



2021

UNIVERSAL REGISTRATION DOCUMENT

CSR EXTRACT
NON-FINANCIAL PERFORMANCE STATEMENT
(NFPS)

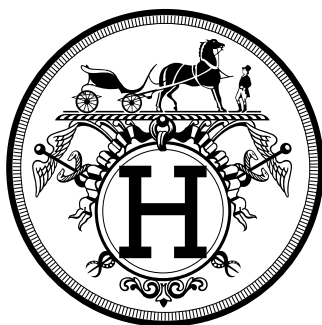
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The sections of the Annual Financial Report are identified in the contents with the **AFR** pictogram.

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



2021
UNIVERSAL
REGISTRATION
DOCUMENT

Extract CSR
Non-Financial Performance
Statement (NFPS)

Including the Annual Financial Report

MESSAGE FROM THE EXECUTIVE MANAGEMENT



A wonderful human odyssey

2021 was marked by strong growth and exceptional results. In the face of the pandemic, Hermès' artisanal model has once again demonstrated its resilience and relevance.

We owe this success to the House's 17,600 employees who, with their talents, know-how and human values, adapted to a new paradigm without ever compromising their high standards or integrity. We rewarded this universal commitment by granting an exceptional bonus of €3,000 to every employee worldwide and a monthly pay increase of €100 for employees in France.

In the new dynamics of a world where the physical and the digital coexist, Hermès has consolidated its multi-local approach and successfully nurtured and renewed its bonds with customers in each country. In increasingly polarised markets, its rich collections and abundant creativity have enabled the House to offer sustainable objects adapted to individual desires. Innovation, whether in the development of new materials, in support functions, or in the agility of our services, has played a key role. Maintaining investments in production capacity and training – such as through the creation of the École Hermès des Savoir-Faire – is a sign of the House's deep attachment to the regions and local communities in which it operates, and of the need and willingness to act in a socially and economically accountable way. The Group's commitments to managing its environmental impact and contributing to responsible growth have been welcomed by all stakeholders, as borne out by the high scores received from non-financial rating agencies.

It is therefore with pride and gratitude that we close 2021, a year that we announced as an odyssey – a journey that, despite the world's vicissitudes, reminds us of who we are.

Axel Dumas
EXECUTIVE CHAIRMAN

Émile Hermès SAS
EXECUTIVE CHAIRMAN
REPRESENTED BY HENRI-LOUIS BAUER

HIGHLIGHTS 2021

In 2021, the Group's consolidated revenue reached €8,982 million, up 42% at constant exchange rates and 41% at current exchange rates compared to 2020. Over two years, this increase was 33% at constant exchange rates, in the first as in the second half of the year. Recurring operating income was up 78% and amounted to €3,530 million (39% of sales). Net profit (Group share) reached €2,445 million, up 77% compared to 2020.

Axel Dumas, Executive Chairman of Hermès, said: *"I thank above all the passion and quality of our teams' work, because together we have made 2021 an exceptional year. Abundant creativity, unique know-how and the quality of materials have driven the growth of our sixteen métiers. Hermès is very dedicated to its role as a committed and responsible company and continues its commitments to job creation around the world and to regional regeneration in France, while reinforcing its ambitious environmental objectives."*

Sales by geographical area at the end of December

(at constant exchange rates, unless otherwise indicated)

Asia and America recorded the highest growths, compared to 2020 as well as to 2019, and Europe returned to growth compared to 2019. Sales in the Group's stores increased by 44% at constant exchange rates compared to 2020 and 41% over two years. Hermès continued to selectively develop its distribution network and online sales increased worldwide, with the rollout of new services and sustained growth in traffic. Wholesale activities (+24%) increased despite constraints faced by travel retail:

- ♦ Asia excluding Japan (+45% and +65% over two years) pursued its dynamic growth, driven particularly by the sustained performance in Greater China, Australia and Singapore, despite new restrictions in some of the region's countries. The Shanghai Plaza 66, Suzhou and Ningbo stores reopened after renovation and extension, after the Beijing China World store in spring, and new stores were inaugurated in Macao and Shenzhen. In Australia, the Brisbane store also reopened after being extended;

- ♦ Japan (+25% and +20% over two years) posted a sustained and regular increase in sales, thanks to the loyalty of local customers, while benefitting from the end of the health state of emergency in October. A new store opened in February on Omotesando Avenue and the Shinjuku Isetan store in Tokyo was renovated following extension work in November;
- ♦ America (+57% and +24% over two years) achieved a strong performance, despite the sanitary restrictions imposed in several US cities in the fourth quarter. Two new stores opened, in Troy near Detroit in June and in Aventura Mall near Miami in October;
- ♦ Europe excluding France (+37% and +10% over two years) recorded a strong second half, with a remarkable development of the local customer base, which partly offset the tourist traffic. Several stores were renovated and extended, Zurich in May, Milan in July, and Istanbul in October, and the Luxembourg store moved to a new address in November;
- ♦ France (+35% and -3% over two years) confirmed its recovery, with a fourth quarter marked by fewer tourists in the Paris stores. The stores in Lyon and rue de Sèvres in Paris reopened in February and March after being renovated and extended.

Sales by métier at the end of December

(at constant exchange rates, unless otherwise indicated)

At the end of December 2021, all the métiers confirmed their growth, with a noteworthy increase in Ready-to-wear and Accessories, Watches and Other Hermès Business Lines (Jewellery and Homeware).

In the Leather Goods & Saddlery métier (+29% and +23% over two years) sales were exceptional. After the strong acceleration in the first nine months, sales in the 4th quarter reflected as anticipated the capacity constraints. Demand both for new bags like *Della Cavalleria* and *24/24* and the Hermès classics is very sustained. The increase in production capacities continued, with the opening of the Louviers site (Eure) in 2022, the Sormonne site (Ardennes) in 2023 and a new one in Riom (Puy-de-Dôme) scheduled for 2024. Hermès continued to strengthen its local presence in France and to create jobs. In September, in line with our commitments to knowledge transfer and education, Hermès opened the École Hermès des Savoir-Faire (Hermès school of know-how), which is accredited by the French education department and will award a State-approved diploma in leatherworking expertise.

The Ready-to-wear and Accessories *métier* (+59% and +44% over two years) pursued its dynamic growth, thanks to the success of the Ready-to-wear, Fashion accessories and Shoes collections. The Men's and Women's Spring-Summer 2022 collection, presented respectively in July and October, met with great success.

The Silk and Textiles *métier* (+49% and +15% over two years) performed well. A new printing line was inaugurated as part of the development of the site near Lyon to meet demand.

Perfume and Beauty (+47% and +19% over two years) benefitted from the successful launches of the *H24* perfume for men and *Twilly Eau Ginger*, and the development of the Beauty line with the autumn rollout of the third chapter in Beauty, *Les Mains Hermès*.

The Watches *métier* (+73% and +77% over two years) confirmed its strong growth, which results from the exceptional watch-making expertise and the success of the new men's watch *H08* alongside other classics of the House.

Other Hermès sectors (+57% and +95% over two years) confirmed their momentum, both in Jewellery and Homeware.

Outstanding results and free cash flow progression in 2021

Recurring operating income amounted to €3,530 million, rising 78% from €1,981 million in 2020. Thanks to the collections remarkable sell-through and an exceptional leverage effect, the recurring operating margin reached an historical high of 39% of sales, up 8 points compared to 2020 and 5 points compared to 2019.

Consolidated net profit (Group share) amounted to €2,445 million (27% of sales), up 77% from €1,385 at the end of December 2020.

Operating investments amounted to €532 million. Thanks to the outstanding increase in results and the favourable impact of the change in working capital, the adjusted free cash flow reached a record-high €2,661 million, *i.e.* 2.7 times that of 2020.

After distribution of the ordinary dividend (€476 million) and inclusion of shares redeemed (€162 million for 142,131 shares, excluding the liquidity contract), the restated net cash position increased by €2,166 million to €7,070 million.

A responsible and sustainable model

The Hermès Group has continued to recruit and added nearly 1,000 people to its workforce this year. At the end of December 2021, the Group employed 17,595 people, including 10,969 in France. True to its commitment as a responsible employer, in 2022 Hermès will pay an exceptional €3,000 bonus to all the employees to reward them for their engagement and their contribution to the results in a challenging context.

In 2021, the outstanding improvement in non-financial ratings reflected the speeding-up of CSR commitments and the sustainable dimension of Hermès' craftsmanship model. MSCI published an "A" rating in its analysis of the firm's resilience to environmental, social and governance risks. The Group was included in the CAC40 ESG index, after Hermès was ranked by Vigeo-Eiris in the "Advanced" category. Sustainalytics ranked Hermès the second best player in the Textiles and Clothing sector. Hermès' commitment to fighting climate change was particularly recognised by the CDP rating for which Hermès scored "A-".

Hermès Group reasserted its commitment to fighting climate change by reviewing its reduction targets at year end, to align with a global warming pathway below 1.5°C. These targets were calculated scientifically and validated by the Science Based Target initiative (SBTi). Hermès thus committed to reducing emissions by 50.4% on scopes 1 and 2 in absolute value and by 58.1% in intensity (per €m of gross margin) on scope 3, over the 2018-2030 period.

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1.1 SIX GENERATIONS OF CRAFTSPEOPLE

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 craftspeople 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, rue du 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 Cristalleries Saint-Louis 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 joaillerie* collection in 2010. 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 is accompanying the Group's digital roll-out, which led to 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.

In 2018, Hermès International entered the CAC 40 index followed, in 2021, by the Euro Stoxx 50 index. This demonstrates the Group's remarkable industrial trajectory and stock market performance of an independent, family-run House of artisans that distributes its objects through a dynamic network of 303 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 19 production units.

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

HERMÈS IN KEY DATES

1837

- ◆ The workshop of craftsman 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 Hermès, moves the workshops to 24, rue du 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 Hermès, brings the American “universal fastener”, later known as the zipper 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 joaillerie* 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.

2020

- ◆ Launch of the 16th *métier*: Beauty.

2021

- ◆ As at 31 December 2021, Hermès had 303 stores worldwide.
- ◆ The *hermes.com* website is the leading store, with online sales now operating in 29 countries.
- ◆ Inauguration of the leather goods workshops of Montereau (Seine-et-Marne) and Saint-Vincent-de-Paul (Gironde), the Group's 18th and 19th production units in France.
- ◆ Hermès International enters the Euro Stoxx 50.

1.2 GROUP GOVERNANCE

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: Axel Dumas is in charge of strategy and operational management, and Émile Hermès SAS, 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 "Corporate governance", § 3.2 and § 3.3.



1

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



2

Agnès de Villers



3

Sharon MacBeath

Two new members joined the Executive Committee on 1 March 2022.



4

Éric de Seynes

Chairman of the Supervisory Board

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 «Corporate governance», § 3.2 and § 3.4.

1.3 STRATEGY

Hermès is an independent company backed by family shareholders. Its strategy is based on three pillars: creation, craftsmanship and an exclusive distribution network.

Since 1837, the Group has remained true to its values of freedom, demanding craftsmanship *savoir-faire*, quality, authenticity and responsible growth.

CREATION AT THE CORE OF HERMÈS' STRATEGY

Hermès creates and manufactures quality objects designed to last, to be passed on from one generation to the next, and to be repaired. This approach requires these issues to be taken into account at every stage, from design to sales.

Hermès' strategy is based on creative freedom. Each year, a theme inspires creators and Artistic Directors. Driven by a history spanning nearly 200 years, during which the House has continued to develop with audacity and ingenuity, Hermès paid homage to the theme of the Odyssey in 2021. In the face of challenges and successes, the Group has continued its journey, true to its identity and 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. 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 2021, it was revealed in new territories with the successful launch of the new Beauty chapters, the H08 men's watch and the H24 perfume.

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.

PERFORMANCE OF THE INTEGRATED CRAFTSMANSHIP MODEL

Hermès leverages its craftsmanship division, the second pillar of its strategy, with nearly 6,000 craftspeople in France. Backed by the House's rich history shaped by six generations of craftspeople, Hermès is resolutely turned to the future through its values, which address the concerns of our modern societies. Hermès moves with the times, but always respecting tradition, transmission and innovation.

The House 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, enabling around 300 jobs to be created and promoting a pleasant working environment on a human scale.

Hermès continued its investments to expand its production capacity in 2021, to satisfy its 16 *métiers*.

The House ensures that it continually nurtures improvements in the gestures and *savoir-faire* of its craftspeople. In 2021, true to its commitment to education, Hermès opened an apprentice training centre, the Centre de Formation d'Apprentis (CFA), which awards a State diploma in leather work. The craftsmanship model is at the heart of all the *métiers* of Maison Hermès, drawing on exceptional materials.

To ensure the durability 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 58% of production is integrated and 78% is located in France.

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

THE DYNAMICS OF AN EXCLUSIVE OMNICHANNEL DISTRIBUTION NETWORK

Hermès' in-house distribution model, with its network of stores and e-commerce sites, proved its effectiveness during the health crisis. The House's tools were adapted to a transformed customer relationship in order to respond to rapid changes in demand and maintain a special relationship with customers.

The exclusive distribution network consists primarily of branches run by the Group around the Hermès brand. Each of the 303 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 has increased since the start of the Covid-19 crisis. For the past six years, Hermès has made the strategic choice of ramping up online sales, with the successful rollout of its proprietary platform worldwide, the attraction and retention of new customers, and the development of services. 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 omnichannel network, so as to best meet their expectations and offer them a unique experience. Around 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, revolving around events

in the world, and dynamic and animated set designs. Its unique communication ensures that it stands out, while nurturing the link with its customers.

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 INDEPENDENCE

The entrepreneurial spirit has been at the heart of Hermès since its creation. It is illustrated by its abundant creativity, a capacity for constant innovation, new *métiers*, new production workshops and store openings.

This strategy offers store managers freedom of purchase, to meet the specific needs of their customers. Two podiums are organised every year to present the fall-winter and 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, who are thus responsible for compiling their own collections and making their store unique, with a special mix of products. The presentation of the collections adapted successfully to the health constraints, turning to digital presentations of the collections. This freedom means that in each country the Group's customers are presented with a diversified and unique mix of products resulting from this flurry of creativity, blending emblematic products and the House's new references, chosen, to best meet local expectations and dedicated to the elegance of its customers.

In order to continue this strategy, Hermès asserts its independence, underpinned by a strong family-based shareholding structure, committed to retaining most of its production in France and preserving its culture.

This independence, and the House's financial strict management, allow it to accelerate operational investments, both in production capacities and network and cross-functional projects, and to preserve its long-term strategy.

RESPONSIBLE GROWTH AND HUMANIST VALUES

The Group is stepping up its efforts in terms of social, societal and environmental performance. The “All artisans of sustainable development” strategic framework serves as a roadmap for all Management Committees and makes it possible to systematise and scale up actions and better measure their effects.

Hermès' highly integrated craftsmanship model promotes the creation of skilled jobs in France and social inclusion. Hermès is convinced that the diversity of talents is a source of wealth, creativity and innovation. These women and men who guarantee the quality of the objects, constitute a heritage for the House. To affirm its commitment to education, the House is developing its training schools for its major craftsmanship *métiers*.

The profit-sharing and incentive agreements, as well as the granting of free shares, enable all employees in France to share in the Group's success.

As a company that respects the nature that inspires it, Hermès ensures the preservation of its resources and its impact on natural environments and local ecosystems, with a low carbon-emission artisanal production model. The Group's environmental policy is based on major commitments related to the reduction of greenhouse gas emissions and their offset, the use of renewable energies, the reduction of industrial water consumption, biodiversity and defossilisation of industrial sites.

In 2021, the House notably strengthened its commitments against climate change with new targets for a climate trajectory below 1.5 °C, validated by the Science Based Targets initiative (SBTi). The House is continuing its concrete actions to minimise its impact on biodiversity, in particular by conducting an exhaustive inventory of its impacts using the GBS method, in partnership with the WWF and CDC Biodiversité, with the aim of initiating action plans on the significant impacts identified.

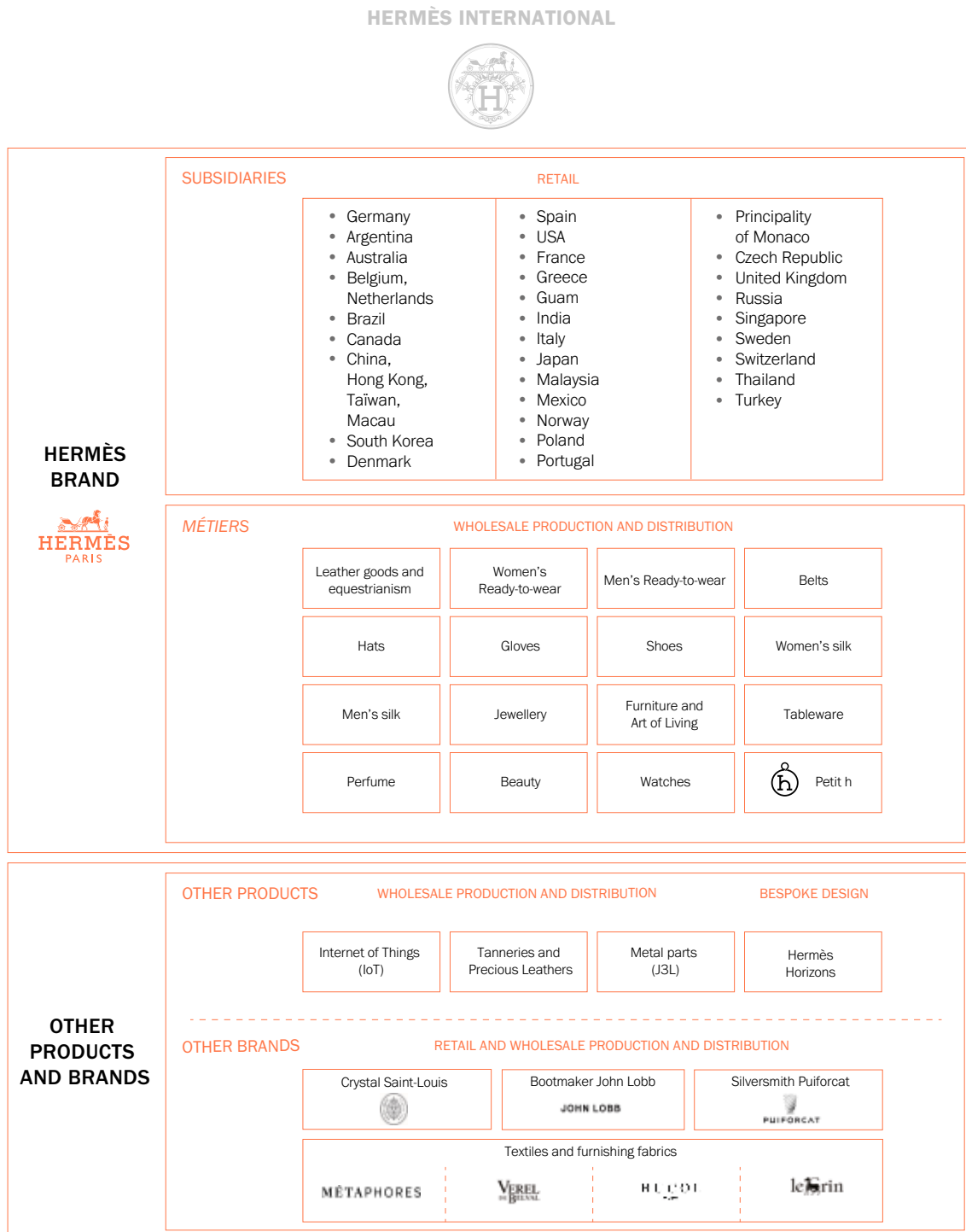
Hermès places responsibility and sustainability in all its actions and creations, such as real estate, which uses a “sustainable real estate” approach, or IT, with the “responsible digital” approach.

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 through artistic creation, education and transmission, solidarity and the preservation of biodiversity. The Group is an economic player that is committed to its ecosystem and its stakeholders. Hermès is committed to support its suppliers in meeting requirements in terms of traceability, certification, carbon trajectory, reduction in water consumption and the use of plastics. These supply chain briefs were published on the House's website.

Hermès, a family business, has been able to adapt to changes while favouring a long-term approach. The Group, on the strength of its craftsmanship *savoir-faire*, its exclusive distribution network and its creative heritage, will continue its sustainable and responsible development.

1.4 SIMPLIFIED ORGANIZATION CHART AND GROUP LOCATIONS

1.4.1 SUMMARY DESCRIPTION OF THE GROUP AS AT 31 DECEMBER 2021



The main consolidated companies as at 31 December 2021 (distribution subsidiaries and holding companies of the divisions) are listed in Note 16 of the consolidated financial statements.

1.4.2 PRODUCTION SITES

The Hermès Group operates 66 production sites, including 52 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 Maroquinerie 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>)
	Manufactures d'Auvergne (<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
	Australia division
Perfume and Beauty	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 AS (<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 Saint-Louis	Compagnie des Cristalleries de Saint-Louis (<i>Saint-Louis-lès-Bitche</i>)
Silversmith Puiforcat	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>)
	Juléa (<i>Champigny-sur-Marne</i>)
	Scap (<i>Roye</i>)
	Goulard (<i>Châtillon-le-Duc</i>)
	Polissage Brun (<i>Bonnétage</i>)
	J3LP – Fabrico de produtos metálicos (<i>Fundão/Portugal</i>)
Bootmaker / Shoes	John Lobb (<i>Paris Mogador, Northampton/United Kingdom</i>)
	Atelier HCl (<i>Milan/Italy</i>)
Logistics	Hermès Sellier (<i>Bobigny, Saint-Priest</i>)



1.4.3 DISTRIBUTION NETWORK

Hermès objects are available worldwide through a network of 303 exclusive stores. Hermès watches, perfumes and tableware are also sold through networks of specialised stores. The branches are located in the following geographical areas: 73 in Europe (including 13 in France), 47 in the Americas (including 31 in the United States), 95 in Asia (including 29 in Japan), and 6 in Oceania.

Europe

Germany: 14

11 branches:

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

3 concessionaires

Austria: 2

2 concessionaires

Belgium: 3

3 branches:

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

Denmark: 2

1 branch:

- ◆ Copenhagen

1 concessionaire

Spain: 4

4 branches:

- ◆ 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: 8

6 branches:

- ◆ London Bond Street
- ◆ London Harrods
- ◆ London Royal Exchange
- ◆ London Selfridges
- ◆ London Sloane Street
- ◆ Manchester

2 concessionaires

Greece: 1

1 branch:

- ◆ Athens

Ireland: 1

1 branch:

- ◆ Dublin

Italy: 14

11 branches:

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

3 concessionaires

Luxembourg: 1

1 concessionaire

Norway: 1

1 branch:

- ◆ Oslo

Netherlands: 3

2 branches:

- ◆ Amsterdam De Bijenkorf
- ◆ Amsterdam P.C. Hoofstraat

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 Stoleshnikov
- ◆ Moscow Vremena Goda

Sweden: 1

1 branch:

- ◆ Stockholm

Switzerland: 10

8 branches:

- ◆ Basel
- ◆ 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 Peninsula
- ◆ Beijing SKP
- ◆ Changsha
- ◆ Chengdu
- ◆ Chongqing
- ◆ Dalian
- ◆ Guangzhou
- ◆ Hangzhou Hubin
- ◆ Hangzhou Tower
- ◆ Harbin
- ◆ Kunming

Chile: 1

1 concessionaire

United States: 38

31 branches:

- ◆ Atlanta
- ◆ American Dream
- ◆ Aventura
- ◆ Beverly Hills
- ◆ Boston
- ◆ Chicago
- ◆ Costa Mesa South Coast Plaza
- ◆ 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

3 concessionaires

- ◆ Orlando
- ◆ Palm Beach
- ◆ Palo Alto
- ◆ Philadelphia King of Prussia
- ◆ San Diego
- ◆ San Francisco
- ◆ Seattle
- ◆ Short Hills
- ◆ Troy
- ◆ Washington

7 concessionaires

Mexico: 7

7 branches:

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

Panama: 1

1 concessionaire

South Korea: 18

10 branches:

- ◆ Busan
- ◆ Daegu
- ◆ Seoul Dosan Park
- ◆ Seoul Galleria
- ◆ Seoul Hyundai Apkujung
- ◆ Seoul Hyundai Coex
- ◆ Seoul Lotte World Tower
- ◆ Seoul Shilla
- ◆ Seoul Shinsegae Gangnam
- ◆ Seoul Shinsegae Main

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

Middle East**Bahrain: 1**

1 concessionaire

United Arab Emirates: 5

5 concessionaires

Oceania**Australia: 6**

5 branches:

- ◆ Brisbane
- ◆ Gold Coast Pacific Fair

- ◆ Sapporo Daimaru
- ◆ Sendai Fujisaki
- ◆ Tokyo Ginza
- ◆ Tokyo Ikebukuro Seibu
- ◆ Tokyo Marunouchi
- ◆ Tokyo Nihombashi Mitsukoshi
- ◆ Tokyo Nihombashi Takashimaya
- ◆ Tokyo Omotesando
- ◆ Tokyo Shibuya Tokyu
- ◆ Tokyo Shinjuku Isetan
- ◆ Tokyo Shinjuku Takashimaya
- ◆ Tokyo Tamagawa Takashimaya
- ◆ Urawa Isetan
- ◆ Yokohama Sogo
- ◆ Yokohama Takashimaya

7 concessionaires

Kazakhstan: 1

1 concessionaire

Macao: 4

4 branches:

- ◆ Macao Four Seasons
- ◆ Macau Galaxy
- ◆ Macao Wynn
- ◆ Macao Wynn Palace

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
- ◆ Taiwan
- ◆ 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

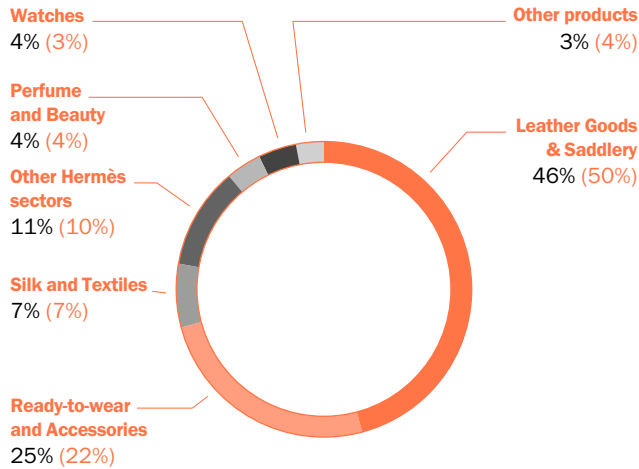
Guam: 1

1 branch:

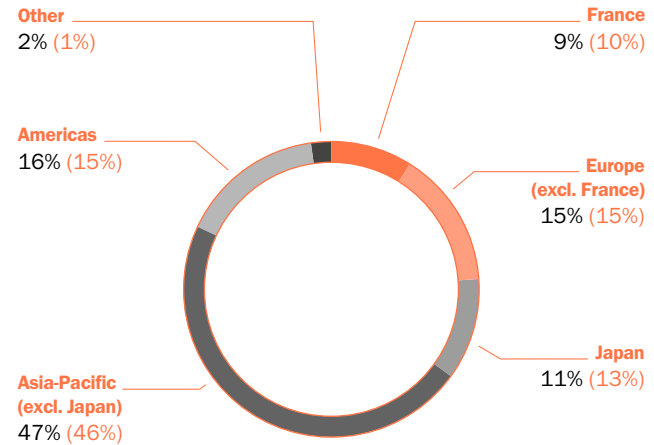
- ◆ Guam

1.5 KEY FINANCIAL FIGURES

1.5.1 REVENUE BY MÉTIER FOR 2021 (2020)



1.5.2 REVENUE BY GEOGRAPHICAL AREA FOR 2021 (2020)



1.5.3 KEY CONSOLIDATED DATA

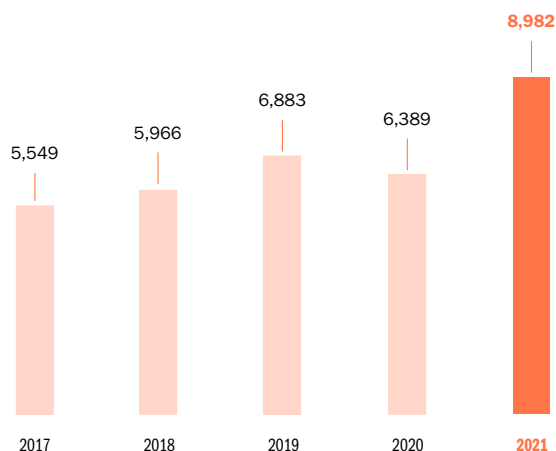
In millions of euros	2021	2020	2019	2018 Restated *	2017
Revenue	8,982	6,389	6,883	5,966	5,549
Growth at current exchange rates vs. n-1	41%	(7)%	15%	8%	7%
Growth at constant exchange rates vs. n-1 ¹	42%	(6)%	12%	10%	9%
Recurring operating income ²	3,530	1,981	2,339	2,075	1,922
in % of revenue	39%	31%	34%	35%	35%
Operating income	3,530	2,073	2,339	2,128	1,922
in% of revenue	39%	32%	34%	36%	35%
Net income attributable to owners of the parent	2,445	1,385	1,528	1,405	1,221
in % of revenue	27%	22%	22%	24%	22%
Operating cash flows	3,060	1,993	2,063	1,863	1,580
Operating investments	532	448	478	312	265
Adjusted free cash flow ³	2,661	995	1,406	1,447	1,340
Equity attributable to owners of the parent	9,400	7,380	6,568	5,470	5,039
Net cash position ⁴	6,695	4,717	4,372	3,465	2,912
Restated net cash position ⁵	7,070	4,904	4,562	3,615	3,050
Headcount (number of people)	17,595	16,600	15,417	14,284	13,483

* 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.

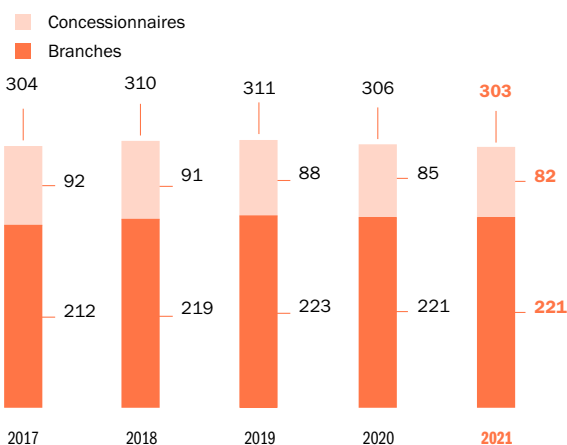
- (1) Growth at constant exchange rates is calculated by applying, for each currency, the average exchange rates of the previous period to the revenue for the period.
- (2) Recurring operating income is one of the main performance indicators monitored by Group management. It corresponds to operating 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 the 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) Restated net cash corresponds to net cash 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

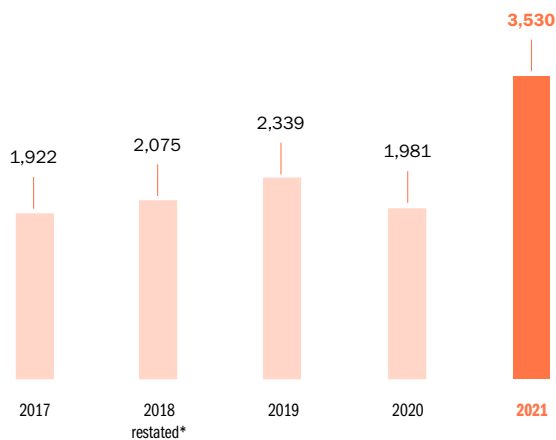


1.5.3.4 CHANGE IN THE NUMBER OF HERMÈS EXCLUSIVE STORES



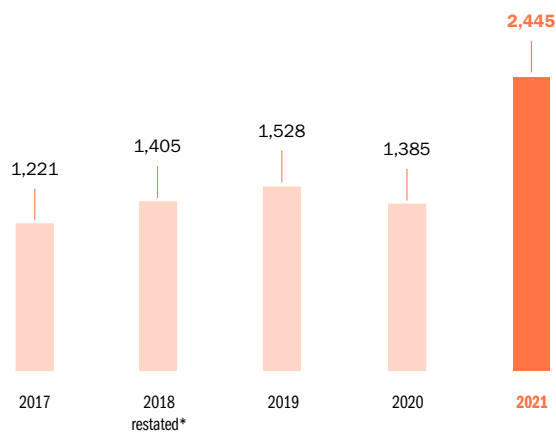
1.5.3.2 CHANGE IN RECURRING OPERATING INCOME

In millions of euros



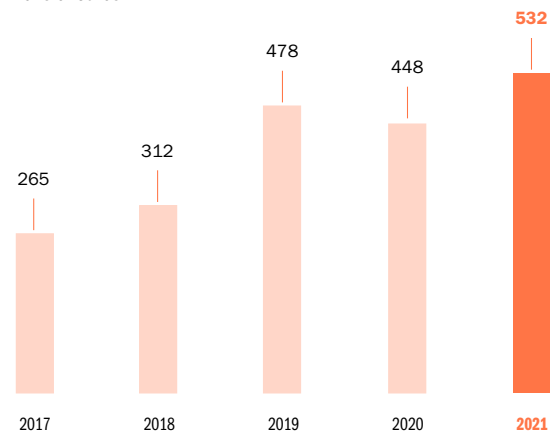
1.5.3.5 CHANGE IN NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT

In millions of euros



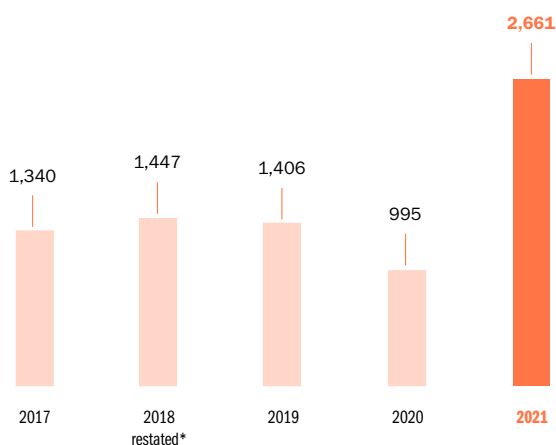
1.5.3.3 CHANGE IN OPERATING INVESTMENTS

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

1

	2021 Revenue in millions of euros	2021 mix in %	2020 Revenue in millions of euros	2020 mix in %	Change	
					at current exchange rates	at constant exchange rates
Leather Goods & Saddlery	4,091	46%	3,209	50%	27%	29%
Ready-to-wear and Accessories	2,219	25%	1,409	22%	58%	59%
Silk and Textiles	669	7%	452	7%	48%	49%
Other Hermès sectors	1,001	11%	643	10%	56%	57%
Perfume and Beauty	385	4%	263	4%	46%	47%
Watches	337	4%	196	3%	72%	73%
Other products	279	3%	218	4%	28%	29%
CONSOLIDATED REVENUE	8,982	100%	6,389	100%	41%	42%

AFR 1.7 REVENUE AND ACTIVITY BY GEOGRAPHICAL AREA

	2021		2020		Change	
	Revenue in millions of euros	2021 mix in %	Revenue in millions of euros	2020 mix in %	at current exchange rates	at constant exchange rates
Europe	2,140	24%	1,573	25%	36%	36%
◆ France	838	9%	620	10%	35%	35%
◆ Europe (excl. France)	1,303	15%	953	15%	37%	37%
Asia-Pacific	5,227	58%	3,749	59%	39%	40%
◆ Japan	977	11%	834	13%	17%	25%
◆ Asia-Pacific (excl. Japan)	4,251	47%	2,915	46%	46%	45%
Americas	1,458	16%	959	15%	52%	57%
Other	156	2%	108	1%	44%	45%
CONSOLIDATED REVENUE	8,982	100%	6,389	100%	41%	42%

1.8 COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

1.8.1 INCOME STATEMENT

<i>In millions of euros</i>	2021	2020	2019
Revenue	8,982	6,389	6,883
Cost of sales	(2,580)	(2,013)	(2,125)
Gross margin	6,402	4,376	4,758
Sales and administrative expenses	(2,137)	(1,699)	(1,816)
Other income and expenses	(734)	(696)	(604)
Recurring operating income	3,530	1,981	2,339
Other non-recurring income and expenses	-	91	-
Operating income	3,530	2,073	2,339
Net financial income	(96)	(86)	(69)
Net income before tax	3,435	1,986	2,270
Income tax	(1,015)	(613)	(751)
Net income from associates	34	16	16
CONSOLIDATED NET INCOME	2,454	1,390	1,535
Non-controlling interests	(8)	(4)	(7)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	2,445	1,385	1,528

In 2021, the Group's consolidated revenue amounted to €8,982 million, up 42% at constant exchange rates and 41% at current exchange rates compared to 2020. Over two years, this increase reached 33% at constant exchange rates.

The gross margin rate was 71%, up by 2.8 points compared to 2020. This improvement stems from a leverage effect on fixed production costs, a gradual improvement in productivity and an exceptional inventory disposal rate.

Sales and administrative expenses, which represented €2,137 million, compared with €1,699 million in 2020, included in particular €421 million in communication expenses compared with €279 million in 2020, a year in which many events were postponed or cancelled due to the health crisis.

Other income and expenses amounted to €734 million, compared with €696 million in 2020. They include depreciation and amortisation of €512 million (€468 million in 2020), half of which relates to property, plant and equipment and intangible assets and the other half to rights-of-use. The increase in depreciation and amortisation reflects continued investments in the distribution network, production facilities, digital technology and information systems. Other expenses also include €122 million related to free share plans.

Recurring operating income amounted to €3,530 million, up by 78% compared to 2020. After an exceptional first half with a profitability of 41%, the second half stood at 38% following the acceleration of recruitment and communication expenses, as well as the negative impact of exchange rates on the second half of the year.

Thanks to remarkable collection flow rates and an exceptional leverage effect, annual recurring operating profitability reached an all-time high of 39%, up 8 points compared to 2020 and 5 points compared to 2019.

After taking into account in 2020 a non-recurring profit of €91 million related to the deconsolidation of Shang Xia, the operating income for 2021 increased by 70%. Over two years, the increase was 51%.

Net financial income, which includes interests on lease liabilities, financial income from cash investments and the cost of foreign exchange

hedges, represented a net expense of €96 million, compared with €86 million in 2020.

The income tax rate was 29.5%, *i.e.* a decrease of 1.4 points compared to 2020, mainly due to the decrease in the tax rate in France.

After taking into account the net income from associates (income of €34 million) and non-controlling interests, the consolidated net income attributable to owners of the parent amounted to €2,445 million compared with €1,385 million in 2020, *i.e.* an increase of 77%.

AFR 1.9 SIGNIFICANT EVENTS SINCE THE END OF THE FINANCIAL YEAR

1

Due to the events in Europe, the Group has decided to temporarily close its stores in Russia and suspend all commercial activities from the evening of 4 March 2022. It should be noted that the Group has no activity in Ukraine and that its exposure to Russia is not material. In 2021, the Group's revenue in Russia represented less than 1% of consolidated revenue and the net value of the Group's assets located in Russia was less than 0.5% of consolidated net assets.

AFR **1.10 OUTLOOK**

In an uncertain environment, Hermès has shown its solidity and performance, with exceptional results in 2021. Asia and America recorded the strongest growth, both compared to 2020 and 2019, and Europe returned to growth in the second half compared to 2019. The loyalty of its local customers resulted in strong momentum across all métiers.

Hermès, firmly rooted and inspired by its heritage, is supported by its craftsmanship, its creative freedom and innovation, its attachment to *savoir-faire* and entrepreneurial spirit. Firmly believing that there can be no creation of economic value and long-term development without creation of social and societal value and without environmental responsibility, Hermès is committed to leaving a positive footprint on the world.

Strengthened by the ongoing dialogue between creation and excellence in *savoir-faire*, the House will continue to blossom, affirming the uniqueness of its style. The year 2022 will be marked by the development of new collections based on the most beautiful materials and an abundant and innovative creativity that is constantly renewed. Among the new products, the Perfume and Beauty *métier* will launch *Plein Air*, its fourth sphere being applied to foundation, Hermès Maison will present the *Soleil d'Hermès* tableware, and Jewellery will reveal the seventh *haute joaillerie* collection. Watches will also propose a new watch complication, *Arceau*, the time traveller.

The integrated and exclusive distribution network will continue to strengthen its omnichannel offering. Hermès has been able to flexibly support the digitisation of uses, while continuing to nurture ties with its particularly loyal local customers, with reinvented formats. The qualitative development of the store network will continue in 2022, with projects to open, expand or renovate the Flagship stores at 706 Madison in New York (United States), Barcelona (Spain), Korea, Shanghai and Wuhan (China) and Doha (Qatar). Priority will be given to expansions and renovations, in some 20 stores around the world. The House will develop its digital strategy, via an increasingly broad range of online products and services, with the aim of increasing traffic and attracting new customers.

Faced with the House's particularly strong momentum, the development of production capacities will continue across all métiers, and in particular in Silk, with the expansion of the Pierre-Bénite textile production site near Lyon, in Jewellery or Home.

The high demand for Leather Goods & Saddlery will be supported by the ramp-up of new sites as part of regional expertise hubs. With more than 4,300 leather goods craftspeople in France today, the Group will continue its objective of opening an average of one new production unit per year, representing around 300 new employees. Following the inauguration of the Guyenne and Montereau production units in 2021, three other sites are under development in Louviers (Eure), Tournes and Cliron (Ardennes) and Riom (Puy-de-Dôme, where recruitment and training are ongoing. Two new projects for 2025 and 2026, located in L'Isle-d'Espagnac (Charente) and Loupes (Gironde), join the above three

sites and will become the House's 23rd and 24th leather goods workshops. The House's other *métiers* will continue to use their extensive *savoir-faire* to design and create exceptional objects.

True to its commitment as a responsible employer, Hermès will strengthen its teams in all areas in 2022, and the Group will step up its efforts in terms of social, societal and environmental performance.

Hermès will pursue its commitment to the development of its employees, their well-being, and the consideration of diversity in its activities. The enhancement and transmission of *savoir-faire* will remain at the heart of the priorities of the *métiers*, by capitalizing in particular on the internal apprentice training centre (CFA) dedicated to leather goods workers.

The control of supply chains, guaranteeing the quality of our materials, will be strengthened by the implementation of detailed "CSR briefs" on social, environmental and ethics issues. Through the use of life cycle analysis, eco-design, materials optimisation, the circular economy and recycling of unsold items, the Group will also continue its efforts in favour of a more careful use of resources and waste management.

More broadly, the Group will intensify its work to promote biodiversity, by capitalizing on the results of its impact analysis using the Global Biodiversity Score (GBS) method. Hermès will pursue its work in favour of animal well-being, with the roll-out of a formal charter with its partners in 2021.

With ambitious carbon targets the Group will continue to develop numerous operational projects, both within its sites (industrial equipment, real estate) and with its partners, in line with the recommendations of the TCFD. At the same time, Hermès will increase its contribution to the implementation of carbon offset systems consistent with a net zero carbon target in 2050, supported by Livelihoods' long-term projects.

Hermès will strengthen its role as a socially responsible company alongside its suppliers, which it will continue to support and with the communities in which it operates, whether through site openings, job creation, the development of vocational training centres for its craftsmanship *métiers*, and contributions to the social and cultural life of the regions. Relations with all stakeholders will be developed.

For 2022, it is still difficult to assess the impacts of the Covid-19 pandemic. The highly integrated craftsmanship model and balanced distribution network, as well as the creativity of the collections and the loyalty of customers allow the Group to approach the future with confidence.

In the medium term, despite the economic, geopolitical and monetary uncertainties around the world, the Group confirms an ambitious goal for revenue growth at constant exchange rates.

Thanks to its unique business model, Hermès is pursuing its long-term development strategy based on creativity, maintaining control over *savoir-faire* and singular communication.

1.11 FONDATION D'ENTREPRISE

In 2021, the Fondation d'Entreprise Hermès wanted to make its mission in favour of the general interest part of a collective drive. A desire to act together, therefore, whether it involves creating works, passing on *savoir-faire*, protecting the environment or encouraging solidarity, the four pillars that structure the Fondation's action. Throughout a new year marked by the pandemic, the Fondation continued its commitments through its programs while remaining mobilized alongside its beneficiaries and project leaders faced with the uncertainties of the context.

The need to act together to combat climate change with its ever-increasing consequences is obvious. This is why the Fondation d'Entreprise Hermès launched Manuterra, an environmental education program for primary to high school students. Since the start of the school year in 2021, students have been invited to create, develop and transmit an edible garden over 12 two-hour sessions during school hours. Under the guidance of a professional gardener, they cultivate a plot using the permaculture technique while addressing multiple environmental themes. Six classes, *i.e.* 150 students, are involved in this pilot year set up in partnership with the Royal Saltworks of Arc-et-Senans, the Academy of Besançon and the Compagnons du Devoir et du Tour de France. In addition to Manuterra, the "Protect" pillar of the Fondation also added new support for the Massane nature reserve (Pyrénées-Orientales), a beech forest that has been growing unfettered for more than 150 years and has been classified as a Unesco World Heritage site since last summer. This choice reinforces the Fondation's action in favour of the preservation of our ecosystems.

The "Transmit" pillar was a second major focus of commitments. The Manufacto programme, for the creation of *savoir-faire*, continued to be rolled out in two new academies: since the start of the school year in 2021, 61 establishments, spread across 11 academies, have participated in this programme. Around 1,600 students from primary to high school are introduced to craftsmanship *savoir-faire* by making a beautiful contemporary object under the guidance of leatherworkers, carpenters, upholsterers or plasterers. Dedicated this year to "Glass", the Skills Academy was able to take place despite health constraints. Increasingly popular, the seven mornings, initially broadcast by video, finally gave way to public conferences to the satisfaction of all, speakers, academics and growing numbers of listeners. Lastly, the Artists in the City

programme continued its actions to support the training of young artists. In this delicate year, 42 scholarships were awarded to students in dance, theatre and, for the first time, circus. The other supports of this program were maintained, supplemented by a new partnership with the National Centre for Dance (CND) for the Elan programme, a school for equal opportunities in dance.

