWF France, to measure the environmental footprint of the European calfskin sector and identify areas for improvement from 2020.

Exotic hides

Virtually all of the exotic hides the House use 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 crocodiles following recommendations by expert veterinarians and authorities in the United States, such as the Fish and Wildlife Service, the federal nature protection agency. 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 2020.

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, thanks to its expertise in the assessment of farming conditions in other animal sectors. **In 2020, 96% of the crocodile hides purchased by the Tanneries division came from farms that had undergone an external audit in 2019 and/or 2020.** The two farms that could not be audited, due to travel constraints imposed by the Covid-19 pandemic, will be audited in 2021. 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 crocodile breeding practices by pooling 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), an NGO member of the IUCN's Species Survival Commission and work under the aegis of the UN.

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, two of the division's farms were already audited and certified during 2020. The division's remaining farms will be audited as soon as possible, the audits initially planned having been postponed to a later date due to the Covid-19 pandemic. 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 2020, the Group paid particular attention to farm biosafety rules which protect the livestock from the introduction of infectious agents. This essentially involved introducing strict requirements for animal transfers on the farms and between farms, writing disinfection instructions and putting in place pest control and animal vaccination programmes. Specialist vets for the species involved guided us in the definition and implementation of appropriate measures.

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.

This work, carried out jointly by the Leather Goods divisions, Tanneries and Hermès' partner, will continue in 2021 with the implementation of an independent certification for this supply chain.

Ostrich

For several years, Hermès has been involved in improving the farming conditions for ostriches, animals mainly raised for their meat and feathers, and used in the production of Leather Goods. After carrying out a comprehensive audit in 2017 of the sector, which employs 15,000 people and makes a significant contribution to the social and economic well-being of rural communities, in 2018 Hermès set up a partnership with the South African Ostrich Business Chamber (SAOBC) on the basis of the conclusions of this audit, to promote responsible ostrich breeding. Hermès and the SAOBC were thus the forerunners of a working group which brings together a representative selection of ostrich breeders, processors, scientists, government regulatory bodies, ISO compliance specialists, veterinary specialists in animal protection, NGOs (RSPCA UK) and customers from the ostrich breeding sector. Hermès helped to finance this project which has led to the implementation of a standard, has also provided training for ostrich professionals and has piloted a certification system. The site certification process began in 2020, led by an independent certifying body and steered by the SAOBC.

The aim is for the whole sector to be certified by the end of 2022.

Other industries

Lastly, the Tanneries division regularly develops new partnerships. **100% of its subcontractors carrying out operations on leather have been audited or have been subject to HSE inspections over the last five years.**

In 2020, 96% (surface) of the hides used for the manufacture of our products came from by-products of meat production.

It is also important to mention that Hermès does not test its products on animals.

2.4.2.2.2 Textile

The Textile division's activity essentially uses two materials: silk and cashmere. For these two precious fabrics, partnerships have been established for a long time with preferred suppliers.

Silk

The supply chain for high-quality silk relies on a collaboration of more than 20 years with a partner established since the 1940s in the state of Paraná in Brazil, because of the local climate particularly suited to silk farming. This partnership controls the whole production cycle, from silkworm farming, to cocoon production and their raw silk spinning, as well as the growing of the mulberry bushes from which the leaves are used to feed the silk worms. Silk is special in that it is a renewable product that has a positive impact on the ecosystems, primarily because cultivation of mulberry bushes helps to regenerate the soil and consumes very little water: it is practiced without irrigation, the rains being sufficient to ensure its growth. As the *bombyx mori* silkworm is particularly sensitive to all forms of agrochemicals (it only eats untreated, unpolluted mulberry leaves), it is a very good indicator of the quality of the environment and the mulberry fields constitute zones that naturally have a wealth of biodiversity. The ecosystem sustained by silk production generates revenues for small local farms and over 2,500 families. There is a dedicated annual budget to develop knowledge, qualitative techniques, sustainable activities and supply chains of these partners. There are many discussions and exchanges, not only between the division and these farms regarding programmes to improve production quality, but

also between the division and universities to develop polyculture and permaculture. As part of the analysis of its impacts on biodiversity, this year the Group commissioned a **study with the University of Cambridge on this sector** (see § 2.5.3 of chapter 2 “Corporate social responsibility”), confirming its virtuous character in many respects: **"We consider that Hermès' silk production in Brazil can be celebrated for its positive environmental benefits"**.

Cashmere

Cashmere comes from the *capra hircus laniger* goat, known as the cashmere goat, which lives in semi-arid regions of Upper Asia where winters are hard and temperatures can fall to -35°C. The cashmere goat is particularly suited to this climate as it develops an extremely fine thick down under its permanent fleece at the start of winter, which provides effective insulation from the cold. When temperatures rise again, this down is shed naturally during the spring moulting season. When the time comes – between April and May – the farmers comb the animals by hand to collect this down before it is blown away in the wind. It is this extremely soft fine down that is commonly known as cashmere. For weaving, Hermès selects the most beautiful fine, long and extremely white fibres from the best farms to achieve incomparable softness. 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's 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. Fundamental work on sustainable development in the supply chain has been initiated with the support of NGOs present in the breeding areas from which Hermès source his materials. **In 2019, an audit of practices was conducted with notably 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 farming practices, and optimisation of water use on hide processing sites, which has already started and will continue in 2021. **The objective is ultimately also to monitor and support breeders' agro-pastoral practices aimed at preserving the resource and the biotope.**

More generally, the textile supply chain has a strong supplier loyalty policy with the aim of creating a long-term relationship of trust. Suppliers located in France or Europe, who are transparent about the life cycle of their products and are committed to major CSR actions are preferred. As a reminder, the Group uses the EcoVadis platform, which assesses the CSR performance of all indirect purchase suppliers.

A risk analysis is also carried out for the 100 major suppliers, which guides the strategy for audits carried out internally or by an external organisation. Internal audits are conducted by individuals from the quality/method and purchasing areas, with the aim of having audited all 100 major suppliers by 2023. The analysis of supplier risks, in this period of health and economic crisis, has led to support for those suffering from a downturn in activity on certain products, via training plans that develop versatility.

2.4.2.2.3 Precious materials

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.

Hermès travels France and the world to identify best practices for its precious materials to make them more sustainable. **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 the 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 for gold and diamonds.

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 use gold from mines.

In addition to this initial mapping, the analysis of the origin of the metal in components (chains, clasps) is in progress, although volumes are not very significant, and with risks estimated as low.

In 2020, Hermès Bijouterie-Joallerie continued its analysis of the supply chains with an additional refiner. Taking into account the visits made in 2019, the vast majority of the gold procurements of the workshops have thus been audited. The refiners concerned have CoC ("Chain of Custody") or RJC certification, which sets even stricter requirements in terms of transparency and provenance of the gold, specifically drawing a distinction between industrial recycling and the recycling of bank ingots, from extraction in the mines to the sale of jewellery, watches or other leather objects in Hermès stores. T House's diamond sector abides by the Kimberley Process and its corollary, the World Diamond Council 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 (WDC) System of Warranties incorporates broader problems, such as working conditions.

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 and to the trading of polished stones. Moreover, it also covers the setting in watches, their quality control, their delivery and their in-store sale.

Lastly, the gems or "coloured stones" market is more complex with a huge diversity of materials, provenances and players. Monitoring of these channels has continued in 2020, after the first mine visits last year. Since 2019, the RJC certification, extended to rubies, emeralds and sapphires, can be promoted in the coloured stones sector. For this category, 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 traceability information.



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

Watches

In addition to having obtained the renewal of its RJC Code of Practices certification in 2019, Hermès Horloger has set itself the goal of obtaining an additional guarantee with Chain of Custody certification in 2022. Hermès Horloger only uses recycled gold for its watch cases.

Hermès Horloger 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 will simplify its supply chain and set up a new supply channel directly with the reseller fishing ports. This approach will make it possible to monitor the implementation of this new process in sensitive countries such as Indonesia, the Philippines and Papua New Guinea.

After having obtained the renewal of its RJC Code of Practices certification in 2019, Hermès Horloger has set itself the goal for 2020 of obtaining Chain of Custody certification and using only recycled gold.

Hermès Maison – Wood

The responsible management strategy for wood resources was updated in 2019 on the basis of a study carried out with the assistance of the WWF, which covered in particular the aspects of office paper, printed matter, packaging and raw materials used in products (at Hermès Maison), and building materials (mainly for store fittings). This analysis has strengthened the House's use of certified wood/paper (the orange bags are 100% FSC), and the House's objective is to be able to certify all its products by 2025.

The wood used for the objects is already certified (FSC certification for walnut, SVLK for mahogany). 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. There is ongoing commitment towards our suppliers and the House is also seeking FSC certification for 100% of our paper bags. To demonstrate its commitment, Hermès took part in the CDP Forest disclosures in 2019 and 2020, obtaining a B rating two years in a row.

Perfumes

Whenever possible, the olfactory creation department uses materials of natural origin (olfactory quality, accessibility of the material and sustainability of the source). This year, 68 composition raw materials were sourced and sampled from natural origins as part of a study on replacing synthetic products. This approach is perfectly aligned with the aim of increasing the naturalness of products for future creations. From 2021, an assessment of this naturalness will be established using the ISO 16128 standard.

The core composition for the next launch was reworked to increase the renewable carbon content (+60% in the core composition), while also maintaining cost control.

In Japan, a love passed on from mother to daughter

Eriko will never part with the *Kelly* she was given by her mother. Contemplating it, with the patina of the years and habits of the person who carried it and loved it before her, she feels this emotion so accurately described by the Japanese writer Jun'ichirô Tanizaki, who wrote:

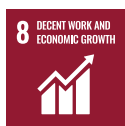
"To a superficial and icy shine we have always preferred deep, slightly muted glints, this gently altered brilliance which irresistibly



evokes the passage of time". To this young woman, a secretary at Tokyo University, there is no object more precious in the world than this bag that has been refurbished and repaired several times. She knows where her long-time companion came from and what it has lived through. Every scratch, every replaced stud, holds so many images and memories. Its dark contours hold much more than her simple everyday objects. Like a diary, it contains a story passed on from mother to daughter.

2.4.3 CONTRIBUTION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Raw materials constitute one of the main challenges of the sustainable development strategy, and measures taken by the Hermès Group contribute to the UN's sustainable development goals (SDGs).



No. 8: Decent work and economic growth

- ◆ 8.4 "Improve progressively global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation"

The focus on the use of materials is reflected in particular in efforts to optimise leather-cutting processes (reduced material requirements for equivalent production) but also in active management of the by-products generated.



No. 12: Responsible Consumption and Production

- ◆ 12.a "More sustainable patterns of consumption"
Hermès objects are designed to last. They can be repaired and are handed down from generation to generation. After-Sales services cover all *métiers* of the House (including exceptional, single or customised products). From saddles to silks to watches, all Hermès objects can be repaired and spruced up again. With 123,000 repairs carried out in 2020, this commitment is a working reality.



No. 12: Responsible Consumption and Production

- ◆ 12.2 "Achieve the sustainable management and efficient use of natural resources"

Optimising the use of exceptional materials is one of the daily concerns of the Hermès Group's *métiers*. In a context of scarcity of resources, ethics, security of supply and a healthy economic vision contribute to parsimonious management of materials. A dedicated innovation unit is constantly exploring new avenues to maximise the use of materials. Upstream, this involves responsible choices, for example, 100% of the gold and silver processed in the workshops is recycled, but also through innovative approaches (39,000 products resulting from up cycling were sold in 2020).

- ◆ 12.5 "Reduce waste generation through prevention, reduction, recycling and reuse"

Waste generation is reduced in particular by implementing concrete actions not only to make savings in production processes but also to prevent. The Hermès Group carefully monitors all waste and ensures, for example, the implementation of selective waste sorting and recycling systems at all of its facilities.

With 96% of hides coming from food by-products, the House gives a second life to these materials.



No. 13: Climate Action

- ◆ 13.1 “Strengthen resilience to climate change”
The various Group entities work to reduce energy consumption and carbon emissions. The artisanal production method consumes very little energy. Hermès has been contributing to the Livelihoods Fund since 2012 which offsets part of its carbon emissions.



No. 14: Life Below Water

- ◆ 14.1 “Prevent and reduce marine waste and pollution”
Hermès launched a working group in 2020 to reduce the use of plastics in its activities, in particular with the aim of stopping the use of single-use plastics in 2025; most of these currently come from its suppliers.



No. 15: Life on Land

- ◆ 15.1 “Ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems, in particular forests, wetlands, etc.”
The Hermès Group utilises its raw materials in strict compliance with regulations governing the protection of species, such as CITES. Moreover, by supporting certain agricultural sectors, it contributes to their sustainability.
In view of its procurement of exceptional natural materials, the preservation of ecosystems is an important issue for the Hermès Group. The preservation of wetlands in Louisiana, where certain exotic hides originate from, is another example of this.
- ◆ 15.2 “Promote sustainable forest management, halt deforestation, restore degraded forests”
Hermès monitors its paper consumption (services, packaging) and mainly uses FSC-certified suppliers. The Livelihoods project also supports massive reforestation work, with more than 130 million trees planted to date. To demonstrate its commitment, Hermès took part in the CDP Forest disclosures in 2019 and 2020, obtaining a B rating two years in a row.

The vineyards at the Maroquinerie de Sayat



©Photographer: Rémi Horiot

2.5 PLANET: ENVIRONMENT

The Group's sustainable development involves controlling and reducing its environmental impacts, as part of a responsible approach to its operations.

More broadly, Hermès contributes, through its commitments and actions, to the fight against climate change and the preservation of biodiversity for a responsible and sustainable development.

2

Introduction

Respect for nature, the source of its exceptional raw materials and the living environment surrounding its sites, is one of the Group's strong and unwavering values. In 2002, the Group drafted an environmental policy aimed at limiting the impact of its activity across all areas. Pragmatic but ambitious solutions to preserve the environment in the long-term are systematically sought, trying to go further than regulatory requirements wherever possible. The priority is to control the impacts across the entire value chain, from upstream agricultural production to distribution, and from purchases to internal operations. This commitment is a mindset that requires the involvement of everyone, from investment decisions to everyday eco-actions, together with a robust environmental, health and safety (HSE) culture on all sites. It is structured around policies, procedures, tools and major commitments:

- ♦ **reduce greenhouse gas emissions by 50% by 2030** (reference year: 2018, in absolute value for scopes 1 and 2, in relative value for scope 3) (see § 2.5.2.2 of chapter 2 "Corporate social responsibility");
- ♦ **offset more than 100% of its carbon emissions in scopes 1 and 2**, with ecological and social projects (see § 2.5.2.3 of chapter 2 "Corporate social responsibility");
- ♦ **use 100% renewable energy in its own operations by 2025** and reduce the carbon footprint per m² of surface area built or renovated by 2030;
- ♦ **reduce the intensity of its industrial water use by 5% per year** (see § 2.5.1.2 of chapter 2 "Corporate social responsibility");
- ♦ **conduct an inventory of its impacts on biodiversity** (work in progress according to the GBS method ¹ with WWF and CDC Biodiversité), and initiate action plans on major scientifically identified topics (see § 2.2.5.3 of chapter 2 "Corporate social responsibility");
- ♦ **defossilisation of industrial sites**: no longer use gas or any other fossil fuels as an energy source for all new industrial investments, unless this is proven technically impossible.

Since 2012, the Group has set up digital management systems to measure the environmental footprint of its sites. In 2013, the approach was extended to include a greenhouse gas emissions calculation; since 2015, the environmental impacts of the Hermès Group's real estate have also been measured using an automated process. These efforts drive improvements in operational practices.

Subsequently, since the Hermès Group launched its environmental programme in 2002, and despite the five-fold increase in its industrial output in 2020:

- ♦ water consumption by industrial sites increased by only 2.1% between 2002 and 2020, reflecting the efficiency of the programme and the water-saving actions, in particular within the tanneries and the Textile division, where water is a precious resource;
- ♦ energy consumption by industrial sites multiplied by only 1.74 between 2002 and 2020, testifying to the improved control of consumption, with tanneries and crystal manufacturing using half of all the energy consumed by the industrial sites.

Water and energy consumption in 2020 were obviously impacted by the pandemic that marked this year. Activities at all industrial sites, with the exception of the Vaudreuil perfume site, which was used for the production of hydroalcoholic gel, were suspended from 16 March. They gradually resumed from mid-April at a pace adapted to each *métier* in order to guarantee healthy and safe working conditions.

Environmental topics are supervised by a member of the Executive Committee in charge of the Manufacturing division & Equity Investments, who is supported by a Deputy Managing Director, in charge of the House's industrial affairs department, and by the Group real estate department. An annual analysis is conducted by the main *métiers* of the House when the strategic plans are being prepared to identify issues in terms of environmental protection. These various challenges go hand-in-hand with practical objectives shared with the Executive Committee. From a regulatory perspective, the Hermès Group's policy is to establish action plans that are adapted to the various *métiers*, in order to understand and comply with regulations (primarily adapted to a very rigorous European legal contest) but also to monitor progress made. Each *métier* is responsible for monitoring and implementing the applicable regulations. The industrial affairs and Group real estate department are responsible for alerts, oversight and control in this area.

1. Global Biodiversity Score.

THE PLANET: ENVIRONMENT – CHALLENGES AND KEY FIGURES

Resources and waste management



82.4% of electricity from renewable sources (worldwide)

3 Leather Goods workshops equivalents using own photovoltaic electricity production



-25.3% water consumption intensity over 10 years ¹



-41.5% energy consumption intensity over 10 years ¹



80% stores lit by LEDs (worldwide)



43.2% recycled industrial waste (excluding energy recovery)

Climate change (Green House Gaz : GHG)

-5% reduction in scope 1 and 2 GHG emissions since 2018 (absolute value)



-24% in scope 3 carbon intensity since 2018

-50% GHG emission reduction targets (2030 vs 2018)

134% GHG offset scopes 1 and 2

Biodiversity



96% of activities covered by the Global Biodiversity Score (GBS) study

4 commitments formalised as part of the biodiversity strategy (Act4Nature International)



130 million trees planted by Livelihoods

1. Excluding farms.

Description of risks and challenges

The House's industrial affairs and the Group real estate departments have implemented programmes to address the House's environmental challenges.

- ♦ 1) The *industrial affairs department*, together with the *métiers* and all players in the production entities, is pursuing an environmental policy formally approved by the Executive Committee to:
 - comply with workplace Environmental Health and Safety (HSE) regulations and to prepare for changes in these regulations whenever possible. The industrial affairs department coordinates a network of HSE Officers at the manufacturing sites;
 - respect natural resources, particularly water, and control energy consumption;
 - enhance production processes by choosing the cleanest, most energy efficient technologies and the most environmentally-friendly materials available;
 - minimize waste production and recycle it as much as possible;
 - limit the "carbon" impact of the activities, prepare the energy transition and adapt to climate change.

The industrial affairs department, with the support of the sales and group real estate department, manage the House's energy programmes (construction, transport).

In addition, the House's environmental policy includes the following elements:

- a commitment to respect and protect nature and biodiversity, in particular through participation in the Act4Nature initiative from 2018, then **Act4Nature International in 2020**, and through work with WWF France;
- the implementation of a *métier*-based environmental management system, coordinated by the industrial affairs department and operating on a network basis (see network of HSE Officers above);
- a desire to use natural resources sparingly, particularly with regard to energy, water, and, more broadly, all natural materials needed to manufacture products;
- reduction of the House's environmental footprint, especially in terms of discharges, emissions and waste management, which includes seeking to optimise the resources used. Since 2012, the Hermès Group's policy has incorporated the concept of voluntary carbon offset (see § 2.5.2);
- internal monitoring of the results of these policies, through operational dashboards and reporting, that is controlled by the industrial affairs department and serves as a basis for external audits;
- a practice of sharing and discussing with external stakeholders, within the legal framework of the DREALs (Regional Directorate for the Environment, Planning and Housing) in France, including with the municipalities where the sites are located, as well as with

professional and regulatory associations for the supply of natural materials (for example, in exotic leathers): WWF, Crocodile Specialists Group, CSG or IUCN;

- membership of the Fashion Pact;
 - finally, the House is committed to securing sustainable recycling processes and developing channels for the reuse of these materials.
- ♦ 2) *Real estate*: since 2008, the Group's environmental real estate policy has been coordinated by the Group real estate department, based on the following principles:
 - the systematic adoption of an environmental stance during building work;
 - helping to protect the environment by integrating buildings with their surroundings and the local architecture, while simultaneously respecting the ecosystem;
 - use of renewable energies whenever possible;
 - employing energy-saving methods;
 - focusing on building quality: design, functionality and sustainability, in a constant effort to ensure the well-being of users, employees and customers;
 - striving for flexible, adaptable construction projects that integrate future developments and running costs from the outset;
 - anticipating, as much as possible, and monitoring changes in regulations and techniques to take them into account in projects, in close collaboration with stakeholders, architects, engineers and suppliers.

Sustainable construction framework

Since 2016, in order to improve the coordination and control of environmental actions involving internal staff and external service providers, the Group's real estate department has drawn up a sustainable construction framework based on three main ambitions:

- ♦ reduce the ecological footprint;
- ♦ promote the well-being of users;
- ♦ conserve vital resources.

This sustainable construction framework is designed to adapt to the specific characteristics and functions of Hermès Group constructions.

More stringent than the main frameworks existing on the market (LEED, BREEAM, High quality environmental), it covers about 30% more criteria. These frameworks are not operational performance management tools, as they often include indicators that are not adapted to the specificities of the House. The internal framework is a tool for progress, where each measurement criterion corresponds to an action.

Most of the performance levels required by the Hermès framework are most stringent and take into account the geographical, regulatory and economic environment of the real estate project.

Some themes are specific to the Hermès sustainable construction framework, namely the consideration of non-conventional consumption (processes, kitchen equipment, outdoor lighting, etc.), user comfort through specific interior and exterior adjustments and the consideration of the environmental impact from the transport of people and construction materials.

In 2020, the Hermès sustainable construction framework included ambitions in line with the Hermès Group's commitments to respect biodiversity (Act4Nature International) and to reduce CO₂ emissions generated by construction. This framework applies to all new construction or renovation projects relating to office, production and distribution sites in France and abroad. It involves the Group's project managers and external partners (architects, technical design offices, builders and suppliers) selected by the Group real estate department.

In 2020, the Hermès sustainable construction framework was revised for implementation starting in 2021. Without changing the number of criteria applied, this new version includes:

- ♦ an approach based on five objectives that measure the environmental performance of a structure: carbon emissions, air quality, biodiversity, local sourcing and environmental quality;
- ♦ stringent mandatory criteria which are calibrated for some on a target performance trajectory.

This new version for 2021 is part of a larger initiative: responsible real estate. Responsible real estate aims to:

- ♦ manage and steer the performance of the five framework objectives gradually over the entire real estate value chain: from a site becoming available for use, to the construction, renovation or refurbishment work;
- ♦ strengthen governance to effectively manage the performance of real estate activities around:
 - sustainable construction,
 - compliance of purchasing and practices,
 - innovation,
 - measuring progress.

In 2020, the new Guyenne Leather Goods workshop site in St-Vincent-de-Paul (Bordeaux) was awarded the Gold level of the Hermès sustainable construction framework, with an energy performance classified as excellent.

Methodology: tools, analysis and monitoring

Since 2012, in order to monitor environmental data from its industrial sites, Hermès has used reporting software accessible as a web resource to collect data about consumption at each site. The software also provides access to documentation explaining how the performance indicators are organised and defined. A consistency check is carried out automatically when the figures are entered, and again when the global consolidation is performed by the industrial affairs department, as well as

for audits carried out by the Statutory Auditors. Since 2018, all industrial environmental indicators are reported for a period running from November through October. For methodological reasons, some of the activity data used in the Scope 3 carbon emissions calculation cover a calendar year.

For the sake of precision, the consumption (water, energy) of farms in the Precious Leathers division in Australia and the United States is presented specifically in this document, as it is different in nature.

Moreover, consumption figures for certain leased sites, for which no data are available, are not taken into account either as they are not significant.

Oversight of environmental actions occurs in different ways. The industrial affairs department and its HSE Officers exert a first level of control within the context of a "water, energy, carbon, waste" plan that is updated each year. In the context of this effort, the audit and risk management department conducts audits on the critical topics included in the Group's risk map (§ 4.1 in chapter 4 "Risk factors"). Lastly, external controls are performed on the Hermès Group's suppliers to ensure coverage of all entities. The industrial affairs department consolidates the results of these audits as part of an ongoing process of improvement.

For external suppliers (see § 2.6.1 in chapter 2 "Corporate social responsibility"), the Purchasing Committee reviews the results presented by the industrial affairs department several times a year. It monitors the number of audits conducted per year as well as the quality of the results. The industrial affairs department (IAD), under the control of the audit and risk management department (A&RMD), craft action plans with the relevant *métiers* and monitors their progress.

In 2020, the cristallerie Saint-Louis received a formal notice from the Moselle Prefecture concerning the final phase of the fire water retention compliance work, which is already planned and will be carried out in the first half of 2021. No other industrial site has been subject to a formal notice. The Group did not receive any environmental fines.

Chemical products

Information concerning management of chemical products is provided in § 2.7.2.2.1.

Environmental liabilities

The amount of provisions for environmental liabilities is made up of provisions for the cost of asbestos removal work on the roofs of an industrial building and remediation work on a manufacturing site for a total of €8 million.

Financial guarantees

In accordance with Article R. 516-1 of the French Environmental Code, the Annonay and Le Puy tanneries, the only tanneries within the scope of the system, have provided financial guarantees. The industrial affairs department consolidates the results of these audits as part of an ongoing process of improvement.

2.5.1 RESOURCES AND WASTE MANAGEMENT

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

POLICY

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

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

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

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

MEASURES IMPLEMENTED AND RESULTS

2.5.1.1 INNOVATE BY USING ENVIRONMENTALLY-FRIENDLY SOLUTIONS

2.5.1.1.1 Contributing to the energy transition

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

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

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

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

2.5.1.1.2 Renewable energy

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

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

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

Leather

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

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

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

Textile

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

Tanneries

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

J3L

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

Farms

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

Real estate

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

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

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

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

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

2.5.1.2 LIMITING CONSUMPTION OF NATURAL RESOURCES: WATER, ENERGY

2.5.1.2.1 Water

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

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

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

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



-13.2%
industrial
water consumption

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

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

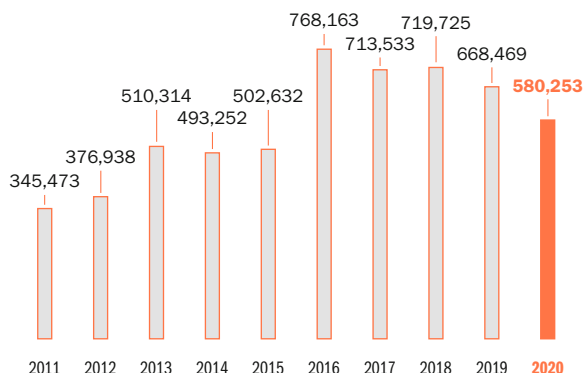
Access to water

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

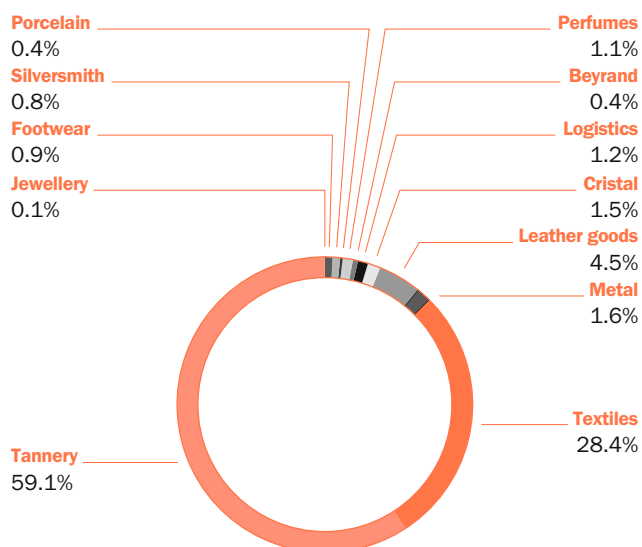
INDUSTRIAL WATER

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

EVALUATION OF INDUSTRIAL CONSUMPTION (IN M3)



INDUSTRIAL WATER BY MÉTIER IN 2020



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

GROUP	2018	2019	2020
Intensity m³/Revenue in millions of euros	121	97	91

Tanneries

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

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

	2018	2019	2020
Water in m³	433,895	407,231	343,121

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

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

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

Textile

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

	2018	2019	2020
Water in m³	219,458	198,300	164,636

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

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

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

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

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

Leather

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

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

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

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

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

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

Crystal manufacturing

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

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

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

The Cristalleries Saint-Louis have implemented an innovative water treatment solution based on nature and which uses the phyto-restoration technique to treat part of the wastewater, a system that is more respectful of the environment and avoids the need for technical physical-chemical treatment solutions (see § 2.5.3.4). As it does not require any input of energy or chemical products, the system provides optimal water purification and its performance is superior to that of a traditional physical-chemical installation. It is based on a triple system of filter basins:

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

J3L

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

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

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

Farms

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

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

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

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

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

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

2.5.1.2.2 Energy: energy, gas

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

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



-6.4%
industrial
energies
consumption

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

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

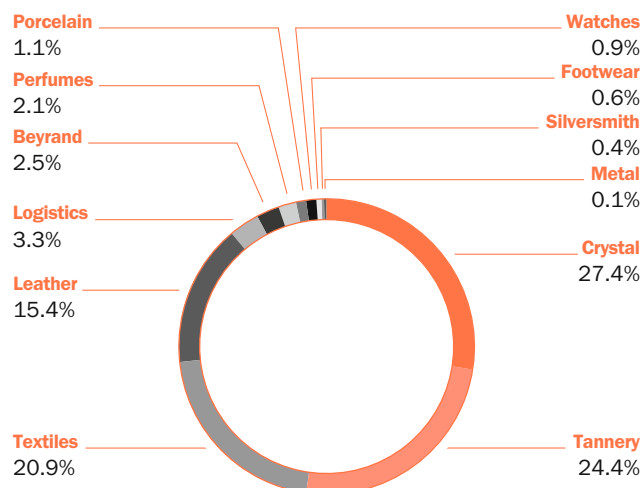
In 2020, Hermès decided to no longer use gas or any other fossil energy as an energy source for any new industrial investment, unless this is proven technically impossible. This program, dubbed "defossilisation of industrial sites", reaffirms Hermès's desire to actively participate in the energy transition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

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

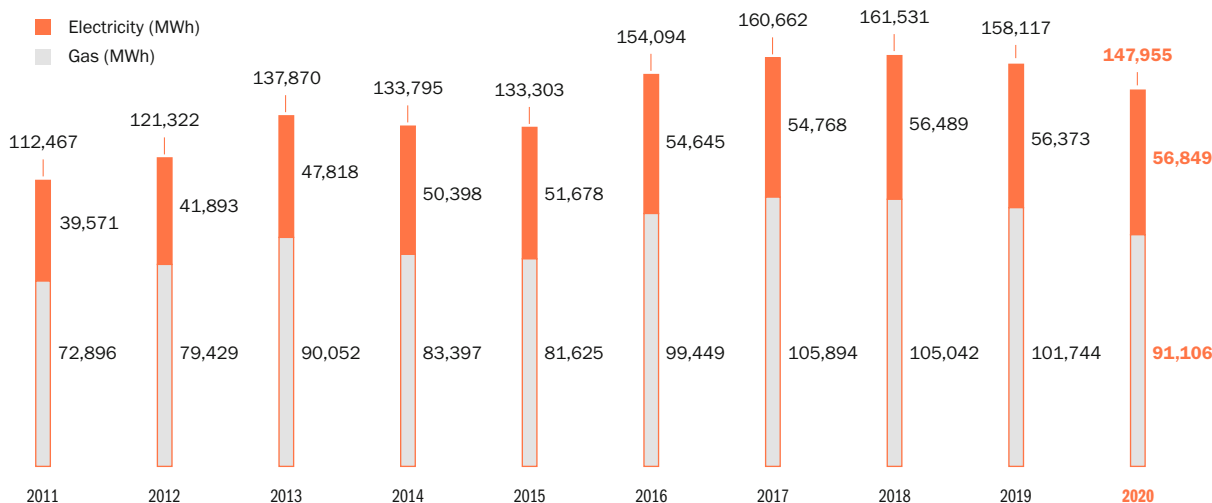
INDUSTRIAL ENERGY

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

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



CHANGE IN ENERGY CONSUMPTION (GAS, ELECTRICITY) IN 2020



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

Crystal manufacturing

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

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

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

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

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

Tanneries

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

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

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

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

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

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

Textile

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

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

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

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

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

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

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

Leather

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

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

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

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

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

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

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

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

J3L

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

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

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

Real estate

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

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

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

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

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

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

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

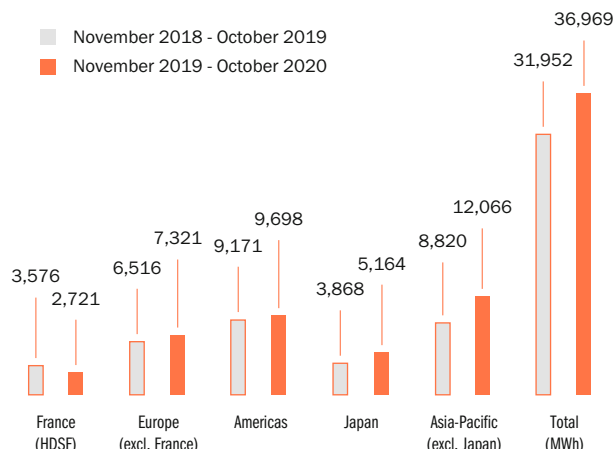
Consumption of stores

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

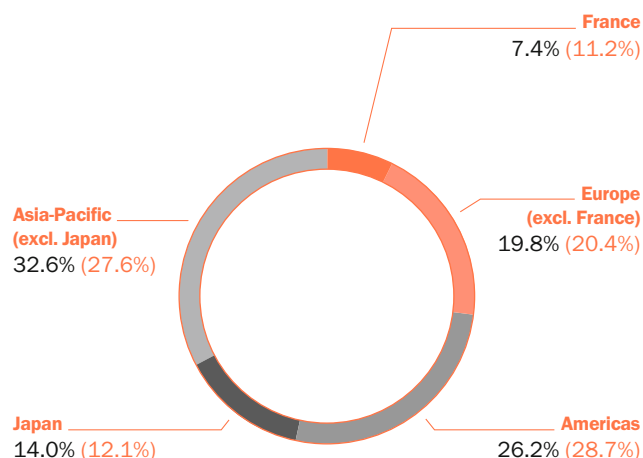
In 2020, the consumption of the concession and travel retail stores was estimated at 4,233 KWh. The downward trend in the ratio of energy consumed by unit of sales surface (KWh/m²), especially in France and Asia, is attributable chiefly to the increase in LED lighting, together with improved management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

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

BREAKDOWN OF ELECTRICITY CONSUMPTION OF STORES BY GEOGRAPHICAL AREA IN 2020



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



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

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

Lighting

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

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

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

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

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

Air conditioning

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

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

Thermal insulation

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

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

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

Measures to improve energy efficiency

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

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

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

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

Louviers

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

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

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

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

2.5.1.4 REDUCING THE FOOTPRINT AND CONTROLLING WASTE AND DISCHARGES

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

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

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

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

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

* Excluding farms.

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

2.5.1.4.1 Waste management

Tanneries

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

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

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

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

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

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

Leather

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

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

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

Textile

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

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

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

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

Crystal manufacturing

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

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

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

Farms

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

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

Real estate

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

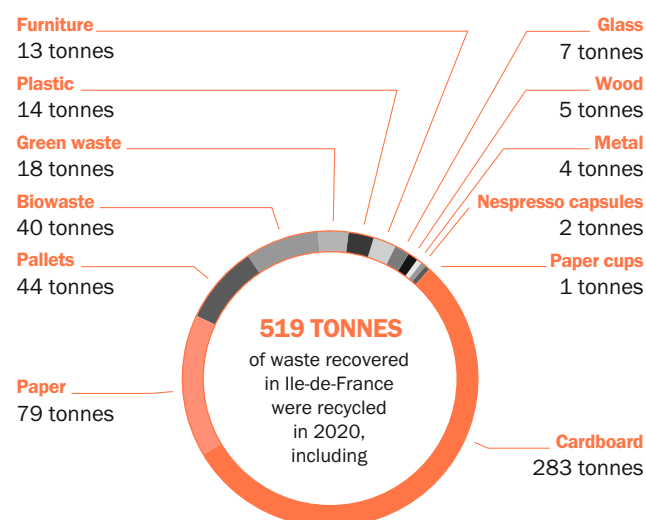
Paris sites

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

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

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

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



2.5.1.4.2 Effective solutions for waste management

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

Tanneries

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

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

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

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

Textile

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

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

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

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

Crystal manufacturing

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

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

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

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

Leather

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

2.5.2 CLIMATE CHANGE

Hermès stepped up its actions to combat climate change in 2020. **The Executive Committee updated and validated the Group's strategy with ambitious objectives:**

- ♦ **reduction of 50% in emissions by 2030;**
- ♦ **"defossilisation" of industrial sites and use of renewable energies;**
- ♦ **carbon offsetting strategy for scopes 1 and 2;**
- ♦ **increased transparency (TCFD, CDP, SBTi), membership of market initiatives: Fashion Pact and UNFCC (Fashion Industry charter for Climate Action).**

This policy will be introduced as a priority on the most significant issues, and in a context where the Group is one of the lowest carbon emitters of the CAC 40, thanks to its craftsmanship model and its manufacturing in France.

As mentioned above, Hermès is gradually taking practical measures to substitute fossil fuels used, and reduce its energy consumption and carbon footprint across all scopes. The control of greenhouse gas (GHG) emissions is achieved through direct reduction actions throughout the value chain, as well as outside Hermès' sphere of influence through financing of projects with positive impacts, including for the fight against global warming.

POLICY

The Group's policy is to make a resolute commitment to a low-carbon world with quantified targets set out in a timetable. It is broken down into several areas such as measuring the impacts of its activities on all scopes 1, 2 and 3, taking priority actions to reduce emissions in the various categories where the Group can act, and then implementing offsetting initiatives.

It also incorporates a forward-looking vision through an analysis of risks related to climate change that bear on its operations and business model (physical and transition risks).

As indicated above, the strategy approved by the Executive Committee steers the Group's actions. The greenhouse gas 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*, real estate and logistics). **Hermès has committed as part of the SBTi to present within 24 months a trajectory compatible with the Paris agreements for reducing the Group's carbon emissions.** This policy is consistent with that of the sector grouped within the Fashion Pact, where Hermès is committed to setting up science-based targets on the climate and to implement actions compatible with a global warming trajectory, via a "fair transition", to reach zero net emissions by 2050.

Fighting climate change and increasing its resilience: a committed group

Hermès wanted to make a concrete commitment to the definition of targets for the reduction of its greenhouse gas emissions based on science, which will be validated through the Science-Based Targets (SBTi) initiative that the Group joined in 2020. This commitment will enable the Group to follow a path of reducing its direct and indirect emissions, thereby helping to limit global warming to below 2 °C by 2100.

Hermès is currently working to develop these emission reduction targets, which are as follows:

- ♦ a reduction in absolute value of 50% for scope 1 and 2 emissions over the period 2018 to 2030;
- ♦ a reduction in relative value of 50% for scope 3 emissions over the period 2018 to 2030; this objective means involving the supply chain as well as suppliers and partners in the process;

- ♦ a 50% reduction in the carbon footprint per m² of real estate space built or renovated by 2030;
- ♦ the implementation of 100% renewable energy in direct operations by 2030;
- ♦ convergence towards 25% of key raw materials with the least impact on the climate by 2025;
- ♦ defossilisation of industrial sites.

In addition, Hermès is showing its commitment by officially supporting the TCFD (Taskforce on Climate-related Financial Disclosures) initiative in December 2020, whose recommendations were already taken into account since last year in its response to the CDP 2020 climate questionnaire, which is publicly available on the CDP platform.

MEASURES IMPLEMENTED AND RESULTS

As illustrated above (energies), the House has taken various measures to reduce the use of energy in its various activities, and to use renewable energies as much as possible.

In 2020, Hermès decided to no longer use gas or any other fossil fuels as an energy source for all new industrial investments, unless this is proven technically impossible. This program, dubbed "defossilisation of industrial sites", reaffirms Hermès's desire to actively participate in the energy transition necessary to limit global warming. Climate risk mapping has been set up and is updated every year in line with developments in science in the field. Its results are used to guide the House's action and feed its policy of adaptation to the consequences of climate change.

A detailed study of the sensitivity to risks related to climate change (physical and transition risks) of several of the Group's value chains was launched in 2020 in order to inform the resilience plans of the activities affected by these risks.

As part of the CDP reporting (<https://www.cdp.net/>), Hermès was assessed and the Group given a score of B for this second financial year, using 2019 data (CDP Climate Change questionnaire 2020: Management B/B-: ability to take coordinated measures on climate issues). The details of its actions and commitments are disclosed to the public.

The Group supports the United Nations Framework Convention on Climate Change (UNFCCC), which sets the goal of zero net greenhouse gas emissions by 2050. Hermès joined the UNFCCC (United Nations) in 2020 through its signature of the Fashion Industry charter for Climate Action.

2.5.2.1 STUDYING RISKS AND TAKING ACTION TO REDUCE THEIR IMPACT

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

Depending on the regions and *métiers* concerned, the effects of climate change will have different impacts on Hermès' 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.

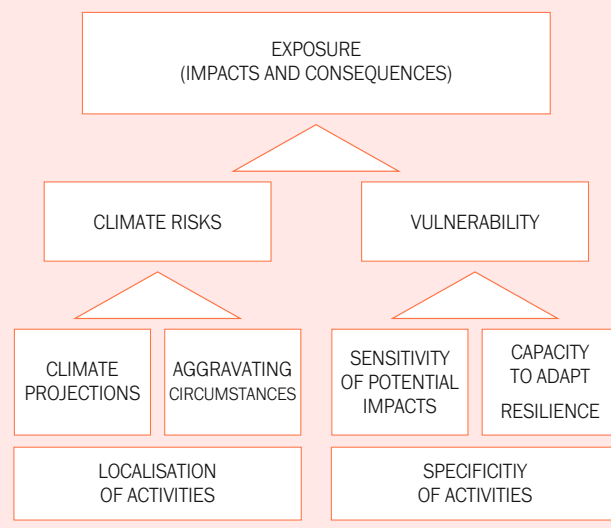
Hermès has based its approach to adapting to climate change on the identification of risks and the assessment of their relevance in order to define action plans within each *métier*, with the assistance of a consulting firm and the use of authoritative tools. This project, coordinated by the industrial affairs department, from this year involves around 20 high-level executives from the Company, in order to have both a precise vision of the issues at stake, and facilitate the subsequent implementation of measures that could result from these analyses.

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.).

In its responses to the CDP Climate Change questionnaire, Hermès details several examples of identified risks and opportunities related to climate change. The analyses are conducted along three time horizons (within three years, within five years, and within 25 years).

In 2020, the analysis of the physical risks related to climate change was carried out in particular on two emblematic value chains of the House: leather and textiles. Eight scenarios were selected to test the resilience of these value chains. These scenarios were developed taking macroeconomic studies into account as well as industry analyses.

SCENARIOS ANALYSIS METHODOLOGY (PHYSICAL RISKS)



- ♦ Six direct impact scenarios were developed for the supply of raw materials for the sectors studied: exotic leathers, cowhide, cashmere and silk. They combine various predictable impacts on the supply of raw materials and on the production of products: droughts, rising temperatures, heat waves, rain and hurricanes. They make it possible to identify existing capacities for adaptation and those that Hermès could strengthen, region by region (South America (silk); Louisiana, Australia, Africa (Precious leathers); Mongolia (cashmere); Europe (production sites)).
- ♦ Two systemic scenarios of direct and indirect impacts on Hermès' global business were examined, modelling a succession of extreme events in France or modelling a global health and food crisis to test the resilience of the upstream and downstream logistics chains, production and product distribution. They are built on the basis of systemic failures of support functions and/or external service providers outside Hermès' business lines. They combine original hazards that are difficult to predict but have a major and systemic impact on entire regions, such as the "black swan". These scenarios make it possible to identify potential weaknesses in Hermès' value chain and enable stakeholders to be included in the consideration of the impacts of climate change. For example: implementation of operational business continuity plans, monitoring of certain signals to be put in place to anticipate these hazards and deal with them when planning ahead is not possible.

In each of these pessimistic scenarios, the risks likely to materialise are taken from the study of global IPCC projection data (for a period of 10 to 15 years) or regional data, for example from the European Environment Agency (20 to 30 year horizon). Each scenario describes the potential impacts of major importance for Hermès, the triggering risks and their evolution in the short, medium or long term depending on the geographical area studied. Materiality grids, classifying impacts according to their likelihood and potential impacts, make it possible to rank the issues identified. The conclusions of these risk studies are then taken into account and integrated into the *métiers*' action plans.

The identification of the physical risks linked to global warming was carried out for water with WWF France using tools such as the WRI Aqueduct, Water Risk Filter. 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 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, with the Carbone 4 consultancy and tools such as Mycris, Sea level rise by Alex Tingle, and the projection maps from the IPCC report "Global warming of 1.5 °C".

A partnership has been created with WWF to carry out in-depth audits on exotic hides, 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).

Alignment with TCFD recommendations

In the interests of transparency, **Hermès presents its actions according to the framework recommended by the TCFD. The TCFD (Task Force on Climate-related Financial Disclosures)** is a working group appointed by the Financial Security Board (FSB) in December 2015. Chaired by Michael Bloomberg, it is composed of 32 members from the financial and non-financial sectors (asset managers, pension funds, private groups, audit and consulting companies, rating agencies). This working group has published recommendations on how to report and publish the risks and opportunities related to climate change, with the aim of increasing transparency between companies and investors in order to reduce investment risks, and reconcile the short-term financial decisions with the long-term consequences of climate change. Reporting is organised around the following topics:

Governance

The Hermès Executive Committee is aware of the profound changes brought about by climate-related issues and is directly involved in taking them into consideration at the highest level. As detailed in § 2.1.3.3 in

chapter 2 "Corporate social responsibility", the Executive Committee oversees climate strategy and decisions, on the one hand, by involving two of its members who take part in the work of the Sustainable Development Committee, and on the other hand, through specific sessions to approve major decisions (for example, in July 2020 to validate the reduction targets for the year 2030). Climate issues are handled by the industrial affairs, real estate or distribution department, as well as by the sustainable development department, which ensures the implementation of this strategy in coordination with all Group entities.

The Group's Executive Chairman, Axel Dumas, was involved in a number of climate-related issues in 2020, including decisions regarding the commitment to the SBTi initiative and support for the TCFD. The issue of climate change is central to the governance and high-level strategic dialogue within Hermès, in accordance with the recommendations of the TCFD.

The CAG-CSR Committee (Compensation, Appointments, Governance and CSR), a Supervisory Board committee, takes part in discussions on the climate strategy by interviewing the sustainable development department at least once a year.

At the operational level, the Managing Directors of the *métiers* and subsidiaries are directly involved in reducing carbon emissions within their scope as part of the Group's objective by 2030.

Additional information relating to the governance of climate-related issues within the Group can be found in § 2.1.3.3 in chapter 2 "Corporate social responsibility".

Strategy

The Group's climate strategy aims first and foremost to reduce its emissions in accordance with the Paris Agreement, particularly for its own operations, but also those of its suppliers. It is now also closely linked to the analysis of risks and opportunities for Hermès, particularly in its value chain. Work to assess these risks was started in 2019 with the help of a consulting firm and involving the Management Committees of the Group's main entities (see § 2.5.2.1 in chapter 2 "Corporate social responsibility"). Using tools for analysing both qualitative and quantitative climate scenarios, as recommended by the TCFD, the resilience of the Group's activities and its strategy are currently being studied. This resilience assessment will therefore make it possible to better define the strategic orientations to be associated with climate-related issues, including with regard to the various decarbonisation trajectories of the global economy. In 2019, the Group initiated the analysis of the IPCC (Intergovernmental Panel on Climate Change) scenarios RCP 2.6 (equivalent to a 2 °C scenario), RCP 4.5 and RCP 8.5.

These analyses are conducted over three time scales (two-year budget vision, within five years and a long-term vision of 25 years). Based on the scenarios, an assessment of the operational and financial impacts is underway, in particular to prioritise the resilience actions.

Moreover, in defining the Group's strategy, Hermès attaches great importance to the assessment of water risks in view of the global challenge of preserving water resources, as well as the impact of such water resources risks related to its natural raw materials, namely cowhide, exotic leather (crocodile), silk and cashmere. As indicated in § 1.11.4.1 in chapter 1 "Presentation of the Group and its results", disruptions to the climate system and the associated operational, regulatory and political transition issues, such as the price of carbon, have already been identified as physical and transition risks that impact on the Group's supply chain, its various operations (manufacturing, logistics and distribution), as well as the behaviour of its customers. Supply chain impacts can take place at several levels. Silk and cashmere production, for example, are particularly vulnerable to increased temperatures and more intense heat events. The production of alligator leather depends on being able to harvest alligator eggs in their natural habitat, a possibility which, as has already been seen, may no longer be granted by the local authorities in the event of extreme events, which can lead to disruption in supply. The economic impact of the scenario assessed (reduction of 10% over one year) is not significant at Group level.

The financial consequences resulting from the inappropriate management of these risks could result, on the one hand, in increased direct costs for the supply of raw materials when their production is directly affected and, on the other hand, by the evolution of carbon taxes applied to air freight, by also increasing costs, for example. Aware of these implications and the associated challenges, the Group is working with the main *métiers* and suppliers to jointly build more resilient value chains. Audits complement this approach in order to carry out more in-depth analyses of the risks and opportunities for the key raw material sectors (cashmere, wood, natural essences and leather).

This analysis makes it possible to better take the Group's strategy on climate-related issues into account, whether they relate to the risks and opportunities identified by the scenario analysis or to the reduction targets to be set to better align with the scenario of the Paris Agreement. As indicated above, Hermès has set targets for reducing its emissions by 50% by 2030, and has adopted targets of 100% renewable energy by 2030 for direct operations. The Group is currently working to align these objectives with the SBTi initiative and to adopt a strategy in line with a trajectory below 2 °C, thus coming closer to the TCFD recommendations in terms of climate strategy.

Risk management

The physical risks and transition risks related to climate change are increasingly being identified within the Group and its value chain and contribute to informing Hermès' strategy at the highest level. These analyses are organised around three complementary actions:

- ♦ Group risk mapping covering all topics, including climate;
- ♦ specific analyses, based on scenarios (see above) by activity and geography;

- ♦ ad hoc studies as part of the detailed analysis of the supply chains.

As detailed in § 4.3 of chapter 3 "Corporate governance", the Group's risk management process is based on the preparation of risk maps and the use of additional tools to help define the level of priority to be associated with the risks identified and the actions to be implemented to mitigate them. These risk maps are regularly updated and the action plans are monitored directly by the Group's various entities under the supervision of the audit and risk management department. They are consolidated annually into a Group-wide risk map, including climate-related risks such as the scarcity of certain raw materials:

- ♦ specific analyses based on scenarios are described above;
- ♦ ad hoc studies are conducted either internally or with subject matters experts.

Hermès took part, for example, in a pilot study by the Intersioe professional organisation, on the impact of climate change on silk production between now and 2030, with silk and textiles representing the Group's third-largest activity. Discussions are underway, in partnership with WWF France, to better quantify these impacts and implement actions to increase the resilience of sectors through the joint undertaking of reviews.

Hermès is continuing to study the potential adaptations required in its supply chain in order to reduce its exposure to the impacts of climate change and also to identify the related opportunities in the longer term. The use of production and distribution processes that consume less energy and water is, for example, identified as an opportunity to be implemented, which would result in a reduction in operating costs for the Group.

Metrics and targets

Hermès is constantly developing the tools required to implement and monitor the deployment of the Group-wide climate strategy. This strategy is implemented through objectives and its monitoring through key indicators for the Group, as mentioned below. In 2020, the Group has set ambitious targets (see § 2.5.2.2 of chapter 2 "Corporate social responsibility") to reduce emissions. Each year, it calculates its carbon footprint across the three scopes and monitors the progress of its results in view of its targets for the year 2030.

With regard to indicators, since 2019, **10% of the Executive Chairman's variable compensation is subject to CSR criteria, including industrial energy consumption, which is directly linked to the Group's performance in terms of scope 1 emissions and scope 2 emissions.** These scope 1 and scope 2 emissions and their changes, which are closely monitored by Hermès' different *métiers*, are detailed in this section, as are scope 3 emissions. The energy consumption and water consumption indicators, which are monitored in the same way, are indicated in § 2.5.1 "Challenge: limiting consumption of natural resources (water, energy)".

Regarding targets, the Group is committed to a path of reducing its direct and indirect emissions, limiting global warming to well below 2 °C by 2050 and is currently working on the detailed development of these targets. The *métiers* that contribute most to this objective for scopes 1 and 2 have already presented their trajectories, which confirm this ambition. As illustrated in § 2.5.2.2.1 “Greenhouse gas emissions”, the initial results are consistent with these targets.

Towards increased resilience of the Group's value chain to the impact of climate change on water resources

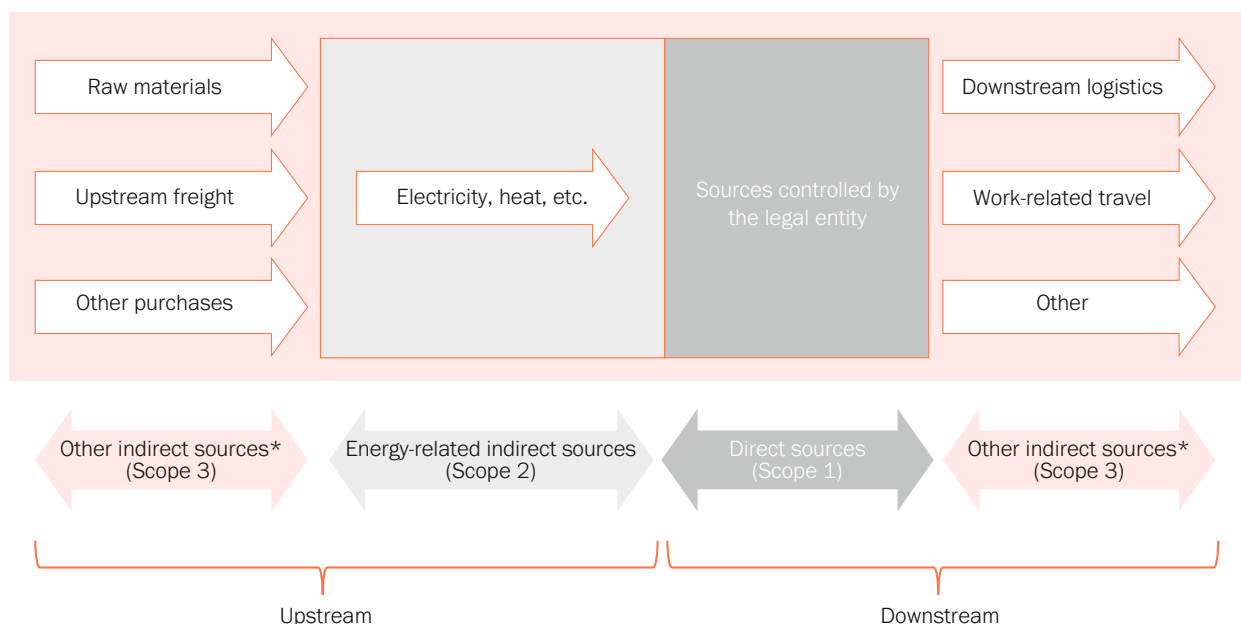
In 2019, together with WWF France, Hermès initiated an assessment of the risks related to water resources for the Group's operations (45 Hermès sites included in this study) as well as those of its key suppliers (30 sites). This study provides a better understanding of the water footprint and exposure to water-related risks of Hermès' activities and its value chain, by using the Water Risk Filter tool developed by WWF, including with regard to the impacts of climate change. This tool has made it possible to assess the risks of increased drought and flooding due to climate change, in the context of a global warming scenario of +2 °C by 2050, at the scale of the hydrographic basins of the sites of Hermès and its suppliers included in the scope of this study.

The results now enable the Group to work on defining and implementing actions to mitigate these risks in conjunction with the various players in its value chain. Hermès uses this analysis to inform its strategy on issues related to adaptation to climate change.

2.5.2.2 REDUCING ABSOLUTE GREENHOUSE GAS EMISSIONS

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 firm, using the Bilan Carbone® method and the GHG Protocol.** In compliance with the requirements of the applicable regulations (Article 75 of law 2010-788 of 12 July 2010), in December 2015 Hermès additionally published its Bilan Carbone® (Carbon Assessment), as per the method and scope indicated by the legislation in France (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). As a participant in the CDP since 2018, all the Group's carbon data can also be found there.



2.5.2.2.1 Greenhouse gas emissions

The Group expanded and structured its climate action in 2020, with the following choices, approved by the Executive Committee.

Carbon reporting will be fully aligned with the data detailed in the CDP (Carbon Disclosure Project), for which quantitative and qualitative information is public. This allows the reader of this URD to find more information, and avoids presenting partial data that is harmful to the analysis.

Hermès has decided to report on all scope 3 categories, even if this requires working on the basis of estimates for certain items, considering that the quest for completeness contributes to the transparency of the analysis.

The results will be analysed according to the long-term objectives (target for 2030), compared to the baseline situation adopted by the Group for 2018 (first year of contribution to the CDP, published in 2019). This choice makes it possible to check that the course is maintained, beyond the irregular short-term developments, which are inevitable given the changes to be implemented, which are not all linear and may require time.

Concerning scopes 1 and 2 (which represent 6.6% of the total), Hermès uses the so-called market-based approach, which consists of calculating the carbon footprint directly related to its energy purchases in each country considered, rather than using the average mix of countries.

The Group has decided to continue its actions in terms of carbon offsetting, beyond its targets of 100% coverage of scopes 1 and 2, starting this year through one-off additional purchases, and in the longer term with new investments in the Livelihoods fund.

In the following tables, the data is presented according to these principles. The data for 2018 are those of the CDP, and the figures for scopes 1 and 2 for the years 2018 and 2019 have been restated according to the market-based approach, to allow a fair comparison (see footnote ¹).

GREENHOUSE GAS EMISSIONS

IN K TONNES CO ₂ EQ	2018	2019	2020	Change/2019	Change/2018	Target 2030
Scope 1	20.8	19.6	18.3			
Scope 2 market-based	15.5	15.6	16.3			
Total scopes 1 and 2	36.3	35.2	34.6	(-1.7%)	(-5%)	(-50%)
Scope 3	596.7	501.5	486.4	(-3.0%)	(-18%)	
Total Group	633	536.7	521.0	(-2.9%)	(-18%)	

SCOPE 3 – IN K TONNES CO₂EQ

	2018	2019	2020
Upstream	1. Purchased goods and services	424.5	387.2
	2. Capital goods	26.7	10.7
	3. Fuel- and energy-related activities not included in scope 1 or scope 2	2.8	2.7
	4. Upstream transportation and distribution	20.7	14.2
	5. Waste generated in operations	8.8	9.3
	6. Business travel	27	15.9
	7. Employee commuting	16.2	9.6
	8. Upstream leased assets		Not significant
Downstream	9. Downstream transportation and distribution	70	51.7
	10. Processing of sold products		Not significant
	11. Use of sold products		Not significant
	12. End-of-life treatment of sold products		Not significant
	13. Downstream leased assets		Not significant
	14. Franchises	-	-
	15. Investments		Not significant
Total	596.7	501.5	486.4

1. Location-based scopes 1 and 2: 42.3 (2017), 42.2 (2018), 42.3 (2019), 45.3 (2020) in k TCO₂eq.

INTENSITY IN T CO ₂ EQ PER €M REVENUE	2018	2019	2020	Change/2018	Target 2030
Scopes 1 and 2	6.1	5.1	5.4	(-11%)	
Scope 3	100.0	72.9	76.1	(-24%)	(-50%)
Total Group	106.1	78.0	81.5	(-23%)	

In 2020, the Hermès Group's GHG emissions were around 521 k tonnes of CO₂eq, down 3% from the previous year. **With a drop of -18% in two years, it is in line with the Group's targets for 2030.**

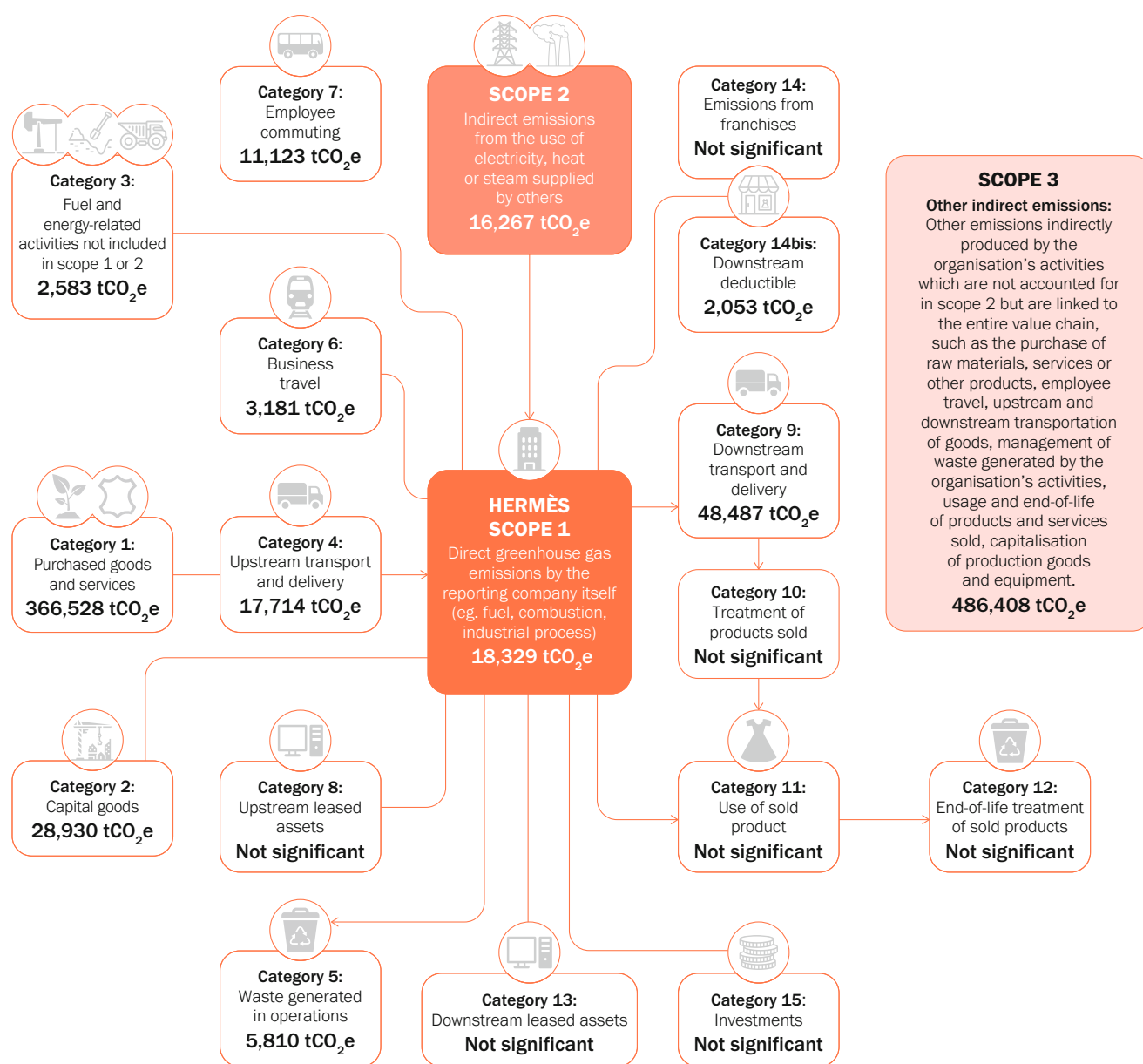
The breakdown is as follows:

- ◆ 34.6 k tonnes of CO₂eq for scopes 1 and 2, *i.e.* direct and indirect emissions related to energy consumed by 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 in-house workshops, so it is representative of a very large part of production** (which is rarely the case in the Fashion & Apparel industry, where production is generally subcontracted and therefore falls within scope 3). The - 5% reduction in scope 1 and 2 is consistent with that of the business. The increase is mainly due to a change in scope, as the Group decided to include in its calculation 100% of its stores in branches, including those in malls for which consumption information was not available until now, and also by an increase in consumption by stores in Asia, which have had extended hours to take into account the impacts of the pandemic. It also reflects a reduction in emissions from industrial facilities in France, as a result of operational improvements that are expected to continue to have an impact, and the increase in green energy in the Group's energy mix. With a 5% reduction in two years,

the Group is making progress towards its reduction target for 2030, and remains confident, since the reduction requires changes to the industrial tool that will take several years to implement;

- ◆ 486.4 k tonnes of CO₂eq for scope 3, which essentially takes into account the carbon footprint of raw materials (67% of scope 3) as well as all purchases, fixed assets, waste, subcontracting, packaging, transport of products and employee travel. In 2020, 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 and increasingly accurate calculations. The changes in scope 3 are explained by a slight decrease in material purchases, and a rise due to the inclusion of the carbon weight of tertiary purchases. **With a change in intensity of -24% in two years, the Group is in line with its reduction targets for 2030.**

These figures confirm the merits of a low-environmental-footprint French craftsmanship model: with a carbon intensity of 5.4 (scopes 1 and 2) or 81.5 (all scopes), Hermès is ranked as one of the least carbon-intensive companies of the CAC 40. The decoupling between business growth and the Group's footprint is -24% in two years (even with a reduction in revenue in 2020 due to the pandemic).



Carbon offset

The Group's priority is of course to reduce its grassroots emissions. Its strategy is to obtain carbon credits with high social and environmental value on a voluntary basis with the aim of contributing to the fight against climate change.

The 2018 objective for 2020 was for this compensation to be in line with its scopes 1 and 2 in 2020, which the Group achieved one year in advance, in 2019. Hermès is pursuing its strategic ambition in 2020 with increased purchases of carbon credits (+5%), which now account for 134% of its scopes 1 and 2.

OFFSET IN K TONNES OF CO ₂ EQ	2018	2019	2020
Carbon offset	(-35.7)	(-43.8)	(-46.2)
Scopes 1 and 2	36.3	35.2	34.6
% coverage of scopes 1 and 2 emissions	98%	124%	134%

As detailed below, **Hermès has been an investor in the Livelihoods carbon fund since 2012**, and theoretically receives higher and higher carbon credits each year depending on the development of the projects. In 2020, however, due to the pandemic, some Livelihoods (<https://livelihoods.eu/>) projects could not be verified and were therefore unable to deliver carbon credits. At the end of the year, Hermès approached the company EcoAct to purchase additional carbon credits with high environmental and social value, in order to maintain a growth momentum compared to last year.

Analysis of the main carbon footprint items

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 provide a picture of the main contributing *métiers*. Special attention is paid to the energy consumption of stores, which account for 19% of total consumption (and 37% of market-based scopes 1 and 2). Consumption reduction measures are presented above.



* Base 2018, Scope 2 market-based

The Greenhouse Gas Protocol (GHG Protocol) proposes determining the greenhouse gas emissions of scope 3 from 15 categories. Using the significant categories of the Hermès Group's activity as described in § 2.1 "Business model", the calculation of the emissions of scope 3 is carried out each year 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 is refined as progress is made in this area.

For Hermès, the main categories are as follows:

- ♦ raw materials used: all leathers, silks, cashmeres, other textiles, metals and precious stones, perfume ingredients (category [1]);
- ♦ wrapping and packaging products (category [1]);
- ♦ purchasing and subcontracting (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 craftspeople, domestic and international business travel (categories [6] and [7]);
- ♦ upstream energy consumed (category [3]);
- ♦ fixed assets (category [2]);
- ♦ waste generated in operations (category [5]).

Within scope 3, in addition to materials, transportation represents a significant share of emissions, this being the trade-off for French production and global distribution. As explained below, this transport is analysed in detail and subject to operational actions to lessen the impact.

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

2.5.2.2.2 Focus on the métiers

Real estate

In 2019, the Hermès Group performed two GHG emission assessments were carried out on a production site (the Leather Goods workshops at les Alpes and les Abrêts) and 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 and, on the other hand, to adjust the standard layout and construction benchmark to guide the CO₂ emission reduction ambitions on future projects through the Hermès sustainable construction framework.

In 2020, the Group real estate department committed to **reducing the carbon footprint/m² of areas built or redeveloped by 50%** between now and 2030. This is in response to the Group's commitments to achieve a relative reduction, given the correlation between activity and the number of square meters of premises.

In order to measure and control the carbon footprint of buildings with regard to the objectives the Group wants to achieve, the group real estate department systematically conducts a Life Cycle Assessment (LCA) of the construction materials chosen for each real estate project.

Thus, improvement of the GHG emissions of new stores and new buildings involves special attention being paid to the choice of building materials, reduction in their weight, efforts to source supplies locally, and modes of transportation with low carbon emissions.

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

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, where air transport is being replaced by sea or rail whenever possible, and the optimisation of volumes transported.

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

For more distant transport (Asia, America, Oceania), maritime transport is preferred when the nature, volume and quantity of the items to be shipped justify it. To date, this mainly concerns publications (for example, the biannual review *Le Monde d'Hermès*), items related to communication events, store fittings and sales associate uniforms. Tests are also conducted for sea (to Asia and the United States) or rail transport (to China) for other categories of items, in particular furniture, shoes and ready-to-wear.

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

Lastly, **the optimisation of volumes transported will drive the improvement in our logistics footprint**. In 2019 and 2020, we modernised our order preparation tools: automated pre-packing, optimisation of order preparation circuits and automated adaptation of the height of transport crate contents before closing, all contribute to reduce the volumes transported, for an equivalent number of items.

In addition to all these actions to reduce emissions, and since 2020, the carbon impact of European deliveries has been directly offset by the providers Fedex and DHL.

Lastly, at the employee level, Hermès launched several initiatives in 2020 to continue to promote soft mobility. On the one hand, through a proactive policy of replacing internal combustion vehicles with electric vehicles or plug-in hybrids (22% of the current fleet in France), both for company vehicles and service vehicles. On the other hand, through the proposal of a long-term rental solution for electric bicycles with a small contribution from Hermès Sellier and Hermès International employees; the Group pays 70% of the rental. In this context, awareness-raising on the use of bicycles has been set up through the organisation of two outings during Sustainable Development Week (1 October 2020).

Tanneries

The GHG emissions assessment for the Tanneries and Precious Leathers division was updated for 2020.

This was the subject of extensive work with the help of specialised consultants in order to improve the comprehensiveness and quality of the data included, in particular the emission factors considered. All emissions from scopes 1, 2 and 3 (including impacts related to animal breeding) have been consolidated at the division level for two years.

The crocodile and calf tanneries, the goat tawery, and the breeding farms and processing facilities owned by the division account for around one-third of GHG emissions. The rest of the CO₂ emissions are divided between external farms and, to a lesser extent, upstream freight (supply of hides) and downstream freight (shipments of finished hides to customers), subcontracting activities as well as head offices and sales offices. Since 2010, a sea transport system was set up for the hides of

Alligator mississippiensis 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 hides remained stable compared with 2019 and accounted for 20% of supplies. The percentage of raw hides from Africa was slightly higher, with one-third of the hides transported by sea in 2020.

Textile

The division's GHG emissions 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 travel and to find "soft" transport solutions, the manufacture de Bourgoin and manufacture de Pierre-Bénite are taking part in the definition and organisation of travel plans. Since September 2019, 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. A mobility challenge was carried out on the site. On that day, around 10% of employees opted for a mode of transport other than car. The Holding Textile Hermès and Ateliers AS establishments, in conjunction with the Pierre-Bénite production unit, carried out an overall assessment of commuting travel. 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.

Leather

In the Leather Goods division, the first discussions on the carbon footprint of activities were launched in 2006 with the launch of a GHG emissions assessment at the manufacture de Pierre-Bénite 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 down the annual Carbon impact related to scopes 1 and 2 by more than 250 tonnes of CO₂eq.

In 2019, mobility plans were implemented on the Leather Goods production units in Belley, Aix-les-Bains and Pierre-Bénite (collaborative approach with the 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. Construction programs for new production sites now include the Bepos target.

In 2020, the division also launched a LCA (life cycle assessment) process for those products in which carbon plays an important role.

It makes it possible to strengthen internal work according to an objective ranking (such as the impact of employee transport in rural areas), and prepares the future environmental billboard.

Crystal manufacturing

The production unit GHG emissions assessment was updated for 2020. The latter is down compared to 2019, particularly in terms of natural gas consumption and raw material purchases. The material fusion process is still responsible for the majority of energy use. The electrical energy used by the factory is 100% "green" electricity. The data collection process used for the GHG emissions 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-energy-carbon plan.

2.5.2.3 UNDERTAKE VOLUNTARY CARBON OFFSETTING ACTIONS

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 with high environmental, social and societal value in order to reduce its global footprint.

In June 2012, Hermès joined the Livelihoods Fund, a coalition of companies 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, benefitting more than 1 million people (see § 2.7.2.2 in chapter 2 "Corporate social responsibility") through the LCF1 fund.

The operation of this system is based on **seven structuring principles**, the foundations of the Livelihoods charter, which contribute to its value:

- ♦ **reduction first of all:** the carbon credits generated by 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, which require in-depth studies 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' SDGs;
- ♦ **an entrepreneurial risk to finance projects in the beginning: Livelihoods does not buy credits "on the market" from projects that have already been started, 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 between €2 million and €6 million on each project, with no 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 sometimes be 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 a few years. Commitments of this length are rare for company coalitions;
- ♦ **local communities that benefit directly from projects:** thanks to the NGOs that coordinate projects at local level, communities benefit directly from the advances provided by the projects: increases 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.

The Livelihoods fund is organised by a system of successive compartments. The first LCF1 (Livelihoods carbon fund 1), opened in 2011, is currently the only one to issue carbon credits. Hermès is also been a shareholder in a second sub-fund, LCF2. Numerous projects have already been launched by this fund, in India, Indonesia, Kenya, Rwanda and Malawi, on agroforestry, mangrove and energy projects. They should generate their first credits in 2021.

Capitalizing on a decade of experience with private investors, at the end of 2019 Livelihoods announced the launch of a third Carbon Fund to help companies, financial investors and cities accelerate climate action and generate large-scale social impact.

This third Carbon Livelihoods Fund (LCF3) aims to invest €150 million to improve the lives of 2.5 million beneficiaries in developing countries. Following on from the LCF1 and LCF2 funds, this new impact fund will invest in community projects for the restoration of natural ecosystems, agroforestry and regenerative agriculture.

In 2020, Hermès confirmed its commitment to the climate, communities and biodiversity through an investment in this third LCF3 compartment. Each of these funds has a lifespan of 20 years. The Group is thus

demonstrating its long-term philosophy and continuing its commitment to reduce the impacts of climate change.

As mentioned in § 2.7.2.1.4 in chapter 2 “Corporate social responsibility”, the Livelihoods projects naturally produce positive impacts that go beyond the sequestration or reduction of carbon emissions, as illustrated for LCF1 as follows:

LIVELIHOODS' LCF1 FUND



20M€
already invested



2.1MtCO₂eq
sequestered or avoided in natural and agricultural ecosystems



130 million
trees planted



32,000 hectares
planted and preserved
(under assessment)



> 200,000 households reached

1 million
people impacted

120,000 efficient
cookstoves distributed

The carbon deliveries expand as the trees grow (the projects span a period of 20 years). They delivered for the seventh time in 2020, after verification from specialised auditors (using the Gold Standard and Verra standards).

Although in 2020, the Covid-19 crisis had little impact on the operational side of projects and their development, it disrupted the verification operations of carbon auditors, delaying carbon deliveries over the period (carbon credits not verified in 2020 will be available in 2021). Two out of five projects could not be verified, significantly reducing the amount of carbon credits certified and available to Livelihoods shareholders.

In order to meet its commitment to cover all of its emissions in scopes 1 and 2 with carbon credits, Hermès approached EcoAct to acquire additional carbon credits with high social and environmental value. EcoAct, one of the major and recognised players in the carbon market in France, has sold Gold Standard certified credits from improved cooking stove projects in Kenya and Malawi.

In total, Hermès received and cancelled 46,200 carbon credits in respect of 2020, helping to offset 134% of its scopes 1 and 2 carbon emissions.

§ 2.7 “Communities: stakeholders and local integration” provides further information on the Livelihoods societal aspects.

2.5.3 BIODIVERSITY

Maintaining an environmental setting conducive to the development of activities requires respect for and the protection of biodiversity. According to the recent WWF “Living Planet” report, there has been a very worrying decline in the populations of birds, mammals, amphibians and reptiles on the planet’s surface since 1970.

Hermès is working to protect biodiversity in its direct sphere of responsibility, in its extended sphere of influence, and through voluntary commitments reaching beyond its economic sphere of influence.

“Nature has been inspiring us since 1837. Protecting biodiversity is a wonderful opportunity. We must pass on this wealth to future generations. It’s a challenge we must win today.” Axel Dumas, Executive Chairman of Hermès.

POLICY

To meet the current challenges regarding the global loss of biodiversity, Hermès has made a concrete commitment with a strategy formalised in 2018 and updated in 2020 around four structuring elements: train, collaborate, evaluate and act. Hermès is continuing its biodiversity commitments with a five-year plan. It concerns its activities in France (80% of production) and internationally. The subject is supervised by the Sustainable Development Committee (two members of the Executive Committee) and will be managed by a dedicated committee.

The purpose of the four pillars chosen is to guide the Group and its business lines in measuring the biodiversity footprint of value chains, to co-construct corrective and positive actions, or to support the organisation's skills development. They include specific commitments that describe clear objectives and dedicated time horizons.

Hermès took advantage of the update of this biodiversity strategy to renew its individual commitment to Act4Nature International. This agreement and the related objectives have therefore been validated by a committee of stakeholders inherent to the governance of this multi-stakeholder alliance (companies, public authorities, scientists and environmental associations).

The House's new commitments are a continuation of the previous ones and are defined as follows:

- ♦ **Train:** this involves increasing internal biodiversity awareness-raising initiatives and providing training on biodiversity issues and strategy.

Objectives: train CEOs, experts and Sustainable Development Committees in 2021, extend to Management Committees, site and sector employees in 2023, and then to all employees by 2025.

- ♦ **Collaborate:** the Group wishes to deepen the already existing partnership with WWF France for responsible sourcing, as well as with other specialist NGOs. This approach is decisive in the development of responsible breeding practices, especially for exotic leathers where more specific partnerships, such as the support of the ICFA, the SAOBC, or the RSPCA ¹ (UK) are useful to deepen new scientific research and support responsible breeding. More generally, it also wishes to extend its collaboration with stakeholders who are experts in these subjects.

Objectives: continue work with these recognised organisations by 2023.

- ♦ **Assess:** Hermès wants to build a robust impact analysis matrix based on value chain mapping. The result will be the measurement of the Group's biodiversity footprint according to the five pressures of the IPBES ².

Objectives: measure the biodiversity footprint, particularly of the main supply chains (leather, silk, cashmere, wood, cotton) by 2025 with WWF France and CDC Biodiversity using the GBS. Integration of the issues identified in the reporting tools by 2025.

- ♦ **Act:** action plans proportional to the level of impact on all sites and raw materials sectors must be implemented and support the development of Science Based Targets. At the same time, the Group is committed to continuing its positive actions beyond its area of direct responsibility.

Objectives: certify 100% of the ostrich sector by 2022. Establish action plans for 100% of "lowest impact" sites by 2023, those with "high impact" and its main supply chains by 2025. In addition, reinvest in the Livelihoods fund and on biodiversity projects via the Corporate Foundation (four dedicated projects by 2023).

MEASURES IMPLEMENTED AND RESULTS

The purpose of the four selected pillars is to guide the Group and its business lines in measuring the biodiversity footprint of value chains, to co-construct corrective and positive actions, or to support the organisation's skills development. These axes include specific commitments that describe clear objectives and dedicated time horizons. They are developed as follows:

2.5.3.1 IMPLEMENT TRAINING INITIATIVES FOR EMPLOYEES

As part of its objective of training employees on biodiversity issues and the dependence of the Group's activities on numerous ecosystem services, a dedicated, fully digital seminar was organised at the end of 2020. Co-hosted by WWF France, the purpose of this seminar was to recall the scientific findings from the latest IPBES report, present the five major pressures that human activities exert on nature, communicate the House's positioning and its objectives, and explain the details of the first biodiversity footprint measurement using the CDC biodiversity tool, which is currently in progress.

This training will have raised awareness among more than a hundred managers.

In addition, to continue the effort and strengthen the integration of biodiversity issues into the career and daily life of all employees, a dedicated e-learning module has been developed in a cooperative mode with the House's employees from all over the world. Different horizons, which will be rolled out in the first quarter of 2021.

As part of the Fashion Pact, members of the Group Sustainable Development Operations Committee attended training courses organised by Conservation International (CI) on biodiversity.

In addition, specific training sessions were organised for a working group composed of internal experts as part of the biodiversity mapping project carried out in 2020 according to the GBS methodology with the WWF and CDC Biodiversity.

2.5.3.2 WORKING IN PARTNERSHIP WITH STAKEHOLDERS

Hermès wants to surround itself with the best skills to make progress in the field of biodiversity.

1. Royal Society for the Prevention of Cruelty to Animals.

2. Intergovernmental science policy Platform on Biodiversity and Ecosystem Services.

The partnership agreement with WWF France, signed in May 2016, was renewed in 2020. The aim is to work together to preserve ecosystems by analysing interactions with the Group's supply chains. This partnership is expressed in the following areas:

- ♦ assessment of the main environmental challenges of the supply chains (diagnosis, action plans). In this respect, the crocodile, cashmere, wood & paper and cowhide (Europe) sectors;
- ♦ specific work on water risk issues thanks to the WWF's freshwater footprint assessment tool: the Water Risk Filter;
- ♦ innovative work on the global measurement of its biodiversity footprint, in collaboration with CDC Biodiversité.

At the same time, the Fondation d'entreprise Hermès has also renewed its partnership with WWF France for the preservation of natural heritage and ecosystems, by supporting the reduction of crime related to wildlife, the fourth largest transnational criminal activity in the world, and future protection projects.

The Group also continued its highly operational work with NGOs involved in the protection of biodiversity: in South Africa, with SAOBC, on the subject of ostriches but also local ecosystems (water); with the ICFA for crocodilians, and with the British NGO RSPCA on animal welfare issues.

Lastly, in 2020 Hermès conducted specific studies with expert organisations, such as the Cambridge Institute for Sustainability Leadership (CISL).

2.5.3.3 DIAGNOSING IMPACTS ACROSS THE ENTIRE VALUE CHAIN

The measurement of Hermès' biodiversity footprint is currently being assessed using the Global Biodiversity Score tool run by CDC biodiversité (a subsidiary of Caisse des Dépôts), implemented with the support of WWF France. The choice of this tool was motivated by the variability of the possible input data, the translation of the impact into IPBES pressures and the comparability made possible by a single methodology. A total of 96% of Hermès' revenue should be covered by this analysis, measuring the impacts of all of the House's *métiers* on biodiversity using a single indicator (MSA m²). The MSA (Mean Specific Abundance) is an indicator that assesses the integrity of ecosystems. The analysis is carried out by analysing the impact of the various components of economic activity on these ecosystems according to the pressures of the IPBES:

- ♦ land use, fragmentation, encroachment, atmospheric nitrogen deposition, climate change, hydrological disturbance, wetland conversion, nutrient emissions and land use change in the watershed. It is based on the use of the Globio database, and makes it possible to calculate static or dynamic impacts, on scopes 1 and 2 (own activities) and 3 (external supply chains);

- ♦ the study is due to be finalised in 2021. To date, few companies have implemented such a comprehensive inventory, which positions the House among the pioneers in this area. Ultimately, this footprint will form the basis for future action plans, ranked according to these analyses. It will be updated regularly.

Global Biodiversity Score (GBS) approach

Ahead of COP 15 of the Convention on Biodiversity scheduled for 2021, Hermès confirms its commitment to the integration of biodiversity into its global strategy through an innovative tripartite collaboration with WWF France and CDC Biodiversité. Hermès has been supported since 2020 by WWF France in assessing the impact of its activities on biodiversity using the Global Biodiversity Score (GBS) tool developed by CDC Biodiversité. This work is part of Hermès International's five-year plan on biodiversity commitments, which were recognised by the Act4Nature international initiative in 2020.

Nature is in crisis and the IPBES (Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services), a platform equivalent to the IPCC for biodiversity, has identified five major pressures that contribute to biodiversity loss: changes in use of land and oceans, the use and exploitation of natural resources, climate change, pollution, and invasive species ¹.

The assessment of the Hermès Group's biodiversity footprint, carried out using the GBS tool, covers several of these pressures and makes it possible to study the impacts caused by the Company on a large part of its value chain, *i.e.* in its scope of direct operations and its suppliers, which includes the supply of raw materials. This assessment enables Hermès to gain an overview of the Hermès Group's main impacts on its value chain for the majority of the Group's *métiers*, and to guide the biodiversity strategy in order to set objectives and priority actions to be carried out.

The preliminary analysis of the Group's footprint (96% of its activity) shows that the majority of its footprint is linked to the upstream end of its value chain. The main pressures on terrestrial biodiversity are linked to land use (crops, livestock) for the static footprint and greenhouse gas emissions (scope 3 related to suppliers) for the dynamic footprint. Hermès and its partners will continue to analyse these results in 2021.

2.5.3.3.1 Noise and olfactory emissions

A large amount of equipment is replaced each year to improve systems used for the treatment of waste discharged into water and into the atmosphere in order to meet all applicable regulations. Similarly, noise measurements are regularly taken around a small number of sites that may be affected to check that they comply with the standards applicable to them.

1. This specific pressure has not been taken into account yet.

Crystal manufacturing

An environmental monitoring program around production units, co-developed with local authorities, has been implemented every year since 2018. The results obtained during these measurement campaigns reflect those observed at the various water and atmospheric emission points and underscored the compliance of the production unit's activity with respect to its direct environment.

Tanneries

Numerous investments have been made in recent years to reduce any olfactory nuisance on the sites. For example, the establishment of a new sludge treatment system in 2019 at the Tanneries du Puy, the creation of gas washing columns at the Tannerie d'Annonay in 2018 and the covering of various wastewater treatment pools at treatment plants. The implementation of these compensatory measures is systematically communicated to the State, town hall and DREAL (Regional Directorate for the Environment, Planning and Housing), as well as to local residents.

No complaints for olfactory nuisance were received in 2020. Lastly, when required by the regulations, the tanneries may carry out noise measurements at property boundaries. The most recent measurements did not indicate that any applicable thresholds had been breached.

Textile

Around the temporary laser cutting workshop for Holding Textile Hermès, a smell of burning can sometimes be perceived. The new works teams were therefore asked to identify a treatment method, the appropriate solution consisting of installing an activated carbon filter. However, this solution requires air emissions that are clean, dust-free, wire-free and cutting residue-free. It therefore requires pre-treatment by filters and extractors. This pre-treatment was tested at the end of the year in order to verify its proper functioning, before rolling out the global solution during the installation of the cutting machines in the new logistics buildings at the end of 2021.

Beyrand

At Beyrand, the assessment of the acoustic impact of the site *vis-à-vis* the neighborhood, as part of the periodic regulatory inspections of the ICPE 2940-2-b section, revealed that noise levels occasionally exceeded several measurement points, both during the day and at night. A study will be carried out in 2021 to determine the source of these noises and find solutions to return below regulatory values.

J3L

Four of the six sites in operation are subject to periodic noise emission measurements at the property boundaries. One of the sites, located in a residential area, performs the measurement annually (instead of the three-year regulatory frequency) to ensure that there is no drift that could impact residents.

A programme, begun in 2016 and now completed, to replace the central vacuum cleaner at the polishing stations for the benefit of autonomous

stations has demonstrated its effectiveness in terms of environmental measures as well as employee exposure in the workshops. To date, all sites are compliant on this point.

The operation of the six production sites for metal parts does not cause any odors to the environment.

2.5.3.3.2 Land use change

The Hermès Group's industrial activities do not contribute to the change of land use, given the small surface area occupied by its sites and the low rate of change in land use for cattle and sheep farms in Europe, from where its supply of raw hides is sourced. An impact study incorporating issues relating to animal and plant life and the preservation of natural environments is carried out prior to establishing any new industrial site.

2.5.3.3.3 Water management (see §.2.5.2.1 in chapter 2 "Corporate social responsibility")

In 2019, the Hermès Group initiated a process to better familiarise itself with its water footprint across all its sites and those of its suppliers (75 sites). As part of this study, potential impacts on biodiversity will be taken into account and analysed.

2.5.3.4 IMPLEMENT ACTIONS IN THE MÉTIERS, SECTORS AND SITES

Together with the partners supplying it with natural materials, the Hermès Group is continuing constructive efforts incorporating biodiversity protection. The Group is collaborating with international NGOs in this area, as appropriate, in order to better assess the various biodiversity components that concern it and to assess the impact on its supply chain.

Through their location in rural areas, the production sites are involved in various biodiversity initiatives.

Leather

In order to integrate the protection of biodiversity into the consideration of the establishment of future Leather Goods workshops, a guide listing best practices was drawn up in 2020. The following principles have been adopted: at the plot level, actions result in the implementation of ecological management of green spaces. At the landscape level, the aim is to promote ecological connectivity of sites with their surrounding environment. The sustainable construction framework used for each new site project has therefore been enhanced and will now enable architects and landscapers to best integrate this dimension into their projects.

In existing Leather Goods workshops, where many actions have already been carried out, it was decided to structure the approach while maintaining the diversity of responses provided. A first step in the aim of taking biodiversity into account took place at the end of 2020. All the sites were audited according to a grid built on the basis of this new guide, which will help them define the priority actions to be carried out in the course of 2021.

In addition, on an experimental basis, 15 indicators based on the five erosion factors defined by IPBES were selected: they are intended to measure the pressure on biodiversity, i.e. the impact of activities on the sites, the resulting state of the environment and the responses or corrective actions taken. From 2021, these indicators will be monitored in each Leather Goods store.

The pilot actions carried out by the leather *métier* are intended to be extended to all production sites in France, making it possible to achieve the 2030 objective of 100% of sites involved in biodiversity actions.

Textile

Silk study with Cambridge University

Silk is an essential resource for Hermès and its production reflects the House's values of sustainability and ethics. It is a renewable and biodegradable material. 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. 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.

"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. The 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 neighboring 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, leaving more uncultivated spaces where biodiversity can develop.

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.

Two beehives have been installed on the ITH site since April 2019. The 2020 honey harvest proved to be very productive: 46 kg were harvested, double the amount of last year. Half of this harvest was distributed to employees, the other half was sold at the end of the year for the benefit of the Telethon. These good harvests are linked to the practice of reasonable mowing of green areas, which represent 40% of the site, and to the absence of phytosanitary products.

The Sustainable Development Week took place in the sector from 29 June to 3 July, in a fully digital format, with the broadcasting of interviews with employees involved in sustainable development projects, sharing of eco-responsible tips by employees and managers and videos about the challenges of the sector.

Farms

The vast majority of the animals bred on the farms come from eggs collected in the natural environment, according to quotas set each year by the local authorities. Several players ensure the smooth running of the farming industry in Australia and the United States, in particular local governments and their conservation departments, landowners, hunters and egg collectors and incubators from which the breeding farms buy the eggs or hatchlings.

As such, the income earned by landowners from the collection of eggs contributes to the upkeep of these areas, and therefore to the maintenance of biodiversity in these natural areas. In addition, CITES tags, the use of which is made mandatory by the Washington Convention, and egg collection permits generate benefits for local authorities (such as the US Fish and Wildlife Service or the Department of the Environment and Natural Resources of the Northern Territory in Australia). These resources are then devoted to the operation of the services involved in the management of species conservation programs, the monitoring of animal populations in the natural environment, the control of compliance with regulatory requirements and research programs on crocodilians.

In addition, specific actions are decided at local level. This is particularly the case in Louisiana, where farmers must reintroduce into the natural environment at least 10% of alligators – in good health and having reached a minimum size – raised on their farm. This reintroduction is carried out in areas defined by local authorities and under their control. The alligator industry, considerably reorganised in line with the Washington Convention, has contributed to protecting the species and its unprecedented development in the areas in question and, as a result, to protecting and maintaining the marshlands where these animals live and reproduce. According to the US Fish & Wildlife Department, an area of 1.2 million hectares of wetlands is thus better maintained. The objective is to continue to support farmers in their development, and thus perpetuate these effects.

The production sites, by their activity and their location, therefore play a key role in the preservation of species, the protection of biodiversity and the local economy. As such, they enjoy a strong local presence, thanks in particular to relationships with the various authorities in charge of nature protection, egg collectors and landowners.

Real estate

In 2018, the commitment made by the Hermès Group through the Act4Nature pact and initiatives for the preservation of biodiversity were integrated into new real estate projects by adopting the following criteria and objectives:

- ◆ the proportion of vegetation on the site retained after the works: >70%;
- ◆ the proportion of wastewater treatment by phyto-remediation, if applicable: >80%;
- ◆ the proportion of green roofs of the building: >60% of the available surface;
- ◆ the number of local actions to promote biodiversity: more than two per site and per year;
- ◆ the share of outdoor spaces in the shade at the winter solstice: <30%.

On 1 October 2020, the Hermès Group reaffirmed its biodiversity commitments to the Act4Nature International system with a new five-year plan, while retaining its objectives.

In 2020, the exterior improvements of the new Leather Goods workshop in Montereau made it possible to maintain 100% of the site's existing vegetation and to increase the number of exterior landscaping actions to preserve biodiversity, such as the creation of green valleys and alternating rows of grass and rows of trees, or the use of permeable surfacing materials on roads.

In 2020, an orchard and a vegetable garden were planted at the new Guyenne Leather Goods workshop site in St-Vincent-de-Paul (Bordeaux), as well as areas of nature in the reception areas of the entrance hall.

Cristallerie: filtering gardens of Saint-Louis

The preservation of natural resources is part of the House's DNA, and particularly for water, the presence of which determined the installation in 1586 of what would become the Cristalleries Saint-Louis. Today, the production unit is located in the heart of an exceptional territory recognised since 1989 as a cross-border biosphere reserve by UNESCO. In its approach to respecting biodiversity, in 2015 the production unit incorporated an innovative solution for the natural treatment of water by phyto-restoration: "Les jardins de Saint-Louis". In a green setting, this water treatment facility is composed of plant and mineral filters, harmoniously integrated into a wetland. Requiring no energy or chemical inputs, this system ensures optimal water purification and its performance is superior to that of a traditional physico-chemical installation.

The "Les Jardins de Saint-Louis" site has recently been opened to the public, raising awareness among visitors of this virtuous environmental approach. During their discovery, they can also appreciate the presence of Highland Cattle used for eco-grazing, a perfect alternative to the mechanisation of the maintenance of valleys and wetlands. Combined with the Musée de la Cristallerie, this garden contributes to the region's tourist appeal.

In the long term, Saint-Louis aims to improve its facility by reusing the purified water in its workshops, further reducing its environmental footprint.

2.5.3.5 CONTRIBUTING TO POSITIVE ACTIONS OUTSIDE HERMÈS' SPHERE OF RESPONSIBILITY

As a responsible company, Hermès voluntarily undertakes biodiversity-related efforts reaching beyond its business activities.

The Fondation d'entreprise Hermès contributes to various biodiversity-related projects and is continuing its efforts in this area. It supports a wide-scale project in Africa, for example, in partnership with the WWF France: Traffic/AfricaTwix. This project aims to improve the fight against the poaching, trafficking and illegal trade of protected species in Africa, through the establishment of IT tools fostering dialogue between the different authorities of the countries in question. The Fondation d'entreprise Hermès will continue to support this project. The Fondation d'entreprise Hermès has increased its commitment in this area since 2019, supporting the Natural History Museum's "Vigie Nature" programme¹, which aims to allow schoolchildren to take part in monitoring biodiversity, as well as supporting the NGO "L'Atelier paysan", which with its agro-ecological approach lays the foundations for agricultural development that is more respectful of biodiversity.

1. <https://www.fondationdentreprisehermes.org/fr/projet/vigie-nature-ecole>

Livelihoods

Hermès has been a shareholder of the Livelihoods Fund since 2012, which aims to improve the living conditions of disadvantaged communities in a sustainable manner by developing large-scale projects with real impact against climate change, as presented in § 2.5.2 “Climate change”.

Investments are made in three types of projects (ecosystems, agroforestry and energy) in Africa, Asia and Latin America. The fund has 10 partners working on these projects over a 20-year period. Overall, the Livelihoods Fund, with its compartment LCF1, will contribute to the replanting of **130 million trees, including 18,000 ha of mangroves (Casamance, Ganges Delta and Sumatra) and 34,000 ha of agroforestry (Andhra Pradesh, Guatemala and Kenya) with major effects on local biodiversity**. Hermès is continuing its commitment to the Livelihoods Fund by contributing to current projects, but also with the creation of a new, even more ambitious fund, LCF2, launched in December 2017, which will also have a considerable effect on biodiversity (probably twice that of the LCF1 fund).

Act4Nature International

Hermès took the opportunity to update its more ambitious biodiversity commitments in 2020 to renew its individual commitment to Act4Nature International. These objectives were validated by all stakeholders inherent in the governance of this multi-stakeholder alliance (companies, public authorities, scientists and environmental associations).

In 2018, Hermès joined French project Act4Nature alongside 64 members of the French economy, thereby confirming its commitment to supporting factoring biodiversity into its overall development strategy,

and also contributing to the biodiversity targets set by the international community. Act4Nature is an initiative launched by EpE (the French association Entreprises pour l'environnement) and several partners. It aims to mobilise companies to protect, promote and restore biodiversity through shared commitments set by scientific institutions and associations, and through individual commitments specific to each partner.

The shared commitment (10 commitments in total) aims to integrate biodiversity considerations into all activities, from governance and strategy to the most practical operations, to legitimise those considerations among the Company's employees and stakeholders in order to elicit and encourage spontaneous and widespread actions.

The individual commitment is defined by each company and specific to its activities. This commitment must be adapted regularly, as Act4Nature strives to follow a continuous progress approach.

In 2020, Act4Nature became “Act4Nature International”, which retains the characteristics of the voluntary commitment of the first initiative but strengthens the terms of commitment required for companies and joins the global “Business for Nature” initiative. Hermès' commitments are presented in the “Strategy” paragraph of this section.

Fashion Pact

Under the Fashion Pact, Hermès joined a coalition, one of whose goals is to support the development of the Science Based Targets for biodiversity and to help protect and restore ecosystems and protect species. By participating in this coalition, the Group is committed to an objective that goes beyond its operations and contributes to the alignment of a sector with global objectives.

A long-term commitment to the Livelihoods Carbon Fund

The House has extended for a further 20 years its commitment to the Livelihoods Carbon Fund, with which it has been partnering since 2012, with the aim of reducing carbon emissions through practical initiatives to improve the daily lives of rural communities in India, Guatemala, Indonesia, Peru, Kenya, Senegal and Burkina Faso. In Burkina Faso, the construction of three-stone stoves illustrates the way in which simple and replicable large-scale solutions can be implemented, with immediately measurable effects on the quality of life of local populations and on CO₂ emissions. In the village of Kongussi, local



NGO Tiipaalg is teaching women how to build these ecological stoves, which use little wood and cause little pollution. In return for such projects, the contributing companies, including Hermès, receive carbon credits with high social value, partly offsetting their own emissions. In the space of six years, the nine Livelihoods projects have benefited a million people in Africa, Asia and Latin America, and 130 million trees have been planted. Through the Livelihoods scheme, Hermès aims to have a positive impact on the quality of life of rural communities and to neutralise its carbon emissions over the long term.

2.5.4 CONTRIBUTION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Hermès' environmental commitments contribute to the UN's sustainable development goals (SDGs).

**No. 3: Good health and well-being**

◆ 3.9 "Reduce activities' health impacts due to pollution"

Hermès operates in countries in which regulations are very stringent on this subject. The Group continues to improve its production processes as well as the management of waste and discharges, 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 manufacturing, textiles, and so on) have been actively working on controlling the important issues of water consumption and effluent management. Hermès has achieved substantial results, since 2002 water consumption has fallen from 458 to 91 m³ per million euros in revenue, and has been divided by five. It is also improving through the implementation of the best technical systems.

◆ 6.4 "Increase the efficient use of water resources"

The main *métiers* that are concerned (textiles, tanneries, crystal manufacturing) 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).

◆ 6.6 "Protect and restore water-related ecosystems, such as 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. 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.

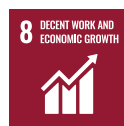
**No. 7: Affordable and Clean Energy**

◆ 7.2 "Increase the share of renewable energy"

In France, 100% of the electricity consumed comes from "green" sources (hydraulic, photovoltaic or wind). Worldwide, the Group was 82.4% supplied with green electricity in 2020. In addition, the Group is installing renewable energy systems (wood-fired boilers on production sites, photovoltaic panels on sites in France, the United States and Australia).

◆ 7.3 "Improving energy efficiency"

The House is working to defossilise all of its energy consumption. In this context, the real estate framework incorporates this concept into all new projects. Leather Goods workshops like the Maroquinerie de Guyenne or de Montereau use renewable energy. In the industrial sector, the decoupling of consumption and growth is continuing. Lastly, stores around the world are 80% equipped with LEDs, with the aim of reaching 100% by 2023 in sight.

**No. 8: Decent work and economic growth**

◆ 8.4 "Decoupling consumption and growth"

Continued work has made it possible to decouple growth and consumption of energy (divided by three) and water (divided by five) since 2002.

**No. 9: Industries, Innovation and Infrastructure**

◆ 9.4 "By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities"

The House is committed to reducing direct carbon emissions (scopes 1 and 2) by 50% in absolute value and scope 3 by 50% in relative value on the basis of those of 2018.



No. 11: Sustainable Cities and Communities

- ◆ 11.6 “Reduce the adverse environmental impact of cities, including by paying special attention to air quality and waste management”

The House's sustainable construction framework has an approach based on five objectives that measure the environmental performance of real estate projects: carbon emissions, air quality, biodiversity, local sourcing and environmental quality.



No. 12: Responsible Consumption and Production

- ◆ 12.4 “Environmentally sound management of chemicals and minimise their effects on health and the environment”
- The Hermès Group strives to manage waste and chemical products throughout their life cycle. As a player in certain *métiers* in France (tannery, textiles, crystal, etc.), the Group strives to implement effective, reliable and sustainable operational solutions. It endeavors 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).



No. 13: Climate Action

- ◆ 13.2 “Integrate climate change measures”
- Actions have been put in place by various departments (industrial, construction, logistics) to contribute to reducing energy consumption and greenhouse gas emissions. The Group has made strong commitments in this regard (targeting a 50% reduction in its emissions by 2030). 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 actions. A training course dedicated to sustainable development will be launched in early 2021 for all employees.



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.

In addition, the House indirectly participates in the restoration of coastal mangrove ecosystems in Indonesia, India and Senegal through the actions of the Livelihoods fund.



No. 15: Life on Land

- ◆ 15.1 “Ensure the conservation, restoration and sustainable use of terrestrial and freshwater ecosystems, in particular forests and wetlands”

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.

Several Leather Goods sites have planted fruit trees, favouring traditional and local varieties, and have planted green spaces such as beautiful flower meadows.

- ◆ 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.

- ◆ 15.7 “Take urgent action to end poaching and trafficking of protected species of flora and fauna”

The Group supports the fight against the trafficking of protected species in Africa in partnership with the Traffic/Africa-Twix programme of WWF France.

Fully recyclable, the emblematic orange box represents all the different métiers and the suppliers who make it



©Photographer: Pascal Xu

2.6 COMMUNITIES: SUPPLIERS & PARTNERS

Hermès' sustainable development is linked to the ability of its partners and suppliers to develop sustainably with regard to social, environmental and ethics issues, in particular human rights, fundamental freedoms, employment conditions, respect for nature and its biodiversity.

More broadly, Hermès contributes to the deployment of responsible sustainable development practices through its influence and by exercising a duty of vigilance towards its partners as well as by promoting the supported sector.

2

Introduction

Most of Hermès' production is integrated, in line with its strategy of preserving unique *savoir-faire* and securing supplies : **61% of our objects are made in Hermès exclusive and in-house workshops**. Our ability to grow is however also linked to the retention and development of our suppliers and subcontractors, whose exceptional *savoir-faire* and future success will contribute to that of the Hermès Group and whose social and environmental practices must be irreproachable.

The House's subcontractors and suppliers are mainly long-term partners. As such, for direct purchasing (production purchases), **the average length of trading relationships with the Hermès Group's top 50 largest direct suppliers in 2020 was 20 years**. They operate mainly in the Leather Goods division (tanneries and manufacturers) but also in other *métiers* (silk and textiles, notably). This stability is also true for small suppliers, some of which may have been working with the House for more than 50 years.

The Hermès Group has also been working with socially supported organisations in France for many years for its direct and indirect purchases, and this practice is growing steadily every year.

Indirect purchases are supervised by a Group department which, on the one hand, pools certain purchases at Group level (such as packaging), but also manages a network of dedicated purchasers in the *métiers*, subsidiaries or central services. It also coordinates Group action plans on major topics, such as the elimination of single-use plastics (see chapter 2 "Corporate social responsibility, § 2.4.1.1.1).

Direct purchasing is also supervised by a Group department which coordinates a network of buyers within the *métiers* and coordinates the process of analysing supply chains, managing supplier risks and the supplier audit programme. It also defines the Group's purchasing policy as well as the CSR objectives for suppliers and partners (human rights and labour-related, biodiversity, energy and carbon, water, plastics).

More broadly, human rights issues are specifically taken care of and are for instance the main topic of a dedicated section in the "supplier handbook" signed by subcontractors and suppliers.

Hermès pursues a corporate strategy in which ethics and proper business conduct are the pillars and guardians of a responsible and sustainable performance. An Ethics Committee has been set up to receive and process alerts, as well as to provide advice and recommendations on the Group's ethics culture.

Covid-19: SUPPORT FOR SUPPLIERS DURING THE CRISIS

From the start of the Covid-19 health crisis, the purchasing teams in all *métiers* have strengthened their presence with their suppliers through very regular contacts, at least weekly, to check collectively the health challenges for their teams, their financial health and their level of activity. In this context, several actions have been implemented to support their cash flow:

- ◆ payment of orders made, even in the absence of physical receipt;
- ◆ acceleration of payment terms (even if the standard at Hermès is already to pay suppliers as soon as possible and not when due);
- ◆ maintain order volumes in line with pre-existing plans;
- ◆ orders sometimes made ahead of need to support the level of activity.

Of course, masks and hydroalcoholic gel were provided to some suppliers to enable them to reopen more quickly and safely, especially at the beginning of the period when a certain shortage existed, to capitalise on the House's ability to make bulk purchases.

Hermès Maroquinerie-Sellerie division

The strength of Hermès Maroquinerie-Sellerie's network of partners has proven to be a real boom in managing the Covid-19 crisis. In addition to maintaining the Group's business and commitments to its suppliers, the following elements were shared within the network:

- ◆ the operational implementation of best practices for the application of government recommendations (application of barrier gestures), by capitalising on the analyses and work carried out in the workshops;
- ◆ equipment and resources: distribution of hydroalcoholic gel and masks;
- ◆ information on State business support mechanisms.

Moreover, these actions were praised by the partners in a letter of thanks sent to the Group's Management.

Women's Ready-To-Wear

The Women's Ready-to-Wear *métier* provided full support to suppliers in difficulty, in particular to small-scale manufacturers who are highly specialised in their production activities, by repositioning order volumes to provide them with stable workloads despite the health crisis.

Cash advances were granted to certain manufacturers, and contact was maintained with all suppliers and partners via updates at least monthly throughout the crisis period, including during lockdown periods.

Textile donations were also made to produce masks.

This made it possible to maintain a high level of trust and good continuity of commercial relations despite the significant uncertainties of this crisis.

Footwear

The Footwear *métier* worked throughout the year to support its partners in the context of a general decline in partners' revenue. Regular contact was made with subcontractors during and following lockdowns to ensure they were all managing to survive. Cash advances were made to the most vulnerable manufacturers. In addition, orders were allocated in a homogeneous manner in order to ensure balanced workloads until the resumption of growth.

Belts

The Belts *métier* paid particular attention in 2020 to maintaining its business volumes with its suppliers and manufacturers. Cash facilities and order smoothing have made it possible to maintain a stable and regular level of production with the *métier's* suppliers and partners.

Accessories-Jewellery

The Accessories-Jewellery *métier* has supported its suppliers and manufacturers in several ways since the start of the pandemic:

- ◆ links and communication were maintained with all suppliers, through regular calls and updates on activity;
- ◆ the communication of order forecasts was strengthened, in order to smooth out the activity and ensure a flow of activity, which made it possible to maintain a level of orders almost identical to 2019 in terms of revenue.

Hermès Maison

In this delicate context linked to the Covid-19 crisis, Hermès Maison wished to be particularly vigilant about the health of its suppliers and thus supported, whenever possible, the cash flow of its suppliers through advance payments or orders.

In addition, supplier payment terms were optimised with payment on presentation of delivery notes and not on physical receipt of the goods.

Production schedules were adapted to the constraints and capacities of suppliers.

Lastly, certain vulnerable suppliers received specific support: accompanying letter for state-guaranteed loan (PGE) requests, advance orders for cash flow support.

Puiforcat

Over the March/May period, supplier invoices were paid as soon as notification was received that the goods had been shipped, and not upon reception on site, for the most vulnerable suppliers.

No orders were cancelled, of course.

Cate/Beyrand

Delivery schedules were reviewed based on supplier openings and deliveries were staggered upon reopening.

Volumes in the porcelain sector were increased both for components and for subcontracting, demonstrating real support for the ceramic sector in Limoges.

Among the customer markets affected by a decline in activity, no orders were cancelled, although a non significant number of orders were postponed to 2021.

Lastly, suppliers benefited from the Hermès Group's support during the lockdown and production shutdown period, with payment of invoices on presentation of delivery notes despite the absence of physical delivery. This helped support partners' cash flow.

Hermès Bijouterie-Joallerie

In a particularly unstable context, support for French partners was stepped up, either remotely or on site, with all the necessary precautions.

Particular vigilance was also paid to international suppliers to whom visits were postponed.

The *métier* did not cancel any orders in connection with the health crisis.

Hermès Horloger division

Close attention is paid to the financial situation of partners, particularly due to the Covid-19 pandemic, which has put all players in the watch industry in a situation that could be potentially difficult. Financial monitoring measures have been taken throughout the year to support partners if necessary and thus avoid possible failures.

COMMUNITIES : SUPPLIERS - CHALLENGES AND KEY FIGURES

Support and control



20 years length of relationships (top 50 direct suppliers)



56% of purchases made in France (top 50 direct suppliers)

100% of Leather Goods objects made in France



71 in-depth audits of tier one and tier two suppliers

55% of audits still took place despite the Covid-19 crisis



85% direct purchasing suppliers who signed handbooks 1 and 2 (CSR policy)



+18% outperformance of Group indirect supplier CSR scores compared to the EcoVadis benchmark

Responsible practices



100% of suppliers listed in 2020 undergo CSR audits



1st luxury goods house certified RJC COP 2019 (gold, silver, platinum, diamonds, coloured gemstones)



2020 commitment within the Leather Working Group (LWG, Leather Goods)



€2.4 million in total purchases from socially supported organisations (EA, ESAT)

2.6.1 SUPPORT AND CONTROL

Hermès is committed to providing long-term support for all its partners and maintaining balanced relationships characterised by goodwill and high standards; it therefore ensures that all its partners share and respect its social, environmental and ethics ambitions. The Group pays special attention to the issues of human rights and fundamental freedoms, working conditions (health, safety, working hours, living wages, etc.) and the environment, whether at our suppliers' premises or at their own suppliers' and subcontractors' premises, with a view to better understanding all of the supply chains.

POLICY

At Group level, the direct and indirect purchasing departments coordinate and monitor policies, tools and outcomes. **The purchasing policy, issued in May 2013, was updated this year.** It is shared with all employees via the intranet, transmitted through training sessions, and communicated to partners.

The Group's purchasing strategy, formalised in a policy, is based on four elements:

- ◆ **secure supplies.** purchasers are responsible for ensuring long-term relationships with suppliers with in particular the preservation of key *savoir-faire*, securing of supplies and services, and **the establishment of balanced and sustainable relationships.** The House's ethics policy leaves no room for aggressive or unfair purchasing practices;
- ◆ **empowerment:** operationally, each *métier* is responsible for the management of its suppliers and subcontractors. The *métier*-based approach guarantees proximity, understanding of issues and pragmatism of its mechanisms, while complying with the House's rules. Purchasing contributes to the House's economic performance, both through cost control, considered as a whole, and through the provision of value to the customer by seeking the best quality and by enriching Hermès' creation with proposals based on the innovation carried out among partners;
- ◆ **support suppliers on environmental issues:** in partnership with the WWF, a special water analysis was carried out at the main suppliers, using the Water Risk Filter. The results will feed into a Group action plan. The main supply chains, in exotic skins (crocodile and alligator), cashmere or wood, are also reviewed by the WWF, including environmental aspects;
- ◆ **exercise a duty of vigilance** to ensure ethics across all supply chains, particularly **on social and human rights issues.**

Information on the environmental and social footprint of the supply chain is detailed in see chapter 2 "Corporate social responsibility", § 2.7.2.2.1.

MEASURES IMPLEMENTED AND RESULTS

Since 2017, the Hermès Group's purchasing has been organised into two divisions: direct and indirect purchasing. The main duties of these two divisions are coordinating the network of purchasers, raising their awareness and training them on CSR issues in the supply chain, structuring and strengthening the supplier support and guidance system, and accelerating its implementation in all the House's *métiers* and subsidiaries. The Group's direct and indirect purchasing departments also coordinate the supplier audit programme conducted with an external firm. The Hermès Group has its own certifications, known by its suppliers (see chapter 2 "Corporate social responsibility", § 2.6.1.1) and has a relationship of trust with its audit partners. While external certifications are useful, the Group favours closer supervision through direct knowledge of its partners' practices, which the House's business model makes possible.

The maison's supplier policy, operational since 2018, was updated in 2020 around four pillars (security, quality and innovation, cost control and CSR). The CSR section gives rise to specific developments, illustrating the importance of the subject for the House. This policy will be gradually rolled out in 2021, in a collaborative approach with partners, in addition to the C1 (confidentiality and commercial loyalty) and C2 (social, environmental and ethics policy) handbooks, as well as sector briefs for raw materials purchases (see chapter 2 "Corporate social responsibility", § 2.4.1.1).