As in the previous year, the Fondation was committed to working alongside artists who have had to adapt to the consequences of the pandemic. As part of the "Create" pillar, the New Settings programme dedicated to the production and distribution of new stage works enabled the support of 16 new shows presented to the public on several occasions between autumn and spring, in the Paris region, as well as in Lyon. In the field of visual arts, the Fondation has scheduled 11 exhibitions in 2021 in its dedicated spaces in Brussels, Saint-Louis-lès-Bitche, Tokyo and Seoul, allowing a wide audience to discover high quality exhibitions of contemporary works. The Artists Residencies celebrated a decade of activities through a triptych of exhibitions entitled "Formes du transfert" simultaneously held in Tokyo, Seoul and Pantin, in parallel with the launch of a new two-year cycle. Finally, the Immersion program, a Franco-American photographic commission, announced the name of its sixth laureate, the American photographer Raymond Meeks, who will undertake his residency in France in 2022. This programme is supported by a new partner alongside the Fondation Henri Cartier-Bresson in Paris: the International Center of Photography (ICP) in New York, which will present the winners' exhibitions on American soil.

The H³ - Heart, Head, Hand programme, which structures the "Encourage" pillar saw the continuation and expansion of general interest projects led by employees, while numerous solidarity actions were carried out by the Fondation to address needs identified during this particular year. In 2021, the Fondation d'Entreprise Hermès remained active, assuming its responsibilities in its areas of intervention to provide appropriate support to those whose projects were shaken by the health crisis. Acting together, therefore, again and again since 2008, with fairness and pragmatism to help bring about a better world.

The full report on the activities of the Fondation d'Entreprise Hermès is available at: www.fondationentreprisehermes.org, in the section entitled "The Fondation".

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 defined by the United Nations for 2030, provide the framework for the House's action in this area.

Hermès, a family business, has been able to adapt to changes while favouring a long-term approach. The Group, on the strength of its craftsmanship *savoir-faire*, its exclusive distribution network and its creative heritage, will continue its sustainable growth.

The Group's craftsmanship manufacturing model is based mainly on the creativity and *savoir-faire* of men and women working in France. It 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. Supported by a network of regional manufacturing sites, Hermès enhances the regions with a desire to ensure the transmission of this exceptional *savoir-faire*. Finally, it operates with moderation and sobriety in the use of raw materials and with a desire for a low environmental footprint. The promotion of these four heritages has contributed to the sustainability of the Hermès craftsmanship model since 1837.

The Hermès Group's ambition in terms of sustainable development is to ensure virtuous economic and social development, not only for employees and shareholders, but more broadly for its stakeholders, by thinking about 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, including all *métiers* and all regions, the scope of which is detailed in chapter 1 "Presentation of the Group and its results", § 1.4.

Methodological note

This NFPS is based on the qualitative and quantitative contributions of the *métiers*, subsidiaries and central departments, and 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 prioritise and prepare a schedule extending to the end of the year. 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 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% (§ 2.9 and § 2.10).

As stated in chapter 3 "Corporate governance", § 3.6.3.4, the assignment was approved as a "service other than certification of the financial statements" by the Audit and Risk 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 put the distinctive features of its French craftsmanship manufacturing model into perspective. 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 sustainability;
- ◆ 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: 78% of production is made in France;
- ◆ an integrated model, from manufacturing (58% of objects are made its in-house and exclusive workshops) 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.

For readers who would like more details on all of the Group's actions in addition to what is presented in this Non-Financial Performance Statement, the Hermès Finance website can be accessed using this QR Code.



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

2021 marked a second year of the Covid-19 pandemic, the extent and duration of which impacted geographical areas in different ways. Hermès has reaffirmed its value as a safe haven for all its employees, while reinforcing its societal commitment to stakeholders.

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

The Group health monitoring unit, activated since 2020, provides the best possible support in the various periods of health crisis, depending on the country and legislation, by implementing all the necessary measures in terms of prevention and by supporting the various lockdowns, including as they start and end. 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 through use of the internal social networks, with positions regularly shared at global level between the Director of Human Resources and the Managing Directors of the *métiers* and countries.

For each aspect of its business, the House has taken steps to protect and preserve:

- ◆ employees: jobs and basic salaries maintained for employees worldwide, installation of protective devices at the entrance to sites and in all living spaces, establishment of a psychological counselling unit for eight months, payment of exceptional bonuses;
- ◆ partners: support and continuation of local relationships, dialogue and economic support (payment prior to due dates);
- ◆ customers: spectacular development of e-commerce and development of the customer relationship with the omnichannel approach renewing the in-store experience and promoting remote interactions with local and international customers;
- ◆ sustainable growth: continued investments despite the uncertainty, with new production sites in France and store renovations;
- ◆ society: donations of hydroalcoholic gel and financial sponsorship (donation to the Paris hospitals, AP-HP).

During these various periods, in 2021 as in 2020, the Group decided not to request any State aid relating to partial activity measures. This decision has been applied in all countries where the Group operates.

A FRENCH MODEL OF CRAFTSMANSHIP THAT IS SUSTAINABLE AND CREATES VALUE

OUR ROOTS AND VALUES

An independent House of creation since 1837, guided by the attributes of the craftsman: responsibility, authenticity and acting without delay while respecting the time to do well. An integrated model of French manufacturing. A humanist 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

CREATIVE HOUSE

Creative heritage
Originally a harness workshop, Hermès has revolutionised riding equipment. Driven by creative freedom, the House innovates and revisits its timeless models.

CRAFTSMANSHIP MANUFACTURING MODEL

Savoir-faire heritage
Hermès develops and protects its often unique craftsmanship *savoir-faire*. The excellence of the craftsmanship techniques is passed on through a proactive internal training policy.

HERMÈS RETAIL

Retail heritage
Hermès takes a unique approach to developing its distribution network and digital flagships. Its artistic and poetic spirit permeates the creativity of stores and window displays.

+50,000 products

47% of employees work in production

95% of skins are by-products from food industry

Operating in 45 countries

A FRENCH HOUSE WITH A GLOBAL REACH

52 production sites in France

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

303 exclusive stores, including

- ◆ 29 in France



78% of objects made in France

58% of objects made in its in-house and exclusive workshops

62% of employees in France

92% of leather sourced in France and Europe

91% 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 freedom. Around an annual theme, "the Odyssey" in 2021, the artistic department proposes and renews the collections and objects.

1

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 optimisation, quality, innovation and aesthetics for a virtuous life cycle.

2

Exceptional materials

The use of materials is optimised from creation to production, with careful use of only the essential resources encouraged in order to avoid unnecessary waste and surplus materials and to take the end of life of objects into account. Hermès manufactures high-quality products, mainly from renewable natural resources, the most emblematic of which are leather, silk and cashmere.

3

Purchasing freedom

Present worldwide, Hermès is strongly committed to the principle of giving purchasing freedom to its retail subsidiaries and stores. Store managers choose the products to propose to their customers. The offer is varied and relevant, the ecological footprint controlled and waste reduced.

5

Handcrafted production

Craftspeople take the greatest care in manufacturing the products ordered by the stores. Emphasis is placed on in-house training, which guarantees the transmission of exceptional *savoir-faire* within the production units. The use of subcontracting is limited and is based on long-term partnerships.

4

6

Logistics

Mainly manufactured in France, the products are sent to one of the Group's two logistics platforms, where they are checked, packaged and stored before being distributed to the store network. The choice of a centralised logistics model makes it possible to optimise flows, find and implement transportation solutions in order to control the carbon impact and reduce the environmental footprint.

Responsible communication and transparency

CSR communication is a major focus, with the aim of making the strategy and actions in this area more transparent. It takes the form of actions to improve external understanding: dialogue with customers and the public, the press and influence, investors and financial analysts. In a pro-active approach, responses are provided to external assessors.

Long-lasting objects

Hermès objects are designed to withstand the rigors of time. They develop a patina, are looked after, repaired or renovated thanks to the *savoir-faire* of our craftspeople, and are passed on from one generation to the next. 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.

8

9

7

Exclusive distribution

While its products are made in France, they are distributed worldwide. In addition to this physical network, e-commerce has been added since 2002. Hermès favours a qualitative development of its network combining the enhancement of its stores and special attention is paid to their social and ecological footprint.

10

End-of-life

Although the craftsmanship model is, by design, a factor that helps streamline and optimise the use of materials, work is being carried out to anticipate the end-of-life of objects. The *métiers* and subsidiaries 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.). In France, from 1 January 2022, Hermès is subject to the AGEC law (on Preventing Waste and the Circular Economy) which aims to prohibit the destruction of unsold products in the textile, household linens, shoes and furniture *métiers*.

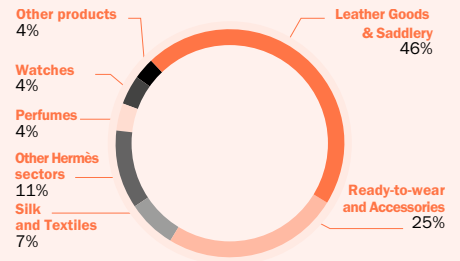
CONTRIBUTIVE, SOLID AND SUSTAINABLE GROWTH

ECONOMIC

Design and grow

- ◆ An average annual growth rate over 10 years of 12% for revenue
- ◆ An average annual growth rate over 10 years of 15% for net income
- ◆ €8,982 bn in revenue
- ◆ Growth of 41% at constant rates in 2021
- ◆ €3,530 m in recurring operating income
- ◆ €532 m in operating investments
- ◆ Stock market capitalisation of €162.15 billion as at 31 December 2021

BREAKDOWN OF REVENUE BY MÉTIER

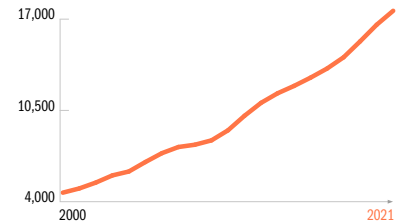


SOCIAL

Train and transmit

- ◆ 17,595 employees in 2021, of which 7,633 in production in France
- ◆ The workforce has increased by a factor of 2 in 10 years
- ◆ 114 internal trainers on production sites including 90 in the leather métier
- ◆ 60% women in management teams
- ◆ 9 years average seniority of employees

CHANGE IN WORKFORCE

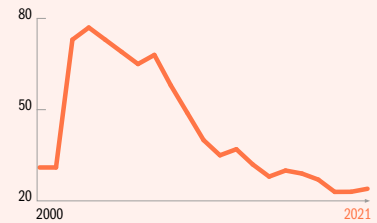


ENVIRONMENTAL

Respect and preserve

- ◆ Over the last 10 years, reduction in industrial energy intensity -48.2% and industrial water -35.4%
- ◆ 15.3% reduction in carbon emissions across all scopes in absolute value between 2018 and 2021
- ◆ Offset of emissions equivalent to the entire scopes 1 and 2 carbon emissions and 63.6% of upstream and downstream goods transportation emissions, i.e. more than 76% of total scopes 1 and 2 emissions and those from Transportation
- ◆ Contribution to the construction of sustainable supply chains
- ◆ 161,000 products repaired in 2021
- ◆ 86.9% renewable electricity supply

ENERGY INTENSITY IN MWH/ME

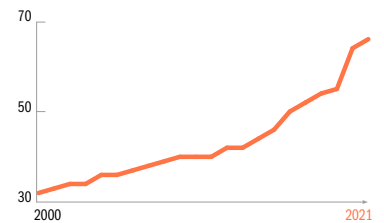


SOCIÉTAL

Develop and participate

- ◆ Presence in 11 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
- ◆ 66% of purchases made in France (Top 50 direct suppliers)
- ◆ 78% of objects produced in France

CHANGE IN NUMBER OF PRODUCTION SITES



GOVERNANCE

- ◆ CSR criteria in the variable compensation of the two Executive Chairmen
- ◆ A Sustainable Development Committee meets every two months with three members of the Executive Committee
- ◆ A CSR Committee within the Supervisory Board
- ◆ Internal and external ethics whistleblowing systems
- ◆ Contribution to 14 of the United Nations' 17 Sustainable Development Goals (SDGs)
- ◆ Global Compact Advanced Level



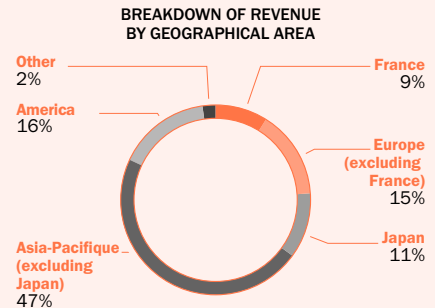
► ...CONTRIBUTING TO A MORE SUSTAINABLE WORLD

ECONOMIC

Sharing value

The Group strives to share value in a balanced way between employees, investments and reserves, public authorities and shareholders.

- ◆ 6 stores opened in 2021
- ◆ Inauguration of 2 leather goods workshops in 2021
- ◆ 29.5% consolidated tax rate
- ◆ Nearly 12,000 employee shareholders or holders of rights to free shares
- ◆ 4,761 new employees over the last five years



SOCIAL

Transmission and inclusion

Fostering a community of craftspeople who pass on to future generations often exclusive techniques and skills, and participate in the preservation of métiers and heritage.

- ◆ 76,145 training actions carried out worldwide, i.e. 9% more than in 2020
- ◆ 6,855 employees trained by the School of Leather since 10 years
- ◆ 284 professional certifications obtained in 2021
- ◆ Partnership with the French Job Centre and education in the craftsmanship professions
- ◆ Disability: employment rate 5.68% (2020)
- ◆ 67% of the Operations Committee are women
- ◆ 90/100 Gender equal pay index (France)



ENVIRONMENTAL

Manage impacts

Ethical purchasing of raw materials is part of responsible production. This has a positive effect on some sectors, with impacts extending to the protection of endangered species, the preservation of ecosystems and the living conditions of local communities.

- ◆ Reduction trajectory (2018 vs. 2030) in absolute value of 50.4% of scopes 1 and 2 emissions and 58.1% in intensity for scope 3 validated by the SBTi
- ◆ 95% 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: more than 132 million trees planted
- ◆ Distribution of the Supply Chain Brief, planning the implementation of certification or labellisation for 32 supply chains



SOCIÉTAL

Sustainable jobs and giving back to the world

Hermès' strategy of investment brings long-term jobs; vitality of the regions.

- ◆ 563 new direct jobs in France in 2021
- ◆ 1 direct job created in a rural area indirectly leads to at least 1.5 other jobs
- ◆ 89% of direct suppliers have signed commitments to social, environmental and ethics policies
- ◆ €40 m allocated to the budget of Fondation d'Entreprise Hermès over five years (April 2018/April 2023)
- ◆ 10 Living Heritage Companies (EPV)
- ◆ 23 Meilleurs Ouvriers de France (MOF)
- ◆ €3.8 m in total purchases from socially supported organisations (EA, ESAT)
- ◆ More than 400 solidarity projects worldwide







GOVERNANCE

A sincere collaboration with our partners

- ◆ Partnerships with international NGOs including WWF France
- ◆ Contribution to the Livelihoods Fund (1.7 million beneficiaries)
- ◆ Member of the Fashion Pact since 2019
- ◆ Responses to various external assessments and improvement in non-financial ratings, see § 2.1.1 and § 2.7.2.2



EXAMPLES OF AWARDS RECEIVED AND RANKINGS OBTAINED IN 2021

CLIMATE CHAMPION CHALLENGES	GRAND PRIX DE LA TRANSPARENCE CAC LARGE 60	MOST RESPONSIBLE "CLOTHING AND ACCESSORIES" COMPANY LE POINT
GRAND PRIX EMPLOI FRANCE HUMPACT	NO. 1 IN DIVERSITY LEADER RANKING FINANCIAL TIMES	7 th BEST EMPLOYER IN FRANCE GLASSDOOR
« A- »  Climate, water, forests	« A » 	#2 Textile & Apparel 
		« Advanced » 

2.1.2 AN AMBITIOUS AND STRUCTURING CSR STRATEGY

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* and represent the founding pillars of the Corporate Social Responsibility (CSR) approach that Hermès shares with its stakeholders:

- ♦ responsibility: a handmade leather object, for example, 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 emphasising 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, 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.

2.1.3 MATERIALITY ANALYSIS

As every year, Hermès updated the analysis of its priority CSR issues in 2021 to guide its actions and facilitate understanding of its strategy.

For the first time, this “materiality analysis” study was conducted using the concept of double materiality, which looks at the two dimensions of value creation put forward by the European Union: financial value creation, which essentially affects investors, and the creation of environmental and social value, which has a broader effect on all the Company's stakeholders.

In line with EFRAG¹ recommendations, with the help of its stakeholders, Hermès ranked 15 priority issues from two perspectives:

- ♦ the materiality of the subject for Hermès' business model, i.e. the importance of these issues for the Group's economic activity (so-called “outside-in” vision);
- ♦ the impact that Hermès and its value chain have on the issues at a global level, given their materiality (direct and indirect impacts given the Group's image) (so-called “inside-out” vision).

Hermès aligns itself in this way EFRAG's 2021 recommendations on the harmonisation of the non-financial disclosure proposed by the European Green Deal and supported by the French government.

This double materiality matrix also 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 issues

The 15 priority issues studied are the result of analyses updated internally every year since 2015 by an analysis of the main general CSR topics specific to the industry to which the Group belongs.

They were then ranked in the form of anonymous questionnaires allowing considerable freedom of expression, conducted with a panel of more than 100 respondents:

- ♦ generalist internal stakeholders (senior management);
- ♦ internal stakeholders with expertise in the subject, including the sustainable development Operations Committee, the EHS² network, in France;
- ♦ internal stakeholders outside France, i.e. Sustainable development correspondents in foreign subsidiaries (a quarter of the sample);
- ♦ a panel of external stakeholders identified for their knowledge of the sector, the House and its operation (a quarter of the sample).

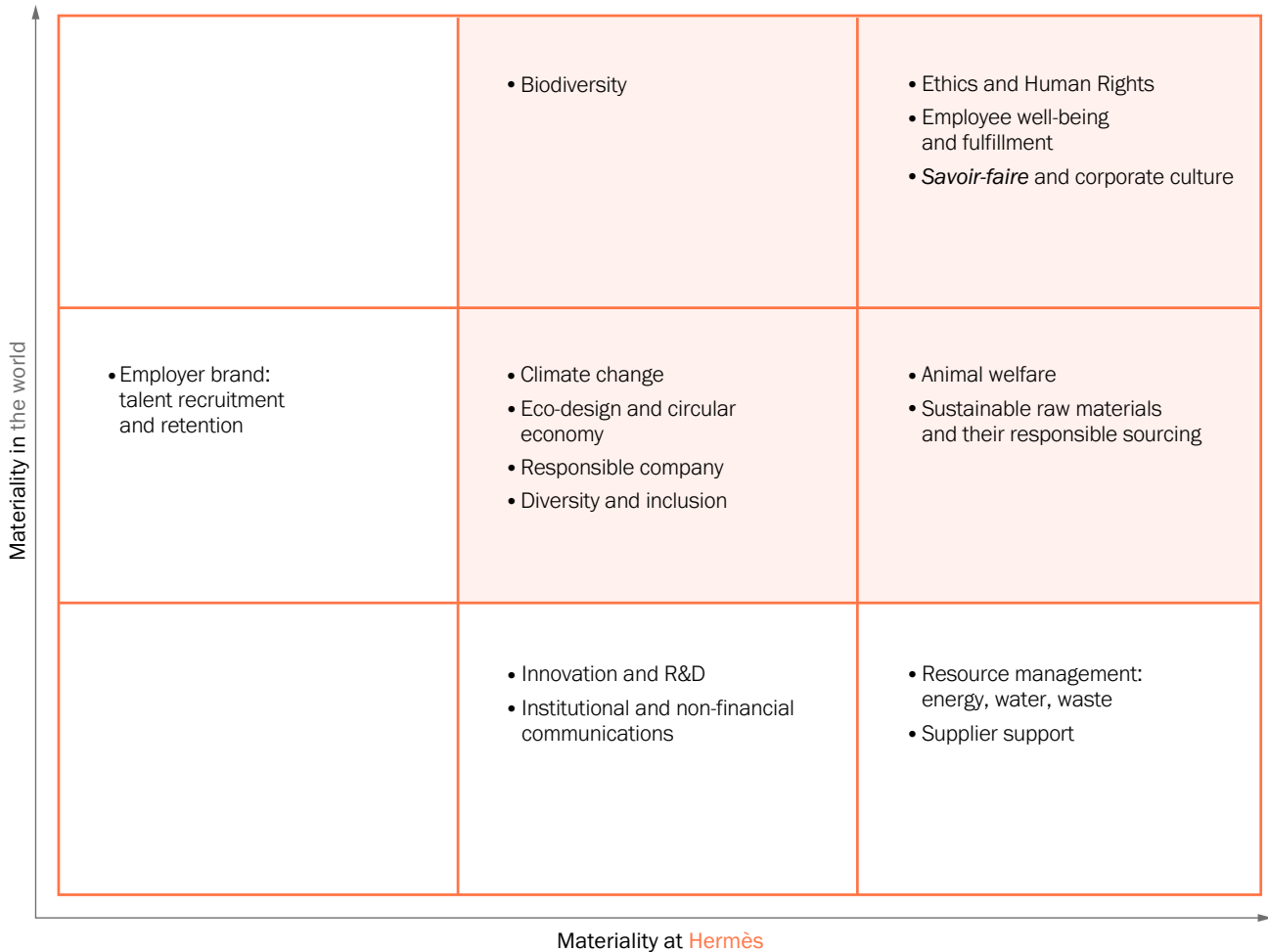
The Sustainable Development Committee reviewed and validated the results of the consolidation of these questionnaires.

1. European Financial Reporting Advisory Group

2. Environment, Health and Safety

Understanding that the notion of risk itself contains an opportunity factor, Hermès uses the term “issues” to qualify its CSR approach in this Non-Financial Performance Statement. These issues are summarised as

part of the CSR strategy, and described in more detail in the following sections of the document.



Comments on results

The materiality matrix highlights the Group’s ten CSR priorities (top right quadrant of the matrix). This positioning remains relative, with all subjects included in the analysis being by definition very important and the subject of internal action plans. These priorities are evenly distributed within the three pillars of the House’s strategy:

People

- ◆ Employee well-being and development
- ◆ Diversity and inclusion
- ◆ *Savoir-faire* and corporate culture

Planet

- ◆ Eco-design and circular economy
- ◆ Sustainable raw materials and responsible sourcing thereof
- ◆ Animal welfare
- ◆ Climate change
- ◆ Biodiversity

Communities

- ◆ Ethics and Human Rights
- ◆ Responsible company

The prioritisation criteria have changed since 2020, meaning that changes from one year to another are more difficult to analyse. Nevertheless, we can note changes in relative positioning that call for the following comments.

The issue of biodiversity has taken on greater importance, in terms of consideration of its impact on the Group's business model, undoubtedly thanks to the training courses and work undertaken on the subject resulting in better understanding, and it confirms its priority place as a global challenge, a perception strengthened by major initiatives worldwide (IUCN Congress in Marseille, COP 15).

The subject of climate change is still a little behind other subjects, reflecting the perception that the Group's business model has a low carbon footprint in absolute value for the planet and is less subject than others sectors to its medium-term consequences. This vision is supported by the formalisation of clear and ambitious carbon emission reduction targets, validated by the SBTi.

The Group's mobilisation around animal welfare is consistent with its importance, underlined in this analysis, by the formalisation of a charter this year, and the strengthening of actions in the various supply chains concerned. As a societal issue, its communication to our stakeholders is also an issue.

2.1.4 ANALYSIS OF NON-FINANCIAL RISKS

As indicated in chapter 4 "Risk and control", § 4.1, the Group carried out an overall analysis of its risks according to two axes, the magnitude of the multi-criteria impacts and the probability of occurrence. The materiality work carried out above made it possible to update this overall risk analysis, which distinguishes five major risk categories, three of which are more relevant in the non-financial field. The cross-reference table below illustrates the link between this risk analysis and the ten priority CSR issues identified by the materiality matrix. The non-financial issues taken into account also include the concepts of positive contributions and opportunities, which are more difficult to incorporate in the risk analysis.

GROUP RISKS

		Priority CSR issues
4.1.1 Risks related to strategy and operations	4.1.1.1 Image and reputation	Responsible company
	4.1.1.5 Management of talent and <i>savoir-faire</i>	Employee well-being and development
		Diversity and inclusion
		<i>Savoir-faire</i> and corporate culture
4.1.2 Industrial risks	4.1.2.1 Management of supplies	Sustainable materials and responsible sourcing
4.1.4 Risks related to social, societal and environmental responsibility	4.1.4.1 Changes in major global climate and biodiversity issues	Climate change
		Biodiversity
	4.1.4.2 Availability and proper use of natural resources	Eco-design and circular economy
	4.1.4.3 Respect for human rights, fundamental freedoms and ethics	Animal welfare
		Ethics and human rights

2.1.5 CSR STRATEGY

Developed in 2015 and updated in 2020, the Hermès CSR strategy “Ambitions” is still consistent with the double materiality analysis of 2021. The underlying premise is: “We are all artisans of our sustainable development”; it constitutes the CSR reference framework applicable to all employees. It 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.

The Hermès Group’s CSR strategy makes a tangible contribution to most of the 17 Sustainable Development Goals (SDGs) for 2030, as defined by the United Nations. Its action is also aligned with the responsible principles of the Global Compact, to which the Group adheres and under which its performance is recognised as “Advanced”.

In practical terms, Hermès’ CSR strategy is organised around six operational pillars, themselves subdivided into 49 topics that serve as benchmarks for the operational actions of the House’s entities.

STRATEGIC FRAMEWORK



This strategy provides a comprehensive and specific framework for all of the Group's actions. These are presented and detailed in the Experts' handbook in an annex to this paragraph.

The materiality analysis makes it possible to define the priority actions in respect of this strategy, on which the Group focused in 2021. The table below summarises the management of the approach used for these priorities, broken down into challenges, objectives and results.

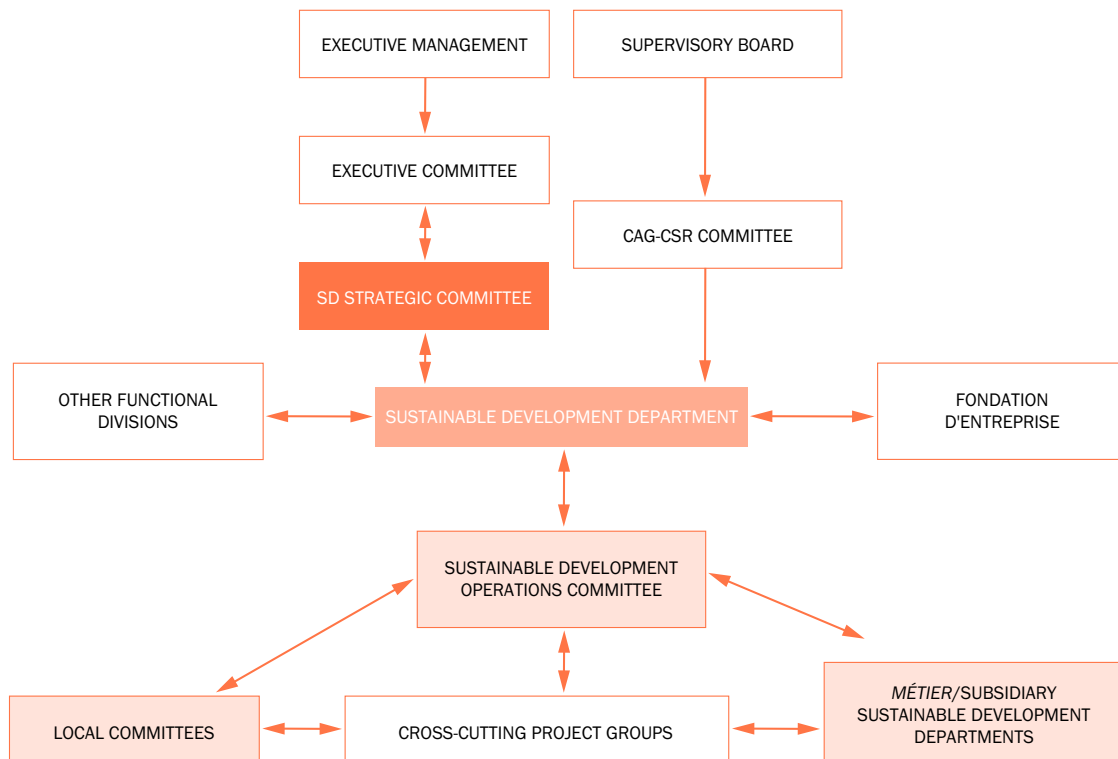
People: 2021 priorities	Major challenges and objectives	Main concrete measures and results for 2021
Employee well-being and development	Measure through regular comprehensive well-being surveys	73% of employees took part in a survey over the last three years
	Ensure health and safety at work	17% decrease in the severity rate of work accidents with lost time
	Set up supplementary compensation in addition to salary	€94 million distributed in 2021 for incentive schemes and profit-sharing in France
	Go beyond legal practices and implement actions	Implementation of a maternity policy with compensation maintained, covering 98% of female employees in the group
	Foster diversity	5.68% of employees in France are people with a disability (2020)
	Encourage gender parity, particularly for management positions	Signature of a second Disability Agreement in France 60% of managers are women 25% of the Executive Committee were women at 31/12/2021 (40% from 01/03/2022)
Savoir-faire and corporate culture	Roll out operational and managerial training	83 trainers covering the leather <i>métiers</i> for 22 leather goods workshops
	Cultivate internal <i>savoir-faire</i>	423,317 hours of training provided worldwide, i.e. 8% more than in 2020
	Spreading the corporate culture	6,855 leather craftspeople trained in 10 years Creation of an Apprentice Training Centre for leather goods (State diploma) 23 Meilleurs Ouvriers de France (Best Craftspeople in France)
		100% of employees receive training in the Hermès culture

The planet: 2021 priorities	Major challenges and objectives	Main concrete measures and results for 2021
Eco-design and the circular economy	Optimizing the use of materials	95% of hides are by-products of the food industry
	Systematise circularity approaches	100% of <i>métiers</i> have included the circular economy in their roadmap
	Extend the life of goods	100% of unsold items in France donated or recycled in 2022
		More than 1 million products incorporating a circular and eco-responsible approach developed in 2021
		Nearly 21 tonnes of recycled textile materials
		Development of petit h since 2010
		161,000 repairs in 2021
	Traceability and knowledge of supply chains	Detailed mapping of 74 raw materials supply chains
	Definition and sharing of social and environmental standards within supply chains	CSR brief communicated to suppliers and partners (social and environmental issues)
Monitoring and improvement	Implementation of a process leading to certification and/or to labélisation for 32 supply chains by 2024	
Animal welfare	Definition of a charter	Formalisation in 2021 of a science-based Animal Welfare policy (outcome-based principle)
	Implementation of best practices within the supply chains	100% of <i>métiers</i> follow the Group's Animal Welfare policy
		92% of hides sourced in Europe, within a regulated ecosystem
		Development of global best practices with the ostrich and crocodile sectors
		100% of exotic hides comply with the requirements set by the Group's Animal Welfare policy
Climate change	Defining an emissions reduction policy and targets	Update of reduction targets (2018-2030): -50.4% in absolute terms for scopes 1 & 2 and -58.1% in intensity for scope 3
		Setting a notional internal carbon price (industrial and real estate investments, transport contracts)
	Reduce emissions	Validation of the 1.5 °C-compatible trajectory by SBTi
	Analysis of the impacts of climate on activities	Update of climate risk analyses on eight scenarios
	Contribute to carbon offset efforts	Reduction of the Group's emissions in absolute value on scopes 1, 2 and 3 since 2018: -15.3%
New investment in Livelihoods and carbon credits received in 2021 for 100% of scopes 1 & 2 and 63.6% of the Transportation item (upstream and downstream)		
Biodiversity	Define a strategy	Implementation of the Act4Nature strategy in 2021
	Make an impact inventory and identify priorities	Mapping of "GBS" impacts on 92% of the activity, intensity score lower than sector averages
		Continuation of diagnostics: analysis of the goat leather sector launched at the end of 2021
Undertake concrete actions	Biodiversity actions in 14 of the 19 leather goods workshops located in France	

Communities: 2021 priorities	Major challenges and objectives	Main concrete measures and results for 2021
Ethics and Human Rights	Employee training	Mandatory e-learning in place since 2020. 100% of employees concerned trained
	Supplier commitment (signature of the C2 handbook)	89% of direct purchasing suppliers having signed the C2 handbook
	Verifications and audits	113 audits carried out at tier 1 and tier 2 suppliers as part of the duty of care
	Ethics alert line	Internal and external implementation since 2020. 53 alerts in 2021
Responsible company	Develop employment and promote local jobs	Nearly 1,000 jobs created, including more than 550 in France
	Balanced value sharing	78% of objects made in France
	Acting in favour of solidarity or the environment	530 suppliers in France listed as being social and solidarity enterprises (ESS)
		29.5% consolidated tax rate
		400 social and solidarity actions in more than 40 countries
Continuation of Fondation d'entreprise programmes (€40M over five years)		
Donation of €7M to AP-HP (following €20M in 2020)		

2.1.6 GOVERNANCE OF THE CSR APPROACH

The House's actions are steered by a Group sustainable development department and have been supervised by the Sustainable Development Committee since 2007. They involve various corporate bodies:



Supervisory Board: its CAG-CSR Committee has the role of overseeing sustainable development challenges. It meets with the sustainable development department twice a year.

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 3 “Corporate governance”, § 3.8.1.2.4) 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). The Executive Committee is informed by three of its members of the work of the Sustainable Development Committee.

Sustainable development Strategic Committee: this committee validates the strategy, conducts governance and oversees CSR activities. Composed of 12 members including three members of the Executive Committee, it includes managers from the human resources, industrial affairs and distribution departments, two *métiers* (Leather and Textiles), and the communication department. Its minutes are communicated to the Executive Committee. **It met six times in 2021, the attendance rate of members was 92% and 100% for the three 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 and non-financial reporting.

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 2021.

Local Sustainable Development Committees: run by the main *métiers* and subsidiaries, they initiate and track actions launched, and share them during regional meetings. For the eighth consecutive year, the heads of the Sustainable Development Committees in the Asia, Europe and Americas regions met, remotely, for two mornings of conferences. Environmental initiatives are driven more specifically by an “EHS 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, the circular economy, sustainable construction and logistics.

Métier/subsidiary sustainable development departments: they are responsible for leading the approach at their level and for signing up to a CSR roadmap each year. The Group's main *métiers* and subsidiaries, which account for more than 80% of the business, have a dedicated sustainable development manager.

READING GUIDE

In order to present the commitments, actions and results for the six pillars of Hermès' CSR strategy as clearly as possible, the subsequent chapters have been organised as follows:

- ◆ An introduction detailing the commitment made by Hermès and how this relates to the Group's values;
- ◆ A summary of the key events and achievements of 2021;
- ◆ A selection of indicators giving key figures on Hermès' progress on all of its commitments in 2021;
- ◆ A main handbook presenting in detail the policy implemented and actions carried out at all levels of the Group, as well as the achievements and results of 2021;
- ◆ An "experts' handbook" providing detailed information, including figures, on Hermès' actions and results in 2021.

EXPERTS' HANDBOOK

This section takes an in-depth look at Hermès' commitments and details the commitments made with regard to its CSR strategy

The Hermès CSR strategy is organised around three strategic areas broken down into six operational pillars, themselves subdivided into 49 topics that serve as benchmarks for the operational actions of the House's entities, as presented in the three boxes below:

PEOPLE

TEAMS

FULFILMENT AND WELLBEING

- ◆ Ensuring the wellbeing and fulfilment of employees: working environment and conditions, health and safety, quality of life at work, work-life balance, social protection, ethics and responsible management.
- ◆ Sharing the corporate project and its values, which are the pillars of teams' identity and long-term cohesion.
- ◆ Maintaining the quality of social dialogue.
- ◆ Implementing ambitious value-sharing schemes and compensation policies: salary, bonuses, profit-sharing and employee shareholding.

SOCIETAL ENGAGEMENTS

- ◆ Facilitating the integration and recognition of talent in all its diversity and promoting equal opportunities and inclusion: diversity, age, social origin, disability and anti-discrimination.
- ◆ Engaging employees in solidarity actions, including skills sponsorship.
- ◆ Promoting broad ethical standards and the application of human rights and anti-corruption regulation.

SAVOIR-FAIRE

ACQUISITION, ENRICHMENT AND TRANSMISSION

- ◆ Anticipating the House's future needs.
- ◆ Attracting and recruiting the best profiles for our different *metiers*.
- ◆ Integrating new employees and passing on our unique corporate culture to them.
- ◆ Developing training courses that guarantee operational excellence and versatility, and consolidating the technical and managerial expertise of our employees.
- ◆ Integrating the challenges of sustainable development into our know-how; for example with eco-design.
- ◆ Developing talent: enabling long and sustainable careers, through internal development, versatility, mobility or retraining.

PRESERVATION AND DURABILITY

- ◆ Promoting art and craftsmanship among the younger generation.
- ◆ Encouraging the transmission of operational know-how to our partners: schools, training and apprenticeship centres.
- ◆ Maintaining proactive actions in training for our historical *metiers* and promoting manufacturing know-how (VAE, MOF, EPV, etc.).

PLANET

RAW MATERIALS**RAW MATERIALS**

- ◆ Seeking the best quality for all the materials used, guaranteeing the durability of the objects we create.
- ◆ Optimising the use of our raw materials throughout their life cycle by integrating the principles of the circular economy: innovation, eco-design, reuse, upcycling, recycling (production scraps), repair, end of life including the management of unsold items.
- ◆ Finding alternatives to the use of certain materials, including plastics.

SUPPLY CHAINS

- ◆ Controlling the entire value chain with operational traceability and long-term partnerships with suppliers, NGOs, etc.
- ◆ Contributing to the development of the most demanding standards for responsible and sustainable management of supply chains: ecological footprint (biodiversity, water, energy, carbon), social (working conditions) and societal (communities).
- ◆ Introducing certifications schemes within our supply chains.
- ◆ Supporting agriculture that is more respectful of Nature.
- ◆ Imposing the highest standards in animal welfare and in the ethics of our relationship with living things.

ENVIRONMENT**RESOURCES AND WASTE MANAGEMENT**

- ◆ Going beyond regulatory obligations in terms of the environment by anticipating how they might evolve: innovating by using environmentally friendly solutions.
- ◆ Controlling the consumption of natural resources both internally and with suppliers: water, energy.
- ◆ Defossilising our energy consumption.
- ◆ Improving production processes by favouring the cleanest, most economical technologies and the most environmentally friendly substances (chemicals).
- ◆ Reducing our footprint and controlling waste and discharges, reducing their production as much as possible and recovering them whenever possible.

CLIMATE CHANGE

- ◆ Formalising a strategy and governance, defining targets and monitoring indicators.
- ◆ Studying climate risks and acting to reduce their impacts, analysing resilience scenarios and incorporating them into the strategy.
- ◆ Reducing greenhouse gas emissions in absolute terms (Scopes 1 & 2) and in proportion to activities (Scope 3), in line with the Paris Agreements by developing science-based target (SBT).
- ◆ Undertaking voluntary carbon offsetting actions with high environmental, social and societal value, in addition to reduction measures.

BIODIVERSITY

- ◆ Setting up trainings for employees.
- ◆ Working in partnership with stakeholders (including NGOs).
- ◆ Diagnosing our impacts on biodiversity across our entire value chain (flora and fauna) and defining our ambitions on a scientific basis (SBT).
- ◆ Implementing actions in our metiers, value chains and sites.
- ◆ Contributing to positive actions outside our sphere of responsibility (Fondation d'entreprise Hermès, Livelihoods).

COMMUNITIES

SUPPLIERS AND PARTNERS

SUPPORT AND CONTROL

- ◆ Supporting the development and evolution of supplier practices to preserve key know-how and secure supply.
- ◆ Co-creating sustainable development action plans with our suppliers and partners.
- ◆ Ensuring the application of all our social, environmental and ethical requirements (duty of care), using a collaborative approach and regular audits as necessary.

RESPONSIBLE PRACTICES

- ◆ Developing balanced partnerships, supporting our partners, and encouraging territorial anchoring and regional development around the basins and sites of implantation.
- ◆ Contributing to the improvement of operational practices through the adoption of certifications and labels by our suppliers and partners.
- ◆ Increasing partnerships with the supported sector, capitalizing on the Group Disability Agreement (France).

STAKEHOLDERS AND TRANSPARENCY

REGIONAL RESPONSIBILITY IN FRANCE

- ◆ Pursuing a policy of manufacturing development in France by co-developing projects with the regions in which it operates.
- ◆ Building harmonious relationships with local stakeholders in the fields of the economy, employment, training, ecology and culture: to inform, engage in dialogue and collaborate.

CORPORATE CITIZENSHIP

- ◆ Giving back to the world a part of what it brings us through generous operational, financial and sponsorship actions, undertaken by group entities including distribution subsidiaries, or by the Fondation d'entreprise Hermès.
- ◆ Contributing to the forward thinking efforts of civil society or academic research by participating in multi-stakeholder initiatives.
- ◆ Taking part to advocacy initiatives for different modes of production: craftsmanship, less intensive agriculture, local anchoring.

COMMUNICATION

- ◆ Making the company's sustainable development strategy, objectives and actions more transparent.
- ◆ Creating the conditions for external communication delivered by employees.
- ◆ Making responses to external questionnaires and analysts more reliable.
- ◆ Engaging in dialogue with the press and influence.

Inauguration of the Maroquinerie de Guyenne in September 2021, in the Gironde department



©Photographer: Christophe Mariot

2.2 PEOPLE: TEAMS

Hermès' sustainable development is based on the fulfilment 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 nurtures the richness of its human capital and contributes to major societal challenges through proactive initiatives in the areas of ethics, diversity, equality among its employees, consideration of disability and, more generally, respect for human rights.

2

Introduction

Hermès sets very high standards in terms of working conditions and these are essential to enable employees to thrive, to give meaning to their actions and to help them constantly evolve by renewing knowledge and practices throughout their career.

Beyond the fundamental issues of health and safety at work, this also involves putting in place the best management practices and working environments conducive to the well-being of each and every person on the sites, in the stores and offices, to "make beauty in beauty", as Mr Jean-Louis Dumas used to say.

Harmonious labour relations in France are based on the Group agreement on social dialogue and the exercise of union rights, renewed in 2021 and regularly conducted at both local and central levels. They are also rolled out in all other regions with a humanist mindset that often goes beyond legal obligations.

Hermès' economic successes are regularly shared in different forms and 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 corporate project over the long term.

Diversity and inclusion are also factors of the Group's success. Given the variety of *métiers*, the profiles of its employees and the various geographical locations, these subjects are embedded in Hermès' fundamentals. Nevertheless, they require daily efforts, which is why the Group's ambition regarding Diversity and Inclusion was redefined in 2021.

Information related to the management of the Covid-19 health crisis can be found in § 2.1 in the box "Covid-19, a resilient and contributive model in a situation of crisis".









In 2021, the Group made progress on important societal issues, with the aim of making a long-term difference through steady improvements with a significant impact. Among these, the selected elements below are particularly illustrative of 2021 for this section:

- ◆ Rollout of a global maternity policy with compensation maintained.
- ◆ Establishment of a paternity policy in France.
- ◆ Signature of the second Disability Agreement in France.
- ◆ Global "Diversity and Inclusion" study and employee commitment study in Europe.
- ◆ Compensation maintained worldwide for the second year despite the Covid-19 crisis, and without recourse to State aid.
- ◆ Exceptional bonus of €3,000 for eligible employees Group-wide.
- ◆ Rankings Grand Prix Emploi (Humpact France), Financial Times (1st on Diversity and Inclusion in Europe), Glassdoor (7th best employer in France).