The Group's buyers, trained since 2018 and meeting quarterly in Purchasing network meetings, will be in charge of deploying this system. Its proper application will be verified by internal and external audits (see chapter 2 "Corporate social responsibility", § 2.6.1.2.2). Internally and externally, compliance with regulations and policies, when they are more stringent, is an imperative, particularly with regard to social issues, employment conditions, human rights, ethics and environmental protection.

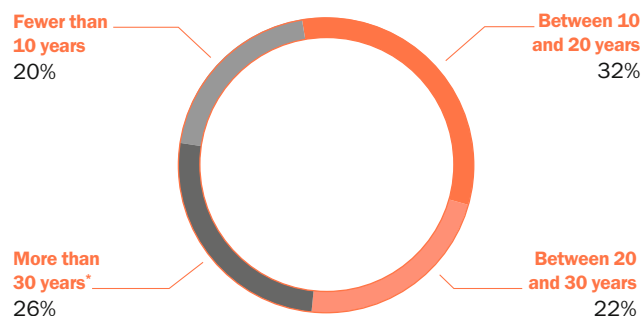
2.6.1.1 SUPPORT SUPPLIER PRACTICES TO PRESERVE KEY SAVOIR-FAIRE AND SECURE SUPPLIES

Hermès' policy is to cultivate its *savoir-faire* by supporting its suppliers in the long term. Hermès seeks out excellence among various French craftspeople with traditional, scarce and precious *savoir-faire*. In so doing, it aims to safeguard and perpetuate our national heritage of craftsmanship. Some creations also rely on *savoir-faire* that is rare worldwide. Maintaining the existing *savoir-faire* through close long-term partnerships with our suppliers, both local (France and Europe) and further afield.

As detailed in the "Materials" section in see chapter 2 "Corporate social responsibility", § 2.4.2.1, **suppliers are committed to having their activity certified, with targets for 2024.**

Our suppliers are partners

For the Group's 50 largest direct suppliers, the average length of trading relationships breaks down as follows:



* Two suppliers' trading relationships are older than 40 years and one of it is 60 years old.

The average length of relationships is 20 years. Of these 50 suppliers, 93% of purchases are made in Europe, with 56% in France.

This stability and proximity of relations with partners enable us to establish long-term, close collaboration with them in several areas as part of the continuous improvement of the supply chains.

Leather

The Leather Goods division carries out most of its production in-house and all of its production in France. It nurtures a very close relationship with its partner suppliers of hides, metal parts, etc. Most of these suppliers have been working with Hermès for many years and the relationships are built over time. The teams visit them frequently to initiate and then implement improvement measures, which may relate to the development of new products, the quality or optimisation of raw materials or the management of health, safety and environmental (HSE) issues. Regular audits consolidate these approaches.

Textile

The *métier* works in collaboration with partners in France who are part of the Lyon textile ecosystem, the birthplace of the "Silk" activity.

Hermès supervises these relations carefully with the dual purpose of creating conditions to perpetuate this *savoir-faire* while ensuring these suppliers apply best practices (protecting the environment, social and ethics rules, etc.).

Hermès carries out regular visits at least once a year, and organises the monitoring of key points by senior purchasers when necessary.

Real estate

Since 2017, the real estate purchasing policy has been gradually rolled out at subsidiaries. For any new construction, the supplier's undertaking to adhere to local rules and acceptance of the charters on fair trading and good labour and environmental practices are a prerequisite to engagement with the Hermès Group.

The contractor's social responsibility drives it to reach beyond legal obligations and to implement all approaches that would benefit society. An internal methodology for analysing and managing supplier risks in real estate has been defined. Partners can choose to also be part of this ambition. Suppliers are invited to determine their "CSR" profile.

Based on the importance of the risks identified, specialised third-party firms are requested to conduct an on-site audit. They are responsible for determining action plans that will be shared with the suppliers for actions to be monitored internally by the Hermès Group.

Métiers

Women's Ready-To-Wear

In 2020, the Women's Ready-to-Wear *métier* implemented a support strategy for its raw material suppliers as well as its producers and manufacturers.

At the level of suppliers of raw materials and components, communication has been maintained and strengthened on sustainable development issues.

As the cashmere sector was identified as a priority in terms of sustainable development, discussions were held with the main Women's Ready-To-Wear supplier on the environmental and social issues relating to their supplies.

Overall, all textile suppliers were approached during 2020 in order to jointly construct responsible supply chains for natural fibres, based on the existing RWS, RDS and OekoTex labels.

A holistic and well-thought out vision has been developed, taking into account all the characteristics of the fabrics, in particular the geographical location of the fibre production.

In terms of components, a progress initiative was launched in collaboration with suppliers to minimise the use of plastics in the wrapping and packaging of these items.

Regarding the producers and manufacturers of Women's Ready-To-Wear, the third-party audit approach was strengthened in 2020 (six audits completed in 2020), despite a complicated health context, making it possible to maintain a close relationship and discuss sustainable development issues effectively.

Ties with the most committed partners in sustainable development were strengthened in 2020: SA 8000 certification for the largest OuterWear manufacturer in the *métier*, and ISO 14001 certification for the largest manufacturer of cashmere coats.

The selective sorting of textile offcuts has been developed and reinforced by a majority of French and Italian manufacturers (20 French and 10 Italian manufacturers), in order to promote and optimise the recycling of raw materials.

Footwear

The Footwear *métier* continued its audits and associated action plans with visits during the first quarter and then remotely using photos and documentation following the restrictions on travel. However, the health situation has slowed down the rollout of certain action plans that were started in 2020.

The *métier* was also able to participate in the analysis of several specific sectors (sheep, cattle, etc.) in order to establish the action plans to be implemented in 2021 for more responsible sourcing of materials.

Puiforcat

2020 was an opportunity for Puiforcat to make progress on three main topics in terms of sustainable development with suppliers:

- ◆ confirmation with the silver raw material partner based in Germany, of the exclusive use of recycled silver, in order to limit the need for silver from mining;
- ◆ establishment from September of a recycling channel for metal waste (mainly brass, copper and aluminum), now remelted, refined and converted into raw material for new uses. It should be noted that this process has been in place for many years for precious metals, gold and silver;
- ◆ a joint initiative with Hermès Bijouterie was initiated in April in order to deepen knowledge of the “silver” purchasing chain in all its dimensions: upstream, downstream and the global ecosystem. The actions identified will make it possible, in the first half of 2021, to move up the value chain and to better understand the suppliers and subcontractors as well as their activities and specificities. An HSE audit is already planned for the second quarter of 2021 with the silver raw material supplier.

Hermès Maison: Furniture & Lighting/Objects/Textiles

Hermès Maison placed sustainable development at the heart of its purchasing strategy in 2020, by involving its partners:

- ◆ new campaign to ask its 130 direct purchasing suppliers to sign the latest versions of handbooks 1 and 2;
- ◆ evaluation of all its new strategic partners on HSE aspects;
- ◆ conducting of HSE audits with a specialised external firm, covering 25% of purchasing expenditure, and 75% of remote sourcing, and management of action plans with its partners;
- ◆ contribution to the initiative launched by Hermès International on the analysis of upstream sectors: plant-based sectors such as mahogany or walnut, or animal sectors such as cashmere, wool or leathers used by the House.

Hermès Bijouterie-Joallerie

Hermès Bijouterie-Joallerie builds sustainable management of its supply chains over the long term. In addition to the detailed knowledge and privileged support of direct partners, the tracing of value chains to the source of raw materials and identification of all stakeholders are crucial areas of development.

The level of integrated transformation operations as well as transparency on supply chains are essential criteria in selecting partners. As a reminder, the *métier* is RJC certified and is working on COC (chain of custody) certification, which requires detailed knowledge of its sector and attests to its high quality.

Hermès Horloger division

The Hermès Horloger division took part in the development of the “industry toolkits” on diamonds and precious metals, and a complete mapping of the supply chain of all partners in the diamond panel is under way. **The analysis of the gold sector confirmed the choice to use only COC gold (recycled) via a specialised partner, and to commit to the COC certification process in 2021.**

In 2020, the Hermès Horloger division launched an analysis of the mother-of-pearl sector, which is sensitive in terms of the environment, the health and safety of people, and corruption, as well as issues relating to human rights and fundamental freedoms. Several discussions were held with a supplier to work on measures that may reduce the risks associated with this sector. The objective is in particular to centralise purchases and reduce the number of people involved in order to improve management of CSR compliance.

A mapping of the origin by country of the various ornamental stones used in the manufacture of the dials was also initiated. A country risk analysis was carried out on this subject.

Indirect purchases

Within Hermès Group Services, the indirect purchasing department continued its process of monitoring indirect suppliers in 2020 with the EcoVadis assessment platform (see box).

EcoVadis, CSR performance and responsible purchasing assessment platform

EcoVadis offers a comprehensive corporate social responsibility (CSR) assessment service via a global SaaS¹ platform. The EcoVadis rating covers a wide spectrum of non-financial management systems, including consequences in the following areas: environment, social & human rights, ethics and responsible purchasing.

Each company is assessed on fundamental issues according to their size, location and sector of activity. These evidence-based assessments are worked into assessment sheets, with scores between zero and one hundred (0 and 100), and medals (bronze, silver, gold), where applicable. The assessed company can benchmark its score against its industry.

Hermès calls on EcoVadis for its indirect purchases, to promote sustainability in supply chains, and encourage its partners to go beyond simple compliance to achieve global best practices.

In 2020, work was started with the main cotton suppliers in order to be able to switch all cotton supplies to organic cotton or GOTS for packaging by 2024. These improvements will take place gradually from 2021 on emblematic and widely used elements, namely the herringbone covers and wrapping ribbons, which will significantly reduce the corresponding water consumption.

2.6.1.2 ENSURE THE APPLICATION OF SOCIAL, ENVIRONMENTAL AND ETHICS REQUIREMENTS

The supplier risk management system, which had already existed in the Hermès Group for many years, was strengthened and accelerated in 2018 as part of the rollout of a reasonable duty of vigilance plan with respect to suppliers and subcontractors as required by French law.

This monitoring is carried out in the context where Hermès carries out more than 60% of its production internally, which on the one hand reduces its exposure to risk (compared to other players in the sector for which subcontracting is predominant), and on the other hand often gives it a better understanding of operational issues (also being a player in the field). Thus, through its purchasers by *métier*, the Group is often close (geographically or because of an ongoing relationship) to its suppliers. In addition to quality issues, special attention is given to human rights and fundamental freedoms, the health and safety of people, and more generally their working conditions, as well as the protection of the environment. Ethics, specifically the prevention of corruption and influence-peddling, are also closely monitored.

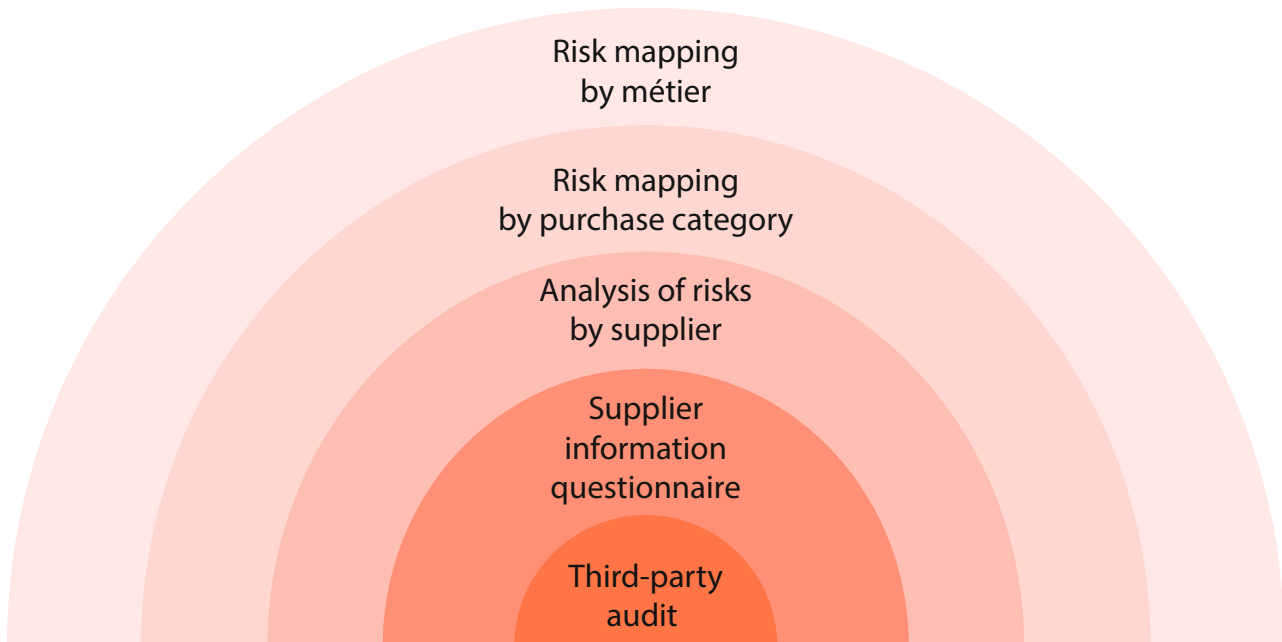
All of this work is carried out systematically across the entire scope of the Group, as well as using a “risk-based” approach that aims to prioritise the issues with successive filters to focus efforts on the most significant issues.

The diagram below shows this methodology and the corresponding tools:

In accordance with the recommendations of Act No.2017-399 of 27 March 2017 on the duty of vigilance of parent companies and ordering companies, this **duty of vigilance plan** is specifically structured around:

- ♦ **risk mappings** aimed at identifying and assessing the risks generated by the activities of suppliers and subcontractors, and more generally by all of the supply chains;
- ♦ **procedures to regularly assess** the situation of suppliers and subcontractors with which we have a trading relationship, but also to assess the situation of tier 2 suppliers and subcontractors, in order to gain an ever-stronger understanding of the supply chains;
- ♦ **appropriate action to mitigate risks** identified and prevent serious breaches of human rights, fundamental freedoms and health, safety and environmental regulations;
- ♦ **a whistleblowing mechanism and alert monitoring**
- ♦ **a system for monitoring the measures** implemented and assessing their effectiveness.

A methodology for monitoring supplier risks was formalised in 2018 and is applied by the direct purchasing and indirect purchasing divisions at all the House’s *métiers*.



The *métier* purchasers must sort their suppliers by purchase category then, for each of these categories, map the global risks and then analyse the risks by supplier. For suppliers identified as “at-risk” (notably corruption, politically exposed persons, negative press, breach of human rights, risk to the health and safety of persons, environmental risk) and those identified as strategic or sensitive (volume of business, special *savoir-faire*, *intuitu personae*, succession, financial health), the purchasers must complete a “supplier information questionnaire” to enable them to investigate the risks further. If the risk is confirmed, an external audit is requested.

2.6.1.2.1 Risk mapping

The Hermès Group has produced a risk mapping (see chapter 4 “Risks and control”, § 4.1), into which the mappings produced by each of the main *métiers*, Retail subsidiaries and support activities are fed. Each of these mappings takes risks related to suppliers and subcontractors into account.

In addition, to guarantee the thorough assessment of each supply chain, the purchasers in each *métier* formalise a risk mapping for each of their purchasing categories, assessing in particular the risks of the entire supply chain with respect to human rights and fundamental freedoms, the health and safety of people, social aspects, the environment and sustainable development, ethics and corruption risks. These risks are prioritised based on their criticality, on the one hand, calculated as the product of the impact on the Hermès Group or its stakeholders by probability of occurrence, and on the level of control, on the other hand.

Since 2018, the emphasis has been on direct production purchases, for which control of the supply chain is obviously a strategic challenge. The 16 Hermès Group’s *métiers* count around 100 direct purchasing categories. The initial objective to map out 75% of these purchasing categories by the end of 2020 was exceeded, with **92% of the purchasing categories risk mapped at the end of 2020**.

Among the risks identified, ensuring the durability of craftsmanship *savoir-faire* and maintaining our capacity in France are major challenges for several divisions, as is improving the traceability of raw materials throughout the supply chain. The impact of climate change, water consumption and biodiversity are also important issues that are increasingly being taken into account (§2.5). Issues relating to the health and safety of people are also identified, but deemed to be less critical, this point being already controlled thanks to the long-standing monitoring with all suppliers, with a particularly high level of requirement. Lastly, as the majority of suppliers are located in France, the risk of violation of human rights and fundamental freedoms as well as the risk of corruption are generally assessed as very low; however, they are specially monitored for the small number of supplies from further afield.

2.6.1.2.2 Regular assessment procedures

For each purchasing category previously covered in a risk mapping, the *métier* purchasers carry out a second-level risk analysis by supplier. It aims to assess the performance (deliveries, quality, etc.) and financial independence of each supplier, but also the risks related to human rights and fundamental freedoms, the health and safety of people, and more generally, employment conditions, as well as environmental risks. Corruption risks are also assessed according to the country in which the supplier is based and its activity.

If a risk is suspected, the purchaser arranges an audit to confirm or rule out this risk, supported by a “supplier information questionnaire” setting out the various topics included in the previously completed supplier risk analysis framework.

This “supplier information questionnaire” is more generally used by the direct purchasers as the basis of visits to a tier 1 or higher supplier with the aim of constantly improving their knowledge of the supply chains. Purchasers also use this questionnaire during pre-accreditation visits before starting to work with a new supplier. These pre-accreditation visits are compulsory within the scope of direct purchasing.

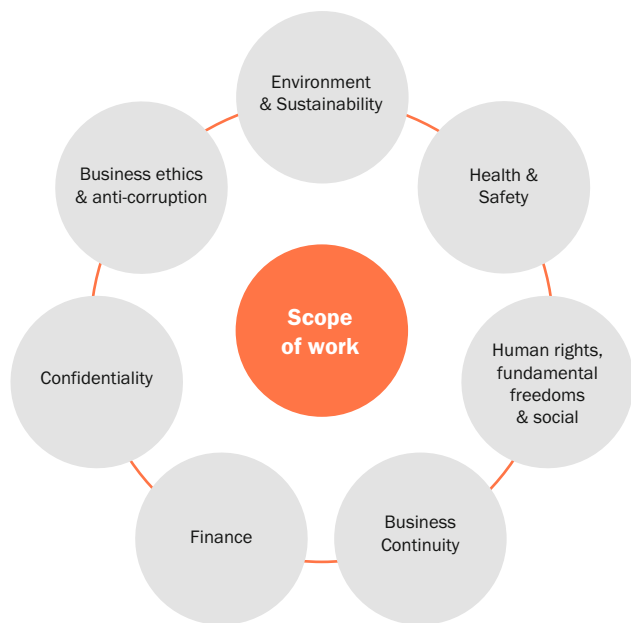
Audits

If the supplier information questionnaire confirms a significant level of risk, the purchaser alerts the direct purchasing department and their line manager, a member of the *métier*’s Management Committee, and an action plan is drawn up to prevent or mitigate the risks. If the risk is related to the environment, the health and safety of people, social issues or human rights and fundamental freedoms, an external body, recognised for its expertise, is asked to conduct an audit. The results of these audits and action plans are taken into account for any continuation of relationships.

Audits are also requested for strategic or sensitive suppliers (volume of business, specific *savoir-faire*, *intuitu personae*, located in a country far from France, etc.). Specifically, in terms of direct purchases, the Hermès Group’s 50 largest suppliers must be audited at least once and all suppliers outside Europe must be audited regularly, at least every three years.

These audits last at least two days each and are carried out in the presence of a Hermès representative. They make it possible to verify *in situ* the reality of suppliers’ social, environmental and ethics commitments, the proper implementation of regulations that concern them, and the reality of the working conditions and well-being of employees.

In keeping with the supplier information questionnaire, these audits cover the following seven issues:



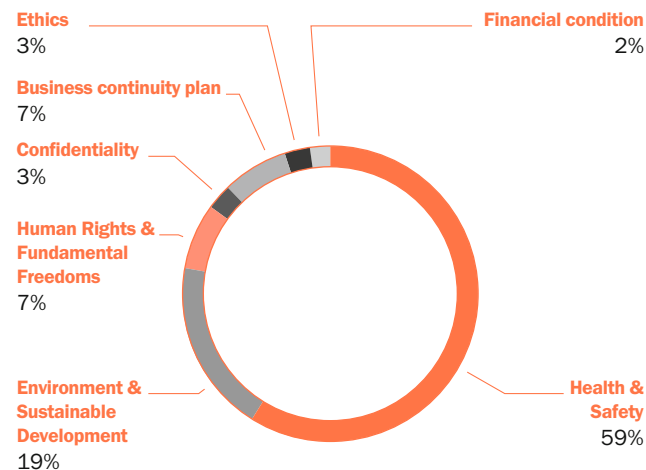
Of these seven topics, the three priorities, which meet our obligations under the duty of vigilance law, are:

- ♦ social, human rights and fundamental freedoms : child labour, forced labour, discrimination, gender equality, undeclared work, employment contracts, wages, working hours, overtime, etc. ;
- ♦ health and safety of people : fire prevention, workspace risk analysis, chemical risk, individual protection equipment, training, medical checks, etc. ;
- ♦ environment : regulatory compliance, emissions/discharge management, wastewater management, waste management, chemical storage, sustainable development policy.

The health situation related to Covid-19 had a strong impact on the supplier audit programme for 2020. Nevertheless, 55% of planned audits could be maintained, the vast majority in France and Italy. Nevertheless, it was possible to carry out **a total of 71 audits, including 50 audits of tier 1 suppliers and 21 of tier 2 suppliers.**

These audits led to the identification of **609 findings, of which 0.5% were considered critical**, 25% major and 43% significant. The remaining 31.5% concern simple points of improvement, proposals for best practices to encourage suppliers to constantly improve in a process of continuous improvement.

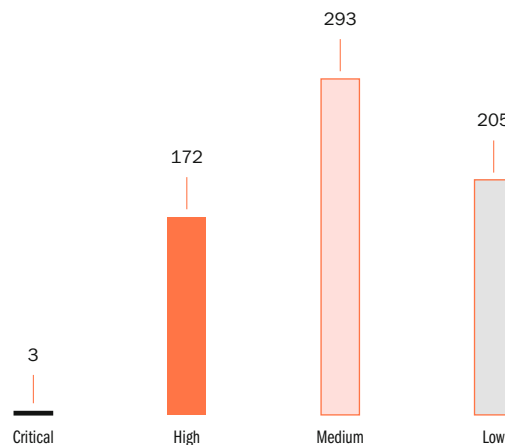
BREAKDOWN OF SUPPLIER AUDIT FINDINGS BY FAMILY



Hermès puts the safety of people at the heart of its concerns, and the level of audit requirements on the subject of health and safety is therefore particularly high. As a result, 57% of findings were related to this theme, *i.e.* 347 findings, of which 31% were deemed critical or major.

The three “critical” findings related to fire safety compliance issues, which were resolved immediately after the audit.

BREAKDOWN OF SUPPLIER AUDIT NON-COMPLIANCE



The most frequent major observations in terms of personal health and safety relate to:

- ♦ fire risk: non-compliance of electrical installations, difficult to access emergency exits and equipment, ATEX (Explosive Atmospheres) study not carried out;
- ♦ chemical risk: unrealistic inventory, substitutes for CMR products (carcinogenic, mutagenic and reprotoxic) not sought, no measurements of exposure to substances with OELs (occupational exposure limits);

- ♦ at workstations: incomplete or not updated generic single document, no prevention plan or lockout-tagout procedure;
- ♦ compliance with mandatory periodic inspections of lifting equipment and accessories, pressure equipment, boilers, etc.

In terms of the environment, the main recurring findings relate mainly to non-compliance with the obligations related to ICPE regulations, the administrative management of waste, and the absence of an asbestos technical file. It is important to note that no risk of pollution has been identified at any supplier.

In terms of ethics and anti-corruption, even if some suppliers have not yet formalised an ethics and anti-corruption charter at their level, they use Hermès' social, environmental and ethics policy as a support (handbook 2), which contains clauses relating to the fight against corruption, and which they have all signed.

These audits are a fundamental part of the risk assessment system for suppliers and subcontractors. They also contribute to the quality of the relationship, a key factor in the success of sustainable support towards best practices. This is why purchasers are involved in the auditing of their suppliers, supporting the process upstream, participating in audits alongside the external firm, and monitoring the progress made in the action plans in a more formal manner. An employee from the direct purchasing department is also involved in most of the audits. It also helps develop the purchasers' CSR expertise, which they can then apply to the identification of risks when visiting their suppliers.

Lastly, in line with their responsible purchasing strategy, the indirect purchasing division selected EcoVadis (see box in chapter 2 "Corporate social responsibility, § 2.6.1.1) at the end of 2018, which offers a collaborative platform to assess the environmental performance and corporate social responsibility (CSR) of their suppliers.

Since the programme was launched, **200 French and international suppliers have accepted Hermès' invitation to join the programme. The average score of these indirect suppliers is 18% higher than the EcoVadis average (50.8 compared to 42.8).** In 2020, the objective of inviting the top 100 indirect purchasing suppliers in France (or 38% of Group expenditure) to self-assess or share their rating was achieved.

For 2021, the objective is to invite 50 additional suppliers in order to cover the Group's 150 main indirect suppliers, and then to roll out the approach to all suppliers.

If all suppliers agreed to take this step, it would represent 55% of indirect purchases in France.

Supplier Audit Committee

Since early 2019, an Audit Committee is tasked with analysing the various audit reports and defining the actions to be implemented as a priority with each of the audited suppliers. This Audit Committee brings together the purchasing department, the Industrial Affairs Director, the Audit and Risks Director and the purchasers concerned. The Audit Committee meets twice a month to review the findings of new audits and dedicate

time to follow up on past audits. The purchaser of the *métier* in question is responsible for distributing the conclusions of the Audit Committee to each supplier and monitoring action plans. Audit follow-up visits are planned three months, six months and/or one year after the audit, depending on the type and severity of the findings. If necessary, a member of the Group purchasing department can accompany the purchaser on these follow-up visits.

2.6.1.2.3 Risk management and mitigation or prevention of serious violations

The Group's policy is based on training for purchasers and the formalisation of concrete commitments from suppliers.

Network management and training

The two purchasing divisions, direct and indirect, are responsible for coordinating the network of buyers and organising joint training actions.

The direct purchasing network, led by the Group direct purchasing department, brings together purchasers from the *métiers* every three months to review the Group's policy and procedures, regulations, legal rules and tools for monitoring suppliers and subcontractors. These meetings provide the means to exercise their duty vigilance with respect to their suppliers and subcontractors, and more generally with respect to all supply chains.

Alongside this, and with the same objectives, an indirect purchasing network is coordinated by the Group indirect purchasing department and meets once a year.

In addition, networks specific to certain supply chains were created in 2019 and meet at least three times a year, more frequently if necessary. These are the textile, metal parts, tanners and precious metals purchasing networks. These meetings provide the opportunity to discuss the risks identified within the chains and steer the action plans to prevent or mitigate these risks.

At the end of 2018, the construction of a **training course for purchasers was started, with the aim of strengthening and structuring the training already existing** within the Group. These dedicated sessions are either more general, **with detailed CSR components**, or more technical on HSE (health, safety, environment), legal compliance and human rights topics.

A training course on "Purchasing fundamentals at Hermès" is under construction and comprises two components, on responsible purchasing and supply chain management.

"Environment, health and safety" training is being rolled out, targeting purchasers as a priority, but also everyone who works with the House's suppliers and subcontractors. It aims to acquire sufficient expertise to identify any shortcomings on the part of a supplier or a subcontractor and support it in the corrective actions to be implemented, in a partnership and continuous improvement approach. Around 250 people will be trained by the end of 2021.

In addition, a “Legal and Compliance” training course is being developed with the legal department, and a “Human and Rights and Social” training course will be developed with an external firm expert in the field in 2021.

Supplier commitments

From a legal standpoint, **Hermès systematically requests a formal commitment from its suppliers to comply with their social, regulatory and environmental obligations through two undertaking handbooks signed by both parties.** These handbooks, which define the contractual relationships, are regularly updated, with:

- ♦ handbook 1 defining undertakings with respect to non-disclosure and fair trading;
- ♦ handbook 2 defining undertakings with respect to social, environmental and ethics policies.

These two handbooks were updated in 2020 to include an email address enabling suppliers to report any breaches in terms of ethics.

The vast signature campaign launched since 2018 continued in 2020 to present and encourage all the Group’s suppliers to subscribe to this new version.

The supplier undertaking handbook 2 is publically available online (<https://finance.hermes.com/en/ethics-human-rights-and-diversity/>) and contains the following sections:

- ♦ international standards and agreements;

The House complies with the Universal Declaration of Human Rights, the United Nations Global Compact, the United Nations guiding principles on human rights, and most importantly the International Labour Organisation (ILO) declaration on the fundamental principles and rights at work, and asks its suppliers to do likewise;

- ♦ Good labour practices;

This section deals mainly with the following subjects: human rights and fundamental freedoms, child labour, forced labour, undeclared labor, compliance with health and safety rules, respect for freedom of association, non-discrimination, working time, compensation, illegal work and harassment and abusive behaviour.

- ♦ Good environmental practices;

This section states Hermès’ expectations in terms of compliance with environmental regulations, the controlled use of raw materials, energy and natural resources, the proper management of emissions, effluents and waste materials, and the protection of protected species and biodiversity;

- ♦ Good ethical conduct;

This section covers subjects that include corruption and money laundering, as well as specific requirements for certain sensitive sectors, and recommendations on best practices in relation to subcontracting;

- ♦ Personal data;

This section covers personal data protection principles.

By signing handbook 2, **suppliers and subcontractors formally undertake to carry out their own duty of vigilance with respect to their suppliers and subcontractors.** Moreover, they are responsible for declaring all their subcontractors to Hermès and may not subcontract any production of Hermès products to a new subcontractor without Hermès’ prior written agreement. This agreement is tied to a pre-accreditation visit based on the “supplier information questionnaire”.

Purchasers must take care to regularly remind their suppliers and subcontractors of the undertakings they have made by signing handbooks 1 and 2. Furthermore, any new supplier is required to sign handbooks 1 and 2 before any partnership can be undertaken, and in particular prior to participating in any call for tenders or listing.



85%

of direct purchase suppliers formally committed to social, environmental and ethics policies (handbooks 1 and 2)

The percentage of active suppliers in the direct purchasing scope who signed undertaking handbooks 1 and 2 reached 85% at the end of 2020, compared to 76% in 2019.

2.6.1.2.4 Alert mechanism and system for monitoring major issues

The close relationships between Hermès and its suppliers are key to identifying suspicious conduct. On-site visits by purchasers and regular assessments are important aspects that make it possible to detect any violations and to alert the Hermès Group.

Each *métier* is responsible for monitoring the challenges identified and the proper implementation of corrective actions with suppliers. Similarly, the legal framework of relations with subcontractors is regularly updated in light of actual experience. In particular, the conclusions of the audits, which bring together the auditors, the *métiers*, the purchasers and the industrial department, offer deep insights solidly rooted in the real circumstances of subcontractors.

In accordance with the code of business conduct, **any employee who identifies suspicious behaviour within the supply chain is invited to report it internally through the “H-Alert!”** mechanism implemented as described in chapter 2 “Corporate social responsibility”, § 2.8.4.1. Furthermore, in the event of a breach or situation contrary to the ethics, social and environmental principles, **the Hermès Group has provided its suppliers and subcontractors with a whistleblowing mechanism in the form of a generic email address.** These reports are analysed by the legal compliance department and the purchasing department.

In addition to monitoring by *métiers* and subsidiaries, the audit department provides a summary of major risks to the Hermès Group management, and monitors major issues by way of audits. In 2018 it continued to audit purchasing functions. These audits enable the correct implementation of the system described above to be verified. First introduced in 2005, self-assessment of internal control by the subsidiaries contributes to the dissemination of an internal control culture in the Group. This system makes it possible to assess the level of internal control and to understand to what extent operational and functional risks are properly addressed, as described in chapter 4 “Risks and control”, § 4.3.

In order to fulfil the requirements of Act No. 2017-399 of 27 March 2017, the Hermès Group established a **Compliance and Vigilance Committee** comprising representatives of the sustainable development department, the audit and risk management department, the industrial affairs department, the human resources department, the sales department, the finance department and the legal department, in order to prepare a duty of vigilance plan applicable to the Hermès Group companies. A Director of Legal Compliance has been in place since 2017.

Application of the French law known as “Sapin 2” has led us to increase our monitoring of suppliers, particularly the monitoring of their regulatory compliance with respect to corruption prevention (see chapter 2 “Corporate social responsibility”, § 2.8.3.1).

2 whistleblowing systems (internal and external) set up in 2019

2.6.1.2.5 Human rights in the supply chain

The Hermès craftsmanship model, in which 61% of objects are made in Hermès' exclusive in-house workshops, and 80% in France, relies on a network of suppliers based mainly in Europe, where labour practices are

stricter than in other environments. Hermès' exposure to supplier risk is therefore reduced. **An analysis of the top 50 direct suppliers shows that 56% of them are in France and 37% elsewhere in Europe.** Just 7% of purchases are made in more distant countries, mainly raw materials (e.g. exotic leathers), where control and monitoring are extremely strong:

The Group's policy, for its own operations as well as for those carried out by its suppliers and partners, is to enforce compliance with major international human rights principles and labour rights.

- ♦ Hermès' internal and external ethics approach is based on the universal framework established by major international principles. **The Ethics charter, signed by the Executive Chairman, established in 2009, is communicated to all employees, and is available on the intranet and can be accessed by the public at <https://finance.hermes.com/en/>.** It specifies that these principles apply to both Group companies and suppliers. In particular, explicit reference is made to the Universal Declaration of Human Rights, the charter of fundamental rights of the European Union, the charter of fundamental principles and rights of the International Labour Organization, which covers freedom of association, the fight against forced labour, child labour and the fight against discrimination, and the OECD Guidelines. It is also a member of the United Nations Global Compact (in which Hermès is “Advanced” level), which invites companies to adopt, support and implement in their sphere of influence a set of 10 core values (human rights, labour standards, environment, the fight against corruption), and the UN Guiding Principles on Business and Human Rights, which commit companies to respect human rights and address the negative impacts of their activities;
- ♦ this approach is regularly shared with the teams and was strengthened in 2018 by the direct and indirect purchasing departments (internal training, Paris buyer seminar, implementation of supplier practices monitoring software) and by the work of the legal compliance department. It is shared with suppliers during operational exchanges with purchasers, and was formalised in the signing of the C2 undertaking handbook (see chapter 1 “Presentation of the Group and its results”), which is also available to the public online at <https://finance.hermes.com/en/>.

Monitoring of practices is primarily the responsibility of the *métiers* and their purchasers, who are in direct contact with suppliers. The topics that are monitored closely include working conditions (hours, health and safety, compensation, right to organise and representation, disciplinary practices), risks of discrimination, forced labour, child labour, and, more broadly, acceptable living conditions (considering the local environment). Industry (for the packaging sector, for example) and geographical discussions are held to help identify the issues more precisely. When a subject is identified, it is discussed with the partner to help it understand why the topic is important to Hermès, examine possible improvement solutions and put in place an action plan as part of a long-term relationship. If this process cannot be put in place, the subject is discussed by the Management Committee of the appropriate *métier*, the industrial affairs department and the Sustainable Development Committee. At the outcome, the relationship is suspended.

Evaluation and control

Leather

Hermès Maroquinerie-Sellerie's suppliers are long-term partners with whom a privileged relationship is maintained, which makes it possible to achieve the House's commitments in terms of duty of vigilance. In addition, different means exist to secure collaboration: risk mapping based on the issues and on a set of collected data, regular visits by a multi-skilled team led by Hermès purchasers, a general framework formalised in annual guidance letters exchanged between producers and purchasers and finally control systems (on-site audits, carried out by internal and external teams). The responsibilities are clear, each supplier is in control of its scope. However, regular discussions make it possible to co-construct a long-term partnership strategy within a socially responsible environment.

Textile

In 2019, the Textile division tightened control of its supply chain. A watch unit was established in-house to monitor the supply of several chemical products and sensitive dyes.

This unit comprises the purchasing, processes and production departments. It has established a risk assessment document targeting sensitive products in terms of production and their shortage risks, together with an action plan suited to each site to minimise the risk (use of an alternative product, change in stock management, discontinuing the product, etc.).

To supplement this risk analysis, Holding Textile Hermès continues to implement its strategic supplier audit policy. The aim is to systematically audit material suppliers and finishers.

As such, in addition to the standard purchasing audits each year, Hermès works with an external firm to conduct three audits of its most important or most at-risk suppliers to obtain exhaustive information on the suppliers' HSE and CSR situation: safety of people and property, compliance with standards and regulations, water and waste management, etc.

Based on the results of these audits, corrective action plans are put in place and monitored by the purchasers.

Hermès Bijouterie-Joallerie

At Hermès Bijouterie-Joallerie, the signature rate for handbooks 1 and 2 reached 100% of direct partners. In addition to these documents common to all Hermès Group suppliers, additional commitments are made via the signature of a "Precious Materials Sector" Appendix. The aim is to clarify the House's expectations in terms of responsible sourcing of precious metals, diamonds, coloured and ornamental stones.

Hermès Bijouterie-Joallerie conducted five HSE audits with its direct partners with the support of a specialised firm. Three audits based on the "supplier knowledge questionnaire" also took place, including two at tier two suppliers. The follow-up of the audits carried out in previous years gave rise to systematic exchanges in order to monitor the improvement plans, whenever possible on site.

The constraints related to the health crisis, particularly concerning travel, weighed on the 2020 audit programme. Some trips abroad, for international fairs or visits to raw materials suppliers, had to be postponed until 2021.

Home

At Hermès Cate, orders of plain porcelain and colour prints have been grouped and forecasted to meet the needs of a growing activity. This is key to provide visibility to Beyrand and different partners. A new initiative is in place to obtain commitments to sustainable supplies, over a minimum period of two years, with a requirement to provide advance warning if the situation changes. Audits, mainly focused on Health, Safety and Environment (HSE) topics and production capacity, continue to be carried out at suppliers of raw materials such as dyes, where possible given the health context. In parallel, a plan to secure supply in necessary quality and quantity has been emplaced in collaboration with partners. Puiforcat set up a supplier quality unit in January 2020, with a single point of contact for all quality issues with partners. Their monitoring is based on quality control reports and monthly quality performance indicators.

Farms

The vast majority of the animals bred on the farms come from eggs collected in the natural environment according to the quotas set each year by the local authorities. Several players enable the smooth operation of the breeding industry in Australia and the United States, primarily local governments and their nature protection departments, which enforce compliance by the operations, and other major players in the sector.

Any breeding sites that could supply the divisions' farms in the United States and Australia with eggs, newborn animals and sometimes one-year-old animals, undergo regular controls. Until now these have been in-house controls which have also covered the requirements of the Hermès Group's in-house charter. The audit programme is now systematically conducted with the help of an external firm, according to strengthened procedures, and has been carried out at the division's farms since 2019. The progress plans that will be drawn up will be monitored annually by the external firm's consultants.

Furthermore, the Hermès Group is required to communicate its actions in terms of protecting human rights in accordance with the Modern Slavery Act (in the United Kingdom) and the California Transparency in Supply Chains Act (in the United States).

2.6.2 RESPONSIBLE PRACTICES

Through the sector Brief jointly developed in 2020 with the various *métiers*, the sustainable development department and the direct purchasing department, Hermès formalised its responsible purchasing principles and integrated them into the management approach of the supply chains. This document shares Hermès' short- and medium-term CSR objectives and specifies the certifications and reliable labels to be requested from suppliers and external partners.

Moreover, aware of its social responsibility, Hermès has also been working with socially supported organisations in France for many years for its direct and indirect purchases, and this practice is growing steadily every year.

POLICY

The *métiers* are responsible for Group supplier's management and favour a pragmatic, long-term approach. It is governed by a Group policy and supervised by two CEOs, respectively for direct and indirect purchases.

The Group has long pursued a policy in favour of people with a disability, through partnerships with companies in the socially supported organisation sector (EA¹, ESAT²) in France. As part of this commitment, the Group wants to strengthen these partnerships whenever possible with an annual growth target of 20%. This is an opportunity for the House to support companies to improve their skills.

MEASURES IMPLEMENTED AND RESULTS

2.6.2.1 DEVELOP BALANCED PARTNERSHIPS AND PROMOTE LOCAL ROOTS

Hermès Maroquinerie-Sellerie

The *métier's* commitment to the Leather Goods landscape in France, where it is one of the major players, involves two main challenges:

- ♦ the development of a robust socio-economic foundation: The House ensures the financial health of its service providers by supporting them over time. Their location boosts local economic activity. Recruitment is carried out mainly through the Pôle Emploi (the French employment agency) and candidates receive comprehensive professional training, which makes them part of a dynamic and growing sector;
- ♦ the professionalisation of the Leather Goods sector: The Group supports its partners through training programmes that promote the entire sector. This takes the form of initial and continuing training for service providers' trainers, as part of an approach to ensure progress across the entire value chain, from materials to the manufacture of Leather Goods. Hermès participates and contributes to the coordination of networks between stakeholders in the sector: entrepreneurs, suppliers or professional committees such as the National Leather Council. This enables Leather Goods professionals in France to advance together on craftsmanship *savoir-faire* but also more broadly on the sector's sustainable development commitments. These sharing environments between industry players allow the dissemination of best professional practices and discussions on regulatory changes.

2.6.2.2 ACTIVELY CONTRIBUTING TO THE IMPROVEMENT OF OPERATIONAL PRACTICES: CERTIFICATIONS AND LABELS

Hermès Leather Goods & Saddlery

Hermès works with tanners mainly located in France and Europe, which follow European and national regulations. The majority are long-standing partners, with whom the relationship is based on proximity and intimate knowledge maintained through regular visits.

In order to go beyond the assessment of partners on environmental aspects by aiming to implement the best certification models, in addition to the SAOBC and ICFA certification process already introduced in the ostrich and crocodile sectors, **in February 2020 Hermès decided to join the Leather Working Group (LWG).**

LWG is a multi-stakeholder group that promotes sustainable environmental practices in the leather industry. It has developed rigorous audit standards and protocols that are benchmarked against 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, all tannery suppliers have been encouraged to undergo assessment using the LWG audit protocol, with the objective of eventually reaching 100%. In 2021, a trajectory will be set out to achieve this ambitious goal.

At the same time, the Company will participate actively in LWG meetings in order to contribute to the improvement of the sector.

Furthermore, since October 2020, Hermès has been a member of the LWG Animal Welfare Group.

In terms of animal welfare, over the years Hermès has built a solid foundation of industrial partnerships that has led it to play a facilitating role between partners in the supply chain, independent researchers, specialised NGOs and other luxury brands. Hermès is thus working to create certified supply chains that produce good results, generate social value and respect the environment. Engaging supply chains and other stakeholders early in this transformation is key to achieving this ambition. In addition to the needs of animals, direct collaboration with suppliers has shown that improving animal welfare can also lead to improved product quality.

1. *Etablissement Adapté : Adapted companies.*

2. *Etablissement et Service d'Aide par le Travail : Sheltered work establishment.*

This commitment is illustrated by:

- ♦ **the joint creation of animal welfare standards with other stakeholders:** Hermès has spent the past three years working with all partners in the ostrich leather supply chain: farmers, processors, tanners, veterinarians, regional and national regulators, RSPCA UK, external animal welfare consultants and experienced researchers, to develop and implement production standards. The direct involvement of partners has enabled the ostrich industry to take ownership of the process, which will ensure increased commitment and its long-term success;
- ♦ co-construction of knowledge and skills in the supply chain: Hermès encourages communication and dialogue between the various stakeholders, leading to mutually beneficial relationships and a common path for future improvements. This approach, which is both original and scientific, is based on actual observation of animals to assess their physical and mental well-being. For example, in the ostrich supply chain, training programmes supported and funded by Hermès have been developed in collaboration with industry specialists, researchers and external experts to improve knowledge and skills of farmers, processors and auditors in the supply chain. Hermès is also working with independent research organisations and government agencies to develop new and sustainable practices in ostrich farming.

The Group's actions in terms of animal welfare are described in chapter 2 "Corporate social responsibility", § 2.4.2.2.

Hermès Bijouterie-Joallerie

Hermès Bijouterie-Joallerie asks all its partners to commit to respecting the rules established in the "Blue Books" of the World Jewellery Confederation (CIBJO), and to adopt the responsible practices recommended by the World Diamond Council (WDC).

As a reminder, **the Group is RJC certified for its Jewellery activities and is the first luxury house to be certified across the whole of this scope, and using the more stringent criteria of the new COP standard** (see chapter 2 "Corporate social responsibility", § 2.4.2.1.3).

All suppliers are asked to obtain Responsible Jewellery Council Code of Practices (RJC COP) certification. Available since 2010 for the gold and diamond sectors, this certification has become applicable since 2019 for silver and precious stones. Several of the House's partners have embarked on the process, and 72% of direct partners are already certified.

With regard to precious metals, the focus is on the Responsible Jewellery Council "Chain of Custody" certification, which certifies the traceability of recycled gold, platinum and soon, silver.

2.6.2.3 INCREASING PARTNERSHIPS WITH SOCIALLY SUPPORTED ORGANISATIONS

As part of the first Group Disability Agreement signed for 2018-2020, Hermès had set itself the ambitious goal of increasing its use of socially supported organisations by 20% every year. The final target of this agreement, €1.1 million by the end of 2020, was met in the first year with €1.5 million spent on purchases from adapted companies (EAs) and sheltered work establishment (ESATs) in 2018.

A second Group disability agreement was signed on 22 July 2020 with all union representatives. Approved by the *Direction régionale des entreprises, de la concurrence, de la consommation, du travail et de l'emploi* (French employment administration) in November, this second agreement will come into force for 2021, 2022 and 2023. It will continue the Group's ambitions in terms of inclusion, while adapting the commitments to new legislative and regulatory directives (see chapter 2 "Corporate social responsibility", § 2.2.2.1.4).

This year, the Group's total purchases from socially supported organisations reached €2.4 million, i.e. responsible purchasing tripled in four years. This ambitious Responsible Purchasing policy is based on allowing EA and ESAT workers to exercise a professional activity in a meaningful environment. Most of these purchases are initiated by Hermès Group Services and Hermès Maroquinerie-Sellerie.

The legislation changes of the Disability Reform, which set a ceiling for the tax reductions generated by purchases from socially supported organisations, will not threaten this policy, which has been reaffirmed to all players and influencers.

The Group regularly uses the "Hors les Murs" initiative, in which EA and ESAT workers carry out their work at the workshops, and may subsequently be hired by the Company.

Support métiers and functions

Hermès Group Services

The general services department made a commitment in 2016 to increase purchases from socially supported organisations. Since 2018, the impact of this commitment is measurable with a significant increase in full-time equivalent posts created. These results stem from the initial contact made with potential suppliers, when the Hermès responsible purchasing policy is broached. Suppliers are selected and interviewed based on their ability to work with socially supported organisations and the latter features in every stage of the selection process. This recourse covers various *métiers*: cleaning, concierge, mail management, logistics, printing supplies, catering, management of meeting rooms, green spaces, etc. For example, a mail forwarding/receiving service has been set up and entirely entrusted to the APF-Association des Paralysés de France, and employing seven people. This leads to regular co-contracting agreements.

More generally, all the existing agreements are reviewed and dedicated clauses for socially supported and sheltered organisations is systematically incorporated.

On a related note, the number of disabled workers placed as temporary employees by the interim agencies listed by Hermès is followed closely.

Hermès Femme

The partnership continued with the communication agency EA Sabooj and the printer Handiprint for the graphics and printing of integration day badges. A new partnership with the adapted company Les Ateliers d'Aubervilliers, part of the network of the Cités Caritas association, was launched with a direct collaboration in March for the production of jewellery accessories, including the assembly of components and packaging in orange boxes.

Accessories-Jewellery

In 2020, the Accessories-Jewellery *métier* continued to work with an adapted company that is part of the network of the Cités Caritas association and employs over 60 people with disabilities. This partner provides the *métier* with jewellery assembly and packages it in orange boxes.

Hermès Distribution

The French subsidiary regularly calls on ESATs for catering and printing activities during various internal events (Sustainable Development Week, SEEPH, training sessions, team seminars, etc.). An ESAT supports the recruitment team in managing responses to paper job applications. Each year, the subsidiary calls on visually impaired massage practitioners, via a social utility company, to give massages to employees in stores. Lastly, the Bordeaux store has been cooperating with an ESAT for over a year through the integration of one or two employees several days a week to help with logistics activities.

Hermès Commercial

For several years, the Bobigny Logistics division has collaborated with two EAs/ESATs, which provide five workers for logistics and quality control positions. A team of three people was also deployed within the exceptional sales department to prepare products for donations to charities.

The partnership with the APF and Ateliers d'Aubervilliers continued with the provision of logistics operators in the workplace and, since 2020, the management of internal mail has been entrusted to a dedicated APF unit on site.

Production

Leather

For more than ten years, the Leather Goods division has been working closely with EAs and ESATs. These partnerships cover various preparatory work such as sanding and cutting reinforcements or gluing certain elements, the manufacture of furniture and workbenches for cutting, as well as logistics operations, management of green spaces, etc. New projects are being studied, such as the construction of mallets by the Micocouliers ESAT, in addition to riding crops (see box at the end of this chapter).

Hermès Maroquinerie-Sellerie's ambition is to build a local network with partner EAs or ESATs in each of its regional divisions as they are created. Three main principles structure this approach: respect for everyone, specific and individual support, and maintenance of the expected high standards. These projects may involve the layout of future premises, the acquisition of new equipment, or *savoir-faire* training to entrust them with tasks with greater added value.

Thus, the new Maroquinerie de Guyenne has developed a partnership with a local EA for the management of parts inventories. The production unit provided the equipment, trained the teams and dedicated a leather officer to provide day-to-day support for the necessary skills development.

In addition, the APF and Chantemerle partners have invested, on the recommendations of the *métier*, in digital cutting machines to ramp up the cutting of stiffeners. An investment that unexpectedly enabled APF to cut out masks early on in the lockdown. Building on this success, APF has since acquired a second machine to use in its clothing workshop.

The teams supervising the work of the EAs and ESATs ensure that working conditions, health and safety are formally assessed, in a quest for continuous improvement. They support them on a daily basis from a technical and qualitative point of view, but also over the long term. A joint project to optimise flows between these companies and the sites was started this year.

The eventual integration of disabled workers in the workshops remains a priority and Hermès Maroquinerie-Sellerie is working towards this with the EA and ESAT. Some of their employees are welcomed within the teams, thanks to temporary secondments ensuring gradual integration into the world of work.

Petit h strengthened the partnership launched in 2018 with the Domaine Emmanuel ESAT. At the time, the agreement focused on two areas of *savoir-faire*, machine sewing and hand embroidery, to craft small objects and clothes for independent designers. Petit h again asked them to carry out precision work on silk Christmas baubles, followed by other delicate sewing assignments (after-sales service repairs), as well as packaging of charms and, more recently, the production of hand-embroidered silk handkerchief cases or the making of button strips.

Tanneries

The Puy, Montereau and Vivoin tanneries enlist the help of ESAT employees to maintain the green spaces and clean the sites. The Annonay tannery also works with an ESAT on an occasional basis for commercial brochure packaging and leather sampling assignments. In 2020, the Tanneries and Precious Leathers division extended its partnership with the ESAT that provides catering services and meal trays for seminars and meetings at its headquarters. All tanneries are keen to continue these partnerships over the long term, and the ESATs are called upon as a priority in all calls for tenders.

Perfumes and Beauty

Several initiatives were carried out involving people with a disability, including: systematic consultation of a Val de Reuil ESAT (Adapei 27) and local APFs for manual packaging or unpacking work (Nomad boxes, scent stone or discovery kits, co-packing for make-up), breakfast and meal tray services in Pantin, the continued co-contracting of selective waste sorting or the processing of negative responses to job applications, the printing of an information booklet on the Opera project, etc.

Two additional partners were validated with Adapei 27: Évreux at the end of 2019 and Verneuil-sur-Avre in November 2020.

The process of recognition of acquired experience (RAE), which began in 2019 with Adapei 27, has continued. It aims to validate the skills of ESAT workers in relation to a *métier* framework, in order to lead ultimately to integration in the Company. Specifically, the Perfumes and Beauty teams involved participate in internal panels to assess the skills in the packaging *métier* gained by ESAT volunteers. Four panels are scheduled for 2021, as well as an external RAE at the end of an immersion course in the Vaudreuil packaging workshop.

Crystal manufacturing

The maintenance of green space has been entrusted to the association APAEIE Ingwiller for several years. Saint-Louis continues its partnership with the ESAT de la Ruche in the neighbouring town of Goetzenbruck for the storage of packaging materials and also offers secondments for employees to work in the dispatch warehouse at the production unit. This partnership contributed to the rehabilitation of a brownfield site.

Textiles

The entities of the sector collaborate with socially supported organisations for mechanical services, carpentry, packaging, cleaning and maintenance of green spaces (ATBC), the classification and referencing of textile archives and the inventory of trademarks (Holding Textile Hermès), the taking care of work clothes (AEI and AS), supporting the sampling department in the preparation of fabric rebracks for the *Première Vision* show (Holding Textile Hermès), the recycling of printing frames (Gandit), as well as catering services (meal trays, “*galette des rois*”) and the presence of a food truck (SIEGL, ITH, Holding Textile Hermès).

A partnership has been in place for more than 10 years for the maintenance of all green spaces around and outside SIEGL. For more than 10 years, a partnership with an ESAT has involved the assembly of samples and the manufacture of silk pouches at ATBC and AEI.

ESAT les Micocouliers, the exclusive supplier of Hermès riding crops

Since 1991, Hermès has been entrusting its entire production of riding crops, dressage sticks and whips to ESAT les Micocouliers, in Sorède (Pyrénées Orientales). In this establishment, which provides employment to people with mental disabilities, some 30 craftspeople perpetuate the tradition involving the braiding of hackberry – a strong and supple wood. At the foot of the Albères mountains, they work with the same dedication as the hundreds of villagers who carried out that work decades before them. With the



advent of the motor car, Sorède's famous riding crops and whips became focused on the equestrian world and the circus universe. Production had almost disappeared when a regional non-profit organisation had the idea of reviving it in the late 1970s through a center dedicated to providing work to disabled people. The *savoir-faire* and the objects it generate have thus survived the passage of time and are sold worldwide. Hermès' initial trade relations with ESAT les Micocouliers date back to the 1980s. The House is now one its main clients.

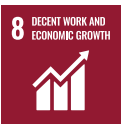
2.6.3 CONTRIBUTION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS (SDGS)

The relations that Hermès maintains with its suppliers and partners contribute to the UN's Sustainable Development Goals (SDGs).



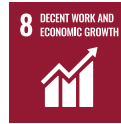
No. 5: Gender equality

- ◆ 5.1 “End all forms of discrimination against women”
Maintaining the continuity of internal policy on equal opportunity, especially with regard to women (see chapter 2 “Corporate social responsibility”, § 2.2.2), the Hermès Group strives to apply this principle with respect to its suppliers. Handbook 2 defining undertakings with respect to social, environmental and ethics policies reflects these requirements. The code of business conduct also states that “the Group does not tolerate any discrimination, whether based on race, gender, age, religion, sexual orientation or political or trade union opinions”.



No. 8: Decent work and economic growth

- ◆ 8.5 “Achieve full employment”
By expanding its activities, the Hermès Group contributes to the economic development of its supplier network. It extends its activities as a responsible employer and supports its suppliers and partners wherever they operate. The average length of relationship with the top 50 suppliers is 20 years.
- ◆ 8.5 “Decent work for persons with disabilities”
The Hermès Group places work with socially supported organisations in France, with the objective of increasing the use of this sector by 20% each year, particularly under the Group Disability Agreement.
- ◆ 8.7 “Ethics and vigilance with respect to working conditions, including child labour and forced labour”
The Hermès Group has specific demanding requirements in relation to ethics and social and environmental responsibility. They apply in the context of relations that bind the Hermès Group to its suppliers, and regardless of their nature, through undertakings with respect to confidentiality, fair trading and social, environmental and ethical policies. These undertakings cover the exercise of vigilance with respect to forced labour and child labour. Suppliers must not employ anyone under the age of 16. If an employee of the supplier has not completed their mandatory schooling, the supplier must provide the necessary education and/or provide the means to continue their education at an appropriate institution.



No. 8: Decent work and economic growth

- ◆ 8.8 “Promote safe and secure working environments”
By continuous monitoring as part of its vigilance plan, Hermès is attentive to whether its suppliers adhere to the best practices in regards to workplace health and safety.



No. 12: Responsible consumption and production

- ◆ 12.2 “Achieve the sustainable management and efficient use of natural resources”
Hermès is working on the co-construction of sustainable sectors with all of its stakeholders, following the example of the working groups launched in 2018 for ICFA and SAOBC certifications.
- ◆ 12.8 “By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature”
Hermès has developed an animal welfare policy as well as demanding environmental criteria through work carried out with various external stakeholders, in particular Non-governmental organisations. The supply chain brief produced in 2020 is intended for all suppliers and enables Hermès to share with them its requirements for ethical and sustainable sectors and the protection of people, animals and the environment.



No. 16: Peace, justice and strong institutions

- ◆ 16.5 “Reduce corruption and bribery”
The Hermès Group's policy on ethics and business conduct condemns and prohibits any illicit conduct in this regard, resulting in formalisation efforts and more stringent controls since 2017.

A visual merchandising skills sponsorship assignment with a partner association

2



©Photographer: Martin Varret

2.7 COMMUNITIES: STAKEHOLDERS AND LOCAL INTEGRATION

Hermès' sustainable development is rooted in harmonious long-term relationships with its stakeholders. Hermès develops its corporate citizenship wherever it operates, contributing to the economic, social and cultural vitality of the regions.

Hermès communicates its sustainable development ambitions and achievements with its stakeholders. More broadly, the House contributes to the public dialogue by sharing the specificities of its responsible and sustainable model.

Introduction

Aware of its responsibility in terms of contribution to regional development, Hermès locates its production activities in France. **With more than 400 reasonably-sized sites (production units, stores, logistics sites, offices) worldwide, Hermès contributes to regional sustainable development by providing employment (4,356 new employees over the past five years) and promotes the creation of sustainable value (local recruitment, training of employees, etc.).**

Diverse initiatives enable Hermès to express its uniqueness, as well as extend its outreach into numerous regions, and create constructive ties with local economic players. Harmonious relationships with our stakeholders contribute to Hermès' positive impact and strengthen employee pride in belonging to the Company.

Moreover, the House's subsidiaries and sites organise local charitable operations. They encourage employees to become more involved in the various issues, each in their own ways. Giving time, giving of one's self, opening oneself up to others, giving back to the world part of what they have received... throughout the world, numerous local interest projects are alive and active thanks to Hermès.

Hermès' founding values are also expressed through the Fondation d'entreprise Hermès, founded in 2008, which supports sponsorship projects that seek to enhance and pass on *savoir-faire*, and promote biodiversity.

COVID-19

Confronted with an unprecedented health situation throughout the year, Hermès faced up to it by reaffirming its humanist values through unprecedented mobilisation and adaptation. Very quickly, many generous solidarity initiatives were carried out to best support the various stakeholders (hospitals, caregivers, etc.) throughout the world.

The Group decided not to seek any State aid relating to partial activity measures. This decision has been applied in all countries where the Group operates.

The actions are detailed in § 2.7.2.1.2 of this chapter.

COMMUNITIES: STAKEHOLDERS AND LOCAL INTEGRATION – CHALLENGES AND KEY FIGURES

Regional responsibility in France



51 production sites in 9 of the 13 French regions

80% of objects made in France



31% consolidated Group tax rate



2,922 new employees in France over five years

Responsible company



€20 million Group donation to AP-HP hospitals



340 solidarity operations around the world, including 100 related to Covid-19



€40 million budget for the Fondation d'entreprise (over five years 2018-2023)



1 million people impacted by Livelihoods projects worldwide



9 assessments on ESG performance



1st in the Carenews Corporate Foundation ranking (endowment vs revenues, 2019 study)

2.7.1 REGIONAL RESPONSIBILITY IN FRANCE

Hermès' regional responsibility in France makes use of the resources from the regions in which it is located, enhancing their value, regenerating them, transforming and revealing them.

POLICY

Hermès chooses to locate its manufacturing sites mainly in France. This is the case for its Leather Goods & Saddlery division's activity, where the industrial development approach is that of spin-offs: organic development that creates human-scale production sites (approximately 250 people), that start with a core group of experienced craftspeople, who train newcomers.

Hermès ambition is to contribute to the development of the regions by creating direct and indirect jobs, as well as by local initiatives.

MEASURES IMPLEMENTED AND RESULTS

2.7.1.1 PURSUE A MANUFACTURING DEVELOPMENT POLICY IN FRANCE

The Hermès Group operates in 11 of the 13 regions of metropolitan France, with more than 80 sites (production units, stores, logistics sites, offices) representing 10,383 Group employees. The craftsmanship model that it employs in France brings with it a regional corporate responsibility. The House establishes itself for the long-term and has increased the number of employees in France by 2,922 in five years.

Since the launch of the first site in 1837, the locations for production units have been chosen to support hubs of regional expertise. Hermès has 51 production sites in 9 of France's 13 regions. The Textile division has 5 sites in the Lyon region (856 jobs), concentrating the House's *savoir-faire* in this domain. The complementary lines of *savoir-faire* – such as weaving, engraving, printing, dyeing, finishing and sewing – are grouped together under the holding company Holding Textile Hermès. The “Passerelle” extension project, launched in 2019, is the concrete demonstration of the House's desire to contribute to the sustainability of local *savoir-faire*. This large project at Pierre-Bénite (near Lyon) aims to support two new printing lines and eventually create 120 additional jobs. The project is expected to be finalised in 2022.

The Cate porcelain production site (158 jobs) is based in the Limousin region, the cradle of porcelain production, with Beyrand, a colour printer since 1926, which joined the Hermès Group in 2013. Renovation and extension work was completed in the second half of 2020.

In the Périgord region, the Nontron site is a good example of the Group's desire to develop its local footprint. Hermès, thanks to its decision to set up a porcelain production site, was able to hire 200 people impacted by the closing of a manufacturing site in 1990. Today, with three companies, Hermès has more than doubled its workforce and employs 449 people at Nontron.

Cristalleries Saint-Louis, founded in 1586, is located in the heart of the Lorraine forest, the source of all the raw materials necessary for crystal manufacture. It has carefully preserved over 10,000 moulds that can be reused at any time to manufacture the production unit's crystal objects and employed 305 people at 31 December 2020 (permanent employment contracts and fixed-term employment contracts of more than nine months).

The Leather Goods sites continue to expand according to customer demand. As of December 2020, the House has 17 Leather Goods workshops. In addition, five site projects are underway and will open with their full workforce over the period 2021 to 2024, bringing the total number of Leather Goods workshops to 22. The Leather Goods workshops in Guyenne (Gironde) and Montereau (Seine-et-Marne) are completed and will be inaugurated in 2021, followed by those in Louviers (Eure) in 2022, Sormmone (Tournes/Ciron) in 2023 and Riom (Auvergne) in 2024.

The choice of new sites responds to a desire for local integration on three levels: respect for local expertise, sustainability of *savoir-faire*, and desire to create local jobs bringing life to the regions.

These sites are built according to several different types of opportunity: the labour pool, the takeover of existing sites and/or a change of activity, or the establishment of new sites. Sites are deliberately chosen near establishments offering leatherwork training programmes, in particular. The geographical location of the sites covers the whole of France, organised by regional divisions, particularly in the leather sector (see location map in § 1.4.2 of chapter 1 “Presentation of the Group and its results”).

On an environmental level, the Hermès Group's commitments are integrated upstream to obtain buildings that meet its objectives in terms of standards and impact. Projects for new sites undergo an environmental study, submitted to the authorities at the same time as the building permit application. The study of soils, respect for biodiversity, the optimisation of energy consumption and the reduction of the carbon impact of sites, in particular, are designed upstream and are part of this process. The history of the local architecture and the emblematic materials of the region are also integrated in the thinking and design of new production units. The choice of construction projects for the three future Leather Goods workshops reflects these intentions, in particular the Louviers Leather Goods workshop, which is the first French manufacturing site to aim to obtain E4C2 certification (see § 2.5.1.3).

The work underway on three Leather Goods workshops (Louviers, Charleville-Mézières and Riom) and is designed to comply with HQE+ (high environmental quality) standards. The work is carried out closely with all stakeholders. Local companies are given preference in competitive bidding when they meet the specifications.

In addition, the creation of sites organised by division (maximum three sites) promotes project synergies, recruitment of experts, skills improvement, and also presents opportunities for internal mobility ensuring the sustainability of the model.

2.7.1.2 DEVELOPING HARMONIOUS RELATIONS WITH REGIONAL STAKEHOLDERS

In order to contribute to the development of the host regions, site construction projects are prepared in cooperation with the local association of municipalities. They address the impacts related in particular to mobility (mobility plans, impacts on transport), biodiversity and more generally the integration of the House in the challenges of the area concerned.

Special attention will be paid to the potential of the local employment pool, transport infrastructures, possibilities for local housing and schooling for families. The quality of the partnership with town halls plays a determining role, as – at Saint-Vincent-de-Paul (Gironde department), where Hermès is providing assistance to the municipal village transition project, driven by the goal of a true local life for the families that are settling in the community.

The development of craftsmanship *métiers* and job creation

The sites all maintain close relations with local Job Centers and schools. The goal is to help train the new generations of craftspeople, as well as showcase our offers and *métiers*, allow hands-on practice, and explain the Group's *métiers* to the young generations. Regardless of the site's activity (leather, silk, or other *métier*) or its geographical location, this approach consists in:

- ♦ organising information forums with the Job Center (Pôle Emploi);
- ♦ workshop visits by high school students to discover the craftsmanship *métiers*;
- ♦ talks in secondary schools to present the *métiers* prior to the pupils' choice of a career path;
- ♦ the creation of appropriate local training programmes.

This year, Hermès increased its workforce by 861 employees in France. In addition to this direct impact, our establishments, which are often in rural areas, provide a major local boost to the communities concerned: stimulation of local consumption, supporting real estate, impact on community needs (maintenance of classes in schools, public transport support, etc.) and tax resources of municipalities.

Our regional development also promotes the development of educational establishments and local training programmes, from which only a small number will join the Hermès Group.

Moreover, Hermès places people at the heart of its activity and its day-to-day operations. In addition to actions linked to its own activities, it is also a socially responsible company in the places in which it conducts its business, building harmonious and constructive relations with stakeholders. The production sites interact with the municipalities, the local association of municipalities, and local agencies such as Action Logement. Hermès cooperates with partner associations for employment,

as well as with junior and high schools (Mission Locale, secondary schools and colleges, Action Logement, etc.), which provides the House with fresh young talent, thereby contributing to its expansion. Hermès also devotes efforts to creating links and supporting the disabled sector: whether for occasional services relating to the daily activity of the sites (maintenance, meal services, etc.) or for long-term partnerships as is the case of with the Micocouliers ESAT. As a committed and responsible company, a company that is always learning, Hermès shows its desire to give back to the world what the world has given it, through many local initiatives, in connection with their specific contexts on a national and international level.

The following examples illustrate the operations conducted in 2020:

Leather

In every project, a temporary workshop is set up for a period of 18 to 24 months prior to the opening of the site, in existing buildings that have been renovated in accordance with the Hermès Group's standards. Recruitment is carried out locally. These temporary workshops are attached to a reference site, and in-house trainers ensure the transmission of *savoir-faire*. **The first cohort of some 30 craftspeople is recruited on the basis of manual skills using a simulation-based method (SBM), devised in collaboration with the Job Center (Pôle Emploi) and emphasising manual aptitude, without the use of CVs.**

Every six months, a new group is brought on board and trained by in-house trainers. The craftspeople are then provided with continuous training from tutors. Upon opening, about 100 people are already operational and ready to launch the Leather Goods activity. Ultimately, the workforce will reach an average of 250 (a maximum of 300 per site), generally within three years of the opening date. This number of employees will allow the craftsmanship dimension to be preserved, and quality relations between employees and management.

In line with this regional approach, a new division was created in 2020: the Ardennes division. A temporary site opened in Charleville-Mézières in March to accommodate new classes, near the Bogny-sur-Meuse Leather Goods workshop, which opened in 2004. Two classes of around 40 people attended the training workshops in March and November respectively. This project at the Sormme Leather Goods workshop (in Tournes/Cliron) is carried out in very close collaboration with town halls, the broader urban community and local stakeholders, with the aim of contributing to the revitalisation of the region. The environmental ambition of the construction project is both carbon neutrality of the site and a benchmark in terms of respect for and development of biodiversity.

Hermès has also chosen to create a new division in the Auvergne. The construction of the future site at Riom is being prepared in close collaboration with the Agence Régionale Auvergne-Rhône-Alpes Entreprises. A temporary site was opened in Riom in November 2020 and hosts a first class of 24 future craftspeople.

Lastly, the Leather Goods sites are working with local players to promote the craftsmanship *métiers* and favour a return to employment:

- ♦ as part of the Manufacto project of the Fondation d'entreprise Hermès (see box);

- ♦ in Pantin, a team has started a collaboration with “Sup de Pub”, winner of the French Ministry of Labour’s skills investment plan (PIC – 100% inclusion), in collaboration with the Fondation d’entreprise Hermès. This structure aims to help young people between the ages of 16 and 26 who have no or limited resources, networks or knowledge to support their capabilities and take the path of life they would like. **In 2020, 17 employees dedicated a day to Skills Sponsorship for this project, representing 119 hours.**

Textile

As part of the “Passerelles” project, the Textile division signed an agreement with the City of Lyon, via the Maison Métropolitaine de l’Insertion par l’Emploi (the city’s integration through employment agency), undertaking to ensure that subcontracting companies involved in the “Passerelles” work sites provide a certain number of hours of integration work for people from priority sectors of society:

- ♦ organising and tracking by the City’s specialised consultants;
- ♦ directly managing and assisting companies for the implementation of their commitments (recruiting assistance, making contact with specialised agencies, etc.).

Holding Textile Hermès maintains close relations with the silk apprentice training center (CFA Textile) and FrenchTex, France’s leading regional professional textile organisation. As such, it also sits on the Board of Directors of Cepitra, the Chambre d’Apprentissage des Métiers Textile and AR2I (OPCO).

The division participates in the “Alliances et Territoires” community, which meets quarterly to examine current topics and issues relating to recruitment, training and skill development. “Alliances et Territoires” is a network of 16 Lyon-based companies, partnered with Allies and the MDEF, that are committed to developing employee skills and improving their employability through a GPEC-T (forward-looking regional jobs and skills management planning) approach aimed at promoting the development of individual and collective skills throughout the Lyon region.

The partnership with Open Emploi (a socially-oriented temporary employment agency that promotes the employment of people from diverse backgrounds) continued, leading to eight assignments (five initial and three renewals of temporary assignments and fixed-term employment contracts) for people with disabilities, in textile visitor positions.

Seine-Saint-Denis

Hermès joined the association Réseau Entreprendre 93 at its creation in 2003. The House participates, along with the other members, in the selection, financial support and coaching for start-up projects whose common point is their strong job creation potential. In 17 years, 2,000 jobs were created by 200 new companies under the system. Some 10 employees of the House are involved in an advisory role with start-ups fostered by Réseau Entreprendre 93. Between Pantin and Bobigny, the sites located in Seine-Saint-Denis represent a total surface area of 100,000 m² and house 2,000 employees, 400 of whom live in the department. This proportion is expected to increase thanks to link-ups with candidates by the employment agency in Pantin. Hermès is one of the largest employers in Seine-Saint-Denis, and is involved in promoting talent from this region.

At Pantin, the House also provided its assistance to the local authority to create the Revel house, a center for promoting the *métiers* of art and design, and a “*métiers* workshop” at the employment center. In 2017, Axel Dumas, Executive Chairman of Hermès, strengthened this partnership by signing an “Enterprise-region” charter with Est Ensemble. This association of nine municipalities includes Pantin and Bobigny, where Hermès is also located. Hermès is involved in talent promotion, through various initiatives in Seine-Saint-Denis, beyond its contribution as one of the largest employers in the department. One of the objectives is to strengthen the Company’s participation in local economic development and employment.

2.7.2 RESPONSIBLE COMPANY

Hermès seeks to fit harmoniously into the local economic fabric. The House is determined to be a socially responsible company actively involved in the life of local communities with which it builds and develops strong ties. The craftsmanship model that it employs in France brings with it a regional corporate responsibility, and even beyond because its employees contribute to the development of their communities through simple actions: giving time, giving of one’s self, opening oneself up to others, receiving, and so on... Throughout the world, there are many possibilities at Hermès.

POLICY

The Hermès Group’s policy is to ensure that each production and distribution unit maintains a dialogue and undertakes concrete actions with local authorities and stakeholders, with the goal of healthy integration in the local community, as a good, trustworthy, civic-minded neighbour, poignant examples of which are set out below.

The distribution subsidiaries, for example, have an annual target in this area.

MEASURES IMPLEMENTED AND RESULTS

2.7.2.1 GIVING BACK TO THE WORLD A PART OF WHAT IT GIVES, THROUGH GENEROUS ACTIONS

2.7.2.1.1 Corporate responsibility – economic aspects

Hermès participates in value creation in France through the direct employment of 10,383 people, and increased its workforce by 861 people in 2020 (676 last year). Although 80% of the objects are produced in France, 90% of the Group’s sales are made outside France, thus making a positive contribution to the French trade balance.

The Hermès Group’s income tax expense amounted to €613 million, i.e. a tax rate of 31% (compared to France’s current tax rate of 32%) (see note 10 to chapter 5 “Consolidated financial statements”).

Concerning taxes, the Hermès Group follows the recommendations of the CSR GRI 207 reporting standard:

- ♦ Hermès’ tax strategy is based on the following principles:
 - all the Hermès Group’s companies comply with the applicable regulations in the countries in which these companies are established,

- compliance with the deadlines specified by applicable regulations in each country for filing the required tax statements and the payment of taxes owed,
- income is taxable in the place where the income is generated,
- absence of creation of legal structure or transactions to meet a primarily tax-related objective,
- the fight against tax evasion with the absence of use of tax evasion schemes or structures without substance.

This tax strategy is implemented by Group Financial General Management, based on internal (the tax department) and external expertise in France and abroad. This strategy is reviewed and approved by the Executive Committee at least once per year:

- ♦ the location of the Hermès Group's activities is based exclusively on operational choices, and tax considerations do not modify that approach. That is how the location of production in France, which is a key element of the Hermès Group's strategy for sustainable development, impacts the amounts of taxes paid in the country as well as the Group's effective tax rate. The effective tax rate was thus 31%, compared to France's current tax rate of 32%;
- ♦ the Hermès Group's tax positions are tracked and audited by the tax department, which reports directly to a member of the Executive Committee, one of whose objectives is to anticipate, identify, and manage, with the finance department, the tax challenges. It contributes to the identification of any non-compliant or unethical practices, in addition to the H-Alert! internal system open to all employees;
- ♦ every year the Group files, as part of its tax obligations, a statement of transfer prices and a country-by-country statement, the Cross-Border Currency Reporting (CBCR) with the French tax administration. The CBCR is created in accordance with the recommendations of the OECD (as interpreted in French tax law). It is subject to an exchange of information between the tax administrations of the countries in which the Group is established. In the countries in which the exchange of information is not operational, the Group has a CBCR programme with the local tax administration.

2.7.2.1.2 Tangible and generous commitments: financial donations, contributions in-kind and volunteering actions

COVID-19 – GENERAL MOBILISATION TO SUPPORT STAKEHOLDERS

Faced with the global health crisis, all Group entities and employees around the world have joined in to help and support local stakeholders affected by the pandemic. The actions took various forms:

- ♦ the Hermès Group made an **exceptional donation of €20 million for equipment at the AP-HP hospitals in Seine-Saint-Denis**, the financing of the professional training of caregivers and the reinforcement of the capacities to innovate. this donation is the largest this institution has ever received.

The employees of the sites in France have used their savoir-faire and expertise to produce and manufacture:

- nearly **50,000 litres of hydroalcoholic solution were produced by the CNP (Comptoir Nouveau de la Parfumerie)**. They were donated in particular to French hospitals, but also to numerous local entities such as the Agglomération Seine-Eure and the Prefecture of the Grand-Est region, as well as partner associations providing assistance to disadvantaged people,
- 110,000 fabric masks were made by craftspeople at the Leather Goods workshops. They were made for the benefit of various French hospitals, such as the Hospice Civil de Lyon. More than 7,000 hours were spent manufacturing these articles, including cutting and stitching.

In the same spirit of mutual aid and solidarity, the House donated various protective equipment in support of the pandemic:

- ♦ 122,000 surgical masks were distributed to several associations, in France and abroad. For example, the Benji's Center in Hong Kong received 20,000 masks, and the Federico Gomez children's hospital in Mexico received 8,800. In France, regional authorities such as the Angoulême Regional Health Agency and Paris hospitals have also benefited from such donations;
- ♦ nearly 25,000 FFP1 and FFP2 masks were sent to numerous French hospitals, such as the Bichat Hospital in Paris;
- ♦ additional equipment, including 3,200 gowns, was sent to certain hospitals in France, such as the Clermont-Ferrand University Hospital Center and the Avicenne Hospital in Bobigny. A retirement home and firefighters and police officers in Portugal benefited from 5,500 gloves;
- ♦ the Leather Goods workshops of the Alpes, Ardennes and Sud-Ouest as well as the manufacture de Pierre-Bénite, donated 46,000 meters of fabric to several French hospitals, including the Charleville-Mézières Hospital Center and the Hospices Civils in Lyon, for the purpose of making their own "general public" masks;
- ♦ the subsidiaries also donated their time to help those most vulnerable to the virus. For example, six employees of Hermès Suisse helped the association "Carrefour rue" sort clothes during the first lockdown, in order to assist the homeless. The Brazil subsidiary organised a campaign to buy masks. For each purchase of a fabric mask by an employee, Hermès Brazil bought a complementary one to donate to local communities.

Group entities get involved

Hermès reaffirmed its active commitment, in 2020, to increase its generous initiatives in all the regions where it operates. Manufacturing sites and distribution subsidiaries get involved regularly, and are keen to continue the partnerships established. While Group Management is at the root of many initiatives and commitments, the international distribution subsidiaries remain a source of ideas and contribute significantly to the development of local initiatives and partnerships. They encourage involvement and nurture a sense of belonging among employees, who come together around a project and with common objectives. These commitments, made locally, are carried out in addition to the philanthropic initiatives carried out by the Fondation d'entreprise Hermès.

Due to the health crisis, many actions could not be renewed or were limited in their scope of action. Nevertheless, in general, the House has maintained its generous actions as much as possible, in terms of financial donations, in-kind donations and volunteer actions. The entities have made considerable efforts to adapt and anticipate these actions.

In 2020, more than 340 such operations brought together employees around the world, including some 100 more specifically related to the pandemic. They contributed, during their working hours as well as in their own time, to environmental, cultural or solidarity actions with local communities. Among these concrete actions, more than 1,500 hours, were contributed, despite the unprecedented context this year.

In France

Nearly 54 actions (excluding actions related to Covid-19) were carried out in France during 2020, whether financial, in-kind donations or donations of time, in addition to the Foundation's actions.

Since 2017, toys have, for example, been collected at the 13 French sites. In 2020, 526 kg of toys were collected for the partner association. These activities promote professional reintegration and help protect the environment.

Since 2016, the uniforms of the sales associates are given to an association for professional reinsertion in France.

In addition, numerous financial donations are made for cultural projects, particularly in museums that showcase fabrics and/or silk.

International

The editions of *Carrés Solidaires* continue, and in particular, allow solidarity initiatives throughout the world to be supported and encouraged. Thus, in 2020, subsidiaries in Singapore, Hong Kong, the United Kingdom, the United States, China and Switzerland took part. **A total of 2,825 carrés, created specifically for the initiatives, were sold to benefit nine associations.**

The **Europe** region invited its subsidiaries to take part and recorded a total of 62 local actions in favour of the most vulnerable people.

- **Spain** is assisting children at risk of social exclusion by providing financial support to two local NGOs.

- The **United Kingdom** has continued its commitment to a charity for the protection of abused and/or neglected children since 2019. The subsidiary also organised a fundraising campaign to contribute to this initiative, involving 32 employees.
- **Germany** has renewed its partnership with a local association for the second year and contributes financially to the aid and support of disadvantaged children, young people and families by giving them access to education, culture or sport.
- **Italy** is continuing its contribution to numerous social associations, such as supporting young people in an artistic field.

Employees in **Asia** and **Asia-Pacific** carried out 75 actions, mainly through concrete initiatives to preserve local *savoir-faire*, art and heritage.

- **China** is committed to helping sick children, particularly those with heart disease, by helping to fund research into a 3D printing technology. To finance this action, the subsidiary held a charity sale at the end of the year.
- **Hong Kong** has been actively involved in numerous local associations for two years. Another charity sale of *Carrés Solidaires* was held this year. At the same time, 20 children were supported in their weekly orthodontic therapy, through 840 sessions over a period of 11 months.
- In **Singapore**, 30% of the revenue of the 700 copies sold of the Hermès "Wild Singapore" scarf, designed by Alice Shirley, was donated for the benefit of two environmental projects, the optimisation of green spaces in Singapore and the support of the urban biodiversity model.
- **Taiwan** is committed to long-term actions, and for the fourth consecutive year has supported an institution specialising in the care of disabled children, as well as an association that helps students in need. As part of its commitment to biodiversity, the teams also carried out replanting actions this year in coastal areas.
- **Korea** continues its contribution, for the fifth consecutive year, to the conservation and sustainable use of cultural heritage by supporting local craftsmanship, in particular certified master craftspeople with unique *savoir-faire*. The subsidiary has made a financial commitment to restore the buildings of the Royal Palace.
- The **Travel Retail** division, involving six countries in Asia-Pacific, once again donated 200 orange boxes filled with essential and educational products for young people in need.
- In **Australia**, the subsidiary renewed its long-term partnership with the Sydney dance ballet, with the creation of its first show for young audiences. Performing in schools in Western Sydney, this show invites students to dance classes. A donation of 3,384 meters of silk was also made to benefit various associations, particularly in the field of cancer research for children and young people.

- **India** provides financial support for the “Tara Outreach Center” project, which helps children from extremely disadvantaged backgrounds in several areas, such as access to housing and proper education. In addition, the subsidiary is involved in the restoration and conservation of a local bookstore, notably through the restoration of a collection of world maps.

The **Americas** undertook a total of 46 actions.

- In **Brazil**, the subsidiary is particularly involved in the renovation of the roof of the NGO Redes de Maré, created by residents of the Maré favela in Rio de Janeiro. This project directly benefits more than 4,500 residents, their families and neighbours, who are supported by the Foundation.
- The **United States** participated in an online collection of school supplies to help children in underserved communities. More than 120 employees took part in this action. For the first year, the subsidiary made financial donations to several associations selected by the regional action committees for racial equality. Support for local craftspeople was also given, in particular to help them in terms of visibility and commercial development. A mentoring day was organised for this purpose.

2.7.2.1.3 Fondation d'entreprise Hermès (see §1.11 of chapter 1 “Presentation of the Group and its results”)

Reaching out to help each other has never seemed as important as in this pandemic year. Discussions and sharing with others, which shape collective life, are at the heart of the Fondation d'entreprise Hermès' missions. This ambition was rolled out in 2020 through four major axes that structure its action. Committed to artists, it **supports creation**, from the production of works to their showcasing to the public. Emanating from a house of craftspeople, it promotes the **transmission of savoir-faire**. Aware of environmental issues, it is committed to **protecting the planet**. Lastly, with a philanthropic tradition, the Fondation d'entreprise Hermès encourages **solidarity actions**. These four pillars determine the Foundation's areas of expertise and reflect the Foundation's humanist values and shape its role as a sponsor. It provides targeted responses to support programs that enable it to act on the ground.

The budget of the third mandate of the Fondation d'entreprise Hermès (April 2018 – April 2023) is €40 million over five years. This budget (as a proportion of revenue) is the highest of French business foundations (source: Carenews study dated 18 February 2018).



€40M

million budget
for the Fondation
d'entreprise
(2018-2023)

2

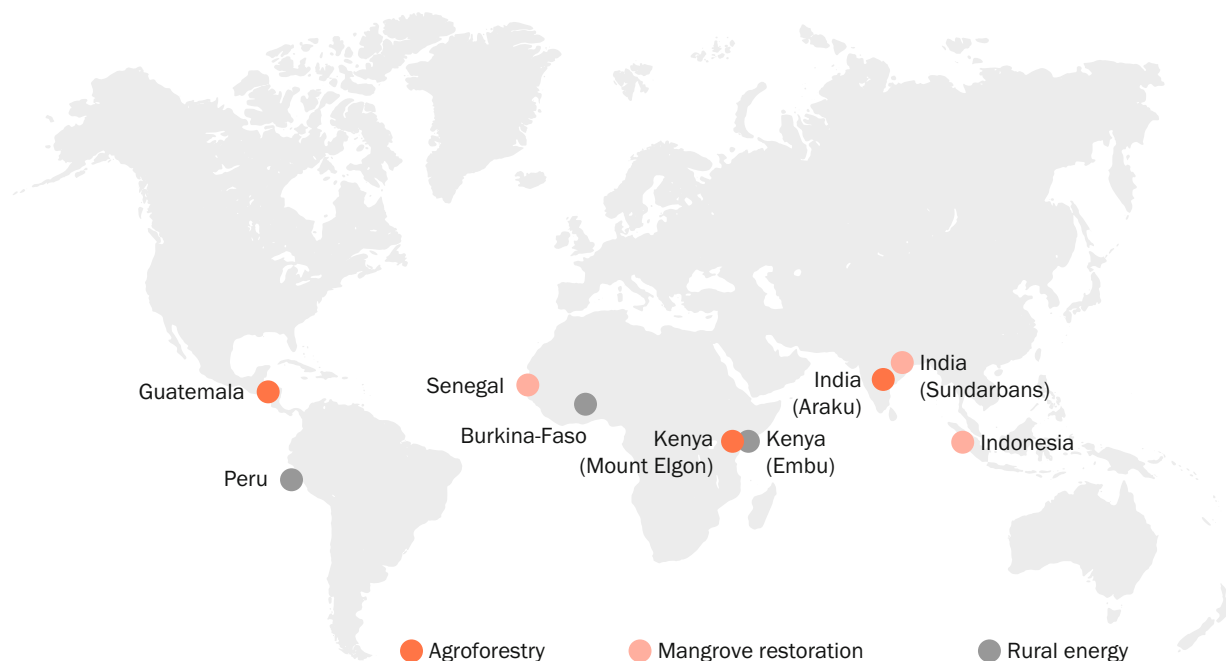
2.7.2.1.4 Livelihoods Carbon Fund

Since 2012, Hermès has been a partner of the Livelihoods Carbon Fund (LCF), which aims to improve the living conditions of disadvantaged communities in a sustainable manner by developing large-scale projects with real impact against climate change (www.livelihoods.eu).

LCF aims to be a start-up investor (with an entrepreneurial approach and investment risk) in three types of projects (ecosystems, agroforestry and energy) in Africa, Asia and Latin America. The fund has 10 partners: Danone, Crédit Agricole, CDC, Schneider Electric, La Poste, Hermès International, Voyageurs du Monde, SAP, Firmenich and Michelin. The fund has two sub-funds (LCF1 and LCF2). The initial term of the LCF1 fund is 24 years, and projects run for between 10 and 20 years. LCF1, launched in 2011, is the only one that has generated carbon credits to date. Sub-fund LCF2, launched in 2017 and larger than LCF1, is half-way through its investment process, in particular through the extension of the projects of the LCF1 sub-fund. For the time being it does not deliver any credits.

LIVELIHOODS CARBON FUND #1

Nine extensive projects with concrete social and environmental results



1 million	130 million	120,000	10 million	9	40 million
project beneficiaries	trees being planted	households being equipped with efficient cookstoves	tons of CO ₂ to be sequestered over 20 years	active projects (Africa, Asia & Latin America)	€ invested

The projects generate profits for local communities and ecosystems, as well as for the partners in the fund, which earn carbon credits with a significant environmental and social impact in proportion to their investment over the project development period. These projects, one of the characteristics of which is the aim to expand their scope to a very large scale, and for periods from 10 to 20 years, are the following:

- ♦ **Restoration and preservation of natural ecosystems**, for example mangrove forests. Nearly 8,000 hectares have been replanted in Casamance (“Océanium” project); 4,500 hectares in the Ganges delta (“News” project); 5,000 hectares in Indonesia (“Yagasu” project). These projects secure populations (protection against cyclones or the invasion of salt water) and provide food sources through ecosystem regeneration;
- ♦ **Agroforestry and soil remediation through sustainable agricultural practices**. With the support of the Naandi Foundation, Adivasi tribal communities in the Araku valley in India have, for example, planted six million trees (fruit trees, as well as for firewood, construction, etc.), including three million coffee bushes, in accordance with agroforestry models. In Guatemala, 4,000 hectares of trees and food crops have been planted in the Cerro San Gil mountain area (“Fundaeo” project), allowing rural families to increase their food security and incomes, while protecting biodiversity. In Kenya (project VI “Agroforestry”), on

the slopes of Mount Elgon near Lake Victoria, the livelihoods of 30,000 small farms will improve through the intensification of agriculture respectful of natural resources (Sustainable Agricultural Landscape Management – SALM) and the development of dairy production. The project also contributes to the protection of water resources and generates positive social impacts for women’s jobs;

- ♦ **Access to rural energy to reduce deforestation**. In Kenya, the “Hifadhi” project equipped 60,000 households with improved wood-burning cooking stoves that significantly reduce wood consumption compared to the previous cooking equipment, thereby reducing pressure on forests, firewood collection time for families, and exposure to the toxic fumes generated by old stoves. In Burkina Faso, with the support of the Tiipaalga NGO, 30,000 improved stoves were installed by inhabitants in their villages, in an effort to secure their use over time in part of the Sahel region. With the financial support of the French development agency (AFD), an agroforestry component has been added to this project. In Peru, the ITYF project (taken from the name of the Instituto Trabaja y Familia NGO) has installed 30,000 improved wood-burning cooking stoves and hygiene kits to families in extreme poverty in the Peruvian Andes. At the same time, the project brings training and awareness on health (reduction of toxic fumes, importance of boiling water, basic hygiene gestures, etc.), and will also have a significant impact against deforestation.

In 2020, the above projects impacted the lives of more than one million people, and helped replant more than 130 million trees, an area equivalent to five times that of Paris. They also equipped 120,000 families with improved cooking stoves, which reduces deforestation and preserves women's health, for a total of 10 million tonnes of CO₂ equivalent captured or avoided (projects last between 10 to 20 years). Thus, they help to offset Hermès' carbon emissions, on a voluntary basis.

In 2020, to help the people of the Ganges basin involved in the Livelihoods Carbon Fund's Sunderbans project, **Hermès made a special donation for the reconstruction of a school destroyed by Cyclone Amphan.**

The results obtained from the funds' projects have encouraged the shareholders of Livelihoods, including Hermès, to launch a second carbon fund in 2019, functioning on similar principles to the first fund. In 2020, the shareholders of the Livelihoods Carbon Fund are working on a third Livelihoods project.

Sciences Po sustainable development Chair

As mentioned in § 2.3.2.1 of chapter 2 "Corporate Social Responsibility", the School of Public Affairs and the School of International Affairs (PSIA) of **Sciences Po** launched a new interdisciplinary chair in 2020: **the European Chair on sustainable development and Climate Transition.** It aims to promote the design of public policies serving the objectives of the European Green Deal, but also to train students, civil servants and members of civil society in the challenges of sustainable development.

This chair aims to shed new light on how to advance sustainable development along the three axes of climate transition, local economic development and social inclusion.

Hermès is proud to support this initiative alongside two partners, HSBC and the European Investment Bank. This partnership complements other joint initiatives with Sciences Po in the field of education.

2.7.2.2 COMMUNICATION AND TRANSPARENCY VIS-À-VIS STAKEHOLDERS

Hermès, a company with a discreet culture, strives nonetheless to make its sustainable development strategy, objectives and actions more transparent, in a rapidly changing context, and in particular to meet the expectations of stakeholders.

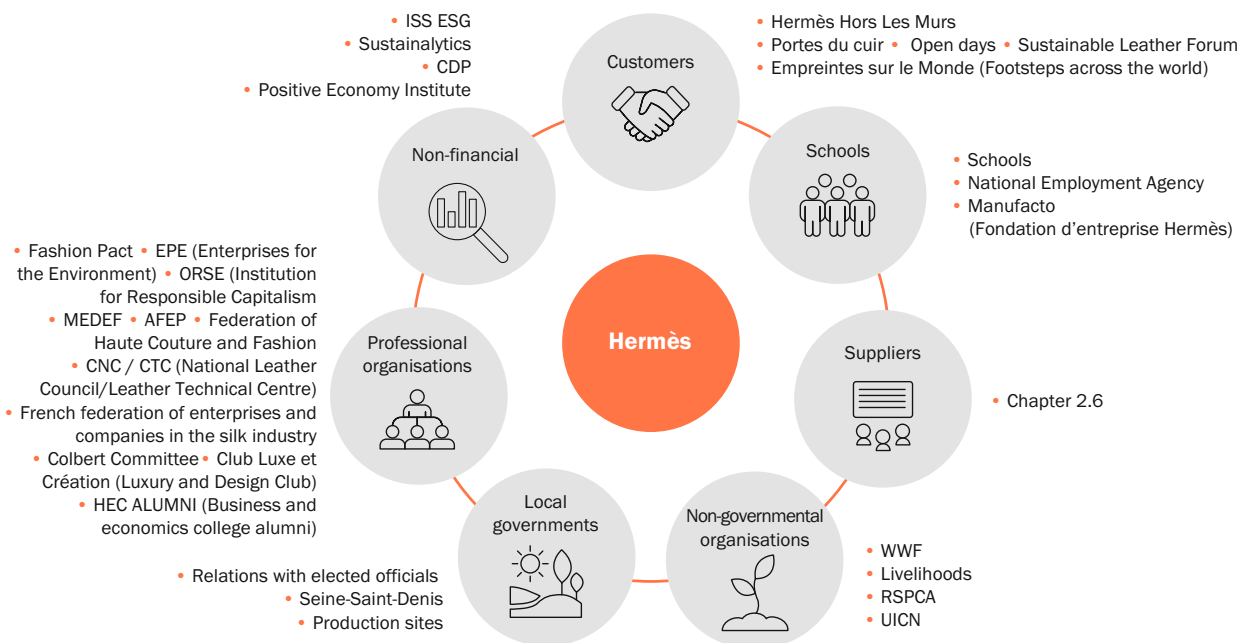
Thus, in a proactive approach, the teams are working to create the setting for more transparent external communication. This includes the responses to questionnaires and external analysts, as well as the dialogue established and initiated with the press, and influence.

To this end, in September 2020, a page dedicated to CSR was added to the new financial website <https://finance.hermes.com/en/a-value-creating-and-sustainable-french-model/>.

In addition, the House incorporates the best practices established by:

- ♦ TCFD (Task Force on Climate-related Financial Disclosures): see § 2.5.2;
- ♦ CDP (Carbon Disclosure Project): <https://www.cdp.net/en>;
- ♦ SASB (Sustainability Accounting Standards Board): cross-reference table in § 2.7.2.2.1 below.

The Hermès Group's interactions with its stakeholders illustrated in this chapter break down as follows¹:



1. List not exhaustive.

Hermès, as a socially responsible company, has been recognised several times by independent agencies, such as specialised ESG rating and ranking agencies, through their 2020 ratings of the House. For its first active participation in several assessments and rankings, Hermès was

placed among the most virtuous companies in the subject areas from the outset. These assessments were carefully chosen by Hermès for their credibility, rigour and representativeness of the priority challenges of the sector, including, but not limited to, the following analysts:

SUBJECT	Assessor	2018 score	2019 score	2020 score
Climate change	CDP	F	B	B
Water	CDP	F	B	A-
Forest	CDP	F	B	B
Cattle	CDP		B	B
ESG risks	ISS ESG	D	C	C
ESG risks	Sustainalytics	53	72 (fourth out of 181)	Publication 2021
Positive value creation	Positivity index	C	B+	B+
Human Rights	CHRB	3.5%	12.9%	36.5%
CSR commitment	Global Compact	Advanced	Advanced	Advanced

CDP is an international organisation that has been recording the environmental performances, particularly climate actions, of more than 8,400 companies since 2002. The average scores of the “apparel design” segment in Europe are C for Climate & Forest, and B- for Water.

ISS ESG (formerly Oekom) is a specialist ESG (environment, social and governance) rating agency. The scores it attributes range from D- to A+. To be rated “prime”, companies must achieve a level of C+.

Sustainalytics is a rating agency that assesses listed companies based on their ESG performance. Hermès is rated as an “outperformer” and is fourth in its peer group of 181 companies on a worldwide basis, with a score of 72/100.

The positivity index is a French analysis administered by the Positive Economy Institute to companies in the CAC 40. In 2020, the average score of the panel was C+. With a level of B+, Hermès is among the top-ranking companies on the criteria examined: working conditions, value-sharing, environmental footprint, education and research, and long-term strategic vision.

2.7.2.2.1 SASB correspondence analysis

The Sustainability Accounting Standards Board (SASB) is an independent, not-for-profit standard-setting body that develops and maintains reporting standards for financially material sustainable development information. The SASB has established standards specific to 77 activity sectors, including clothing, accessories and footwear (consumer goods).

In the interests of transparency, Hermès is presenting for the first time in 2020, in addition to the information presented in this report, a summary of its actions according to this framework. This publication is also an opportunity to highlight the House’s progress.

Hermès’ business model is quite unusual compared to the sector taken into account by the SASB.

SASB identifies nine key topics for the sector, five of which concern supply chain (CG-AA-430); very few concern human resources and societal aspects. Hermès operates according to a highly integrated business model (61% of products are produced in-house), with supplier partnerships (the average age of relationships with the top 50 direct suppliers is 20 years), and production in France (for example, for 100% of Leather Goods, which represents half of the Group’s sales) and more generally in Europe (80% in total). Although important, topics related to supply chain are not the only ones. Human and societal challenges are also key to the House’s sustainability. In terms of risk, the categories identified by SASB are not always the most significant for Hermès. As explained in 2.1.3.1, the Group has identified and prioritised six key topics that structure its reporting and provide material non-financial economic information that is useful, comparable (even if sometimes specific) and evidence-based. In addition, the Group uses the CDP reporting for its carbon, water and forest challenges, and complies with the recommendations of the TCFD (see § 2.5.2.1 of chapter 2 “Corporate social responsibility”).

As a reminder, the information published by Hermès is independently audited, with a conclusion of “reasonable” assurance, i.e. a higher level than that required by French regulations (see § 2.9 of chapter 2 “Corporate social responsibility”).

The nine key topics of the SASB are organised around four headings, as detailed below:

- A. Chemicals management (CG-AA-250);
- B. Environmental footprint of the supply chain (CG-AA-430a);
- C. Working conditions in the supply chain (CG-AA-430b);
- D. Supply of raw materials (CG-AA-440).

A. Chemicals management (CG-AA-250)

§ 2.2.1, 2.4.2, 2.5.1 and 2.6 of this document provide more details on the topics listed below.

1. Compliance of regulated substances (GC-AA-250a.1)

General principles

Hermès assumes all its responsibilities as a company that places goods on markets, to ensure the regulatory compliance of all products sold, in all countries where it operates. Two main activities make it possible to respect this commitment, monitoring and validation of products:

- ♦ regulatory monitoring is carried out through a large number of actions with stakeholders and is coordinated by the industrial affairs department:
 - coordination of the Colbert Committee's "Regulations" working group,
 - participation in the "Regulations" working group of Francéclat (Porcelain and Silversmith), the BJOP (Jewellery, Silversmith),
 - regulatory update at least once a year with the CTC (Leather), IFTH (Textiles), FPPP (Porcelain), BJOP (Jewellery, Silversmith), the Fédération du Verre et du Cristal, the Fédération Horlogère,
 - taking into account the monitoring prepared by a specialised service provider (Bureau Veritas) on certain products,
 - update twice a year (during the podiums), with all the House's subsidiaries, on the regulatory changes relating to products in each country. All possible incidents are dealt with in these meetings;
- ♦ product validation from a regulatory point of view, which is carried out at two levels:
 - the annual update of product specifications (CDC), which takes into account all the results of regulatory monitoring. These CDCs include compliance with the most stringent product regulations in the world (all countries to which Hermès exports products). It is generally the European regulations that are the strictest, even if this is not always the case,
 - all products are tested (internally and/or externally), in approved laboratories, against the technical criteria and according to the standards described in the product specifications.

Use of controlled substances

The list of controlled substances monitored by the Group (RSL) is the list of controlled substances worldwide. The Group has set a target of compliance with the most stringent regulations, which are generally European regulations. This list is shared within the Colbert Committee. For each substance, the name of the substance, its CAS number, the

most stringent limit in the world and the laboratory control standard for the substance appear.

The Group's list of substances, the permitted limits as well as the control standards, are common to the production units and apply to the suppliers. More specifically, product specifications (including this substance regulation) are shared with suppliers. The approval of products manufactured by suppliers follows exactly the same pattern as products manufactured by the Group. A good example is that of the tanneries: the Leather *métier* purchases hides from the Group's tanneries, but also some of its needs from external tanneries. The "leather" specifications are exactly the same in both cases, and new hides from in-house tanneries or those of colleagues follow the same approval path.

Hermès has put in place preventive processes to restrict or prohibit certain substances, in particular by discussing and signing product specifications with suppliers, which contains all the regulations and technical requirements, as well as the corresponding control methods.

Control of materials and products

For its raw materials, Hermès adapts the frequency and type of controls according to the volumes concerned. For very limited volumes, control may be at the unit level, but it is carried out on a statistical basis for larger volumes. Depending on the nature of the materials, which can be technically very different (leathers, textiles, perfume essences, etc.), the volumes and the history of the quality results, a sampling and testing frequency is chosen by the quality department to ensure a maximum confidence level in the quality of incoming materials. In the event of a negative result, the goods are blocked and sampling and controls increased.

With regard to products (whether manufactured in-house or by suppliers), the Group procedure is exactly the same: the aim is to verify, with a maximum level of confidence, that the entity placing the goods on the market has fulfilled its responsibilities. Some of the House's products are subject to checks on every unit for certain characteristics that are considered critical. Others are checked on a regular basis and yet others on a random basis. The great diversity of products (Leather Goods, textiles, porcelain, crystal, silverware, jewellery, watches, ready-to-wear, perfumes, etc.) means that an appropriate control scheme and the proper frequency must be defined for each product.

Hermès uses the services of both in-house and external laboratories for these checks. This decision is made according to the workload of the in-house laboratories as well as the nature of the measurements to be carried out.

In summary, the Group's generic procedure (SOP) is that no raw material or product is supplied without a specification being defined and accepted by the supplier, and without the raw material or the finished product having been tested according to these specifications.

List of controlled substances

As explained above, there is a single list of controlled substance (RSL), which includes all substances that are or could be used in products. For each substance, the most stringent regulations in the world are systematically adopted. The aim is to produce products that comply with regulations, regardless of the country in which they are sold.

The RSL is shared within the Colbert Committee working group. This list of substances is not distributed as such. Such distribution would not be of great interest, since this list contains only public information, being a collation of national or federal regulations.

Supply chain compliance

All raw materials purchased and all products purchased are subject to specifications. The specifications are discussed and formally approved by the supplier. They include all regulations corresponding to the material and/or product. Any raw materials purchased, just as any products purchased, are subject to technical approval including laboratory tests. All deliveries (raw materials or products) are subject to appropriate quality control. Certain supplies (materials or products) are accompanied by an inspection certificate, the tests having been carried out by the supplier, when this provision is stipulated in the specifications. Tier 1 suppliers undertake to develop the same approach (formal specifications, control procedures, etc.) with their own suppliers (tier 2).

In the event of non-compliance with the specifications for raw materials or products, the goods are blocked and, generally, a second verification check is launched. Hermès does not use non-compliant goods in its production. They are therefore returned for new manufacture or repair when technically possible.

2. Management of risks related to the use of chemicals (CG-AA-250a.2)

General principles

The Hermès craftsmanship model means that 61% of the House's objects are produced in in-house and exclusive workshops, 80% of which are located in France. The remaining 39% come from suppliers, the vast majority of which are located in France and Europe. Thus, of the top 50 suppliers of materials or products, 52% are in France, 42% are in Europe and only 7% are in countries further afield.

For all sites located in France and Europe, labour legislation requires a chemical risk analysis and the implementation of measures to protect workers. In owned units, as well as those of suppliers, regular audits are carried out to verify that the analyses are properly carried out, and the means of protection are in place and used.

For all sites in France and Europe, the national regulator imposes a limit on the chemical substances released into the air, effluents and soil. In the House's own units, as well as those of suppliers, regular audits verify that each entity is fully aware of the regulations to which it is subject, that the necessary means to comply with them are in place, and that regular checks make it possible to ensure that these methods are working.

For the small number of suppliers further afield, for the majority of materials suppliers, regular audits are used to verify regulatory

compliance, in terms of health and safety, as well as the environment. In the event that local legislation does not exist or is insufficient, Hermès helps its suppliers to adopt and comply with European standards.

Implementation

The chemical risk management approach is based on legislation which, in France and in Europe, is generally hazard-based.

The use of a chemical substance banned by a Reach-type regulation, for example in a French or European tannery, is a case that would undoubtedly be discovered either by the entity's audit or by product control. This demonstrates the importance of regular and in-depth audits, as well as appropriate product control frequency.

The main chemical risk management tool is the product specification. An accurate and exhaustive reflection of the most demanding regulations worldwide, it lists all the requirements in terms of substances, the limits set, and the corresponding laboratory control methods. The procedure begins with the sharing of this document with the supplier (in-house or external), then follows a formal agreement from the supplier, and it is completed by an approval check of the first products delivered. During the "series life", checks are carried out at an appropriate frequency.

The choice of chemical reduction and/or elimination projects is mainly based on an analysis of future regulatory changes. It is in this spirit that the Group conducts a very strict regulatory watch, both in France and abroad.

When there is a threat of changes in the regulations for a substance or a family of substances, an estimated decision schedule is drawn up, which sets out the work to be carried out and the timetable.

Hermès has set up a third-party certification target for each of its purchasing sectors (around 60). For example:

- ◆ 100% of farmed exotic leathers certified by ICFA (crocodile) and SAOBC (ostrich);
- ◆ RJC certification on metals and precious stones;
- ◆ SA 8000 certification of the leading OuterWear manufacturer of Women's Ready-to-wear;
- ◆ ISO 14001 certification of the largest manufacturer of cashmere coats;
- ◆ LWG for leathers;
- ◆ GOTS for packaging cotton;
- ◆ FSC for cellulose fibres (viscose).

As detailed in § 2.4.2, the Group's 2024 objective is to have 100% of the textile and leather sectors certified.

B. Environmental footprint of the supply chain (CG-AA-430a)

§ 2.2.1, 2.5.1 and 2.6 of this document provide further details on the subjects listed below.

1. Effluent management (GC-AA-430a.1)

The Group verifies through regular audits (see § 2.6) that its suppliers (tier 1) comply with local regulations regarding the regulatory compliance of their effluents. Audits conducted during the last three years, which were extended to tier-2 suppliers as far as possible, did not reveal any non-compliance on these subjects. If any non-compliance were to be revealed, this point would be classified as a priority and an action plan would be requested from the supplier, its execution monitored and confirmed by a control visit at the end of the plan. The Group estimates, on the basis of the follow-up of the audits of the last three years, that the compliance of tier 1 and 2 suppliers on this subject is high, certainly no less than 80%.

The supply risk associated with a non-compliant effluent discharge from a supplier involves the shutdown – albeit probably temporary – of its activities by the local authorities. The value of regular audits is that they enable a detailed picture of these issues and verification that the facilities are operating correctly at a point in time. In addition to the risk of interruption of supplies, and its economic consequences, reputational risk cannot be ruled out.

If we add the sites owned by our company (units equipped with effluent treatment plants) to those of tier 1 and tier 2 suppliers with similar facilities, we arrive at a total of more than 100 entities. The vast majority of these units discharge their effluents at a municipal or local plant, following pre-treatment carried out at the entity itself. The discharge agreements for municipal or local facilities vary considerably from one municipality to another, and from one country to another in Europe. As mentioned above, most of the operations are in Europe. In general, in-house processing by entities includes primary processing and secondary processing. A small number of entities discharge their effluents into the environment. In this case, the specifications for their discharges are more stringent, and these units are more closely monitored and controlled by the local authorities. Their treatment systems generally include primary, secondary and tertiary phases. These entities are increasingly encouraged to develop their recycling capacity, which leads them to study improvements to their treatment systems.

2. Environmental assessments (GC-AA-430a.2)

The Group's entities and those of its suppliers are regularly subject to audits carried out by Hermès' teams and external consultants, in addition to those carried out by the authorities (in particular for sites subject to authorisations), see § 2.6.1.

These audits identify non-compliance. For example, in 2020, 609 instances of non-compliance were identified, of which 0.5% were critical, 25% major, 43% significant and 31.5% simple suggestions for improvement. In terms of the environment, no risk of pollution has been identified at any supplier. The most frequent findings concerned non-compliance with the ICPE regulations (administrative), administrative

waste management or incomplete asbestos files (DTA). All critical and major points have been the subject of an action plan, which is monitored monthly by the buyers concerned, until the end of the actions and inspection visit.

In addition, as described in § 2.5.1.2, in 2019 the Group conducted an analysis with WWF of its water use on more than 45 sites around the world, an opportunity to assess the environmental risks and impacts in its supply chain.

Lastly, the Group's indirect suppliers are assessed using the EcoVadis approach, which includes an environmental component (see § 2.6.1.2.2).

C. Working conditions in the supply chain (CG-AA-430b)

§ 2.6.1, 2.6.2, 2.8.1 and 2.8.4 of this document provide further details on the subjects listed below.

The Group's supplier relations policy is based on four pillars (security, quality, and innovation, cost control and CSR). The CSR pillar is particularly developed, and deals in particular with issues related to human rights, fundamental freedoms, employment conditions and respect for ethics. As described above in the report, the Group is an active promoter of the main international principles in this area, and publishes in particular its ethics charter and its code of business conduct, which is also for use by its suppliers.

Hermès systematically requests a formal commitment from its suppliers to comply with their social, regulatory and environmental obligations through two undertaking handbooks signed by both parties. Handbook 1 summarises the confidentiality and fair-trading commitments. Handbook 2 defines the supplier's commitments to social, environmental and ethics policies. 85% of suppliers of materials or products have signed these two documents.

These commitments are verified. For example, 100% of subcontractors carrying out operations on leather have been audited. In 2020, 96% of exotic skins came from farms that had undergone a comprehensive social and environmental audit. The Top 50 suppliers of materials or products are systematically audited and then an action plan is put in place. A re-audit may be requested if necessary after three to four years. The audits are carried out by an external firm and immediately sent to any supplier for which a social or environmental non-compliance issue is suspected. Out of the 609 findings identified during the audits in 2020, only 24 were non-compliance concerning social aspects, i.e. less than 4%. These findings relate mainly to the number of overtime hours worked, the non-performance of annual reviews and the absence of formalised objective criteria for bonuses.

As mentioned above (environmental assessments), supplier audits, which cover both social and environmental issues, ensure that the main risks are examined in terms of working conditions. The close proximity to suppliers (geographical and due to the length of the relationship) supports this analysis. Furthermore, the fact that 80% of production operations are carried out in Europe, and therefore subject to strict regulations and controls, reduces the risk of an unacceptable situation.

D. Supply of raw materials (CG-AA-440)

§ 2.4 of this document provides a detailed explanation of the challenges and management of material supplies. The Group exercises close control over these materials, particularly in terms of quality and the conditions for obtaining these materials and their environmental and social impact. As soon as a risk of social or environmental non-compliance is detected, the Group carries out investigations that may lead to supplies being halted.

The main materials used, i.e. contributing more than 10% of revenue, are (§ 2.4.2):

- ♦ leather from bovines: the leather used in Leather Goods workshops comes exclusively from European farms, as by-products from food. This sector is subject to numerous controls and regulations. As detailed above, in 2019-2020 the Group conducted a review of its European calf supplies with WWF France, the conclusions of which feed into action plans with partners. Hermès committed to the LWG (Leather Working Group) approach in 2020;
- ♦ exotic leathers (mostly from Louisiana, Australia and Africa). These crocodile, alligator and ostrich sectors are subject to very precise standards and audits on environmental, social and animal welfare issues. As both operator and buyer, the House has a very detailed knowledge of these sectors, which enables it to exercise a scrupulous duty of care. In addition, most of these purchases are certified according to demanding international standards (100% of farmed exotic leathers are ICFA and SAOBC certified);

- ♦ silk: mainly from Brazil. The Group conducted a specific review of this sector in 2020 with the University of Cambridge, with very positive conclusions;
- ♦ cashmere: mainly from Inner Mongolia, also recently audited with the help of WWF France and with positive conclusions, and a target of RWS certification in 2024.

The other materials, which are less significant in terms of volume, are also closely monitored and the search for *ad hoc* certifications (RJC on metals and precious stones, GOTS for cotton, FSC for cellulose fibres, etc.). In addition, in ready-to-wear, the leading OuterWear manufacturer of the Women's Ready-to-Wear sector holds SA 8000 certification and the largest manufacturer of cashmere coats holds ISO 14001 certification.

The Group uses very few synthetic raw materials, and has launched an internal working group on the disposal of single-use plastics, mainly as part of its internal logistics.

The risks related to these sectors are included in the text of the report, with special attention this year also given to those caused by climate change (§ 2.5.2.1). Six direct impact scenarios were studied, notably for the supply of raw materials from the exotic leather, cowhide, cashmere and silk sectors.

As described in § 2.4.2, all these supply chains are subject to regular detailed reviews, risk analyses, briefings for operational staff and partners, and audits. They are part of a certification approach by 2024 using the best current standards, thus making it possible to calculate their weighting in the Group's total purchases.

With Manufacto, craftspeople are returning to school to share their métiers

He was a salesman, she was an accountant. Benjamin and Emmanuelle dropped everything to focus on Leather Goods & Saddlery, a passion that they now share even in the classroom. When school starts up in the autumn, they leave home with their tools and rolls of leather to meet students aged 9 to 16 years and their teachers. Like them, dozens of craftspeople who work with leather, wood, or plaster, decided to return to school to teach the younger generations about craft *métiers*, as part of the Manufacto workshops.

This programme, launched in 2016 by the Fondation d'entreprise Hermès with the Rectorat de Paris, the Compagnons du Devoir, the Camondo school and Villa Noailles, takes place in the educational authority areas of Paris, Créteil, Nice, Lyon and Besançon. In December 2019, nearly 1,100 students in 41 schools benefited from this. The career paths taken by Benjamin and Emmanuelle, which initially were not the right ones for them, bear witness to the effort

needed to better communicate about manual *savoir-faire* in elementary, middle and high schools.