PEOPLE

TEAMS

	OBJECTIVES	INDICATORS	2021 RESULTS
 ENSURING THE WELL-BEING AND DEVELOPMENT OF EMPLOYEES			
	Knowing and monitoring employee well-being through surveys	% of employees and frequency of surveys	73% of employees took part in a survey during the past three years
	Make work organisation more flexible	Implement teleworking for eligible employees	All eligible employees had access to teleworking
		% of the production workforce benefiting from flexible work schedules	80% of the production workforce benefit from flexible work schedules
	Ensure health and safety at work	Group lost-time work accident frequency rate	9.07 (stable compared to 2020)
		Group lost-time work accident severity rate	0.34 , down by 17% compared to 2020
	Protecting the Group's employees	% of employees who benefit from schemes in addition to statutory health, pension and welfare plans	More than 85% of employees worldwide benefit from schemes in addition to statutory health, pension and welfare plans
	Implement a parenthood policy	% of employees benefiting from a parenthood policy	100% of subsidiaries have rolled out the maternity care policy with salary maintained 98% of Group employees are covered by the Maternity policy 62% of employees are covered by the Paternity policy
 SHARING THE CORPORATE PROJECT AND ITS VALUES			
	Train employees in the House's values	% of new hires trained in the corporate culture	100% of new hires received training in corporate culture since 2018
		% of employees trained in Group ethics	100% of employees considered to be exposed to the risk of corruption according to the Group corruption risk mapping are trained in anti-corruption
 MAINTAINING THE QUALITY OF SOCIAL DIALOGUE			
	Conduct discussions with social partners or equivalent	Number of agreements and % of employees concerned	73 social dialogue agreements and amendments signed in France, i.e. 62% of the workforce
	Allow employees to express themselves freely via an ethics alert line	% of employees able to use the ethics alert line and number of cases handled	The H-Alert! system is accessible to all employees. 53 alerts were received in 2021, all alerts were followed up and some cases are still being examined
 ENGAGE EMPLOYEES IN SOLIDARITY ACTIONS, INCLUDING SKILLS-BASED SPONSORSHIP			
	Develop skills-based sponsorship at Group level	Number of "skills-based sponsorship" ambassadors	80 "skills-based sponsorship" ambassadors
		Progress of resources implemented	Nearly 400 global operations

OBJECTIVES	INDICATORS	2021 RESULTS	
 ESTABLISH VALUE-SHARING MECHANISMS			
	Implement a minimum compensation policy worldwide	% of employees whose compensation is above the living wage defined locally	Considering the entire compensation system implemented at Group level, Hermès ensures that it pays above the living wage in all countries where it operates.
	Set up supplementary compensation in addition to salary	Amount of incentive and profit-sharing in France	€ 94 million in respect of 2021
		Exceptional bonus paid during the year	Exceptional bonuses of €1,250 paid in 2021 for 2020 and €3,000 paid in February 2022 for 2021
	Promote employee shareholding	% employee shareholding	At 31 December 2021, employee shareholding represented 1.06% of the share capital, i.e. over €1.715 billion.
		Number of employee shareholders	Nearly 12,000 employee shareholders or holders of rights to free shares, i.e. 68% of the workforce
 FACILITATE THE INTEGRATION AND RECOGNITION OF TALENT IN THEIR DIVERSITY, AND PROMOTE EQUAL OPPORTUNITIES AND INCLUSION			
	Promote the participation of women in company management	Ratio of women present overall within the Group	67% women in the Group
		Ratio of women on the Executive Committee	25% women on the Executive Committee at 31/12/2021 (40% at 01/03/2022)
		Ratio of women on the Operations Committee	67% within the Operations Committee at 31/12/2021 (64% at 01/03/2022)
		Ratio of women managers	60% women managers
	Ensure equal opportunities	Pay equity index (France)	The weighted average global gender equal pay index is 90/100
	Fight against discrimination	Number of employees who completed a Diversity and Inclusion training course	780 employees completed a D&I training course
	Promote inclusion, particularly for people with disabilities	% of the workforce affected by a "Disability" action plan	100% of the workforce in France concerned
		% of employees with disabilities in the workforce in France	5.68% rate of directly employed people employees in France with a disability (2020 figures)
 PROMOTE THE MAIN ETHICS PRINCIPLES AND THE APPLICATION OF REGULATIONS ON HUMAN RIGHTS AND THE FIGHT AGAINST CORRUPTION			
	Ensure employees adhere to ethics and compliance principles	100% of employees informed and trained	100% of employees receive the codes of business conduct, ethics charter and anti-corruption code, and 100% of employees considered to be at risk of corruption are trained in anti-corruption

2.2.1 FULFILMENT AND WELL-BEING

The sustainability of the House rests on the women and men who contribute in a harmonious and positive manner to its functioning and development. For this reason, the Group is very demanding in terms of working conditions so that everyone can express their potential safely, in a pleasant environment, whether on production sites, in stores or offices. This also means supporting the transformation of working practices, whether digital or organisational, and seeking a permanent balance between the changing world and the goal of living well alongside one another.

POLICY

The Group's policy integrates health, safety and well-being challenges in its operational strategy as a priority, in particular for its manufacturing activities. Working time is managed by each entity in compliance with the regulations in force, according to the particularities of its activity, and 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 its employees in long-term growth through individual and collective compensation measures.

MEASURES IMPLEMENTED AND RESULTS

In order to contribute to the development and well-being of its teams, and more broadly, to major societal challenges, Hermès undertakes 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 FULFILMENT AND WELL-BEING

2.2.1.1.1 Employee well-being

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 employees, and the introduction of action plans. The questionnaire, designed by the INRS (National Institute for Research and Safety, charged with occupational health 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 2021, despite an unfavourable context, with its rollout to three new sites. **Since its launch, nearly 8,000 employees at 41 sites have taken part, i.e. 73% 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.

The topics selected locally are varied: time management, fatigue and physical health, warm-up/stretching, hazard management, musculoskeletal disorders (RSI), management of emotions, communication, etc. More than 65 participatory workshops with employees and employee representatives were set up at the sites on topics identified for progress, such as "Fair and unfair – Optimising relations at work", "Stress management and emotional load", "Development and commitment", "Workspace ergonomics and the working environment".

Following this diagnostic phase, the French sites set up a workplace health and well-being observatory on each site, which coordinates the action plan via working groups, in conjunction with the Management Committees and the site's Health, Safety and Working Conditions Commission. 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 are carried out within our Retail subsidiaries.

In Europe, a vast engagement survey was launched at the end of May 2021 for all employees in 16 countries (survey sent to 1,075 people) with a participation rate of 88%. It recorded an increase in the engagement level from 74% to 76%. The strengths identified by the Retail Europe teams relate to pride in belonging and confidence in the future, the care and sincere concern for employees, recognition and feedback provided, and the House's CSR commitment. In Russia, for example, the engagement rate was 86% and 96% of employees would recommend Hermès as a good company. 93% say that Hermès takes care of its employees. In Italy, the participation rate was 89%, with 83% saying they were proud to work for Hermès and 85% welcoming its commitment to CSR.

In the United States, HOP conducted its second employee engagement survey in 2020, and continued the analysis in 2021 (2,700 comments representing more than 250 pages analysed by local HR departments). The survey enabled 755 employees to express their views, i.e. a very high commitment rate of 91% (up from 83% in 2018). The most positive response was the statement that employees are proud to work for Hermès (98.5%) followed closely by the fact that Hermès is a socially responsible company (96%).

The points of progress identified, on which local HR is working, generally concern the workload, with the desire for a better work-life balance and the development of career opportunities.

2.2.1.1.2 Working conditions and environment (EHS)

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

A common strategic framework, adaptable to the activity

The EHS (Environment, Health and Safety) policy for the Hermès Group's industrial sites aims to implement systems that help preserve the health and ensure the safety of employees while protecting the environment. It is supervised and validated by the Executive Vice-President of the Manufacturing Division & Equity Investments, a member of the Executive Committee.

While craftsmanship expertise is essential to the production of beautiful products, the high level of expertise in health, safety and the environment contributes directly to the improvement of working conditions and the well-being of all. Thus, for Hermès, any work accidents, occupational disease or environmental accidents are unacceptable.

Each *métier*, through its managers, undertakes to work relentlessly, with commitment and determination, in order to achieve this level of control and to pass on the environmental and health and safety issues that are at the heart of the craftsmanship culture:

- ♦ eliminate and prevent the risk of injury, preserve long-term health;
- ♦ protect the environment by controlling risks and reducing identified impacts.

Any new Hermès industrial site, and any renovation, is designed and built with the health and safety of the craftspeople and partners working there in mind.

New or existing industrial practices, as well as processes and products, are constantly analysed to minimise their risks and effects on the environment, health and safety.

Lastly, each *métier* strives to train and raise awareness among all its employees to achieve these ambitions, taking into account the unique features of its activity.

To support this policy, the Hermès industrial department runs an EHS programme that changes every four years. The fifth cycle of this programme began in 2018 and consists of three components:

- ♦ an EHS regulatory watch organised at a frequency adapted to changes in the regulations of the countries in which the sites are located: in France, the watch is shared quarterly; for the rest of the world, it is published bi-annually or annually;
- ♦ the elimination of hazardous situations by ensuring the proper management of hazardous work and the control of environmental practices through the Group's guidelines, updated each year and which supplement those of the real estate development department;
- ♦ a safety culture, assessed each year at all industrial sites in accordance with internal standards.

The industrial department audits the achievements of the industrial sites with the support of an external firm and regularly reports on the progress made in meeting Hermès' commitments. In 2021, 15 audits were carried out.

To complete this programme, the industrial department has been running an EHS network since 2003, made up of EHS managers from the House's various *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*.

Actions implemented within the *métiers*: some examples

Each department regularly feeds into an action plan for the management and continuous improvement of working conditions, particularly in terms of ergonomics.

Leather

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. 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 EHS manager is appointed in each production unit. The central coordination ensures the consistency of the progress plans, provides them with material support, and monitors changes in regulations and technological developments. It develops and distributes shared training, reporting and regulatory compliance tools.

Among the Leather Goods division's priorities, the fight against RSI (repetitive strain injury) is the subject of several types of actions:

- ♦ the introduction of electric height-adjustable workbenches;
- ♦ work 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 cutting-edge technologies, has made it possible to create a hierarchy of training actions and thus reduce physical stress in strict compliance with *savoir-faire*;
- ♦ the setting up of "ergo relays", who are either craftspeople or employees from support functions, and some of whose missions are dedicated to the prevention of musculoskeletal disorders in their workshops. This community provides concrete support to each craftsperson in order to progress in terms of ergonomics and good postures within each leather goods workshop. At the same time, the ergo-motor skills module "Un Corps Pour La Vie" continued to be rolled out, with the aim of better preparing the body and supporting the demands inherent in the specific activities of saddlers and leather goods craftspeople (warm-up, posture, etc.). To date, 3,000 craftspeople have been trained;
- ♦ the perfecting of a shoulder realignment tool, aimed at preventing musculoskeletal disorders of the upper limb, a process supervised by local *physiotherapists*.

Logistics

Logistics ships more than five million products to 306 stores each year. For more than five years now, the Hermès Commercial site in Bobigny has been constantly transforming to improve in the face of a constantly increasing workflow. Various projects have been carried out to mechanise certain tasks and significantly reduce the risks of RSI (repetitive strain injury) in certain operations. Thus, the time between receipt and shipping of a product has been reduced from 15 to 10 days, while maintaining the level of quality control and improving working conditions. These projects have also enabled operators to develop new skills, flourish and feel collectively responsible for the smooth running of the site.

Working environment

The House is very attentive, for its production units and its offices, to providing quality workplaces. This aspect is also one of the pillars of the “sustainable construction” framework put in place by the Group (see § 2.5.1.2). In 2021, for example, the following achievements can be highlighted.

A new living space has opened its doors on *rue de Penthièvre* in Paris to welcome Hermès Perfume and Beauty and the digital sales and service department in an exceptional building with views over the whole of Paris, bathed in light, offering a large garden and equipped with 10 terraces (i.e. 2,000 m² of outdoor spaces out of a total of 8,000 m²). The aim is not only to design welcoming living spaces, but also to make them stand out by highlighting the *métiers* and *savoir-faire*.

The Maroquinerie de Guyenne benefits from new premises in an HQE building, with energy consumption optimisation and photovoltaic panels providing electricity for the building. Height-adjustable workbenches have been installed within HMS and HTH, partly by retrofitting when possible.

A certain number of actions are also carried out to improve visual and acoustic comfort (soundproofing of machines, noise mapping, light measurement campaigns) at the Maroquinerie de Guyenne.

Air quality, lighting and acoustics

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 WHO.

In 2021, air quality measurements were launched on certain production sites in France, as well as in tertiary buildings and stores.

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

At our industrial sites, various improvements in terms of working conditions and environment were made in 2021, in addition to the Group’s ambitions, such as:

- ♦ the installation of a ventilation solution for the hot-part workshop at Crystal Saint-Louis to renew the air in this workshop while recovering the excess heat from the furnaces. This solution made it possible to significantly improve the working conditions in this workshop;
- ♦ a measurement campaign was carried out to ensure the absence of fine particles; on the ATBC (a subsidiary of HTH) silk and cashmere weaving site.

2.2.1.1.3 Work accidents

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 people in employment and prevent people being unable to work, based on a number of awareness-raising campaigns (nutrition, physical activity, etc.).

	Group	France	International only
Lost time work accident severity rate	0.34	0.52*	0.09
Lost time work accident frequency rate	9.07	11.92*	5.11

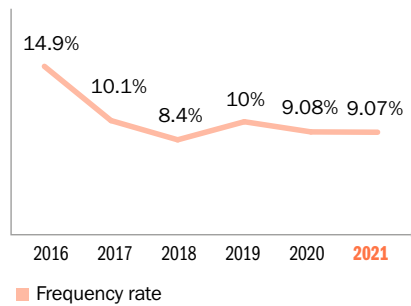
* These higher figures should be put into perspective with the production workforce being mainly located in France (78% of manufacturing sites are located in France), a country in which regulatory requirements control the various cases of accidents and their reporting more strictly and exhaustively than elsewhere.

In 2021, the frequency rate of lost-time work accidents for the Group as a whole stood at 9.07, with a severity rate of 0.34 (respectively 9.08 and 0.41 in 2020). 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, however the trend is clearly positive (**falling by more than one-third in five years**). No work accidents resulted in fatalities in 2021.

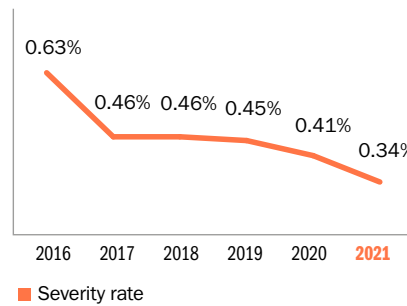
In France, the frequency rate was 11.92 with a severity rate of 0.52 (respectively 12.3 and 0.67 in 2020). The industrial workforce represented 70% of the workforce in France, and consequently affects these rates. The rates for the main *métiers* concerned (leather and crystal) are below the rates for their industries.

Looking at figures for International alone, the frequency rate was 5.11 and the severity rate was 0.09 (respectively 4.72 and 0.06 in 2020).

Change in the frequency rate of work accidents across the entire Group



Change in the severity rate of work accidents across the entire Group



Each accident or significant incident is the subject of an investigation with a detailed analysis of the causes, the conclusions of which are systematically shared with other industrial sites that may present the same risks. 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.

2.2.1.1.4 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 human resources department and the Director of Labour Relations, issue general contextual instructions, such as 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.

Given that 84% of employees are either craftspeople or work in stores, teleworking is less significant than in other industries. Other than in exceptional circumstances, it is considered on a case-by-case basis depending on the situation, particularly in France. However, the health crisis greatly increased the use of teleworking during periods of lockdown or tension related to the health situation, for workstations where it is possible. In order to facilitate the temporary use of this work organisation, various measures have been implemented such as the provision of laptops, headsets or the payment of a fixed monthly sum intended to offset the additional costs related to teleworking, etc. In some countries, teleworking has been more sustained, such as in the United Kingdom, where the Smart Working Day allows remote working on certain days.

Globally, 95% of employees work full-time. Some 813 employees worked part-time in 2021. Various working time flexibility schemes have been established, notably in the leather goods workshops (42% of employees in France).

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 presence on sites.

In China, schedules for sales associates include eight hours' work a day and two days off. Annual leave has been increased from 10 days to 12.

Work-life balance

With regard to work-life balance, the Group communicates internally to share best practices and encourages subsidiaries to adapt them and apply them locally. Managers are expected to be role models. Each craftsperson is responsible for distributing his or her hours over the week and thus benefits from significant flexibility to combine his or her working hours and personal life. Particular attention is paid to monitoring leave and to counting hours of work or recovery. Arrangements are made at the start of the school year, for example, or in the event of childcare constraints. The specific cultural characteristics of each country are also taken into account, for example to reconcile the culture of strong commitment in Japan and the regulations on taking leave; or in the United States, the monitoring of compensatory rest periods and even the planning of leave well in advance. Employees are systematically encouraged to use their annual leave.

For all sites in France, the form used in the annual appraisal that each manager conducts with each of his or her employees has been adapted to include a discussion on work/life balance.

Some additional initiatives have been rolled out, such as the possibility for pregnant women to telework for one day/week when their job allows this, access to reserved parking spaces, and parenthood interviews. Hermès Femme encourages each manager to demonstrate flexibility in managing their teams to combine comfort and efficiency in the work of their employees. A survey on childcare within Hermès Perfume and Beauty was conducted.

Internationally, the subject of parenthood has resulted in the implementation of a new platform for employees in Italy that covers aspects relating to family and education (enrolment in schools, purchase of school books, specialised courses). Within HOP (United States), a resource group of employed parents supports working parents and the return of new parents after maternity, paternity or adoption leave. In the United Kingdom and Ireland, hours can be concentrated to enable only four days a week to be worked. At Hermès Japan, the reduced-time working regime applies to mothers of children between the ages of four

and six (beyond the legal obligation that applies up to the age of three). The normal work schedule is 7.5 hours per day and this mechanism allows mothers to work 5.5 hours, 6 hours or 6.5 hours.

Focus on 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, a new working time agreement has provided more flexibility for the last two years.

Since 2019, employees have benefited from variable arrival, lunch and departure times. They have a minimum number of hours worked per week, with the option to work more hours, and the flexibility to adjust their daily work hours according to peaks and troughs of activity, but also to suit their personal obligations or preferences. This change, which is rarely so extensive within a logistics site, is a sign of trust in employees and has required significant managerial adjustment. 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 three years ago, trains volunteer employees in a wide range of logistics *savoir-faire*. The “Switchers”, numbering 40 at the end of 2021, 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.

2.2.1.1.5 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 wellbeing or employment, or adversely affecting 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 this 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. Hermès attaches great importance to everyone's professional development and compliance with the rules of ethics. It takes action against all abusive behaviour at any level of the hierarchy.

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 psychological harassment. In late 2020 and early 2021, each pair of officers (Company and SEC) took part in a training course together, 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 psychological 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 2022, 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 2022.

In addition to the Group's work to combat harassment, local initiatives have been taken by certain entities, such as within Hermès Cuir Précieux, with the creation of a “Well-being at work” commission made up of Human Resources, members of the SEC and CSSCT, as well as the EHS 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 proposed to 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, violence at work, burnout, etc.); it also allows them to learn to detect situations that may lead to these PSRs and to identify warning signals, even weak ones. The objective is to know how to detect a difficult situation as soon as possible and provide a rapid and appropriate response. 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.

2.2.1.1.6 Absenteeism

In France, the absenteeism rate was 4.17% (9.58% in 2020 and 4.1% in 2019). It was mainly impacted by the health crisis, with, in addition to cases of Covid, contact cases, childcare needs and protection of vulnerable people. These factors increase the absenteeism rate accordingly. **The Group's absenteeism rate stood at 3.26% in 2021** (6.45% in 2020 and 2.9% in 2019). It 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. Given the exceptional situations surrounding the Covid-19 crisis, these figures should be interpreted with caution.

Changes in absenteeism are systematically monitored and analysed by entity in order to identify causes and propose action plans. The latter supplement the 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 parenthood under the best possible conditions.

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: creating the right conditions for adherence to the corporate project and encouraging commitment, enriching the employee experience, bringing the values and family spirit to life. 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 employee support for the corporate project and giving meaning

In the particular context of the ongoing health crisis, internal communication continued to play a central role in supporting the recovery and illustrate the strength of the business model through digital tools and events.

Created in 2019, HermèsSphère, the Group's digital workplace, broadcasts almost daily news on its timeline. Alerted by an email newsletter, employees are involved in real time in the life of the Group and its subsidiaries. **On average, around 450 articles are published per year.**

In 2021, HermèsSphère continued to welcome new subsidiaries to its ecosystem. After the American subsidiary Hermès Of Paris, Hermès Japan has been given a space dedicated to its local news and Hermès Greater China can now translate the Group's news into the language of its employees.

In France and abroad, internal communication systems have been expanded to maintain proximity with teams, share news, present development projects and encourage dialogue.

Senior Executives and managers took active steps, either remotely or in person, to share challenges and strategy and ensure that links with their team were maintained.

In September 2021, for example, 200 employees from the support functions in France met in Copenhagen along with members of the Executive Committee. Brought together around a common purpose and focused on the new challenges of their stakeholders, they looked ahead ten years to reflect on the added value of their respective functions.

In November 2021, Hermès Information Systems organised the second edition of its Innovation Day: a day of innovation and inspiration created in 2020 that brought together 170 employees around key future digital innovations.

Twenty-one meetings led the human resources community to focus on priority areas of development in 2021. In June 2021, 55 Senior Executives and Directors of Human Resources met virtually as strategic partners to discuss human resources priorities and proactively engage in the sharing of experiences.

2.2.1.2.2 Fostering the collective dynamic and family spirit

Whenever possible and in compliance with health protocols, Hermès has seized on opportunities to return to working alongside one another harmoniously.

In September 2021, Hermès Maroquinerie-Sellerie celebrated its first establishment in the Bordeaux region by inaugurating the Maroquinerie de Guyenne. Following speeches by Axel Dumas and regional representatives, the traditional ribbon cutting launched the festivities bringing together the 200 craftspeople of the site.

In November 2021, the inauguration of a first renovated space in the Tanneries du Puy brought together around 200 employees of the site and internal guests of Hermès Cuir Précieux.

Varying the formats to adapt to the health constraints in force, the entities continued approaches aimed at preserving relationships: the Hermès Maroquinerie-Sellerie Central Services Day involved fun team activities, the Hermès Of Paris "Behind the Orange Curtain" virtual sessions brought together a total of 525 employees to learn more about the House and its development, Hermès Femme continued its Friday Free Time, with nine meetings taking place during 2021, bringing together between 45 and 100 people around presentations on internal and external topics.

However, as in 2020, health restrictions prevented the "Tandem" programme, created in 2008, and the "Tilbury" programme, launched in 2018, from running.

Tandem

Tandem is a programme that brings together a craftsperson and a sales associate, and invites one to put him or herself in the shoes of the other. In practice, a craftsperson is welcomed by a sales associate in a store, and a few weeks later, the craftsperson welcomes the sales associate in his or her workshop (or vice versa). In turn, they each discover the other's *métier*. This programme is carried out in a spirit of generous sharing, curiosity, reciprocity and commitment. Nearly 550 employees have taken part in this initiative since its creation.

Tilbury

In the same vein as *Tandem*, *Tilbury* is a programme that exchanges experiences and shares practices between a store manager and a production Site Manager, launched in 2018. For five days, they each put themselves in the shoes of the other by participating in the daily life of their host (meetings, discussions with teams) and experiencing the business on the ground, with the store manager spending time with craftspeople in the workshop, and the Site Manager spending time with sales associates and customers in the store.

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 all 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 (62% 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 fundamental rights for workers.

For example, following a change in collective agreement and given a change in the workforce, a Committee for Prevention and Protection at Work was set up in Belgium in early 2021. In the same way, and at the request of employees this time, an employee representative body was set up in Germany in the Munich store. In general, in the international distribution activities, the quality of social dialogue depends on respect for freedom of expression and anonymous satisfaction surveys that are regularly conducted by the Directors of Human Resources of the area (or country, depending on the size of local markets). The survey carried out at in 16 European countries in 2018 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.

In France, a Social Dialogue Monitoring Committee (France) was set up pursuant to the agreement on social dialogue and the exercise of union rights within Hermès Group companies and signed in 2008 by all the representative trade unions.

In order to strengthen social dialogue, this agreement was renegotiated in 2021 and a new Group agreement on the renewal of social dialogue was signed on 25 November. It includes a number of measures designed to encourage and promote social dialogue through better knowledge and greater interaction of its players, as well as through better definition of the mandate and professional activity and the development of skills.

This agreement provides, for a second annual meeting of the Social Dialogue Monitoring Committee, the strengthening of the role of the Group coordinators, organisation of an inter-union discussion day with all the representative trade unions within the Group, and the participation of employee representatives in a training session on labour law, also open to managers.

In the various French companies, social dialogue 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 2021, 73 agreements and amendments were signed in France** on subjects as varied as salary increases, incentive and profit-sharing schemes, working hours and equality between women and men.

Some initiatives illustrate what is being implemented locally:

- ♦ in France for example, the establishment of two cross-functional sector bodies at HTH, bringing together the elected representatives of the eight entities to deal with the sector's incentive scheme and the healthcare costs scheme;
- ♦ in Italy: HR Days to answer all questions or individual concerns of employees;
- ♦ in the United Kingdom: the Employee Council and various committees (SD, sponsorship, Carré On, etc.) have been set up;
- ♦ in Russia: with the presence of employee representatives at managers' meetings enabling suggestions to be shared;
- ♦ in Korea, where we do not have any statutory employee representation structures: a joint management-union conference takes place every quarter;
- ♦ and finally in Taiwan: quarterly meetings bringing together employee representatives and the employer are opportunities to share opinions and suggestions.

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.

This ambitious policy includes a wide range of individual and collective measures in terms of salary components 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.

The Group's policy, in France and internationally, is that all of its employees should receive overall compensation that competitively meets best market practices, complies strictly 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 fourth year in a row, Hermès is paying all employees worldwide an exceptional additional bonus in respect of 2021 of €3,000 in recognition of their commitment and contribution to the Group's performance.

In terms of social protection, the Group also implements a comprehensive and ambitious policy to ensure that 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. Thus, the House's desire is to offer all its employees, in all countries where the Group operates, an overall compensation that provides a protective framework in the short, medium and long term, not only for employees but also for their families.

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

2.2.1.4.1 Compensation

The compensation of Hermès' employees complies fully with the ILO conventions and the laws of all the countries in which the House operates. Regulations on working hours and minimum wages, the systematic issuance of a payslip on a regular basis, explaining all legal deductions, the prohibition of the payment of recruitment fees paid by employees regardless of their location in the world, and more generally the fight against forced labour, are principles applied naturally and strictly by Hermès entities, the vast majority of whose employees work in OECD countries.

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 markets (internal and external) is systematically recommended for the performance of salary reviews. Specific budgets are granted if adjustments are necessary. The monitoring of equal pay indicators and the measures to remedy the situation if necessary are overwhelmingly included in the agreements signed by the House's subsidiaries.

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 all employees benefited, additional and exceptional measures were also decided by the House throughout the year:

- ◆ **for the second year in a row, in the context of the Covid-19 health crisis, 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;**
- ◆ in a spirit of recognition and generosity, an exceptional bonus of €1,250 was paid in 2021 to all employees¹ for their commitment and contribution to the good results of 2020;
- ◆ the resilience, commitment and strength of the contribution of each employee to the success of the collective project in 2021 were also recognised by the allocation of an exceptional bonus of €3,000 that the Group will pay to each employee (on permanent and fixed-term contracts)¹ in February 2022.

<i>In millions of euros</i>	2019	2020	2021
Total payroll	777	842 ²	881

The Group's payroll (excluding profit-sharing and incentive schemes) was €881 million in 2021, compared with €842 million in 2020, plus €281 million in social security charges. Payroll costs (excluding exchange rate

and scope impacts) reflect increases in both workforce and salaries in all geographical areas.

1. Subject to eligibility conditions.
2. Adjusted data for 2020, for continuity of calculation methodology

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, 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 of the House's entities in the various countries in 2019) thus received rights to free shares, i.e. a total of 500,544 shares. At 31 December 2021, employee shareholding represented 1.06% of the share capital, i.e. over €1.7 billion.

All of these employee shareholding plans serve three purposes:

- ◆ 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 and, lastly, performance conditions (for a portion of the grants).

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 2021, 68% 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 Incentive and profit-sharing 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, 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, work accident rate at Hermès Sellier), productivity and sustainable development objectives (for example, water consumption in the Textile division).

Employees of international entities (38% of all Group employees in 2021) also benefit from a range of regular additional compensation initiatives in line with performance and local customs.

In France, €94 million in incentives and profit-sharing and €4 million in employee support activities were distributed, compared with €114 million and €4 million respectively in 2020 (the changes are linked to the difficult economic context in 2020 due to the Covid crisis). These amounts have a significant positive impact on the overall compensation (short, medium and long-term) of the House's employees and reflect its desire to share the fruits of growth with everyone.

<i>In millions of euros</i>	Incentive schemes	Profit-sharing	Total (France)
2019	34	53	87
2020	40	74	114
2021	32	62	94

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 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.

Since 2019, the global maternity policy has been rolled out in all subsidiaries worldwide, including basic compensation fully maintained for a minimum of 16 weeks of leave and full coverage of maternity healthcare costs. The rollout of this policy continued in all subsidiaries in 2021 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 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. Paternity leave is also available to employees of foreign entities, the duration and conditions of which are adapted to local practices in accordance with local culture.

In order to support this ambition through even more concrete Group initiatives, the House decided **to introduce, in effect as of 1 January 2022 and for all its entities in France (i.e. 62% of the Group workforce), the full maintenance of salaries for fathers absent when taking paternity leave of 28 days.** This full maintenance covers the entire legal duration of the leave and benefits everyone without any seniority condition.

With a desire to provide positive support for parents and in the same spirit as the protection applicable to pregnant women, new fathers benefit from protection against dismissal during the four weeks following the birth of their child and, to support the use of voluntary part-time contracts and ensure parents making this choice are not penalised, pension contributions are paid by the employer on a full-time basis¹.

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 2021, this plan represented total contributions of €7.4 million, of which over 90% were financed by the employer.

For all entities, the Group's total commitment in terms of pensions and similar was €331 million in 2021.

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). Thus, in the same mindset, and in contrast to customary market practices, Hermès took the innovative decision to set up a supplementary pension plan for all of the House's employees in China as of the second quarter of 2022.

Thanks to these proactive social protection policies, nearly 75% of employees worldwide benefit from schemes in addition to statutory health, pension and welfare plans.

Inclusion and work-life balance are priority objectives whose concrete achievement is ensured by professional equality agreements and action plans in place for several years and within numerous entities. Their principle is to set precise and relevant indicators and to ensure their annual assessment and monitoring with the aim of continuous improvement, even when prior diagnostics have not revealed any major imbalance between the situations of women and men. 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 and the development of its employees, the House also allows international solidarity leave, business creation leave or, more traditionally, sabbatical leave.

2.2.2 DIVERSITY AND INCLUSION

Through our *métiers*, our creations, our *savoir-faire*, our distribution network and our customers, diversity is deeply embedded in our House. Our uniqueness is based on our ongoing commitment to recruit and integrate employees from all backgrounds, whose visible and invisible differences enrich us individually and collectively.

1. These measures apply in the vast majority of entities in France, according to the provisions of the collective agreements in force.

Our humanist values help to create an inclusive working environment in which everyone finds their place through the meaning of their contribution and thrives while respecting others. This strong sense of belonging and collective working together is an invitation to join our House to share a unique collective adventure.

POLICY

The responsible employer policy implemented in the Group consists of establishing conditions that provide equal opportunity in terms of recruitment and employment, under its various components, and fighting all forms of discrimination. 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 talents are 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 neighbourhoods and areas.

MEASURES IMPLEMENTED AND RESULTS

A **global diversity and inclusion diagnostic launched in 2021** to review inclusion practices has enabled the Group to ensure that no-one in the Group is treated less favourably than another person due to a non-relevant factor such as their origin, gender, gender identity, marital status, health, sexual orientation, religious beliefs or under any other pretext.

With the help of this exhaustive questionnaire, completed by more than 100 Managing Directors and Directors of Human Resources from all countries, and 30 qualitative interviews conducted with all Managing Directors and Directors of Human Resources around the world, the Group's ambition in terms of diversity and inclusion was clarified and our commitments better structured. A Group approach has been formalised, based on the implementation of actions common to all countries and the construction of local action plans that meet the more specific challenges of each country.

In terms of joint actions, all countries where Hermès operates are required to commit to an action programme based on three areas:

- ◆ strict compliance with the principle of non-discrimination;
- ◆ strengthening of gender diversity and equality;
- ◆ better consideration of disability on a daily basis.

In order to initiate this approach in early 2022 and give visibility to the action plans defined locally, each *métier* and/or each country must appoint a Diversity & Inclusion (D&I) Officer, set objectives, a timetable for actions and monitoring indicators. The Group labour relations department will provide input to this network of D&I Officers several times a year.

This momentum is supplemented in France by the entry into force **in 2021 of the second Group Disability Agreement**, the continued communication of the gender equality at work index and the rollout of a maternity policy for all employees, with a minimum of 16 weeks' leave and the payment of salaries, supplemented by the extension of paid paternity leave in France to 28 days, as mentioned above.

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 implemented since 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.

As mentioned at the start of this chapter, Hermès was ranked in first place in the Financial Times' European Diversity Leaders 2022 rankings (<https://www.ft.com/content/33d5efd6-0f1b-4d0d-b5eb-34aab642ad7e>). This ranking, based on a survey of 100,000 employees in 16 European countries, highlights their perception and experience of their company's practices in terms of diversity and inclusion. Five criteria were assessed: gender, ethnicity, disability, age and respect for sexual orientation. Hermès stood out in particular thanks to the sense of belonging, as well as the perceived diversity of its different origins, testifying to the confidence of its employees in the House's values.

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, continued with five sessions in 2021, bringing to **800 the number of executive and local managers who took part in this programme in France**. 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.

United States

In 2021, HOP clarified its diversity mission and included the wording “an equal opportunity employer” on job sites and on all job postings for recruitment initiatives. HOP’s policy is to recruit, select and hire candidates on the basis of individual merit and ability in relation to the positions to be filled and the potential for promotion or transfer that may develop. Candidates are recruited, selected and hired with the absence of any discrimination, in accordance with applicable law. In addition, personnel procedures and practices relating to training, promotion, transfer, compensation, demotion, dismissal or termination of employment must be conducted taking into account professional performance, experience and qualifications, as well as without any discrimination, in accordance with applicable law. HOP also provides reasonable adjustments to accommodate people with disabilities, in accordance with applicable laws.

Within HOP, eight employee resource groups were created (five regional action committees for racial equality, one parents group, one LGBTQIA+ group and one women’s group). A total of 214 employees participate in one or more groups.

Japan

Diversity and inclusion were considered one of the priority projects. Seminars on “unconscious bias” were organised for employees and management. Gender parity in the management team has been identified as one of the most important issues in terms of diversity.

Within Hermès GB, diversity and inclusion are practiced on a daily basis with the subsidiary comprising 38 nationalities, illustrating the richness of the teams.

2.2.2.1.2 Social diversity

In terms of recruitment, at all levels, Hermès’ policy is not to give disproportionate weight to education, but conversely, to open up the spectrum by paying particular attention to the candidate’s experience, as well as their human qualities and personality, in order to give people of any social or geographical origin, whatever their background, the opportunity to join the Group.

In order to promote equal opportunities in career guidance, HMS has developed a partnership with the local secondary school in Pantin for work experience for 15-year old students. Another way to demonstrate its local integration.

2.2.2.1.3 Gender equality

The Group’s policy is to promote gender equality. Gender equality is particularly taken into account within our House, with the Operations Committee comprising 67% women, while 60% of managers are women.

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. The gender equal pay index implemented in France is 90/100. Hermès GB, which conducts a specific annual gender review, also published a score measuring the gender compensation gap, with a result of between 96.5% and 98% depending on the criteria.

Training is provided to management and the subject is specifically addressed in the framework of human resources department meetings. Women in management and responsibility positions in production sites benefit from programmes designed to encourage women in leadership in the form of personalised coaching.

2.2.2.1.4 Disability

The Group has always been concerned with the integration and retention of people with disabilities, operating a proactive policy. Following the signing of the first Group Disability Agreement in 2017, numerous initiatives and commitments, relayed in particular by the Disability Officers, enabled the Group to make considerable progress, bringing **the direct employment rate at 5.68% at the end of 2020. The number of people with disabilities has doubled in four years, exceeding 560 employees recognised by the end of 2020.**

In %	2019	2020	2021
Direct employment rate of people with disabilities	4.89	5.68	To be published in June 2022 ¹

The commitment and the remarkable results of the Disability policy conducted in France were welcomed by the visit of the delegated Minister in charge of Integration to our premises in Pantin in November 2021 on the occasion of the European Week for the employment of people with disabilities (SEEPH), during which the House initiated more than 90 Duodays throughout France.

These results are based on numerous partnerships with specialised institutes (for example the INJS – National Institute for Young Deaf People), associations (Cabat, AspiJob, APF, etc.) or schools (Sciences Po

Paris’ Accessible programme) and demonstrate the care that the House pays to employees facing a disability and which make inclusion a reality.

The **second Group Disability Agreement signed on 22 July 2020** with all union coordinators entered into force for 2021-2022-2023. It pursues the Group’s ambitions in terms of inclusion, while adapting commitments to new legislative and regulatory directives, and responding to the following challenges:

- ◆ promoting the employment and integration of people with disabilities;

1. In view of the Disability reform in France, the data for 2021 will be published at the end of the first half of 2022.

- ◆ 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;
- ◆ 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 2021, 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 Disability Agreement team to continue its work over the three years of the agreement with the same budget.

This Group Agreement is implemented by a network of 14 Disability Officers, present in each *métier* (Textile, Leather, Crystal, Perfume, Home, Women, Hermès Group Services, Hermès International, Hermès Commercial, Hermès Distribution France) to help all sites make progress in integrating and retaining those who are temporarily or permanently disabled in employment.

The network of Disability Officers meets on a regular basis to share best practices, visit sheltered work establishments (ESATs) and promote skills development. In 2021, more than 35 French employees took their first steps to recognise their disability. In this way, they demonstrate the trust they have in Hermès and will benefit from dedicated support in their position and their job retention. Under the partnership with the SciencesPo Accessible programme, seven managers mentored Sciences Po students with disabilities for several months.

More than 50% of the Disability Agreement budget was devoted to adapting workspaces or financing individual equipment.

Despite the particular health situation, the Group's Disability Agreement team took part in six job forums dedicated to disability in 2021, mainly in virtual mode. Since the first agreement, 95 recruitment and human resources players were trained in this type of recruitment to help them feel more comfortable in recruiting people with disabilities.

The OMEGA agreement signed with the French Army Wounded Aid Unit (CABAT) to promote the reclassification of wounded soldiers, made it possible to present them with various opportunities and to recruit one of them. Other positions are being studied. By supporting these soldiers, the Group contributes to the national defence effort. On 2 March 2021, by signing this OMEGA charter with the *Gouverneur Militaire de la place de Paris* at Les Invalides, Hermès committed to promoting the reintegration of French military personnel injured in combat, mainly suffering from post-traumatic stress disorder. By helping them build a

retraining project by transposing their skills acquired on the ground, they can thus rebuild themselves in civilian life. As such, one of the wounded soldiers recruited stated that his hiring had enabled him to move forward and turn the page. He stressed how much he appreciated the welcome, the attention paid to him and the working environment, having found similarities with his military experience such as rigor, team spirit and fellowship. He confirmed that he felt at ease in the leather goods workshop and regained a taste for civilian life.

The Fitolieu site, a production site and training school for leather goods in the Alps, is pursuing a particularly active policy of inclusion with an adapted recruitment process and constantly updated teaching methods to adapt to different types of disability.

On the occasion of World Disability Day in early December, the **Handi'Cap 2021 forum**, an annual highlight organised exceptionally in virtual form, **brought together nearly 200 committed internal stakeholders**, essential levers for the effective implementation of the Disability policy. This forum was an opportunity to celebrate the launch of the new network of ambassadors, made up of more than 110 disability ambassadors, who volunteered at the sites to support and increase the ambition of inclusion.

The Group participated strongly in the **Duodays 2021 operation** by welcoming 90 duos in the various production units, as well as in stores such as Lille. This involves changing attitudes by welcoming people with disabilities who are looking for work or who come from ESAT-type support structures and over the course of a day showing them the work of employees so that they may take a look behind the scenes of the production or support function *métiers*. Coming from various support structures such as Cap Emploi, ESATs or student associations, everyone was able to discover 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.

Internationally, a number of countries are carrying out specific actions for people with disabilities:

- ◆ in Canada, a rigorous accessibility policy is in place and sales associates are trained in accessibility;
- ◆ in Taiwan, Hermès supports drawing classes for students with autism disorders to enable them to express their talents;
- ◆ in Russia, relationships have been developed with disability integration associations, for inclusive workshops in Saint Petersburg with adults with disabilities. The second partner organises environmental projects with volunteers, with inclusive projects involving some of the employees in their projects;
- ◆ in China, on the occasion of Family Day, catering services are provided by a structure in which more than 70% of workers have disabilities.

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 achieve this, 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, is regularly proposed to employees, in addition to the Fondation d'Entreprise Hermès H3 programme.

This 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. 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.

An active network of more than 80 skills sponsorship ambassadors facilitates the rollout of this approach as closely as possible to the teams in France. Thanks to this volunteer programme, which has been formalised in a Group methodology since 2017, **employees in France can benefit from five paid working 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.

2.2.2.2.2 Organisation

Since 2020, under the leadership of the Fondation d'entreprise Hermès and the Hermès International solidarity and social action department, all sponsorship policies have been 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.

Within the framework of a dedicated budget allocated annually by the subsidiary, each division defines its priorities according to its activity and location, as well as the 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.

Most of the 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

Major international ethics principles	Internal framework	Examples of implementation
<p>The Universal Declaration of Human Rights</p> <p>The Charter of fundamental rights of the European Union</p> <p>The Charter of fundamental principles and rights of the International Labour Organization</p> <p>The OECD Guidelines for Multinational Enterprises</p> <p>The Global Compact under the aegis of the United Nations</p>	<p>Ethics charter</p> <p><i>Aims to promote respect and ensure proper application of major international ethics principles.</i></p>	<p>Ethics Committee</p> <p><i>The committee collects and processes alerts, as well as providing advice and recommendations on the Group's ethics culture.</i></p> <p>H-Alert! system</p> <p><i>Employees are encouraged to report grave and serious incidents through several information channels.</i></p> <p>Supplier brief</p> <p><i>Suppliers integrate the Group's human rights expectations.</i></p> <p>Métier/subsidiary EHS policies</p> <p><i>Policies include good working conditions for employees.</i></p>
	<p>Code of business conduct</p> <p><i>Aims to raise awareness of certain risks and give employees appropriate behavioural reflexes.</i></p>	
	<p>Anti-corruption code</p> <p><i>Aims to promote an ethics culture in which breaches of probity have no place.</i></p>	
	<p>Handbooks C1 and C2 for supplier commitment</p> <p><i>Seeks the adhesion of all suppliers on matters of confidentiality, fair trading (C1) and social, environmental and ethics policy (C2).</i></p>	<p>UK modern slavery act</p> <p>California transparency supply chain act</p> <p>Modern slavery act Australia</p>

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 more charters and codes that fall within the framework of fundamental principles such as the Universal Declaration of Human Rights, the rules of the ILO, the OECD and the Global Compact governing sustainable development:

- ♦ the Group ethics charter aims to promote compliance and to ensure the proper application of laws, regulations and key principles. It also deals with Hermès' relations with employees, suppliers, customers, shareholders and society, as well as the high standards of Hermès objects;
- ♦ 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;
- ♦ the Hermès Group's ethics charter, the code of business conduct, the anti-corruption code of conduct, available at <https://finance.hermes.com/fr/ethique-droits-humains-et-diversite>, 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.

The ambitions of the Ethics Committee and the principles of the ethics charter are described in § 2.8.

EXPERTS' HANDBOOK

This section provides an in-depth look at Hermès' actions and results in terms of the "Teams" pillar.

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 "By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being"
- ◆ 3.8 "Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all"
- ◆ 3.b "Support the research and development of vaccines and medicines for the communicable and non-communicable diseases that primarily affect developing countries, provide access to affordable essential medicines and vaccines, in accordance with the Doha Declaration on the TRIPS Agreement and Public Health, which affirms the right of developing countries to use to the full the provisions in the Agreement on Trade-Related Aspects of Intellectual Property Rights regarding flexibilities to protect public health, and, in particular, provide access to medicines for all"



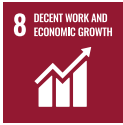
No. 4: Quality Education

- ◆ 4.5 "By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations"



No. 5: Gender equality

- ◆ 5.1 "End all forms of discrimination against all women and girls everywhere"
- ◆ 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"
- ◆ 5.a "Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws"
- ◆ 5.c "Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels"



No. 8: Decent work and economic growth

- ◆ 8.1 “Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries”
- ◆ 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”
- ◆ 8.5 “By 2030, 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”
- ◆ 8.6 “By 2020, substantially reduce the proportion of youth not in employment, education or training”
- ◆ 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”
- ◆ 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”



No. 10: Reduced inequalities

- ◆ 10.3 “Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard”
- ◆ 10.4 “Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality”



No. 16: Peace, justice and strong institutions

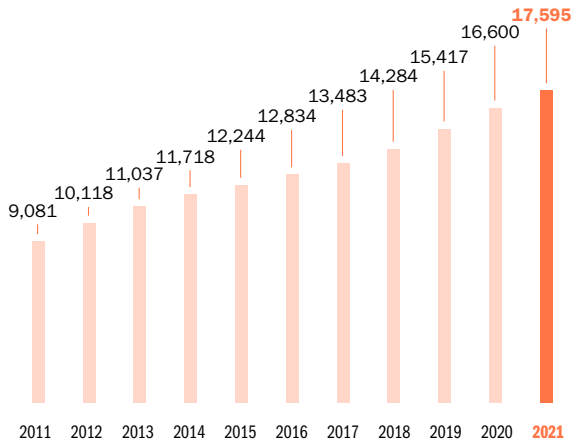
- ◆ 16.5 “Substantially reduce corruption and bribery in all their forms”



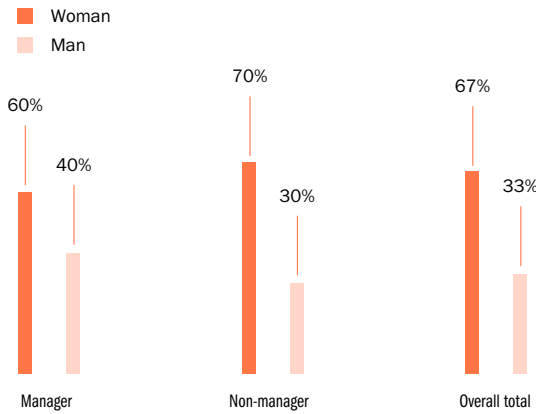
No. 17: Partnerships for the goals

- ◆ 17.17 “Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships”

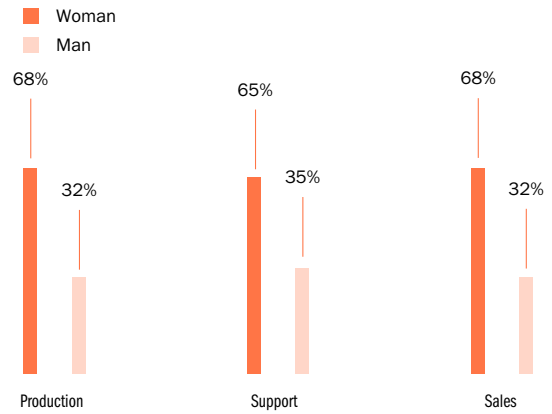
CHANGE IN THE GROUP'S GLOBAL WORKFORCE



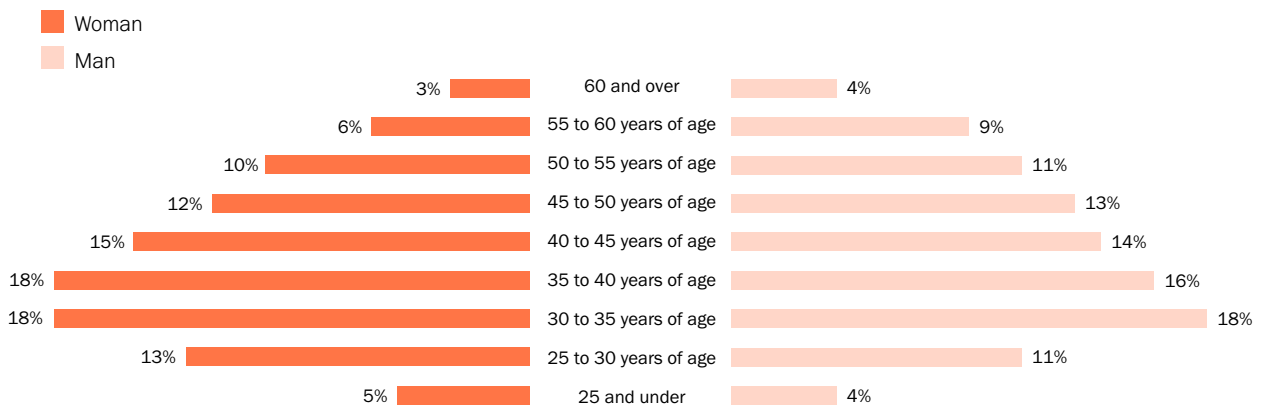
GENDER BREAKDOWN BY CATEGORY (MANAGERS/NON-MANAGERS)



GENDER BREAKDOWN BY SECTOR



AGE PYRAMID BY GENDER



Application of enamel by a craftsperson, in Venice



©Photographer: Maxime Verret

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 multiple types of craftsmanship *savoir-faire*, particularly in the manufacturing sector, which is conducive to a more responsible and sustainable economic development.