The approach of Manufacto is to innovate in this area, drawing on the actual experience of the craftspeople: pleasure in doing things comes first and foremost from making things. Students learned about the importance of technique and several hand movements by holding a hammer, polishing a leather, or trying to make a saddle stitch. From lamps to stools, as well as a speaker, a pencil case or a wall-mounted storage compartment, the creation of the object is carried out from A to Z. When students come out of these workshops with their work under their arm, their view of craftsmanship has changed. Some students discover a desire, such as Benjamin and Emmanuelle, to eventually find work in the field of crafts.



2.7.3 CONTRIBUTION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS (SDGS)

The actions taken in relation to stakeholders and in terms of local integration contribute to the UN's sustainable development goals (SDGs).



No. 1: No Poverty

- ◆ The Hermès retail subsidiaries take part, at their level, in many local actions in favour of disadvantaged communities, as part of a Hermès Group policy. Through its contribution to the Livelihoods Fund, Hermès also helps to reduce poverty and hunger in countries where it does not operate. The various projects supported by the Fund improve the living conditions of communities in Africa, Asia and South America, with a positive impact on almost one million people.



No. 4: Quality Education

- ◆ 4.4 "Increase vocational skills"
Through its local relations with schools and training centers, and through payment of the apprenticeship tax, Hermès contributes to skills development. The Fondation d'entreprise Hermès contributes through its programmes to the training of craftspeople (<https://www.fondationentreprisehermes.org/fr>).



No. 8: Decent work and economic growth

- ◆ 8.1 "Sustain economic growth"
Development, and that of the new facilities helps to create local value. Over the past five years, the Group has increased its workforce by 2,922 employees in France. Today, the House is present through 51 production sites spread across the country.
- ◆ 8.3 "Development of employment and local purchasing"
The work carried out in partnership with French Job Centers made it possible to hire people at the Leather Goods workshops who did not have experience as craftspeople. Today, 90% of new craftspeople have not received related training when they join the House. Simulation exercises during the recruitment process give everyone a chance.
The Group real estate department, as part of its sustainable construction framework, favours the purchase of materials locally, for all projects.



No. 11: Sustainable Cities and Communities

- ◆ 11.a "Support positive economic, social and environmental links between urban, per-urban and rural areas by strengthening national and regional development planning"
The choice of new sites in France, in particular Leather Goods workshops, responds to a desire for local integration on three levels: respect for local expertise, sustainability of *savoir-faire*, and desire to create local jobs bringing life to the regions. The Maroquinerie de Guyenne in Saint-Vincent-de-Paul and Montereau opened in 2020.



No. 15: Life on Land

- ◆ 15.1 "Ensure the conservation, restoration and sustainable use of terrestrial and freshwater ecosystems"
The projects undertaken by the Livelihoods Fund contribute to the restoration of wetlands and also help to limit the impact of climate change. The replanting of mangroves in India or Indonesia, notably, helps to shore up areas that are exposed to monsoon activity or tropical tornadoes.



No. 17: Partnerships for the goals

- ◆ 17.1 "Contribute to the development of certain countries, in particular through the payment of tax"
80% of Hermès objects are made in France, using mainly European suppliers. This desire to remain established in France is significant. The House has thus made a choice to pay more taxes than it would in other countries, in order to develop its original and historic regions and *savoir-faire*.

2.8 ETHICS – COMPLIANCE

Introduction

“Hermès is a mosaic of women and men who work hard every day for its development throughout the world. Beyond their uniqueness, the people who bring the Group to life have a common desire to share certain unifying and founding values of the spirit that has characterised Hermès since 1837.

Even though these values are experienced and transmitted above all through personal adherence, the Group's ethics culture reaffirms our

common desire to respect certain fundamental principles that facilitate relations both internally and with customers, suppliers and, more generally, with the environment in which Hermès operates.”

Henri-Louis Bauer – Chairman of the Executive Management Board of Émile Hermès SARL; Axel Dumas – Executive Chairman

2.8.1 PROMOTING ETHICS

The Hermès Group's ethics policy aligns with the universal framework set forth by the major principles, standards and international agreements. The Group has a dual requirement: zero tolerance for breaches of probity on one hand, and a determined commitment to an ethics culture on the other.

Policy

The Group's policy is to maintain healthy and lasting relationships with its employees, customers, suppliers, partners and communities, wherever the Group operates. This approach is structured around a specific governance, demonstrated at the highest level of the organisation, by a policy of promotion and awareness of ethics and integrity issues and by tools that formalize its commitments.

Measures implemented and results

The promotion of ethical values is supported through awareness and training policies for all Group employees. The Group has also put in place prevention and detection systems to prevent any infringement of its principles.

2.8.1.1 FRAMEWORK AND TOOLS

2.8.1.1.1 Promotion and compliance of fundamental conventions on human rights and fundamental freedoms

Hermès is committed to promoting respect for human rights and fundamental freedoms. The Group's ethics policy aligns with the universal framework set down by the major principles, standards and international agreements, and it notably adheres to:

- ♦ the Universal Declaration of Human Rights;
- ♦ the charter of fundamental rights of the European Union;
- ♦ the charter of fundamental rights of the International Labour Organisation, whose principles are grouped under the following themes: freedom of association, forced labour, child labour, discrimination;

- ♦ the OECD Guidelines for Multinational Enterprises;
- ♦ the OECD convention on combating the corruption of public officials;
- ♦ the Global Compact under the aegis of the United Nations.

The Hermès Group and its employees strive to comply with the laws and regulations applicable in all countries where they operate.

These principles have been clearly set forth in the Group's ethics charter since 2009 and in its code of business conduct since 2012, available on the Group intranet and given to all employees, as well as on the website <https://finance.hermes.com/en/ethics-human-rights-and-diversity/>.

Furthermore, the Hermès Group is required to communicate its commitments and actions in terms of protecting human rights in accordance with the Modern Slavery Act (in the United Kingdom) and the California Transparency in Supply Chains Act (in the United States). These statements are publicly available on the respective websites of Hermès entities in the United Kingdom and the United States.

2.8.1.1.2 Ethics charter

The Ethics charter serves to enrich the corporate project around the genuineness of the Group's purpose and ethics. It guarantees respect for the debt of gratitude that we owe to our employees and partners.

This charter does not replace the laws and regulations applicable in the countries where the Group operates, but rather aims to promote compliance with them and ensure their proper application. It is of course in line with fundamental principles such as the Universal Declaration of Human Rights, and the rules of the ILO, the OECD and the Global Compact governing sustainable development.

It is an instrument of progress and dialogue: any employee of the Group who encounters difficulties in understanding or applying it must inform his or her manager.

Henri-Louis Bauer – Chairman of the Executive Management Board of Émile Hermès SARL; Axel Dumas – Executive Chairman

The House's ethics have been enshrined, since 2009, in a 40-page ethics charter, available in 13 languages and updated in 2016, distributed to all employees worldwide. It is also available on the HermèsSphère intranet, under "Our House/Our ethics". It aims to enrich the corporate purpose and to reaffirm the Group's determination to uphold certain fundamental principles in relations with its stakeholders and society. Signed by the Executive Management, it is sent to all new employees as soon as they enter the House and is available on the website <https://finance.hermes.com/en/ethics-human-rights-and-diversity/>.

The ethics charter aims to promote compliance and to ensure the proper application of laws, regulations and key principles. It is designed to be an instrument of progress and dialogue, and encourages employees to seek guidance from their line managers in cases where the principles seem difficult to apply or are open to misunderstanding. It is structured around the following points:

♦ Relations between Hermès and its employees

These relations are people-centric and responsible management inspired notably by a desire to preserve the physical and mental health of employees. This chapter sets out a number of the House's unifying values: trust, exemplarity, excellence, uncompromising standards, recognition, respect, enthusiasm, solidarity, discretion and the search for harmony;

♦ Relations between Hermès and its suppliers

The Hermès Group's excellence project is a long-term mission, based on suppliers' ability to follow the House's fundamental principles. This chapter sets out the main principles of our relations: trust and consideration, selectivity on quality criteria but also in terms of social and environmental issues, long-term and balanced relationships, fair treatment and impartiality, absolute respect of ethics and integrity criteria, transparency in the relationship;

♦ Relations between Hermès and its customers

Hermès seeks to astonish its customers and take them into another world with exceptional creations, products, services and stores. This chapter stresses the need to give everyone the warmest possible welcome, with respect to diversity and culture, to be discreet and to respect the confidentiality of information about customers, as well as ethics with business partners;

♦ Relations between Hermès and its shareholders

These relations are based on transparent disclosure and rigorous management. Hermès wishes to share with its shareholders, without distinction and on the basis of equality, its long-term strategy and its values as well as the results of the business. Hermès strives to harmoniously develop its business and results, protect the Company's assets, ensure governance in line with market best practices, and transparently report on its activities;

♦ Uncompromising principles of Hermès objects

This is identifiable by the style, the *savoir-faire* and the quality of these objects: a highly demanding approach to materials, *savoir-faire* and

attention to detail... applied both internally and externally. The authenticity of materials (including their origin), as well as their crafting, guarantee the long-term nature of Hermès objects;

♦ Relations between Hermès and society

Hermès is an attentive and concerned member of society, committed to its ecological, social, economic and cultural environment. This chapter sets out the Group's values on the following topics:

- in terms of the environment, the House ensures that it respects the environment and works harmoniously with it. It complies with regulatory requirements and aims to anticipate their development whenever possible. It seeks to enhance its production processes by choosing the cleanest possible technologies and the most environmentally friendly products, respecting natural resources and minimising the use of energy resources. It keeps waste to a minimum, recycling it whenever possible. Hermès designs its manufacturing sites so as to blend into the landscape, to prevent accidental pollution and to limit noise and other nuisances;
- regarding its stakeholders, Hermès aims to ensure dialogue and consultation with all stakeholders in order to contribute to the economic and social development of the regions and employment areas where its manufacturing and commercial sites are located. Hermès invests in each of the Company's manufacturing and commercial sites, using local resources as much as possible, so as to contribute to local economic life as well as conduct itself as a socially responsible company, in a spirit of responsibility throughout the region.

2.8.1.1.3 Code of business conduct

"To help make sure that everyone is on the same page, we have formalised this "code of business conduct". Its role is to raise awareness of certain risks and to instill Group employees with behavioural reflexes in response to frequently raised issues.

The sheets below, each of which must be responsible for the proper application of the code, are instruments of progress and dialogue."

Axel Dumas – Executive Chairman

A 32-page code of business conduct, available in 13 languages and updated in 2018, is distributed to all employees worldwide along with a verbal explanation. It sets out the House's guiding principles on a number of operational topics. The code is signed by the Executive Management, and is given to all employees as soon as they join the House. The Group's code of business conduct is available on the website <https://finance.hermes.com/en/ethics-human-rights-and-diversity/>. It was updated in 2018 and redistributed with an explanation of its contents to all Group employees.

The purpose of the code of business conduct is to raise employees' awareness about certain risks and to instill behavioural and alert reflexes. It consists of factsheets, dealing with key issues.

The code sets out whistleblowing protocols as part of a Group system called "H-Alert!". Employees confronted with situations that raise ethics issues, or who believe, in good faith and in an impartial way, that a serious and obvious violation of a code, charter, procedure, law or regulation, of which they are personally aware, has been committed, are encouraged to report the irregularities or breaches, as soon as possible, using the following reporting channels:

The code addresses the following topics:

- ♦ *via the line management or via Human Resources or the Ethics Committee; or*
- ♦ *via a technical system specially designed for this purpose and which protects the person reporting, operated by an external provider chosen by the Hermès Group, and for which the link is available on the Group's intranet site ("Our House/Our Ethics").*

These reports are treated confidentially and in line with the applicable legal framework, protecting the whistle-blower.

Extra-professional activities	These must be exercised outside the framework of the Company, not lay claim to belonging to the Hermès Group and not compete with the Group's activities. The Group's policy is not to support any political party and to prohibit any political activism in the name of Hermès.
Benefits and gifts	This sheet outlines the principles governing ethics and transparency with respect to the offering and receiving of gifts, in accordance with local regulations, and Group procedures.
Money laundering	This sheet aims to make employees aware of this illegal practice and its risks. It gives examples of concrete illustrations to monitor and refers employees to the Group's mandatory procedures on the subject.
Confidentiality	This sheet aims to encourage employees to take the necessary measures to protect the confidentiality of the information that they hold as a result of their professional activity, or that of their colleagues. It defines the notion of confidential information, gives examples concerning data security, the control of communication and specific prohibitions in view of Hermès' activity. Among other things, it deals with the subject of social networks, financial information and customer data.
Conflicts of interest	This sheet explains the notion of conflicts of interest, and specifies the types of behaviour that are prohibited. It emphasises the duty of transparency and loyalty.
Corruption	The Group's policy is clear: zero tolerance for corruption of any sort despite the status of the people concerned. This sheet summarises, and offers examples of, the key principles of business relationships, the main regulations on the subject, and potential impact for the Company and for employees. Each employee must refer back to the rules set out on the matter in the anti-corruption code of conduct.
Stock market ethics – prevention of market abuse	This sheet summarises the issues, risks and behaviour to avoid on this subject, in application of the French law and rules in this area. Any employees with access to inside information as a result of their professional duties, must not buy or sell Hermès International shares, until such information is made public.
Discrimination	This sheet reminds employees that the Group has zero tolerance of any type of discrimination.
Personal data	This sheet reminds employees that the Group is particularly sensitive to personal data protection and respect for privacy. All employees, whatever their role, must ensure that they process the personal data to which they have access in accordance with rules set forth by the Group and pursuant to applicable laws and regulations.
Human rights and fundamental freedoms	This sheet describes the Group's ethics policy within the context of the universal framework set forth by the major principles, standards and international agreements to which it adheres.
Environment	Respect for nature, the source of its exceptional materials and the living environment surrounding its sites, is one of the Group's strong and unwavering values. This sheet urges all employees to do their utmost to prevent, or minimise, the consequences of their activity on the environment. All Group employees pay great attention when it comes to protecting nature, preserving biodiversity and ecosystems and managing waste.
Harassment (moral or sexual)	Reaffirming the Group's commitment to fight against harassment, this sheet sets forth elements serving to identify such issues.
International sanctions	The Group and its employees are committed to complying with the international sanctions programmes imposed by the United Nations, the European Union, the United States and by any national legislation to which they are subject.

Health & safety	Employee health and safety is a priority for the Group. The Group strives to constantly improve its employees' working conditions and pursues the same objectives with its external partners.
Terrorism	This sheet aims to raise employees' awareness and to increase their vigilance, particularly with regard to money laundering and funding terrorism.
Influence-peddling	The Group prohibits any act of influence-peddling.
Use of Group resources	This sheet highlights the objective of protecting the Group's resources and their use for professional purposes. It lists certain prohibitions (notably from the Group's IT charter).

Echoing the ethics charter, the code of business conduct states in its preamble that Hermès men and women must also act in strict compliance with the laws and regulations applicable in the countries where the Group operates, as well as within the framework of fundamental principles such as the Universal Declaration of Human Rights, the ILO conventions and the OECD guidelines.

The opportunity to revise the ethics charter and code of business conduct is reviewed each year by the Compliance and Vigilance Committee described in section 2.8.1.2.3. Any amendment to these documents must be validated by the relevant member of the Executive Committee.

2.8.1.1.4 Harassment

Hermès does not tolerate any conduct that manifests itself in particular through behaviour, words, acts, gestures or writings that may infringe on a person's personality, dignity or physical or psychological integrity, thereby jeopardising their personal balance, employment or the social climate. In France, harassment is a form of behaviour incriminated by the Labour Code. If intentional, it may constitute an offence, which exposes the perpetrator to criminal conviction. Many countries have similar regulations on the subject.

The Group's policy is that any employee who feels harassed, or witnesses a situation of that nature must disclose it as soon as possible to his or her superiors and/or a Human Resources Manager and/or report it through the "H-Alert!" whistleblowing system, which guarantees the confidentiality of exchanges. Group rules provide for appropriate investigations (such as the establishment of a joint commission of inquiry) depending on the situation so that each case can be examined and dealt with. The Group attaches great importance to everyone's professional development and compliance with the rules of ethics. It takes action against all abusive behaviour.

The prevention of and fight against harassment, whether psychological or sexual, is one of the House's priorities. To achieve this, pairs of Company and SEC Officers were appointed within the French entities to deal with harassment and sexist behaviour. The legal role of the officers was extended to the prevention and fight against moral harassment. In late 2020 and early 2021, each pair of officers (Company and SEC) took part in a training course introduced by the Group labour relations department

and led by an external firm. The objective of this training was to enable the officers to understand the notions of moral harassment, sexual harassment and sexist acts and to know how to classify a situation using the legal framework. This training also makes it possible to identify at-risk behaviours, to encourage the implementation of preventative measures and to react in the event of an alert by knowing how to show empathy and distance. This training was also an opportunity to remind people of the existence of the "H-Alert!" whistleblowing system. In order to promote social dialogue, the Company and SEC Officers have drafted a roadmap for working together as pairs within their company.

In early 2021, all Directors of Human Resources and HR managers in France will be trained in the fight against harassment (sexual and moral) and sexist behaviour, using the same firm that trained the officers. Following this training, the Directors of Human Resources will raise awareness among the members of their entity's Management Committee and then the entire managerial body and employees, through the provision of an awareness-raising kit to be rolled out in 2021.

In addition to the Group's work to combat harassment, local initiatives have been taken by certain entities, such as within Hermès Cuirs Précieux, through the creation of a "Well-being at work" commission made up of Human Resources, members of the SEC and CSSCT, as well as the HSE manager. The Hermès Horloger division has set up an external "trusted person" system as a network of people to report any problems relating to harassment, discomfort or isolation within or outside the Company. This system is in addition to feedback of employees carried out by managers or Human Resources. Furthermore, psychosocial risk (PSR) prevention training has been in place for managers since 2017. It is led annually by the Group Director of Labour Relations. This training makes it possible to make managers aware of the existence of these PSRs (stress, harassment, workplace violence, burnout, etc.); it also allows them to learn to detect situations that may lead to these PSRs and to identify early warning signals. The objective is to know how to detect a difficult situation as soon as possible and provide a rapid and appropriate answer. This training is also an opportunity to raise manager awareness on workplace health and well-being measures, a series of collective prevention measures designed to improve physical and psychological health and well-being at work. Roll-out of this theme began in France, and they will be extended internationally.

2.8.1.2 GOVERNANCE

2.8.1.2.1 Ethics Committee

The Executive Committee oversees all ethics issues. It is supported by an Ethics Committee which was set up in 2018. It comprises the Executive Vice-President of Governance and Organisational Development, who is a member of the Executive Committee and chairs the meetings, the Group General Counsel, the Director of Human Resources and the General Counsel Compliance.

The committee oversees ethics actions with three main duties:

- (i) advise on the Group's ethics culture and make recommendations;
- (ii) receive alerts (through various reporting channels);
- (iii) direct and monitor the treatment of alerts.

The Ethics Committee meets as often as necessary.

2.8.1.2.2 Legal compliance department

The main task of the legal compliance department is to design, develop and implement compliance programmes and ethics policies worldwide, to identify, evaluate and control the compliance risks to which the Hermès Group is exposed, to verify compliance with the various laws and regulations, and ensure the coordination, implementation and updating of compliance programmes, in close cooperation with the Group's various departments. The position of General Counsel Compliance reports to the Group General Counsel, who reports to the Executive Vice-President of Governance and Organisational Development, member of the Executive Committee, who in turn reports to the Group's Executive Chairman.

The independence of the General Counsel Compliance is ensured by direct reporting, on a regular basis, to the Executive Vice-President of Governance and Organisational Development. Meetings are accordingly held on a regular basis.

The General Counsel Compliance chairs and oversees the Compliance and Vigilance Committee. He reports on the actions and decisions of the Committee to the Executive Vice-President of Governance and Organisational Development. He is also a member of the Ethics Committee, chaired by the Executive Vice-President of Governance and Organisational Development.

The legal compliance department relies on the in-house counsels in the Hermès International legal department, based in Paris, on subsidiaries' legal departments (in Lyon, New York, Shanghai, Singapore, Seoul and Tokyo) and on the Group's network of internal controllers, to deploy compliance programmes and ethics policies within the Group.

These employees take part in the implementation and management of compliance programmes, including the corruption prevention plan, as well as the deployment of ethics policies in all of the Group's *métiers* and entities. They verify in particular that operational and *métiers* staff apply the policies and procedures put in place.

2.8.1.2.3 Compliance and Vigilance Committee

The Compliance and Vigilance Committee is composed of the following people:

- ◆ General Counsel Compliance;
- ◆ Group General Counsel;
- ◆ Director of Audit and risk management;
- ◆ Director of sustainable development;
- ◆ Director of Consolidation and Management Control;
- ◆ Group Director of Labour Relations;
- ◆ Group Direct Purchasing Manager;
- ◆ Group Indirect Purchasing Manager;
- ◆ Group Director of Retail Activities.

The Compliance and Vigilance Committee meets regularly.

Its duties specifically include:

- ◆ to define compliance guidelines;
- ◆ to design and implement prevention and monitoring actions in terms of supplier vigilance, fraud and the fight against corruption for all Group entities;
- ◆ to manage the deployment of awareness-raising and training campaigns for employees most at risk.

For example, in 2020, the Compliance and Vigilance Committee monitored the process of updating the Group's corruption risk mapping and oversaw the strengthening of the Group's third-party integrity assessment systems and accounting controls dedicated to the fight against corruption.

Generally speaking, the Compliance and Vigilance Committee:

- ◆ provides expertise by analysing regulatory and legislative requirements;
- ◆ disseminates a culture of compliance by relaying the programmes to the entities' governing bodies and employees;
- ◆ ensures programme coordination and consistency;
- ◆ develops the Group's policies in this area.

2.8.1.2.4 Network of compliance liaison officers within the Group

Legal teams located in France (Paris and Lyon) and abroad, particularly in the United States, China, Japan, Singapore and South Korea, make up the network of compliance liaison officers. They act with the Group legal compliance department and with the Group Data Protection Officer in order to develop, facilitate, coordinate and monitor compliance programmes and ethics policies within the Group. Legal teams have access to a compliance review framework developed in collaboration with the legal compliance department.

Internal controllers and auditors also play a role in the implementation and monitoring of procedures on these subjects (see 4.3 "Risk management, internal control and internal audit"). Internal Group controllers have access to a compliance review framework and second-level control plan developed in collaboration with the legal compliance department and the audit and risk management department.

2.8.1.3 PREVENTION AND DETECTION MEASURES

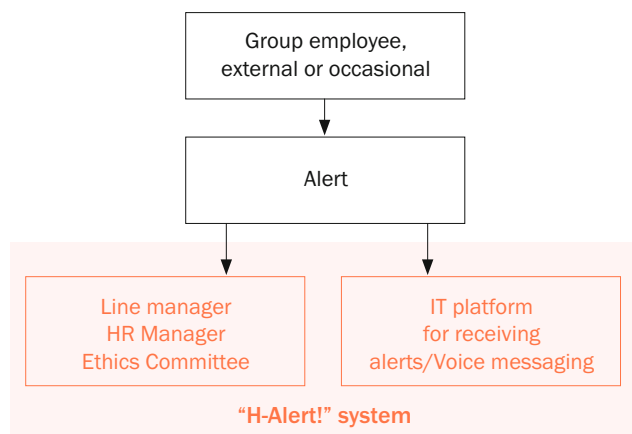
2.8.1.3.1 Professional whistleblowing line

In order to ensure compliance with laws and regulations and reinforce the fight against breaches of ethics and integrity, the Group has implemented a global alert system, “H-Alert!”, designed to enable its employees around the world, as well as its external and occasional employees, to report any malfunctions of which they are personally aware.

The “H-Alert!” system is used to report serious cases that could constitute a breach of a legal standard as defined in Article 6 of law No. 2016-1691 of 9 December 2016, known as the Sapin II law, or a breach of the Group’s codes, procedures and ethics standards, as well as to signal the existence of risks or serious infringements of human rights and fundamental freedoms, health and safety of people, or the environment, resulting from the Group’s activities and/or those of its subcontractors or suppliers.

The information notice regarding the whistleblowing system reminds employees that they are protected from any type of retaliation if the reporting is made in accordance with the “H-Alert!” system. Employees are encouraged to report the aforementioned irregularities or breaches, as soon as possible, using the following reporting channels:

- ♦ to their direct or indirect line manager or above, to Human Resources, or to the Ethics Committee;
- ♦ using an intranet platform, a secure, independent technical system, or by voice messaging, systems available 24/7 and operated by an external service provider. These alerts are forwarded to the Ethics Committee.



Within 15 days following receipt of the alert through any means, the whistle-blower will receive a written and dated acknowledgement of receipt. The acknowledgement of receipt specifies a reasonable and foreseeable expected deadline (about one month) for examining the alert.

This technical system is available in 18 languages. It was validated by the Group’s governing bodies and communicated to all Group entities and structures. An information notice has been forwarded and explained to all Group employees.

In 2020, 43 alerts were received through the “H-Alert!” system. All alerts are monitored and some cases are still being examined.

The Group has introduced effective measures guaranteeing the confidentiality of information and processing of reports at all times. The whistleblowing system also allows Group employees to report an incident anonymously. Where appropriate, following an investigation, disciplinary sanctions may be decided upon and implemented against employees who violate the Group’s ethics rules.

Furthermore, in the event of a breach or situation contrary to the ethics, social and environmental principles, the Hermès Group has provided its suppliers and subcontractors with a whistleblowing mechanism in the form of a generic email address. These alerts are analysed by the legal department and the purchasing department.

An identical alert mechanism in the form of a generic e-mail address was used in 2020 for our concessionnaires, distributors and commercial intermediaries to collect any reports in the event of a breach or situation contrary to ethics, social or environmental principles. These alerts are analysed by the legal and retail departments.

The Company undertakes not to impede access to legal or other available mechanisms, including mediation processes, for persons reporting negative impacts, especially on human rights, and undertakes to protect the whistle-blower.

2.8.1.3.2 Sanction system

The sanctions system in place for compliance programmes corresponds to the system of sanctions described in the internal rules of procedure, any breach of ethics and integrity being contrary to the Group’s intrinsic values and internal rules laid down in this area.

In accordance with existing law, all of the Group’s French entities with more than 20 employees have internal rules of procedure that devote a chapter to disciplinary law and the right of defence.

On an international level, depending on the local applicable law, either the internal rules of procedure set out rules on disciplinary matters, or an employee handbook contains rules on disciplinary law; both include anti-corruption measures.

2.8.1.3.3 Audit of the application of ethical values

Internal control evaluations, and internal and external audits on the application of Group procedures are carried out regularly at the Group’s companies and *métiers*, as well as at its significant suppliers and partners. Among other areas, these audits cover compliance with ethics procedures, the fight against corruption, combatting money laundering, the protection of personal data, respect for the environment, respect for human rights and fundamental freedoms, hygiene, health and employee safety. The methodology of these controls and audits is described in section 4.3 Risk management, internal control and internal audit”.

Group procedures were reinforced in 2020 to include gifts offered by and to third parties, conflicts of interest, sponsorship, communication, evaluation of third parties and combatting money laundering.

2.8.1.3.4 Training on ethics issues

Several Group internal departments offer employee training, particularly, the legal department, the human resources department, the purchasing department, the industrial affairs department and the audit and risk management department.

All these departments invest heavily in this training initiative.

Training provided by the legal department

Specific face-to-face training modules on the Group's ethics and anti-corruption policy, the contents of which are adapted to the teams, subsidiaries and *métiers* in question, are delivered by the legal compliance department to those employees who are most exposed to the risks of corruption, as identified and prioritised in the Group risk mapping. They aim to provide employees with the knowledge and tools needed to prevent and detect at-risk situations and to determine the behaviour to adopt in such cases.

During the 2020 financial year, the training programme continued despite the health crisis and face-to-face training was provided in the Group's entities, *métiers* and subsidiaries.

The roll-out of these training sessions is closely monitored by the legal compliance department, in collaboration with Internal Control and Human Resources.

In addition, an online Group e-learning system dedicated to ethics and combatting corruption has been set up. Its purpose is to enable all employees worldwide, as well as their external and occasional employees, to be able to prevent risks of corruption and breaches of ethics. This e-learning system includes a comprehension and simulation exercise to ensure that employees have fully understood the risks of corruption and how to manage them. This e-learning will be rolled out in 2021 and made mandatory for all people considered to be exposed to the risk of corruption in accordance with the Group's corruption risk mapping.

Other training aimed at preventing the risks of corruption and breaches of ethics

An "Ethics, integrity and anti-corruption" module, introduced by the human resources department, is designed for all in-store sales staff in Group entities. In 2020, 1,412 people followed this training. The aim of this module is to present the risks of corruption to sales staff. They learn about different forms of corruption and how to effectively combat risks of corruption in their daily tasks. Lastly, they learn about the tools and procedures that sales staff can use in case of doubt. Attendance at these training sessions is monitored by the signing of an attendance sheet. This module is regularly delivered in all subsidiaries worldwide. Since the module was set up in 2017, 6,942 people have received training.

The objective is to train all distribution subsidiary employees: whether their contract is fixed-term, permanent, temporary or as an intern, etc. and whatever their role (Group management, Management Committees, support, sales associates, stockists, cashiers, managers, etc.).

The content of this training module will be updated in 2021.

Furthermore, two anti-corruption e-learning modules for sales teams have been introduced by subsidiaries in the United States and China. Sales associates can access an IT tool that clearly sets out what constitutes an act of corruption, what the risks of corruption are in their duties and how to deal with them. These e-learning sessions are followed by a comprehension and simulation exercise to ensure that sales staff have fully understood the risks of corruption and how to manage them. Some 755 employees of the Hermès Of Paris subsidiary in the United States benefited from this e-learning in 2020.

The purchasing department provides training for purchasers and, makes them aware, in particular, of the risks of corruption in their daily tasks. In 2020, purchasers were again made aware of the assessment of the integrity of third parties through a meeting organised for direct purchasers and an indirect purchasing day attended by 60 participants.

The audit and risk management department trains its internal controllers and participates in the Group training sessions in order to promote an awareness of risk management and internal control best practices amongst the management. Training on ethics and compliance issues continued this year with the organisation of three seminars by the audit and risk management department for internal controllers in all Group entities throughout the world.

2.8.2 THE FIGHT AGAINST CORRUPTION

"Combatting corruption is a clear commitment for the Hermès Group.

Combatting corruption is part of an ethical approach to which the Hermès Group is fundamentally attached. It involves a determined commitment to comply strictly with laws and regulations applicable in all of the countries in which the Group operates. This commitment applies to all of the Group's internal ethics and compliance policies and procedures.

Combatting corruption further means forbidding any conduct contrary to these rules and principles and promoting within the Company an ethics culture that leaves no place for dishonest conduct.

Combatting corruption thus also means including this ethics culture in all of the Group's policies, actions and decisions. As ethics is a matter that concerns everyone, these principles must govern Hermès Group's daily operations including managerial, commercial and operational activities."

Axel Dumas – Executive Chairman

POLICY

Corruption is in contradiction with the values of the Hermès Group. The Group has a dual requirement: zero tolerance for breaches of probity on one hand, and a determined commitment to an ethical culture on the other.

The Group's policies in terms of ethics and the fight against corruption are clearly set out in the code of business conduct, available on the Group intranet as well on the website <https://finance.hermes.com/en/ethics-human-rights-and-diversity/>.

The Hermès Group continues to improve its corruption prevention plan, in accordance with the requirements of French Act No. 2016-1691 of 9 December 2016 on transparency, the fight against corruption and the modernisation of economic life.

Furthermore, the Group conducts global legal monitoring of legislative changes on the fight against corruption and complies with current legislative and regulatory requirements both in France and in countries abroad in which it operates, such as the Foreign Corrupt Practices Act in the United States, the United Kingdom Bribery Act and Legislative Decree 231 in Italy. This monitoring is carried out in-house and by external firms.

2.8.2.1 COMMITMENT OF THE GOVERNING BODY

The governing body's commitment can be seen at the Group's highest level. Alongside other members of the Executive Committee, Axel Dumas, Executive Chairman, drives compliance with ethics rules, applying a firm policy of zero tolerance of any act of corruption.

Corruption risk mapping, initiated by the governing body and driven by the legal compliance department, was signed by all the members of the Executive Committee, thus clearly demonstrating the importance put on analysing and identifying Group-specific risks.

The fight against corruption in all its forms permeates all the Group's policies and procedures.

2.8.2.2 GOVERNANCE

2.8.2.2.1 Legal compliance department

The governance of the legal compliance department is explained in section 2.8.1.2.2 above.

2.8.2.2.2 Compliance and Vigilance Committee

The governance of the Compliance and Vigilance Committee is detailed in section 2.8.1.2.3 above.

2.8.2.2.3 Network of compliance liaison officers within the Group

The governance of the network of compliance liaison officers within the Group is detailed in section 2.8.1.2.4 above.

2.8.2.3 ACTIONS IMPLEMENTED AND RESULTS

2.8.2.3.1 Risk mapping

"We are committed to promoting a culture of compliance, integrity and transparency that is vital for risk assessment. This anti-corruption risk map, as well as a whole range of recommendations made within the context of mechanisms to control these risks, are part of this approach. They will feed into action plans to improve the prevention of, and the fight against, all forms of corruption within our Group."

Axel Dumas – Executive Chairman

A Group corruption risk mapping was produced jointly by the legal compliance department and the audit and risk management department and was approved by the Group's Executive Committee.

A first Group corruption risk mapping exercise was prepared in 2018 and updated in 2020.

Risk mapping covers all of the Group's activities in all the geographical areas where it operates. Each risk scenario identified corresponds to a potentially risky behaviour or situation in terms of corruption or influence-peddling and specifies the geographical areas and *métiers* that are most affected so as to determine the priority measures to be taken as part of the corruption prevention plan. For each risk scenario, the activities and geographical areas concerned, the third parties involved as well as the aggravating factors are targeted.

The participation of many key stakeholders across the Group has also ensured a good representation of the Group's activities and processes at different levels of responsibility (management and operational) as well as full coverage of the geographical areas in which the Group operates.

The methodology used for the Group's risk mapping is as follows:

- ♦ identification of the Group's risk scenarios resulting from an audit of existing processes and systems, a documentary review, as well as interviews with Senior Executives and operating functions;
- ♦ prioritisation of these risks: the importance of each scenario was measured according to the impact that its occurrence would have as well as the likelihood of its occurrence (its probability of occurrence), weighted by the control mechanism in place, resulting in a distinction between gross and net risks.

This approach has resulted in a detailed, objective and structured analysis of the corruption risks to which the Group is exposed in the course of its activities. It has also made it possible to identify individual risks to be dealt with as a priority and assesses the efficiency of mechanisms to control these same risks with the aim of making constant improvements.

Following the update of the mapping in 2020, the action plans corresponding to each risk scenario were redefined in order to respond in a proportionate and effective manner to the challenges facing the Group.

Group entities, with the help of the legal compliance department, conduct corruption risk analyses on the *métiers*, entities and countries, according to the risk scenarios identified in the Group's corruption risk mapping.

2.8.2.3.2 Anti-corruption code of conduct

An anti-corruption code of conduct, drafted in 2018 from the results of the Group's corruption risk mapping, is available in 18 languages. This code of conduct was validated by the Group's governing bodies and communicated to all Group entities and structures. It has also been provided to each Group employee.

This anti-corruption code of conduct has a global reach and applies to all Group employees.

"This anti-corruption code of conduct (the "Code of Conduct") is in line with the commitments taken by the Hermès Group in the area of ethics and integrity. It sets forth the personal commitment of the Hermès Group's Senior Executives and forms an integral part of the values and principles that unite all Hermès Group employees."

Axel Dumas – Executive Chairman

This code:

- ◆ defines offences entailing corruption and influence-peddling, along with the stakes involved and the various forms they may take;
- ◆ describes and illustrates, with clear examples and case studies that are relevant to the corruption risk mapping, the types of behaviour that are prohibited;
- ◆ sets out the commitment of the Group and its governing bodies in terms of the fight against corruption and influence-peddling;
- ◆ enables all Group employees to identify at-risk situations and adopt appropriate behaviours;
- ◆ defines offences;
- ◆ introduces the "H-Alert!" whistleblowing system which is the subject of a separate procedure.

In particular, this code describes rules on gifts and invitations, relations with third parties and public officials, the ban on facilitation payments, management of conflicts of interest, patronage and sponsorship, representation of interests, etc.

The opportunity to update the anti-corruption code of conduct is reassessed each year by the Compliance and Vigilance Committee.

The anti-corruption code of conduct is available on the website: <https://finance.hermes.com/fr/ethique-droits-humains-et-diversite/>.

2.8.2.3.3 An internal whistleblowing system

The Group's internal whistleblowing system "H-Alert!" is described in section 2.8.1.3.1 above.

2.8.2.3.4 Procedures for assessing the situation of clients, tier 1 suppliers and intermediaries

The Group's business model primarily consists of purchasing raw materials from suppliers and manufacturing most of its products in-house, which are then mainly sold through stores, the majority of which are owned by the Company (branches), to customers who visit said stores. Upstream, *i.e.* relationships with goods suppliers and service providers, accounts for most of the Group's relationships with third parties.

To a lesser extent, the Group also has downstream relationships, with concessionaires, distributors and business intermediaries in some *métiers*.

The Group develops long-term relationships with its partners, thereby protecting its sources of supply and business relationships.

The commitments made by the Group and its partners focus on the following points:

1. Good labour practices: prohibition of child labour, prohibition of forced labour, compliance with health and safety rules, respect for freedom of association, non-discrimination, respect of working time, appropriate compensation, prohibition of illegal work.
2. Best environmental practices: compliance with environmental regulations, management of natural resources and consumption, effluent and waste, respect for biodiversity.
3. Good ethical conduct: the fight against corruption and money laundering and recommendations on best practices in relation to subcontracting.

On an operational level, each *métier* or entity is responsible for managing its relations with third parties, monitoring the challenges identified and the implementation of corrective actions with third parties. Experience has shown that adopting a *métier* or entity approach guarantees third party proximity, awareness of the challenges ahead and realistic systems that comply with the Group's rules. Nevertheless, to ensure that the Group's anti-corruption system is well implemented in *métiers*, entities and subsidiaries, coordination of procedures, tools, training and controls is carried out at Group level by the legal compliance department.

To ensure their partners' integrity and compliance with anti-corruption regulations, the *métiers* and entities have the following tools at their disposal:

- ◆ risk mapping;
- ◆ procedures for entering into business relationships with third parties;
- ◆ procedures for selecting suppliers and subcontractors, business intermediaries, agents, distributors and concessionaires;
- ◆ an IT tool for assessing the integrity and reputation of third parties, set up with the help of an external service provider and accessible to all Group entities;
- ◆ analysis grids and questionnaires to assess third party risk levels;
- ◆ a list of "sensitive countries";

- ♦ a procedure to prevent money laundering and corruption;
- ♦ a suppliers' charter, a business ethics charter for the selling of products and compliance clauses to ensure third parties' commitment to complying with social, environmental and ethics policies, including anti-corruption regulations;
- ♦ external evaluations on third-party compliance and integrity risks;
- ♦ rights of access and right to request documentation;
- ♦ the right to conduct internal and external on-site audits and, if necessary, to implement corrective measures.

The *métiers* and entities are required to monitor their relationships with third parties and to update their assessments and engagement policies on a regular basis. The Group ensures that *métiers* and entities comply with these third party assessment policies by means of internal control and internal audits conducted by the audit and risk management department, as well as through controls carried out by the legal department.

2.8.2.3.5 Accounting control procedures

Internal control and risk management procedures relating to the preparation and processing of accounting and financial information, as described in section 4.3, form an integral part of the Group's anti-corruption system and, in particular, are aimed at preventing and detecting any act of corruption. Controls on accounts deemed "more sensitive" in terms of the fight against corruption are regularly strengthened. In 2020, an accounting control procedure dedicated to the prevention and detection of corruption and influence-peddling was put in place.

Furthermore, annual self-assessment campaigns (see section 4.3.4.1) are an important tool when it comes to the process of applying accounting control procedures across all the Group's entities.

The audit and risk management department monitors the proper application of these procedures during its internal audits.

2.8.2.3.6 Training system for executives and employees most at risk

The training system is described in section 2.8.1.3.4 above.

2.8.2.3.6 Disciplinary regime for sanctioning violations of the anti-corruption code of conduct

The sanctions system is described in section 2.8.1.3.2 above.

2.8.2.3.7 Internal control and evaluation system

In order to verify the proper application of its anti-corruption system, the Hermès Group has deployed a control plan based on three levels:

- ♦ the first level of control is implemented directly by operational staff. It involves applying, on a daily basis, the principles and steps described

in Group procedures on ethics and integrity and, in particular, those relating to the fight against corruption and influence-peddling;

- ♦ the second level of control involves internal controllers in each entity/*métier*, working in close collaboration with the legal department, in particular, on the proper application of procedures relating to the fight against corruption. To this end, the legal compliance department and the audit and risk management department have drawn up a dedicated anti-corruption work programme for all of the Group's internal controllers;
- ♦ the third level of control is operated by the audit and risk management department when it audits the *métiers* and entities. This control assesses the implementation of the anti-corruption and influence-peddling policy of the *métier* or entity in question. The audit and risk management department also conducts audits of the various Group anti-corruption programmes.

2.8.3 PERSONAL DATA PROTECTION

Respect for privacy is more than a legal obligation, it is a Hermès value and an essential commitment to maintaining a relationship of trust with our employees, customers and partners.

POLICY

Since 2015, the Hermès Group has adopted a set of rules to protect the personal data of its customers in the form of Binding Corporate Rules (BCR). These BCRs, approved by the European Data Protection Authorities, apply to all Group entities with a distribution activity.

These BCRs, still in full force, foreshadowed the Group's more general data protection system. Since then, the Hermès Group has implemented a more extensive data protection system covering all the personal data it collects (customers, employees, third parties, etc.) and all of its subsidiaries and *métiers*, regardless of their location.

This Group system complies with the European Data Protection Regulation (GDPR) which is one of the highest levels of data protection in the world and also takes into account local regulatory requirements.

This system also includes the code of business conduct, which contains a "Personal Data" sheet (see section 2.8.1.1.3).

2.8.3.1 DATA PROTECTION OFFICER

A Group Data Protection Officer was appointed on 1 March 2018, with the task of informing and advising the Company on its legal and regulatory obligations with regard to personal data, and steering and monitoring data processing and ensuring its compliance with these obligations. The Group Data Protection Officer is the point of contact for data subjects and for data protection authorities.

This position reports to the General Counsel Compliance, who reports to the Group General Counsel, reporting to the Executive Vice-President of Governance and Organisational Development, member of the Executive Committee, who in turn reports to the Group's Executive Chairman.

2.8.3.2 “PERSONAL DATA PROTECTION” GOVERNANCE

In order to carry out its work, the Data Protection Officer relies on a Group-wide network of people, primarily the information systems security manager (CISO), members of the legal department and internal controllers. This network enables the officer to be informed of personal data processing-related issues, to ensure that these are handled consistently by subsidiaries and to be alerted to local legal and regulatory changes, as applicable.

In 2020, data protection guidelines were rolled out to the network of internal controllers to support them in their second-level control duties. These guidelines provide in particular a reminder of the elements of governance, the control themes and the tools available for this purpose. A new matrix of precise and concrete annual controls to be carried out by internal controllers has been added to the rollout of the guidelines.

2.8.3.3 MAIN ACTIONS IMPLEMENTED

Transparency has been enhanced through an update of the privacy policy and the introduction of a cookie consent management tool on the Hermes.com website.

The awareness-raising and training programme was enhanced with new employee training sessions. In 2020, the focus was on the French human resources teams, of which 88% were trained, across all *métiers*. This awareness-raising and training programme is supplemented by the introduction of an online training module (e-learning) for all Group employees, initially rolled out in France and then internationally.

The principles of protection of privacy by design and by default are ensured by the implementation of new tools for managing Privacy Impact Assessments (PIA) and managing the register of processing activities. These tools are part of the procedure for integrating security and privacy into projects (ISP), which involves the Group's CISO and Data Protection Officer teams. In 2020, 114 projects including personal data were processed through the ISP procedure.

The management of the rights exercised by the people concerned has been made more efficient, in particular thanks to the use of a tool following the dissemination of a new procedure for managing customer rights that allows for prompt handling and harmonisation of requests regardless of the geographical origin of the request and the contact

channel used. Since the implementation of this tool, 138 requests have been processed, of which 20% were requests for modifications, 15% requests for information, 14% requests for access and 51% requests for deletion of data.

The security of personal data is an essential component of the protection of privacy. In this context, the issues were highlighted through awareness-raising operations (cybersecurity month) and addressed as part of regular work with the CISO teams. The data breach procedure has been included in the broader cyber crisis management process (see 4.1.1.3 Information systems and cyberattacks).

Lastly, checks are carried out in cooperation with the teams of the audit and risk management department and the internal controls of the Group entities to assess compliance with the Group's rules and applicable regulations.

2.8.4 DUTY OF VIGILANCE

Hermès is committed to promoting respect for human rights and fundamental freedoms, the health and safety of employees and the protection of the environment.

POLICY

In accordance with French Act No. 2017-399 of 27 March 2017 relating to the duty of vigilance of parent companies and contractors, the Hermès Group has drawn up a reasonable duty of vigilance plan to identify risks and prevent serious violations of human rights and fundamental freedoms, and the health and safety of people and the environment, resulting from its activities as well as the activities of its subcontractors and suppliers.

GOVERNANCE

The legal compliance department contributes to the identification of risks in terms of the duty of vigilance (human rights, fundamental freedoms, health and safety and environmental protection) and to the development of measures to prevent breaches, in particular within the supply chain.

To do this, it works with the Group's main support departments and relies on the Compliance and Vigilance Committee (see section 2.8.1.2.3).

2.8.4.1 ACTIONS IMPLEMENTED AND RESULTS

The duty of vigilance plan was subjected to an effectiveness assessment in the 2020 financial year. This assessment is set out in the table below and refers to Group policies, measures implemented in 2020, key performance indicators and their location within this document.

CROSS-REFERENCE TABLE

HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS

	Group activities	Suppliers and subcontractors
Risk mapping	<ul style="list-style-type: none"> ◆ CSR risk analysis (2.1.3.1) 	<ul style="list-style-type: none"> ◆ Analysis by sector (2.4.2) ◆ Risk mapping by purchase category (2.6.1.3.1) <p>Indicators: 31 sectors analysed in 2020 92% of risk mappings by purchase category completed</p>
Regular assessment procedures	<ul style="list-style-type: none"> ◆ Industrial affairs department network: internal diagnostics, audits conducted by external specialists and operational improvement plans (2.2.1.1.1) ◆ Internal control and risk management systems established by the Company (4.3) 	<ul style="list-style-type: none"> ◆ Audit and Direct Purchasing Committee – managing audit results and action plans (2.6.1.3.3) ◆ Coordination of Group policies for direct and indirect purchasing (2.6.1) ◆ Tools for analysing supplier and subcontractor risks provided to and applied by purchasers (2.6.1.3) ◆ Audits conducted by specialist service providers in certain channels (alligator, cashmere, wood) WWF (2.4.2.2) ◆ Supplier audits by a third-party organisation (2.6.1.3.2) <p>Indicators: 50 audits of tier one suppliers and 21 audits of tier two suppliers in 2020 200 EcoVadis supplier evaluations</p>
Mitigation and prevention measures	<ul style="list-style-type: none"> ◆ Dissemination of Group values: code of business conduct (2.8.1.1) and three specific SD training modules included in the My Campus internal integration training programmes ◆ Training on ethics issues (2.8.1.3.4) ◆ Training and development of employee expertise (2.3.1.3) ◆ Responsible management and Social diversity (2.2.2.1.1 and 2.2.2.1.2) “Alterego” training programme ◆ Health and well-being at work initiative (2.2.1.1) (75% participation rate over the last three years) ◆ Maintaining the quality of social dialogue (2.2.1.3) ◆ Second Disability Agreement (2.2.2.1.4) 	<ul style="list-style-type: none"> ◆ Training for direct and indirect purchasers (2.6.1.3.3) ◆ Social, environmental and ethics policy (handbook 2) (2.6.1.3.3) ◆ Monitoring audits (2.6.1.3.2 and 2.6.1.3.3) <p>Indicators: Signature rate for handbook 2: 85%</p>
Alert mechanisms	<ul style="list-style-type: none"> ◆ Professional whistleblowing system (2.8.1.3.1) 	<ul style="list-style-type: none"> ◆ Professional whistleblowing email alert address for suppliers and subcontractors (2.6.1.3.4)
Measuring and monitoring system	<ul style="list-style-type: none"> ◆ Audit and risk management department (4.3.2) ◆ Audit of the application of ethical values (2.8.1.3.3) <p>Indicators:</p> <ul style="list-style-type: none"> ◆ Employer award received by Hermès (2.2.1.1.1) ◆ Number of hours devoted to training: over 391,737 hours (2.3.1.2) ◆ Gender pay equality index: 92/100 (2.2.2.1.3) 	<ul style="list-style-type: none"> ◆ System of monitoring by audit and risk management department (2.6.1.3.2 and 2.6.1.3.3)

HEALTH & SAFETY

	Group activities	Suppliers and subcontractors
Risk mapping	<ul style="list-style-type: none"> ◆ CSR risk analysis (2.1.3.1) 	<ul style="list-style-type: none"> ◆ Analysis by sector (2.4.2) ◆ Risk mapping by purchase category (2.6.1.3.1) <p>Indicators: 31 sectors analysed in 2020 92% of risk mappings by purchase category completed</p>
Regular assessment procedures	<ul style="list-style-type: none"> ◆ HSE audits conducted by an external specialist (2.2.1.1.1) ◆ Information system rolled out on sites for Group health and safety reporting (2.2.1.1.1) ◆ Internal safety audits (2.2.1.1.1) ◆ Internal control and risk management systems established by the Company (4.3) 	<ul style="list-style-type: none"> ◆ Audit and Direct Purchasing Committee – managing audit results and action plans (2.6.1.3.3) ◆ Coordination of Group policies for direct and indirect purchasing (2.6.1) ◆ Tools for analysing supplier and subcontractor risks provided to and applied by purchasers (2.6.1.3) ◆ Audits conducted by specialist service providers in certain channels (alligator, cashmere, wood) WWF (2.4.2.2) ◆ Supplier audits by a third-party organisation (2.6.1.3.2) <p>Indicators: 50 audits of tier one suppliers and 21 audits of tier two suppliers in 2020 200 EcoVadis supplier evaluations</p>
Mitigation and prevention measures	<ul style="list-style-type: none"> ◆ Dissemination of Group values: code of business conduct (2.8.1.1) and three specific SD training modules included in the My Campus internal integration training programmes ◆ Training on ethics issues (2.8.1.3.4) ◆ HSE regulatory monitoring conducted by an external specialist and distributed to each industrial <i>métier</i> (2.2.1.1.1) ◆ Coordination of the Environmental, Health and Safety network by the industrial affairs department, training and sharing best practices (2.2.1.1.1) ◆ Health and well-being at work initiative (2.2.1.1.1) (75% participation rate over the last three years) 	<ul style="list-style-type: none"> ◆ Training for direct and indirect purchasers (2.6.1.3.3) ◆ Social, environmental and ethics policy (handbook 2) (2.6.1...3.3) ◆ Monitoring audits (2.6.1.3.2 and 2.6) <p>Indicators: Signature rate for handbook 2: 85%</p>
Alert mechanisms	<ul style="list-style-type: none"> ◆ Professional whistleblowing system (2.8.1.3.1) ◆ Email alerts when reporting work accidents in the dedicated information system (2.2.1.1.1) 	<ul style="list-style-type: none"> ◆ Professional whistleblowing email alert address for suppliers and subcontractors (2.6.1.3.4)
Measuring and monitoring system	<ul style="list-style-type: none"> ◆ Audit and risk management department (4.3.2) ◆ Audit of the application of ethical values (2.8.1.3.3) ◆ External firm specialising in conducting HSE compliance audits in our various units (2.2.1.1.1) <p>Indicators: Work accident rate: 9.08 with a severity rate of 0.41 (2.2.1.1.4) Turn-over: 1.09% (2.3.1.1.2)</p>	<ul style="list-style-type: none"> ◆ System of monitoring by audit and risk management department (2.6.1.3.2 and 2.6.1.3.3)

ENVIRONMENT

	Group activities	Suppliers and subcontractors
Risk mapping	<ul style="list-style-type: none"> ◆ CSR risk analysis (2.1.3.1) 	<ul style="list-style-type: none"> ◆ Analysis by sector (2.4.2) ◆ Risk mapping by purchase category (2.6.2.3) ◆ Study of the physical risks related to climate change (2.5.2) <p>Indicators: 31 sectors analysed in 2020 92% of risk mappings by purchase category completed Climate change: two value chains studied, using six direct sector impact scenarios and two systemic scenarios with direct and indirect impacts on Hermès' global activity (2.5.2.1).</p>
Regular assessment procedures	<ul style="list-style-type: none"> ◆ HSE audits conducted by an external specialist (2.2.1.1.1) ◆ Water risk assessment with WWF (2.5.2.1) ◆ Tools for updating the overall assessment of greenhouse gas emissions from Group production and distribution sites (2.5.2.2) ◆ Audits of the supply chains for exotic skins by external parties (WWF, veterinarians, associations, etc.) (2.4.2.2) ◆ Internal control and risk management systems established by the Company (4.3) 	<ul style="list-style-type: none"> ◆ Audit and Direct Purchasing Committee – managing audit results and action plans (2.6.1.3.3) ◆ Coordination of Group policies for direct and indirect purchasing (2.6.1) ◆ Tools for analysing supplier and subcontractor risks provided to and applied by purchasers (2.6.1.3) ◆ Audits conducted by specialist service providers in certain channels (alligator, cashmere, wood) WWF (2.4.2.2) ◆ Supplier audits by a third-party organisation (2.6.1.3.2) <p>Indicators: 50 audits of tier one suppliers and 21 audits of tier two suppliers in 2020 200 EcoVadis supplier evaluations</p>
◆ Mitigation and prevention measures	<ul style="list-style-type: none"> ◆ Group environmental policy (2.5.1.1) ◆ Membership of the Fashion Pact (2.5) ◆ EHS regulatory monitoring conducted by an external specialist and distributed to each industrial <i>métier</i> (2.2.1.1.1) ◆ Coordination of the Environmental, Health and Safety network by the industrial affairs department, training and sharing best practices (2.2.1.1.1) ◆ Sustainable development ambassadors: over 200 employees worldwide (2.3.1.3) ◆ Limiting the consumption of natural resources (2.5.1.2) <p>Improving production processes (2.5.1.3)</p> <ul style="list-style-type: none"> ◆ Combating climate change (2.5.2) ◆ Limiting the carbon impact in scopes 1, 2 & 3 and carbon offset (2.5.2.2 and 2.5.2.3) ◆ Waste management (2.5.1.4) ◆ Respect and protect biodiversity (2.5.3) ◆ Act4Nature international (2.5.3.5) High-quality supplies, and work on animal welfare (2.4.3.2) ◆ Circular economy (2.4.1.1) ◆ Three specific SD training modules included in the My Campus internal integration training programmes 	<ul style="list-style-type: none"> ◆ Training for direct and indirect purchasers (2.6.1.3.3) ◆ Social, environmental and ethics policy (handbook 2) (2.6.1.3.3) ◆ Monitoring audits (2.6.1.3.2 and 2.6.1.3.3) <p>Indicators: Signature rate for handbook 2: 85%</p>
Alert mechanisms	<ul style="list-style-type: none"> ◆ Professional whistleblowing system (2.8.1.3.1) 	<ul style="list-style-type: none"> ◆ Professional whistleblowing email alert address for suppliers and subcontractors (2.6.1.3.4)

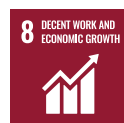
	Group activities	Suppliers and subcontractors
Measuring and monitoring system	<ul style="list-style-type: none"> ♦ Audit and risk management department (4.3.2) ♦ Audit of the application of ethical values (2.8.1.3.3) ♦ External firm specialising in conducting HSE compliance audits in our various units (2.2.1.1.1) <p>Indicators: CDP Climate Change score: B (2.5.2) Water consumption at industrial sites (2.5.1.2.1) Energy consumption at industrial sites (2.5.1.2.2)</p>	<ul style="list-style-type: none"> ♦ System of monitoring by audit and risk management department (2.6.1.3.2 and 2.6.1.3.3)

2.8.5 CONTRIBUTION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS (SDGS)



No. 16: Peace, justice and strong institutions

- ♦ 16.b “Promote and enforce non-discriminatory laws and policies”
The code of business conduct is distributed worldwide to all employees and states that the Group does not tolerate any form of discrimination whatsoever.
- ♦ 16.5 “Substantially reduce corruption and bribery in all their forms”
The Group’s policy is clear: zero tolerance for corruption of any form and whatever the status of the people concerned. This results in a corruption prevention plan, the rollout of ethics policies in all of the Group’s *métiers* and entities, as well as dedicated training modules.
- ♦ 16.5 “Reduce corruption and bribery”
Hermès’ policy on ethics and business conduct condemns and prohibits any illicit conduct in this regard, resulting in formalisation efforts and more stringent controls since 2017.
- ♦ 16.10 “Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements”
The Hermès Group’s ethics policy aligns with the universal framework set down by the major principles, standards and international agreements. The ethics charter sets out its principles and is distributed to all employees.