2

Introduction

The advantage and appeal of the Hermès model is its ability to expand its wealth of internal talents to complement the needs of the different types of jobs with very diversified activities within the House. Its ability to recruit, and then train its employees using an internal method of transmission of *savoir-faire*, guarantees 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.

This commitment to employee training is reflected in all *métiers* and in a multimodal approach with the creation of digital pathways. 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 the engineering incubator within the École du Cuir and the École du Textile, and the qualifications gained through certification or diplomas.

In 2021, where possible, training was adapted and provided remotely, particularly for distribution, to ensure continuity in employee support. A new shared training assessment tool was gradually implemented during 2021 to enable the main training courses to be assessed. The objective is to monitor the effectiveness of training programmes and to follow-up with employees on the results.

Hermès also contributes to the preservation and sustainability of craftsmanship *savoir-faire* outside its direct sphere of action through its relationships with professional training centres 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 these populations, and by expressing future needs, particularly in the manufacturing sector, Hermès is helping to create rewarding careers and professional prospects.

Information related to the management of the Covid-19 health crisis is detailed in the focus box in paragraph 2.1.

In 2021, the Group made progress on the main issues relating to transmission, with the aim of making a long-term difference through steady improvements with a significant impact. Among these, the selected elements below are particularly illustrative of 2021 for this section:

- ◆ Creation of an integrated leather goods apprentice training centre (École Hermès des Savoir-Faire).
- ◆ Creation of an École des Artisans de la Vente training centre (France).
- ◆ More than 420,000 hours of training.
- ◆ Provision of e-learning training on sustainable development.
- ◆ Formalisation under the Hermès framework of the sustainable development strategy of 49 Group entities.
- ◆ Partnership with Paris School of Economics (PSE) and ENSAM.

PEOPLE

SAVOIR-FAIRE

	OBJECTIVES	INDICATORS	2021 RESULTS
 ANTICIPATE THE HOUSE'S FUTURE NEEDS			
	Implementation of workforce planning management	Number of HR committees and meetings about talent planning management	More than 40 HR committees and meetings held in 2021
		% of employees affected by the rollout of the plan	Launch of the “strategic workforce planning” project, which will be rolled out in 2022
 ATTRACT AND RECRUIT THE BEST PROFILES FOR OUR VARIOUS MÉTIERS			
	Develop tools and use relevant channels to recruit talent	Number of job offers published on the career website and number of applications submitted	An average of 605 online job offers each month on the career website in 2021 and 1,452 applications submitted on the site.
		Number of annual social media posts	2.5 publications per week on average on LinkedIn, i.e. an increase of 31% in 2021 compared to 2020
		Number of actions in partnership or in conjunction with educational establishments (conferences, forums, exhibitions, etc.)	20 educational establishments with which Hermès worked in 2021
		Rollout of “Employer Brand” campaigns	Rollout of the “Hermès Employer” campaign with five different visuals available on different media: posters, press and social networks
		Number of new employees worldwide	4,761 new employees in the last five years More than two new hires per day in 2021
Ensure the recruitment of suitable profiles for all our métiers worldwide	Number of new employees in the production sector	467 additional jobs created in the production sector	
	Number of new employees in the sales sector	430 additional jobs created in the sales sector	
 ON-BOARDING NEW EMPLOYEES AND PASSING ON A UNIQUE CORPORATE CULTURE TO THEM			
	Train employees in the House's values	% of new hires trained in the corporate culture	100% of new hires followed an induction programme
		Number of employees reached by induction actions	More than 1,000 employees benefited from induction actions in 2021
 PROMOTE ART AND CRAFTSMANSHIP MÉTIERS AMONG YOUNG GENERATIONS			
	Continue to recruit young people under the age of 30	Number of employees under the age of 30	17% employees under the age of 30
		Promote our métiers through partnerships with educational establishments	30 presentations carried out in different educational establishments, reaching more than 1,500 students in France

OBJECTIVES	INDICATORS	2021 RESULTS
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DEVELOP TRAINING THAT GUARANTEES OPERATIONAL EXCELLENCE AND VERSATILITY AND CONSOLIDATE THE SAVOIR-FAIRE OF OUR EMPLOYEES, BOTH TECHNICAL AND MANAGERIAL



Ensure access to employee training	Number of training actions carried out	76,145 training actions carried out worldwide, i.e. 9% more than in 2020
	Number of training hours delivered worldwide	423,317 hours of training delivered worldwide, i.e. 8% more than in 2020
Develop tailor-made training programmes for employees	Number of craftspeople trained in internal training centres	6,855 craftspeople trained in ten years at the École du Cuir and 575 craftspeople trained in five years at the École du Textile
	Number of training courses leading to certification	284 professional certifications obtained
	Number of internal trainers to pass on <i>savoir-faire</i>	114 internal trainers on production sites including 90 in the leather <i>métier</i>



INTEGRATING SUSTAINABLE DEVELOPMENT ISSUES INTO SAVOIR-FAIRE

Develop training on sustainable development topics for all <i>métiers</i>	Training courses in the Group catalogue on SD issues	“The fundamentals of SD” e-learning accessible to all. A CSR section in all Group general training courses
	Number of employees having followed SD training	2,962 employees followed “The fundamentals of sustainable development” course, including 241 craftspeople
Create and lead a network of ambassadors to generate a trickle down effect to ensure cascading to the local level	Number of employees responsible for SD within the Group	28 employees responsible for SD within the Group
	Number of SD ambassadors around the world	351 SD ambassadors around the world
Ensure that employees are properly informed about the Group’s sustainable development strategy and actions	Number of HermèsSphère publications dedicated to sustainable development and on the Yammer collaborative tool (internal social network)	One publication on SD topics per week on average in HermèsSphère (Group intranet) and 63 publications on Yammer in 2021



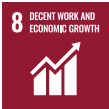
DEVELOP TALENT: LONG AND SUSTAINABLE CAREERS



Set up long-term career development programmes within the Group	Average number of years of seniority in the Group	9 years average seniority of employees (worldwide)
	Total number of internal transfers	More than 1,000 internal transfers Group-wide



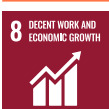
PROMOTE THE TRANSMISSION OF OPERATIONAL SAVOIR-FAIRE TO OUR PARTNERS: EDUCATIONAL ESTABLISHMENTS AND CFA



Develop partnerships with training organisations to certify the training received and the <i>savoir-faire</i> acquired	Number of partnerships with educational establishments for training and internal CFA	12 partnerships with Écoles de Maroquinerie in France and 1 internal Apprentice Training Centre
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CONTINUE VOLUNTARY ACTIONS RELATING TO TRAINING FOR OUR HISTORICAL MÉTIERS AND DEVELOP THE MANUFACTURING SAVOIR-FAIRE



Continue voluntary actions relating to training for our historical <i>métiers</i> and develop the manufacturing <i>savoir-faire</i>	Promote craftsmanship businesses	10 <i>Entreprises du Patrimoine Vivant</i> (Living Heritage Company – EPV)
	Demonstrate the excellence of our <i>savoir-faire</i>	23 <i>Meilleurs Ouvriers de France</i> (Best craftspeople in France – MOF)

2.3.1 GENERAL INFORMATION ABOUT EMPLOYEES

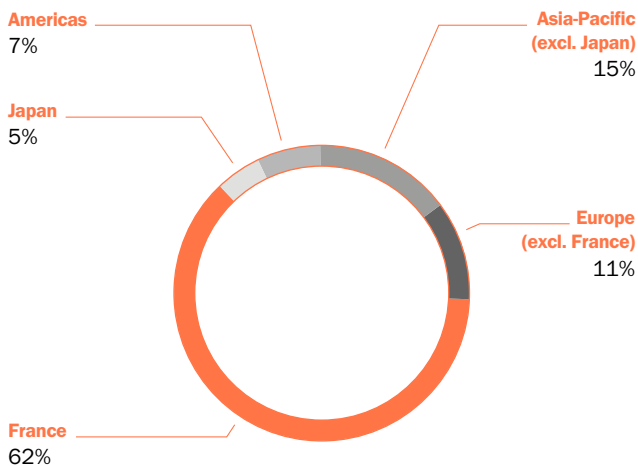
The Hermès Group is continuing to recruit and has increased its workforce by 995 people.

At the end of 2021, the Group employed 17,595 people, including 10,969 in France¹. The production sector saw the most growth in its workforce with 467 new "jobs", followed by the Retail sector, with 430 new jobs. Over the past five years, the workforce has increased by 4,761 people.

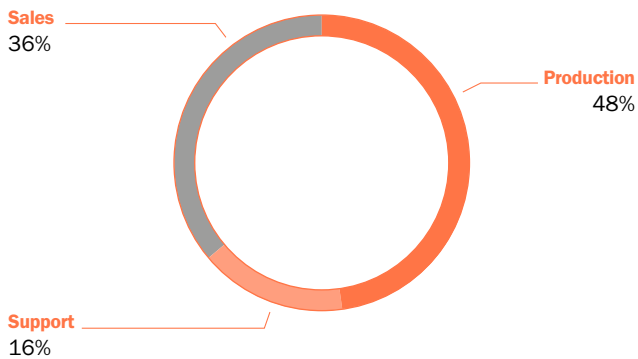
Hermès' policy is to ensure job security by recruiting almost 94% of its employees on permanent contracts. Concerning employee turnover, the total number of dismissals represented 1.38% of the Group's average global headcount.

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.

BREAKDOWN OF EMPLOYEES BY GEOGRAPHICAL AREA



BREAKDOWN OF EMPLOYEES BY SECTOR



1. Including Monaco.

Craftspeople represent a workforce of 6,188 people in France and 6,238 worldwide. 17% of employees are under the age of 30.

2.3.2 ACQUISITION, ENRICHMENT AND TRANSMISSION

In a context of medium-term business growth and to develop its integrated craftsmanship model, Hermès must strengthen its teams in all professions: craftspeople, sales associates, producers, experts in transverse functions. To this end, Hermès pays particular attention to its relations with schools and its recruitment initiatives 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 Group. In France, the Group also manages relationships with educational establishments, as well as communication of the employer brand, and pools recruitment. 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.

2.3.2.1 IMPLEMENT SYSTEMS TO RECRUIT THE BEST PROFILES FOR THE VARIOUS MÉTIERS

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

2.3.2.1.1 Employer brand

Since 2020, Hermès has been rolling out the visual identity of its employer brand "Tous artisans" created in 2019. The challenge is to attract talented people who want to join the House, motivated above all by a collective project, a requirement for quality and a long-term vision. Once the technical skills have been secured, the recruitment criteria are based on personality elements to ensure that candidates are compatible with Hermès culture and values, to ensure smooth integration and success within Hermès Group.

The new Hermès employer brand identity reflects the House's values and embodies its employer promise:

- ◆ create freely;
- ◆ reinvent our *métiers*;
- ◆ construct tailor-made pathways;
- ◆ share a collective adventure;
- ◆ become involved in a responsible company.

Hermès continued to roll out its communication, using a concept that incorporates the visual principle created in 2019, consisting of rhythm and colours, and in a warm and authentic tone.

To make the employee experience even more explicit and provide a concrete illustration of its unique corporate culture, in 2021 Hermès gave the floor to six employees from different *métiers*, in entities located in France, China and the United States, so that they could share their realities and their experiences in the House through video testimonials.

An exclusive photo report illustrating each pillar of the employer promise has also given a twist to this new employer brand identity, alongside four videos, to which others will be added in 2022.

Promoting the employer brand

Essential to support recruitment challenges, a communication strategy dedicated to the employer brand was launched at the end of 2021. Its objectives are to make the Company culture and the diversity of the House's activities and *savoir-faire* visible and understandable in order to reveal its uniqueness and support its attractiveness.

First communicated internally via the *HermèsSphère* intranet, the employer brand communication campaign was rolled out in France at the end of November 2021 in the national and regional press, on billboards and on LinkedIn.

The Hermès LinkedIn account, launched in 2014, brought together a community of **over 900,000 subscribers** in December 2021, an increase of around 30% compared to 2020. The account presents in particular news of the employer brand through dedicated video and photo content.

In China, the Hermès account on Wechat has **1.78 million subscribers** and on Weibo, the number of subscribers to the Hermès account is more than 750,000.

2.3.2.1.2 Significant recruitment challenges

Internal mobility is the primary source of recruitment for Hermès, which is committed to developing the skills of its employees to enable them to complete a long-term career within the House. The internal job sharing platform Myway in Hermès is the showcase of all these opportunities, offered to employees as a priority.

Job offers are then published on the external career website <https://talents.hermes.com>, which features the employer brand and is the second largest source of recruitment, as well as on the Hermès LinkedIn page, which remains a powerful attraction and recruitment lever.

In 2021, a total of 7,260 job offers (compared to 4,267 in 2020) were published on the careers website <https://talents.hermes.com>. The new communication tools relating to the employer brand were all used to improve or create corporate pages on essential recruitment sites such as *Glassdoor*, *Jobteaser* and *Indeed*, or on digital platforms such as *Seekube*. Job adverts are posted there, as well as on *fashionjob*, *regionjob*, *apec*, etc. in France, and *WeChat* outside France. In addition, for the recruitment of interns and work-study students, Hermès uses the sites of higher education institutions and specialised sites such as *JobTeaser* and *Welcome to the Jungle*.

Certain specific recruitment operations or those targeting large numbers (security guards, logistics employees, etc.) also rely on the use of *Facebook*.

For all of the House's *métiers*, the recruitment of new talent is a constant challenge, particularly at Hermès Maroquinerie-Sellerie, which has to recruit around 100 craftspeople into each of its divisions every year. The *métier* is therefore striving to broaden its employment pools, to make itself better known to a wider audience, to create a pool of candidates for training in the two craftsmanship *métiers* of saddler and leather goods and cutter/preparer, and finally to carefully select the candidates able to demonstrate the soft skills and motivation required. The hiring of saddler and leather goods craftspeople and logistics operators is carried out in partnership with Pôle Emploi for the communication of job offers, the provision of collective information and the performance of skills tests.

In addition, within this division, recruitment is carried out in partnership with the local branches of the National Employment Agency, with the implementation of a system that makes it possible to recruit the best talents, from all origins, training and experience, using an analysis of their manual skills. The success of this known as MRS (simulation-based recruitment method) approach, conducted to support psycho-technical tests, manual aptitude tests, and interviews, developed with the National Employment Agency, is demonstrated by the fact that the vast majority of the craftspeople selected using this system successfully complete their initial cycle of 18 months of training.

The Tanneries division (Hermès Cuir précieux) is faced with the challenge of attracting people to the tanning professions, due to the low mobility of candidates and preconceived ideas about gender diversity in the industry's *métiers*. To address this, a recruitment day for the Young Tanners Programme (HCP graduate programme) took place in October, with a visit to the Montereau Tannery followed by individual (interviews, managerial role plays, colour tests, materials tests, etc.) and collective (team challenge) workshops with preselected candidates.

The other *métiers* must support strong growth in volume, maintaining the high standards and quality of the profiles recruited despite the pressure of the need for new skills. The recruitment of very solid profiles and potential future talents, is a challenge, affecting the integration of experts in the Beauty *métier* (make-up and skincare) to support the launch of this new *métier*, and the search for Responsible Purchasing, Quality, Product Manager, Supply Chain, IT & Project Management profiles, in a competitive labour market.

The Retail market is experiencing a context of heightened competition, with a booming luxury goods industry and tense markets in all countries, creating a veritable "talent war" and real difficulties in recruiting local candidates, particularly in Canada and Great Britain. Some markets such as Russia or Latin America also require the recruitment of English-speaking candidates. These tensions are also reflected in the support functions in finance and Retail merchandising (product offering).

Furthermore, the lack of mobility due to the health crisis has added to the structural changes affecting these *métiers*: the need for security and a long term vision, the search for a hybrid work place, profound changes in expectations, staff more willing to change, etc.

The Retail *métiers*, present in all regions of the world, are seeking to recruit talented people compatible with the high standards of the House and the specific nature of the local culture. This involves finding, often quickly and sometimes from outside the luxury goods industry, among a less knowledgeable public, candidates with expertise in hospitality, sales and consulting in an omnichannel environment.

Lastly, the complexity of the managerial role and the human values required by the Group increase the need to make extensive efforts to identify potential managers.

The use of an assessment to clarify and objectify external recruitment or internal mobility decisions is growing and will increase in the coming years. Various events are also organized to attract, win over and detect new talent, particularly in France (in Lyon, Aix-en-Provence/Marseille and Paris as targeted cities) and internationally, with, for example, an Open Day in Shanghai, participation in a career day in Germany bringing together more than 1,000 students and an employment forum at the University of Bocconi (Italy).

For the support functions, the main challenge is to highlight and promote the attractiveness of Hermès for the recruitment of engineering, finance and IT profiles, as well as digital technicians/developers in a competitive environment. Work flexibility was introduced specifically in these teams because it is a key lever for enhancing attraction.

Hermès is also faced with other recruitment challenges such as, for example, locations in French regions considered less attractive by managers, a scarcity of profiles of experts with specific skills such as bespoke shoes, the textile *métiers* of engraving and printing, or even shortages of multilingual profiles.

Numerous initiatives have been undertaken, such as the organization of collective information meetings with local branches of the National Employment Agency (Pôle Emploi) in all regions where Hermès has production units; a partnership with the CABAT (French Army Wounded Aid Unit) to recruit former military personnel with disabilities and participation in local communication operations: the Carat-Angouleme recruitment forum, job-dating on the Nontron site, signature of the *Fabrique des compétences* (Skills factory) charter with the Normandy region, etc.

2.3.2.2 ENSURE THE SUSTAINABILITY AND DEVELOPMENT OF SAVOIR-FAIRE

Hermès bases its growth model on a culture of continuous improvement. This is how the House ensures the sustainability and enrichment of its often-exclusive *savoir-faire*, and the 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 2021, 76,145 training actions were thus carried out worldwide, i.e. an increase of 9% from 2020.**

In 2021, the Hermès Group devoted more than 423,317 hours to training, including over 299,562 in France (excluding apprenticeships and professionalisation contracts). Nearly 76,145 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 2021 of external and intragroup training) amounted to €7,282 thousand. This figure does not reflect the entire training effort, since it does not include *métier* training dispensed directly in the workspace.

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

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, as well as the keys to understanding its 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.

An ambitious and scaled-up development and training offer

In 2021, Hermès continued to scale up and internationalise the Group's development and training offering, *Hermès Campus*, to best support subsidiaries and complement their local offering. This approach is structured around four areas: in-house culture, management, expertise and personal development.

An internal audit confirmed the quality of the organisation of the training and the diversity of the proposed offer. Communication with managers and employees to promote the value of training remains a significant challenge, and efforts will be stepped up in 2022.

At the same time, and with a view to the long-term, in 2021 the training community redefined its mission in terms of this ambition: *"To ensure the sustainability of the House's values and unique culture and to respond to the strategic challenges of today and tomorrow, to support the development and professional fulfilment of employees and the Group, we offer adapted, multimodal, scalable and accessible pathways, we help to make employees a player in their own development, and take care to advise and guide each person according to their needs. Co-constructing with employees, managers, HR, Management Committees and partners, using expertise and reliable and efficient tools, adopting a clear communication policy, demonstrating creativity, boldness and anticipation, taking pleasure in working together"*.

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

EXAMPLES OF "CAMPUS HERMÈS" GROUP TRAINING

Domain	Sub-domain	Training example
Culture	Onboarding	◆ "Mosaïque"
	Knowledge of the House	◆ Happy Culture
	General culture	◆ "Culturiosité"
Management	Specialisation	◆ Managing by communicating
	Fundamentals	◆ Foundations of management at Hermès
Expertise	Art of selling	◆ Customer data collection
	Office skills	◆ Essentials of office skills
	Legal compliance	◆ Data protection
	Product knowledge	◆ Hermès H08 (Watches)
	Sustainable development	◆ Fundamentals of sustainable development
	Métier expertise	◆ Textiles from A to Z
Personal development	Occupational Safety & Health	◆ Rescuer first aiders at work (SST)
	Communication	◆ Communicating with ease
	Effectiveness at work	◆ Writing, summaries and reports
	Self-development	◆ Time workshop

2

Digitisation for skills development

In 2021, digital tools arrived to amplify the provision and support of a unique and multimodal learning experience throughout employees' time at Hermès:

- ◆ the *myCampus* digital training portal is now available to all Group employees. It includes new training and development tools: a catalogue of the internal training offer, the addition of new e-learning modules, conferences, serious games, and access to the general culture platform *Culturiosité* in partnership with Artips;
- ◆ the digital Retail training portal *Hermès Métiers* training, available in five languages (French, English, Chinese, Korean and Japanese), containing the essentials of each of the 16 *métiers* and intended for all sales associates, was enhanced with the integration of training materials for the seasonal collections and the development of gamification of learning;
- ◆ a new virtual reality offering allows each employee to immerse themselves in four of the House's emblematic locations, including the Faubourg Saint-Honoré store.

Internal trainers, a key network of learning opportunities

In order to support and develop training providers, Campus Hermès 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 25 *métiers* trainers to pass on their knowledge and expertise to the market trainers who, in turn, will train the store teams.

In addition, a new *Passeurs* programme for all training providers was created in 2021. It is part of a desire to professionalise the community with training, workshops and conferences, particularly on digital learning and a brand new training course for "culture storytellers", who share Hermès' culture within the House.

Lastly, the *InterHactions* programme continued in 2021. This is designed to maintain and develop links within the French-speaking community through a monthly newsletter sent to more than 1,500 French-speaking employees, along with invitations to themed conferences.



2.3.2.2.1 The House culture, the foundation for learning

A wide range of training courses (Group and local) is dedicated to the integration of employees. The aim of these programmes is to facilitate the assimilation of the corporate culture while giving them the keys to understanding that are essential for their professional integration. In total, these induction programmes reached more than 1,000 employees Group-wide.

Employees who have been with the Company for longer can benefit from more in-depth training, giving them deeper knowledge of Hermès' history.

Lastly, a section dedicated to understanding the Group's overall strategy and adapted to the different profiles of employees is also provided to members of the Management Committees.

Among these courses:

- ◆ “**Mosaïque**”, the two-day induction programme for all new employees in France on permanent employment contracts, has been scaled up. 518 employees were able to effectively assimilate the Company culture through visits, testimonials and presentations giving a broad and well-illustrated vision of Hermès. This year, one session was organised remotely;
- ◆ the “**Happy Culture**” programme, aimed at employees with more than three years of service, enabled 96 employees to deepen their understanding of Hermès culture, to better understand the new dimensions of the House and to discover behind the scenes. The programme was also rolled out this year in China;
- ◆ the “**IFH**” programme, dedicated to members of the Management Committees of the sites or subsidiaries, invited 34 employees to share the vision and strategy of the Group and the *métiers*;
- ◆ “**H Immersion**”, the induction 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. 430 participants. Given the health situation, the sessions were conducted either in person or remotely;
- ◆ **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 2021, the Hermès Culture Client training was launched for all retail employees. This training, which will take place in each region in 2022, aims to reinforce the uniqueness of the in-store customer experience;
- ◆ in many subsidiaries, the **local induction programme** was run: *Tous en Selle!* in central services and for managers of divisions and production sites (workshop managers, management control, site management, EHS managers, etc.) within Hermès Maroquinerie-Sellerie for 61 employees, *Au fil d’HTH* for the Textile sector, with 43 employees, *Premiers regards* at Hermès Femme for 24 employees, *Bienvenue à la maison* for 54 Hermès Maison employees, or the continued implementation at Hermès Parfum et Beauté for 64 employees of the *Premiers Pas* programme for all new employees with permanent employment contracts and *Découvrons Hermès Parfum et Beauté* for the 88 people on fixed-term employment contracts, work/study students and interns. In 2021, the Hermès Group Services subsidiary created its integration module, *Au cœur du service*, for 88 employees.

2.3.2.2.2 Management at the heart of the Group's ambition

Since 2020, the House has proposed a new individualised and ambitious development path to all managers, in order to strengthen their skills and thus contribute to the smooth and efficient functioning of the teams over time.

All managers are required to attend training courses enabling them to acquire the fundamentals essential to the practice of management that is caring, firm and encourages growth for the Company, individuals and the teams. These management foundations can be subsequently reinforced by specialised training in collaborative working, recruitment, or diversity management.

In 2021, Hermès developed this individual development plan for all French-speaking managers. It has also begun to roll this out internationally.

The aim of the *H Keys* programme is to welcome all 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 managers in various entities. Some 51 managers followed this programme.

The *Hermès Manager* programme provides a common foundation on the fundamentals of management techniques. This programme is now being run remotely for international subsidiaries. A total of 131 managers have followed it.

Locally, new management training courses have been introduced for local challenges. Hermès Maroquinerie-Sellerie offered 464 managers the *Artisan Manager – Manager d’Artisan* course, a set of modules aimed at deepening various aspects such as budget construction and management, personnel administration and applicable labour rules. Hermès Europe created the *Emotional intelligence* training for 21 store managers to develop their own emotional awareness and learn to adjust it according to the situation and the employee. Travel Retail Asia supports its new managers with the *First step to leaders* training. In the United States, Hermès Of Paris developed the *Situational leadership* training for 30 managers.

2.3.2.2.3 The high expectations of savoir-faire

The House’s policy is to consolidate and develop individual expertise, increase each employee’s versatility, ensure that *savoir-faire* is shared within teams and that this is passed on from generation to generation, retain talents and create appropriate development pathways.

With this in mind, training courses have been developed enabling employees to train or specialise in legal, IT or workplace safety issues.

In addition to these cross-functional training courses, 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 goods and saddlery 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.). **Within Hermès Maroquinerie-Sellerie**, 93 trainers from the table, cutting and stitching sectors took part in meetings to share experience, and receive regular training in areas such as communication, personal development and training, to increase their professionalisation.

In 2021, the Hermès Maroquinerie-Sellerie craftsmanship division created **the École Hermès des Savoir-Faire through its apprenticeship training centre (CFA)** dedicated to leather goods métiers. The growth of the activity makes it possible to recruit and train more than 600 craftspeople per year and the prospects for the future are even stronger. This new system will enable Hermès to be more autonomous in its training in the leather goods métier. For the past 10 years, the École du Cuir has been responsible for the transmission of *savoir-faire* with a community of more than **90 in-house trainers**, along with partner schools and further education establishments. Thanks to these many years of experience, Hermès felt it had the skills to develop its own training organisation. This creation of the École Hermès des Savoir-Faire is supported by the launch of its dedicated website, a real shop window onto our métiers and our training offer. Connected to the Hermès career website, it should stimulate vocations and help to promote the House's employer brand far and wide.

In total, 12 École du Cuir programmes in 2021 made it possible to train 740 employees (a total of nearly 6,855 since 2011) and helped to obtain 277 diplomas or certifications: 185 CAP vocational qualifications in leather work, 79 *Sellier-Maroquinier d'Art* (saddler and leather worker) diplomas, 11 CQP Cutting diplomas and 2 *Brevets Métier d'Art* (Arts métier diplomas).

The Cristalleries Saint-Louis continued internal training actions on hot-part *métier savoir-faire* for 36 craftspeople, and prepared the 2022 launch of a study designed to structure an organisation dedicated to internal training for finishing workshops.

In 2021, all **Retail** subsidiaries continued to develop product training and distance selling techniques using new tools to create interactive and participatory learning experiences. The Retail France subsidiary created the **École des Artisans de la vente**, which offers a progressive multimodal development programme for sales associates and managers, starting from their integration, with a progressive pathway. This programme will be rolled out in 2022. The Retail subsidiaries also developed new programmes to enhance the customer experience: *Customer Experience training* in Thailand for 58 sales associates,

Remote sales selling in Taiwan for 136 sales associates, *Luxury Attitude* in Korea for nine managers, and *Customer service* for 12 sales associates at HAOP. At the same time, remote and face-to-face product training sessions were held on the new collections (67 sessions at HOP for 2,828 employees trained).

Lastly, in 2021 new expertise programmes were rolled out:

- ◆ for the appropriation of internal IT tools, with the M3 management programme followed by 377 employees, in-person or remote training via e-learning on the new *MyClickH* HRIS, accessible to all employees, and the *Digital citizenship* programme on new digital tools for HTH, *Ordin@cteur* to facilitate the increase in digital skills of craftspeople, or *Digital workshops* for Hermès Parfum et Beauté;
- ◆ to develop a course on good purchasing practices at Hermès with the *Purchasing fundamentals* training and the *Adopt EHS reflexes during supplier visits* programme;
- ◆ a development programme for the human resources community, including modules on expertise (recruitment, training, labour law), inspirational conferences, a partnership with the LAbRH and co-development workshops.

CFA

In 2021, Hermès created its École Hermès des Savoir-Faire and its associated CFA (apprentice training centre). Its purpose is to advance the craftsmanship métiers and promote apprenticeships through work/study programmes in métiers of excellence. It uses teaching teams comprising internal trainers and national education trainers in each of our training schools based on our nine regional centres.

In July 2021, Hermès obtained all approvals from the public authorities to train its future saddler-leather goods workers in-house, assess their skills and issue the state vocational qualification (CAP) in leather goods in collaboration with the French Ministry of Education. This national accreditation is recognition of the House's historical, technical and educational expertise in the transmission of its *savoir-faire* of excellence. Becoming a training organisation also confirms Hermès' role as a social player and responsible employer committed to the education of able-bodied people or people with disabilities, with initial experience in a manual *métier* or in professional retraining.

The École Hermès des Savoir-Faire is open to all those who wish to become craftspeople and make good use of their manual talents. It trains work/study students, who have the opportunity to learn a *métier* of excellence. Once they have obtained their state diploma, they will be able to join, amongst other jobs, one of the Group's leather goods workshops.

1. CQP: vocational qualification certificate. [attention, note barrée dans fichier client]
2. VAE: validation of acquired experience. [attention, note barrée dans fichier client]
3. CAP: vocational aptitude certificate. [attention, note barrée dans fichier client]

2.3.2.3 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 implemented by the sustainable development department at Group level is based on raising awareness, empowering and increasing the skills of 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 500 employee relays worldwide. This network includes sustainable development managers in several entities, the EHS network officers (28 people), ambassadors in stores and production sites (a total of more than 350 people).

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

In 2021, the sustainable development strategy update was the opportunity for discussions with around 50 entities of the House, distribution, production and support, in order to ascertain their roadmaps and commitments for the next three years. This work gives concrete expression to the understanding and practical application of the challenges at local level, while remaining consistent with the Group strategy.

In addition, the introduction of the *MyCampus* tool has enabled the launch of a training module dedicated to the fundamentals of sustainable development, which is regularly expanded with the addition of further modules, such as one on biodiversity. This first general model was made available in five languages. The Group's ambition is to train all employees. As at 31 December 2021, 2,962 employees had been trained. Face-to-face pilots for craftspeople and sales associates will be rolled out on a larger scale from the beginning of 2022 in order to gradually integrate functions that do not have direct individual access to a computer. In addition, the sustainable development training programme was supplemented by three additional modules: biodiversity, climate change and animal well-being.

2.3.2.4 INCLUDE CAREER PATHS IN A LONG-TERM VISION

Employee loyalty is a value that contributes to the stability and sustainability of Hermès' model. The House therefore provides employees with the necessary conditions for the development of their professional projects and promotes long careers.

The average length of service, which includes a wide range, **is nine years**. Given the strong growth in recent years, **44% of the Group's total workforce has worked for the Company for less than five years**. However, more than one-third of the workforce has been with the House for more than 10 years (i.e. around 6,000 people), illustrating the loyalty and opportunities for career development within the House (as a reminder, 10 years ago the workforce comprised 9,081 people). **In France, 25% of employees have more than 15 years of service.**

2.3.2.4.1 Retain long-term employees

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, not to mention seniority bonuses, as well as the quality of the workspaces, the systems dedicated to well-being and the convivial meetings that create strong links between the employees. The empathetic management style, which is conducive to close proximity, and the numerous actions aimed at encouraging discussions with employees and stimulating a collective mindset, also serve to foster loyalty and recognition. In terms of work organisation, versatility and multi-skills are preferred. The creation of participative cross-functional groups promoting innovation, as well as initiatives in terms of temporary secondments and internal mobility, complete the systems.

HR development

In order to bring out the Senior Executives and managers of tomorrow, the Group intends to facilitate the construction of rich internal professional and personal careers path for the men and women who make up the current teams. Whether in the fields of management or expertise (IT, digital, supply chain, purchasing, finance, HR, audit, legal, etc.), Hermès intends to pursue its long-term project, built over time by promoting employee loyalty. In a context marked by increasingly entrenched aspirations to live life in harmony with one's values, the collective culture is growing in importance and the speed of skill changes must be taken into account. In addition, Hermès has to face the development of its activities, the corresponding increase in its workforce, and the changing geographies, with Asia and in particular China becoming increasingly important. These various factors have led the Group to give an increasingly "transformational" role to its human resources management.

Evaluate employees to help them in their development

Each employee has an annual performance appraisal. The Managing Directors of the subsidiaries and their Directors of Human Resources 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 department oversees the implementation of these two interviews, which provide an opportunity to assess performance, analyse skills, set objectives for the following year and discuss medium-term prospects with the employee (professional assessment, career plan, skills development plan, 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. Some subsidiaries (United States, Japan, etc.) adapt Group formats in keeping with cultural requirements or due to 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.

Talent identification, a key challenge for long-term continuity

An annual talent review process is steered by the Group human resources department and aims to identify leadership talents – called upon for senior managerial positions – and expert talents, who are valuable in preserving and developing the *savoir-faire* that makes up the richness and specificity of the *métiers*. This involves recognising and valuing experts, securing critical skills for the Group and developing expert talent.

A greater number of assessment procedures were put in place to allow leadership talents to get to know each other better and the organisation to make good use of their qualities in appropriate roles.

Various internal programmes are in place to develop managers identified as being able to take on Senior Executive positions within the Group in the short or longer term:

- ◆ the *Entre-temps* programme is aimed at the Managing Directors of subsidiaries and aims to give them time to step back four times a year and look at topics such as freedom, courage and trust, values dear to the Hermès leadership model. This formula, which favours co-development, allows them to fine-tune their strategic vision, enrich themselves with other perspectives and break the loneliness of the leader, to find solutions to problems encountered on a daily basis and to think in a more forward-looking manner;
- ◆ a series of *Hafterworks*, in the form of remote conferences aimed at deciphering the changes underway through the contribution of an expert, is offered to all Senior Executives (Managing Directors and members of Management Committees) on a bimonthly basis;
- ◆ in 2021, the *Leading with art* programme benefited 20 senior talents. Through two sessions of several days, it aims to make them leaders who know each other well and are ready to have a positive impact on those around them and on the world. Thus, a community of strong and supportive leaders is gradually being created;

- ◆ in 2021, the *Cavaliers* programme enabled 12 young talents to spend seven months exploring a strategic challenge assigned by the Executive Committee. This enables them to put their teamwork skills into practice and deepen their understanding of the Hermès model through a subject on which they make concrete proposals.

In addition to this offering of internal programmes, talents also take part in external programmes. Thus, in 2021, several programmes originally developed by Danone were attended: the programmes Eve, Octave and Noé dedicated to leadership, and in particular leadership by women, ongoing change and sustainable innovation benefited more than 70 managers who wanted to open themselves up to the world and other universes and have a personal development experience that could increase their impact in everyday actions.

The *Colbert Labo* programme gave seven young talents the opportunity to work together on a collective project with employees of companies that are members of the Comité Colbert. A chance to broaden their horizons to the luxury goods industry as a whole, on the theme “*Digital, how far for the luxury?*”. Lastly, with the *One young world* programme, for the first time, three young talents were able to be part of the experience conducted in Munich with more than 2,000 young people from all continents, invited to look at societal issues such as the new economy, the Covid-19 pandemic, the environment, education, the issue of rights and freedoms. Overall, more than 150 employees benefited from specific talent development programmes.

This attention paid to talent is exercised in the subsidiaries, notably through the establishment of a Talent Management Committee, the definition and monitoring of individual development plans for talents, career interviews and individual coaching, contributions to cross-functional projects or temporary assignments to expose talents to various situations and challenges and thus enrich their experience and expertise. Human resources managers are trained in the assessment tool in order to internalise the approach, and constant attention is paid to internal mobility, the first lever of talent development, in particular through the distribution of internal newsletters in addition to the *My way in Hermès* platform. Lastly, *Vis ma vie* (“Live my life”) sessions and mentoring initiatives facilitate internet mobility and accelerate the process of taking up job openings.

Strategic Workforce Planning projects were initiated in several subsidiaries (Hermès Perfume and Beauty, Hermès Maison, Hermès China, etc.) in order to apply a strategic approach to anticipating future business developments and talent needs in the face of rapid growth. This involves clarifying the future organisation in order to better prepare talents for their new roles, anticipate recruitment and support the necessary changes in terms of organisation, recruitment and management to meet the transformation challenges provided by growth. This approach will become more widespread around the Group in the coming years.

2.3.2.4.2 Offering varied career paths

In addition to the Career Committee led by the Group human resources department, several initiatives are common to all subsidiaries to promote and prepare for internal mobility, with the distribution of offers via internal channels, the establishment of job fairs within the sectors and temporary secondments to other sites in the industrial sector, the *métiers* or the Retail subsidiaries. The active coordination of human resources teams within Internal Mobility Committees facilitates, among other things, the rollout of the *Vis ma vie* programmes, in which participants put themselves in the shoes of another employee for a period of between one week and six months, and networking operations to showcase the sites through divisional projects and exchanges between stores. Individual interviews for people on the move in order to narrow their project and determine an appropriate action plan, the rollout of various assessment tools and the review of compensation levels aimed at retaining talent internally are also available to teams to reinforce the versatility and multi-skills of employees.

Offering development and recognition opportunities to enable participation in the Hermès adventure

Numerous actions aim to enhance the value of employees, identify opportunities and offer them constructive development and diversified career paths and above all, individualised support. These initiatives are supported by internal communication to share the vision, give meaning, motivate and embark on the corporate project and relay the vision of the Executive Committee. The financial dimension is an integral part of recognition, with, for example, the increase in the long-service bonus in entities in France. The review of compensation on the basis of external benchmark surveys to ensure a level that is always higher than the market. The positive and engaging work environment, constantly improved with the introduction of adapted and ergonomic equipment and moments of celebration, also contribute to employee loyalty.

2.3.3 PRESERVATION OF CRAFTSMANSHIP HERITAGE

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 that of Hermès, these technical *métiers* represent fundamental assets 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 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 art *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 secondary school pupils to discover and become involved in a manual *métier* is essential; these *métiers* are often misunderstood and yet offer excellent prospects.

2.3.3.1 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. 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, providing 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 1,500 students in 2021, during 30 different presentations in France.**

Educational establishments with which Hermès was particularly involved in 2021:

Schools of art and design, fashion and textiles	Engineering schools	Business and management schools and universities
<ul style="list-style-type: none"> ◆ École Camondo (Decorative Arts) ◆ ENSAAMA Olivier de Serres ◆ IFM Institut Français de la Mode ◆ HEAD 	<ul style="list-style-type: none"> ◆ École CentraleSupélec de Paris ◆ Polytech ◆ ENSAM ◆ INSA Lyon ◆ ITECH Lyon ◆ Polytech Angers 	<ul style="list-style-type: none"> ◆ Sciences Po Paris ◆ ESSEC ◆ GEM Grenoble School of Management ◆ IESEG ◆ EM Lyon ◆ HEC Paris ◆ Tunon ◆ CELSA ◆ IAE Sorbonne, University of Lugano (Switzerland) in partnership with the Sorbonne, Paris Dauphine University, IAE Gustave Eiffel ◆ ESSCA

Hermès, a player committed to education

Coming from a line of craftspeople, Hermès pays particular attention to the transfer of its exceptional *savoir-faire*, but also to its continuous improvement. It is therefore increasingly involved upstream in the sustainability of its *métiers* and the excellence of craftsmanship skills. It acts to promote education, through training in unique *savoir-faire*.

Hermès, a responsible employer, is committed to transmission and education and works to maintain close relations with the world of students. The challenges include:

- ◆ supporting the activities of schools and giving a societal dimension to these relationships, as a socially responsible company;
- ◆ conveying the humanist and craftsmanship approach of the Hermès corporate culture;
- ◆ conducting discussions with students in a changing era;
- ◆ diversifying the Company's presence and targeting new schools to seek out talent throughout the country;
- ◆ to be visible in creation, craftsmanship, engineering and management schools in France in order to showcase the reality of a quality employer, share Hermès' long-term and humanist project and create high-quality links with students;
- ◆ bringing the reality of Hermès to life through concrete experiences: entrusting practical cases, study missions, offering internship and work/study opportunities;
- ◆ maintain privileged relationships with young people to capture the changes of our era.

Actions in this sphere are structured at three levels:

- ◆ **transformational initiatives for the community** through support for equal opportunities.

In 2021, Hermès became a founding member of the Des territoires aux Grandes écoles (DTGE) Foundation, notably providing financial support. Created by former students of the French *grandes écoles*, this non-profit organisation seeks to make the competitive entrance

examinations of these schools accessible to diverse profiles. Noting that the lack of information, self-censure, geographical distance and economic difficulties are powerful obstacles to the diversification of recruitment, this organisation works with 32 departmental intermediaries to cover the whole of mainland France.

In the same vein, grants for students with disabilities are awarded as part of the disability agreement with SKEMA and the IFM Foundation. Hermès also participates in the "one young person, one solution" programme, which aims to train and facilitate the move into professional life of all young people in all regions. Finally, several partnerships have been formed with Sciences Po Paris to participate in school forums and for the mentoring of students with disabilities;

- ◆ **initiatives to participate in public debate.**

Since November 2020, Hermès has sponsored the European Chair in "Sustainable Development and Climate Transition" at Sciences Po Paris, which focuses on complementary and inseparable areas of sustainable development: 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.

Together with the Paris School of Economics (PSE), Hermès funds the "Ouvrir la Science Économique" research chair, whose aim is to establish strong connections with other human and social sciences (history, sociology, demography, social psychology, political sciences, philosophy). The PSE Chair's interdisciplinary approach is in perfect harmony with the House's determination to contribute to the collective interest, the creation of social value, and the enhancement and protection of natural environments, by supporting the scientific expertise that makes it possible to advance academic research;

- ◆ **initiatives to participate in school life** and talent acquisition.

In 2021, personalities from the House were able to interact with students, in particular within the framework of the forums organised by the partner schools Sciences Po Paris and ENSAM.

In addition to its financial contribution, Hermès contributes through its skills in *métiers* to ENSAM's industrial management expertise by collaborating in the development of the expertise educational module under the responsibility of ENSAM, proposing the priority study subjects for the first semester, providing presentations in certain face-to-face teaching modules and finally, by participating in the assessment of study projects during students' defences of their work.

Under its partnership with Sciences Po Paris, Hermès entrusted a group of first-year students on the International Management & Sustainability Masters with a topic on the challenges of Retail in the luxury goods industry (Capstone project). The House will support students in their thinking, in order to help them meet the strategic and international challenges of the topic by giving them the opportunity to immerse themselves in Hermès' culture and become aware of the House's sustainable ambition.

Sciences Po Sustainable Development Chair

In November 2020, the School of Public Affairs and the School of International Affairs (PSIA) of Sciences Po launched the European Sustainable Development and Climate Transition Chair. This 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 participates in this chair alongside other sponsors such as HSBC and the EIB (European Investment Bank).

In 2021, the chair organised a number of events, such as a round table with Columbia University in April ("Political Economy of Implementing Socially Inclusive Zero Carbon Goal"), a conference at Sciences Po in November on the interrelationships between biodiversity and development ("Achieving trade-offs to conserve biodiversity and advance development equity"). In addition, four research papers were prepared during the year for final publication in the first half of 2022: on territorial inclusion ("Challenges of territorial inclusion in France" by Madeleine Peron); on the action of governments ("Role of local governments in climate action in France" by Nicolas Bauquet), and on climate-based solutions ("Institutional challenges in nature-based climate solutions" and "Digital Atlas of nature-based climate solution efforts" by Dr Someshwar & Alejandra Guraieb).

This partnership complements other joint initiatives with Sciences Po in the field of education. This choice resonates perfectly with the House's craftsmanship model, which is based on regional involvement and a strong social commitment, and the desire to extend the discussion beyond the House's direct sphere of influence.

At the same time, students in the first year of CentraleSupélec shared their visions of practical cases given by alumni working at Hermès, while students and graduates of IFM were able to discuss their professional experiences during the Meet & Match Forum. Hermès takes part in internship recruitment events organised by schools, notably at CELSA, EM Lyon, Sorbonne University, INSA, etc. As part of the CSR Challenge offered by the IESEG School of Management, Hermès invited students to consider the challenges related to the House's sustainable development pillars.