No. 8: Decent work and economic growth

- ♦ 8.7 “Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms”
The Group develops long-term relationships with its partners, thereby protecting its sources of supply and business relationships. The commitments made include the prohibition of child labour, prohibition of forced labour, compliance with health and safety rules, respect for freedom of association, non-discrimination, working time, adequate compensation, prohibition of illegal work.
- ♦ 8.8 “Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment”
Hermès is committed to respect for human rights, fundamental freedoms, health, safety and working conditions, as well as the protection of the environment.
Suppliers sign two undertaking handbooks, one of which is covers social, environmental and ethics policies. These labour rights requirements are also set out in the code of business conduct and the ethics charter.

2.9 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT INCLUDED IN THE MANAGEMENT REPORT

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

2

For the financial year ended 31 December 2020

Hermès International

24, rue du Faubourg-Saint-Honoré

75008 Paris

To the General Meeting of Hermès,

In our capacity as Statutory Auditor of Hermès International (hereinafter the “entity”), appointed as an independent third party and accredited by COFRAC (Cofrac Inspection no. 3-1060, whose scope is available at www.cofrac.fr), we hereby report to you on the non-financial performance statement for the financial year ended 31 December 2020 (hereinafter the “Statement”), included in the management report pursuant to the legal and regulatory provisions of Articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (Code de commerce).

THE ENTITY'S RESPONSIBILITY

Pursuant to legal and regulatory requirements, the Management is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the “Guidelines”), the main elements of which are presented in the Statement and available on request from the entity's headquarters.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by the provisions of Article L. 822-11-3 of the French Commercial Code (*Code de commerce*) and the French code of ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional guidance and applicable legal and regulatory requirements.

RESPONSIBILITY OF THE STATUTORY AUDITOR, APPOINTED AS AN INDEPENDENT THIRD PARTY

On the basis of our work, our responsibility is to provide a reasoned opinion expressing a limited assurance conclusion on:

- ♦ the compliance of the Statement with the provisions of Article R. 225-105 of the French Commercial Code (*Code de commerce*);
- ♦ the fairness of the information provided in accordance with Article R. 225-105 I, 3 and II of the French Commercial Code (*Code de commerce*), i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the “Information”).

However, it is not our responsibility to comment on:

- ♦ the entity's compliance with other applicable legal and regulatory provisions, in particular the French duty of care, anti-corruption and tax evasion legislation;
- ♦ the compliance of products and services with the applicable regulations.

NATURE AND SCOPE OF OUR WORK

Our work described below was performed in accordance with the provisions of Articles A. 225-1 *et seq.* of the French Commercial Code (*Code de commerce*) determining the conditions in which the independent third party performs its engagement and with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements, as well as with ISAE 3000 – *Assurance engagements other than audits or reviews of historical financial information*.

Our procedures allowed us to assess the compliance of the Statement with regulatory provisions and the fairness of the Information:

- ◆ we obtained an understanding of all the consolidated entities' activities, the description of the social and environmental risks associated with their activities and, where applicable, the impact of these activities on compliance with human rights and anti-corruption and tax evasion legislation, as well as the resulting policies and their outcomes;
- ◆ we assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, objectivity and understandability, with due consideration of industry best practices, where appropriate;
- ◆ we verified that the Statement includes each category of social and environmental information set out in Article L. 225-102 1 III, as well as the information provided for in the second paragraph of Article L. 22-10-36 regarding compliance with human rights and anti-corruption and tax evasion legislation;
- ◆ we verified that the Statement presents the business model and the principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships and products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators;
- ◆ we verified, where relevant with respect to the principal risks or the policies presented, that the Statement provides the information required under Article R. 225-105 II;
- ◆ we assessed the process used to identify and confirm the principal risks;
- ◆ we asked what internal control and risk management procedures the entity has put in place;
- ◆ we assessed the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented;
- ◆ we verified that the Statement covers the scope of consolidation, *i.e.*, all companies included in the scope of consolidation in accordance with Article L. 233-16 within the limitations set out in the Statement;
- ◆ we assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;
- ◆ for the key performance indicators and other quantitative outcomes that we considered to be the most important and which are listed in the appendix, we implemented:
 - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
 - substantive tests, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities¹ and covers between 19% and 68% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- ◆ we referred to documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that we considered to be the most important;
- ◆ we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

1. *Selected sample: For the real estate appraisal department: Munich (Germany), Frankfurt (Germany), Hamburg (Germany), Deauville (France), Bond Street (United Kingdom), Cadogan Place (United Kingdom), Bern Store (Switzerland), Vancouver (Canada), Chicago (United States), NY Madison 691 (United States), Maison Shanghai (China), SH-66 (China), Liat Towers (Singapore), Ginza (Japan). For the industrial affairs department: Compagnie des Cristalleries de Saint-Louis (France), MHM (France), Pierre-Bénite (France), AHH (Switzerland), Ateliers AS (France), Tanneries d'Annonay (France), Tanneries du Puy (France), Lagoon Croc Farm (Australia), Pinnacle Alligator Farm (United States). For the human resources department: Hermès APAC HK & Macao (Hong Kong and Macao), Maroquinerie du Sud-Ouest (France), Maroquinerie des Alpes (France), Travel Retail Asia (Singapore), Hermès Maroquinerie Sellerie (France), Hermès Parfums (France), Ateliers AS (France), Prague (Czech Republic), South East Asia (Singapore), Maroquinerie de Normandie (France), Hermès Of Paris (United States), Hermès China & China Trading (China), Hermès Commercial (France), Hermès Taiwan (Taiwan), Holding Textile Hermès (France).*

MEANS AND RESOURCES

Our work was carried out by a team of eight people between November 2020 and March 2021 and took a total of 10 weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted about 15 interviews with the people responsible for preparing the Statement, representing the industrial affairs department, the real estate appraisal department, the human resources department and the sustainable development department.

CONCLUSION

Based on our work, nothing has come to our attention that causes us to believe that the non-financial performance statement is not in accordance with the applicable regulatory provisions and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, 1 March 2021

One of the Statutory Auditors
PricewaterhouseCoopers Audit

Olivier Auberty
Partner

Sylvain Lambert
Sustainable Development Partner

APPENDIX: LIST OF THE INFORMATION WE CONSIDERED MOST IMPORTANT

Key performance indicators and other quantitative results:

MAIN RISKS OR OPPORTUNITIES IDENTIFIED	SECTIONS OF THE MANAGEMENT REPORT PRESENTING THE ASSOCIATED POLICIES, ACTIONS AND RESULTS REVIEWED IN THE CONTEXT OF OUR WORK
Teams	<ul style="list-style-type: none"> ◆ Chapter 2.2 <i>Including results and KPIs:</i> <ul style="list-style-type: none"> ◆ Total workforce and breakdown* ^{1.} ◆ Number of dismissals* ◆ Work accidents, Frequency rate, Severity rate* ◆ Number of deadly work accidents* ◆ Number of occupational illnesses* ◆ Absenteeism rate in France* ◆ Percentage of jobs maintained worldwide ◆ Number of HMS employees trained in work accident prevention ◆ Number of employees in the US, South America and Canada who took part in the intervention session of the Executive Committee at the initiative of HOP ◆ Number of social dialogue agreements and amendments signed in France ◆ Group equal pay index ◆ Number of duodays that took place despite Covid-19 ◆ Number of days dedicated to skills sponsorship
Savoir-faire	<ul style="list-style-type: none"> ◆ Chapter 2.3 <i>Including results and KPIs:</i> <ul style="list-style-type: none"> ◆ Number of training hours* ◆ Number of VAE certifications obtained ◆ Number of sustainable development ambassadors worldwide ◆ Number of students reached by school actions ◆ Total number of MOFs
Materials	<ul style="list-style-type: none"> ◆ Chapter 2.4 <i>Including results and KPIs:</i> <ul style="list-style-type: none"> ◆ Change in the overall tonnage of industrial waste* ◆ Share of sites that have undergone one or more internal audits on Leather Goods best practices ◆ Constant improvement rate in hide consumption over seven years ◆ Percentage of crocodile skins purchased by the Tanneries division from farms that were subject to an external audit in 2019 or 2020 ◆ Percentage of recycled gold and silver ◆ Number of raw materials of natural origin replacing synthetic products in perfumes
Environment	<ul style="list-style-type: none"> ◆ Chapter 2.5 <i>Including results and KPIs:</i> <ul style="list-style-type: none"> ◆ Total water consumption of industrial sites and farms* ◆ Total gas consumption of industrial sites and farms* ◆ Electricity consumption for industrial sites and farms and for stores and offices* ◆ Fuel consumption for industrial sites and farms* ◆ Renewable energy consumption for industrial sites and farms* ◆ Total energy consumption for industrial sites and farms* ◆ Weight of Ordinary Industrial Waste (OIW) for industrial sites and farms* ◆ Weight of Hazardous Industrial Waste (HIW) for industrial sites and farms* ◆ Scope 1 and scope 2 carbon emissions for industrial site and farms ◆ Scope 3 carbon emissions* ◆ Offsetting of carbon emissions with Livelihoods Fund ◆ Percentage reduction in Group carbon intensity
Stakeholders and Transparency	<ul style="list-style-type: none"> ◆ Chapter 2.7 <i>Including results and KPIs:</i> <ul style="list-style-type: none"> ◆ Number of hires in France, of which permanent jobs ◆ Group share of sales outside France ◆ Number of solidarity actions carried out by geography

1. At the request of the company Hermès International, we performed more extensive procedures on the results and key performance indicators presented in this table with the sign “*”, enabling us to express a conclusion of reasonable assurance on this selected information. Our reasonable assurance report is available upon request from the Company's headquarters.

3

CORPORATE GOVERNANCE

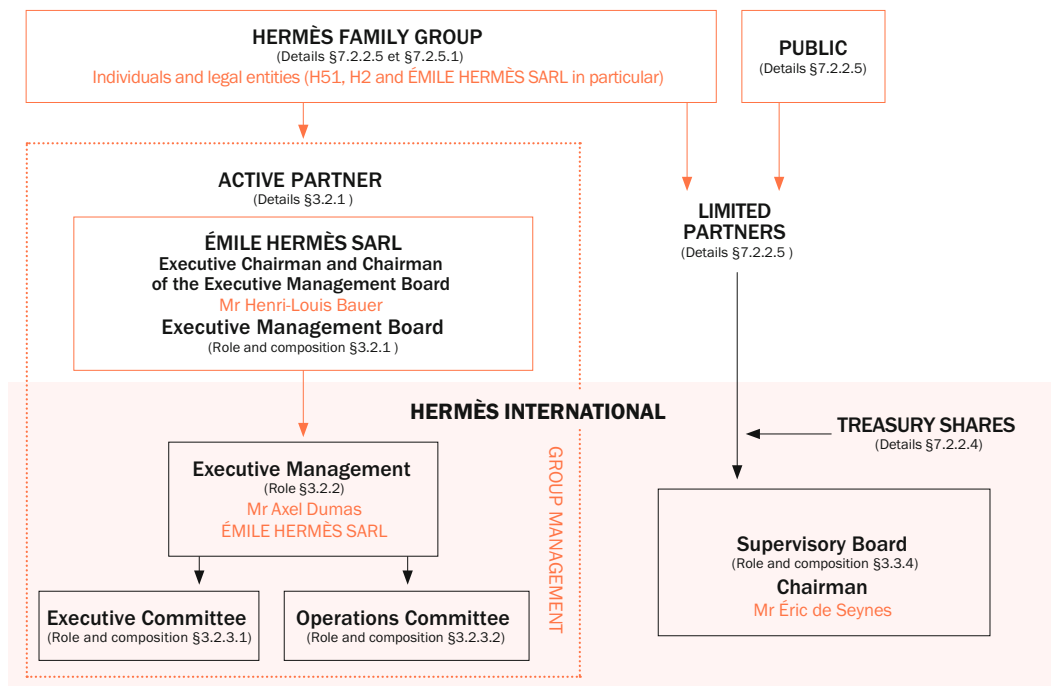
AFR

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AMBITIOUS AND BALANCED GOVERNANCE

ORGANISATIONAL STRUCTURE OF HERMÈS INTERNATIONAL AS OF 31 DECEMBER 2020



TWO TYPES OF PARTNERS

Hermès International is a société en commandite par actions (partnership limited by shares, SCA), which is a unique legal form with two types of partners:

The Active Partner (Émile Hermès SARL) - § 3.2.1

In return for unlimited liability, the Active Partner is a stakeholder in the operation and organisation of the SCA.

Émile Hermès SARL has structuring powers and is responsible in particular for:

- ♦ determining for the Group: strategic options, consolidated operating and investment budgets and proposals to the General Meeting for the distribution of share premiums, reserves and retained earnings;
- ♦ approving the decisions of the General Meeting of Limited Partners (shareholders) (except those falling within their own powers);
- ♦ deciding on the appointment or dismissal of the Executive Chairmen;
- ♦ establishing the compensation policy for the Executive Chairmen;
- ♦ authorizing all significant transactions (loans, guarantees, investments, etc.) when their amount exceeds 10% of the Hermès Group's net consolidated financial position.

The Active Partner cannot participate in the appointment of members of the Supervisory Board. The shares held in the Company are therefore removed from the quorum of the resolutions of the General Meetings concerned.

The Limited Partners (shareholders) - chapter 7 "Information on the Company and its share capital", § 7.2.2

In return for liability limited to the amount of their contributions, their powers are limited.

Their specific powers consist solely of:

- ♦ approving the parent company and consolidated financial statements;
- ♦ appointing the Statutory Auditors;
- ♦ appointing and dismissing the members of the Supervisory Board.

The law explicitly prohibits them from any interference in the Company's external management, for any reason whatsoever, on pain of being liable under the same conditions as the Active Partner.

GOVERNANCE BY NATURE DISSOCIATED

The organisation of governance within an SCA follows the principle of the separation of powers.
Executive powers are exercised by the Executive Management and control powers by the Supervisory Board.
Hermès International's governance therefore has a structure that is by nature dissociated.

Executive Management - § 3.2.2

The Company is administered and managed by one or more Executive Chairmen who are natural or legal persons chosen from among the Active Partners or not.

As such, the Executive Management is responsible for:

- ◆ defining and implementing the Group's strategy in accordance with the strategic options adopted by the Active Partner;
- ◆ directing the Group's operations;
- ◆ establishing and implementing internal control and risk management procedures;
- ◆ approving the parent company and consolidated financial statements;
- ◆ convening General Meetings and setting their agendas;
- ◆ preparing the management report for the General Meeting.

The Executive Management is controlled by a Supervisory Board representing the Limited Partners.

The Afep-Medef Code qualifies the Executive Chairmen as "executive corporate officers".

The Executive Chairmen are assisted by the Executive Committee and the Operations Committee, which constitute the governing bodies.

Supervisory Board - § 3.3

The Supervisory Board is an offshoot of the General Meeting of Limited Partners. The appointment of members of the Board (except for the employees representatives) is solely that body's responsibility.

The role of the Supervisory Board includes the following aspects:

- ◆ an obligation to audit corporate transactions in a similar way to the Statutory Auditors: audit of the parent company and consolidated financial statements and respect for equality between shareholders;
- ◆ a role in controlling the Company's management.

As such, the Supervisory Board is responsible for:

- ◆ determining the allocation of net income to be put to the General Meeting each financial year;
- ◆ preparing the report on corporate governance;
- ◆ preparing a report to the General Meeting on the performance of its duties;
- ◆ authorizing or downgrading related-party agreements;
- ◆ authorizing the Executive Management to grant sureties, endorsements and guarantees;
- ◆ establishing the compensation policy for the members of the Supervisory Board;
- ◆ deliberating on the actual compensation of the Executive Chairmen;
- ◆ approving any proposed new wording of certain clauses of the Articles of Association of Émile Hermès SARL.

It must be consulted by the Active Partner regarding:

- ◆ strategic options;
- ◆ consolidated operating and investment budgets;
- ◆ proposals to the General Meeting pertaining to the appropriation of share premiums, reserves or retained earnings; and
- ◆ setting the compensation policy for the Executive Chairmen.

The Supervisory Board submits to the Active Partner its reasoned opinion:

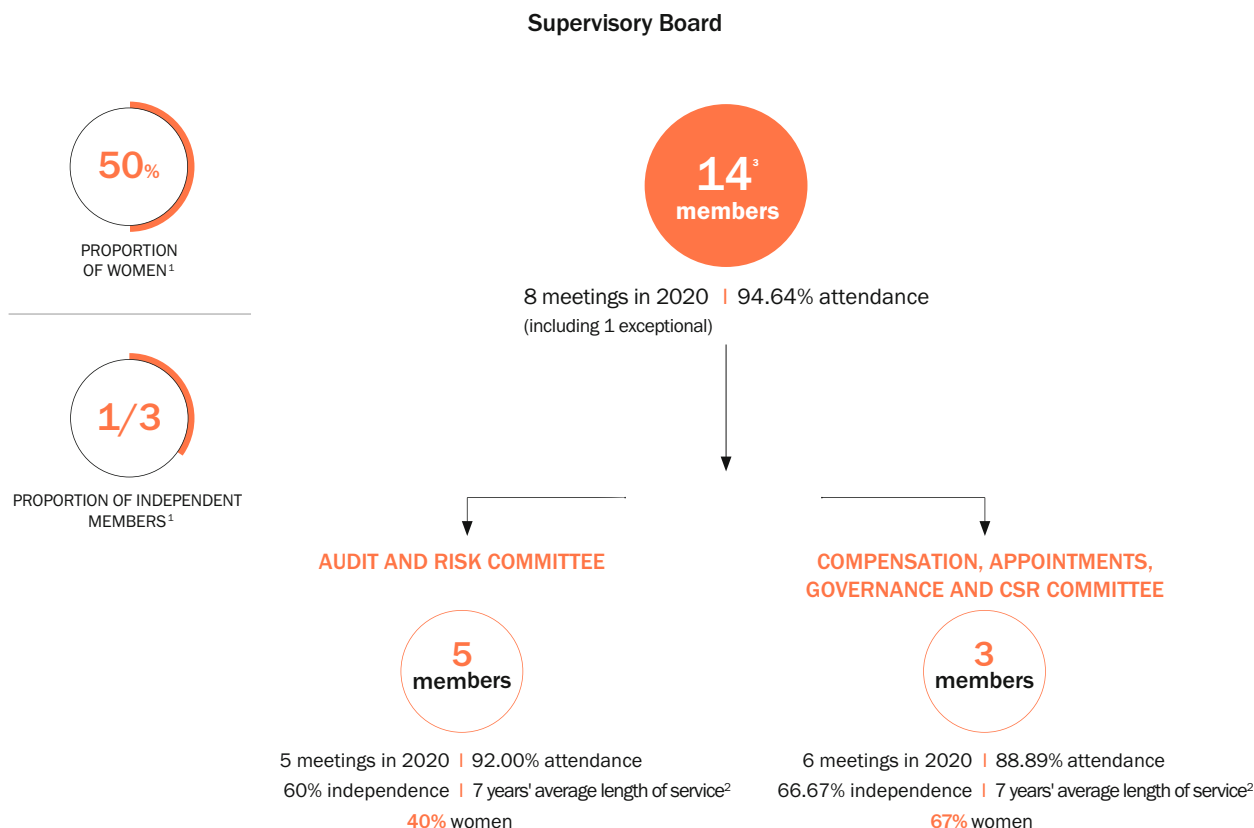
- ◆ on the nomination and dismissal of any Executive Chairman of the Company; and
- ◆ in the case of the Executive Chairman's resignation, on reducing the notice period.

The functions exercised by the Supervisory Board do not entail any interference with the Executive Management, or any liability arising from the management's actions or from the results of such actions.















The law does not confer any other powers on the Supervisory Board. Consequently, it may neither appoint or dismiss the Executive Chairmen, nor set their compensation policy.

The Afep-Medef Code qualifies the Chairman and the members of the Supervisory Board as "non-executive corporate officers".

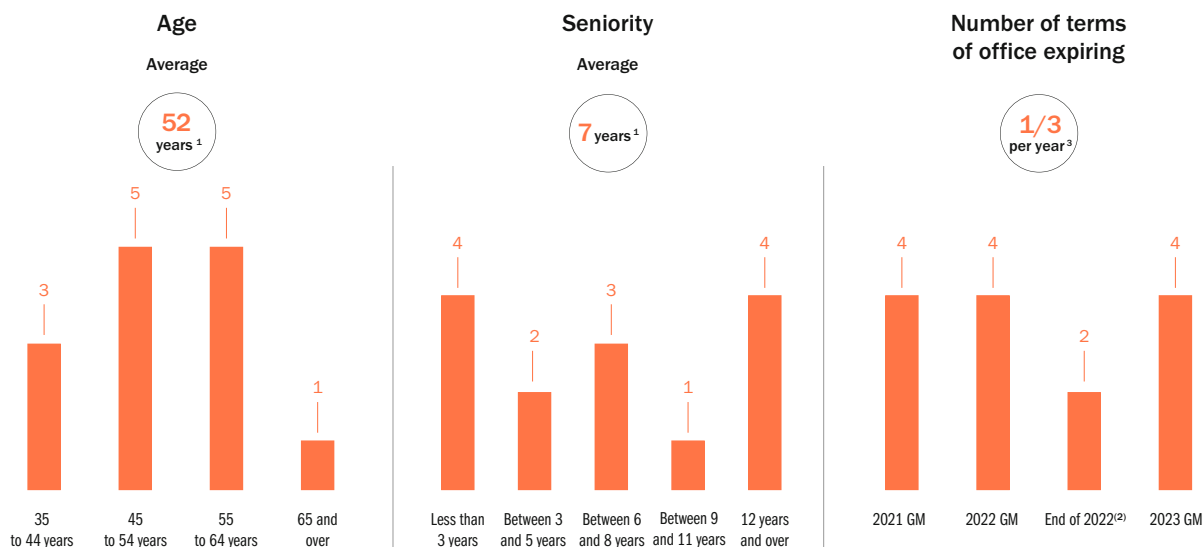
KEY DATA ON THE SUPERVISORY BOARD AT 31 DECEMBER 2020



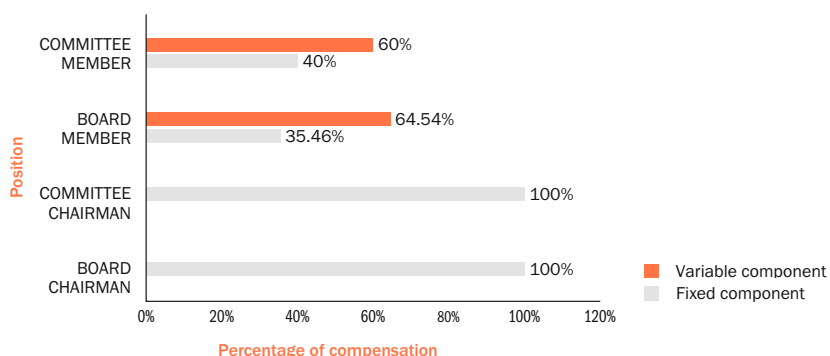
1. The members of the Supervisory Board representing employees are not taken into account for the calculation of these proportions.
2. The ages and lengths of service indicated are determined in number of full years at 31 December 2020.
3. Twelve members are appointed by the Shareholders' General Meeting and two members, representing employees, are appointed by the Group Works Council.

MEMBERS APPOINTED BY THE GENERAL MEETING											
											
Éric de Seynes Chairman	Monique Cohen Vice-Chairwoman	Dominique Senequier Vice-Chairwoman	Dorothée Altmayer	Charles-Éric Bauer	Estelle Brachlianoff	Matthieu Dumas	Blaise Guerrand	Julie Guerrand	Olympia Guerrand	Renaud Momméja	Alexandre Viros
	★ ★	★ ★		★	★ ★ ★	★				★	★ ★
MEMBERS REPRESENTING EMPLOYEES APPOINTED BY THE GROUP WORKS COUNCIL											
											
					Pureza Cardoso	Rémy Kroll					

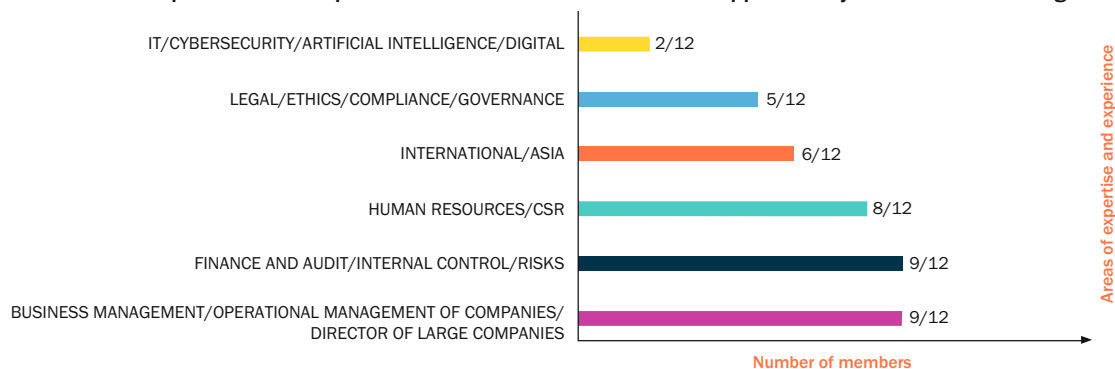
★ Independence ★ CAG-CSR Committee ★ Audit and Risk Committee



Compensation policy for Board members



Main areas of experience and expertise of the members of the Board appointed by the General Meeting³⁻⁴



(1). Average calculated on the basis of the age and seniority of the members of the Supervisory Board, determined on a full-year basis at 31 December 2020.

(2). Supervisory Board members representing employees.

(3). Excluding the Supervisory Board members representing employees.

(4). Based on annual declarations by Board members.

KEY DATA ON EXECUTIVE MANAGEMENT AT 31 DECEMBER 2020

Executive Management – § 3.2.2

Role

The Executive Management ensures the management of Hermès International. The role of Executive Chairman is to manage the Group and act in its general interest, within the scope of the corporate purpose and subject to those powers expressly granted by law or by the Articles of Association to the Supervisory Board, to the Active Partner and to Shareholders' General Meetings.

The Executive Chairmen's their roles are distributed as follows: Mr Axel Dumas is in charge of strategy and operational management, and Émile Hermès SARL, through its Executive Management Board, is responsible for vision and strategic priority areas.

The Afep-Medef Code qualifies the Executive Chairmen as "Executive Corporate Officers".

Composition at 31/12/2020



Mr Axel Dumas

Executive Chairman

Appointed by decision of the Active Partner dated 4 June 2013 (effective 5 June 2013)



Émile Hermès SARL

(represented by Mr Henri-Louis Bauer)

Executive Chairman

Appointed by decision of the Active Partner dated 14 February 2006 (effective 1 April 2006)

KEY DATA ON GOVERNING BODIES AT 31 DECEMBER 2020

The scope of the governing bodies selected includes the committees established by the Executive Management several years ago to regularly assist it in exercising its general duties, namely:

- ♦ the Executive Committee;
- ♦ the Operations Committee.

The Executive Committee – § 3.2.3.1

Role

The Executive Chairmen are supported in their management of the Group by the Executive Committee. This consists of Managing Directors, each of whom has well-defined areas of responsibility.

Its role is to oversee the Group's strategic and operational management.

The Executive Committee meets at least every two weeks.

The management of the Covid-19 crisis required a significant increase in this frequency in 2020, particularly during the first lockdown in France, with a daily meeting.

Its composition reflects the Group's main areas of expertise.

Composition at 31/12/2020

9
MEMBERS

25%
WOMEN
(EXCLUDING EXECUTIVE
CHAIRMAN)

8 years
AVERAGE LENGTH
OF SERVICE ON THE
EXECUTIVE COMMITTEE

20 years
AVERAGE LENGTH OF SERVICE
IN THE GROUP

54 years
AVERAGE AGE ¹

The Operations Committee – § 3.2.3.2

Role

The Operations Committee, which reports to the Executive Management, is made up of the Executive Committee and the Senior Executives of the main *métiers* and geographical areas of the Group.

Its duties are:

- ♦ to involve Senior Executives in the Group's major issues and strategic orientations;
- ♦ to promote communication, sharing and reasonable exchanges amongst its members in their area of responsibility;
- ♦ to enable the Executive Committee to take certain decisions.

The Operations Committee meets two or three times a year.

Composition at 31/12/2020

25
MEMBERS

69%
WOMEN
(EXCLUDING THE EXECUTIVE CHAIRMAN
AND THE EXECUTIVE COMMITTEE)

13%
FOREIGN NATIONALS

1. The ages indicated are determined in number of full years at 31 December 2020.

AFR SUPERVISORY BOARD REPORT ON CORPORATE GOVERNANCE

This chapter 3 "Corporate governance" incorporates § 3.1 to 3.8, the report of the Supervisory Board on corporate governance prepared pursuant to Article L. 22-10-78 of the French Commercial Code (Code de commerce) and in accordance with the recommendations of the Financial Markets Authority (AMF).

A cross-reference table for the corporate governance report is presented in chapter 9 "Additional information", § 9.5.3.

It was jointly prepared by the Chairman of the Supervisory Board, the CAG-CSR Committee, the Board Secretary and with assistance from the functional departments concerned. It was approved by the Supervisory Board at its meeting of 18 February 2021.

3.1 THE COMPANY'S CORPORATE GOVERNANCE CODE

3.1.1 CORPORATE GOVERNANCE PRINCIPLES APPLIED

The Supervisory Board officially adopted the Afep-Medef recommendations on corporate governance in 2009, as it deemed these recommendations to be entirely in keeping with the Group's corporate governance policy. This framework includes the Afep-Medef Corporate Governance Code for listed companies, updated in January 2020 (available on the Afep website (www.afep.com) or the Medef website (www.medef.com), and the application guide of the

High Committee on Corporate Governance (HCGE) revised in March 2020, which explains the recommendations of this code.

The recommendations issued by the Financial Markets Authority (AMF) are also taken into account in its annual report on corporate governance and Senior Executive compensation of listed companies.

With each revision of the Afep-Medef Code, the CAG-CSR Committee performs an exhaustive comparative analysis of the Company's application of the Afep-Medef Code's recommendations, and reports to the Supervisory Board.

These periodic reviews, as well as monitoring of market practices and analyses, make it possible to adapt the systems in force each year with the aim of constant improvement.

3.1.2 PROVISIONS OF THE AFEP-MEDEF CORPORATE GOVERNANCE CODE NOT APPLIED AND THOSE NEWLY COMPLIED WITH

The table below lists the provisions of the Afep-Medef Code not applied by the Company at the date of publication of this Universal Registration Document. In line with the recommendations of the AMF, the provisions not applied on account of the Company's legal form are singled out from

those not applied for other reasons, with the corresponding explanations. We have also listed the changes made since the most recent update of the Afep-Medef Code in January 2020 to ensure compliance therewith.

Provisions of the Afep-Medef Code not applied due to the Company's legal form

Explanations

Board meetings and committee meetings (Article 11.3)

It is recommended that at least one meeting not attended by the Executive Corporate Officers be organised each year.

In view of the role of the Supervisory Board (described § 3.4.1) in a *société en commandite par actions* (partnership limited by shares), this provision of the Afep-Medef Code does not apply.

Succession plan for Executive Corporate Officers (Article 17.2.2)

The Appointments Committee (or an Ad Hoc Committee) should design a plan for replacement of Executive Corporate Officers. This is one of the Committee's most important tasks even though it can, if necessary, be entrusted by the Board to an Ad Hoc Committee. The Chairman may take part or be involved in the Committee's work during the conduct of this task.

The Company's CAG-CSR Committee (described § 3.5.2) is not in charge of establishing the succession plan for the Executive Chairmen, a task that does not fall within the remit of the Supervisory Board in a *société en commandite par actions* (partnership limited by shares).

In accordance with its rules of procedure, since 2016 the CAG-CSR Committee has been tasked with ensuring the existence of a succession plan for the Executive Chairmen, which is reviewed annually (see § 3.2.5.1). Since 2018, the CAG-CSR Committee has also ensured the existence of a succession plan for the Chairman of the Supervisory Board and this mission is included in its rules of procedure (see <https://finance.hermes.com/en/governing-bodies-rules-procedure-articles-association/>).

Composition of the Compensation Committee (Article 18.1)

It is recommended that one of its members be an employee director.

The Company's CAG-CSR Committee (described § 3.5.2) is not tasked with establishing the compensation policy for the Executive Chairmen, a task that falls within the remit of the Active Partner and not the Supervisory Board. The Supervisory Board therefore decided that it was not relevant for an employee representative to be a member. The role of the Supervisory Board in the decision-making process applicable to the compensation policy for the Executive Chairmen is described § 3.7.1.2.

Proportion of independent members on the Audit and Risk Committee (Article 16.1)

Independent directors should account for at least two thirds of Audit and Risk Committee members and the Committee should not include any Executive Corporate Officers.

The Supervisory Board determined that slightly less than two-thirds of the Audit and Risk Committee members are independent (60%, i.e. three out of five members). This situation enables the Audit and Risk Committee to carry out its duties in an appropriate manner. The Audit and Risk Committee rules of procedure stipulate that at least one-half of the seats on the Audit and Risk Committee should be held by members who qualified as independent at the time of their appointment and throughout their term of office.

The HCGE considers:

- ♦ in its 2014 report "that an Audit Committee with, for example, three independent members out of five remains compliant with the spirit of the Code, provided that the Chairman is an independent member";
- ♦ in its 2017 report "that it would prefer to see the proportions not completely achieved rather than having the independence criteria interpreted too freely (for example by excluding the criterion requiring 12 years of service on the Board), and that it considers that 60% independent members on the Audit Committee or 50% on the other two Committees does not constitute a serious deviation".

There are no immediate plans to increase the proportion of independent members of the Audit and Risk Committee to two-thirds, however the Board will review the matter at each annual evaluation.

Severance payment (Article 25.5.1)

The performance requirements set out by Boards for these benefits must be evaluated over at least two financial years. They must be demanding and may not allow for the indemnification of a director unless his or her departure is forced, regardless of the form of this departure.

The Company undertook to pay Mr Axel Dumas a severance payment under the conditions described § 3.7.1.2.4.

Given the importance of the Active Partner's role in a *société en commandite par actions* (partnership limited by shares) – including the power to appoint and dismiss any Executive Chairman – and, in the case of a legal entity, its legal representative, it was decided that any termination of Mr Axel Dumas' duties as Executive Chairman resulting from the replacement of the Executive Chairman of Émile Hermès SARL should be deemed a forced departure.

The Supervisory Board accordingly considered that the deferred compensation undertaking made for the benefit of Mr Axel Dumas complied with the requirements of the Afep-Medef Corporate Governance Code.

In its November 2018 report on corporate governance and Senior Executive compensation, the AMF recommends that the Board carry out a regular review of the components of compensation that may be due at the time of or subsequent to the departure of an officer and that it questions the possibility and desirability of compliance with new Code provisions.

No compliance was made necessary by the new provisions of the Afep-Medef Code updated in January 2020.

Provisions of the Afep-Medef Code excluded for other reasons

Explanations

None

Changes made since the most recent update of the Afep-Medef Code in January 2020 to ensure compliance therewith

Explanations

Gender balance policy in governing bodies (Article 7)	This gender balance policy and the resulting objectives, as well as the results achieved during the financial year, are described § 3.2.4.2.
Equity ratios (Article 26.2)	It has been decided to adopt the scope referred to in 6 and 7 of Article L. 22-10-9 of the French Commercial Code and to establish the ratios on the basis of information about Hermès International. These ratios are presented § 3.7.2.3.

Corporate governance award

Since 2009, the *Grand Prix de la transparence* has rewarded the quality of regulated information of French SBF 120 companies. The objective of these awards is to enable issuers to measure their performance each year in terms of transparency and to identify market best practices. Each year, standards rise.

Hermès International was the **2020 Winner of the *Grand Prix de la transparence* in the category "Notice of Meeting"**. This award is based on accessibility, accuracy, comparability and availability criteria.

This first prize is recognition of the substantive work carried out over several years to change our governance practices, and the efforts made this year to redesign the presentation and focus on providing information.

The members of the jury praised:

- ♦ the digital accessibility of the brochure, the content of which is made accessible to the visually impaired and is facilitated for people with motor disabilities;
- ♦ the summary and very informative presentation of the procedures for participating in the General Meeting and the integration of specific measures related to Covid-19 and the holding of the meeting in closed session.

3.2.3 GOVERNING BODIES

3.2.3.1 EXECUTIVE COMMITTEE

3.2.3.1.1 Role and composition

Role	Composition at 31/12/2020		
The Executive Chairmen are supported in their management of the Group by the Executive Committee. This consists of Managing Directors, each of whom has well-defined areas of responsibility.	9	25%	8 years
The role of Group management is to oversee the Group's strategic and operational management.	MEMBERS	WOMEN (EXCLUDING EXECUTIVE CHAIRMAN)	AVERAGE LENGTH OF SERVICE ON THE EXECUTIVE COMMITTEE
The Executive Committee meets every two weeks.	20 years		54 years
The management of the Covid-19 crisis required a significant increase in this frequency in 2020, particularly during the first lockdown in France, with a daily meeting.	AVERAGE LENGTH OF SERVICE IN THE GROUP		AVERAGE AGE ¹
Its composition reflects the Group's main areas of expertise.			



The members of the Executive Committee in the Hermès store on Avenue George-V, Paris. From left to right: Éric du Halgouët, Catherine Fulconis, Wilfried Guerrand, Axel Dumas, Olivier Fournier, Charlotte David, Guillaume de Seynes, Pierre-Alexis Dumas and Florian Craen.

Mr Axel Dumas

Executive Chairman

◆ Mr Florian Craen

Executive Vice-President Sales & Distribution

◆ Ms Charlotte David

Executive Vice-President Communication

◆ Mr Pierre-Alexis Dumas

Artistic Executive Vice-President

◆ Mr Olivier Fournier

Executive Vice-President of Governance and Organisational Development

◆ Ms Catherine Fulconis

Executive Vice-President Leather Goods-Saddlery (which also includes the Hermès Horizons and Equestrian métiers) and petit h

◆ Mr Wilfried Guerrand

Executive Vice-President Métiers, Information Systems and Data

◆ Mr Éric du Halgouët

Executive Vice-President Finance

◆ Mr Guillaume de Seynes

Executive Vice-President Manufacturing Division & Equity Investments

Changes in the Executive Committee in 2020

None

Changes in the Executive Committee after 31 December 2020

None

1. Average calculated on the basis of the age of the members of the Executive Committee, determined on a full-year basis at 31 December 2020.

3.2.3.2 OPERATIONS COMMITTEE

Role

The Operations Committee, which reports to the Executive Management, is made up of the Executive Committee and the Senior Executives of the main *métiers* and geographical areas of the Group.

Its duties are:

- ◆ to involve Senior Executives in the Group's major issues and strategic orientations;
- ◆ to promote communication, sharing and reasonable exchanges amongst its members in their area of responsibility;
- ◆ to enable the Executive Committee to take certain decisions.

The Operations Committee meets two or three times a year.

Composition at 31/12/2020

25

MEMBERS

69%

WOMEN

13%

FOREIGN NATIONALS

(EXCLUDING THE EXECUTIVE CHAIRMAN
AND THE EXECUTIVE COMMITTEE)

Mr Axel Dumas

Executive Chairman

Executive Committee members

(see § 3.2.3)

Other members**Senior Executives of the *métiers***

- | | | |
|---|---|---|
| ◆ Mr Laurent Dordet
Watches | ◆ Ms Anne-Sarah Panhard
Home | ◆ Ms Laurence Reulet
Jewellery (until 02/06/2020) |
| ◆ Ms Celio Dunbavand
Women's Ready-To-Wear (since 02/06/2020) | ◆ Ms Élodie Potdevin
Fashion accessories and IoT | ◆ Ms Agnès de Villers
Perfumes and Beauty |
| ◆ Ms Antoinette Louis
Silk and Textiles | ◆ Ms Ambre Pulcini
Jewellery (since 02/06/2020), Women's
Ready-To-Wear (until 02/06/2020) and Shoes. | |
| ◆ Ms Véronique Nichanian
Men's Ready-To-Wear | | |

Senior Executives of the Geographical areas

- | | | |
|---|---|---|
| ◆ Mr Masao Ariga ¹
Japan | ◆ Mr Éric Festy
South Asia | ◆ Ms Juliette Streichenberger
Europe |
| ◆ Mr Robert Chavez ¹
United States and Latin America | ◆ Mr Luc Hennard
China | ◆ Ms Ségolène Verdillon
Travel Retail |
| ◆ Ms Hélène Dubrule
France | ◆ Ms Hinde Pagani
Digital Sales and Service | |

Changes in the Operations Committee in 2020

In 2020:

- ◆ Ms Celio Dunbavand was appointed Managing Director of the Women's Ready-to-Wear *métier*, replacing Ms Ambre Pulcini (02/06/2020);
- ◆ Ms Ambre Pulcini was appointed Managing Director of the Jewellery *métier*, replacing Ms Laurence Reulet (02/06/2020).

Changes in the Operations Committee after 31 December 2020

None

1. Members with a foreign nationality.

3.2.4 NON-DISCRIMINATION AND DIVERSITY POLICY

3.2.4.1 GENDER BALANCE POLICY IN GOVERNING BODIES

In accordance with the provisions of 2 of Article L. 22-10-10 of the French Commercial Code, we describe below how the Company seeks balanced representation of men and women on the committees established, where relevant, by the Executive Management, in order to regularly assist it in exercising its general duties, and the results in terms of gender balance in the 10% of key management positions.

Since 2018, the Supervisory Board has been tasked with ensuring that the Executive Chairmen implement a non-discrimination and diversity policy in the governing bodies.

This policy was presented to the Supervisory Board in late 2018.

Pursuant to Article 7 of the Afep-Medef Code, updated in January 2020, Boards are recommended to set gender balance objectives within governing bodies.

The HCGE implementation guide published in March 2020 stipulates that in *sociétés en commandite par actions* (Partnerships limited by shares):

- ♦ it is the responsibility of the Executive Management to set gender balance objectives and the time frame for attaining them, as well as to determine how these objectives and the action plan are implemented;
- ♦ the Supervisory Board ensures compliance with and monitoring of this recommendation. It is informed annually by the Executive Management of the results obtained so that they can be included in the corporate governance report.

It was recommended that companies make their best efforts to set and publish gender balance targets by 2020.

The Executive Management presented the following Company gender balance objectives to the Supervisory Board on 25 February 2020:

Overall gender balance target for governing bodies: the proportion of members of each gender should not be less than 40%. The scope of the governing bodies selected includes the committees established by the Executive Management several years ago to regularly assist it in exercising its general duties, namely:

- ♦ the Executive Committee (role and composition § 3.2.3.1);
- ♦ the Operations Committee (role and composition § 3.2.3.2).

Time horizon: the proportion set having already been reached on 31/12/2019, the Executive Management has set the target of maintaining the current balance (over both the medium and long term).

Action plan: for several years now, the Company has been encouraging female representation among Senior Executives, which should help achieve this goal.

At the start of 2021, the Supervisory Board noted that the overall gender balance of the governing bodies remained in line with the objectives set.

The diversity policy applied to the members of the Supervisory Board is described § 3.3.2.

3.2.4.2 GENDER BALANCE IN GOVERNING BODIES

The table below illustrates gender balance on the governance bodies, on the Supervisory Board and in the Senior Executives category:

AT 31 DECEMBER		2020		2019	
Governing bodies (Executive Committee and Operations Committee)					
Proportion of women	13/24	54.2%	13/24	54.2%	
Proportion of men	11/24	45.8%	11/24	45.8%	
Overall female representation					
Supervisory Board (excluding the employee representatives on the Supervisory Board)		50.0%		50.0%	
CAG-CSR Committee		66.7%		66.7%	
Audit and Risk Committee		40.0%		40.0%	
Senior Executives		47.0% ¹		44.0% ²	

(1) This category comprises the 105 positions with the highest levels of responsibility according to the classification used by the Group in 2020.

(2) This category comprises the 83 positions with the highest levels of responsibility according to the classification used by the Group in 2019.

3.2.4.3 GENDER EQUALITY INDEX

The Hermès Group is committed to the principles of recognition and respect, irrespective of one's origin, gender, family situation or position. Employees are reminded of this respect for differences in the ethics charter (available at <https://finance.hermes.com/en/ethics-human-rights-and-diversity/>) ensuring objectivity and equal opportunities and promoting diversity and inclusion in recruitment, career development and day-to-day management.

In accordance with Article L. 1142-8 of the French Labour Code (*Code du travail*), on 3 March 2021, Hermès International published the gender equality at work index for 2020, which was 98/100.

This index measures the gender pay gap within a single company. It takes into account all components of a compensation package and must be calculated each year, thereby serving to identify any points of progress: This index includes the following five indicators:

- ♦ the gender pay gap;
- ♦ the gap in the breakdown of individual pay increases;
- ♦ the gap in the breakdown of promotions (only for companies with more than 250 employees);
- ♦ the number of employees receiving a pay increase upon their return from maternity leave;
- ♦ parity among the 10 highest packages.

The overall weighted average index of the Group for financial year 2020 was 92/100.

3.2.5 SUCCESSION PLAN FOR SENIOR EXECUTIVES

It should be noted that the existence of two Executive Chairmen, one of which is a legal entity, guards against the Executive Management falling vacant unexpectedly.

The succession plan for the Chairman of the Supervisory Board, is presented § 3.3.3.

3.2.5.1 EXECUTIVE MANAGEMENT SUCCESSION PLAN

A succession plan was established in 2016 for the Executive Management. This succession plan, which has been set down in writing since 2019, covers:

- ♦ temporary interim succession (temporary absence of an Executive Chairman, e.g. due to illness or accident);
- ♦ unplanned succession (permanent impairment, death or resignation of an Executive Chairman in the short or medium term).

Each year, the CAG-CSR Committee conducts an annual review of this plan. In early 2021, it noted that it remained unchanged and maintained its assessment that this plan is understandable, of good quality and sufficiently protective to ensure business continuity.

3.2.4.4 DIVERSITY POLICY AND RESULTS IN TERMS OF GENDER BALANCE IN THE 10% OF POSITIONS WITH THE HIGHEST LEVELS OF RESPONSIBILITY

Whether appointments to governing bodies, recruitment or the appointment of any employee, the Hermès Group is particularly committed to compliance with the principle of non-discrimination.

Whenever possible, all employees are reminded of the importance of this principle.

The “Hermès – a Responsible Employer” policy insists on compliance with two essential principles: the principle of non-discrimination and the principle of gender equality. This policy is described in chapter 2 “Corporate social responsibility”, § 2.2.2.1.3.

The Group has also made commitments to promote the professional integration and employment of people with disabilities (see in chapter 2 “Corporate social responsibility”, § 2.2.2.1.4).

The Group has put in place an “Alterego” training programme which focuses on integration and diversity management. This training is attended by all Management Committee members and the Group's local managers. It takes the form of a one-day programme, which alternates between a theory-based and a more hands-on approach, for preventing and identifying all forms of discrimination (direct, indirect or even involuntary) and reaffirming the Group's zero tolerance with regard to this type of practice.

3

3.2.5.2 TALENT REVIEW

A new “Talent Review” process, now annual, was rolled out throughout the Group in 2020, with the following objectives:

- ♦ take stock of our leadership talents to ensure succession within Hermès;
- ♦ improve anticipation of succession plans;
- ♦ engage a stronger dynamic in the development of talents.

This Talent Review covers the succession of the members of the Executive Committee and of the members of the Operations Committee.

A summary of, and the action plans stemming from, the 2020 Talent Review were presented to the CAG-CSR Committee in early 2021.

The Talent Review and succession plans for the Executive Management and the Chairman of the Supervisory Board are presented to the CAG-CSR Committee every year.

3.3 ORGANISATION OF THE SUPERVISORY BOARD

3.3.1 APPLICABLE PRINCIPLES

Number of Supervisory Board members

The Supervisory Board is composed of between three and 15 members (not including members representing employees). These members are chosen from among shareholders who are neither Active Partners nor legal representative of the Active Partner nor Executive Chairmen (Article 18.1 of the Articles of Association). They are appointed by the Ordinary General Meeting.

The Afep-Medef Code qualifies the Chairman and the members of the Supervisory Board as “non-Executive Corporate Officers”. The Supervisory Board accordingly does not include any Executive Corporate Officers.

When appointments to the Supervisory Board come up for renewal, the number of Supervisory Board members is set by a decision adopted by the Active Partner.

One Supervisory Board member representing the Group’s employees (or two if the Supervisory Board has more than eight members) is designated by the Group Works Council in accordance with the provisions of Article L. 225-79-2 of the French Commercial Code. The Group Works Council appoints a man and a woman when two employee representatives are appointed.

The diversity policy applied within the Supervisory Board is described § 3.3.2.

3.3.1.1 SELECTION PROCESS FOR SUPERVISORY BOARD MEMBERS

3.3.1.1.1 Members of the Supervisory Board appointed by the General Meeting (Article L. 226-4 of the French Commercial Code)

The selection process for Supervisory Board members appointed by the General Meeting is as follows:

- ◆ the Supervisory Board sets objectives for changes in its composition in accordance with the diversity policy;
- ◆ a recruitment advisor is tasked with identifying candidates (male and/or female) in addition to those proposed by the Executive Management Board and Supervisory Board;
- ◆ the profiles of male or female candidates from a variety of backgrounds and likely to be interested in joining the Supervisory Board are then preselected by the recruitment advisor;
- ◆ on the basis of a detailed report and an oral presentation from the recruitment advisor, the Chairman of the Supervisory Board and a member of the CAG-CSR Committee draw up a shortlist of candidates whom they will meet individually;
- ◆ the selected candidates then meet the other members of the CAG-CSR Committee and the Executive Chairmen;
- ◆ the CAG-CSR Committee discusses the results of these interviews and submits its recommendations to the Émile Hermès SARL Executive Management Board and the Supervisory Board;
- ◆ this selection is carried out taking into account the personal and professional qualities of the candidates and ensuring that they are able to comply with the guiding principles for exercising the duties of Supervisory Board member laid down in the rules of procedure: independence, integrity, loyalty and professionalism.

3.3.1.1.2 Employee representative members of the Supervisory Board appointed by the Group Works Council (Article L. 225-79-2 of the French Commercial Code)

Law No. 2019-486 of 22 May 2019 on the growth and transformation of companies (known as the “Pacte” law) ushers in the requirement that Supervisory Boards with more than eight members appoint two employee representatives, one male and one female.

Conditions of eligibility are as follows:

- ◆ to have or have had an employment contract for at least two years with the Company or one of its direct or indirect subsidiaries having its registered office in France or abroad;
- ◆ to have a clean criminal record;
- ◆ to complete the application form prepared by the Group Works Council.

Each trade union active at Group level may submit a candidate through its union representative on the Group Works Council.

Each Economic and Social Committee may nominate one candidate by secret ballot.

As an exception, companies with more than 300 employees may present two candidates (one male and one female).

Candidates submitted by representative trade union organisations and employee representative bodies are examined by the Group Works Council, which appoints two employee representatives to the Supervisory Board, one male and one female, in two rounds.

3.3.1.1.3 Implementation

Since late 2019, the Supervisory Board has included two members representing employees. The selection process was therefore not implemented in 2020. It is not planned to implement it in 2021, as no appointment of new members of the Supervisory Board is proposed to the General Meeting of 4 May 2021 and the expiry of the terms of office of the members representing employees will only occur in late 2022.

3.3.1.2 APPOINTMENT OF THE CHAIRMAN AND VICE-CHAIRMEN

The Supervisory Board elects a Chairman (a natural person) and two Vice-Chairmen from among its members (Article 19.2 of the Articles of Association).

3.3.1.3 TERM OF OFFICE

Category	Appointment procedures	Term of office	Number
Board members	Appointment by the Shareholders' General Meeting	3 years (until the end of the 3rd Ordinary General Meeting following their appointment)	12
Board members representing employees	Designated by the Group Works Council	3 years (from the date of their appointment)	2

The term of office of the members of the Supervisory Board is three years (Article 18.2 of the Articles of Association).

This duration may be less:

- ♦ at the time of first appointment, in accordance with the principle of replacing one-third of the Supervisory Board, as set out in Article 18.2 of the Articles of Association;
- ♦ if there is a renewal, in accordance with the rules relative to the duration of the term of office for independent members or to the age limit.

Following the General Meeting of 2 June 2009, the Company has introduced, in accordance with the recommendations of the Afep-Medef Code, the practice of replacing one-third of Supervisory Board members each year.

3.3.1.4 CO-OPTION

In the event of a vacancy, the Supervisory Board may appoint a new member of the Board on a provisional basis, subject to ratification by the next Ordinary General Meeting, for the remaining term of office of his or her predecessor.

3.3.1.5 NUMBER OF SHARES TO BE HELD BY MEMBERS OF THE SUPERVISORY BOARD

The rules of procedure, since their adoption in 2009, require Supervisory Board members, except for the employee representatives, for whom this requirement is waived, to own a relatively significant number of registered shares. The number was originally set at 200. In view of the high Hermès International share price, the number of shares to be held by the members of the Board was reduced in 2019 to 100 shares.

At the Hermès International share price as at 31 December 2020 (€879.60), this represents more than three years of compensation for a member of the Board.

The Supervisory Board meeting of 11 January 2021 noted that all members of the Supervisory Board continued to comply with this obligation at 31 December 2020.

The number of shares held by each member of the Supervisory Board is shown § 3.9.1.

Information on the restrictions on the sale of shares by members of the Supervisory Board is provided § 3.9.2.3.

3.3.1.6 AGE LIMIT

Pursuant to Article 18.3 of the Articles of Association *"No person over the age of 75 May be appointed to the Supervisory Board if their appointment would result in more than one-third of Board members being over that age".*

The Chairman and Vice-Chairmen are not subject to any age limit other than the collective age limit applicable to all Board members.

No member of the Supervisory Board has reached the age of 75 and the oldest member was 67 in 2020.

The breakdown of Board members by age group is detailed in the "Age" chart on page 224.

3.3.1.7 EMPLOYEE REPRESENTATION ON THE SUPERVISORY BOARD

3.3.1.7.1 Members of the Supervisory Board representing employees (with voting rights)

Pursuant to Article L. 225-79-2 of the French Commercial Code, two members of the Supervisory Board representing the Group's employees (one woman and one man) sit on the Board with voting rights.

The process for selecting the members of the Supervisory Board representing employees is described § 3.3.1.1.

They have the same status, rights and obligations as any other member of the Supervisory Board, including confidentiality. They are required to comply with the Board's rules of procedure.

The members of the Supervisory Board representing employees are not counted for the purpose of determining the minimum and maximum number of members of the Supervisory Board, nor for the calculation of the diversity of the Board or the proportion of independent members.

Their term of office as members of the Supervisory Board is three years.

Notwithstanding the rule contained in Article 18.1 of the Articles of Association, employee representative Supervisory Board members are not required to be shareholders.

They have a credit of 15 hours per meeting (plus meeting time) to carry out their duties.

In accordance with Article L. 225-30-2 of the French Commercial Code, the members of the Supervisory Board representing employees receive training adapted to the performance of their duties, at the expense of the Company. This training must ensure that they acquire and improve the knowledge and techniques required to carry out their duties. It mainly concerns the role and functioning of the Supervisory Board, the rights and obligations of the members of the Supervisory Board and their responsibilities, as well as the organisation and activities of the Group.

This training period, which may not be less than 40 hours per year, is not deducted from the hours credited. A portion of this training time is carried out within the Group but most of it is carried out by an external training organisation (in particular the IFA). After obtaining the favourable opinion of the members concerned, the Supervisory Board determines the training programme for the year at the beginning of each year.

During the first year of their office, Ms Pureza Cardoso and Mr Rémy Kroll attended the following training program:

- ♦ presentation by the Secretary of the Supervisory Board, on the functioning of the SCA, the role of the members of the Supervisory Board and the rules of confidentiality;
- ♦ presentation by Mr Henri-Louis Bauer, Executive Chairman of the company Émile Hermès SARL, on the Hermès family group and the operation of the Active Partner Émile Hermès SARL;
- ♦ IFA training: fundamentals of finance;
- ♦ IFA training: being a salaried director;
- ♦ IFA training: best practices in governance.

3.3.1.7.2 Representative of the Social and Economic Committee (without voting rights)

In accordance with the provisions of Article L. 2312-75 of the French Labour Code, a full member of the Social and Economic Committee (SEC) appointed by the latter attends all meetings of the Supervisory Board in an advisory capacity (meetings and site visits). The SEC has decided to set up a rotation in order to allow several representatives of the SEC to sit on it for one year each.

The SEC representative receives the same documents as those provided to the members of the Supervisory Board and at the same time. During the meeting, he or she has the opportunity to take the floor and give opinions on the items on the agenda.

3.3.2 DIVERSITY POLICY APPLIED WITHIN THE SUPERVISORY BOARD

3.3.2.1 CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD SINCE 2011

The Supervisory Board is composed of members, one-third of whom are independent, with qualifications or a professional background enabling them to contribute effectively to the work of the Supervisory Board, as a collegiate body, in all its areas of activity and to the quality of the discussions.

In accordance with the provisions of Article L. 22-10-10 (2) of the French Commercial Code, we hereby report to you on the diversity policy applied to members of the Supervisory Board based on criteria such as age, gender or qualifications and professional experience, and provide a description of the objectives of this policy, its means of implementation and the results obtained in the financial year ended.

Since 2011, the CAG-CSR Committee has been assigned the duty to advise the Supervisory Board of its recommendations as to the changes in the Board's composition.

The Supervisory Board has set itself objectives or principles in terms of optimal Board size, age limit, number of independent members and diversity (representation of women and men, nationalities, international experience, expertise, etc.), and gradually changed the composition of the Board to achieve this.