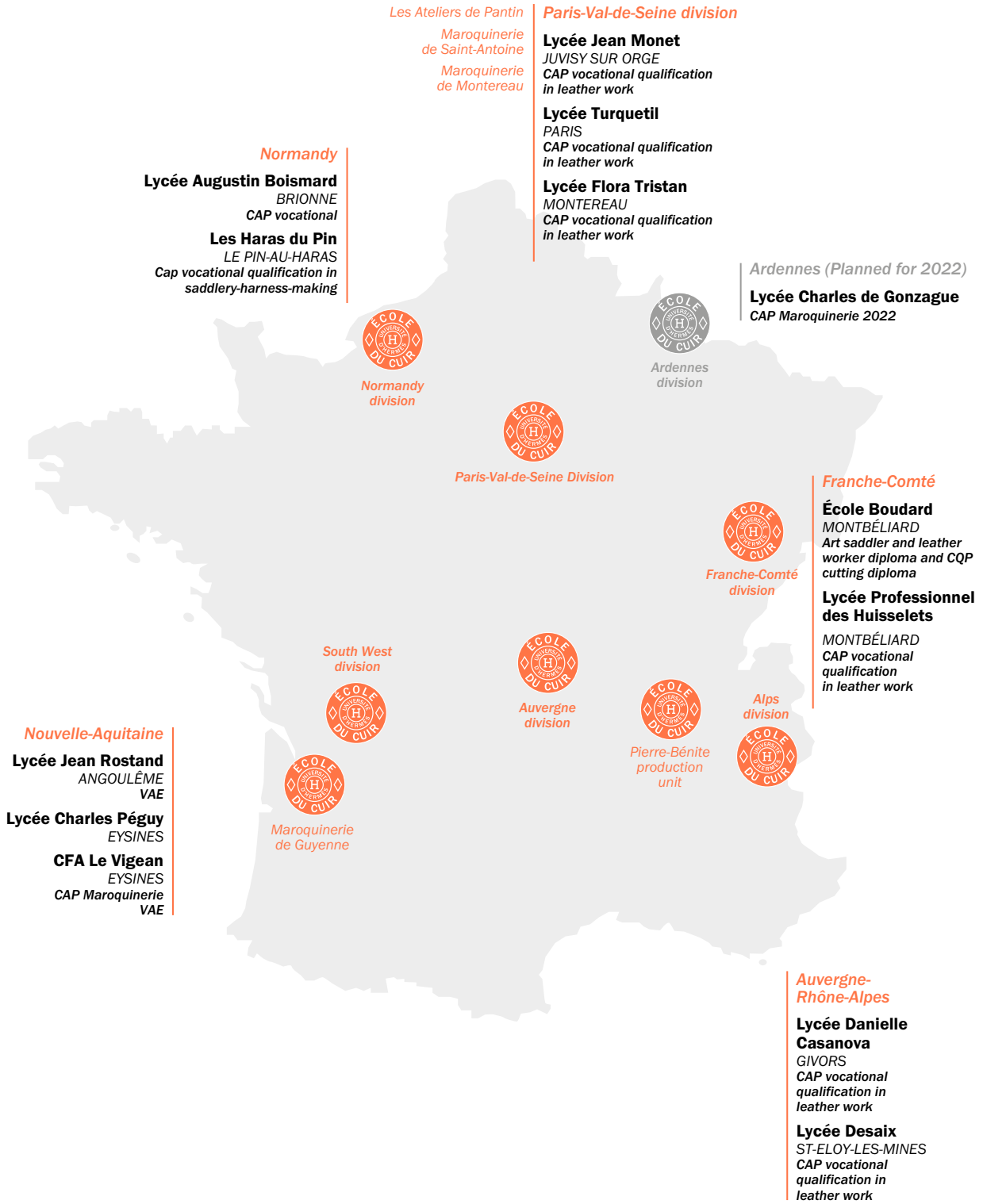
Lastly, Hermès is supporting the construction project for the Crafts and Design *Métiers* Campus. This initiative is part of the Investment in the Future Plan (Innovation Territories) and intends to take initiatives around a network of training institutions and business partners with the aim of creating, on an economic sector scale, a cluster to promote synergies relating to employment and training. This inter-ministerial project involves Education, Employment and the General Secretariat for Investment. It is supported by the Comité Colbert and the ENSAM Olivier de Serres, the leading institution of the Campus. In particular, Hermès will contribute to the creation of a materials library, training in its *métiers* (colour, *savoir-faire*, etc.), inter-company e-learning modules, or advancement and promotion initiatives such as the European Day of art *métiers*, with a demonstrations of certain *savoir-faire*.

Privileged partnerships with craftsmanship schools

Craftsmanship employs more than 6,200 people at Hermès. It is the foundation of the House's vocation as a creator of high-quality sustainable objects. To continue recruiting in 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 in 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 ÉCOLES DU CUIR IN FRANCE



2.3.3.2 MAINTAINING HERMÈS' LEADING POSITION IN TRAINING FOR ITS TRADITIONAL MÉTIERS AND PROMOTING ITS MANUFACTURING SAVOIR-FAIRE

Prix de l'Adresse Award

In the second half of 2021, the **Parcours de l'Adresse** were able to resume, allowing 82 employees from all our production sites in France, Switzerland and Italy, to set off for five days, in groups of 10 people, to discover the *métiers* of leather, crystal, silk, perfume, porcelain and ready-to-wear.

The **Prix de l'Adresse**, an internal competition that enables little or no longer used *savoir-faire* to be proudly revived, is a true invitation for volunteer craftspeople to go the extra mile. 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 2021, the fifth edition of the *Prix de l'Adresse* was launched. This edition is already a great success, with **184 craftspeople taking part in the adventure, i.e. 40 teams**. The most loyal participants are once again represented in the event, with around 30 teams from Hermès Maroquinerie-Sellerie, Cristalleries Saint-Louis, Men's Ready-to-wear, Hermès Horloger and John Lobb.

For the first time, Hermès Shoes Italy and J3L have joined the competition, and the Home division has created a cross-functional team combining the in-house *savoir-faire* of craftspeople from Beyrand, CATE and Puiforcat, united by a common project. The fifth *Prix de l'Adresse* will end in March 2022, when the Hermès Masterpiece Awards will be presented to the winning teams.

To celebrate the tremendous work of the teams that have already competed in previous *Prix de l'Adresse*, the traveling exhibition **La Caravane du Prix de l'Adresse**, featuring the winning pieces of the first four editions, continued its journey in 2021 to the leather goods workshops in the Alps, the south-west and Paris Val-de-Seine. It then headed to the Cristalleries Saint-Louis, and the two Hermès Horloger sites, followed by HCl in Italy. This journey of almost two years finally ended at Hermès Commercial in Bobigny.

This initiative is a concrete and high-visibility way to involve our employees internally in the preservation and development of craftsmanship *savoir-faire*.

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 is proud to count some of the *Meilleurs Ouvriers de France* among its craftspeople. They guarantee the excellence of the *savoir-faire* in addition to arousing the interest of younger generations. Hermès supports those who wish to obtain this prestigious title by financing their registration to the competition, providing them with the materials necessary for the creation of their final piece and by granting them extensive access to the various production sites.

The House has 23 MOF, distributed as follows: three at the bootmaker John Lobb, 10 at HTH (drawing-engraving, sabre velvet, weaving, printing and finishing), seven 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 three saddler-leather workers at HMS.

Entreprise du Patrimoine Vivant (EPV)

The Hermès Group is proud to have had **ten companies recognised by the Entreprise du Patrimoine Vivant (living heritage company – EPV) label in 2021**, 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 and, John Lobb (<http://www.patrimoine-vivant.com/>).

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

EXPERTS' HANDBOOK

This section provides an in-depth look at Hermès' actions and results in terms of the "savoir-faire" pillar.

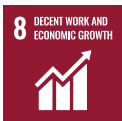
CONTRIBUTION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS (SDGS)

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 "By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university"
- ◆ 4.4 "By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship"
- ◆ 4.7 "By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development"



No. 8: Decent work and economic growth

- ◆ 8.b "By 2020, develop and operationalize a global strategy for youth employment and implement the Global Jobs Pact of the International Labour Organization"
- ◆ 8.3 "Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services"
- ◆ 8.6 "By 2020, substantially reduce the proportion of youth not in employment, education or training"
- ◆ 8.9 "By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products"



No. 10: Reduced inequalities

- ◆ 10.3 "Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard"



No. 11: Sustainable Cities and Communities

- ◆ 11.4 "Strengthen efforts to protect and safeguard the world's cultural and natural heritage"



No. 12: Responsible consumption and production

- ◆ 12.b "Develop and implement tools to monitor sustainable development impacts for sustainable tourism that creates jobs and promotes local culture and products"
- ◆ 12.8 "By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature"



No. 16: Peace, justice and strong institutions

- ◆ 16.7 "Ensure responsive, inclusive, participatory and representative decision-making at all levels"

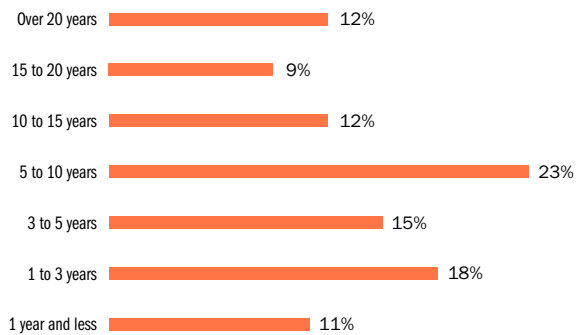
2.3.4 GENERAL INFORMATION ON THE WORKFORCE

WORKFORCE BY REGION AND GEOGRAPHICAL AREA

	Production			Retail			Support			Total		
	31/12/2021	%	31/12/2020	31/12/2021	%	31/12/2020	31/12/2021	%	31/12/2020	31/12/2021	%	31/12/2020
France	7,633	90%	7,162	1,376	22%	1,356	1,960	70%	1,865	10,969	62%	10,383
Asia-Pacific (excl. Japan)	74	1%	83	2,287	36%	1,977	314	11%	315	2,675	15%	2,375
Europe (excl. France)	711	8%	699	995	16%	978	254	9%	261	1,960	11%	1,938
Americas	68	1%	76	868	14%	802	213	8%	199	1,149	7%	1,077
Japan	0	0%	0	766	12%	748	76	3%	79	842	5%	827
TOTAL	8,486	100%	8,020	6,292	100%	5,861	2,817	100%	2,719	17,595	100%	16,600

2.3.4.1 INCLUDING PROFESSIONAL CAREER PATHS AS PART OF A LONG-TERM VISION

SENIORITY PYRAMID



2.3.4.2 PROMOTING AND VALUING THE TRANSMISSION OF SAVOIR-FAIRE

CERTIFICATIONS OBTAINED FROM THE ÉCOLE DU CUIR

	Training	2020	2021
École du Cuir	CAP ¹ vocational qualifications in leather work	208	185
	<i>Sellier-Maroquinier d'Art</i> (saddler and leather worker) diploma	31	79
	CQP ² Cutting diploma	19	11
	<i>Brevets Métier d'Art</i> (Arts <i>métier</i> diploma)	2	2
Total certifications		260	277
Total trainers		83	93

(1) CAP: vocational aptitude certificate

(2) CQP: vocational qualification certificate

Reading a hide at the Maroquinerie de la Tardoire, in Charente



©Photographer: Chris Payne

2.4 THE PLANET: RAW MATERIALS

Sustainable development at Hermès is based on exceptional raw materials, from renewable natural sources, which enable it 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 its supply chains, by going beyond compliance with environmental, ethical and social regulations, and contributing to the future availability of these resources.

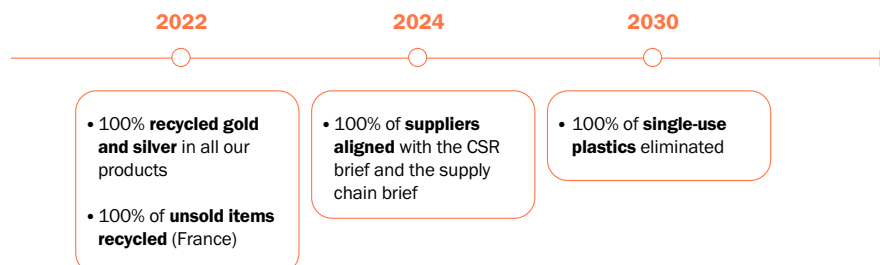
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Introduction

Hermès' flagship materials – leather, silk, cashmere and wood – are all natural, renewable and obtained in such a way as to minimise their footprint. The model and values of craftsmanship guiding the House have always promoted the careful and respectful use of these rare and precious materials. Craftspeople take great care not to waste resources, to use only what they need and to optimise the use of materials (such as the use of so-called associated cutting techniques in leather goods workshops). In all *métiers*, channels are also identified to recover and recycle manufacturing offcuts, in addition to the emblematic activities of petit h.

The materials are selected and supplied in each of our *métiers* within the framework of a rigorous process set out in the “**supply chain brief**” and detailed in technical specifications, complying with regulations, respecting biodiversity and best practices, in the constant quest for the highest quality and ethical integrity. These supply chain briefs are intended for all suppliers and manufacturers involved in supplying Hermès *métiers*. They are also accessible on the Group's corporate website. 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.

MAIN COMMITMENTS OF THE PLANET PILLAR: RAW MATERIALS














In 2021, the Group made progress the main issues relating to materials, with the aim of making a long-term difference through steady improvements with a significant impact. Among these, the selected elements below are particularly illustrative of 2021 for this section:

- ◆ Formalisation of 50 new supply chain briefs and establishment of the Supply Chain Committee;
- ◆ Implementation of the LCA approach in the métiers;
- ◆ Victoria bags in “Fine Mycelium” using biotechnology (fungal threads);
- ◆ Operational action plan “zero destruction” of unsold goods in France (Agec law);
- ◆ Publication of an Animal Welfare Policy;
- ◆ RJC “Chain of Custody” certification (RJC COC);
- ◆ Classification A- at CDP Forest.

PLANET

MATERIALS

	OBJECTIVES	INDICATORS	2021 RESULTS
	SEEK THE BEST QUALITY FOR ALL MATERIALS USED, GUARANTEEING THE DURABILITY OF THE OBJECTS		
	Strengthen vertical integration to ensure mastery of <i>savoir faire</i> and the quality of materials and develop long-term relationships with producers	Length of relationship with suppliers	20 years on average (top 50 direct purchases) Silk : more than 25 years (Brazilian supplier)
	Have the highest quality materials and those best adapted to the functionalities and uses of the products	Proportion of farms audited and/or certified	100% of the hides come from certified integrated farms and 99% of the raw hides purchased by HCP come from audited and/or certified farms
		Number of different leathers used by the House	35 different leathers used by the House
		Number of raw materials identified	86 raw materials identified
	OPTIMISE THE USE OF OUR RAW MATERIALS OVER THE ENTIRE LIFE CYCLE BY INTEGRATING THE PRINCIPLES OF THE CIRCULAR ECONOMY		
	Identify eco-design levers and courses of action for all products	% of <i>métiers</i> having implemented an LCA approach on their emblematic products	63% of the <i>métiers</i> carried out at least one LCA on their emblematic products
	Establish a circular economy roadmap in all <i>métiers</i>	Proportion of <i>métiers</i> that have formalised a Circular Economy roadmap	100% of <i>métiers</i> have included a section dedicated to the circular economy in their roadmap
	Engage in a process of recycling co-products from other industries	Proportion of leathers from hides recycled from agri-food channels	95% of hides used by Hermès come from agri-food channels
	Favour the use of recycled materials when relevant	100% recycled gold and silver for Jewellery	100% recycled gold and silver used in the workshops
	Develop upcycling, recycling and donation processes to improve and manage product end-of-life	Quantity of recycled materials	21 tonnes of textile materials recycled in 2021
		Length of partnership with the leading charitable association for donations in kind	Since 2016 , Hermès has partnered with charitable associations to provide donations in kind
		Implementation of processes to achieve the target of 0 destruction of unsold items from 2022 in France	System in place and operational in France at the end of 2021 and rollout planned abroad
Incorporate a circular and eco-responsible approach into creation	Number of products put on sale that incorporate a circular and eco-responsible approach	More than 1 million products incorporating a circular and eco-responsible approach developed in 2021	
Carry out product repairs	Number of products repaired	161,000 products repaired in 2021 (123,000 in 2020)	
	FIND ALTERNATIVES TO THE USE OF CERTAIN MATERIALS, INCLUDING PLASTICS		
	Improve the impact of all packaging, from production to customers to transportation	100% of packaging (customers and intermediaries) made from renewable, recyclable and/or recycled materials	100% of orange boxes and bags are made from renewable, recyclable and/or recycled materials
	Eliminate single-use plastics	0% single-use virgin plastic by 2025	-92% in consumption of single-use plastic for packaging using the new wrapping technology for shipping from logistics platforms. Launch of a working group dedicated to plastics as part of the Fashion Pact.
	Consolidating the use of natural materials	Naturalness indicator (perfumes and cosmetics)	64% of the raw materials used by Hermès Perfume and Beauty are classified as natural or of natural origin (ISO 16128)

	OBJECTIVES	INDICATORS	2021 RESULTS
	CONTROL THE ENTIRE VALUE CHAIN WITH OPERATIONAL TRACEABILITY AND PARTNERSHIPS		
	Analyse all purchasing categories and supply chains	% of purchasing categories where risks have been mapped and number of supply chains subject to in-depth analysis	93% of purchasing categories where risks have been mapped and 74 supply chains analysed, representing 90% of the Group's supply chains
	Guarantee full traceability of materials	100% traceability of raw materials to the country of origin	74 supply chains with traceability from to the country of origin
		% of calf hides traced to the livestock farm	In 2021, 30% of the calf hides tanned in the two calf hide tanneries of the HCP division were marked to ensure their traceability
		% of exotic hides traced to the farm	100% of crocodylian and 100% of ostrich hides are traced back to the livestock farm
	Use leathers from geographical areas with low social and environmental risks	% of materials sourced in Europe for leather	92% of hides sourced in Europe
	CONTRIBUTE TO THE DEVELOPMENT OF THE MOST DEMANDING STANDARDS ON ENVIRONMENTAL, SOCIAL AND ETHICAL MANAGEMENT OF SUPPLY CHAINS, NOTABLY IN TERMS OF ANIMAL WELFARE		
	Contribute to the creation of certifications and standards with exacting requirements	Contribution to industry or sector working groups	Participation in ICFA (International Crocodylian Farmers Association) since its creation in 2016, SARCA (South East Asian Reptile Conservation Alliance) since 2016, SAOBC (South African Ostrich Business) since 2016
			Commitment within the Leather Working Group (LWG, leather goods)
	Implement an animal welfare policy by promoting the highest criteria	% of Group métiers with an Animal Welfare roadmap	100% of métiers comply with the Group's Animal Welfare policy
		Number of animal sectors covered by the Animal Welfare policy	19 supply chains covered representing 100% of purchases in animal sectors
	IMPLEMENT CERTIFICATIONS WITHIN OUR SUPPLY CHAINS		
	Obtain and maintain supply chain certifications	Number of certifications targeted (target for 2024)	Distribution of the Supply Chain Brief planning the implementation of certification or the award of label status for 32 sectors
		Number of supply chains certified and renewed	1st luxury house to receive RJC COP Certification in 2019, renewed in 2021
			55% of tanners working for HMS are LWG certified
	SUPPORTING AGRICULTURE THAT IS MORE RESPECTFUL OF NATURE		
	Contribute to research and field initiatives	Supported projects	Livelihoods: more than 20 agricultural projects supported and more than 57,000 hectares planted or preserved Cambridge studies on biodiversity in the raw materials supply chains: Silk study in 2020 and Goat Leather study launched in 2021
	Increase the share of supplies certified according to criteria guaranteeing sustainable agriculture	Implementation of certification schemes by sector	Work conducted by HTH on GOTS certification

2.4.1 ECODESIGN AND CIRCULAR ECONOMY

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

POLICY

The Group's policy is to go even further in terms of the eco-design of its products, by using "non-renewable resources as little as possible, preferring the use of renewable resources, and which are used while respecting their renewal rate, as well as being combined with waste recovery processes that promote reuse, repair and recycling."¹ This preventive and innovative approach makes it possible to minimise the environmental footprint of products over their entire life cycle, without compromising their quality of use.

The House's ambition is to offer sustainable, eco-designed products that respect nature, and which retain their technical characteristics over time. The House's creative excellence, and **the often timeless nature of the collections also allow Hermès objects to remain desirable over the long term, thus extending their period of use.**

MEASURES IMPLEMENTED AND RESULTS

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

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

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

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

2.4.1.1 MATERIALS RESPONSIBLE MANAGEMENT

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

2.4.1.1.1 Leather

Leather tanning

Leather is an animal product, specially tanned and made imputrescible, either in a tannery for lamb, sheep and goatskin or in traditional tanneries for hides from cattle or reptiles. Hides used in leather goods are by-products of livestock farming for food. People sometimes refer to hides as the "5th quarter", which suggests we can consider **tanning to be the oldest recycling industry in the world.** Hermès uses only "full-grain" leather, the top part of the hide, without altering it in order to improve its appearance. The leathers used by Hermès are thus rare and of exceptional quality. The hides come from our own tanneries or from long-standing partners.

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

1. ADEME definition.

Leather work

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

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

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

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

2.4.1.1.2 Silk and cashmere

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

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

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

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

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

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

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

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

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

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

2.4.1.1.3 Other materials

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

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

Cotton

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

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

Metals and stones

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

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

Perfumed compounds and cosmetic materials

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

2.4.1.2 LIFE CYCLE ANALYSIS

Ambition

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

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

This project has three complementary perspectives:

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

Scope and governance

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

Six indicators were selected:

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

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

Results and lessons learned

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

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

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

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

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

Outlook

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

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

2.4.1.3 CIRCULARITY

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

2.4.1.3.1 After-sales: repair to extend the life of objects

With more than 1,000 service lines, Hermès unusually offers its customers a tailor-made after-sales service, with no time limit, across all its *métiers* and throughout the world. The House makes a point of ensuring the maintenance and restoration of its objects, made by craftspeople, in order to prolong their life as much as possible. This activity illustrates the durability of the objects and the House's desire to help extend their lifespan. **A strategic focus of the House, it involves more than 50 people, who contributed to handling 161,000 requests in 2021.**

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

In 2021, **more 56,000 products** were handled centrally. These interventions are also opportunities, thanks to customised support for in-store teams, to strengthen the customer experience with more unique services (adding a sparkle to jewellery and jewellery accessories and returning them in their original condition), services offered (resizing and polishing of rings, repairing of Clic H bracelets, supply of links and cords, etc.).

In order to offer a local service to customers and reduce the carbon footprint associated with product returns, the after-sales department also develops and coordinates local repairs around the world. It carries out the selection, testing, auditing and approval of a number of workshops, notably in the watchmaking/jewellery sector in various countries such as Japan, Russia, China and Hong Kong, as well as the monitoring and support of subsidiaries.

Thus, in 2021, **more than 105,000 repairs were carried out locally**, of which 24% on leather goods, by **33 craftspeople expatriated** to subsidiaries. Before departing, these craftspeople undergo a dedicated seven-month training course in order to enhance their *savoir-faire* and expertise specific to the maintenance and restoration of objects.

2.4.1.3.2 Innovation for a circular economy

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

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

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

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

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

OIKOS LAB: an eco-design and circular initiative

In order to preserve natural resources and reduce carbon emissions related to construction, renovation or refurbishing activities, the Group real estate department has initiated an approach for reusing materials not used by the various *métiers* (leather, silk, porcelain, textiles, decor, etc.) in the design of Hermès' living spaces (leather goods workshops, stores and offices). This circularity approach has been systematised with our long-standing partner in interior design for all store projects.

Against this background, a laboratory, the Oïkos Lab, was created, aiming to stimulate the design and singularity of living spaces while reducing the environmental footprint.

The materials are thus recovered either for reuse within interior fittings (screens, wall cladding and furniture) or in the creation of objects (desk mats, POS), or through transformation to create new construction materials (tiles, insulation, cork, medium, etc.). The Oïkos Lab participates actively in the House's circular economy, having recovered 10% of dormant and downgraded leather inventories and through the recycling of all porcelain production waste from one *métier* in 2021.

2.4.1.3.3 Petit h and internal reuse of materials

Petit h is above all, a unique creative approach: inventing objects, using materials that Hermès has not used in the production of the House's collections, intertwining the excellence of the House's *savoir-faire* and the creativity of the artists and designers. The *métier* starts from available materials rather than from a preconceived idea. These reverse creations make it possible to develop a new typology of objects that are quirky, funny and useful. All of the Group's *métiers* are involved, and with creative freedom. Ends of collections, accessories, obsolete items (such as a whole collection of pommels from the 1960's), leather scraps, fabrics, silk, etc., all these materials which, put to a new use, ennobled and sometimes relieved of a tiny initial defect, are reborn thanks to unique *savoir-faire* and talented artists. It is in this respect for materials and *savoir-faire*, this spirit of common sense, that petit h naturally participates in the preservation of exceptional materials. Some creations, around 200 pieces per year, are manufactured as unique pieces, at the whim of existing materials. Several hundred other items are also produced in limited and controlled production runs. This creative and unique approach is based on original and inventive distribution beyond

the traditional paths, with pop-up sales abroad that are real "happenings" once or twice a year and a permanent spot in Paris, at the Sèvres store, which was renovated and extended this year.

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

2.4.1.3.4 Management of unsold stock

The Hermès business model, based on the stores' freedom to purchase and the desirability of the House's products, means unsold stock volumes are naturally very low. Orders are made directly and freely by each manager, who is responsible for choosing the right assortment for his or her local customers. In addition, to optimise sales at regional level, the subsidiaries arrange inter-store transfers. Exceptional sales to the public are organised by the distribution subsidiaries to allow the sale of products that have not been sold in stores. Regular sales to staff are an additional channel used to avoid waste. In addition, for several years now, donations of de-branded products have been made to different partner associations.

Hermès has set itself the objective by 2022 of not destroying new products intended for sale, particularly for clothing (under the AGEC law) **in France**. Existing partnerships with specialised associations (some of which date from 2016) have been strengthened, in order to reconcile their actual needs with the reality on the ground and the House's constraints. In addition, the Circularity Committee has set up partnerships with educational establishments, specialised players and industries, in a collaborative approach and in a context where the reprocessing channels are themselves being created and rolled out.

2.4.1.3.5 Packaging

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

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

Single-use plastic packaging

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

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

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

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

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

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

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

Cosmetics packaging

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

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

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

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

2.4.2 SUPPLY CHAINS

The sustainability of Hermès' activities depends on the availability of the high-quality raw materials used. Hermès is committed to sustainably developing supply chains, by going beyond compliance with environmental, ethical and social regulations, and contributing to the future availability of these resources.

POLICY

The Group's strategy is to better understand its supply chains, strengthen them with high expectations to ensure their quality, ethics, environmental and societal sensitivity, and develop them to anticipate future growth.

This approach is based firstly on compliance with the regulations concerning the various materials. This notably means legislative provisions: ensuring compliance with the Washington Convention (CITES), an agreement between States for the worldwide protection of species of flora and fauna threatened with extinction. This can have an impact on the materials used in the leather goods workshops, certain tanneries, or certain ingredients in perfumes. We must also comply with health regulations (hides from cattle and sheep that were raised for meat) and regulations on animal welfare.

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

2.4.2.1 MANAGEMENT OF SUPPLY CHAINS

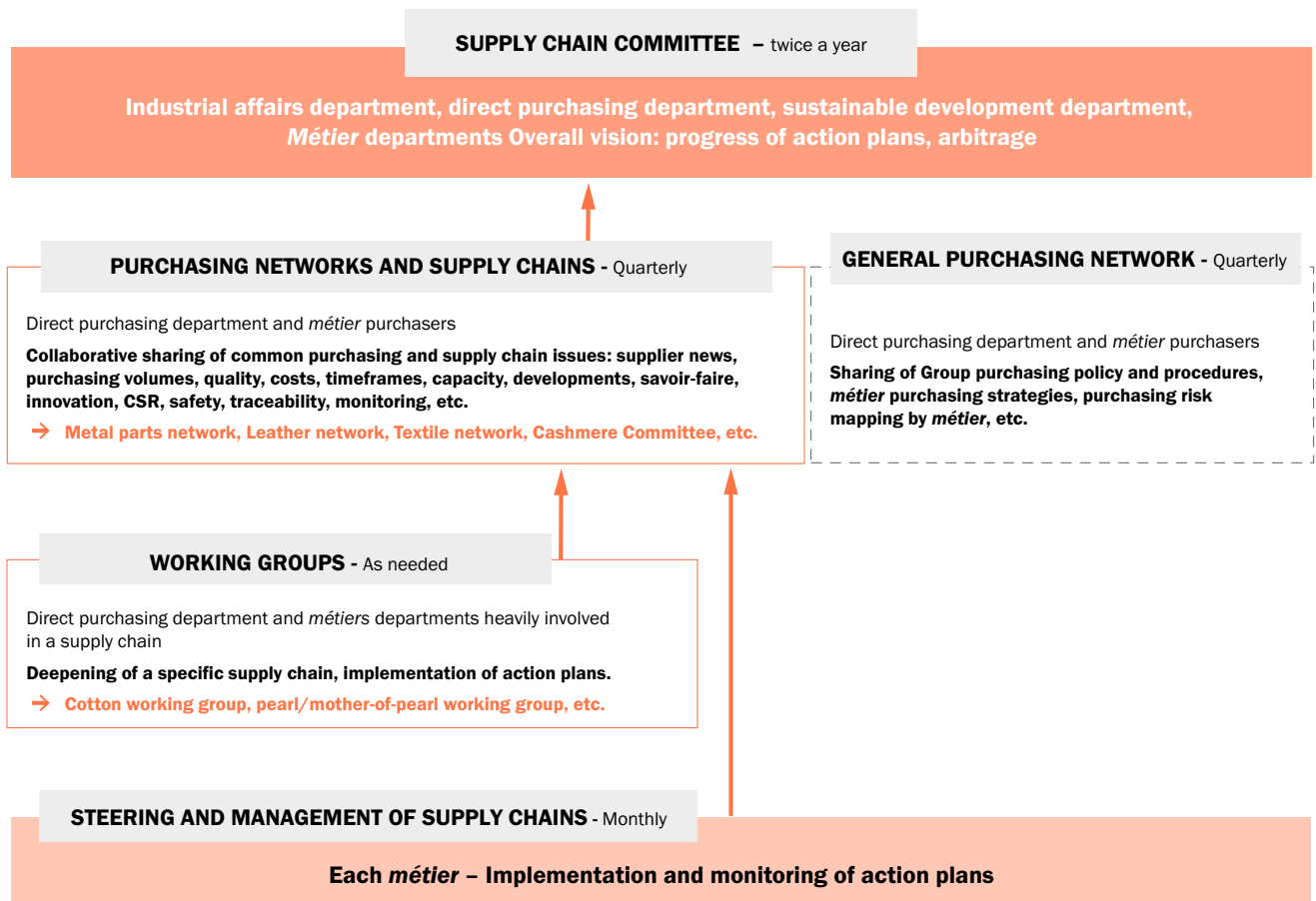
Hermès has long initiated a management approach for its raw materials sectors. Since 2019, the direct purchasing department has accelerated the process with the following ambitions:

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

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

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

HERMÈS SUPPLY CHAIN GOVERNANCE



2.4.2.1.1 Supply chain brief and tools

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

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

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

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

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

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

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

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

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

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

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

MAIN SUPPLY CHAIN CERTIFICATION COMMITMENTS

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

2.4.2.1.2 Analysis of the main supply chains

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

Focus on water in supply chains

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

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

2.4.2.2 ANIMAL WELFARE

2.4.2.2.1 Hermès animal welfare policy

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

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

It is based on the following principles:

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

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

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

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

1. FAWC: Farm Animal Welfare Council

2.4.2.2.2 Implementation

Ostrich

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

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

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

Crocodilians

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

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

2.4.2.3 RESPONSIBLE SUPPLY CHAINS

2.4.2.3.1 Leather

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

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

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

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

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

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

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

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

Calfskin

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

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

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

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

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

Exotic hides

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

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

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

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

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

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

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

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

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

Focus on porosus

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

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

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

2.4.2.3.2 Silk

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

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

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

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

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

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

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

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

2.4.2.3.3 Cashmere

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

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

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

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

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

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

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

2.4.2.3.4 Other materials

Cotton

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

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

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

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

Wood

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

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

Metals and stones

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

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

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

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

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

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

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

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

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

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

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

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



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

EXPERTS' HANDBOOK

This section takes a closer look at Hermès' actions and results on the "Materials" pillar.

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

- ◆ 8.3 "Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services"
- ◆ 8.4 "Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead"



No. 12: Responsible Consumption and Production

- ◆ 12.2 "By 2030, achieve the sustainable management and efficient use of natural resources"
- ◆ 12.5 "By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse"



No. 15: Life on Land

- ◆ 15.1 "By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements"
- ◆ 15.7 "Take urgent action to end poaching and trafficking of protected species of flora and fauna and address both demand and supply of illegal wildlife products"
- ◆ 15.c "Enhance global support for efforts to combat poaching and trafficking of protected species, including by increasing the capacity of local communities to pursue sustainable livelihood opportunities"

SUPPLY CHAIN ANALYSIS

The supply chain brief, the result of the analysis of the supply chains, is available on the Hermès website.

https://assets-finance.hermes.com/s3fs-public/node/pdf_file/2021-12/1640609564/hermes_brieffillieres_decembre2021.pdf

An example of such an analysis is presented below for cashmere.

Industry	Description of risk	Standards adopted by Hermès	2021 action plan	2024 trajectory
Cashmere	Living conditions of farmers, animal welfare, overgrazing in China, rural exodus in Mongolia, impact of climate change on fibre quality, water pollution during fibre processing.	SFA / ICCAW standard (under test).	Continue to identify all stakeholders down to farming level, with information on the source (country and region).	<p>Engage supply chains in a sustainable development approach by relying on local partnerships, in connection with government projects, initiatives by sustainable development associations or NGOs, and international sustainable investment fund programmes. These sustainable development initiatives aim to define:</p> <ul style="list-style-type: none"> ◆ sustainable supply chain management accreditation, auditable by an external third party; ◆ a traceability system at every stage; ◆ a best practice code and associated sustainability criteria concerning: goat farming, pasture management, fibre collection and processing. <p>Identify breaches of human rights, fundamental freedoms and health and safety conditions at work and ban suppliers in the event of serious infringements of human rights and fundamental freedoms.</p> <p>Identify the risks related to animal welfare and ban suppliers that do not comply with the OIE animal welfare principles and Hermès' animal welfare policy.</p> <p>Ban suppliers that authorise genetic cloning or physiological modification of the animal (use of endocrine disruptors).</p> <p>Identify farming practices with adverse effects on the environment, particularly related to poor soil management.</p>

Compagnie des arts de la table et de l'émail, in Nouvelle-Aquitaine



©Photographe: François Coquerel

2.5 THE PLANET: ENVIRONMENT

The Group's sustainable development involves knowing, 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

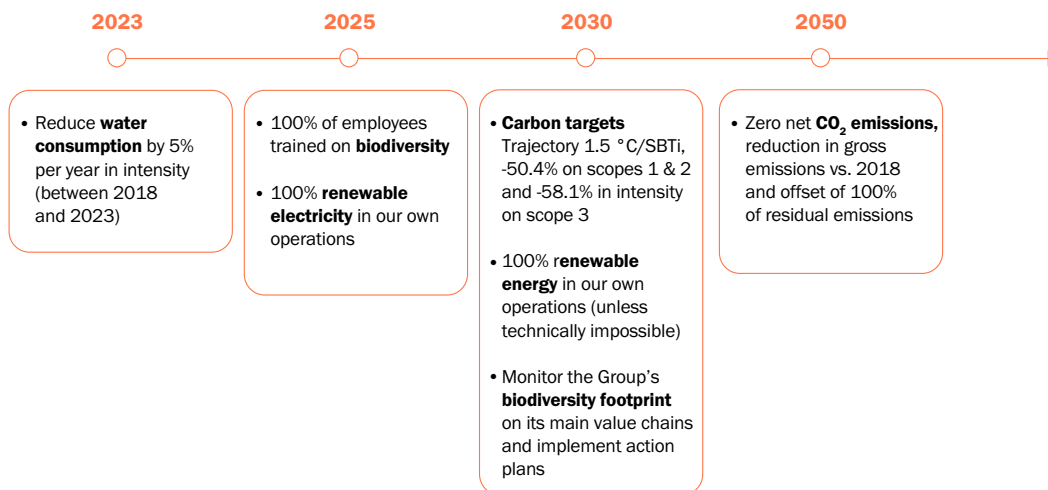
Introduction

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, revised in 2020, 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.

Water and energy consumption in 2020 were obviously impacted by the context of the pandemic, which means that the comparison of data between 2020 and 2021 is not necessarily indicative of the progress made. Rather, it is a question of considering an overall progress trajectory over a longer period of time.

This mindset in favour of the environment requires the involvement of everyone, from investment decisions to everyday eco-actions, together with a robust environmental, health and safety (EHS) culture on all sites. It is structured around policies, procedures, tools and major commitments:

The main commitments of the Planet pillar: Environment

















In 2021, the Group made progress on the main environmental issues, with the aim of making a long-term difference through steady improvements with a significant impact. Among these, the selected elements below are particularly illustrative of 2021 for this section:

- ◆ Update of 2030 carbon reduction targets and validation of trajectories by the SBTi. A- ranking by CDP Climat;
- ◆ Confirmation of decrease in carbon emissions in absolute value (all scopes): -15.3% since 2018;
- ◆ Setting a notional internal carbon price at €40;
- ◆ New investment in Livelihoods (Carbon Offset) and offset in 2021 for 100% of scopes 1 & 2 and 63% of transportation;
- ◆ Final report on "GBS" biodiversity footprint analysis, internal biodiversity e-learning;
- ◆ ZDHC (Chemicals) initiative for the Tanneries division;
- ◆ "Responsible and Sustainable Real Estate" standard.

PLANET

ENVIRONMENT

	OBJECTIVES	INDICATORS	2021 RESULTS
	CONTROL THE CONSUMPTION OF NATURAL RESOURCES INTERNALLY AND WITH SUPPLIERS: WATER, ENERGY		
	Reduce the intensity of industrial water consumption by 5% per year	Change in industrial water consumption	-35.4% in water consumption intensity over 10 years and -23% compared to 2020
	Reduce the intensity of energy consumption	Change in energy consumption by type and by geographical area	-48.2% industrial energy intensity over 10 years and 18% decrease in stores' electricity consumption since 2018
	DEFOSSILISE OUR ENERGY CONSUMPTION		
	Implement renewable energy programmes	Achieve 100% renewable electricity by 2025 and 100% renewable energy by 2030	100% renewable electricity in France and 86.9% worldwide 46.7% renewable energy worldwide
	In-house renewable energy production	Total self-generated renewable energy at production sites	Self-generated renewable energy equivalent to the consumption of 3 leather goods workshops
	ENHANCE PRODUCTION PROCESSES BY CHOOSING THE CLEANEST, MOST ENERGY EFFICIENT TECHNOLOGIES AND THE MOST ENVIRONMENTALLY-FRIENDLY MATERIALS AVAILABLE		
	Use energy-saving equipment	Implement energy sub-metering solutions at sites and stores	67 sites equipped with sub-metering and energy management solutions
	REDUCE THE FOOTPRINT AND CONTROL WASTE AND EMISSIONS, REDUCING THEIR PRODUCTION AS MUCH AS POSSIBLE AND RECOVERING THEM WHENEVER POSSIBLE		
	Use water treatment equipment to control waste	Number of tanneries having installed specific purification equipment	100% of the HCP division's tanneries have their own water treatment plants
	Develop the recycling of production, transportation and sales waste	% of waste that is recycled	44% of industrial waste recycled
	REDUCE GREENHOUSE GAS EMISSIONS IN ABSOLUTE VALUE (SCOPES 1 & 2) AND IN PROPORTION TO ACTIVITIES (SCOPE 3), IN LINE WITH THE PARIS AGREEMENT		
	Reduce greenhouse gas emissions in absolute value (scopes 1 and 2)	% decrease in emissions in absolute value for scopes 1 and 2	-14.5% reduction in scope 1 and 2 GHG emissions since 2018 (absolute value)
	Reduce intensity of greenhouse gas emissions (scope 3)	% reduction in emissions intensity for scope 3	-44.8% scope 3 carbon intensity since 2018
	STUDY CLIMATE RISKS, ACT TO REDUCE THEIR IMPACTS, ANALYSE ADAPTATION SCENARIOS AND INTEGRATE THEM INTO THE STRATEGY		
	Anticipate the risks related to climate change	Studies of physical risks and climate transition and of the evolution of systems	<i>Ad hoc</i> study on physical risks and adaptation to climate change for Hermès (2020 and 2021). Participation in the IRIS project launched at the end of 2021 (2060 risks)

	OBJECTIVES	INDICATORS	RÉSULTATS 2021
	FORMALISE A CLIMATE CHANGE STRATEGY AND GOVERNANCE, DEFINE OBJECTIVES AND MONITOR INDICATORS		
	Align with global initiatives to reduce greenhouse gases	Validation of our carbon trajectory by the SBTi: reduction of 50.4% in scopes 1 and 2 in 2021 (absolute value) and 58.1% in scope 3 (intensity) between 2018 and 2030 Compliance with the carbon trajectory validated by the SBTi Define an internal carbon price	Science-based Target initiative validation of scopes 1, 2 and 3 emission reduction targets -15.3% absolute reduction in emissions across all scopes since 2018 Notional price set at €40 per tCO ₂ eq (industrial and real estate investments, transportation)
	UNDERTAKE HIGH VALUE-ADDED VOLUNTARY CARBON OFFSET ACTIONS		
	Offset emissions corresponding to significant emission items	% of offset for scopes 1 and 2 and transportation	100% scopes 1 and 2 GHG offset and 63.6% for transportation GHG thanks to the Livelihoods programme
	IMPLEMENT BIODIVERSITY TRAINING ACTIONS FOR ALL EMPLOYEES		
	Develop training to raise employee awareness	Number of employees trained	100+ people trained in 2020 via Biodiversity conference
	WORK IN PARTNERSHIP WITH STAKEHOLDERS WHO ARE EXPERTS IN BIODIVERSITY		
	Establish partnerships with leading expert organisations on the subject of biodiversity	Quality and duration of partnerships	- WWF France since 2016 - CDC Biodiversité since 2020 - CISL (University of Cambridge Institute for Sustainability Leadership) since 2020
	ASSESS OUR IMPACTS ON BIODIVERSITY ACROSS OUR ENTIRE VALUE CHAIN (FAUNA AND FLORA) AND DEFINE OUR AMBITIONS ON A SCIENTIFIC BASIS (SBT)		
	Measure our biodiversity impacts at production site level	Number of production sites on which a Biodiversity assessment has been carried out	14 production sites on which a Biodiversity assessment was carried out
	Measuring our biodiversity impacts across the entire value chain	Assessment and monitoring of the impact on biodiversity by 2025 (Act4Nature)	92% of activities assessed according to a GBS (Global Biodiversity Score) study in 2021
	Conduct dedicated Biodiversity studies in certain supply chains	Number of supply chains studied	Silk sector in 2020 and launch in 2021 of the goat leather supply chain by the CISL
	IMPLEMENT BIODIVERSITY ACTIONS IN OUR MÉTIERS, SUPPLY CHAINS AND SITES ACCORDING TO THE IMPACTS		
	Involve our value chain in actions to promote biodiversity	Distribution of a CSR brief to our suppliers with a biodiversity component	Online publication and dissemination of the CSR brief in 2021
	Act at our production sites	Objectives during the construction or renovation of production sites	0 phytosanitary treatments on the green spaces of the 14 production sites studied
	CONTRIBUTE TO POSITIVE ACTIONS, INCLUDING OUTSIDE OUR SPHERE OF RESPONSIBILITY (FONDATION, LIVELIHOODS)		
	Forge partnerships around biodiversity	Number and duration of programmes supported in connection with biodiversity	Through the Foundation: Africa-TWIX (WWF) since 2016, Vigie-Nature École (National Museum of Natural History) since 2019, Étude sur les Caimans (CNRS) since 2019
	Continue to develop our participation in the Livelihoods project	Number of projects supported through Livelihoods Number of hectares restored and number of trees planted	17 extensive projects with concrete social and environmental results More than 57,000 hectares restored and more than 132 million trees planted by Livelihoods

2.5.1 ENVIRONMENTAL ACTIONS FRAMEWORK

2.5.1.1 ENVIRONMENTAL POLICY

Hermès' environmental policy is based on several principles:

- ◆ comply with workplace Environmental Health and Safety (EHS) regulations and to prepare for changes in these regulations whenever possible. The industrial affairs department coordinates a network of EHS Officers at the manufacturing sites;
- ◆ respect natural resources and favour the cleanest, most economical technologies and the most environmentally-friendly substances:
 - manage water responsibly and sustainably. Reduce volumes abstracted, recycle and improve the quality of discharges in relation to ecosystems. Engage alongside stakeholders in the watersheds to preserve this shared resource,
 - manage energy resources by reducing energy consumption and favouring the use of renewable energies,
 - respect and safeguard biodiversity, implement scientifically-based objectives in the direct and extended sphere of responsibility. Voluntarily engage beyond the sphere of influence. Train, collaborate, evaluate and act;
- ◆ minimise waste production and recycle it as much as possible;
- ◆ resolutely commit to a low-carbon world, implement scientifically-based objectives and actions compatible with a trajectory limiting global warming to 1.5 °C by 2050, across the entire value chain and beyond Hermès' sphere of influence;
- ◆ increase the resilience of the Hermès model in the face of environmental changes. Study their effects, inform and collaborate with our partners and suppliers to adapt the entire value chain.

2.5.1.2 ENVIRONMENTAL GOVERNANCE

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. These subjects are clearly at the core of the Group Sustainable Development Committee's discussions. 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.

Industrial affairs department

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 and, with the support of the commercial and group real estate departments, coordinates the House's energy programmes (construction, transport).

Responsible real estate

Prior to 2016, the Group real estate development department tested various certifications such as HQE, LEED and BREEM for its construction projects. None of these certifications covered all Hermès typologies: production sites, logistics centres, stores, offices, which made an overall assessment of the environmental performance impossible.

Since then, in response to this issue, it has drawn up its own guidelines by associating the highest environmental standards with the House's values. This new construction standard only concerns construction or development projects.

This standard is significantly more demanding than the market standards (LEED, BREEM, HQE), and covers 30% more criteria. In the coming years, it must give rise to certification work to confirm its robustness.

Responsible real estate standard

In 2021, Sustainable Construction becomes Responsible Real Estate to meet environmental commitments and deliver high-performance and sustainable buildings to the Group. This is reflected in the application of the criteria of the standard across the entire real estate value chain: from the choice of site to operation, including the design and works phases.

Today, Responsible Real Estate has a management tool through a web platform that measures the environmental performance of projects by taking into account the five new objectives:

- ◆ carbon footprint;
- ◆ air quality;
- ◆ biodiversity;
- ◆ local sourcing;
- ◆ environmental health.

This web platform was launched in the second half of 2021 to manage and measure all the Group's real estate projects.



2.5.1.3 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.

Moreover, consumption figures for certain leased sites, for which no data are available, are not taken into account as they are not significant.

For internal sites, oversight of environmental actions occurs in different ways. The industrial affairs department and its EHS 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 and management”). 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 (§ 2.6.1), 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.

The scope of environmental reporting of stores has been extended and in 2021 enabled the collection of consumption data for 10 out of the 33 concessionaires and an estimate (consumption in kWh and tCO₂eq) for assets for which we did not have data, in three categories: branches, concessions, travel retail. **The consumption of all our stores is taken into account in this reporting.**

The methodology adopted consisted in applying to the surface areas of these stores an average consumption per square metre, calculated by country on the basis of the consumption reported and the associated surface areas, and then converting this into CO₂ according to the country’s energy mix. Electricity consumption concerns an actual 73% and an estimated 27% of Hermès branches worldwide as well as the branches of John Lobb, and those of Cristalleries Saint-Louis and Puiforcat.

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.

In Europe (excluding France), almost 100% of stores are covered. In Asia, 89% of stores in Greater China (Mainland China, Hong Kong and Macau) and 71% of stores in Thailand, Malaysia and Australia are covered. In Japan, the four main stores are also included. In the Americas, 63% of stores are covered.

2.5.1.4 COMPLIANCE, ENVIRONMENTAL PROVISIONS AND FINANCIAL GUARANTEES

In 2021, the DREAL approved the fire water retention compliance works at the Cristalleries Saint-Louis (formal notice received in 2020). In 2021, no other industrial site was subject to a formal notice. The Group did not receive any environmental fines.

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.

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.

2.5.2 RESOURCE 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 and thus contribute to the energy transition.

2.5.2.1 CONTROL CONSUMPTION OF NATURAL RESOURCES: WATER, ENERGY

2.5.2.1.1 Water

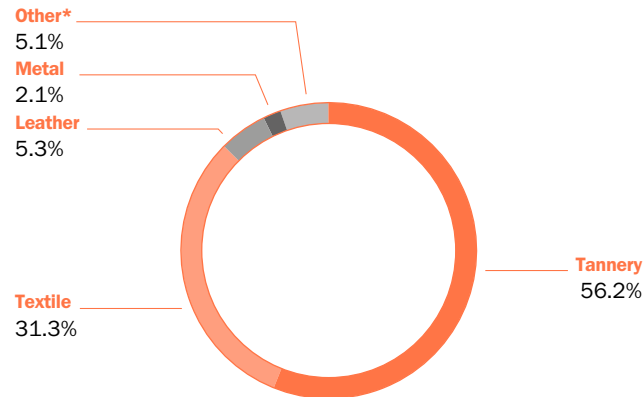
Objectives:

- ◆ continue the decoupling of industrial water consumption from business growth;
- ◆ reduce water consumption by 5% per year in intensity (m³ per million euros of revenue, constant scope) over the period from 2018 to 2023;
- ◆ implement a multi-stakeholder approach and co-construct with external stakeholders (regional departments, municipalities or professional associations approaches to optimise management of water and discharges).

Industrial water

Water for industrial use is mainly (87.5%) used for industrial consumption in the two *métiers*, tanneries and textile units: **627,491 m³/year** at global level.

BREAKDOWN OF INDUSTRIAL WATER CONSUMPTION BY MÉTIER IN 2021 (EXCLUDING FARMS)



* Crystal, Logistics, Perfume, Watch division, Beyrand, Bootmaker, Porcelain, Silversmith

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 2.6-fold.

Over 10 years, water consumption intensity has fallen by 35.4%.

In 2021, overall water consumption for industrial use increased (+8.1% compared to 2020, a year impacted by site closures during the first lockdown in France). In comparison with 2019, consumption continued its decline (-6.1%), despite including in the results the consumption of the J3L group over a full year. This is the result of continued reduction efforts on all the Group's industrial sites.

In 2021, Hermès obtained an A- score on the CDP Water Security questionnaire (A/A- Leadership: implementation of current best practices).

As mentioned in §2.5.4.1, 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.



-28%

Intensity of industrial water consumption, compared to 2019

INDUSTRIAL WATER

INDUSTRIAL WATER CONSUMPTION	2019	2020	2021
in megalitres	668	580	627

INTENSITY

WATER CONSUMPTION - GROUP	2019	2020	2021
Intensity m ³ /Revenue €M	97	91	70

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 *métiers* work on a daily basis to minimise water consumption, find innovative solutions to increase the proportion of recycling (rainwater recovery, wastewater treatment, innovative efficient water and energy systems, implementation of valves that adjust the water flow, etc.).

Tanneries / 2.7% increase in consumption in 2021 (decrease of 13.5% compared to 2019)

Hermès operates six tanneries, including five in France (Annonay, Le Puy-en-Velay, Vivoin, Montereau and Jullien Tannery in Chabris) and one in Italy. The RTL site in the United States has not been tanning since the end of 2020 and is now dedicated exclusively to the inspection of raw *alligator mississippiensis* hides from American farms.

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 six tanneries comes from watercourses or boreholes. The rest comes from municipal sources.

The water consumption ratios of the tanneries remain consistent with the levels observed over the last three years.

Textile / +19.3% increase in consumption in 2021 (decrease of 1% compared to 2019)

Water is a fundamental and precious element for the fabric printing and finishing stages. 95% of water requirements are covered by borehole water, significantly limiting the use of drinking water for industrial processes. The Textile division is implementing an ambitious water cycle policy: for example, the AEI site (16% of the division's consumption) has included the ratio of quantity of water used per kilogram of fabric produced in the calculation of the incentive scheme, in order to motivate each employee to achieve the objectives,

Efforts are now focused on recycling wastewater. They have resulted in projects for the modernisation of wastewater treatment facilities (STEP) on three sites representing more than 90% of water discharges. These high-performance STEP projects include recycling of water in production processes, with efficiency targets, reaching up to 70% recycling of water in production process by 2023 (i.e. potentially 50,000 m³ of borehole water saved).

Leather / 26.3% increase in consumption in 2021 (increase of 14.8% compared to 2019)

Leather goods workshops have a low "water" environmental impact since no volume of water is used for the process. The consumption of our leather goods workshops can therefore be assimilated to that of a tertiary activity with most of the water use being for washrooms.

However, the water impact is taken into account in the design of new production units with the implementation, from the start of operation, of best practices. In addition, the latest leather goods workshops benefit from a rainwater recovery and treatment system to supply washrooms.

Water consumption, in absolute value, increased by 6,883 m³ in 2021 compared to that of 2020. There are three reasons for this:

- ◆ consumption of new sites commissioned in 2021, representing half of the difference;
- ◆ the resumption of activity of company restaurants that had been shut down in 2020 at the height of the Covid-19 health crisis;
- ◆ a water leak at a leather goods workshop that was not detected immediately. Meters and an automatic alert system with consumption management have since been put in place at all leather goods workshops.

J3L

2021 is the first full reporting year for J3L. No comparisons are therefore available. The water at the Portugal site comes from rainwater recovery and municipal water. The use of wastewater treatment plants by evapo-concentration at the surface treatment sites allows, thanks to recycling, a major saving on the water used in the processes.

Agricultural water

Farms/7% increase in consumption in 2021, (6.6% increase compared to 2019)

The Farms divisions are respectively composed of one alligator farm (*alligator mississippiensis*) and a hide inspection centre in the United States, four crocodile farms (*crocodylus porosus*) and two hide processing and hide inspection facilities in Australia. These figures include the new farm, under construction in Australia, which will reach full production capacity in 2024. Water abstraction by farms for the year 2021 amounted to 4,810 ML, slightly higher than in 2020 (+7%) due to the construction of the new Australian farm. 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).

The water used in the sites of the Australian division comes mainly from boreholes (68%), while the use of municipal sources is limited (12%). The remainder (20%) comes from a sugar cane production plant located near one of the farms, thanks to an innovative industrial circularity operation, in which the hot production water is exchanged for the farm's effluents to irrigate the fields. The American farm exclusively uses well water from hot springs, which also allows it to significantly limit its energy requirements.

2.5.2.1.2 Energy: electricity, gas

Objectives:

- ◆ put in place actions compatible with the global warming trajectory of 1.5 degrees and, in particular, continue the decoupling between industrial energy consumption and business growth;
- ◆ implement a policy of 100% renewable electricity within its own operations by 2025 and renewable energies by 2030;
- ◆ no longer use gas or any other fossil fuels as an energy source for all new industrial investments, unless this is proven technically impossible. Dubbed "defossilisation of industrial sites", this programme reaffirms Hermès' desire to actively participate in the energy transition necessary to limit global warming;
- ◆ equip all stores with 100%-LED lighting by 2023, unless this is technically impossible.

Energy consumption (electricity, gas) was **214,808 MWh/year** at Group level, excluding farms. This is distributed as follows, in a context in which the Group manufactures 58% of its objects in Hermès exclusive in-house workshops.

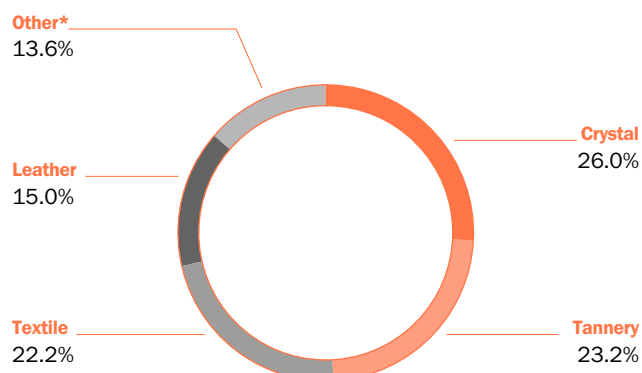
GROUP BREAKDOWN	Industry	Stores	Services	Total
2021 in %	75.5%	17.9%	6.6%	100%

GROUP ENERGY INTENSITY	2019	2020	2021
Intensity in MWh/Revenue €M	30	31	24

The **Group electricity consumption**, excluding farms, represents 53.7% of the total, i.e. **115,402 MWh/year**.

The energy consumption (electricity, gas) of farms, consolidated separately, is 5,120 MWh/year of energy, including 4,113 MWh/year of electricity.

BREAKDOWN OF INDUSTRIAL ENERGY CONSUMPTION (GAS, ELECTRICITY) BY MÉTIER IN 2021 (EXCLUDING FARMS)



* Logistics, Beyrand, Perfume, Porcelain, Watch division, Metal, Bootmaker, Silversmith

Over the last decade, the Hermès Group has maintained its ambition of decoupling consumption from growth with a 1.34-fold increase in industrial energy consumption compared with a 2.6-fold rise in activity volumes. This result testifies to the improved management of consumption.

Industrial energy consumption intensity fell 48.2% over the same period. In 2021, overall energy consumption increased (+9.6%) compared to 2020, a year impacted by site closures during the first lockdown in France. In comparison with 2019, consumption only increased very slightly (+2.5%), thanks to the solutions implemented by the industrial sites.

In order to monitor and manage energy consumption more closely, sub-metering solutions are being rolled out across all Group sites. To date, for example, 32 production sites and 16 stores are equipped with such systems.

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.



-21.4%
intensity
of industrial
energy consumption,
compared to 2019

INDUSTRIAL ENERGY

INDUSTRIAL ENERGY CONSUMPTION	2019	2020	2021
In GWh	158	148	162

INDUSTRIAL ENERGY INTENSITY	2019	2020	2021
Intensity in MWh/Revenue €M	23.0	23.2	18.1

Crystal manufacturing / 4.1% increase in consumption in 2021 (increase of 2.5% compared to 2019)

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. The study carried out on the renovation of the gas melting furnace, planned for 2022, forecasts a 30% reduction in the gas consumption of this tool, thereby reducing GHG emissions by the same amount. The replacement of two openings in 2022 and the recovery of waste heat are part of this approach to optimise the site's energy efficiency.

In 2021, a study was carried out to replace the boiler room in this building.

Tanneries / 4% increase in consumption in 2021 (decrease of 8.9% compared to 2019)

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

All the division's tanneries underwent an energy audit as part of the programme initiated by the Group in 2019. The tannery located in Italy and the Jullien tannery were audited in 2021.

The energy consumption ratios of the tanneries remain consistent with the levels observed over the last three years. As a reminder, 2020 was marked by a decline in activity caused by the temporary closure of sites, as a result of the Covid-19 pandemic.

Textile / 16.2% increase in consumption in 2021 (increase of 1.9% compared to 2019)

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

Efforts to manage consumption during production stoppages (weekends and public holidays) and investment in renewable technologies (geothermal energy) during the industrial phase of the Passerelles project have helped to mitigate the consequences of the commissioning of new facilities and the new printing line.

In 2021, Ateliers AS carried out its project to optimise the use of steam boilers, as well as the instrumentation of the boiler room in order to continuously monitor the energy performance index.

In October 2021, the ATBC horsehair weaving site in Challes replaced its fuel oil boiler with a biomass boiler (wood pellets). This change will reduce GHG emissions from heating by 96%.

J3L

Electricity is the most widely used energy within J3L. As part of the programme initiated by Hermès, at the end of 2020, J3L launched a voluntary energy audit campaign at its sites to identify the main levers for reducing energy consumption and opportunities for replacing fossil fuels with other sources of energy that emit less greenhouse gas. In this context, the replacement of a fuel oil boiler is being studied, with the second one already using 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.

Stores / 4% increase in consumption in 2021

The branch stores consumed 38,451 MWh of electricity in 2021 (of which 31,463 MWh reported by subsidiaries), i.e. an increase of 4% compared to 2020. 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 2021, the consumption of Concession and Travel Retail stores was estimated at 3,860 MWh.

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 both continued.

Offices and ancillary premises consumed 14,209 MWh in 2021, of which 10,818 MWh at the Paris and Pantin sites.

For the stores, the improvement levers are the optimisation of lighting and air conditioning. At the end of 2021, **84% of Hermès Group stores were equipped with LED lighting**, with an average reduction in energy consumption of around 20%. By 2023, all stores will be fully equipped with LED lighting. In addition, window and store lighting schedules are in use across the entire Hermès distribution network in order to reduce energy consumption.

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 2021.

Particular attention is paid to the insulation of store facades from the outside.

In 2021, 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.

2.5.2.2 INNOVATE AND IMPROVE PRODUCTION PROCESSES BY CHOOSING THE CLEANEST, MOST ENERGY EFFICIENT TECHNOLOGIES AND THE MOST ENVIRONMENTALLY-FRIENDLY MATERIALS AVAILABLE

2.5.2.2.1 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, and stores) are now 100% supplied with green electricity** (hydro, solar or wind) produced in France. Distribution subsidiaries are gradually following this momentum. **In 2021, 86.9% of the Group's global electricity supply came from renewable sources (82.4% in 2020), i.e. 100,336 MWh/year.** The Group has committed to lead its companies towards actions that are compatible with the less than 1.5 degrees global warming trajectory, through a “fair-transition” to achieve net zero CO₂ emissions in 2050, through its SBTi commitment.

2.5.2.2.2 Renewable energies

Working together with the Group real estate development department, in particular, the House has a policy of using renewable energies, through 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.

Hermès wants to use energy from renewable sources (photovoltaic panels, wood-fired boilers, geothermal energy, biomass, etc.) wherever possible, and has committed to **implementing a policy of 100% renewable electricity in its own operations by 2025**. No new industrial investment running on fossil fuels is authorised, except where this is not technically possible.

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 2021, renewable electricity production was 1,894 MWh, which represents the equivalent of the annual electricity consumption of three leather goods workshops.**

For example, the two renewable energies used in the Leather Goods division are:

- ♦ wood: to heat the Manufactures de Belley, des Abrets and Nontron;
- ♦ solar: several leather goods workshops (Allan, Manufacture de Haute Maroquinerie, Guyenne, Montereau) are equipped with photovoltaic systems that can cover up to 40% of the sites' 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 standard with an Excellent performance level for its energy consumption efficiency.

Hermès is building the first positive energy leather goods workshop in Louviers (Normandy). This project rehabilitates a brownfield site near the city centre 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 Maroquinerie de Louviers is thus aiming for this positive energy target and also wishes to obtain 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 (the 511,000 bricks of the building were manufactured by a local company) and whose frame is timber, it optimises thermal inertia and uses sensor-driven geothermal energy.

For the Hermès Leather Goods & Saddlery craftsmanship division, the renewable energy generated by the production units accounted for 4.5% of energy consumption in 2021. In the Farms division, the installation of photovoltaic panels on all sites provided a quarter of the electricity consumed by the Australia division in 2021.

Within the textile division, a wood-fired boiler was installed on the ATBC site in Challes at the end of the year, and there are solar panels on its ITH site (16 MWh).

The Cuneo site (Tannery division, Italy) has installed photovoltaic panels and a gas cogeneration system, making it possible to cover a significant portion of the site's consumption.

In the United States, the Dayton logistics centre 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 centre received LEED Gold certification in 2018.

Total renewable energy consumption was 100,336 MWh/year, i.e. 46.7% of the Group's energy.

2.5.2.2.3 Innovations in energy efficiency

In the conception phase of new leather goods workshops, 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 Allan production unit, 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 workshop 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;

- ♦ implementation of renewable energy production solutions: the new Maroquinerie de Guyenne benefits from a photovoltaic plant installed on the roof and an integrated Microgrid system;
- ♦ 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 workshops is more energy efficient. This approach is carried out in partnership with suppliers.

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

Responsible digital

In 2021, Hermès, through its Hermès information systems department, undertook a "Responsible Digital" approach enabling the entire Group's digital ecosystem to contribute to the sustainable development strategy on the three pillars:

- ♦ environmental: reduction of direct and indirect footprint;
- ♦ human: improving working conditions and securing data management (privacy);
- ♦ societal: stakeholder involvement and generous actions.

These actions are managed according to two categories, those with an environmental impact and those directly related to individuals.

The main environmental actions concern the life cycle of materials (responsible purchasing, extension of life, reuse, recycling with the help of an adapted company) and frugality (eco-design of applications, sobriety of infrastructures), not forgetting IT4Green, i.e. the contribution of information technologies to reduce the Group's consumption (energy metering).

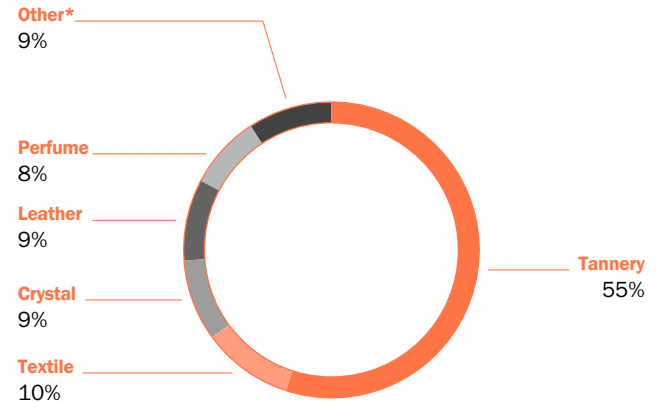
In addition to ethics and personal data protection, societal projects focus on the accessibility of applications so that everyone can use them.

The group is also involved within the FHCM (Fédération de la Haute Couture et de la Mode) in work to examine and analyse the ecological footprint of the Paris fashion shows, of which the digital component is important.

2.5.3 REDUCE THE FOOTPRINT AND CONTROL WASTE AND DISCHARGES

A major aspect of environmental protection and societal responsibility, waste and discharge management means that each of the House's various *métiers* does all it can to reduce the production of waste and discharges and to recycle or recover them.

BREAKDOWN OF WASTE VOLUME BY MÉTIER IN 2021



* Logistics, Metal, Porcelain, Beyrand, Watch division, Bootmaker, Silversmith

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

WASTE	2019	2020	2021
OIW ¹ (t)	7,082	6,012	10,043
HIW ² (t)	6,361	5,189	2,787
TOTAL (T)	13,443	11,201	12,830

(1) Ordinary Industrial Waste
(2) Hazardous Industrial Waste

In 2021, in order to align with European legislation on waste classification, sludge from the treatment of effluents from the Tanneries division is reported in the OIW category; they were previously reported in the HIW category).

14.5% increase in Group waste (excluding farms), down 4.6% compared to 2019.

44%
of industrial waste is recycled
(excluding energy recovery and farms)

2.5.3.1 WASTE MANAGEMENT

The wide range of *métiers* prevents an overall waste management policy, other than the general principle of avoiding its production and working to improve its reuse and recovery. Waste management is therefore entrusted specifically to 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.

Tanneries / +3.4% increase in waste production in 2021, (down 21.9% compared to 2019)

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 management of this sludge is of course highly regulated in all the geographical areas where the Group operates (European Union) and complies with the regulations in force. 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 centre on leather.

In 2021, overall waste production in the division increased by 3.4% compared to 2020, a year that was marked by a decline in activity caused by the temporary closure of sites, as a result of the Covid-19 pandemic. OIW represents more than 90% of waste generated by tanneries, with sludge from on-site effluent treatment alone accounting for more than half of this OIW.

In general, the production of hazardous and non-hazardous industrial waste in exotic leather, calfskin and goat hide 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 to approved channels, and the at-source sorting of waste streams is in place 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.

Leather / +37.3% increase in waste in 2021 (increase of 32.5% compared to 2019)

The proportion of recycled and energy-recovered waste out of the total tonnage generated by the Leather Goods division was 86% in 2021.

The division’s Leather Goods activity generates little HIW. The share of these in the total annual tonnage in 2021 was low, representing only 5%.

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.

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.

Leather goods workshops 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.

Textile/ +7.3% increase in waste in 2021 (decrease of 4.7% compared to 2019)

The complex evolution of the waste market and the saturation of local outlets (landfills and incinerators in the region where it is located) require careful management. Through monthly meetings involving the sites as well as the service provider, the sector ensures that recycling and recovery solutions are systematically favoured, and that each new stream is validated.

In 2021, just 3% of the sector’s waste was processed by elimination. All dye waste, which accounted for 47% of the sector’s total waste (all streams included), was used to manufacture alternative fuel. The summary of non-hazardous waste was also positive: 44% was sorted and recycled by the service provider and 54% recovered as energy.

Following an in-depth feasibility study, the SIEGL site succeeded in modifying the printing process for the double-sided scarf to eliminate the adhesive plastic film previously attached to each of the scarf rolls before printing. In July 2021, the first articles were successfully produced without using this plastic film. In October, nearly 20% of double-sided scarves were printed in this way. In January 2022, this process will cover all printing, which will avoid the scrapping of 100,000 metres of adhesive film.

Real estate

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

2.5.3.2 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) and Italy (1), and their stringent regulations are subject to frequent controls.

Currently, following in-house treatment, almost all tannery effluents (92%) are discharged into the municipal network and treated further by municipalities.

The division's tanneries continually work on improving the performance of effluent treatment. Numerous optimisation projects for tannery waste management facilities are carried out annually. The amount of this work represented an investment of €1.25 million in 2021.

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 commissioning of this equipment required adjustments during 2021 and will make it possible to consider recycling part of the waste treated in the production processes in addition to rainwater. 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 on sites.

Following extensive work on the treatment plants of the Le Puy and Annonay Tanneries carried out over the last three years in order to increase the reliability of their operation, two detailed studies were carried out in 2021 on these two sites. The purpose of these studies was to define guidelines for improving their treatment performance and ultimately to consider recycling effluents. These studies will continue in 2022. The Le Puy Tanneries treatment plant will at the same time undergo major modernisation work from 2022 (until late 2023), thus constituting the first step before the installation of additional equipment for the recycling of effluents.

Similar studies will be carried out in the division's other tanneries, in particular the exotic tanneries, in accordance with the strategy of reducing water abstraction by the Group and the Tanneries division.

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. This new facility became 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 treat 25% of the overall flow; the results were convincing and the pre-treated water is below the specifications of the discharge agreement. This pilot phase, supported by the Rhône Méditerranée water agency, is expected to result in a final installation by 2022.

Crystal manufacturing

Called "Les Jardins de Saint-Louis", the water treatment plant of the Production unit, installed in 2015, is composed of plant and mineral filters, harmoniously integrated into a wetland area. 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.

Industrial wastewater, pre-separated in the respective workshops and collected at a single point, is purified by this phyto-treatment facility. "Filter gardens" ensure natural remediation of 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 discharges, extensive research and optimisation at source have significantly reduced and stabilised the flows emitted and enabled compliance with the new prefectural decree that came into force in the summer of 2021, in which thresholds were significantly lowered.

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 2021. The results obtained confirm the proper functioning of the facilities in this area.

Farms

Much of the waste from livestock farming is reused through irrigation projects. Thus, since September 2018, in collaboration with the Hermès Perfume and Beauty division, 10 hectares of sandalwood planted on the property of one of the Australian farms reuse part of the waste (16.5% of the effluent volume of the farm in 2021). This system was recently supplemented by an irrigation system for grass plots on the farm to produce fodder for local livestock farmers. This project, on a smaller scale than the previous one, made it possible to reuse 3% of the farm's effluents. In addition, since July 2019, part of the effluent (7%) from the farm in Queensland has been reused to irrigate sugar cane plantations on neighbouring farms in an industrial ecology scheme.

Leather

Leather goods workshops 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.

2.5.3.3 CHEMICALS MANAGEMENT**2.5.3.3.1 Compliance of controlled substances****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 most demanding, although this is not always the case,
 - all products are tested (internally and/or externally), in qualified laboratories, on the technical criteria and in accordance with the standards described in the product specifications.

List of controlled substances

There is a single Restricted Substance List Hermès Group (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. 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.

Use of controlled substances

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, with identical specifications regardless of the source.

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 some are checked 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.

Supply chain compliance

All raw materials purchased, like any products purchased, are subject, on the one hand, to specifications that are discussed and formally approved by the supplier and include all the regulations corresponding to the materials and/or products, and on the other hand, to technical validation including laboratory measurements. 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.

2.5.3.3.2 Risk management related to the use of chemical products

General principles

The Hermès craftsmanship model means that 58% of its objects are produced in-house, in exclusive workshops, 78% of which are located in France. The remaining 42% come from suppliers, the vast majority of which are located in France and Europe. Thus, of the top 50 direct suppliers (materials or products), 60% are located in France and 34% elsewhere in Europe.

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 regular and in-depth audits carried out by Hermès in all entities, as well as the appropriate frequency of product checks, ensure that any use of chemical substances banned by Reach-type regulations, for example in a French or European tannery, is immediately revealed.

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 a probable change in regulations is identified for a substance or a family of substances, an estimated decision schedule is drawn up in order to set out the work to be carried out and the timetable.

Hermès Cuir précieux joined the ZDHC (Zero Discharge of Hazardous Chemicals) initiative in August 2021. The ZDHC Roadmap to Zero Programme aims to implement best practices in terms of the use of hazardous substances and the quality of wastewater discharges in tanneries. The implementation of the ZDHC protocol in the division's tanneries began in 2021 and will continue in 2022.

Hermès has set up a third-party certification target for each of its purchasing sectors (around 60), which also includes aspects related to the use of chemical products (see 2.4.2).

2.5.4 CLIMATE CHANGE

Hermès has stepped up its actions to combat climate change since 2020. **The Executive Committee** thus updated and validated the Group's strategy with ambitious objectives founded in science, through **the Science-Based Targets initiative (SBTi) in order to achieve zero net emissions by 2050:**

Objectives:

- ◆ a reduction in absolute value of **50.4% for scopes 1 and 2 emissions over the period 2018 to 2030;**
- ◆ a reduction in relative value of **58.1% for scope 3 emissions over the period 2018 to 2030;** this objective means involving the supply chain in the process, as well as suppliers and partners;
- ◆ **a 50% reduction in the carbon footprint per m² of real estate space built or renovated by 2030;**
- ◆ implement a policy of 100% renewable electricity within its own operations by 2025 **and 100% renewable energies by 2030;**
- ◆ defossilisation of industrial sites.

The validation of the scopes 1, 2 and 3 emission reduction targets by the Science-based targets initiative at the end of 2021 is recognition of Hermès' commitment to the fight against climate change.

In addition, Hermès demonstrates its commitment, the strengthening of its transparency and the consistency of its policy with that of the sector by presenting its actions in accordance with the framework recommended by the **TCFD (Taskforce on Climate-related Financial Disclosures)** and by completing the **Climate CDP** questionnaires; as well as by participating in the market initiatives: **Fashion Pact and UNFCCC (United Nations Fashion Industry Charter for Climate Action).**

These commitments enable the Group to follow a path of reducing its direct and indirect emissions, thereby helping to limit global warming to 1.5°C by 2050.

This policy is being 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.

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).

MEASURES IMPLEMENTED AND RESULTS

As illustrated above (§ 2.5.2), 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, as in the "defossilisation of industrial sites" programme.

However, these actions, which necessitate technical and organisational changes, do not have an immediate effect on changes in energy consumption: the objective is to take the time to implement effective, in-depth solutions that are sustainable over time. All *métiers* are working on plans to reduce their consumption and change their energy mix, with these analyses serving as a basis for the construction of SBTi trajectories.

As part of the operational implementation of the defossilisation strategy, the Group has decided to set up an **internal carbon price** mechanism to strengthen decisions favourable to the energy transition. This price was calculated on the basis of internal simulations and compared to a CDP sector benchmark. It will be used in notional form for the calculations of industrial investments (scopes 1 and 2), real estate investments (scopes 1, 2 and 3), as well as for new transportation contracts (scope 3). In 2021, this price was set at €40 per tonne of CO₂ equivalent. It may change depending on economic conditions.

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 with a score of A- for this third financial year on the data for 2020 (CDP Climate Change 2021 questionnaire: Leadership A-: best practices on climate issues). The details of its actions and commitments are disclosed to the public.

2.5.4.1 STUDYING THE 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.

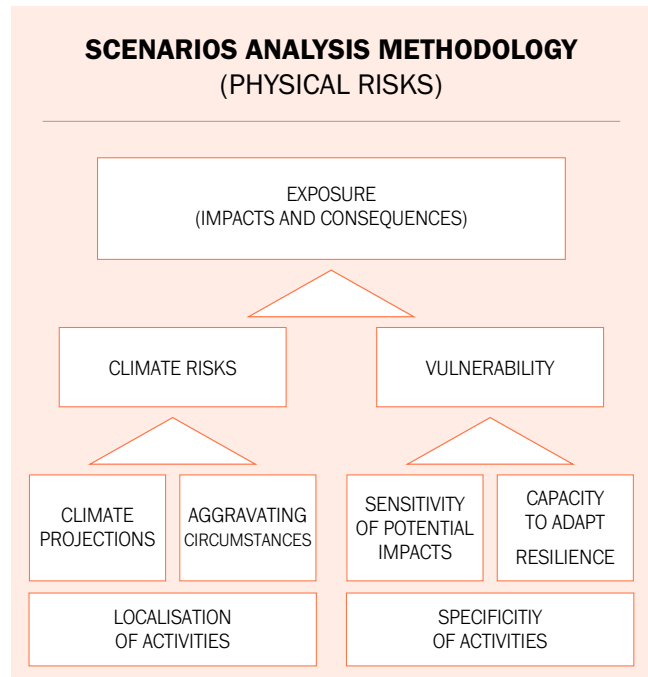
Hermès has based its approach to adapting to climate change on the identification of risks and the assessment of their relevance in order to define action plans within each *métier*, with the assistance of a consulting firm and the use of authoritative tools.

This project, coordinated by the industrial affairs department, from 2020 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).

This analysis of the physical risks related to climate change was carried out 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:



- ♦ 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 (manufacturing 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.

In 2021, Hermès continued to roll out risk assessment, integrating it into the management of the sectors in order to extend the approach to all of its value chains.

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 assistance of a consultancy and tools such as Mycris,

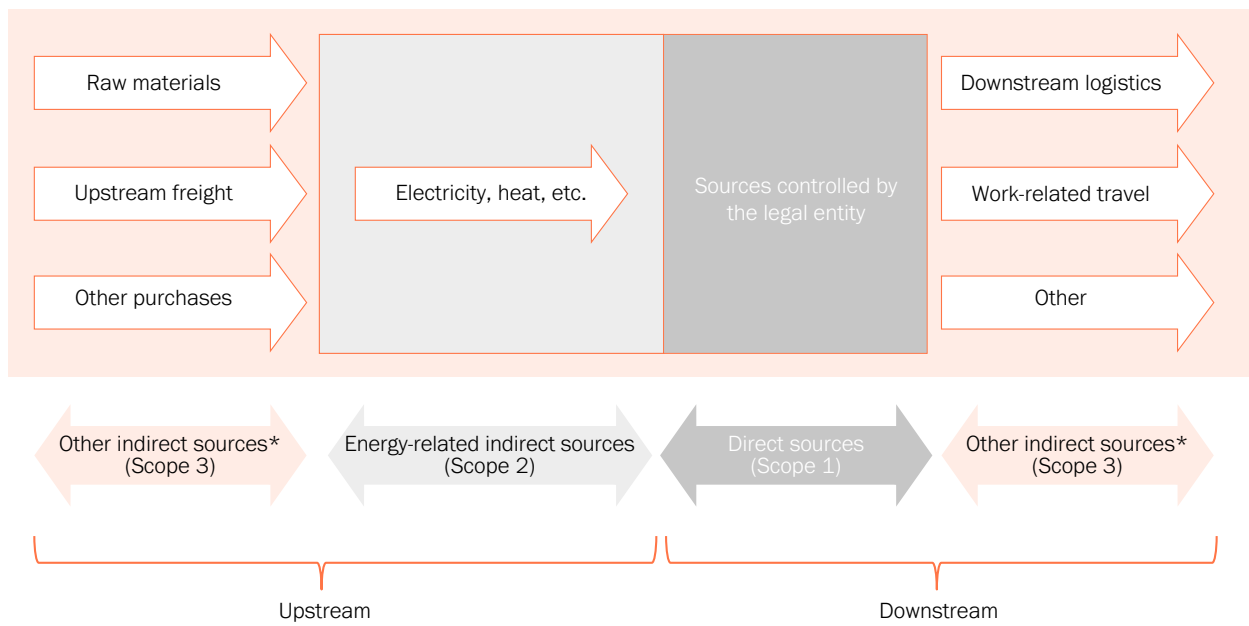
Sea level rise by Alex Tingle, and the projection maps from the IPCC report "Global warming of 1.5°C".

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

2.5.4.2 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), since December 2015 Hermès has published its Bilan Carbone® (Carbon Assessment) in accordance with 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).



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

2.5.4.2.1 Summary of greenhouse gas emissions

The Group expanded and structured its climate action in 2021, with the following choices, approved by the Executive Committee.

Carbon reporting is 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 (certain stores, for example), considering that the quest for completeness contributes to the transparency of the analysis. For certain categories of the GHG Protocol, calculations or estimates led to non-material amounts (threshold below 0.5% of the total). They do not give rise to any specific monitoring and are listed below as “not significant”.

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 7.1% 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, through long-term investments in the Livelihoods fund.

In the following tables, the data is presented according to these principles. The figures for scopes 1 and 2 have been restated according to the market-based approach, to allow a fair comparison (see footnote¹).

As part of the work carried out with the SBTi teams to validate the Group's trajectory up to 2030, and during the review of the Group's emissions summary by these experts, certain emission items were distributed differently between scopes 1, 2 and 3. These reclassifications were therefore made for the entire published period, from 2018 to 2021. This improvement in the quality of the analysis has a negligible impact on the data published to date (less than 4% for all 2020 emissions).

SUMMARY OF GREENHOUSE GAS EMISSIONS

In k t CO ₂ eq	2018	2019	2020	2021	Change/2020	Change/2018	Target 2030
Scope 1	22.1	20.9	19.9	21.3	-	-	-
Scope 2 market-based	21.7	20.5	18.7	16.1	-	-	-
Total scopes 1 and 2	43.7	41.4	38.5	37.4	-3%	-14.5%	-50,4%
Scope 3	578.7	483.6	462.5	490.1	+6%	-15.3%	-
TOTAL GROUP	622.4	524.9	501.0	527.4	+5.3%	-15.3%	-

INTENSITY

In t CO ₂ eq per €M Gross Margin	2018	2019	2020	2021	Change/2020	Change/2018	Target 2030
Scopes 1 and 2	10.5	8.7	8.8	5.8	-	-	-
Scope 3	138.6	101.8	105.7	76.5	-27.6%	-44.8%	-58.1%
TOTAL GROUP	149.1	110.6	114.5	82.4	-28%	-44.8%	-

In 2021, the Hermès Group's GHG emissions were around 527 k tonnes CO₂eq, up 5.3% from the previous year. **With a drop of -15.3% in absolute value compared to 2018, emissions are in line with the Group's targets for 2030.**

The GHG emissions break down as follows:

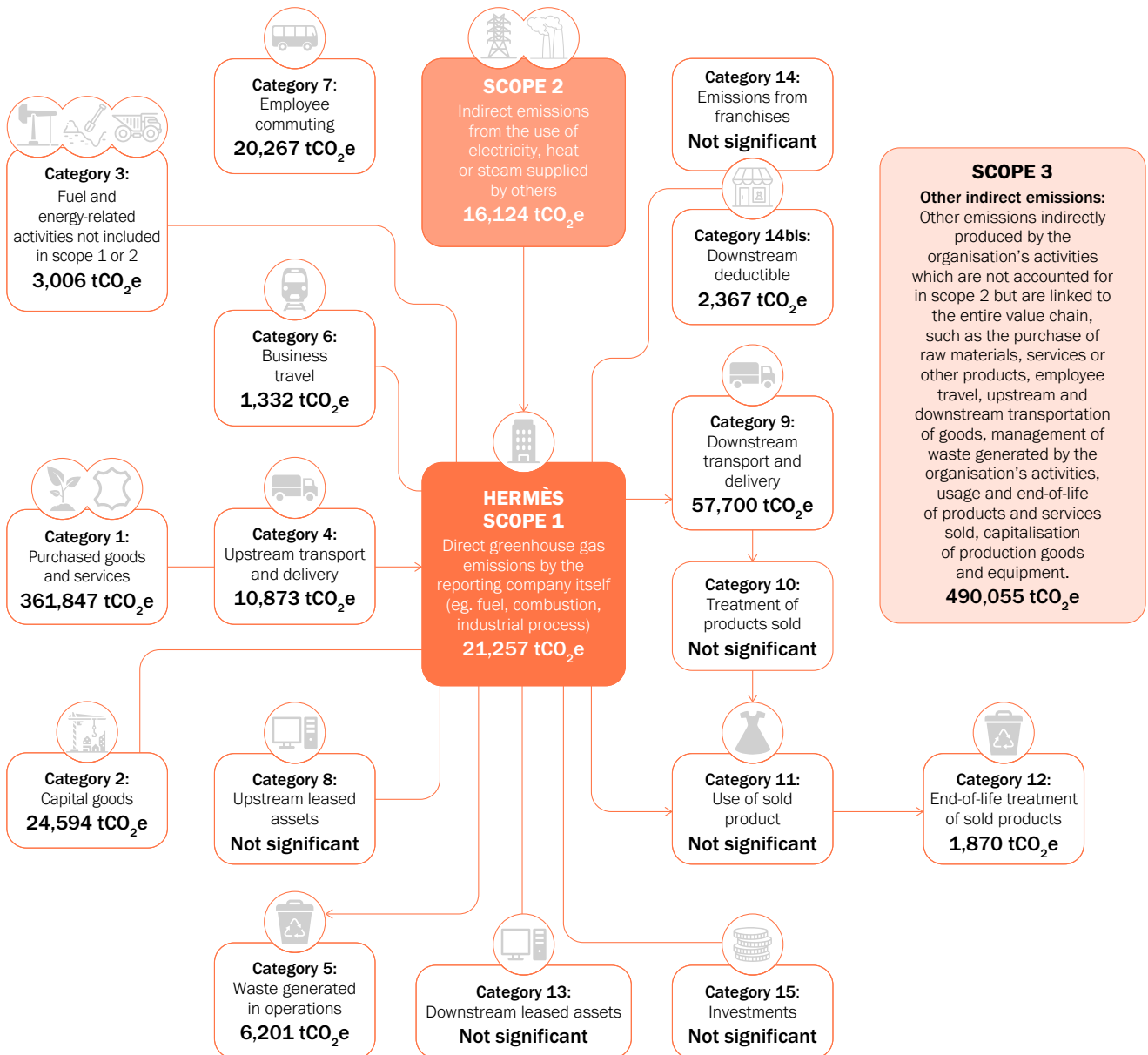
- ♦ 37.4 k tonnes of CO₂eq for scopes 1 and 2, i.e. direct and indirect emissions related to energy consumed by production sites, offices, logistics centres and stores. In understanding this figure, it should be recalled that the Company has a **business model in which most**

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). This figure is in line with Hermès' objectives validated by the SBTi. With a reduction of -14.5% in three years, the Group is making progress towards its 2030 target, and is continuing the necessary transformation effort for its industrial facilities, which will take several years to achieve. In 2021, scopes 1 and 2 of the GHG assessment were the subject of improvement work on the scope with the SBTi, as mentioned above.

1. Location-based scopes 1 and 2: 49.7 (2018), 48.5 (2019), 49.3 (2020), 56.2 (2021) in KT CO₂EQ.

- ◆ 490.1 k tonnes of CO₂eq for scope 3, which essentially takes into account the carbon footprint of raw materials (62% of scope 3) as well as all purchases, fixed assets, waste, subcontracting, packaging, transport of products and employee travel. Upstream and downstream transport (categories 4 and 9) represent 14% of the total scope 3. In 2021, scope 3 of the GHG assessment underwent work on improving the scope with the SBTi, input data and an update of emission factors using internationally recognised baselines and increasingly accurate calculations. The changes in scope 3 reflect the strong upturn in activity. **With a reduction of -44.8% in three 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 82.4 (all scopes), Hermès is ranked as one of the least carbon-intensive companies of the CAC 40, based on a full scope 3. The decoupling between business growth and the Group's footprint is -44.8% in three years.



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 18% of total consumption (and 31% of market-based scopes 1 and 2). Consumption reduction measures are presented above.



-14.5%*
**carbon emissions
at production
sites, logistics**

**centres and stores
(scopes 1 and 2)**

*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 scope 3 emissions 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.

2.5.4.2.2 Focus on the *métiers*

Real estate

Since 2020, Hermès International and the Group real estate department have committed to reducing the carbon footprint/m² of built or redeveloped surface areas by 50% by 2030.

In order to measure and control the carbon footprint of buildings with regard to the objectives to be achieved, 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 Bilan Carbone® (Carbon Assessment) 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 standard addresses carbon challenges and targets stemming from the Group's commitments related to new construction, renovation and dismantling projects.

The first assessments made in 2019 enabled, on the one hand, assessment of the environmental impact of the constructions and, on the other hand, adjustment of the standard layout and construction benchmark to guide the CO₂ emission reduction ambitions on future projects through the Hermès sustainable construction standard.

In 2020, bio-sourced materials were selected for the construction of the new Guyenne leather goods workshop in St Vincent de Paul (Bordeaux); with the installation of a wooden structure. The LCA of the materials used gives a result of 428 kg CO₂/m². Furthermore, the mixed-use structure of the new Montereau leather goods building consists mainly of wooden posts and metal beams. The LCA of the materials used gives a result of 698 kg CO₂/m². For comparison, industry best practice is to aim for a footprint of less than 1,000 kg of CO₂/m².

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, road or rail whenever possible, and choosing alternative fuels with lower emissions; 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. For example, the Parisian sites are delivered from the two French logistics centres using electric vehicles (from the Bobigny site), or hybrid vehicles (from the Saran site).

For more distant transport (Asia, America, Oceania), maritime transport is preferred when the nature, volume and quantity of the items to be shipped permit it. To date, this mainly concerns publications (for example, the biannual review *Le Monde d'Hermès*), items related to communication events, store fittings, sales associate uniforms, packaging and store consumables. Tests are also conducted for sea transportation (to Asia and the United States), rail transportation (to China) or a rail/sea combination (to Japan) for other categories of items, in particular furniture, as well as more seasonal items such as shoes and ready-to-wear.

Tenders for freight transport systematically include a criterion linked to the improvement of the carbon footprint: the use of NGV and bio-NGV for road transportation, SAF (sustainable aviation fuel) for air transportation and SMF (sustainable maritime fuel) for maritime transportation, are gradually requested from the selected service providers.

Actions have also been taken to transport raw hides from farms to the division's tanneries. The Supply Chain teams have worked in this way since 2020 to increase the share of maritime transportation between Australia and France. In 2021, this share increased significantly, with a third of *Porosus* hides shipped by boat, which corresponds to a 30% decrease in transport-related CO₂ emissions compared to 2020 (for an equivalent number of hides transported).

The optimisation of volumes transported will drive the improvement in our logistics footprint. In 2019, 2020 and 2021, 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.

Lastly, at employee level, Hermès continued to promote low-impact mobility. On the one hand, through a proactive policy of replacing internal combustion vehicles with electric vehicles or plug-in hybrids (34% 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.