The work carried out has been presented in each subsequent Registration Document/Universal Registration Document as follows:

WORK CARRIED OUT SINCE 2011	Registration Document
from 2011 to 2013	2013 (part 2, pages 21 and 22)
in 2014 and 2015	2014 (part 2, page 19)
in 2016	2015 (part 2, page 19)
in 2017	2016 (page 113)
in 2018	2017 (page 142)
in 2019	2018 (page 171)
	Universal Registration Document
in 2020	2019 (page 236)

At the end of 2020, the Supervisory Board reviewed and approved the diversity policy applied to the members of the Supervisory Board, taking into account the changes in the composition of the Board in recent years, as follows:

3.3.2.2 SUMMARY TABLE OF THE DIVERSITY POLICY APPLIED TO MEMBERS OF THE SUPERVISORY BOARD

Size (number of Board members)

Pursuant to Article 18.1 of the Articles of Association, the Supervisory Board comprises between three and 15 members appointed by the General Meeting.

Objective:

Maintain the size of the Board at 14 members, which is satisfactory, ensures a balanced representation of men and women, meets the legal obligation to appoint two members representing employees and fulfils the market recommendations in terms of proportion of independent members.

14 members

This objective could be reconsidered if new constraints lead to the need to review the size of the Board.

Implementation procedures and results obtained:

Since November 2019 the Board has comprised 12 members appointed by the General Meeting and two members representing employees, appointed by the Group Works Council.

Age

Pursuant to Article 18.3 of the Articles of Association, the number of members aged over 75 cannot exceed one-third of the total.

Objective:

Maintain the current statutory age limit rule, which is satisfactory.

**average age:
52 years**

Implementation procedures and results obtained:

At 31 December 2020:

- ◆ no member was over the age of 75;
- ◆ the members of the Board were between the ages of 37 and 67;
- ◆ the average age of Board members was 52;
- ◆ as shown in the "Age" chart on page 224 the breakdown of age groups within the Board is balanced.

Gender parity¹

Article L. 22-10-74 of the French Commercial Code requires a minimum of 40% of each gender.

50% women¹

Objective:

Maintain a proportion of women and men in line with legal requirements.

Implementation procedures and results obtained:

Since the end of 2017: 50% women and 50% men; the legal requirement is therefore exceeded.

Number of independent members¹

In accordance with Article 9.3 of the Afep-Medef Code updated in January 2020, independent members must make up at least one-third of the Supervisory Board in controlled companies as defined by Article L. 233-3 of the French Commercial Code. This minimum proportion has been included in the Supervisory Board's rules of procedure (Article 1.1.2.3).

Objective:

Maintain the proportion of independent members, which is satisfactory and complies with market recommendations.

**1/3
independent**

Implementation procedures and results obtained:

The proportion of one-third independent members has been met since it was introduced in 2009, i.e. at 31 December 2020, four out of 12 members appointed by the General Meeting.

(1) Only Board members appointed by the General Meeting are included in the calculation of the percentages of women members (Article L. 225-79, II of the French Commercial Code (Code de commerce)) and independent members (Afep-Medef Code - Article 9.3), not employee representatives.

Nationalities, experience and expertise

Objectives:

- ◆ retain a variety of skills and experience that can cover each of the six areas of expertise (see § 3.3.4.2) corresponding to the Hermès Group's major operational challenges and the main issues that the Supervisory Board and its committees are required to monitor as part of their duties:
 - ◆ business management / operational management of companies / Director of large companies,
 - ◆ finance / internal control / risks,
 - ◆ human resources / CSR,
 - ◆ international / Asia,
 - ◆ legal / ethics / compliance / governance,
 - ◆ IT / cybersecurity / artificial intelligence / digital;
- ◆ maintain a composition that takes into account the specific nature of the Maison Hermès with members:
 - ◆ all French-speaking, culture of the Maison Hermès being very French,
 - ◆ benefiting from experience or belonging to a family group (collective rather than individual ambition),
 - ◆ having a good knowledge of the history and culture of the Maison Hermès,
 - ◆ without experience in the luxury goods sector (given potential conflicts of interest).

Implementation procedures and results obtained:

At 31 December 2020:

- ◆ the proportion of Board members competent in each of the six areas of expertise (see § 3.3.4.2) corresponded to the Hermès Group's major operational challenges and the main issues that the Supervisory Board and its committees are required to monitor as part of their duties;
- ◆ the composition takes into account the specific nature of the Maison Hermès:
 - ◆ all members were French-speaking,
 - ◆ a majority of members were direct descendants of Mr Émile-Maurice Hermès belonging to the Hermès family who bring to the Board their knowledge of the history and culture of the Maison Hermès,
 - ◆ no member had experience in the luxury goods sector;
- ◆ two Board members were dual nationals.

No objective has been set for 2021 as regards changes in the composition of the Supervisory Board.

3.3.2.3 NUMBER OF MEMBERS AND REPRESENTATION OF WOMEN AND MEN ON THE SUPERVISORY BOARD

31/12	2011	2014	2017	2018	2019	2020
Members appointed by the General Meeting	10	10	12	12	12	12
Employee representative members appointed by the Works Council	n/a	1	1	1	2	2
Women ¹	20%	40%	50%	50%	50%	50%
Men ¹	80%	60%	50%	50%	50%	50%

(1) Only Board members appointed by the General Meeting are included in the calculation of these percentages (Article L. 225-79-2, II of the French Commercial Code), not employee representatives.

n/a: not applicable

3.3.3 SUCCESSION PLAN FOR THE CHAIRMAN OF THE SUPERVISORY BOARD

A succession plan for the Chairman of the Supervisory Board was drawn up in 2018.

This succession plan, which has been set down in writing since 2019, covers:

- ◆ temporary interim succession (temporary absence of the Chairman, e.g. due to illness or accident);
- ◆ unplanned succession (permanent impairment, death or resignation of the Chairman in the short or medium term);
- ◆ normal succession (medium and long term).

The succession plan for the Chairman of the Supervisory Board was co-signed by Ms Dominique Senequier then placed in two sealed envelopes, one of which was handed to the Chairwoman of the CAG-CSR Committee and the other to the legal department.

Every year, the CAG-CSR Committee conducts an annual review of this plan. In early 2021, it noted that it remained unchanged and maintained its assessment that this plan is of good quality and appropriate.

3.3.4 COMPOSITION OF THE SUPERVISORY BOARD

3.3.4.1 COMPOSITION OF THE SUPERVISORY BOARD AT 31 DECEMBER 2020

The Company has a Supervisory Board comprising 14 members, including:

- 7 women and 7 men (*i.e.* 50% of each gender);
- 4 independent members (*i.e.* one-third, see § 3.3.5); and
- 2 members representing employees (see § 3.3.1.1.2).

Twelve members are appointed by the General Meeting from among the shareholders who are neither the Active Partner nor the legal representative of the Active Partner nor Executive Chairman.

As the provisions of Article L. 225-79-2 of the French Commercial Code apply to the Company, two members of the Supervisory Board representing employees are appointed by the Group Works Council, given the role of this employee representative body which is the preferred contact for management and whose members are drawn from the Social and Economic Committees of the Group companies.

All the Supervisory Board members are French except Ms Olympia Guerrand, who is Franco-Portuguese, and Mr Alexandre Viros, who is Franco-American.

Ms Nathalie Besombes, Director of Corporate law and Stock exchange regulations and Compliance Officer, is the Supervisory Board Secretary.

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Role

The Supervisory Board exercises ongoing control over the Company's management. For this purpose, it has the same powers as the Statutory Auditors and receives the same documents as they do, at the same time. In addition, the Executive Management must submit a detailed report to the Supervisory Board on the Company's operations at least once a year.

The Supervisory Board submits to the Active Partner its reasoned opinion:

- ♦ on the nomination and dismissal of any Executive Chairman of the Company; and
- ♦ in the case of the Executive Chairman's resignation, on reducing the notice period.

The Supervisory Board:

- ♦ determines the allocation of net income to be put to the General Meeting each financial year;
- ♦ approves or rejects any proposed new wording of certain clauses of the Articles of Association of Émile Hermès SARL.

The Active Partner must consult the Supervisory Board prior to making any decisions on the following:

- ♦ strategic options;
- ♦ consolidated operating and investment budgets; and
- ♦ proposals to the General Meeting pertaining to the appropriation of share premiums, reserves or retained earnings.

Every year the Supervisory Board presents a report to the Annual Ordinary General Meeting (see in chapter 8 "Combined General Meeting of 4 May 2021", § 8.3) in which it comments on the Company's management and draws attention to any inconsistencies or inaccuracies identified in the financial statements for the financial year.

The functions exercised by the Supervisory Board do not entail any interference with the Executive Management, or any liability arising from the management's actions or from the results of such actions.

The Afep-Medef Code qualifies the Chairman and the members of the Supervisory Board as "non-Executive Corporate Officers".

Composition at 31/12/2020

Supervisory Board



Mr Éric de Seynes

Chairman and member of the Supervisory Board

Ms Monique Cohen

Vice-Chairwoman and member of the Supervisory Board

Ms Dominique Senequier

Vice-Chairwoman and member of the Supervisory Board

Other members:

- | | |
|----------------------------------|------------------------------|
| ♦ Ms Dorothée Altmayer | ♦ Mr Blaise Guerrand |
| ♦ Mr Charles-Éric Bauer | ♦ Ms Julie Guerrand |
| ♦ Ms Estelle Brachlianoff | ♦ Ms Olympia Guerrand |
| ♦ Ms Pureza Cardoso ¹ | ♦ Mr Rémy Kroll ¹ |
| ♦ Mr Matthieu Dumas | ♦ Mr Renaud Momméja |
| | ♦ Mr Alexandre Viros |

Audit and Risk Committee

Ms Monique Cohen

Chairwoman

Other members:

- ♦ Mr Charles-Éric Bauer
- ♦ Ms Estelle Brachlianoff
- ♦ Mr Renaud Momméja
- ♦ Mr Alexandre Viros

CAG-CSR COMMITTEE

Ms Dominique Senequier

Chairwoman

Other members:

- ♦ Ms Estelle Brachlianoff
- ♦ Mr Matthieu Dumas

(1) Employee representative

SUMMARY PRESENTATION OF THE MEMBERS OF THE SUPERVISORY BOARD AT 31 DECEMBER 2020

Personal details		Experience		Position on the Board			Membership of Board committees	
Gender, nationality, age ¹ , date of birth	Number of shares (direct holding)	Number of offices in listed companies ⁵	Independence ²	Date of first appointment	Date term ends	Length of service on the Board ¹	Audit and Risk Committee	CAG-CSR Committee
Members of the Supervisory Board appointed by the General Meeting								
Éric de Seynes (M) (Chairman) Nationality: French 60 years – 09/06/1960	204			07/06/2010 03/03/2011 (Chairman)	2023 GM	10 years		
Monique Cohen (F) (Vice-Chairwoman) Nationality: French 64 years – 28/01/1956	250	2 BNP Paribas Safran	✓	03/06/2014	2023 GM	6 years	✓ (Chairwoman)	
Dominique Senequier (F) (Vice-Chairwoman) Nationality: French 67 years – 21/08/1953	200		✓	04/06/2013	2022 GM	7 years		✓ (Chairwoman)
Dorothee Altmayer (F) Nationality: French 59 years – 01/03/1961	200			06/06/2017	2023 GM	3 years		
Charles-Éric Bauer (M) Nationality: French 56 years – 09/01/1964	66,648			03/06/2008	2022 GM	12 years	✓	
Estelle Brachlianoff (F) Nationality: French 48 years – 26/07/1972	100		✓	04/06/2019	2022 GM	1 year	✓	✓
Matthieu Dumas (M) Nationality: French 48 years – 06/12/1972	1,563			03/06/2008	2021 GM	12 years		✓
Blaise Guerrand (M) Nationality: French 37 years – 04/06/1983	200			29/05/2012	2021 GM	8 years		
Julie Guerrand (F) Nationality: French 45 years – 26/02/1975	6,825			02/06/2005	2022 GM	15 years		
Olympia Guerrand (F) Nationality: French and Portuguese 43 years – 07/10/1977	600			06/06/2017	2021 GM	3 years		
Renaud Momméja (M) Nationality: French 58 years – 20/03/1962	150,012			02/06/2005	2023 GM	15 years	✓	
Alexander Viros (M) Nationality: French and American 42 years – 08/01/1978	100		✓	04/06/2019	2021 GM	1 year	✓	
Members of the Supervisory Board representing employees appointed by the Group Works Council								
Pureza Cardoso (F) Nationality: French 49 years – 04/03/1971	80 ³		n/a ⁴	12/11/2019	12/11/2022	1 year		
Remy Kroll (M) Nationality: French 48 years – 04/05/1972	200 ³		n/a ⁴	12/11/2019	12/11/2022	1 year		
Average						7 years		

(1) The ages and seniority indicated are determined in number of full years as at 31 December 2020.

(2) The independence criteria for its members, formalised since 2009 by the Supervisory Board, are described § 3.3.5.1.

(3) The obligation to hold a minimum number of Company shares does not apply to members of the Board representing employees.

(4) n/a: not applicable. In accordance with the provisions of the Afep-Medef Code (Article 9.3), employee representatives are not included in the calculation of independent members.

(5) Other than the company. In accordance with the recommendation of the Afep-Medef Code (Article 19.4), a member of the Supervisory Board may not hold more than four other offices in listed companies outside the Group, including foreign ones.

3.3.4.2 MAIN AREAS OF EXPERTISE AND EXPERIENCE OF BOARD MEMBERS

Each member of the Supervisory Board is asked to make a declaration listing the areas in which he or she has particular expertise. This declaration is made upon their appointment and again each year, when the Universal Registration Document is prepared.

The six areas given reflect the Hermès Group's major operational challenges and the main issues that the Supervisory Board and its committees are called upon to oversee in the course of their duties.

The chart "Main areas of experience and expertise of the members of the Board appointed by the General Meeting" on page 224 indicates:

- ◆ the six areas of expertise selected;
- ◆ the number of Board members for each area of expertise.

A description of the main areas of expertise and experience of each Board member can be found in the individual presentations in § 3.3.7.

3.3.4.3 CHANGES IN THE SUPERVISORY BOARD DURING FINANCIAL YEAR 2020

The General Meeting of 24 April 2020 renewed the terms of office of Mses Julie Guerrand and Dominique Senequier as well as Messrs Éric de Seynes and Charles-Éric Bauer as members of the Supervisory Board, for a period of three years expiring at the end of the Annual Ordinary General Meeting called to approve the financial statements for the financial year ending 31 December 2022.

3

SUMMARY OF CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD OVER THE FINANCIAL YEAR

	Departures	Appointments	Renewals
Supervisory Board			<ul style="list-style-type: none"> ◆ Mr Éric de Seynes (24/04/2020) ◆ Ms Julie Guerrand (24/04/2020) ◆ Ms Dominique Senequier (24/04/2020) ◆ Mr Charles-Éric Bauer (24/04/2020)
Changes in terms of diversification (representation of women, nationality or experience) or change with respect to corporate governance		<p>The renewal of Board members has enabled:</p> <ul style="list-style-type: none"> ◆ the proportion of independent members on the Board (1/3), the Audit and Risk Committee (60%) and the CAG-CSR Committee (2/3) to be maintained; ◆ the proportion of women (50%) to be maintained; ◆ the balance of powers within the Board to be maintained. 	

A summary of changes in the composition of the Board committees can be found § 3.5.1.1.

3.3.4.4 CHANGES IN THE SUPERVISORY BOARD SINCE 31 DECEMBER 2020

None

3.3.4.5 FUTURE CHANGES WITHIN THE SUPERVISORY BOARD

The "Number of terms expiring" chart on page 224 indicates the number of terms of office expiring over the next three years.

SUMMARY OF TERMS OF OFFICE

Maturity	Member concerned	Office(s) concerned	Impacted functions
2021 GM	Mr Matthieu Dumas	Member of the Board appointed by the GM	Member of the CAG-CSR Committee
	Mr Blaise Guerrand		
	Ms Olympia Guerrand		
	Mr Alexandre Viros		Member of the Audit and Risk Committee
2022 GM	Ms Dominique Senequier	Member of the Board appointed by the GM	Vice-Chairwoman of the Board Chairwoman and member of the CAG-CSR Committee
	Mr Charles-Éric Bauer		Member of the Audit and Risk Committee
	Ms Estelle Brachlianoff		Member of the Audit and Risk Committee Member of the CAG-CSR Committee
	Ms Julie Guerrand		
End 2022	Ms Pureza Cardoso	Member of the Board representing employees appointed by the Group Works Council	
	Mr Rémy Kroll		
2023 GM	Mr Éric de Seynes	Member of the Board appointed by the GM	Chairman of the Board
	Ms Monique Cohen		Vice-Chairwoman of the Board Chairwoman and member of the Audit and Risk Committee
	Ms Dorothee Altmayer		
	Mr Renaud Momméja		Member of the Audit and Risk Committee

3.3.4.5.1 Renewal of terms of office expiring in 2021

The terms of four members of the Supervisory Board (Ms Olympia Guerrand, Messrs Matthieu Dumas, Blaise Guerrand and Alexandre Viros) expire in 2021 and all four have indicated their desire to run for reappointment.

It is proposed that the General Meeting of 4 May 2021 renew them for the period of three years as set out in the Articles of Association for the reasons set out in chapter 8 "Combined General Meeting of 4 May 2021", § 8.2.1 - Explanatory statement to the thirteenth to sixteenth resolutions.

3.3.4.5.2 Non-renewal of terms of office expiring in 2021

As indicated opposite, it is proposed that the General Meeting of 4 May 2021 renew all terms of office expiring in 2021.

3.3.4.5.3 Appointment of new members of the Supervisory Board proposed to the Meeting of 4 May 2021

No appointment of new members of the Supervisory Board is proposed to the General Meeting of 4 May 2021.

3.3.5 INDEPENDENCE OF THE MEMBERS OF THE SUPERVISORY BOARD

3.3.5.1 DEFINITION AND CRITERIA OF INDEPENDENCE

Members of the Supervisory Board are independent if they have no relationship of any kind whatsoever with the Company, its group or its management that is liable to compromise the exercise of their freedom of judgement in any way (Article 1.1.2 of the rules of procedure). This independence allows for freedom of expression and judgment that contributes to the quality of the Board's debates and deliberations.

In 2009 the Supervisory Board formally adopted the following criteria for its members to be deemed independent:

- ♦ comply with the criteria set out in the Afep-Medef Code revised in January 2020 (Article 9.5):

Criterion 1: Employee or Corporate Officer in the previous five years

Not to be and not to have been during the course of the previous five years:

- ♦ an employee or Executive Corporate Officer of the Company;
- ♦ an employee, Executive Corporate Officer or a Director of a company consolidated by the Company;
- ♦ an employee, Executive Corporate Officer or a Director of the Company's parent company or a company consolidated by this parent.

Criterion 2: Cross-directorships

Not to be an Executive Corporate Officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an Executive Corporate Officer of the Company (currently in office or having held such office during the last five years) is a director.

Criterion 3: Significant business relationships

Not to be a customer, supplier, commercial banker, investment banker or consultant:

- ♦ that is material to the Company or its group;
- ♦ or for which the Company or its group represents a significant part of its business.

The evaluation of the significant or non-significant relationship with the Company or its group must be debated by the Board and the quantitative and qualitative criteria that lead to the evaluation (continuity, economic dependence, exclusivity, etc.) must be explicitly stated in the annual report.

Criterion 4: Family ties

Not to be related by close family ties to a Corporate Officer.

Criterion 5: Statutory Auditor

Not to have been a Statutory Auditor of the Company within the previous five years.

Criterion 6: Term of office exceeding 12 years

Not to have been a Director of the Company for more than 12 years. The status of independent director is lost on the anniversary date of the 12 years.

Criterion 7: Status of the non-Executive Corporate Officer

A non-Executive Corporate Officer cannot be considered as independent if he/she receives variable compensation in cash or in shares or any compensation linked to the performance of the Company or the Group.

Criterion 8: Status of main shareholder

Directors representing main shareholders of the Company or its parent company can be considered as independent provided that they do not contribute to the control of the Company. However, beyond the threshold of 10% shareholding or voting rights, the Board, based on the report of the Appointments Committee, systematically reviews the qualification of independence, by taking into account the share ownership in the Company and the existence of a potential conflict of interest.

- ♦ comply with an additional criterion specific to Hermès International:

Criterion 9: Status of Partner or member of the Executive Management Board of the Active Partner

Not to be a partner or member of the Executive Management Board of Émile Hermès SARL, Active Partner.

3.3.5.2 SITUATION AT 31 DECEMBER 2020 WITH REGARD TO THE INDEPENDENCE CRITERIA SET OUT ABOVE

3.3.5.2.1 Independence of the Supervisory Board

The proportion of independent members on the Supervisory Board has been one-third (i.e. four out of 12 members appointed by the General Meeting) since the criteria were introduced in 2009. In accordance with the provisions of the Afep-Medef Code, revised in January 2020 (Article 9.3), the members of the Board representing employees are not taken into account when calculating this proportion.

This proportion is consistent with:

- ♦ the recommendations of the Afep-Medef Code (Article 9.3) for controlled companies within the meaning of Article L. 233-3 of the French Commercial Code;
- ♦ the Supervisory Board rules of procedure (Article 1.1.2.3).

On 31 December 2020, the CAG-CSR Committee examined the situation of each of its members in respect of the above criteria on a case-by-case basis, and deemed four of them to be “independent”: Mses Estelle Brachlianoff, Monique Cohen, Dominique Senequier and Mr Alexandre Viros.

This analysis is carried out each year on the basis of a questionnaire sent to all Supervisory Board members (see § 3.3.6.5) in which they are asked to make a sworn statement:

The table below summarises the criteria satisfied for each member of the Supervisory Board:

CRITERIA	Éric de Seynes (Chairman)	Monique Cohen (Vice-Chairwoman)	Dominique Senequier (Vice-Chairwoman)	Dorothee Altmayer	Charles-Éric Bauer	Estelle Brachlianoff	Pureza Cardoso (employee representative)	Matthieu Dumas	Blaise Guerrand	Julie Guerrand	Olympia Guerrand	Rémy Kroll (employee representative)	Renaud Momméja	Alexandre Viros
Criterion 1		✓	✓			✓								✓
Criterion 2	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 3	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 4		✓	✓			✓	✓					✓		✓
Criterion 5	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 6	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓		✓
Criterion 7	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 8		✓	✓			✓	✓					✓		✓
Criterion 9		✓	✓			✓	✓					✓		✓
INDEPENDENT		✓	✓			✓	n/a					n/a		✓

✓: represents an independence criterion satisfied.
n/a: not applicable.

- ♦ in order to categorise Board members as independent under the criteria set out above;
- ♦ to detail the business relationships with the Group during the year and to confirm that these are not likely to create a potential conflict of interest.

In particular, the Board identified no significant business relationships between its members and the Company.

3.3.5.2.2 Independence of the CAG-CSR Committee

The proportion of independent members on the CAG-CSR Committee is two-thirds (i.e. two out of three members), including its Chairwoman.

This proportion is in line with the recommendations of the Afep-Medef Code, revised in January 2020 (Article 18.1).

3.3.5.2.3 Independence of the Audit and Risk Committee

The proportion of independent members on the Audit and Risk Committee is 60% (i.e. three out of five members), including its Chairwoman.

This proportion is slightly lower than the recommendation of the Afep-Medef Code, revised in January 2020 (Article 16.1). The Board considered however that it enabled the Committee to function properly. In its 2014 report, the HCGE considers “that an Audit Committee with, for example, three independent members out of five remains compliant with the spirit of the Code, provided that the Chairman is an independent member”, as is the case for this Company.

3.3.6 SUPERVISORY BOARD ETHICS

The full text of the Supervisory Board’s rules of procedure and the rules of procedure of the committees is made available at each update at <https://finance.hermes.com/en/governing-bodies-rules-procedure-articles-association/>.

3.3.6.1 SUPERVISORY BOARD RULES OF PROCEDURE

At its meeting of 18 March 2009, the Supervisory Board adopted its rules of procedure, which set out the terms governing the structure and functioning of Hermès International’s Supervisory Board and its committees, in addition to applicable legal and statutory provisions. Their purpose is to enhance the quality of the Board’s work by promoting the application of good corporate governance principles and best practices, in the interests of ethics and greater effectiveness.

These rules of procedure are regularly reviewed to adapt to legal and regulatory changes and to take into account the recommendations of the Financial Markets Authority (AMF) and revisions to the Afep-Medef Code.

The main provisions of the Supervisory Board and committee rules of procedure are set out in this chapter 3.

The rules of procedure are organised in three chapters:

- ♦ Supervisory Board (composition, operation);
- ♦ specialised committees of the Supervisory Board;
- ♦ common provisions.

It details in particular the ethics principles during the holding of office:

- ♦ office and corporate interest;
- ♦ compliance with laws and the Articles of Association;
- ♦ duties: guiding principles;
- ♦ independence, courage and duty of expression;
- ♦ independence, business relationships and conflicts of interest;
- ♦ integrity and loyalty;
- ♦ professionalism and commitment.

The Supervisory Board rules of procedure were updated on 29 May 2020 (version no. 14), as follows:

- ♦ update of the revision date of the Afep-Medef Code (Article 1.1.2.1);
- ♦ replacement of the term “Registration Document” by the term “Universal Registration Document” (Article 1.1.3.6);
- ♦ update of Article 3.1. on the compensation of Board members to take into account the new legal regime resulting from Order no. 2019-1234 of 27 November 2019.

3.3.6.2 COMMITTEE RULES OF PROCEDURE

The rules of procedure of the committees are described § 3.5.2.2 for the CAG-CSR Committee and 3.5.3.2 for the Audit and Risk Committee.

3.3.6.3 STOCK MARKET ETHICS CODE

On 1 February 2017, the Supervisory Board adopted a **Hermès Group Stock Market Ethics Code** as recommended by the AMF. Its purpose is to describe the measures put in place within the Hermès Group to prevent market abuse in Hermès International shares.

This Stock Market Ethics Code is regularly reviewed to adapt to legislative and regulatory changes and to take into account the recommendations of the Financial Markets Authority (AMF).

A summary of the Hermès Group’s Stock Market Ethics Code can be found in chapter 7 “Information on the Company and its share capital”, § 7.2.4.

It is made available at each update at <https://finance.hermes.com/en/governing-bodies-rules-procedure-articles-association/>.

It covers the following measures:

- ♦ prevention of insider trading;
- ♦ stock market ethics;
- ♦ abstention requirement (blackout periods);
- ♦ reporting obligation.

This code is sent to all members of the Supervisory Board each time it is updated.

The members of the Supervisory Board are subject to blackout periods. They are also required to report transactions in Hermès International shares to the AMF within three trading days. The AMF General Regulation provides that the reporting obligation only applies when the total amount of transactions carried out during the calendar year is greater than €20,000.

The declarations made during 2020 are listed in chapter 7 “Information on the Company and its share capital”, § 7.2.3.

They may seek the advice of the Compliance Officer prior to carrying out a transaction.

3.3.6.4 ATTENDANCE

The Supervisory Board’s rules of procedure (Article 1.1.3.8.) note that members of the Supervisory Board shall regularly and diligently take part in meetings of the Board and the specialised committees to which they belong.

The compensation policy for members of the Supervisory Board established by the Board is described § 3.7.1.3.

This policy includes a variable component proportional to attendance at meetings, which is currently 64.54% for the Supervisory Board and 60.00% for the specialised committees (see § 3.7.1.3.4).

Barring an unforeseen obstacle or exceptional circumstances (and in particular the Covid-19 crisis), remote participation by telecommunication means should remain exceptional but is remunerated under the same conditions.

During financial year 2020, eight meetings of the Supervisory Board (including one exceptional meeting), five meetings of the Audit and Risk Committee and six meetings of the CAG-CSR Committee were held, with the regular attendance of almost all members, as shown in the table below: Twelve of the 14 members attended all Board meetings.

Each absence was justified by the relevant Board members.

2020

	Attendance at Supervisory Board meetings	Attendance at Audit and Risk Committee meetings	Attendance at CAG-CSR Committee meetings
Total number of meetings	8	5	6
Overall attendance rate	94.64%	92.00%	88.89%
Éric de Seynes (Chairman)	100.00%	n/a	n/a
Monique Cohen (Vice-Chairwoman)	87.50%	100.00%	n/a
Dominique Senequier (Vice-Chairwoman)	75.00%	n/a	100.00%
Dorothee Altmayer	100.00%	n/a	n/a
Charles-Éric Bauer	100.00%	100.00%	n/a
Estelle Brachlianoff	75.00%	60.00%	66.67%
Pureza Cardoso (employee representative)	100.00%	n/a	n/a
Matthieu Dumas	100.00%	n/a	100.00%
Blaise Guerrand	100.00%	n/a	n/a
Julie Guerrand	100.00%	n/a	n/a
Olympia Guerrand	87.50%	n/a	n/a
Rémy Kroll (employee representative)	100.00%	n/a	n/a
Renaud Momméja	100.00%	100.00%	n/a
Alexandre Viros	100.00%	100.00%	n/a

Attendance calculated by establishing the ratio between the number of actual attendance or attendance using telecommunication and the number of meetings applicable to each member.

n/a: not applicable.

3.3.6.5 MANAGEMENT OF CONFLICTS OF INTEREST – BUSINESS RELATIONS

Article 1.1.3.6 of the Supervisory Board's rules of procedure state that:

"Members of the Supervisory Board shall endeavour to avoid any possible conflict between their moral and material interests and those of the Company. They shall inform the Supervisory Board of any conflicts of interest in which they might be involved. In cases where a conflict of interest cannot be avoided, they shall refrain from taking part in any discussions or decisions related to the matters concerned."

Each member of the Supervisory Board must also draw up a signed declaration stating whether or not there is a conflict of interest, even a potential one:

- ♦ at the time of his or her appointment;
- ♦ each year when the Universal Registration Document is prepared."

The declaration describes all possible situations, with precise examples, inviting the members of the Board to declare all situations that could represent a potential conflict of interest.

The declaration serves as a basis to evaluate the material nature of business relationships that could affect the independence of a Supervisory Board member as required by recommendation 9.5.3 of the Afep-Medef Code updated in January 2020. The business relationship evaluation criteria are quantitative (amount of sales or revenue generated during the financial year and the percentage represented by those amounts in relation to the counterparty's total sales or revenue) and qualitative (nature of existing business relationships).

As regards the quantitative criteria, the Supervisory Board did not consider it appropriate, given the diversity of possible situations, to set a threshold below which a business relationship would be deemed immaterial. The evaluation is made on a case-by-case basis.

Ms Monique Cohen, Ms Estelle Brachlianoff and Mr Alexandre Viros have not declared any business relationships with the Company.

Ms Dominique Senequier declared a non-significant business relationship described in chapter 5 "Consolidated financial statements", § 5.6 (Note 31.2 [Ardian Holding]) under related-party transactions.

After examining each of these situations in early 2021, the CAG-CSR Committee concluded that none of them were of such a nature as to constitute a conflict of interest for the persons concerned and that none of the independent members of the Board had, directly or indirectly, significant business relationships with the Company or its group.

3.3.6.6 PLURALITY AND NUMBER OF OFFICES

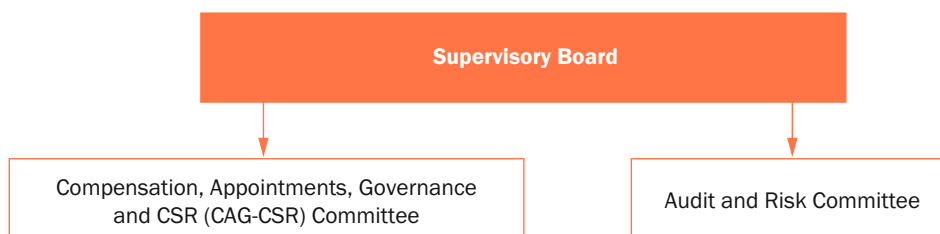
The offices of members of the Supervisory Board are not taken into account when calculating the plurality of offices, Articles L. 225-21 and L. 225-77 of the French Commercial Code being expressly excluded from the provisions applicable to Partnerships limited by shares.

Each member of the Supervisory Board must disclose the list of offices and positions held in any company during the last five years at the time of his or her first appointment and each year when the Universal Registration Document is being prepared. The information disclosed, and in particular the offices held in listed companies, is detailed in the information on each individual Board member presented § 3.3.7.

The examination of the situation of each member of the Supervisory Board and of the Executive Chairmen as regards the plurality and number of offices, showed that no member of the Supervisory Board or Executive Chairman was in a situation of concurrent holding of offices, with regard to both the legal rules and to the principles set out in Article 19.4 of the Afep-Medef Code updated in January 2020.

3.5 SPECIALISED COMMITTEES

3.5.1 APPLICABLE PRINCIPLES



Since 2005, the Board has relied on the work of two permanent committees:

- ♦ the Audit Committee (26 January 2005), set up in application of Article L. 823-19 of the French Commercial Code, whose remit was subsequently extended by the Board and which was renamed the Audit and Risk Committee (19 March 2019);
- ♦ the Compensation Committee (26 January 2005), which was subsequently assigned new duties and responsibilities by the

Board and renamed the Compensation and Appointments (18 March 2009), Governance (20 January 2010) and CSR (16 November 2018) Committee or the “CAG-CSR Committee”.

These committees act under the collective and exclusive responsibility of the Supervisory Board. Their role is to discuss, analyse and prepare for certain deliberations of the Board, to which they submit their opinions, proposals or recommendations.

The Company's CAG-CSR Committee is not tasked with setting the compensation of the Executive Chairmen, a task governed by the provisions of the Articles of Association and which falls within the remit of the Active Partner and not the Supervisory Board. It was therefore not relevant to create separate Compensation and Appointments Committees.

The Supervisory Board decides on the composition of the specialised committees, taking into account the skills of the Board members in the areas in question and their availability, as well as the legal requirements (Article L. 823-19 of the French Commercial Code) and the recommendations of the Afp-Medef Code (see § 3.1.2).

3.5.1.1 TABLE OF CHANGES IN THE COMPOSITION OF THE COMMITTEES OVER THE FINANCIAL YEAR

The Supervisory Board meeting of 24 April 2020:

- ♦ reappointed Mss Monique Cohen (Chairwoman) and Estelle Brachlianoff and Messrs Charles-Éric Bauer, Renaud Momméja and Alexandre Viros as members of the Audit and Risk Committee;
- ♦ reappointed Mss Dominique Senequier (Chairwoman) and Estelle Brachlianoff and Mr Matthieu Dumas as members of the CAG-CSR Committee.

SUMMARY OF CHANGES IN 2020

	Departures	Appointments	Renewals
Audit and Risk Committee			Ms Monique Cohen, Chairwoman (24/04/2020) Ms Estelle Brachlianoff (24/04/2020) Mr Charles-Éric Bauer (24/04/2020) Mr Renaud Momméja (24/04/2020) Mr Alexandre Viros (24/04/2020)
CAG-CSR Committee			Ms Dominique Senequier, Chairwoman (24/04/2020) Ms Estelle Brachlianoff (24/04/2020) Mr Matthieu Dumas (24/04/2020)

3.5.1.2 UPCOMING CHANGES IN COMMITTEES

The terms of office of Messrs Matthieu Dumas and Alexandre Viros as members of the Supervisory Board expire in 2021.

No change is currently planned in the composition of the committees, subject to the renewal of their terms of office by the General Meeting of 4 May 2021.

3.5.2 CAG-CSR COMMITTEE

3.5.2.1 COMPOSITION AT 31 DECEMBER 2020

Its rules of procedure provide that the CAG-CSR Committee is composed of at least three members of the Supervisory Board with expertise in or carrying out professional activities in the areas in which the Committee performs its duties.


At least half of its members must, at the time of their appointment and for the entire term of their office, be qualified as independent under the Supervisory Board's rules of procedure. This is currently the case.

The CAG-CSR Committee does not include any Executive Corporate Officers.

Changes in the composition of the CAG-CSR Committee are presented § 3.5.1.1.

It is chaired by Ms Dominique Senequier, Vice-Chairwoman of the Board, who is independent.

At 31 December 2020, the CAG-CSR Committee was composed of the following three members, including two women and one man:

2020 DATA	Personal details	Independence	Date of appointment	Expiry of term of office on the Board	Length of service on the Committee ¹	Attendance
3 MEMBERS - 6 MEETINGS - 67% INDEPENDENCE - 67% WOMEN	 Dominique Senequier (F) (Chairwoman) Nationality: French Age 67 years ¹ - 21/08/1953	✓	04/06/2013	2022 GM	7 years	100.00%
	Estelle Brachlianoff (F) Nationality: French 48 years ¹ - 26/07/1972	✓	04/06/2019	2022 GM	1 year	66.67%
	Matthieu Dumas (M) Nationality: French 48 years ¹ - 06/12/1972		03/06/2008	2021 GM	12 years	100.00%
AVERAGE ATTENDANCE						88.89% ²

(1) The ages and length of service indicated are determined in number of full years at 31 December 2020.

(2) This figure reflects the average attendance of the members of the CAG-CSR Committee in office as at 31 December 2020, and does not take into account members who left the Committee during the year.

3.5.2.2 RULES OF PROCEDURE

On 24 March 2010, the Supervisory Board adopted rules of procedure which specify the rules governing the composition, powers and operating procedures of the CAG-CSR Committee.

These rules of procedure are regularly reviewed to adapt to legal and regulatory changes and to take into account the recommendations of the Financial Markets Authority (AMF) and revisions to the Afep-Medef Code.

The full text of the CAG-CSR Committee's rules of procedure is made available at each update at <https://finance.hermes.com/en/governing-bodies-rules-procedure-articles-association/>.

The CAG-CSR Committee's rules of procedure were not updated in 2020.

The main provisions of the CAG-CSR Committee's rules of procedure are set out in chapter 3 of the Universal Registration Document.

3.5.2.3 OPERATION

The Chairman of the Supervisory Board can be invited to certain CAG-CSR Committee meetings in order to hear his or her opinion in matters of appointments or governance, which was not the case in 2020.

The Executive Vice-President of Governance and Organisational Development, and the Group Director of Human Resources, systematically participate in the meetings of the CAG-CSR Committee. The Group sustainable development Director participates at least twice a year for subjects relating to CSR.

The Director of Corporate law and Stock exchange regulations and Compliance Officer, and Supervisory Board Secretary reports to the Chairwoman.

At the first Supervisory Board meeting following a meeting of the CAG-CSR Committee, the Chairwoman gives an oral report on the Committee's work to the members of the Board, a summary of which is then included in the minutes of the Board meeting. The main areas of expertise and experience of the members of the CAG-CSR Committee are presented in the information concerning them (see § 3.3.7).

The CAG-CSR Committee uses the “Herboard” secure digital platform (see § 3.4.2.4).

Minutes of CAG-CSR Committee meetings are drawn up at the end of each meeting and sent to all members of the Committee, who are invited to comment. Any observations are discussed at the Committee meeting, which approves the final text of the minutes of the previous meeting.

In 2020, as in the previous year, the CAG-CSR Committee used a dashboard to plan and prepare its work in a balanced way over the year.

3.5.2.4 MAIN DUTIES AND WORK CARRIED OUT IN 2020

The CAG-CSR Committee studies and prepares certain proceedings of the Supervisory Board and submits its opinions, proposals or recommendations to the Board.

Without prejudice to the powers of the Supervisory Board, which it does not replace, the main duties of the CAG-CSR Committee and the work carried out in 2020 are as follows:

Purpose of duties	Main duties and work carried out in 2020
General	<ul style="list-style-type: none"> conduct a periodic self-assessment of its operation.
Compensation	<p><u>Compensation of the Executive Chairmen and the Supervisory Board</u></p> <ul style="list-style-type: none"> evaluate the achievement of the indicators comprising the CSR criterion for the Executive Chairmen’s variable compensation; check the compliance of the actual compensation of the Executive Chairmen with the Articles of Association and the compensation policy established by the Active Partner and review the press release to be published on the financial website; make any proposals on the compensation policy for members of the Supervisory Board and committees; assist the Supervisory Board in determining the conditions and performance criteria to be applied to awarding options to subscribe for or purchase shares, performance-based shares and/or additional pensions to the Executive Chairmen [n/a in 2020]; review the explanatory statements to the resolutions of the General Meeting on Senior Executive compensation (Say on Pay). <p><u>Compensation of the Group Executive Committee and Senior Executives</u></p> <ul style="list-style-type: none"> be consulted and prepare the recommendations of the Supervisory Board to the Executive Management on the terms of compensation (fixed compensation for 2020, actual bonus for 2019 and target bonus for 2020) of the members of the Executive Committee; approve the compensation arrangements (fixed compensation for 2020, actual bonus for 2019 and target bonus for 2020) of the Executive Corporate Officers of the French subsidiaries paid for their office; review proposals for share subscription or purchase plans and granting free share awards to Senior Executives to enable the Supervisory Board to determine the aggregate or individual number of options or shares allotted and the terms and conditions of allotment [n/a in 2020]. <p><u>Group compensation policy</u></p> <ul style="list-style-type: none"> review proposals for share subscription or purchase plans and granting free share awards to employees and draw up recommendations thereon to Executive Management [n/a in 2020]; examine the achievement of the performance conditions and its consequences on the number of free shares actually awarded to beneficiaries; carry out specific tasks entrusted to it by the management or supervisory bodies of the Hermès Group’s main French subsidiaries [n/a in 2020]; be informed of the publication of the Hermès International gender equality index; be informed of the Company’s policy with regard to gender equality and equal pay.
Appointments	<ul style="list-style-type: none"> organise a selection procedure in conjunction with the Executive Chairmen for future independent members of the Board and carry out its own research on potential candidates; prepare the Board’s proposals to the Active Partner concerning the composition of the Supervisory Board after having examined all the elements it must take into account in its deliberation: compliance with the diversity policy applied to the Board, research and assessment of possible candidates, opportunity for reappointments; ensure the existence of a succession plan for the Executive Chairmen (prepared by the Active Partner) and the Chairman of the Supervisory Board and conduct an annual review.

Purpose of duties	Main duties and work carried out in 2020
Governance	<ul style="list-style-type: none"> propose regular updates to the governance rules taking into account the recommendations issued by the Afep-Medef Code, the application guide of the High Committee on Corporate Governance (HCGE) and the Financial Markets Authority (AMF) in its annual report on corporate governance and Senior Executive compensation; periodically verify the situation of the members of the Supervisory Board with regard to the independence criteria set by the rules of procedure, the number of directorships, potential conflicts of interest and compliance with the requirement to hold a minimum of 100 shares; review the composition of the specialised committees; determine at least annually the members of the Audit and Risk Committee with specific expertise in finance or accounting and risk management; oversee the annual debate and evaluation of Supervisory Board practices; manage the three-year formal evaluation of the Supervisory Board: the decision on whether or not to use an external firm, evaluation process and questionnaire, launch of the evaluation, summary and analysis of findings, areas for improvement <i>[n/a in 2020]</i>; update the Supervisory Board's permanent file; analyse related-party agreements before reclassifying them and giving an opinion to the Supervisory Board; give an opinion to the Supervisory Board on the classification of an agreement entered into under arm's length conditions; review chapter 3 on corporate governance of the Universal Registration Document and in particular the provisions of the Afep-Medef Code that have been set aside and the related explanations.
CSR	<ul style="list-style-type: none"> assist the Supervisory Board in monitoring CSR issues; assist the Supervisory Board in monitoring social, non-discrimination and diversity policies; be informed of sustainable development and corporate social responsibility (CSR) issues, the achievements of the past financial year in relation to the objectives and the outlook; monitor non-financial performance indicators and consideration of social and environmental issues; be informed of the annual rankings regarding the representation of women in large companies and the criteria taken into account in their preparation; be regularly informed of the assessments of non-financial agencies; be informed of the content of the statement of non-financial performance (SNFP); be informed, in a joint meeting with the Audit and Risk Committee, of exposure to CSR risks <i>[from 2021]</i>.

3.5.3 AUDIT AND RISK COMMITTEE

3.5.3.1 COMPOSITION AT 31 DECEMBER 2020

Its rules of procedure provide that the Audit and Risk Committee is composed of at least four members of the Supervisory Board, the majority of whom are independent, with expertise in or carrying out professional activities in the areas in which the Committee performs its duties; and in particular in terms of finance and risk management.


At least half of its members must, at the time of their appointment and for the entire term of their office, be qualified as independent under the Supervisory Board's rules of procedure. This is currently the case.

The Audit and Risk Committee does not include any Executive Corporate Officers.

It is chaired by Ms Monique Cohen, Vice-Chairwoman of the Board, who is independent and an expert in finance.

Changes in the composition of the Audit and Risk Committee are presented § 3.5.1.1.

At 31 December 2020, the Audit and Risk Committee comprised the following five members, including two women and three men:

2020 DATA	Personal details	Independence	Date of appointment	Expiry of term of office on the Board	Length of service on the Committee ¹	Attendance
5 MEMBERS - 5 MEETINGS - 60% INDEPENDENCE - 40% WOMEN	 Monique Cohen (F) (Chairwoman) Nationality: French 64 years ¹ – 28/01/1956	✓	03/06/2014	2023 GM	6 years	100.00%
	Charles-Éric Bauer (M) Nationality: French 56 years ¹ – 09/01/1964		26/01/2005 ²	2022 GM	15 years	100.00%
	Estelle Brachlianoff (F) Nationality: French 48 years ¹ – 26/07/1972	✓	04/06/2019	2022 GM	1 year	60.00%
	Renaud Momméja (M) Nationality: French 58 years ¹ – 20/03/1962		03/06/2008	2023 GM	12 years	100.00%
	Alexandre Viros (M) Nationality: French 42 years ¹ – 08/01/1978	✓	04/06/2019	2021 GM	1 year	100.00%
AVERAGE ATTENDANCE						92.00%³

(1) The ages indicated are determined in number of full years at 31 December 2020.

(2) Mr Charles-Éric Bauer was appointed to the Audit and Risk Committee before joining the Supervisory Board (before Order no. 2008-1278 of 8 December 2008 there was no law requiring Board membership).

(3) This figure reflects the average attendance of the members of the Audit and Risk Committee in office as at 31 December 2020, and does not take into account members who left the Committee during the year.

3.5.3.2 RULES OF PROCEDURE

On 24 March 2010, the Supervisory Board adopted rules of procedure which specify the rules governing the composition, powers and operating procedures of the Audit and Risk Committee.

These rules of procedure are regularly reviewed to adapt to legal and regulatory changes and to take into account the recommendations of the Financial Markets Authority (AMF) and revisions to the Afep-Medef Code.

The full text of the Audit and Risk Committee rules of procedure is made available at each update at <https://finance.hermes.com/en/governing-bodies-rules-procedure-articles-association/>.

The rules of procedure of the Audit and Risk Committee were not updated in 2020.

The main provisions of the Audit and Risk Committee's rules of procedure are set out in this chapter 3 of the Universal Registration Document.

3.5.3.3 OPERATION

The Audit and Risk Committee meets as many times as necessary and on average five to six times per financial year, including once before the approval of the annual financial statements by the Executive Management and once before the review of the half-yearly financial statements by the Supervisory Board.

The Audit and Risk Committee meets when convened by its Chairman, who sets the agenda of the meeting in writing or verbally, in any location indicated in the notice of meeting.

Before each Audit and Risk Committee meeting, Audit and Risk Committee members are sent, in good time, with reasonable lead time and subject to confidentiality requirements, a file containing documentation on items on the agenda requiring prior analysis and review.

The main areas of expertise and experience of the members of the Audit and Risk Committee are presented in the information concerning them (see § 3.3.7).

The Executive Vice-President of Governance and Organisational Development, systematically participates in the meetings of the Audit and Risk Committee.

The Director of Audit and Risk, is responsible for the Secretariat under the responsibility of the Chairwoman.

The Statutory Auditors attend the two meetings relating to the review of the annual and interim financial statements.

At the first Supervisory Board meeting following a meeting of the Audit and Risk Committee, the Chairwoman gives an oral report on the Committee's work to the members of the Board, a summary of which is then included in the minutes of the Board meeting.

The Audit and Risk Committee uses the "Herboard" secure digital platform (see § 3.4.2.4).

3.5.3.4 MAIN DUTIES AND WORK CARRIED OUT IN 2020

The Audit and Risk Committee studies and prepares certain proceedings of the Supervisory Board and submits to the Board its opinions, proposals and recommendations.

In accordance with Article L. 823-19 of the French Commercial Code and without prejudice to the powers of the Supervisory Board, which it does not replace, the main duties of the Audit and Risk Committee performed in 2020 are as follows:

Purpose of duties	Main duties and work carried out in 2020
Impact of the health crisis	<ul style="list-style-type: none"> be informed of the impact of Covid-19 on the activities of the audit and risk management department.
General	<ul style="list-style-type: none"> conduct a periodic self-assessment of its operation.
Prepare accounting and financial information	<ul style="list-style-type: none"> be informed of the budget for the financial year; review and comment on the parent company and consolidated financial statements before they are approved by Executive Management and presented to the Supervisory Board; ensure that the accounting policies applied are relevant and consistent; verify that internal data collection and control procedures guarantee the quality of the information provided; review the work programme and results of internal and external audit assignments; monitor the process of preparing financial information and, where appropriate, make recommendations to ensure its integrity; monitor the effectiveness of internal control and risk management systems and internal audits regarding the procedures for preparing and processing accounting, financial and non-financial information without jeopardising its independence.
Audit of accounting and financial information and the Statutory Auditors	<ul style="list-style-type: none"> issue a recommendation to the Supervisory Board on the Statutory Auditors proposed for appointment or renewal by the General Meeting <i>[n/a in 2020]</i>; monitor the performance by the Statutory Auditors of their assignment (audit approach, audit conclusions, presentation of the Board's fees); ensure that the Statutory Auditors comply with the independence conditions; hold in closed session with the Statutory Auditors; approve, on a case-by-case basis, the provision by the Statutory Auditors of services other than the certification of the financial statements; report on the results of the engagement regarding the certification of the financial statements, on the way the engagement contributed to the integrity of the financial reporting and the role it has played in this process.
Control of risk exposure and prevention of corruption	<ul style="list-style-type: none"> be informed of the security system and received feedback on incidents in the financial year ended; be informed of the results of risk management, audit and internal control activities; be informed of the audit plan; note the consensus of financial analysts on the full-year and interim results; regularly review exposure to risks such as financial, legal, operational, social and environmental risks and the actions taken as a result; review press releases on quarterly revenue, full-year and interim results; be informed of the risk factors described in the Universal Registration Document and the methodology used to identify and draw up these risk factors, in order to meet the requirements of EU Regulation No. 2017/1129 and Delegated Regulation No. 2019/980 (Annex I section 3); be informed, in a joint meeting with the CAG-CSR Committee, of exposure to CSR risks <i>[from 2021]</i>; be informed of IT risks and the corresponding action plans; be informed of the corruption risk mapping and the corresponding action plans; be informed of the report of the external treasury audit; ensure the implementation of a system for the prevention and detection of corruption and influence-peddling and be informed of changes to the corruption prevention programme.

As part of its missions, the Audit and Risk Committee heard from the Executive Vice-President Finance, both with regard to the accounting data and treasury data, the Consolidation Director, the Director of Audit and Risk, the Group Security Director, the Group IT Director, the Group

Treasury Director, the Director of Financial Communications and Investor Relations, the Director of Hermès Commercial and his team, the Director of Hermès Bijouterie and her team, the Director of Legal Compliance, the Data Protection Officer and the Statutory Auditors.

	Fixed component	Proportion	Variable component proportional to attendance at meetings	Proportion	Total	
SUPERVISORY BOARD						
Chairman	€140,000	100.00%	n/a	n/a	€140,000	100.00%
Vice-Chairmen	€10,000	35.46%	€18,200	64.54%	€28,200	100.00%
Members	€10,000	35.46%	€18,200	64.54%	€28,200	100.00%
Employee representative members	n/a	n/a	n/a	n/a	€0	n/a
CAG-CSR COMMITTEE						
Chairman	€28,000	100.00%	n/a	0.00%	€28,000	100.00%
Members	€5,200	40.00%	€7,800	60.00%	€13,000	100.00%
AUDIT AND RISK COMMITTEE						
Chairman	€28,000	100.00%	n/a	0.00%	€28,000	100.00%
Members	€5,200	40.00%	€7,800	60.00%	€13,000	100.00%

n/a: not applicable.

The allocation principles include a fixed component (35.46% for the Board and 40.00% for the committees) and a variable component proportional to actual attendance at meetings (64.54% for the Board and 60.00% for the specialised committees).

No additional compensation is paid to Board members who are not resident in France.

Employment contract

The members of the Supervisory Board of a société en commandite par actions (partnership limited by shares) may be bound to the Company by an employment contract with no condition other than that resulting from the existence of a relationship of subordination with the Company and the recognition of effective employment.

Ms Pureza Cardoso (craftswoman – Maroquinerie de Sayat) and Mr Rémy Kroll (Director of Exceptional Sales – Hermès Commercial

division), Supervisory Board members representing employees since 12 November 2019, have employment contracts with the Hermès Group, and as such receive compensation that has not been granted for the performance of their duties as Board members. Consequently, and for reasons of confidentiality, their salaries are not disclosed.

No other member of the Supervisory Board, and in particular Mr Éric de Seynes, Chairman, is bound to the Company by an employment contract.

Options to subscribe for or purchase shares

No options to subscribe for or purchase shares were granted to Supervisory Board members in 2020, nor were any such options exercised by them.

Allocation of free shares

No free shares were allocated to members of the Supervisory Board during the financial year 2020.

3.7.2. OVERVIEW OF COMPENSATION AND BENEFITS OF ALL KINDS FOR CORPORATE OFFICERS

In accordance with the provisions of Order No.2019-1234 of 27 November 2019, the corporate governance report must present all compensation and benefits of all kinds paid to Corporate Officers during the financial year or allocated in respect of their duties in 2020.

The report must also:

- ◆ disclose any compensation paid or granted by a company in the scope of consolidation;
- ◆ enable comparison between (i) the compensation of the Executive Corporate Officers (i.e. the Executive Chairmen) and the non-Executive Chairman (i.e. the Chairman of the Supervisory Board) on the one hand, and (ii) the average and median compensation of the Company's employees on the other hand.

This section presents the aforementioned items, which will be subject to global and individual *ex-post* votes at the General Meeting of 4 May 2021 (see in chapter 8 "Combined Shareholders' Meeting of 4 May 2021", § 8.2.1 - Explanatory statement to the seventh to tenth resolutions).

3.7.2.1 COMPENSATION PAID TO THE EXECUTIVE CHAIRMEN DURING OR ALLOCATED IN RESPECT OF 2020 (EXECUTIVE CORPORATE OFFICERS) (ARTICLE L. 22-10-77 OF THE FRENCH COMMERCIAL CODE (CODE DE COMMERCE))

3.7.2.1.1 Waiver by the Executive Chairmen in the context of Covid-19

In the context of the Covid-19 pandemic, the Executive Chairmen wished to waive the increase, as provided for under the applicable compensation policy, to their 2020 fixed compensation and their 2020 variable compensation awarded in respect of 2019, and therefore received a total amount of compensation in 2020 identical to that received in 2019.

The fixed compensation of Axel Dumas in 2020 was therefore reduced from €1,824,677 to €1,623,378 and that of Émile Hermès SARL from €620,279 to €551,850 (actual amounts paid after the waiver).

The 2020 variable compensation, awarded in respect of 2019, to Axel Dumas was therefore reduced from €1,956,269 to €1,780,045 and that of Émile Hermès SARL from €912,261 to €830,083 (actual amounts paid after the waiver).

The Executive Management Board of Émile Hermès SARL, Active Partner, and the Company's Supervisory Board noted this waiver on 30 March 2020.

3.7.2.1.2 Compensation paid in 2020

All the fixed, variable and exceptional components comprising the total compensation and benefits of any kind paid in the course of 2020 to Axel Dumas on the one hand and to Émile Hermès SARL on the other, in respect of their duties as Executive Chairmen, are set out in chapter 8 "Combined General Meeting of 4 May 2021", § 8.2.1 - Explanatory statement to the eighth and ninth resolutions.

These elements are all consistent with the compensation policy for the Executive Chairmen presented in §§ 3.7.1.1 and 3.7.1.2 above.

3.7.2.1.3 Compensation awarded in respect of 2020

The variable compensation of the Executive Chairmen awarded in respect of 2020 must be submitted to the General Meeting for approval prior to payment.

All the fixed, variable and exceptional components comprising the total compensation and benefits of any kind allocated in respect of 2020 to Axel Dumas on the one hand and to Émile Hermès SARL on the other hand, in respect of their duties as Executive Chairmen, are set out in chapter 8 "Combined General Meeting of 4 May 2021", § 8.2.1 - Explanatory statement to the eighth and ninth resolutions.

These elements are all consistent with the compensation policy for the Executive Chairmen presented in §§ 3.7.1.1 and 3.7.1.2 above and approved by the General Meeting of 24 April 2020.

The CAG-CSR Committee evaluated the level of achievement of the CSR criterion applicable to 10% of the variable compensation of the Executive Chairmen at its meeting of 8 January 2021 and noted that the three indicators making up the criterion were fully achieved (see table below).

Consequently, the 2021 variable compensation, awarded in respect of financial year 2020, has been calculated by applying the change in the Company's consolidated net income before tax for financial year 2020 compared with 2019, i.e. a decrease of 12.4%, to the variable compensation paid in 2020 in respect of 2019.