2.5.4.3 UNDERTAKE VOLUNTARY CARBON OFFSET ACTIONS

2.5.4.3.1 Carbon neutrality approach

As specified by ADEME (French Environment and Energy Management Agency), carbon neutrality aims to offset, on a global scale, any greenhouse gas emissions resulting from human activity by sequestering equivalent quantities of CO₂, i.e. keeping them out of the atmosphere over the long-term. This means sequestering carbon to stabilise its concentration in the atmosphere and limit the effects of climate change on the planet. This objective of neutrality has a scientific reality only at a global level, and involves the coordination of the States by the Paris Agreement. However it also requires the mobilisation of all stakeholders, from citizens to companies.

To achieve carbon neutrality, two levers are necessary: drastically reduce GHG emissions as quickly as possible, and, at the same time, invest in biological or technological sinks to sequester residual CO₂ emissions.

For ADEME, this commitment by stakeholders to carbon neutrality must include the following three stages, which are applied by Hermès:

1. **the implementation of a climate strategy consistent with the Paris Agreement**, i.e. enabling the reduction of emissions, and combined with a commitment to sufficient and verified resources. Hermès calculates its carbon emissions and ensures their audit by an independent third party, has formalised its reduction strategy since 2019, and had its SBTi trajectory validated in 2021;
2. **participation, through its activity, in decarbonising its suppliers upstream and its customers downstream, through the adoption of low-carbon consumption methods.** Since 2021, in particular through CSR Briefs for its suppliers, Hermès has been committed to reducing emissions in its supply chain. Craftsmanship production in a logic of quality and sustainability, and not volume or rapid renewal, is a powerful vector of low-carbon consumption;
3. **contribution to the financing of third party reduction, avoidance and sequestration projects to accelerate the ecological transition** and contribute to the increase of carbon sinks, according to the principle of carbon offset. This is the purpose of the Group's investment in the Livelihoods project since 2012.

Hermès wishes to contribute in a pro-active way to this collective neutrality by 2050, by putting its offset efforts into perspective in relation to the level of its emissions. However, the Group does not claim individually to be carbon neutral.

ADEME thus supports the principle of voluntary carbon offset if the company complies with five rules to which Hermès subscribes:

- ◆ Rule no. 1: Undertake and publish an assessment of GHG emissions, reductions and offsets, in particular through this URD, but also with the public reporting of the CDP (assessment A- for the climate change part).
- ◆ Rule no. 2: Choose certified offset projects: all projects carried by Livelihoods are audited and certified by Verra (formerly VCS) or Gold Standard.
- ◆ Rule no. 3: Favour projects with a "sustainable development" approach, i.e. long-term projects with positive impacts on populations and biodiversity, which are the hallmarks of the projects carried out by Livelihoods.
- ◆ Rule no. 4: Define the right combination of projects supported both nationally and internationally; while the first projects led by Livelihoods were international, inspired by the Clean Development Mechanisms, in 2021 Livelihoods launched its first project in Brittany (France) on a pilot basis and Hermès is also studying the possibility of other similar projects in France.

- ◆ Rule no. 5: Communicate responsibly. Hermès does not claim in any way to be carbon neutral, acknowledging that the Group’s activities have a carbon impact, even though it is one of the most moderate in the CAC 40. However, its actions are committed to the long-term, with the aim of achieving a “net zero” trajectory by 2050, compatible with the 1.5° scenarios of the Paris Agreement.

Offset strategy:

The Group’s ambition to achieve a “net zero” target by 2050 is based on two complementary approaches:

- ◆ a reduction in emissions, which requires organisational and technological changes both internally and with suppliers;
- ◆ offsetting, which is based in particular on natural capture mechanisms (e.g. planting) and the implementation of large-scale projects, which take time to be set up sustainably.

This carbon offset strategy is therefore gradual for two main reasons:

- ◆ on the one hand, so that the priority remains the allocation of human and financial resources to reducing emissions;
- ◆ on the other hand, to build offset projects with local communities, in compliance with our quality and ethics requirements, which takes time.

Hermès’ strategy is to follow a trajectory that will enable it to i) neutralise a growing part of its residual carbon emissions by 2030, calculated on the basis of emission reduction projections (as taken into account in the SBTi analyses), and ii) achieve expected volumes of voluntary carbon offsets (forecasts of carbon credits deliveries from the Livelihoods business plans). Hermès is continuing its analyses to achieve its 2050 goal of net zero.

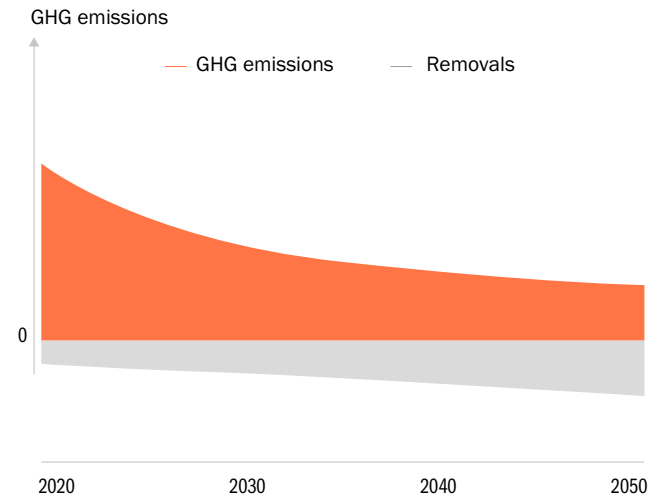
In 2021, Hermès increased the reliability of its emissions forecasts and, by confirming its commitment to the third Livelihoods fund, has secured this 2030 trajectory with projects that have maturities of 20 years, and deliveries of these credits, which will accelerate in the coming years.

CARBON CREDITS RECEIVED AND CANCELLED

	2018	2019	2020	2021
Carbon credits received <i>in k tonnes CO₂ eq</i>	36	44	46	81



HERMÈS' VOLUNTARY CARBON OFFSET TRAJECTORY



2.5.4.3.2 Livelihoods Carbon Fund

In June 2012, Hermès joined the Livelihoods carbon funds (LCF), 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 (see § 2.7.2.1.4), notably explaining that more than 132 million trees have already been planted, benefitting more than 1.7 million people.

The operation of this system is based on **seven structuring principles**, the foundations of the Livelihoods charter, which contribute to its value:

- ◆ **reduction first:** 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.

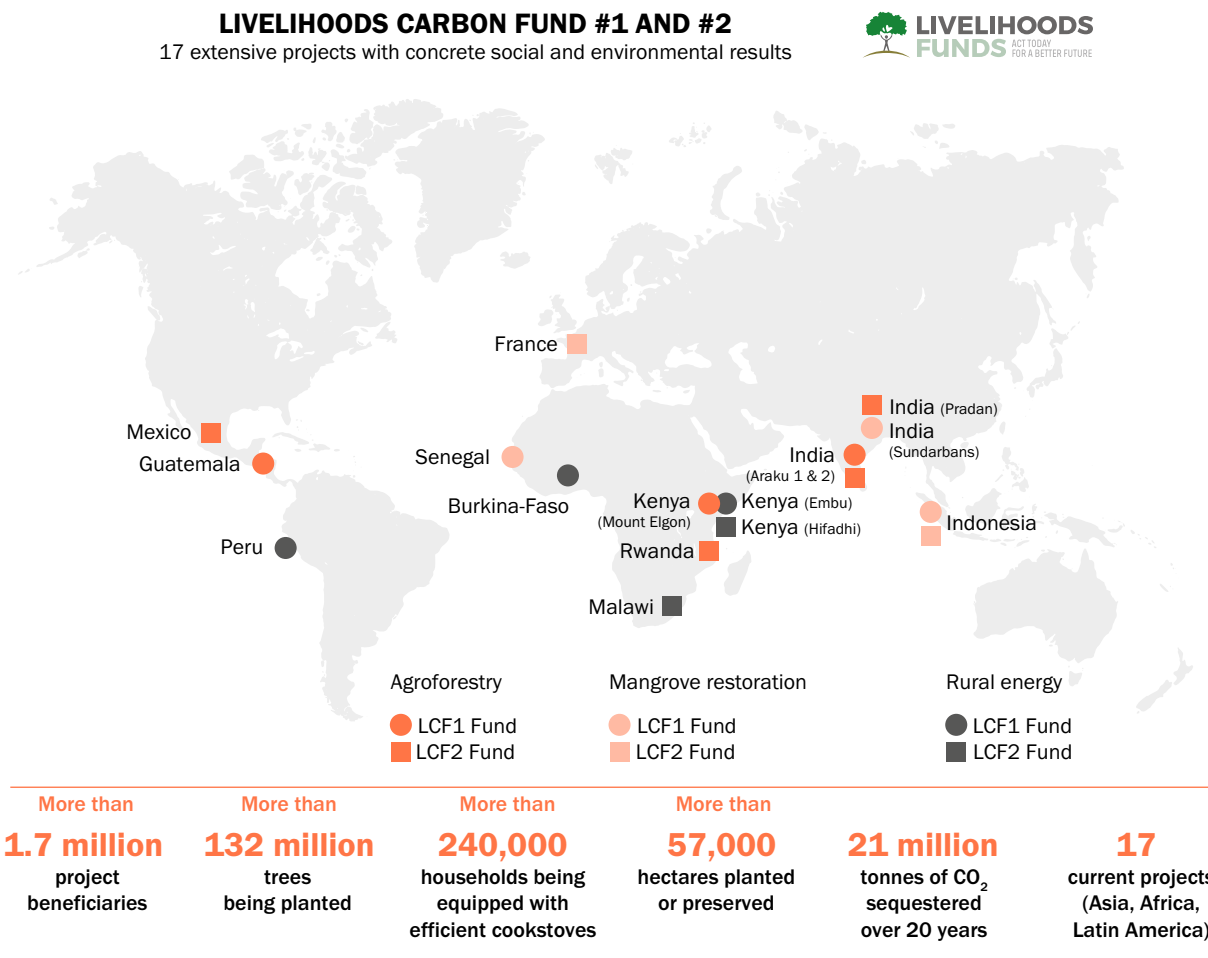
The Livelihoods fund is organised by a system of successive compartments. The first LCF1 compartment (Livelihoods carbon fund 1, €45 million), was opened in 2011, and until 2020 was the only one to issue carbon credits. Hermès has also been a shareholder since 2017 in a second sub-fund, LCF2 (€65 million), whose first deliveries took place this year. Numerous projects have already been launched by this fund, in India, Indonesia, Kenya, Rwanda and Malawi, on agroforestry, mangrove and energy projects.

Capitalising 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 Livelihoods Carbon Fund (LCF3), which was closed in June 2021, aims to invest €150 million to improve the lives of 2.5 million beneficiaries in developing countries. More than €250 million have been collected to fight against climate change through the three Livelihoods funds.

Hermès has thus confirmed its commitment to the climate, communities and biodiversity through an investment in this third LCF3 compartment. With each of these funds having a lifespan of 20 years, the Group is demonstrating its long-term philosophy, and its ability to assume long maturities (2030) and continue its commitment to reducing the impact of climate change.

Livelihoods projects produce positive impacts that go beyond the sequestration or reduction of carbon emissions, as illustrated by the following diagram:



The carbon deliveries expand as the trees grow (the projects span a period of 20 years). They were made in 2021 after verification by specialised auditors (according to the Gold Standard and Verra-VCS standards), and Hermès cancelled all the credits granted to it.

The Covid-19 crisis unsurprisingly created difficulties and delays in projects, whether in their implementation or verification. Nevertheless, the funds were able to distribute credits for amounts greater than the budget forecast.

In total, Hermès received and cancelled **81,000 carbon credits** for 2021, and contributed the same amount to reducing climate change impacts.

This amount is equivalent to the **entire scopes 1 and 2 carbon emissions, plus 63.6% of emissions related to upstream and downstream transportation of merchandise**, i.e. more than 76% of the total represented by scope 1, scope 2 and Transportation items.

§ 2.7.2.1.4 “Communities: stakeholders and local integration” provides further information on the Livelihoods societal aspects.

2.5.5 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 covering its activities in France (80% of production) and internationally. The subject is supervised by the Sustainable Development Committee (three members of the Executive Committee) and is 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. The strategy 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 and the RSPCA¹ (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 IPBES².

Objectives: measure the biodiversity footprint, particularly of the main supply chains (leather, silk, cashmere, wood, cotton) by 2025 with WWF France and CDC Biodiversité 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).

1. Royal Society for the Prevention of Cruelty to Animals.

2. Intergovernmental science policy Platform on Biodiversity and Ecosystem Services.

MEASURES IMPLEMENTED AND RESULTS

The actions are developed according to the four strategic axes stated above.

2.5.5.1 IMPLEMENT TRAINING INITIATIVES FOR EMPLOYEES

The e-learning module dedicated to biodiversity was rolled out in 2021. This training, accessible to everyone, was developed in a co-operative mode with employees of the House from different backgrounds.

As a reminder, in 2020, members of the Group's sustainable development Operational Committee attended training courses organised by Conservation International (CI) on biodiversity as part of the Fashion Pact. Specific training sessions were organised for a working group composed of internal experts as part of the project to map biodiversity issues using the GBS methodology with the WWF and CDC Biodiversité. An awareness-raising seminar attended by around 100 managers and co-hosted by WWF France, recalled the scientific findings from the latest IPBES report, presented the five major pressures that human activities exert on nature and communicated the positioning of the House and its objectives.

2.5.5.2 WORKING IN PARTNERSHIP WITH STAKEHOLDERS

Hermès wants to surround itself with the best skills to make progress in the field of biodiversity.

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);
- ♦ 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.

Hermès continued its collaboration with the Cambridge Institute for Sustainable Leaders, after the study on the Brazilian silkworm sector, by starting the analysis of the impact on biodiversity of a new raw materials sector.

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 crocodylians, and with the British NGO RSPCA on animal welfare issues. 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 are taken into account and analysed.

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.







2.5.5.3 DIAGNOSING IMPACTS ACROSS THE ENTIRE VALUE CHAIN

In 2021, Hermès measured its footprint using the Global Biodiversity Score tool developed by CDC Biodiversité (a subsidiary of Caisse des Dépôts), implemented with the support of WWF France and based on field, financial and theoretical data from 2019.



The GBS is a tool for assessing the biodiversity footprint of companies. The results are expressed in MSA.km², where MSA is the average abundance of species (Mean Species Abundance), a metric characterising the integrity of ecosystems.

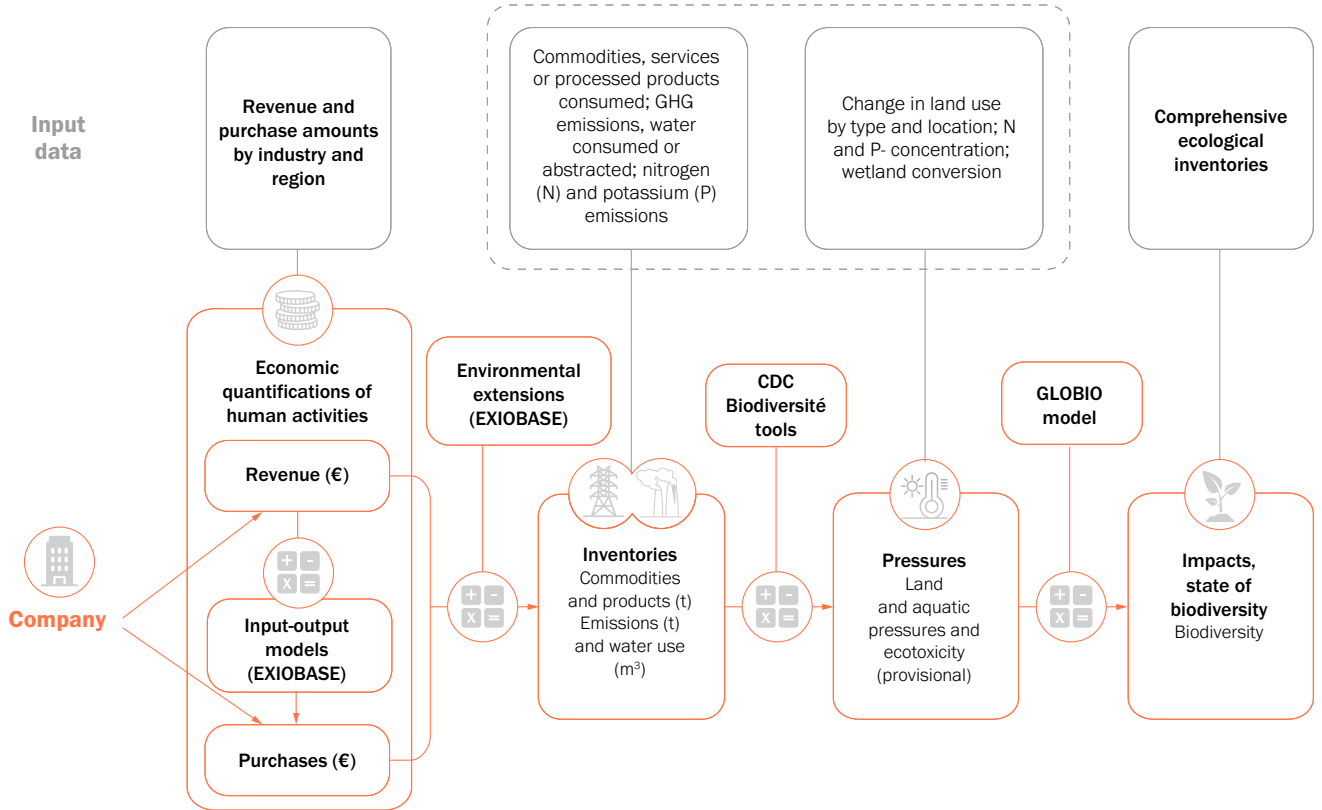
DIFFERENCES BETWEEN METRICS, UNITS, TOOLS AND INDICATORS (CDC BIODIVERSITÉ, 2020)

METRIC / UNIT	 kg - unit measuring the mass of a person	 MSA.m ² - system by which ecological integrity can be measured
TOOL	 balance - tool for weighing a person	 GBS - tool to assess the biodiversity footprint
INDICATOR	 weight - indicator of the mass of a person	 Biodiversity footprint - indicator that can be used by a company

The analysis is conducted by analysing the impact of the various components of economic activity on these ecosystems according to the following pressures: land use, fragmentation, encroachment, atmospheric nitrogen deposition, climate change, hydrological disturbance, wetland conversion, nutrient emissions and land use

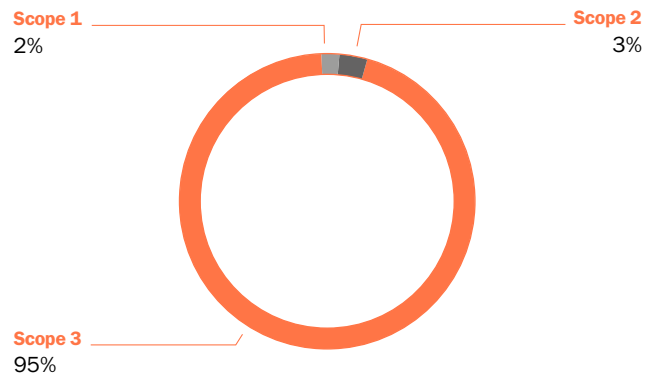
change in the watershed. These pressures are derived from the work of IPBES. The calculation is based on the use of the GLOBIO database, and makes it possible to calculate static and dynamic impacts, on scopes 1 (direct operations) and 2 (energy purchases excluding fuels), as well as 3 upstream (other purchases).

DATA COLLECTION AND ANALYSIS PROCESS (CDC BIODIVERSITÉ, 2020)



In total, 92% of Hermès' revenue is covered by this analysis, i.e. all Hermès métiers, with a limited number of exceptions, such as jewellery, for which the GBS methodology is not yet adapted (data and impact factors inadequate, in particular on Hermès' use of recycled gold and not gold from mining, at the date of the assessment, versions 1.1 and 1.2.1-beta used). The scope of the study includes scopes 1, 2 and 3 upstream (i.e. excluding the use phase). This scope is called the "Vertically Integrated Scope" by CDC Biodiversité.

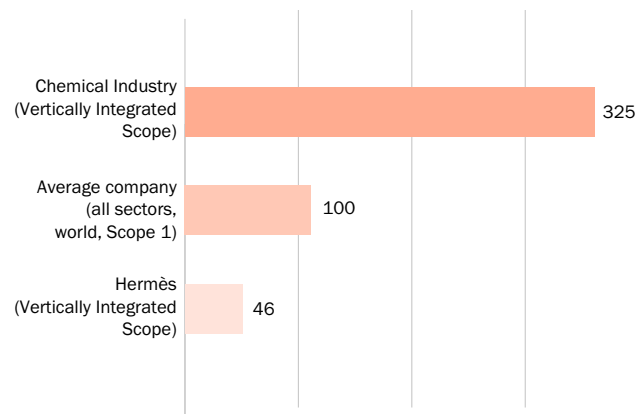
BREAKDOWN OF HERMÈS' TERRESTRIAL DYNAMIC IMPACT BY SCOPE



Hermès has chosen to steer the Group's actions and investments by focusing on the Terrestrial Dynamic impact, which reflects the annual deterioration. The majority of the footprint is related to the upstream part of the value chain. The main pressures on land biodiversity are linked to land use (crops, livestock) and greenhouse gas emissions (Scope 3 upstream), demonstrating a strong relationship between climate and biodiversity.

Although calculations of the impact on biodiversity are still not widespread, initial comparisons suggest that Hermès' activity has a less intensive impact on biodiversity than that identified in available inter-sector data.

INDEX OF THE TERRESTRIAL DYNAMIC IMPACT INTENSITY IN MSA.M²/€ (AVERAGE COMPANY AT BASE 100)



Sector data provided by CDC Biodiversité

Focus on the Leather Goods & Saddlery métier

Particular attention was paid to the Leather Goods & Saddlery métier, which represents 45.5% of Group revenue, while contributing more than 50% of the dynamic land footprint.

TERRESTRIAL DYNAMIC IMPACT BY ACTIVITY (VERTICALLY-INTEGRATED SCOPE, MSA.KM²)



The analysis of the contributions to pressures on biodiversity is based on a detailed analysis of the supply chain (mainly in France and Europe for leather goods). These pressures are at 95% within the upstream supply chain (scope 3). The work identified two priority levers for action within our sectors:

- ◆ animal feed;
- ◆ livestock farming (excluding food).

At the end of 2021, several projects were initiated with other industry players and experts on these levers in order to better understand their impacts within the value chain, in order to understand how to reduce their footprint on biodiversity.

Land use change

To fight against deforestation, Hermès takes into account its risks related to its upstream value chain. Within this, three main topics were identified: land use for animal feed, use of wood species for Hermès Maison objects and use of cardboard in packaging.

1- The GBS analysis of the Terrestrial Dynamic footprint of Hermès leather showed that cattle feed represents a significant area of work. As a result, a multidisciplinary working group was formed to work on reducing this footprint. In view of the complexity of the subject, both theoretical academic support and a pragmatic approach with certain partners are planned for 2022.

2- By ensuring demand for certified wood (FSC certification for oak, SVLK for mahogany), Hermès ensures that wood from forests is sourced with greater consideration for biodiversity, while maintaining the quality of water and preventing soil erosion. The House conducts a biannual assessment with its suppliers, taking into account the vulnerability of species (classification of species on the IUCN Red Lists: International Union for the Conservation of

Nature). This approach aims to reduce the risk of deforestation (use of valuable species) and thus the preservation of natural environments.

3- The cardboard and paper used for the orange bags and boxes given to customers are 100% FSC-certified.

Moreover, 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. For the establishment of new leather goods workshop sites, Hermès now favours the conversion of brownfield sites or wastelands whenever possible. For example, the Montereau leather goods workshop is located on the former site of an energy sector company, and that of Guyenne on a road construction aggregate site. The future site of an energy sector company of Riom, Louviers, and Saint Junien are also redevelopments of brownfield sites and this approach considerably limits the artificialisation of land surfaces while continuing to allow the activity to expand.

2.5.5.4 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 goods workshops and other production sites

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 standard 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 2021, 14 leather goods workshops were assessed against 16 indicators based on the five erosion factors defined by IPBES: 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. These indicators assess the implementation of the best practices guide of the Leather Goods division with, for example, no use of phytosanitary products in these 14 leather goods workshops.

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 2025 objective of 100% of sites involved in biodiversity actions.

At CATE, a green space of approximately 5,000 m² is left fallow and is maintained only once a year to promote the development of biodiversity.

ATBC's textile site in Bussièrès has built a 225 m² "flower - alfalfa meadow" area to provide food for insects and wild rabbits.

Farms (crocodillians)

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 wetlands, 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 programmes, the monitoring of animal populations in the natural environment, the control of compliance with regulatory requirements and research programmes on crocodillians.

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 5% 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. The effectiveness of their actions comes from strong local integration thanks in particular to relationships with the various authorities in charge of nature protection, egg collectors and landowners

2.5.5.5 CONTRIBUTE TO POSITIVE ACTIONS OUTSIDE HERMÈS' SPHERE OF RESPONSIBILITY

As a responsible company, Hermès voluntarily undertakes biodiversity-related efforts reaching beyond its business activities.

Fondation d'entreprise

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 École*¹ programme, 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/en/project/vigie-nature-ecole>

Act4Nature International

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 2018, Hermès joined Act4Nature project alongside 64 members of the French economy, thereby confirming its commitment to supporting and factoring biodiversity into its overall development strategy, and also contributing to the biodiversity targets set by the international community.

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.

Also in 2020, Hermès took the opportunity to update its more ambitious biodiversity commitments and renew its individual commitment made in 2018. These objectives were validated by all stakeholders inherent in the governance of this multi-stakeholder alliance (companies, public authorities, scientists and environmental associations).

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.

EXPERTS' HANDBOOK

This section takes a closer look and provides key figures, in particular on Hermès' actions and results on the "Environment" pillar.

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

Hermès' environmental commitments contribute to the UN's sustainable development goals (SDGs).



No. 6: Clean water and sanitation

- ◆ 6.4 "By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity"



No. 7: Affordable and clean energy

- ◆ 7.2 "By 2030, increase substantially the share of renewable energy in the global energy mix"
- ◆ 7.3 "By 2030, double the global rate of improvement in energy efficiency"



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"
- ◆ 9.5 "Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending"



No. 12: Responsible consumption and production

- ◆ 12.2 "By 2030, achieve the sustainable management and efficient use of natural resources"
- ◆ 12.4 "By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment"
- ◆ 12.5 "By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse"



No. 13: Climate action

- ◆ 13.1 "Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries"
- ◆ 13.2 "Integrate climate change measures into national policies, strategies and planning"
- ◆ 13.3 "Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning"



No. 14: Life below water

- ◆ 14.1 "By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution"



No. 15: Life on land

- ◆ 15.a “Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems”
- ◆ 15.1 “By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements”
- ◆ 15.2 “By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally”
- ◆ 15.9 “By 2020, integrate ecosystem and biodiversity values into national and local planning, development processes, poverty reduction strategies and accounts”



No. 17: Partnerships for the goals

- ◆ 17.17 “Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships”

2.5.2.2.1 WATER

BREAKDOWN OF INDUSTRIAL WATER CONSUMPTION BY ACTIVITY

In megalitres	2019	2020	2021
Tanneries	407	343	352
Textile	198	165	196
Leather	29	26	33
Metal	-	9	13
Crystal manufacturing	11	9	8.9
Logistics	6.6	7.0	4.2
Perfume and Beauty	5.1	6.7	6.2
Watch division	3.2	4.9	4.9
Beyrand	2.6	2.3	2.1
Bootmaker	3.0	5.0	3.3
Porcelain	2.3	2.3	2.3
Jewellery	-	0.24	0.18
TOTAL	668	580	627
Farms	4,514	4,514	4,810

CHANGE IN INDUSTRIAL WATER CONSUMPTION (EXCLUDING FARMS)

Year	In m ³	Intensity (m ³ /€M)
2012	376,938	108
2013	510,314	136
2014	493,252	120
2015	502,632	104
2016	768,163	148
2017	713,533	129
2018	719,725	121
2019	668,469	97
2020	580,253	91
2021	627,491	70

Note: The reporting scope includes the Tanneries du Puy, acquired in November 2015. From 2018, the reference period is the 12-month period from 1 November of the previous year to 31 October of the current year. 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.

2.5.2.2.2 ENERGY

BREAKDOWN OF THE GROUP'S ENERGY CONSUMPTION BY DIVISION (EXCLUDING FARMS)

GROUP BREAKDOWN (IN MEGAWATT-HOURS)	Industry	Stores	Services	Total	Intensity (MWh/€M revenue)
2018	161,531	31,305	15,846	208,682	35
2019	158,117	31,592	13,952	203,640	30
2020	147,955	36,969	14,253	199,177	31
2021	162,147	38,451	14,209	214,808	24
2021 in %	75,5 %	17,9 %	6,6 %	100%	

BREAKDOWN OF INDUSTRIAL ENERGY CONSUMPTION BY ACTIVITY

In GWh (gas, electricity)	2019	2020	2021
Tanneries	41	40	38
Textile	35	31	36
Leather	22	23	24
Metal	-	-	4.3
Crystal manufacturing	41	40	42
Logistics	5.4	4.8	4.4
Perfume and Beauty	3.5	3.1	3.7

Consumption 2021	Gas (MWh)	Electricity (MWh)
Tanneries	26,155	11,404
Textile	23,350	12,629
Leather	7,884	16,496
Metal	162	4,163
Crystal manufacturing	34,882	7,343
Logistics	1,879	2,549
Perfume and Beauty	1,631	2,020

In GWh (gas, electricity)	2019	2020	2021
Watch division	1.4	1.4	1.5
Beyrand	3.9	3.7	4.1
Bootmaker	0.98	0.95	1.1
Porcelain	2.0	1.7	2.4
Jewellery	0.69	0.64	0.56
TOTAL	158	148	162
Farms	4.5	4.1	5.1

Consumption 2021	Gas (MWh)	Electricity (MWh)
Watch division	0	1,539
Beyrand	2,181	1,894
Bootmaker	141	925
Porcelain	699	1,659
Jewellery	442	119
TOTAL	99,406	62,741
Farms	1,007	4,113

Note: The reporting scope includes the Tanneries du Puy, acquired in November 2015. From 2018, the reference period is the 12-month period from 1 November of the previous year to 31 October of the current year. Lastly, the scope of reporting includes the Mégisserie Jullien (acquired in May 2020), whose data measured over the period from May 2020 to October 2020 are included in these figures.

CHANGE IN INDUSTRIAL ENERGY CONSUMPTION (EXCLUDING FARMS)

YEAR	Gas (MWh)	Electricity (MWh)	Total (MWh)	Intensity (MWh/€M)
2012	79,429	41,893	121,322	35
2013	90,052	47,818	137,870	37
2014	83,397	50,398	133,795	32
2015	81,625	51,678	133,303	28
2016	99,449	54,645	154,094	30
2017	105,894	54,768	160,662	29
2018	105,042	56,489	161,531	27
2019	101,744	56,373	158,117	23
2020	91,106	56,849	147,955	23
2021	99,406	62,741	162,147	18

BREAKDOWN OF ELECTRICITY CONSUMPTION BY STORES BY GEOGRAPHICAL AREA IN 2020/2021 (MWH)

Geographical area	Nov 2019 - Oct 2020 (MWh)	Nov 2020 - Oct 2021 (MWh)
France	2,721	3,536
Europe (excl. France)	7,321	7,513
Americas	9,698	10,682
Japan	5,164	4,471
Asia-Pacific (excl. Japan)	12,066	12,249
Total	36,969	38,451

2.5.3.1 REDUCING THE FOOTPRINT AND CONTROLLING WASTE AND DISCHARGES

TONNES/2021	OIW¹	HIW²	Total
Tanneries	6,690	305	6,995
Textile	557	707	1,265
Crystal	168	988	1,157
Leather	1,134	59	1,193
Perfume and Beauty	662	356	1,018
Logistics	420	0	420
Metal	177	289	466
Porcelain	91	10	101
Beyrand	46	30	76
Watches	53	41	94
Footwear	45	1	46
TOTAL (EXCLUDING FARMS)	10,043	2,787	12,830
Farms	993	73	1,066

(1) Ordinary Industrial Waste

(2) Hazardous Industrial Waste

INDUSTRIAL WASTE INTENSITIES (EXCLUDING FARMS) OVER THE LAST THREE YEARS

	2019	2020	2021
OIW intensity (t/€M)	1.03	0.94	1.12
Change		-9%	+19%
HIW intensity (t/€M)	0.92	0.81	0.31
Change		-12%	-62%

2.5.4 CLIMATE CHANGE

SUMMARY OF GREENHOUSE GAS EMISSIONS - DETAIL OF SCOPE 3

SCOPE 3 – In k tonnes CO₂eq		2018	2019	2020	2021
Upstream	1. Products and services purchased	402.9	365.6	336.2	361.8
	2. Capital goods	26.7	10.7	31.5	24.6
	3. Fuel- and energy-related activities not included in scope 1 or scope 2	3.0	2.9	2.8	3.0
	4. Upstream transportation and distribution	20.7	14.2	17.7	10.9
	5. Waste generated by the sites	8.8	9.3	5.8	6.2
	6. Business travel	27	15.9	3.2	1.3
	7. Employee commuting	19.7	13.1	14.6	20.3
	8. Upstream leased assets	Not significant	Not significant	Not significant	Not significant
Downstream	9. Downstream transportation and distribution	70	51.7	48.5	57.7
	10. Processing of products sold	Not significant	Not significant	Not significant	Not significant
	11. Use of products sold	Not significant	Not significant	Not significant	Not significant
	12. End-of-life treatment of sold products	Not significant	Not significant	Not significant	1.9
	13. Downstream leased assets	Not significant	Not significant	Not significant	Not significant
	14. Franchises	-	-	2.1	2.4
	15. Investments	Not significant	Not significant	Not significant	Not significant
TOTAL SCOPE 3		578.7	483.3	462.5	490.1

NB: calculations or estimates that led to non-material amounts (threshold <0.5% of the total) are included as "not significant".

CONTRIBUTION TO CARBON NEUTRALITY

<i>In k tonnes CO₂eq</i>	2018	2019	2020	2021
VOLUNTARY CONTRIBUTION				
Carbon credits received	36	44	46	81
CARBON FOOTPRINT COMPARISON				
% credits vs the Group's CO₂ emissions	5.8%	8.4%	9.2%	14.4%
% credits vs scopes 1 & 2 (market-based)	82%	106%	119%	217%
% credits vs upstream & downstream freight transportation footprint	40%	67%	70%	118%
% credits vs scopes 1 & 2 (market-based) + freight transportation	27%	41%	44%	76%

Bottles of eau de Cologne “Eau d’orange verte”, manufactured by the company Pochet



©Photographer: Pascal Biomez

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 care towards its partners as well as by promoting the socially supported sector.

2

Introduction

In line with its strategy of preserving unique *savoir-faire* and securing supplies, most of Hermès' production is integrated: 58% 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 whose exceptional *savoir-faire* and future success will contribute to that of the Hermès Group and therefore, their social and environmental practices must be irreplaceable.

These subcontractors and suppliers of the House are, for the most part, historical partners. As such, for direct purchasing (production purchases), the average length of trading relationships with the Hermès Group's 50 largest suppliers in 2021 was 20 years. They operate mainly in the Leather Goods division (tanneries and manufacturers) but also in other *métiers* (jewellery and shoes, notably). This stability is also true for small suppliers, some of which 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.

In terms of organisation, indirect purchases are supervised by a Group department, which pools certain items (such as packaging) and coordinates a network of dedicated buyers in the *métiers*, subsidiaries and central services. It also coordinates Group action plans on major topics, such as the elimination of single-use plastics (§ 2.4.1.1.1).

Direct purchasing is also supervised by a dedicated Group department which coordinates a network of buyers within the *métiers* and coordinates the process of analysing supply chains (§ 2.4), managing supplier risks and the supplier audit programme. Moreover, it 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).

Particular attention is paid to human rights issues, which are, for instance, the main topic of a dedicated section in the supplier handbook signed by suppliers.






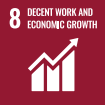
Hermès pursues a corporate strategy in which ethics and proper business conduct are the pillars and guardians of responsible and sustainable performance. An Ethics Committee has been set up to receive and process alerts, as well as to provide advice and recommendations on the Group's ethics culture (§ 2.8).


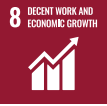



In 2021, the Group made progress on the major procurement issues, with the aim of making a long-term difference through steady improvements with a significant impact. Among these, the selected elements below are particularly illustrative of 2021 for this section:

- ◆ CSR and Supply Chain Briefs sent to suppliers;
- ◆ Opening of the ethics whistleblowing line for suppliers;
- ◆ Commitment of 12 subsidiaries and suppliers to the Medef French Business Climate Pledge;
- ◆ Five-fold increase in purchases from socially supported organisations in France since 2017 (€3.8M).

COMMUNITIES

SUPPLIERS AND PARTNERS

OBJECTIVES	INDICATORS	2021 RESULTS
 SUPPORT THE DEVELOPMENT AND EVOLUTION OF SUPPLIER PRACTICES TO PRESERVE KEY SAVOIR-FAIRE AND SECURE SUPPLIES		
	Average length of relationships with the top 50 direct suppliers	20 years of trading for relationships with the top 50 direct suppliers
 <p>Create lasting relationships with our suppliers to promote sustainable action plans</p>	Supplier payment terms in France	An average of 24 days for supplier payments in France in 2021, compared to a general average of 43 days in France (according to the Banque de France), and improvement (27 days in 2020 and 29 days in 2019)
	Amount paid in advance of the contractual term	€3.6 million ahead of the contractual deadline, thanks to the implementation of an automated service or delivery validation system, in order to support the cash flow of our partners
 CO-CONSTRUCT SUSTAINABLE DEVELOPMENT ACTION PLANS WITH OUR SUPPLIERS AND PARTNERS		
 <p>Work with our suppliers to achieve the highest existing standards</p>	% of suppliers that are part of certified supply chains	100% of Jewellery workshops RJC certified 100% of the paper and cardboard used for orange boxes and bags is FSC-certified Commitment of partner tanneries to the LWG (Leather Working Group)
 ENSURE THE APPLICATION OF OUR SOCIAL, ENVIRONMENTAL AND ETHICAL REQUIREMENTS (DUTY OF CARE)		
Guarantee suppliers' adherence to the Group's CSR commitments	% of purchasing suppliers that have signed handbooks 1 and 2	89% of direct purchasing suppliers have signed handbooks 1 and 2
 <p>Monitor the CSR performance of suppliers</p>	Number of suppliers (French and international) assessed by EcoVadis and average score of suppliers by EcoVadis	322 suppliers (French and international) assessed by EcoVadis, with an average score of 55.4 , compared to 42.8 for all assessments carried out by EcoVadis, i.e. an outperformance of 29%
Control the application of the Group's requirements by all suppliers	Number of audits performed on direct suppliers	66 audits performed on direct tier 1 suppliers and 47 performed on direct tier 2 suppliers
Allow suppliers to report actions that do not comply with the Group's codes	Activation of an alert system	Launch of the alert system H-Alert! for all suppliers

OBJECTIVE	KPI	2021 RESULTS
 DEVELOP BALANCED PARTNERSHIPS, SUPPORT OUR PARTNERS, AND PROMOTE LOCAL INTEGRATION AND OTHER REGIONAL DEVELOPMENT OF BASINS AND SITES WHERE WE ARE LOCATED		
	Contribute to regional development through our purchasing policies	% of our suppliers that contribute to the development of priority areas (rural areas, districts, the long-term unemployed)
		20% of our French suppliers contribute to development in priority regions, in particular 560 suppliers located in Rural Revitalisation Zones and 1,480 suppliers located in priority urban areas
 INCREASING PARTNERSHIPS WITH SOCIALLY SUPPORTED ORGANISATIONS		
	Encourage the use of suppliers that use socially supported organisations and employ socially supported organisations directly	Amount of purchases made from socially supported organisations
		€3.8 million in purchases from adapted companies (EAs) and sheltered work establishments (ESATs)
	Encourage the use of suppliers that use socially supported organisations and employ socially supported organisations directly	Number of suppliers referenced that are Social and Solidarity Enterprises (ESS)
		530 referenced suppliers are Social and Solidarity Enterprises (ESS)

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. In particular, the Group monitors issues related to human rights and fundamental freedoms, employment conditions (hygiene, health, safety, working hours, wages, etc.), the environment and biodiversity, as well as animal welfare. This monitoring applies to its tier one suppliers, but also to their own suppliers (tier two) and subcontractors, with the aim of always better understanding all the supply chains and align their CSR objectives with Hermès.

POLICY

At Group level, the direct and indirect purchasing departments coordinate and monitor policies, tools and outcomes. The Group purchasing policy, issued in May 2013 and updated in January 2021, is based on four elements:

- ◆ security: ensuring long-term relationships with suppliers, in particular, with the preservation of key *savoir-faire*, securing of supplies and services, and the establishment of balanced and sustainable relationships with partners;
- ◆ quality and innovation: seeking the best quality and enriching Hermès' creation with concrete proposals, resulting from the innovation of partners;
- ◆ CSR: ensure a social, societal, environmental and ethical commitment across all supply chains, by sharing the House's objectives in these areas with partners and supporting them in their implementation;
- ◆ cost control: contribute to the House's economic performance both by controlling costs, considered as a whole, and by providing value to the customer.

In January 2021, this policy was updated to strengthen its CSR component, by adding a CSR brief and a supply chain brief:

- ◆ The CSR brief specifies the House's objectives and its expectations vis-à-vis suppliers on five themes: human and social rights, biodiversity, energy and carbon, water and plastics;
- ◆ The supply chain brief presents, for each raw material, both the short-term objectives and the trajectory for 2024, the points requiring particular attention, and those that are prohibitive. In particular, this brief includes certification objectives for most materials according to the best existing standards (cf. 2.4.2.1 "Management of supply chains").

Operationally, each *métier* is responsible for managing its suppliers and more generally, its supply chains. This approach guarantees proximity, understanding of issues and pragmatism of its mechanisms, while complying with the House's rules.

These three documents, the Group purchasing policy, the CSR brief and the supply chain brief, were presented to all of the House's purchasers

during a purchasing network meeting in April 2021. Purchasing managers then gradually rolled out these documents to their suppliers throughout the year. Supplier meetings have been organised by the *métiers* with their main suppliers to present these CSR and supply chain briefs in person and advise them on the implementation of these objectives. Suppliers so wishing were offered more in-depth training in 2022, in particular in the areas of energy and carbon, water and biodiversity, in order to continue to support them in the best possible way using a collaborative approach.

Focus on the real estate department

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 societal 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. Hermès hope that its partners can also be actors in this ambition. Its suppliers are invited to ascertain 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.

2.6.1.1 SOCIAL, ENVIRONMENTAL AND ETHICS REQUIREMENTS

The supplier risk management system, which had already existed in the Hermès Group for many years, has been strengthened since 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 undertaken in the specific context of Hermès, which carries out more than 58% of its production internally: this not only reduces its exposure to risk, but it often gives it a better understanding of operational issues (being itself an actor on the subject). Thus, through its purchasers by *métier*, the Group is in most cases close (geographically, on account of an ongoing relationship and technically) 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 and biodiversity. 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, using a "risk-based" approach that aims to prioritise the issues using successive filters, to focus efforts on the most significant issues.

In accordance with the recommendations of law No. 2017-399 of 27 March 2017 on the duty of care of parent companies and ordering companies, this 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 an established 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 departments at all the House's *métiers*.

The diagram below summarises this methodology and the corresponding tools:



2

COVID-19: SUPPORT FOR SUPPLIERS DURING THE CRISIS

In 2021, **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 were 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 internally 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.

As indicated above, these practices have led to concrete results (payment terms improved to 24 days in France vs. an average of 43 days, €3.6 million in cash advanced compared to the payment term).

Masks and hydroalcoholic gel were naturally 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, making use of the House's ability to make bulk purchases.

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 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 all suppliers and, more generally, all supply chains, the purchasers in each *métier* formalise a **risk mapping for each of their purchasing categories, assessing in particular the risks 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**. Since 2019, these risk analyses by purchasing category (manufacturing methods, metal parts, fabrics, etc.) have been supplemented by analyses of the supply chains by raw material (cotton, linen, gold, silver, etc.) (see § 2.4.2.1 “Management of supply chains”).

Since 2018, the emphasis has been on direct production purchases, for which control of the supply chain is a strategic challenge. With its 16 *métiers*, the Group has around 100 direct purchasing categories and more than 80 raw materials supply chains. **At the end of 2021, risk mapping and a risk analysis by supplier had been conducted for 93% of purchasing categories and a comprehensive analysis had been completed for 74 raw materials supply chains.**

Among the risks identified, ensuring the sustainability 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 and energy consumption and biodiversity are important issues, systematically taken into account (see § 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, notably through audits, with a particularly high level of exigence. 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 particularly closely monitored for the small number of supplies from further afield.

2.6.1.3 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. This 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.

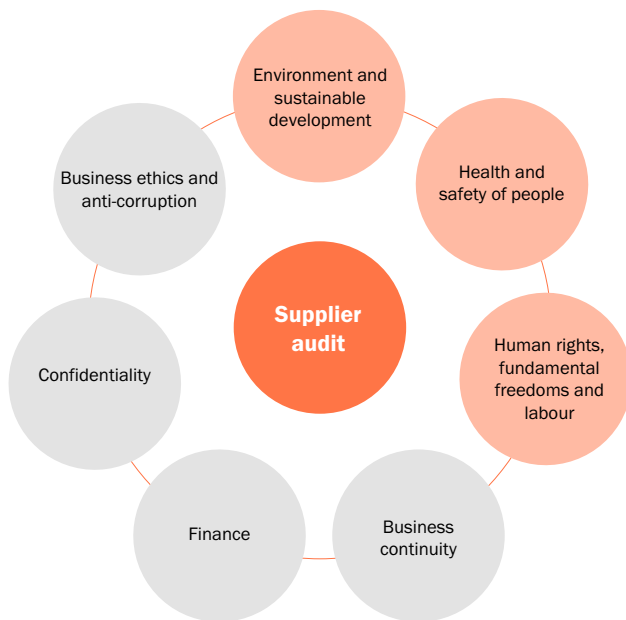
Audits

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 during 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, approximately 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 care law are those identified in orange in the diagram above.