CSR criteria indicators	Importance	Level of achievement and justification
Quantifiable environmental criterion: Decoupling between activity growth at constant scope and exchange rates and the evolution of industrial energy consumption	1/3	100% Constant efforts, in particular improvements to equipment and processes that consume industrial energy, continued to bear fruit, resulting in a reduction in consumption of 7.4% between the end of October 2019 and the end of October 2020, while over the same period revenue decreased by 6.8% - at constant scope and exchange rates.
Qualitative societal criterion: Actions taken to promote the Group's local integration in France and around the world, outside of major cities	1/3	100% The House continued its ambitious drive to establish local integration in 2020, both in France and abroad, notwithstanding the context of the health crisis. The commitment of employees and the conditions created by the House have made it possible to pursue and develop a large number of projects expressing our solidarity and our generosity as a responsible company. Thus, the Group has been able to express a very strong desire to (re)energise the regions by continuing to create both direct and indirect jobs, by maintaining long-term partnerships with all local actors and stakeholders in order to give life to practical and sustainable municipal and/or regional projects.
Qualitative social criterion: Group initiatives in favour of gender equality	1/3	100% Constant attention is paid to the working conditions, pay and career development of all the House's employees. At all levels of the organisation, equality of opportunity, diversity and inclusion in terms of employment, training, supervision and compensation are backed by the House's commitment, with the objective of taking concrete and sustainable actions.

3.7.2.2 COMPENSATION PAID TO THE CHAIRMAN OF THE SUPERVISORY BOARD IN THE COURSE OF OR ALLOCATED IN RESPECT OF 2020

All the fixed, variable and exceptional components comprising the total compensation and benefits in kind paid in the course of or awarded in respect of 2020 to the Chairman of the Supervisory Board, on which the

shareholders are asked to give a binding ex-post vote, are set out in chapter 8 "Combined General Meeting of 4 May 2021", § 8.2.1 - Explanatory statement to the tenth resolution.

These elements are all in line with the compensation policy for the Chairman of the Supervisory Board presented in §§ 3.7.1.1 and 3.7.1.3 below and approved by the General Meeting of 24 April 2020.

4

RISKS AND CONTROL

AFR

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4.1 RISK FACTORS

In accordance with European regulation (EU) no. 2017/1129 of 14 June 2017 (Prospectus) and the ESMA guidelines, the risk factors presented in this chapter are, at the date of this Universal Registration Document, those that the Hermès Group believes could have a material adverse effect on its activity, results, financial position or prospects.

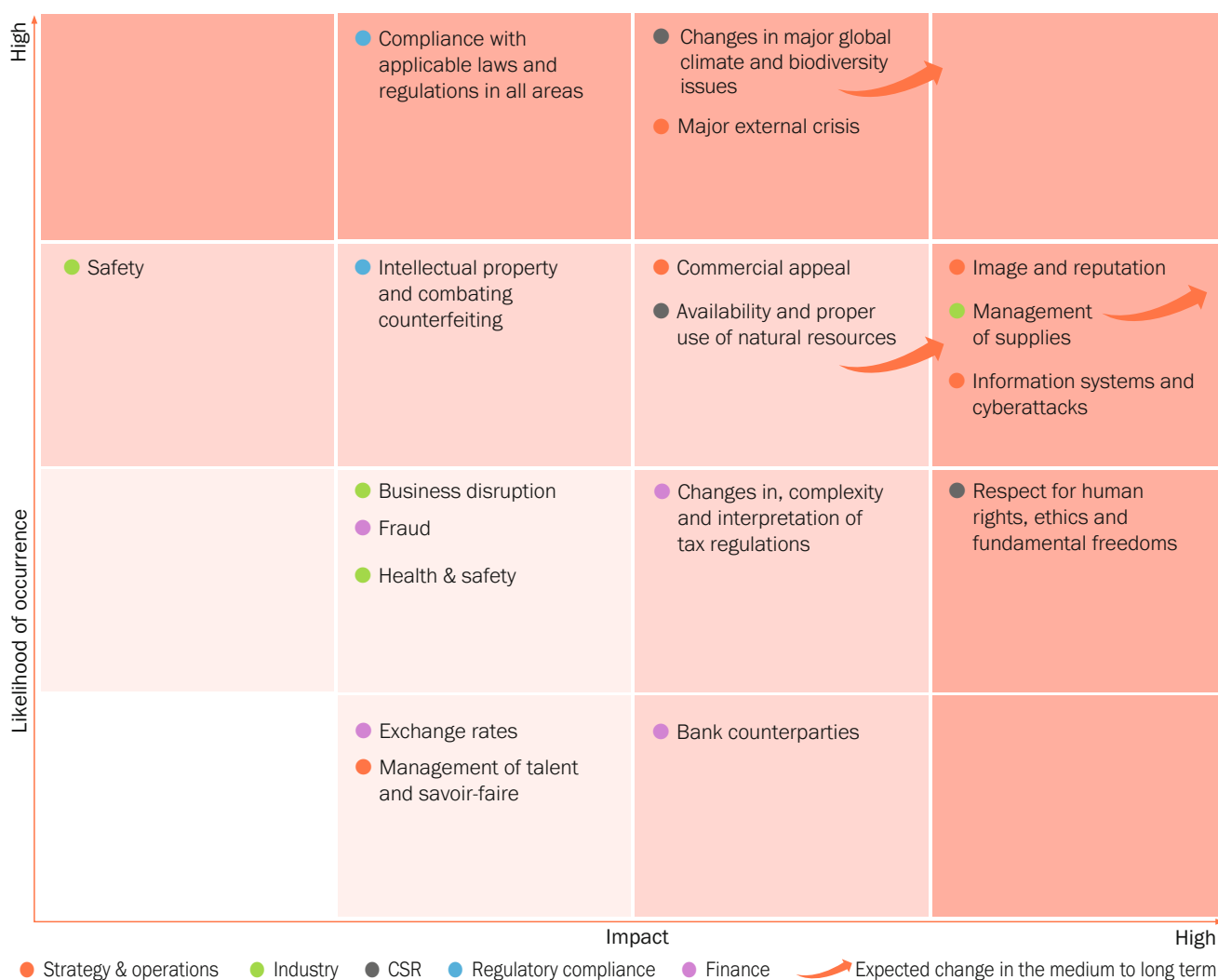
These are the risks specific to the Hermès Group identified in the Group risk mapping updated in 2020.

In the context of the current health crisis linked to Covid-19, some of these risks have been exacerbated, such as the risks of personal safety, supply disruption, non-continuity of activities, cyberattacks, fraud, etc. The Group quickly adapted by setting up a crisis management organisation and developing protocols to protect the health and safety of employees, as well as to secure sites. Reinforced monitoring has been put in place with the Group's suppliers and service providers in order to ensure the continuity of operations at industrial, commercial and logistical levels.

In general, the Group has put in place a system to anticipate and control the risks identified. This system is periodically updated to take into account regulatory, legislative, economic, societal, geopolitical and competitive developments. The detailed description of the risk management system is presented in this chapter.

Risk factors are presented in five main categories according to their nature, the most material risks being presented first. The mapping below classifies these risk factors according to their potential impact and probability of occurrence and therefore reflects the Group's exposure, after taking into account the control measures implemented.

The Audit and Risk Committee was involved in drawing up this matrix.



RISK RANKING BY CATEGORY (FROM MOST TO LEAST SIGNIFICANT)

● 4.1.1 Risks related to strategy and operations	4.1.1.1 Image and reputation	Page 326
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4.1.1 RISKS RELATED TO STRATEGY AND OPERATIONS

4.1.1.1 IMAGE AND REPUTATION ●

<p>♦ DESCRIPTION OF THE RISK</p> <p>The reputation of the Hermès Group is underpinned by the quality of its products and services offered to customers, the <i>savoir-faire</i> of its craftpeople and its unique communication.</p> <p>In a globalised world and given the development of social media and their growing influence, negative or inaccurate media coverage or personal behaviour that is contrary to the House's values of ethics and integrity could affect the Group's image and reputation.</p> <p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>An unfavorable media campaign could negatively affect the image of the Group.</p>	<p>♦ RISK MANAGEMENT</p> <p>Hermès, through all its production and distribution entities, has built a robust internal control system for all key processes to protect its tangible and intangible assets, including its image and reputation.</p> <p>The Group has rolled out an ethics charter, a code of business conduct and an anti-corruption code of conduct to all employees.</p> <p>These three documents are sent to all new employees as soon as they join the House and are also made available to them on our HermèsSphère Intranet in the "Our Ethics" section and on the external website https://finance.hermes.com/en/ethics-human-rights-and-diversity/. Additional training on anti-corruption laws was also organised for operational staff in 2020.</p> <p>In order to act in accordance with the House's ethics principles and values, the Group also ensures the proper conduct of the various third parties with which it has a business relationship (suppliers, partners). Systems have been set up for managing risks in ethics, CSR, etc. and are detailed in chapter 2. Through the structure of its family shareholding, the House remains independent in the way it implements its strategy and conducts its operational activities, which are always carried out in line with its values.</p> <p>The Group has also put in place a permanent monitoring system on the web under the responsibility of the Group communication department.</p> <p>Hermès also has a crisis management manual which serves to prevent, manage and limit the impacts of undesirable events on the Company.</p>
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Note: Hermès' actions and achievements in the fields of ethics and compliance are described in chapter 2 of this report.

4.1.1.2 COMMERCIAL APPEAL ●

<p>♦ DESCRIPTION OF THE RISK</p> <p>The commercial appeal and desirability of the products depend on the Group's unique model, expressed through its radical style, the authenticity of its ancestral <i>savoir-faire</i>, primarily "Made in France", the high quality of its products and services, its openness to local culture and its unrivaled communication.</p> <p>In a constantly changing world, any failure of the Group to take customer expectations into account, issues with the quality of products or CSR concerns could negatively impact the House's appeal.</p> <p>The attractiveness of products could also be affected by the parallel market and networks of resellers offering a low-quality customer experience.</p>	<p>♦ RISK MANAGEMENT</p> <p>The creative offering is the responsibility of the Group artistic department and its many talented employees, who ensure the creative synergies of the collections while preserving the House's identity and style. Their mission is to create, innovate, put forward new concepts and collections whose forms, materials and colours will astound our customers and be enhanced by our craftpeople. The freedom of creation, reinforced by the freedom of the stores to purchase, is exercised while respecting the harmony and coherence of the collections, expressed through an annual theme.</p> <p>Absolute product quality has always been a priority. This high standard is met through the performance of tests on all products before they are put on the market in order to guarantee their compliance and durability. The Group has also implemented a support system for its craftpeople and suppliers with a view to developing their <i>savoir-faire</i> in terms of the expected level of quality.</p> <p>In order to enhance the customer experience, the Hermès Group has introduced a number of tools, both in-store and online, to raise the level of service to match the quality of its products and customer expectations. The stores are also regularly renovated, the omnichannel offer is being expanded and customer services, such as after-sales service, are developing. In line with the current health context, the Group has developed its offer of remote services to better meet their expectations.</p>
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>The loss of commercial appeal could lead to a gradual loss of interest from customers.</p>	

4.1.1.3 INFORMATION SYSTEMS AND CYBERATTACKS ●

<p>♦ DESCRIPTION OF THE RISK</p> <p>Information systems are of prime importance in the proper performance of the Group's daily operations, whether in relationships with clients, suppliers or employees but also with regard to data processing and storage.</p> <p>Personal data protection is a priority for the Group.</p>	<p>♦ RISK MANAGEMENT</p> <p>Hermès' expenditure on IT systems (capital and operating expenditure) is consistent with the practice of its peers in the sector. Its objective is to align the technical infrastructures and systems with the growing needs of the Group's users and <i>métiers</i> while ensuring good operational performance. They also aim to keep IT risks under control and to develop information systems, in particular for new digital uses, whilst being socially and environmentally responsible.</p>
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>The partial or total unavailability of certain information systems could disrupt processes and the activities concerned.</p> <p>A breach of information systems such as a cyberattack could lead to a data breach, with perhaps the unauthorised disclosure of sensitive data.</p>	<p>The Group's information systems department adheres to an information technology governance charter and has a corpus of procedures that apply to all Group companies. Audits of IT security and compliance with procedures are carried out periodically in all subsidiaries, in collaboration with the audit and risk management department and with the help of external service providers.</p> <p>In the field of IT risk prevention, IT risk mapping is regularly updated and presented to the Audit and Risk Committee. The work carried out in 2019 continued in 2020. It focused chiefly on: reinforcing the security of central systems, the control of workstations for the Group as a whole, the centralisation of access rights to facilitate their management, the security of internal and external accesses, the prevention of confidential data leaks, the protection of cloud applications, the physical security of data centres and the improvement of back-up and fault-tolerance mechanisms for critical systems to ensure continued operation in the event of an incident.</p> <p>The information systems department has reinforced its capacity to detect and deal with incidents. All computers and servers are equipped with software to detect anomalies, enable security patches to be installed and conduct investigations in the event of doubt. Security incidents are dealt with by a dedicated team (Security Operation Center) and are closely monitored. Security measures were strengthened during lockdown periods and new uses were supervised.</p> <p>New employee awareness initiatives have taken various forms (conferences, films, e-learning, escape games, dedicated website in eight languages).</p> <p>Intrusion tests on internal, Wi-Fi and external networks were carried out, as well as IT disaster simulations, and corresponding action plans were formalised. The continuity of IT operations is also tested regularly. Crisis simulation exercises are carried out regularly and are followed by feedback and action plans.</p> <p>The Group also ensures compliance with various standards and regulations, for example in the field of payment card data management (PCI-DSS) and the protection of personal data (GDPR). The information systems department accordingly works with other departments in order to reduce the risks of damage to information systems and its impacts in the event such risks were to materialise.</p>

4.1.1.4 MAJOR EXTERNAL CRISIS ●

<p>♦ DESCRIPTION OF THE RISK</p> <p>The Group is present in many markets and is therefore exposed to economic, political, social and health changes in the countries in which it operates.</p>	<p>♦ RISK MANAGEMENT</p> <p>Hermès holds a unique position in the luxury market. Its broad portfolio of products reduces the risk of dependence on any particular range, while its distribution is well balanced geographically.</p>
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>Geopolitical, economic or social tensions, as well as a long-term pandemic, could have an impact on sales in regions where the Group has a significant presence, particularly in Asia.</p> <p>The breakdown of the Group's revenue by geographical area is presented in section 1.7.</p>	<p>The Group operates 306 points of sale under the Hermès banner, including 221 branches that generate over 90% of revenue. In addition, the Group is continuing to develop its online sales activity with the successive deployment of e-commerce platforms in its distribution subsidiaries.</p> <p>Certain Hermès products are also distributed through a network of multi-brand sales outlets carefully selected on the basis of qualitative and/or quantitative criteria, in particular for perfumes, watches and certain products from the Home universe. Lastly, the Group also owns other brands that distribute their products directly or through their own selective network. Details of these brands are presented in section 1.4.1.</p> <p>In addition, there is little exposure of sales to seasonality.</p> <p>The policy of opening new points of sale is prudent and aims to spread the risks over several geographical areas.</p> <p>In addition, a crisis management system is in place to ensure business continuity. In particular, it was successfully implemented in early 2020 in the context of the Covid-19 pandemic (see the paragraph on crisis management in section 4.3.4 on internal control system).</p>

4.1.1.5 MANAGEMENT OF TALENT AND SAVOIR-FAIRE ●

<p>♦ DESCRIPTION OF THE RISK</p> <p>The <i>savoir-faire</i> of craftpeople, and more broadly the development the potential of employees, is one of Hermès' key assets. They are based on preserving, enriching and passing on this often exclusive <i>savoir-faire</i> in a context of growth for our <i>métiers</i> and our workforce.</p>	<p>♦ RISK MANAGEMENT</p> <p>The Group human resources department is in charge of identifying and developing talent in order to lay the groundwork for the next generation at all levels of the organisation. It is based on specific tailor-made courses and offers a training policy for new employees.</p>
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>A loss of <i>savoir-faire</i> or the disappearance of exclusive craftsmanship <i>métiers</i> would have an impact on the Group's operations and reputation, thus negatively affecting its financial results.</p>	<p>Training, along with internal mobility, is one of the major levers to support employees throughout their careers in the House.</p> <p>The continuous improvement of craftpeople's skills and <i>savoir-faire</i> is achieved through training and professional qualification programmes carried out in Hermès internal training schools (École du cuir, École des Tanneurs or École du Textile, among others), as well as through collaborations with external training structures. The promotion of crafts <i>métiers</i> and craftsmanship among younger generations is carried out with the support of partners: schools, training and apprenticeship centres, in order to ensure the knowledge and sustainability of <i>savoir-faire</i>.</p> <p>In addition, Hermès pays particular attention to the health, well-being and working conditions of its employees through an HSE policy formalised in 2003.</p> <p>Faithful to its family tradition and wanting to involve all employees in the Group's long-term growth, Hermès has implemented different measures for sharing economic benefits: incentive schemes, profit-sharing, employee shareholding plans, etc.</p> <p>In the context of Covid-19, the House has continued its training by adapting its programmes. From the start of the pandemic, priority was given to training that could be followed remotely. Employees were also able to access online content via weekly newsletters and remote conference cycles with internal and external stakeholders, including well-being, posture and management workshops adapted to teleworking.</p> <p>All initiatives undertaken by the Group relating to the management of talent and the preservation of <i>savoir-faire</i> are presented in chapter 2 of this document.</p>

4.1.2 INDUSTRIAL RISKS

4.1.2.1 MANAGEMENT OF SUPPLIES ●

<p>♦ DESCRIPTION OF THE RISK</p> <p>Most of Hermès' production is integrated, in line with its strategy of preserving unique <i>savoir-faire</i> and securing supplies. However, the ability of the Hermès Group to grow is also linked to the development of its suppliers, whose exceptional <i>savoir-faire</i> and future successes will contribute to those of the Group.</p>	<p>♦ RISK MANAGEMENT</p> <p>The Hermès Group makes most of its products in-house, primarily in France. It is not therefore seeking suppliers established in countries at risk. Hermès has long been committed to a responsible long-term partnership approach with its suppliers. It enters into special partnerships with its suppliers and producers, based on ethics and trust, by fostering long-term relationships with them. This stable relationship allows for close collaboration on many subjects over time.</p> <p>The Group's approach is based upon knowledge of the supply channels. The supplier risk is handled in a transverse manner by the Purchasing Manager. Their role is to manage the community of buyers by supporting them on a daily basis in managing supplier risk through various tools, as described in section 2.6.</p> <p>Hermès has developed long-term relationships with its partners and suppliers, thereby better protecting its supplies and critical <i>savoir-faire</i>.</p> <p>Hermès is committed to providing long-term support for all its partners, and maintaining balanced relationships characterised by goodwill and high standards, and it ensures that its partners share and respect its social, environmental and ethics ambitions. Supplier audits, conducted using internal resources as well as independent external firms, serve notably to check that their operations meet the Group's expectations.</p> <p>Drawing up supplier risk mapping enables action plans to be identified, assessed and prepared in response to the risks identified, wherever necessary. Significant work has also been carried out to optimise and secure the <i>supply chain</i>. The Group is strengthening supply protection, implementing a policy of diversification and limitation of supplier dependence, and building up security inventories. In some cases, it will buy into carefully selected companies to ensure the stability of these relationships. In line with the current health crisis, the Group has set up close monitoring of its suppliers in order to best support them and anticipate any difficulties, in a constant spirit of partnership.</p>
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>A supply shortage, in terms of volume or quality, of certain exceptional materials for the Group could lead to disruptions in production and eventually a loss of business.</p>	

4.1.2.2 BUSINESS DISRUPTION ●

<p>♦ DESCRIPTION OF THE RISK</p> <p>Hermès relies on a highly integrated French production method. The vast majority of our objects (80%) are made in France in exclusive in-house workshops (over 60%).</p> <p>The Group's ability to deal with a major industrial accident at one of its production, distribution or logistics sites (fire, flood), a natural disaster (tsunami, earthquake), a major health crisis, a disruption in the supply of exceptional materials or a major failure of information systems is a key issue for Hermès.</p>	<p>♦ RISK MANAGEMENT</p> <p>The management of industrial risks is carried out jointly by the Group's sustainable development department and the Group's industrial affairs department. It relies on a specific "HSE" network and the local Sustainable Development Committees as described in chapter 2.</p> <p>Hermès' production sites are spread across the country, reducing the risk of a complete activity shutdown.</p> <p>Hermès implements initiatives designed to protect its manufacturing assets, employees and the environment on all of the House's production sites. The Group's industrial affairs department relies on the <i>métiers</i>' industrial departments and Site Managers to carry out internal diagnostics. Audits conducted by external specialists enable operational improvement plans to be drawn up. The recommendations resulting from these analyses in the areas of organisation, procedures, training or investment are subject to careful follow-up. Safety-related expenditures and investments are considered to be a priority when making budget choices. In particular, in the current health context, adjustments have been made to the various sites to allow the activity to continue while respecting the health recommendations.</p> <p>Monitoring by in-house experts, supplemented by regular visits, are conducted by the Group safety department. They give rise to dedicated action plans, the implementation of which is monitored at the operational level by the sites in question.</p>
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>The occurrence of such events on the production chain would impact the conduct of activities and would have consequences on the Group's commercial and financial performance.</p>	

4.1.2.3 HEALTH AND SAFETY ●

<p>♦ DESCRIPTION OF THE RISK</p> <p>The Group ensures respect for human rights, fundamental freedoms, health and safety of people, whether they are customers, employees, suppliers or subcontractors.</p> <p>The Hermès Group is committed to respecting local regulations in the countries in which it operates. The quality of the products sold and their compliance with the strictest regulations on personal safety are priorities for the Group.</p>	<p>♦ RISK MANAGEMENT</p> <p>The Group's policy is to integrate health, safety and well-being challenges in its operational strategy as a priority, in particular for its manufacturing activities. In accordance with French law No. 2017-399 of 27 March 2017 relating to the duty of care of parent companies and contractors, the Hermès Group has drawn up a duty of care plan to identify risks and prevent serious violations of human rights and fundamental freedoms, and the health and safety of people, resulting from its activities as well as the activities of its subcontractors and suppliers, as described in section 2.6 of this report.</p> <p>Moreover, since 2003, the industrial affairs department has been leading a health, safety and environment (HSE) network comprising HSE managers from the House's different <i>métiers</i>. With around 20 members, it meets several times a year to set targets, share results and learn about best practices in each of the <i>métiers</i>.</p> <p>The main initiatives of the House's various <i>métiers</i> are described in chapter 2 of this report. In most cases, they go beyond simple regulatory compliance to achieve true well-being at work. Each <i>métier</i> has its specific needs as regards working conditions, so it is logical for each one to develop its own arrangements.</p> <p>The workplace health and hygiene section within the Group safety department, has produced all single risk assessment documents. They are updated annually. In the current health context, health protocols have been implemented and specific personal protective equipment has been made available to employees to protect the health and safety of people. A psychological support unit was mobilised to provide anonymous and confidential support to employees who might need it.</p> <p>Hermès products are regularly tested throughout the supply and production chains. Tests on finished products are also carried out by independent laboratories in Europe, Asia and the United States, to verify their compliance with the most stringent regulations in force, as well as their safety. Monitoring is carried out to analyse the development of regulations before drawing up product specifications.</p>
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>Any damage to the health and safety of employees, customers or third-parties working at Hermès sites, resulting from the activity of the Hermès Group or that of its sub-contractors or suppliers, and any non-compliance with the quality and safety standards of the products sold, could give rise to litigation and undermine the Group's reputation.</p>	

Note: The mitigation and prevention mechanisms for these risks are addressed specifically in chapter 2 of this report.

4.1.2.4 SAFETY ●

<p>♦ DESCRIPTION OF THE RISK</p> <p>The safety of property means all measures and means for combating threats and malicious acts. The main threats identified are: physical damage to property, people and infrastructure, and damage to <i>savoir-faire</i> and intangible property.</p>	<p>♦ RISK MANAGEMENT</p> <p>The following actions have been taken:</p> <ul style="list-style-type: none"> • safety governance is set out in a safety policy covering the entire production and distribution network; • in the case of a serious event, a crisis management process is implemented. This provides for the setting up of a crisis unit with dedicated resources made available. Crisis management exercises are regularly conducted.
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>Such breaches could cause damage to property and people working throughout the Group's sites (production, distribution or logistics).</p> <p>Moreover, they could expose craftpeople and sales associates to risks, causing moral and psychological damage to all Group employees.</p> <p>In addition to direct financial losses, they could harm the Group's image.</p>	<p>Hermès is organised so as to take account of these risks on a daily basis: a central monitoring station, operating round the clock, is connected to the 60 production and distribution sites in France. The Group took the decision to employ 60 agents in its internal security division, to which external service providers are added.</p> <p>A computerised security and crisis management tool is being implemented. In particular, it makes it possible to standardise operational procedures between the various teams of the Group safety department, while promoting real-time and consolidated information sharing. It also has specific crisis management functionalities.</p> <p>This system is also backed by partnerships set up through agreements signed with the police force and the Ministry for Europe and Foreign Affairs.</p> <p>Safety incidents are reported in a specific database and are regularly reported to the Group Safety Committee and the Audit and Risk Committee. They are analysed in detail, contributing to the continuous improvement of the system.</p> <p>In line with the health situation, safety measures were reinforced during lockdown and closed sites were subject to particular vigilance.</p>

4.1.3 LEGAL AND REGULATORY RISKS

4.1.3.1 COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS IN ALL AREAS ●

<p>◆ DESCRIPTION OF THE RISK</p> <p>The Hermès Group is committed to complying with the laws and regulations to which it is subject in France and internationally. These laws and regulations are increasingly numerous and complex.</p>	<p>◆ RISK MANAGEMENT</p> <p>The Group keeps abreast of developments in regulations and case law in all relevant areas to ensure that it complies with French and international laws and regulations. This monitoring is carried out in-house and by external firms:</p> <ul style="list-style-type: none"> • in view of the increasing complexity of each legal area, the in-house legal department is split into speciality areas, with departments or divisions specialising in a specific field of law (Corporate and Stock Market law, Real Estate law, Merger and Acquisitions law, Anti-Counterfeiting), divisions with general-purpose teams in charge of certain <i>métiers</i> (<i>métiers</i> and selective brands, Hermès Sellier <i>métiers</i> and Holding and Support <i>métiers</i>) and regional divisions, with legal teams in China, Japan, Singapore, South Korea and the United States. The compliance department, including the department in charge of Personal Data Protection law also reports to it. Employment and tax matters are respectively handled by the Group's human resources and finance departments, which work in conjunction with the legal department; • externally, in each region where the Group operates, Hermès is advised by local independent law firms, renowned and specialised in each of the numerous areas covered. The Group continues to be involved in ongoing litigation, but there are no pending settlements that are expected to have an impact on its business or on its financial results. The Company is not aware of any other pending or potential governmental, legal or arbitration proceedings that may have, or that over the last 12 months have had, a significant impact on its financial position or profitability and/or Group.
<p>◆ POTENTIAL IMPACTS ON THE GROUP</p> <p>Regulatory non-compliance could have a negative impact on the Group's operations, tarnish its reputation and give rise to financial penalties.</p>	

4.1.3.2 INTELLECTUAL PROPERTY AND COMBATING COUNTERFEITING ●

<p>♦ DESCRIPTION OF THE RISK</p> <p>The Group is very committed to the protection and defence of its intellectual property rights. It is very active in the fight against counterfeiting, particularly on the Internet.</p>	<p>♦ RISK MANAGEMENT</p> <p>The Group has a particularly comprehensive portfolio of brands, models, patents and domain names, which is regularly expanding.</p> <p>Within each <i>métier</i> legal division, teams are specifically dedicated to these issues and ensure that the Group's creations are protected effectively.</p> <p>Finally, the Group ensures that its rights are respected and pursues an active anti-counterfeiting policy involving both preventive measures (training) and coercive measures (administrative, civil and criminal proceedings) across the world and particularly on the Internet. These measures are initiated by the anti-counterfeiting department with the support of external advisers and in collaboration with the competent local authorities in the fields of intellectual property and the fight against counterfeiting. They are carried out both in traditional markets and on the Internet (online sales platform, social networks, retail websites, instant messaging, etc.).</p> <p>These actions enable hundreds of thousands of counterfeit products to be seized and destroyed each year, the source of these products to be identified and the Group's rights to be recognised, and the payment of damages to compensate for the prejudice suffered.</p>
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>Infringements of the Group's intellectual property rights could have a negative impact on its revenue and damage its brand image.</p>	

4.1.4 RISKS RELATED TO SOCIAL, SOCIETAL AND ENVIRONMENTAL RESPONSIBILITY

The Group's social, societal and environmental responsibility challenges are described in detail in chapter 2 of this document, and are articulated around the Hermès Group's six strategic sustainable development pillars:

- ♦ teams;
- ♦ *savoir-faire*;
- ♦ raw materials;
- ♦ environment;
- ♦ suppliers and partners;
- ♦ stakeholders.

A materiality analysis was conducted in 2020 with five internal working groups and a panel of external stakeholders. The detailed results are presented in chapter 2. This study confirms and sets out the analysis conducted more widely at Group level in 2019 on three main themes:

- ♦ risks related to changes in major global issues regarding climate and biodiversity;
- ♦ risks related to availability and judicious use of natural resources (water, energy, raw materials, waste management and recycling);
- ♦ risks related to human rights and fundamental freedoms, and in particular, as regards the ethics aspect of our relations and more broadly the well-being of our employees.

More details by type of risk, and the mitigation and prevention mechanisms for these risks are addressed specifically in chapter 2 of this report.

4.1.4.1 CHANGES IN MAJOR GLOBAL CLIMATE AND BIODIVERSITY ISSUES ●

<p>♦ DESCRIPTION OF THE RISK</p> <p>Climate change causes disruption of the climate system (heat, rising water levels, extreme events) and impacts on biodiversity and ecosystems.</p> <p>It also involves operational, regulatory and political transition issues (taxation, restriction of operations).</p> <p>The loss of biodiversity and the degradation of ecosystems threaten the sustainability of the natural resources from which the House's materials are sourced, weaken the planet and disrupt the living conditions of populations.</p>	<p>♦ RISK MANAGEMENT</p> <p>Hermès' French craftsmanship model, through its presence across France, reduces its vulnerability to extreme events already experienced in certain parts of the world.</p> <p>In accordance with the recommendations of the TCFD (Taskforce on Climate-related Financial Disclosures), the Group's work to reduce risk is organised around four axes:</p> <ol style="list-style-type: none"> 1. Governance at the highest level (Executive Committee); 2. A strategy aligned with the Paris Agreements: <ul style="list-style-type: none"> • defossilisation: 100% renewable energy in our direct operations by 2030, • a 50% reduction in emissions by 2030 in absolute terms for scopes 1 and 2, and relative (decoupling) for scope 3; 3. Operational risk management by: <ul style="list-style-type: none"> • taking the subject into account in the updated risk mapping within the Group, • the implementation of a prospective analysis of climate risks for our main activities by 2030 (leather goods, textiles), • specific risk analysis for certain sectors (cashmere, silk, etc.); 4. Monitoring of results and alignment with objectives, with a Carbon Assessment drawn up on the three scopes each year and the gradual implementation of indicators within the <i>métiers</i> and subsidiaries. As a reminder, 10% of the Executive Chairmen's variable compensation is subject to CSR criteria, including industrial energy consumption (scopes 1 and 2 GHG emission performance). <p>In addition, it is committed to an active policy of offsetting its greenhouse gas emissions (scopes 1 and 2).</p> <p>A biodiversity strategy, formalised in 2018, was launched and updated in 2020 as part of the commitment to Act4Nature international. It was reviewed by external stakeholders. It is divided into four areas:</p> <ul style="list-style-type: none"> • train all employees in biodiversity by 2025, • collaborate with recognised external stakeholders (WWF France, ICFA, SAOBC), • assess: measure the Group's biodiversity footprint (IPBES pressures) and its supply chains (leather, silk, cashmere, wood, cotton) by 2025, • act through action plans commensurate with the issues and pursue positive actions beyond the Group's activities (Livelihoods, Fondation d'entreprise). <p>The content of these action plans is detailed in chapter 2 of this report.</p>
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>Rapid changes could impact our supply chains, manufacturing operations, logistics or distribution, as well as the behaviour of our customers.</p>	

4.1.4.2 AVAILABILITY AND PROPER USE OF NATURAL RESOURCES ●

<p>♦ DESCRIPTION OF THE RISK</p> <p>The Group seeks to secure quality supplies of natural and renewable materials, obtained while fully respecting biodiversity.</p> <p>The risk relates to access and availability of materials, as well as the conditions under which they are obtained: social and environmental impact and their societal acceptability (animal welfare).</p>	<p>♦ RISK MANAGEMENT</p> <p>The Group works in each of its <i>métiers</i>, under the coordination and control of the industrial affairs department, to gain a better understanding of the supply chains and develop operational practices in order to jointly build the resilience of these channels. The approach undertaken aims to:</p> <ol style="list-style-type: none"> 1. Control the entire value chain with operational traceability and long-term partnerships with suppliers, partners and NGOs; 2. Contribute to the development of the most demanding standards for responsible and sustainable management of supply chains: <ul style="list-style-type: none"> • environmental footprint: biodiversity, water, energy, carbon, • social: working conditions, ethics, corruption, • societal: link with communities; 3. Support regenerative agriculture that is more respectful of nature; 4. Set the highest standards in terms of animal welfare and ethics in our relationship with living organisms: a dedicated committee has been in place since 2019; 5. Create circularity: in 2020 a committee, which includes all <i>métiers</i>, is leading projects to innovate, reuse and recycle materials in order to prolong their life. <p>Audits supplement this system and are carried out regularly with specialised service providers, or on certain channels with the WWF, in order to best manage risks.</p> <p>With a view to continuous improvement, these processes are reviewed on a regular basis and action plans are implemented.</p> <p>The content of these action plans is detailed in chapter 2 of this report.</p>
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>Decrease in the quality and volumes of exceptional natural raw materials, increase in costs. Loss of some customers who choose not to purchase leather.</p>	

4.1.4.3 RESPECT FOR HUMAN RIGHTS, ETHICS AND FUNDAMENTAL FREEDOMS ●

<p>♦ DESCRIPTION OF THE RISK</p> <p>The risks of serious infringement of human rights, fundamental freedoms, our ethics values and the health and safety of people mainly concern our external activities. Over 60% of the workforce is in France and is therefore subject to strict regulations. The multiplicity of our <i>métiers</i> and supply chains, combined with our desire to use the exceptional raw materials in which they are produced, leads us to work in partnership with suppliers from sometimes distant countries and requires constant vigilance regarding the respect of these rights throughout our value chain.</p>	<p>♦ RISK MANAGEMENT</p> <p>The Group has a two-fold requirement: zero tolerance for breaches of probity on the one hand, and a determined commitment to a culture of ethics, on the other. The approach is structured around a specific governance, carried at the highest level of the organisation, by tools that formalise our commitments and by a policy of identification, assessment, awareness, prevention and detection of these risks as well as control systems:</p> <ol style="list-style-type: none"> 1. The Group has written its ethics values and its commitment to respect for human rights and fundamental freedoms into the following documents: <ul style="list-style-type: none"> • an ethics charter that defines Hermès' relationships with its employees and suppliers, • a code of business conduct that dedicates a section to human rights and fundamental freedoms, • an anti-corruption code of conduct that sets out the rules to be followed in terms of integrity and probity, • commitment handbooks, signed by suppliers and commercial partners, that explicitly address these subjects. <p>These charters and codes, which are regularly updated, are in line with fundamental principles such as the Universal Declaration of Human Rights, ILO rules, the OECD guidelines and the United Nations Global Compact as regards sustainable development;</p> 2. In accordance with law 2017-399 of 27 March 2017 on the duty of care of parent companies and contractors, the Hermès Group has drawn up a duty of care plan. It aims to identify the risks and prevent serious violations of human rights and fundamental freedoms, the health and safety of people and the environment, resulting from its activities, as well as from the activities of its subcontractors or suppliers. Systems for identifying, mitigating and preventing these risks have been put in place for employees, suppliers and subcontractors; 3. Regular risk analyses and procedures assessing the situation of suppliers and subcontractors, as well as audits, make it possible to verify <i>in situ</i> the reality of the commitments made by our suppliers in terms of social commitments, human rights and fundamental freedoms. health and safety and compliance with environmental regulations and standards; 4. An internal and external whistleblowing system makes it possible to report any breaches or situations contrary to ethics, social and environmental principles. <p>The content of these action plans is detailed in chapter 2 of this report.</p>
<p>♦ POTENTIAL IMPACTS ON THE GROUP</p> <p>A violation of human rights and fundamental freedoms would be contrary to the Group's ethics values and would have a strong impact on its reputation and image.</p>	

5

CONSOLIDATED FINANCIAL STATEMENTS

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Comments on the consolidated financial statements are set out in section 1.8 "Comments on the consolidated financial statements" of chapter 1.

5.1 CONSOLIDATED INCOME STATEMENT

<i>In millions of euros</i>	<i>Notes</i>	2020	2019
Revenue	4	6,389.4	6,883.4
Cost of sales	5	(2,013.3)	(2,124.9)
Gross margin		4,376.2	4,758.5
Sales and administrative expenses	6	(1,698.5)	(1,815.7)
Other income and expenses	7	(696.2)	(604.0)
Recurring operating income	4	1,981.4	2,338.9
Other non-recurring income and expenses	8	91.1	-
Operating income	4	2,072.5	2,338.9
Net financial income	9	(86.1)	(68.6)
Net income before tax		1,986.4	2,270.3
Income tax	10	(613.0)	(751.0)
Net income from associates	18	16.1	15.9
CONSOLIDATED NET INCOME		1,389.6	1,535.3
Non-controlling interests	24	(4.1)	(7.0)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT		1,385.4	1,528.2
Earnings per share (<i>in euros</i>)	11	13.27	14.66
Diluted earnings per share (<i>in euros</i>)	11	13.21	14.55

N.B. The values shown in the tables are generally expressed in millions of euros.

In certain cases, the effects of rounding up/down can lead to a slight discrepancy in the totals or changes.

5.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In millions of euros</i>	<i>Notes</i>	2020	2019
Consolidated net income		1,389.6	1,535.3
Changes in foreign currency adjustments ¹	23.4	(103.0)	50.1
Hedges of future cash flows in foreign currencies ^{1 2}	23.4	54.7	2.8
♦ <i>change in fair value</i>		36.3	(32.9)
♦ <i>recycling through profit or loss</i>		18.3	35.7
Assets at fair value ²	23.4	-	-
Employee benefit obligations: change in value linked to actuarial gains and losses ²	23.4	(1.8)	(36.0)
Net comprehensive income		1,339.4	1,552.2
♦ <i>attributable to owners of the parent</i>		1,337.2	1,544.4
♦ <i>attributable to non-controlling interests</i>		2.2	7.7

(1) Transferable through profit or loss.

(2) Net of tax.

5.3 CONSOLIDATED BALANCE SHEET

ASSETS

<i>In millions of euros</i>	<i>Notes</i>	31/12/2020	31/12/2019
Goodwill	12	42.4	16.2
Intangible assets	13	221.3	184.1
Right-of-use assets	14.1	1,446.1	954.3
Property, plant and equipment	15	1,646.1	1,541.8
Investment property	16	73.3	78.0
Financial assets	17	367.7	357.4
Investments in associates	18	48.8	79.3
Loans and deposits	19	55.9	58.1
Deferred tax assets	10.3	475.2	510.8
Other non-current assets	21	23.9	10.5
Non-current assets		4,400.8	3,790.6
Inventories and work-in-progress	20	1,289.4	1,132.6
Trade and other receivables	21	249.7	317.9
Current tax receivables	21	63.5	20.7
Other assets	21	193.1	198.6
Financial derivatives	25.2	121.4	36.5
Cash and cash equivalents	22	4,732.7	4,384.2
Current assets		6,649.7	6,090.5
TOTAL ASSETS		11,050.5	9,881.1

LIABILITIES

<i>In millions of euros</i>	<i>Notes</i>	31/12/2020	31/12/2019
Share capital	23	53.8	53.8
Share premium		49.6	49.6
Treasury shares	23	(463.7)	(508.8)
Reserves		6,211.9	5,255.7
Foreign currency adjustments	23.2	37.6	138.7
Revaluation adjustments	23.3	105.5	50.9
Net income attributable to owners of the parent		1,385.4	1,528.2
Equity attributable to owners of the parent		7,380.1	6,568.1
Non-controlling interests	24	10.9	7.8
Equity		7,391.0	6,575.9
Borrowings and financial liabilities due in more than one year	25.3	18.4	29.6
Lease liabilities due in more than one year	14.2	1,447.5	896.0
Non-current provisions	26	21.7	29.0
Post-employment and other employee benefit obligations due in more than one year	28	275.2	270.0
Deferred tax liabilities	10.3	21.9	24.6
Other non-current liabilities	29	36.2	32.5
Non-current liabilities		1,820.9	1,281.7
Borrowings and financial liabilities due in less than one year	25.3	24.5	20.5
Lease liabilities due in less than one year	14.2	195.6	195.6
Current provisions	26	99.9	101.4
Post-employment and other employee benefit obligations due in less than one year	28	28.3	18.2
Trade and other payables	29	448.2	480.4
Financial derivatives	25.2	29.3	47.1
Tax liabilities	29	217.8	360.1
Other current liabilities	29	794.9	800.2
Current liabilities		1,838.6	2,023.6
TOTAL EQUITY AND LIABILITIES		11,050.5	9,881.1

NOTE 4 SEGMENT INFORMATION

The information below is shown after consolidation adjustments and eliminations (see Note 1.16).

4.1 Segment information by geographical area

In millions of euros	2020							Total
	France	Europe (excl. France)	Japan	Asia-Pacific (excl. Japan)	Americas	Other	Holding	
Revenue	619.6	953.4	833.9	2,915.4	959.0	108.2	-	6,389.4
Recurring operating income	159.2	195.4	291.7	1,289.6	228.6	24.6	(207.8)	1,981.4
Recurring operating profitability by segment	25.7%	20.5%	35.0%	44.2%	23.8%	22.8%		31.0%
Other non-recurring income and expenses	-	-	-	-	-	-	91.1	91.1
Operating income	159.2	195.4	291.7	1,289.6	228.6	24.6	(116.7)	2,072.5
Operating investments	221.3	38.8	30.2	68.6	43.4	-	46.0	448.4
Non-current assets ⁽¹⁾	813.7	464.5	252.5	800.7	656.1	31.0	907.2	3,925.7

(1) Non-current assets other than deferred tax assets.

2019

<i>In millions of euros</i>	France	Europe (excl. France)	Japan	Asia-Pacific (excl. Japan)	Americas	Other	Holding	Total
Revenue	867.3	1,201.9	864.0	2,589.6	1,240.7	120.0	-	6,883.4
Recurring operating income	312.7	343.6	318.5	1,079.9	427.6	33.8	(177.3)	2,338.9
Recurring operating profitability by segment	36.1%	28.6%	36.9%	41.7%	34.5%	28.1%		34.0%
Other non-recurring income and expenses	-	-	-	-	-	-	-	-
Operating income	312.7	343.6	318.5	1,079.9	427.6	33.8	(177.3)	2,338.9
Operating investments	186.8	44.7	22.2	128.1	75.0	-	21.1	478.0
Non-current assets ¹	1,124.8	420.1	202.6	602.9	521.1	33.2	27.9	2,932.6

(1) Non-current assets other than financial instruments and deferred tax assets.

4.2 Revenue by métiers

The distribution of revenue by métiers is as follows:

<i>In millions of euros</i>	2020	2019	Change at current exchange rate	Change at constant exchange rate
Leather Goods & Saddlery	3,209.2	3,414.3	(6.0)%	(4.8)%
Ready-to-wear and Accessories	1,408.9	1,574.2	(10.5)%	(9.2)%
Silk and Textiles	452.0	592.5	(23.7)%	(22.8)%
Other Hermès sectors	642.6	524.9	22.4%	23.9%
Perfumes	263.2	325.9	(19.2)%	(19.0)%
Watches	195.9	193.4	1.3%	2.3%
Other products	217.7	258.2	(15.7)%	(15.3)%
REVENUE	6,389.4	6,883.4	(7.2)%	(6.0)%

10.2 Rationalisation of the income tax expense

The effective tax rate was 30.9% as at 31 December 2020, compared with 33.1% as at 31 December 2019.

The difference between the theoretical income tax expense and the net actual income tax expense is explained as follows:

<i>In millions of euros</i>	2020	2019
Net income attributable to owners of the parent	1,385.4	1,528.2
Net income from associates	16.1	15.9
Net income attributable to non-controlling interests	(4.1)	(7.0)
Income tax expense	(613.0)	(751.0)
Net income before tax	1,986.4	2,270.3
Effective tax rate	30.9%	33.1%
Current tax rate in France ¹	32.0%	34.4%
Theoretical income tax expense	(636.0)	(781.7)
<i>Reconciliation items:</i>		
♦ differences relating to foreign taxation (primarily the tax rate)	56.1	128.9
♦ permanent differences and other ²	(33.0)	(98.2)
TOTAL	(613.0)	(751.0)

(1) The tax rate applicable in France is the basic rate of 31.00% increased by the social contribution of 3.3%, i.e. a total of 32.02%.

(2) This line includes permanent differences, the effect of reversals of unused/non-activated tax loss carry forwards, prior year adjustments, and potential risks and uncertain tax positions.

The Group's companies are regularly audited by the tax authorities of the countries in which they operate.

Risks, and uncertain tax positions are subject to appropriate debts, for which the amounts are reviewed by Group Management, together with its legal advisors, in accordance with the criteria of IAS 12 and IFRIC 23.



INFORMATION ON THE COMPANY AND ITS SHARE CAPITAL

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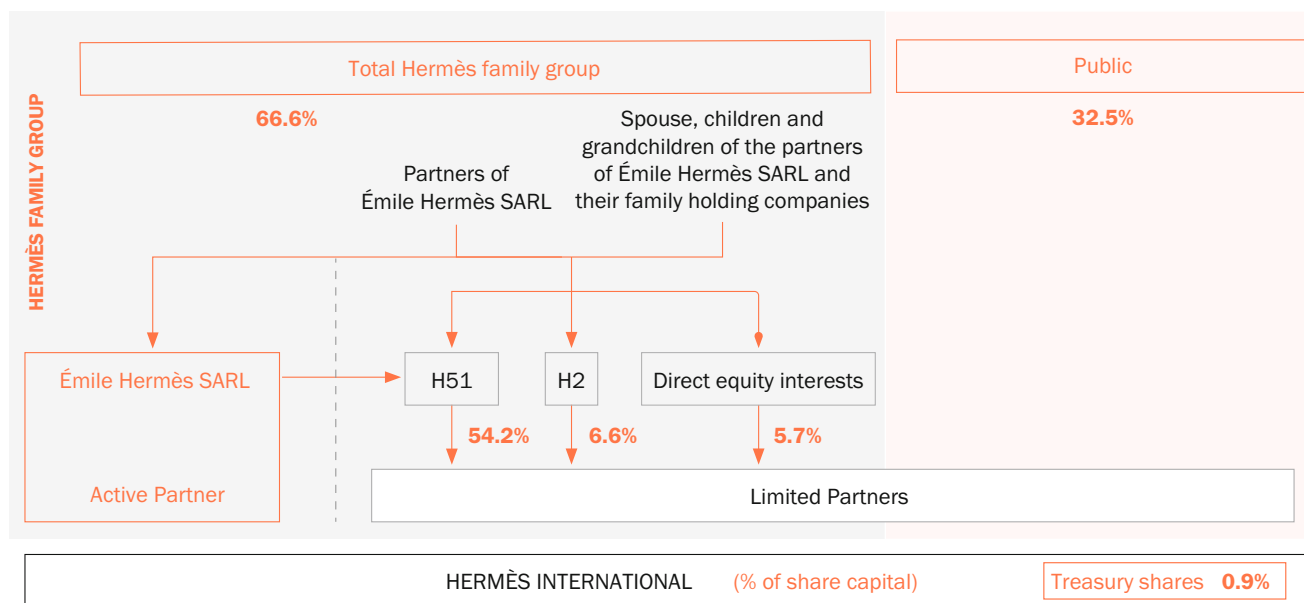
As at 31 December 2020 and to the Company's knowledge, the distribution of the share capital and voting rights of the Company was as follows:

	Share capital		Allocation of net income		Voting rights ¹		Other
	Number	%	Number	%	Number	%	
H51	57,258,054	54.2	112,774,624	63.8	112,774,624	63.8	
H2	7,012,602	6.6	13,888,704	7.9	13,888,704	7.9	
Other members of the Hermès family group	6,014,627	5.7	7,459,700	4.1	11,539,700	6.5	
Sub-total Hermès family group ²	70,285,283	66.6	134,123,028	75.9	138,203,028	78.2	
Public ^{3,4}	34,317,336	32.5	42,673,178	24.1	38,593,178	21.8	
Treasury shares	966,793	0.9	-	0.0	-	0.0	
TOTAL	105,569,412	100.0	176,796,206	100.0	176,796,206	100.0	

- (1) Voting rights that can be exercised in the General Meeting. In accordance with Article 12 of the Articles of Association of the Company, the voting right is exercised by the bare owner for all decisions taken by all General Meetings, except for decisions concerning the allocation of net income, for which the voting right is exercised by the usufructuary. The procedures for publication and allocation of voting rights are detailed § 7.2.1.2.
- (2) The definition of the Hermès family group is in chapter 9 "Additional information", § 9.6.
- (3) These amounts correspond to all of the shares and voting rights in circulation, reduced by the number of shares and voting rights declared by the identified shareholders as mentioned in this table.
- (4) Including the Arnault family group. See the threshold crossing declaration of 11 July 2017 (AMF notice No. 217C1525 of 11 July 2017) described on page 392 of the 2019 Universal Registration Document).

These figures result, for registered shares on the register kept by the BP2S Securities service as well as for bearer shares, from the declarations, where applicable, of those in question.

Changes occurring after closure of the financial year are detailed in § 7.2.2.3.2.



7.4 STOCK MARKET INFORMATION

7.4.1 SUMMARY OF STOCK MARKET INFORMATION

(Source Bloomberg)

	2020	2019	2018
Number of shares as at 31 December	105,569,412	105,569,412	105,569,412
Average number of shares (excluding treasury shares)	104,430,772	104,233,233	104,227,077
Market capitalisation as at 31 December	€92.86 billion	€70.33 billion	€51.18 billion
Earnings per share (excluding treasury shares)	€13.27	€14.66	€13.48
Dividend per share	€4.55 ¹	€4.55 ²	€4.55
Average daily volume (Euronext)	66,151	54,467	72,725
12-month high share price	€890.20	€689.20	€614.60
12-month low share price	€516.00	€462.40	€417.90
12-month average share price	€729.42	€607.44	€509.85
Share price as at 31 December	€879.60	€666.20	€484.40

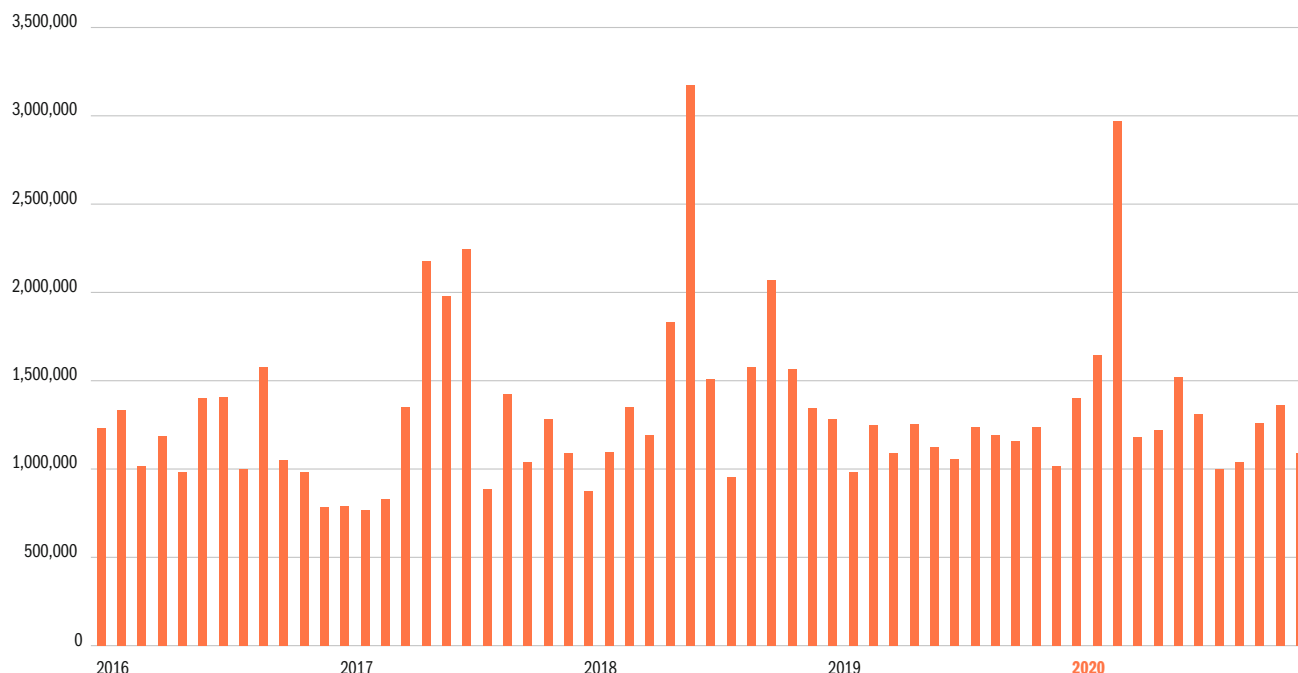
(1) Subject to the decisions of the Ordinary General Meeting of 4 May 2021. An interim dividend of €1.50 was paid on 4 March 2021.

(2) In the context of the health crisis linked to the Covid-19 pandemic, on 30 March 2020, on the proposal of the Executive Management, the Supervisory Board decided to modify the dividend distribution proposal initially submitted to the Shareholders' General Meeting of 24 April 2020 and to reduce the amount from €5.00 to €4.55 per share, i.e. the same amount as that paid in 2019.

7.4.2 HISTORY OF MONTHLY TRANSACTIONS

In number of shares ¹

(Source Bloomberg)



1. Euronext.

7.4.3 HERMÈS SHARE PRICE HISTORY

Hermès International entered the CAC 40 on 7 June 2018, evidencing the strength of its business model.

In euros



7.5 SHAREHOLDER INFORMATION

7.5.1 RELATIONS WITH SHAREHOLDERS

Shareholders and investors may obtain information on the Hermès Group by contacting:

Ms Carole Dupont-Pietri

Director of Financial Communications and Investor Relations

Hermès International

13-15, rue de la Ville-l'Évêque – 75008 Paris

Tel.: +33 (0)1 40 17 49 26

E-mail: contact.finance@hermes.com

7.5.2 SECURITIES SERVICE

These shares are registered in a securities account held by:

BNP PARIBAS SECURITIES SERVICES

Issuer Services

LES GRANDS MOULINS DE PANTIN

9, rue du Débarcadère – 93761 Pantin Cedex

Tel.: +33 (0)8 26 10 91 19

NOA – NextGen Online Assistant: virtual assistant on Planetshares (<https://planetshares.bnpparibas.com>).

7.5.3 DOCUMENTS AVAILABLE TO THE PUBLIC

Legal documents relating to the Company, and more broadly regulated information within the meaning of Article 221-1 of the General Regulation of the AMF are available on the Company's financial information site (<https://finance.hermes.com/en/regulated-information/>). They may also be consulted in print version during business hours at the Company's registered office. On this website, shareholders and investors can access information on the Group Management, governing bodies and Registration Documents, Universal Registration Documents and financial press releases, available in French and English, for the last five financial years.

Information on the website is not part of the Universal Registration Document, unless it is incorporated by reference.

7.5.4 HOW TO BECOME A HERMÈS INTERNATIONAL SHAREHOLDER

Registered shares

Shareholders who opt for this method of administration automatically receive notices of General Meetings and a form to complete if they wish

to receive a hard copy of the Universal Registration Document. They may, under certain conditions, place orders to buy or sell shares with BNP Paribas Securities Services after signing a service agreement.

Pure registered shares are handled directly by BNP Paribas Securities Services. Shareholders must sign a service agreement to open a fully registered share account, setting out the terms and conditions for buying and selling shares via BNP Paribas Securities Services. The Company covers the custody fees.

Administered registered shares are handled by another financial institution, of the shareholder's choice, that may charge custody fees.

Bearer shares

Bearer shares are handled by a financial institution that may apply custody fees. Shareholders who opt for this form of administration are not known to the Company and must identify themselves if they wish to obtain documents and attend General Meetings.

7.5.5 DIALOGUE WITH SHAREHOLDERS IN 2020

The financial communication and investor relations department engages in dialogue with the financial community and all Group shareholders throughout the year, adapting in particular to the current environment through the use of digital resources.

In 2020:



**Number of
roadshows**

11



**Investor
meetings**

35



**Institutions
met**

150

Hermès is making the website <https://finance.hermes.com/> available to the financial community and to its shareholders. The website has been completely redesigned in 2020, making it easier to navigate the Hermès universe.

- ◆ In the “Investors” section, shareholders can in particular find:
 - half-yearly and annual financial presentations, and press releases,
 - the Universal Registration Document and the half-year financial report,
 - letters to Shareholders, in the section “Shareholders’ Guide”;

- ◆ a specific “General Meeting” section, which allows shareholders to read all the information relating to this event, its retransmission, as well as information related to the health context;
- ◆ a section dedicated to the “Group” and the specific features of its independent craftsmanship model, its creativity and know-how;
- ◆ the section dedicated to “sustainable development”, which contains the commitments and actions carried out by the Maison Hermès, has been enhanced. The House's objectives, initiatives and number of projects are set out in this dedicated digital space. The Group thus confirms its commitment to social, societal and environmental performance, which is part of the Maison Hermès DNA and its craftsmanship model.