In 2021, the health situation related to Covid-19 once again impacted the supplier audit programme. Despite this, 105 audits were completed, i.e. 80% of planned audits (compared to 71 audits in 2020, i.e. 55% of the target). This represents an increase of 48%. The vast majority of these audits were conducted in Italy (51%) and in France (28%). They were distributed among 66 tier 1 suppliers, on 87 sites, and 41 tier 2 suppliers, 93% of which were located in Italy. In total, 145 days of audits were carried out on site.

These audits led to the identification of 1,364 findings, of which 0.2% were considered critical, 18.5% major and 52.5% significant. The remaining 28.8% concern simple points for improvement, with proposals for best practices to encourage suppliers to constantly progress in a spirit of continuous improvement.

Breakdown of supplier audit findings by family

Hermès places the safety of people at the heart of its concerns, which is why the level of health and safety audits is particularly high. It is therefore no surprise that 57% of the findings are related to this theme, i.e. 776 findings, of which 23% considered major (no critical findings).

Only three critical findings were identified in 2021. They concerned a single supplier and were linked to a proven environmental soil pollution issue. The supplier took immediate steps and implemented the necessary actions to correct the situation and comply once more.

The most frequent major observations in terms of personal health and safety relate to:

- ◆ fire risk: non-compliance of electrical installations, inaccessibility of emergency equipment and exits, ATEX (explosive atmospheres) study not carried out;
- ◆ chemical risk: inventory not conducted, lack of search for substitutes for CMR products (carcinogenic, mutagenic and reprotoxic), lack of measurement of exposure to substances with OELs (occupational exposure limits);
- ◆ risks related to workstations: incomplete or outdated generic single document, no prevention plan or lack of lockout-tagout procedure;
- ◆ compliance with mandatory periodic inspections: lifting equipment and accessories, pressurised equipment, boilers, etc.

In terms of the environment, the main recurring findings relate to non-compliance with the obligations related to ICPE regulations, the administrative management of waste, and the absence of an asbestos technical file.

In terms of labour, the most frequently occurring observations concern the exceeding of the overtime quota, the absence of an SEC or the lack of training for this committee and the absence of formalised professional interviews.

In terms of ethics and anti-corruption, although some suppliers have not yet formalised their own ethics and anti-corruption charter, they have all signed and implement Hermès' social, environmental and ethics policy as a basis (Handbook 2) which notably contains clauses relating to the fight against corruption.

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.

Supplier Audit Committee (direct purchases)

Since early 2019, a Supplier 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 Supplier Audit Committee brings together the direct purchasing department, the Director of Industrial Affairs, the Director of Audit and Risk Management and the purchasers concerned within the *métiers*. The Supplier 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 Supplier 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 direct purchasing department can accompany the purchaser on these visits. Lastly, once all the findings have been cleared by the supplier, a closing visit is carried out by the purchaser concerned and a member of the Group direct purchasing department to confirm the

successful completion of all corrective actions and ensure their sustainability over time.

EcoVadis

In line with its responsible purchasing strategy, the indirect purchasing division selected EcoVadis at the end of 2018, which offers a collaborative platform for assessing the environmental performance and social responsibility (CSR) of its suppliers (environmental, social and human rights, ethics and responsible purchasing). Each company is assessed on these fundamental issues according to their size, location and sector of activity. Evidence-based assessments are reported in assessment sheets enabling the implementation of corrective action plans.

Since the programme was launched, 322 French and international suppliers have accepted Hermès' invitation to join the programme. **The average score of these indirect suppliers is 29% higher than the EcoVadis average** (55.4 compared to 42.8). In 2021, the objective of inviting the top 150 indirect purchasing suppliers in France to self-assess or share their score was achieved. With the aim of ensuring progress, a number of suppliers whose scores did not yet meet Hermès' demanding standards were also reassessed. The target is to invite 50 additional suppliers during 2022, in order to cover the 200 main indirect suppliers in France.

2.6.1.4 RISK MANAGEMENT AND MITIGATION OR PREVENTION OF SERIOUS VIOLATIONS

The Group's policy is also based on a desire to train purchasers in an increasingly complex *métier* and formalise concrete commitments by suppliers.

Network management and training

The two purchasing divisions, direct and indirect, are responsible for coordinating the network of purchasers and organising joint training actions.

Each direct purchasing network, led by its Group department, regularly 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 are also an opportunity to share the purchasing risk mapping of the various *métiers*. This helps purchasers to exercise their duty of care vis-à-vis their suppliers and subcontractors, and more generally vis-à-vis all supply chains. In particular, in 2021, the enhancement of the CSR component of the Group's purchasing policy was presented to the entire community of purchasers, i.e. 120 direct purchasers, during these meetings.

In addition, networks specific to certain supply chains have existed since 2019 and meet on average three times a year, and more frequently if necessary. These are the leather, textile, metal parts, cashmere 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.

Since the end of 2018, the development of a training course for purchasers has been ongoing, 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 EHS (Environment, Health and Safety), legal compliance and human rights topics.

The *Fundamentals of purchasing at Hermès* training course was finalised in early 2021 and is currently being rolled out. It lasts three days, including a full day dedicated to CSR, responsible purchasing and supply chain management.

An *Environment, health and safety* training course has also been running since 2020. It addresses purchasers, as a priority, but also everyone who is required to travel to the House's suppliers and subcontractors. This one-day classroom training aims to acquire sufficient expertise to identify any EHS shortcomings on the part of a supplier or a subcontractor and support it in the corrective actions to be implemented, in an approach of partnership and continuous improvement. At the end of 2021, despite the constraints related to the health situation, 161 people had already been trained, with the aim being to reach an additional 150 people in 2022.

In addition, a *Legal and compliance* training course is being finalised with the legal department, as well as a training course on *Human rights, fundamental freedoms and labour*. These two programmes will be rolled out in 2022. A Carbon Assessment training course will also be introduced in 2022.

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 are public and available online (<https://finance.hermes.com/en/ethics-human-rights-and-diversities/>).

They were updated in 2020 to include an email address facilitating the reporting by suppliers of any breaches they witness in terms of ethics.

The vast signature campaign launched in 2018 continued in 2021 to present and encourage all the Group's suppliers to subscribe to this new version.

Handbook 2 includes items relating to international standards and agreements, rules of labour-related, environmental and ethical conduct, as well as personal data.

By signing Handbook 2, suppliers and subcontractors formally undertake to carry out their own duty of care 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.

The percentage of active suppliers in the direct purchasing scope who signed undertaking Handbooks 1 and 2 increased again to reach 89% at the end of 2021 (compared with 85% in 2020 and 76% in 2019).

In addition, the CSR briefs, created in 2020, and the supply chain briefs, developed in January 2021, specify the House's objectives and its expectations vis-à-vis suppliers on these topics. To strengthen supplier engagement, a "CSR self-assessment questionnaire" has been developed, comprising more than 100 questions relating to CSR. It allows purchasers to retrieve all the information they need from their suppliers in terms of CSR (social policy, commitments to the environment and biodiversity, ethics charter, waste management, commitments to reduce the water footprint, carbon footprint and greenhouse gas emissions, etc.). It will be widely rolled out to suppliers in the 1st half of 2022.

2.6.1.5 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 frequent assessments are important aspects that make it possible to detect any breaches and to alert the 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 suppliers and 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 suppliers and subcontractors.

In accordance with the code of business conduct, **any employee who identifies suspicious behaviour in the supply chain is invited to report it internally thanks to the H-Alert! mechanism.** 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 Group purchasing department. § 2.8.4.1. describes in more detail the implementation of this alert system.

2.6.1.6 HUMAN RIGHTS IN THE SUPPLY CHAIN

The Hermès craftsmanship model, in which 58% of objects are made in Hermès' exclusive in-house workshops, and 78% 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, all the more so as 66% of the top 50 direct suppliers are in France and 28% in Europe. Just 5% of purchases are made in more distant countries, mainly raw materials (e.g. exotic leathers), and control and monitoring there are extremely strong.

The Group's policy, for its own operations as well as for those carried out by its suppliers and subcontractors, is to enforce compliance with major international Human Rights principles.

- ◆ 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. It 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 (relating to issues involving 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 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 Handbook 2 (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. Depending on the outcome, the relationship is suspended.

Respect for Human Rights and fundamental freedoms is part of the vigilance plan put in place by the Group as part of its duty of care. This is repeated and detailed in § 2.8.4.

French Business Climate Pledge

In July 2021, as part of the “French Business Climate Pledge” initiative led by Medef¹, and in addition to the renewal of its 2019 membership, Hermès led to the participation of 12 Group companies, subsidiaries or partners to join this initiative. By encouraging participation in its ecosystem, Hermès is contributing to the successful transition to a low-carbon economy, by promoting awareness of these issues and sharing best practices and operational solutions.

2.6.2 RESPONSIBLE PRACTICES WITH SOCIALLY SUPPORTED ORGANISATIONS

Conscious of its social responsibility, Hermès traditionally uses socially supported organisations in France for its direct and indirect purchases, and this practice is growing strongly every year.

POLICY

The Group has long pursued a policy in favour of people with a disability, through partnerships with companies in the socially supported and sheltered organisation sector (EA², ESAT³) in France. This ambitious responsible purchasing policy is based on allowing EA and ESAT workers to exercise a professional activity in a meaningful environment. 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 **ambitious target to increase** the use of the socially supported and sheltered organisation sector in France **by 20% per year** was widely exceeded in 2021, with purchases made growing from €0.7 million at the end of 2017 **to €3.8 million at the end of 2021, i.e. a fivefold increase in five years**. Driven by a proactive policy, these purchases are mainly made at the initiative of Hermès Maroquinerie-Sellerie and Hermès Group Services.

The Group regularly uses the *Hors les Murs* initiative, in which EA and/or ESAT workers come and carry out work in the workshops. In many *métiers* (Hermès International, Hermès Group Services, Hermès Maroquinerie-Sellerie, Hermès Parfum et Beauté, etc.), these workers made available on a daily basis by EAs and ESATs contribute to various activities (cutting, preparation of orders or meeting rooms, logistics, security, concierge, mail dispatching, etc.). These collaborations provide long-term employment opportunities.

MEASURES IMPLEMENTED AND RESULTS

Hermès Maroquinerie-Sellerie's commitment in favour of disability is at the heart of an ambitious prevention policy for all employees. Hermès Maroquinerie-Sellerie wishes to continue and strengthen the partnership whenever possible, with the aim that each internal regional division develops a partnership with one or more EA-ESATs in its region. Each partnership is first and foremost a human journey, providing an opportunity to integrate people with disabilities into the teams, drawing on the experience and skills of these structures.

The first step is to have the EA/ESAT partners work locally on the skills they already offer: green spaces, company restaurants, renovation of workbenches, small equipment, etc. Once this potential is tapped, a ramp-up of skills is envisaged in the techniques necessary for the manufacture of objects. The ultimate goal is to enable certain EA/ESAT partners to become contract manufacturers to whom the sites could entrust the manufacture of certain small finished products.

It is in this context that Hermès Maroquinerie-Sellerie organised the second *Handispensable* day in 2021, bringing together all of its EA/ESAT partners and their internal contacts, to jointly build progress plans and spread to other divisions the results of this commitment which exceeded €1.95 million in 2021.

The Le Puy, Montereau and Vivoin **tanneries** have enlisted the help of ESAT employees to maintain their 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 2021, the **Compagnie des Cuirs Précieux** extended its partnership with the ESAT that provides catering services and meal trays for seminars and meetings at its headquarters. Lastly, 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.

1. Medef: *Mouvement des Entreprises de France* (French business association)

2. EA - *Adapted company*

3. ESAT - *Sheltered work establishment*

Hermès Bijouterie developed a partnership with an EA in the Paris region for the assembly, quality control, packaging and shipping of horn jewellery accessories. At the last Handi'Cap Forum, the partners testified to the quality of this collaboration, which opens up other opportunities for after-sales service, repackaging for other *métiers*, the preparation of boxes, and even upcycling operations (dismantling unsold items).

Hermès Parfum et Beauté continues its collaboration with an ESAT partner for the recognition of prior learning (RAE).

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 asked them again 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.

Hermès Sellier General Services include in each call for tenders an inclusive clause on purchases from socially supported organisations and the sheltered sector, and regularly set up tripartite co-contracting contracts. These involved more than €870 thousand in purchases in 2021.

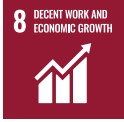
In Hermès Commercial, the Bobigny Logistics division has collaborated for several years with two EAs/ESATs, which provide five workers for logistics and quality control positions. A team of three people was also deployed within the exceptional sales department to prepare products for donations to charities. 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. Some of these collaborations result in hires.

Hermès Distribution France 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. Finally, the Bordeaux store has been cooperating for more than a year with an ESAT, employing one or two employees several days a week to help with logistics activities.

EXPERTS' HANDBOOK

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. 8: Decent work and economic growth

- ◆ 8.5 "Achieve full employment"
- ◆ 8.3 "Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services"
- ◆ 8.4 "Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead"
- ◆ 8.5 "By 2030, 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"
- ◆ 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"



No. 10: Reduced inequalities

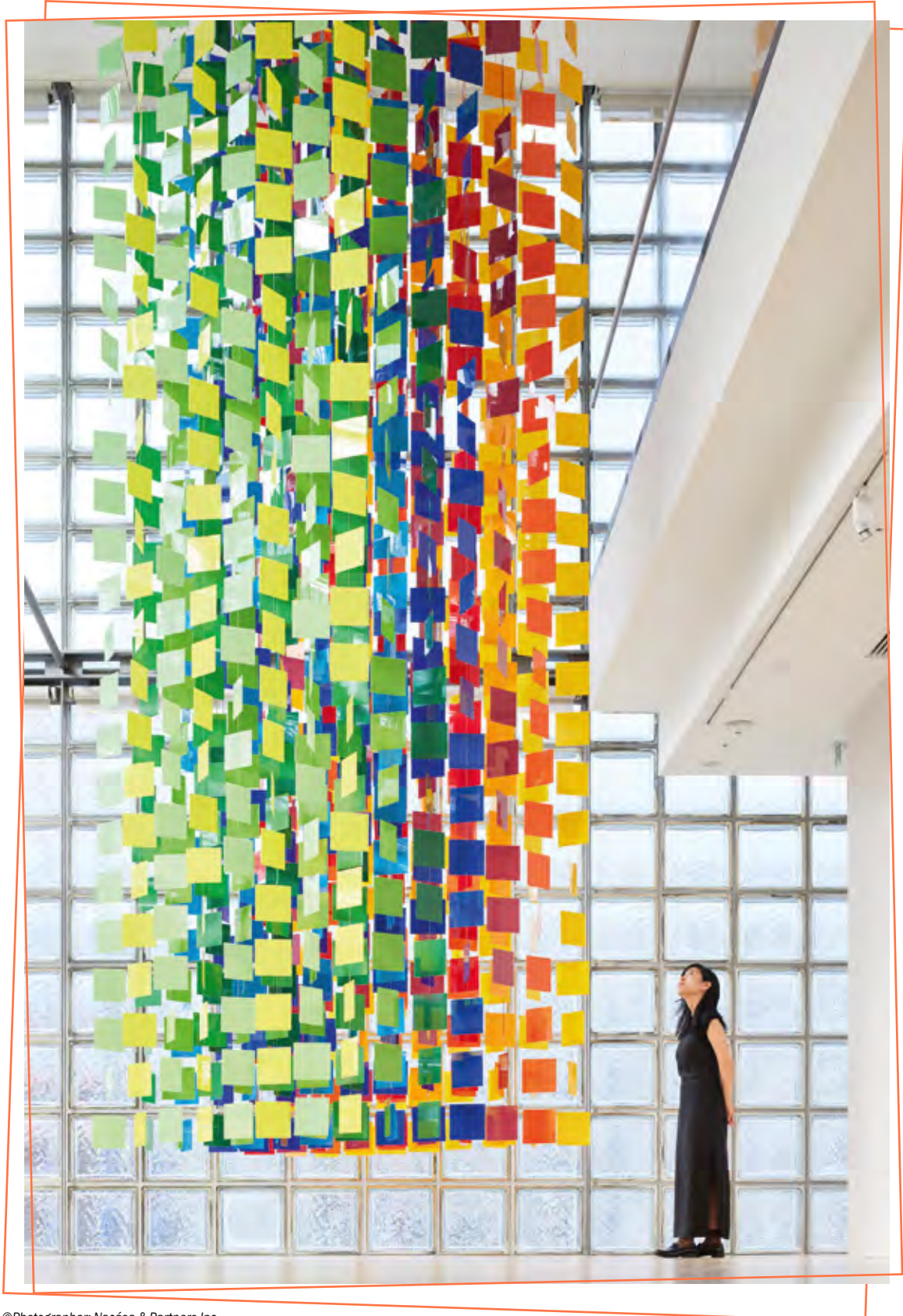
- ◆ 10.2 “By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status”



No. 12: Responsible consumption and production

- ◆ 12.8 “By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature”

“Les couleurs en Jeu” exhibition by Julio le Parc at the Forum in Tokyo, under the aegis of the Fondation



©Photographer: Nacása & Partners Inc.

2.7 COMMUNITIES: STAKEHOLDERS AND TRANSPARENCY

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.

2

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, and more than 80 in France, Hermès contributes to regional sustainable development by providing employment (4,761 new employees over the past five years) and promotes the creation of sustainable value (local recruitment, training of employees, etc.).**

In line with the strategy adopted in 2020, in 2021 the Group did not request any assistance from the State for mechanisms related to the Covid-19 crisis in any of the countries where it operates.

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. These harmonious relationships with our stakeholders contribute to its local integration and contribution for a positive impact, 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 way. 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.


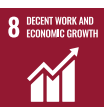







The founding values of Hermès are also expressed through the Fondation d'entreprise Hermès, created in 2008, which sets up the necessary conditions for the creation of works of art, transmission of *savoir-faire*, protection of the environment and encouragement of solidarity actions. (<https://www.fondationentreprisehermes.org/en>).





In 2021, the Group made progress on the main issues relating to local integration and relations with stakeholders, with the aim of making a long-term difference through steady improvements with a significant impact. Among these, the selected elements below are particularly illustrative of 2021 for this section:

- ◆ Nearly 400 solidarity and social actions around the world
- ◆ 29.5% consolidated tax rate at Group level
- ◆ Donation of €7 million to AP-HP (the Parisian public hospital system) in France in 2021, following €20 million in 2020
- ◆ Improvement in the scores of non-financial assessments, Grand Prix de la Transparence (CAC Large 60), Most Responsible Company (Le Point, Clothing and Accessories sector)
- ◆ Initial analysis using the European Taxonomy regulation, in line with its TCFD and SASB publications
- ◆ Reasonable assurance report on a selection of CSR information published in this document.

COMMUNITIES

STAKEHOLDERS AND TRANSPARENCY

OBJECTIVES	INDICATORS	2021 RESULTS	
 PURSUE A MANUFACTURING DEVELOPMENT POLICY IN FRANCE BY JOINTLY DEVELOPING PROJECTS WITH THE REGIONS WHERE IT OPERATES			
	Maintain a high level of commitment in terms of production in France	78% of objects made in France	
		Number of production sites in France and number of new sites established in France	52 production sites
	Continue to develop new production sites in France	In 11 of the 13 French regions (including 9 for production sites)	
		Number of new employees in France	3,065 new employees in France over five years
 DEVELOP HARMONIOUS RELATIONSHIPS WITH LOCAL STAKEHOLDERS			
	Implement stakeholder relations action plans in each host region	Number of local events with local authorities, local institutions, associations, etc.	
		Collaboration with “Sup de Sub” Participation in Réseau Entreprendre 93 Signature of a company-region charter with Est Ensemble	
 GIVE BACK TO THE WORLD PART OF WHAT IT GIVES US (OPERATIONAL, FINANCIAL, SPONSORSHIP) – GROUP OR FONDATION			
	Ensure value is shared	Group tax rate	29.5% consolidated Group tax rate
		Group tax expense in millions of euros	€1 015 million in tax expense in 2021
	Establish the necessary conditions for the creation of works of art, transmission of <i>savoir-faire</i> , protection of the environment and encouragement of solidarity actions	Fondation budget by mandate	€40 million budget for the Fondation d’entreprise (over five years 2018-2023)
		External evaluation	1st in the Carenews Corporate Foundation ranking (endowment vs revenues, 2018 study)
	Strong commitments from the entire Group to local sponsorship initiatives	At least one sponsorship or social and solidarity action per year and per country	See table § 2.7.2.1.2
		Number of solidarity projects set up	More than 400 solidarity projects around the world
	Develop global philanthropic actions	Projects led by the Group	€7 million Group donation to AP-HP (the Parisian public hospital system)
		Livelihoods project	1.7 million people impacted by Livelihoods projects worldwide
 CONTRIBUTE TO DISCUSSIONS BY CIVIL SOCIETY OR ACADEMIC RESEARCH EFFORTS BY PARTICIPATING IN MULTI-STAKEHOLDER INITIATIVES			
	Establish partnerships with educational establishments	Number of partnerships with educational establishments, chairs, etc.	20 partner educational establishments Partnership with the Sciences Po Paris Sustainable Development Chair

OBJECTIVES	INDICATORS	2021 RESULTS
 PARTICIPATE IN ADVOCACY ACTIONS FOR DIFFERENT PRODUCTION METHODS (CRAFTSMANSHIP, LESS INTENSIVE AGRICULTURE, LOCAL INTEGRATION)		
	Contribute to initiatives and coalitions	Contribution to an action in each of our value chains
		Fashion Pact Act4Nature International UNFCCC ICFA
 DEVELOP A CONSTRUCTIVE AND TRANSPARENT DIALOGUE WITH ALL OF THE COMPANY'S STAKEHOLDERS		
	Be transparent about our non-financial performance	Number of non-financial assessments
		9 main non-financial assessments
	Achieve the highest rating category in each assessment	Improve non-financial ratings
		CDP climate from B to A- , MSCI from BBB to A , VE from 43 to 61 "Advanced"
	Be transparent about the strategic actions taken by the Company and the results obtained	Number of CSR documents shared on Hermès' sites
		13 documents published in addition to the annual report on the Hermès Finance website

2.7.1 REGIONAL RESPONSIBILITY IN FRANCE

As part of its regional responsibility, Hermès undertakes initiatives in France in particular to support 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 in social, economic, educational and cultural fields, among others..

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 10,969 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 3,065 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 52 production sites in 9 of France's 13 regions. The Textile division has 5 sites in the Lyon region (839 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 (178 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.

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 497 people at Nontron.

Cristallerie 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 holds more than 10,000 moulds that can be reactivated at any time to fashion the production unit's crystal objects. At 31 December 2021, the Cristallerie Saint-Louis employed 2,457 people and is a remarkable area of activity in the Pays de Bitche region, including thanks to the presence of the *Musée du Cristal* “La Grande Place”, located in the heart of the production unit.

The Leather Goods sites continue to expand according to customer demand. As at December 2021, the House had 19 leather goods workshops. The leather goods workshops of Guyenne (Gironde) and Montereau (Seine-et-Marne) are completed and were inaugurated in 2021. In addition, a number of site projects are underway: the leather goods workshops of Louviers (Eure) and de la Sormonne (Tournes/Cliron) will be completed 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 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 production site location map in § 1.4.2 of chapter 1 “Presentation of the Group and its results”).

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, with the Louviers leather goods workshop, for example, being the first French manufacturing site to aim to obtain E4C2 certification, which guarantees excellence in taking climate issues into account in construction.

The projects of the three leather goods workshops in progress (Louviers, Tournes/Cliron and Riom) are designed to comply with the highest levels of the Hermès sustainable construction standard (§ 2.5.4.2.2) and to comply with HQE+ (high environmental quality) standards, and are taking place in close collaboration 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 RELATIONSHIPS 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 employment, training, 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, in particular transport infrastructures, possibilities for local housing and schooling for families. The quality of the partnership with town halls is decisive, driven by the desire for a real local life for the families who settle there.

The Group works to promote these relationships, based on trust, transparency and joint actions. In 2019, for example, a “Mayors' Day” event in Paris brought together 17 elected representatives from the local authorities where our French sites are located for discussions with the Group’s Executive Committee and members of the management committees.

The development of craftsmanship *métiers* and job creation

The sites all maintain close relations with local Job Centres (Pôle Emploi) 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 of:

- ♦ 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;
- ♦ organising information forums with the Job Centre;
- ♦ the creation of appropriate local training programmes.

The 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 for municipalities.

Our regional development also promotes the development of educational establishments and local training programmes, from which a number may join the Hermès Group.

In addition to actions linked to its own activities, it is also a socially responsible company in the places in which Hermès 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 which will provide the House with fresh young talent, thereby contributing to its expansion.

The following examples illustrate the operations conducted in 2021:

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. These temporary workshops are attached to a reference site, and in-house trainers ensure the transmission of *savoir-faire*.

Recruitment is carried out locally; the first intakes, each consisting of around 30 craftspeople, are recruited on the basis of manual skills via the MRS (**simulation recruitment method developed with the National Employment Agency (Pôle Emploi) on the basis of manual aptitude (dexterity tests in particular) and without a CV**, regardless of their previous career path. 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. In this way, upon opening, about 100 people are already operational and ready to launch the leather goods activity. In the long term, the average workforce will be 250 craftspeople. 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, Hermès has decided to set up a new division in Auvergne. The establishment of the future site, in the former tobacco factory in Riom, is being prepared in close collaboration with the urban community of Riom Limagne and Volcans. In addition, in order to successfully integrate into the life of the region, we have developed close links with the Riom town hall, the sub-prefecture, the ABF, DRAC, DREAL and the police department. Hermès aims to become an economic player in the region, by contributing to its development, creating jobs and its commitment to soft mobility and carbon reduction.

The temporary workshop was opened in Riom in November 2020 and now accommodates 160 people.

Lastly, the Leather Goods sites are working with local players to promote the craftsmanship *métiers* and favour a return to employment:

- ♦ The Hermès Leather Goods & Saddlery 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 2021-2022 school year, this support has resulted in presentations by 11 craftspeople in several middle and high school classrooms in the Paris region, Lyon, Normandy and Franche-Comté, Nouvelle-Aquitaine and the Ardennes, and visits by classes to these same manufacturing sites.

Since the start of the programme in 2016, nearly 5,600 students, or 225 classes, have met craftspeople during 12 production sessions. Today, eleven academies are participating in this programme to discover the worlds of carpentry, saddlery and upholstery, leather goods and plastering;

- ♦ in Pantin, a team has started a collaboration with “Sup de Sub”, 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 2021, 17 employees dedicated a day to Skills Sponsorship for this project, representing 149 hours.**

In Seine-Saint-Denis, **Hermès joined the Réseau Entreprendre 93 association from 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 2,600 employees, 700 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 centre for promoting the métiers of art and design, and a “métiers workshop” at the employment centre. 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. One of the objectives is to strengthen the Company’s participation in local economic development and employment.

Textile

Holding Textile Hermès maintains close relations with the silk apprentice training centre (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 Chief Executive Officer of HTH is Chairman of Intersoie, an inter-professional organisation in the sector in France. The division participates in the “Alliances et Territoires” community, which meets quarterly to examine current topics and issues relating to local recruitment, training, skills development or CSR.

2.7.2 SOCIALLY 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. Hermès has a multitude of mechanisms around the world.

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.

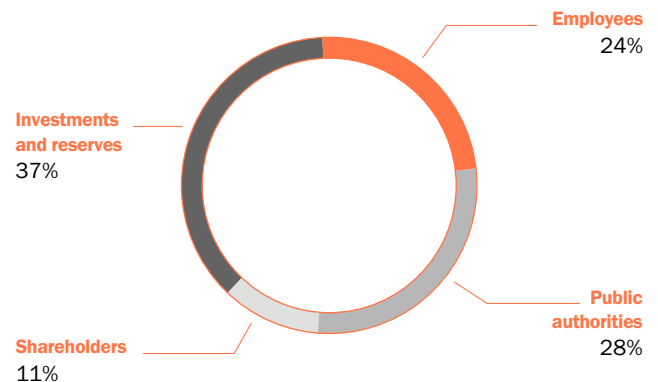
The distribution subsidiaries, for example, have an annual target in this area.

2.7.2.1 GIVING BACK TO THE WORLD A PART OF WHAT IT GIVES, THROUGH ACTIONS

2.7.2.1.1 Corporate responsibility – sharing value

Hermès participates in value creation in France through the direct employment of 10,969 people, and increased its workforce by 587 people in 2021. Although 78% of the objects are produced in France, 91% of the Group’s sales are made outside France, thus making a positive contribution to the French trade balance.

In addition, the Group is attentive to the harmonious sharing of added value in order, on the one hand, to secure its future development and, on the other hand, to contribute to social and societal equilibrium. Thus, **on average over three years,** the Group’s added value was distributed as follows:



The Hermès Group's income tax expense amounted to €1,015 million, i.e. a tax rate of 29.5% (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:
 - compliance by all Group companies with the regulations in force in the States where these companies are located, compliance with the deadlines provided for by the regulations applicable in each State, for the filing of the required declarations and the payment of the taxes due;
 - 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 Hermès Group's tax positions are tracked and audited by the consolidation and 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;

- ◆ 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

Group entities get involved

Hermès reaffirmed its active commitment, in 2021, 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.

Nearly 400 operations in 2021 brought together employees around the world (240 actions excluding Covid-19 in 2020). They contributed, during their working hours as well as in their own time, to environmental, cultural or solidarity actions with local communities. In addition to employee mobilisation, the subsidiaries provided financial support for numerous projects. In 2021, the Group set up the monitoring and validation of these projects with a dedicated committee, responsible for validating the quality of the operations carried out, the volume of which is as follows:

BREAKDOWN OF ACTIONS CARRIED OUT BY GEOGRAPHICAL AREA	2019	2020	2021
France	40	58	90
Europe	70	65	109
Asia and Asia-Pacific	70	72	110
Americas	100	45	69
TOTAL	280	240	378

In France

In 2021, 90 solidarity actions were identified in France. Since 2017, toys have, for example, been collected at the 13 French sites. In 2021, 500 kg were collected for the partner association promoting solidarity and contributing to a more circular economy.

International

The editions of Carrés Solidaires continue, and in particular, allow solidarity initiatives throughout the world to be supported and encouraged. Thus, in 2021, the subsidiaries in France, Greece, Hong Kong, Germany, England and Luxembourg took part in the operation. A total of 2,000 carrés, created specifically for these initiatives, were sold to benefit nine associations.

The subsidiaries are also part of global dynamics. The World Clean Up Day movement was followed by China, Italy, France and Germany and enabled the collection of more than 100 kilos of waste thanks to the mobilisation of more than 200 employees.

The **Europe** zone encouraged its subsidiaries to be involved and recorded a total of 109 local actions.

- ◆ For example, Italy supported the Cecilia Gilardi Foundation, which aims to protect craftsmanship trades that are in danger of disappearing by training and encouraging young talents and giving them financial assistance through scholarships for university studies.

Employees in **Asia** and **Asia-Pacific** carried out 110 actions, mainly through concrete initiatives to preserve local *savoir-faire*, art, heritage and the environment.

- ◆ The Japanese subsidiary is committed to the Coral Okinawa association, which organises coral planting campaigns on the reefs of the island of Okinawa, as well as activities open to everyone to promote knowledge of this ecosystem.
- ◆ Korea reaffirmed its support for the Seoul Museum of Art (SeMA) contemporary art exhibition by supporting the monographic exhibition of Korean artist Lee Bul.

The **Americas** region committed to a total of 69 actions, particularly in favour of education.

- ◆ For example, the United States subsidiary supported the GO Project association, which works for equal opportunities and seeks to promote the schooling of children from families experiencing financial difficulties in New York.
- ◆ In Mexico, the subsidiary is committed to Teach for All and its project to support 20 education professionals working with disadvantaged children.

2.7.2.1.3 Fondation d'entreprise Hermès (see chapter 1 "Presentation of the Group and its results", § 1.11)

In 2021, the Fondation d'entreprise Hermès wanted to confirm its mission in promoting the public interest as part of a collective drive. Expressed in a desire to act together, whether it involves the creation of works of art, transmission of *savoir-faire*, protection of the environment and encouragement of solidarity actions, four pillars structure the Fondation's action. Throughout a new year marked by the pandemic, the Fondation continued its commitments through its programmes while remaining mobilised alongside its beneficiaries and project leaders faced with the uncertainties of the context. To combat climate change and damage to biodiversity with increasingly severe consequences, the Fondation d'entreprise Hermès launched Manuterra, an environmental education programme for primary to high school students.

Since the start of the school year in 2021, pupils have been invited to create, plant and pass on a vegetable garden cultivated during 12 two-hour sessions in school time. Under the guidance of a professional

gardener, they cultivate a plot using the permaculture technique while addressing multiple environmental themes. Six classes, i.e. 150 students, are involved in this pilot year, set up in partnership with the *Saline royale d'Arc-et-Senans*, the Besançon education board and the *Compagnons du Devoir et du Tour de France*. In addition to Manuterra, the Fondation also added new support for the Massane nature reserve (Pyrénées-Orientales), a beech forest that has been growing unfettered for more than 150 years and has been classified as a Unesco World Heritage site since last summer. This choice reinforces the Fondation's action in favour of the preservation of our ecosystems.

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)**

2.7.2.1.4 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.

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 in its LCF1 & LCF2 compartments: Danone, Crédit Agricole, CDC, Schneider Electric, La Poste, Hermès International, Voyageurs du Monde, SAP, Firmenich and Michelin. The initial duration of the funds is 24 years, and the duration of a project varies between 10 and 20 years. LCF1, launched in 2011, is fully invested; the LCF2 compartment, launched in 2017, which is larger than LCF1, is reaching the end of its investment process, including with the extension of projects in the LCF1 compartment. In June 2021, by joining LCF3, Hermès International renewed its commitment to local economic development, the protection of biodiversity and the fight against climate change.

KEY INDICATORS OF THE LCF1 FUND

Results for the first Livelihoods Carbon Fund (nine projects):



Macro objectives	Social results	Environmental results	Economic results
	Number of beneficiaries ⁽¹⁾ : 1.5 million people positively impacted to date	Number of trees planted ⁽²⁾ : 127 million to date	Investment capacity of the fund €45 million
Categories of impact	Number of households supported > 250,000	Amount of carbon sequestered or avoided	Duration of commitment 20 years
	Number of more efficient stoves distributed to families (mainly women) > 163,000	• 9 MtCO₂ eq. forecast • 2.4 MtCO₂ eq. verified to date	
	> 163,000	Hectares planted or preserved 36,000 hectares	

2

Definitions

- (1) Number of people involved who are positively affected by the project's activities.
(2) Trees, seeds, propagules (mangroves and agro-forestry trees) planted as part of the project's activities.

KEY INDICATORS OF THE LCF2 FUND

Results for the 2nd Livelihoods Carbon Fund (eight projects to date):



Macro objectives	Social results	Environmental results	Economic results
	Number of beneficiaries ⁽¹⁾ : 260,000 people positively impacted to date	Number of trees planted ⁽²⁾ : 5.43 million to date	Investment capacity of the fund: €65 million
Categories of impact	Number of households impacted 43,600	Amount of carbon sequestered or avoided (target) 12 MtCO₂ eq.	Duration of commitment 20 years
	Number of more efficient stoves distributed to families 78,500	Hectares planted or preserved • 15,200 hectares	
	Number of women supported ⁽³⁾ 83,000	• 6,000 hectares under restoration and preservation of biodiversity	
	Self-help groups set up 110		

Definitions

- (1) Number of people involved who are positively affected by the project's activities.
(2) Trees, seeds, propagules (mangroves and agro-forestry trees) planted as part of the project's activities.
(3) Number of women participating in training on how to create improved stoves and/or agroforestry and natural ecosystem restoration activities.

The 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 LCF1 (2011, €45 million) and LCF2 (2017, €65 million), this new impact fund will invest in community projects for the restoration of natural ecosystems, agroforestry and regenerative agriculture. More than €250 million have been collected to help

disadvantaged communities, the fight against climate change and the protection of biodiversity. Fifteen companies and financial investors have joined LCF3 in a common investment vehicle to make the transition a success: Bel group, Chanel, Danone, DEG, Eurofins, the Global Environment Fund, Hermès, L'Occitane group, Mars, Mauritius

Commercial Bank, McCain Foods, Orange, SAP, Schneider Electric and Voyageurs du Monde.

Fully operational, the fund is now seeking field partners in various regions of the world to accelerate nature-based solutions.

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, in particular:

- ◆ Restoration and preservation of natural ecosystems, for example mangrove forests. Nearly 10,500 hectares were replanted in Casamance (“Océanium” project); 4,500 hectares in the Ganges delta (“News” project); 10,000 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, the aim of tripling these plantings in the coming years with the LCF2 project. In Guatemala, 1,750 hectares of trees and food crops have been planted in the Cerro San Gil mountain area (“Fundaecco” 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 40,000 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 will ultimately have equipped 120,000 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) is installing 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 2021, the above projects impacted the lives of more than 1.7 million people since their creation, and helped replant more than 132 million trees, i.e. an area equivalent to five times the size of Paris. They also equipped more than 240,000 families with improved cooking stoves, which reduce deforestation and preserve women’s health, with a target of 20 million tonnes of CO₂ captured or avoided over the period (projects last between 10 to 20 years). They therefore help to offset Hermès’ carbon emissions on a voluntary basis (§ 2.5.4.3.2).

2021 was marked by the launch of new projects financed by the 2nd Carbon Livelihoods Fund (LCF2), which currently includes a portfolio of eight projects:

- ◆ for the first time in Europe, LCF2 launched a project called *Sols de Bretagne* in the Brittany region of France. In partnership with the Brittany Region, the Regional Chamber of Agriculture and the local association *Sols d’Armorique*, this project will support some 100 farmers in the transition to regenerative agriculture, as well as capture 140,000 tonnes of CO₂ in 10 years. (Find out more about the *Sols de Bretagne* project: <https://livelihoods.eu/portfolio/brittany-france-regenerative-agriculture/>);
- ◆ in Mexico, in the mountainous region of Oaxaca, Livelihoods and its partners launched a shaded agroforestry coffee project to restore the fragile mountainous ecosystem of Oaxaca, while helping more than 3,000 smallholders to improve their incomes. This 20-year project will be implemented by the local cooperative CEPCO, which has more than 30 years of experience with coffee producers in the region. The Livelihoods-CEPCO initiative will restore and preserve a total of 6,000 hectares, as well as generate more than one million tonnes of CO₂ over its lifetime. (Find out more about the Livelihoods agroforestry project in Oaxaca, Mexico: <https://livelihoods.eu/fr/restoring-the-earth-livelihoods-writes-a-new-chapter-with-coffee-farmers-in-mexico/>).

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 and demonstrate the virtue of its particular business model, its ambitions and efforts in this area.

Thus, in a proactive approach, the teams are working to create the conditions for external communication that is as transparent as possible. This includes the responses given to questionnaires and external analysts, as well as the dialogue established and initiated with the press, and influence.

A page dedicated to CSR on the financial website (<https://finance.hermes.com/en/a-value-creating-and-sustainable-french-model/>) notably presents the site’s main actions.

Launched in 2020, this digital space incorporates in its communication the best practices established by:

- ◆ CDP (Carbon Disclosure Project) for carbon, water and forest issues in chapter 2.5 "The Planet: Environment", § 2.5.2;

- ◆ SASB (Sustainability Accounting Standards Board): cross-reference table in § 2.7.2.2.1 below;

- ◆ TCFD (Task Force on Climate-related Financial Disclosures) in § 2.7.2.2.2.

The Hermès Group's interactions with its stakeholders illustrated in this chapter break down as follows¹:



The relevance of Hermès' business model has been recognised on several occasions by independent bodies, such as ESG rating and ranking agencies², dedicated, through their 2021 ratings. 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	2019 score	2020 score	2021 score
Climate change	CDP	B	B	A-
Water	CDP	B	A-	A-
Forests	CDP	B	B	A-
ESG risks	ISS ESG	C	C	C+ "Prime"
ESG risks	Sustainalytics ^a	72/100	-	10.2 "Top 1%"
ESG risks	MSCI	BBB	BBB	A
ESG risks	VE	-	43	61 "Advanced"
ESG risks	FTSE Russel	-	-	2.9
Human resources	Humpact	-	Grand Prix	Grand Prix (5 stars)
General	Positive Economy Institute ^b	C+	C+	B
General	UN Global Compact	Advanced	Advanced	Advanced

(a) Change in methodology in 2020.

(b) The 2019 and 2020 scores were recalculated using the new 2021 methodology.

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.

1. List not exhaustive.

2. Environment, Social and Governance

ISS ESG (formerly Oekom) is a specialist ESG (environment, social and governance) rating agency. The scores it attributes range from D- to A+. This year Hermès reached the "Prime" level with a C+ rating.

Sustainalytics, which analyses companies using more than 80 ESG criteria, based on their publications as well as those of their stakeholders and the media, has published a new analysis. Hermès is identified as the **second best player in the Textiles and Apparel sector out of 174 companies**, and belongs to the top 1% of the global Sustainalytics ranking (148th out of 13,657 companies). With an overall ESG risk rating of 10.2, Hermès' exposure is "Low".

The **MSCI ESG** rating index, which assesses more than 8,500 companies worldwide, measures the resilience of companies to risks (ESG).

Hermès is now rated A and made significant progress in all three categories.

Hermès was included in the **CAC 40 ESG** index, which includes 40 companies on the basis of their environmental, social and governance performance and is based on the rating of VE (**Vigeo-Eiris**). With an overall score of 61/100, Hermès is now in the "Advanced" category.

For the second consecutive year, the House received the Grand Prix de l'Emploi France awarded by **Humpact**, a non-financial rating agency that specialises in employment. It designates the most employment-friendly company in France in 2021, all categories combined.

The **Positive Economy Institute** gives Hermès a B rating in its survey of the positivity of CAC 40 companies. In particular, Hermès ranks second among CAC 40 companies with the greatest improvement compared to the previous year, as well as second in terms of environmental footprint.

The "Advanced" level is the highest level of recognition that can be awarded by the United Nations Global Compact to a Communication on Progress (COP). Hermès publishes its COP on the Global Compact website each year.

These assessments are also supported in 2021 by various awards and studies conducted by the press or external organisations (§ 2.1.1), including the *Grand Prix de la Transparence* (CAC large 60), first prize in the Diversity Leader ranking of the Financial Times, and the 1st ranking

Correspondence grid based on SASB

	Paragraphs from chapter 2 of the universal registration document
Management of Chemicals in Products (CG-AA-250) <i>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.</i> <i>The list of controlled substances monitored by the Group 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..</i>	§ 2.5.3.3
Environmental impacts in the supply chain (CG-AA-430a) <i>Hermès ensures that it controls the environmental footprint of its supply chain as described in the items below.</i>	§ 2.6.1
Effluent management (GC-AA-430a.1) <i>The Group verifies through regular audits that its suppliers (tier 1) comply with local regulations regarding the regulatory compliance of their effluents.</i>	§ 2.2.1, § 2.5.3, § 2.6
Environmental assessments (GC-AA-430a.2) <i>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).</i>	§ 2.4.2, § 2.6

by Le Point magazine in the Clothing sector for the most responsible company.

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 with the "Apparel, Accessories and Footwear (consumer goods)" sector.

In addition to the information presented in this report, Hermès presents a summary of its actions according to the sector reading grid.

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 (58% of products are produced in-house), with partnership relationships with its suppliers (the average length 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 78% in total. Although important, the topics highlighted by the SASB relating to the 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, the Group has identified and prioritised 10 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, as presented in this document, the Group uses the CDP reporting framework for its carbon, water and forest issues, and complies with the TCFD recommendations.

Paragraphs from chapter 2 of the universal registration document

Labour conditions in the supply chain (CG-AA-430b) <i>The Group's supplier relations policy is based on four pillars: safety, quality & innovation, cost control and CSR. 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.</i>	§ 2.6.1, § 2.6.2, § 2.8.1 and 2.8.4
Raw materials sourcing (CG-AA-440) <i>The Group exercises close control over these raw 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.</i>	§ 2.4
The objectives and recommendations concerning Hermès' supply chains are presented in the supply chain brief and 65 supply chains had been analysed in detail by the end of 2021.	§ 2.4.2.1.1

2.7.2.2.2 TCFD correspondence analysis

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 created in December 2015 during COP 21. This working group has published recommendations, **Correspondence grid based on TCFD**

updated in 2021, 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.

	Sections in the universal registration document
Governance <i>The Group's Executive Chairman, Axel Dumas, was involved in many climate-related issues in 2021, including the decisions to revise Hermès' climate commitment upwards with the SBTi validation for a trajectory of 1.5° C.</i>	§ 2.1 and 2.5
◆ Oversight by the Board of Directors of climate-related risks and opportunities	§ 2.1.6 and 2.5.4
◆ Management role in assessing and managing climate-related risks and opportunities	§ 2.1.6, § 2.5.1 and § 2.5.4
Climate strategy	§ 1.10 and § 2.5
◆ Risks and opportunities related to the climate that the Group has identified in the short, medium and long term <i>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, by the industrial affairs and sustainable development departments and by the Sustainable Development Committee, with a more cross-cutting vision.</i>	§ 2.5.4.1
◆ Impact of climate-related risks and opportunities on the Group's activities, strategy and financial planning <i>Climate system disruptions and related operational, regulatory and political transition issues, such as carbon pricing, are already identified as physical and transition risks with impacts on the Group's supply chain, various operations (manufacturing, logistics, distribution), as well as on the behaviour of its customers.</i>	§ 1.10
◆ Resilience of the organisation's strategy, taking into account different climate-related scenarios, including a 2° C or lower scenario. <i>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).</i>	§ 2.5.4.1
Management of climate risk <i>The Group's risk management process is based on the preparation of risk mapping as well as the use of additional tools to 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.</i>	§ 2.5 and § 4.3
◆ Group processes to identify and assess climate-related risks	§ 2.5.4.1 and § 4.3
◆ Group processes for managing climate-related risks	§ 4.3
◆ Integration of processes for identifying, assessing and managing climate-related risks into the organisation's overall risk management	§ 4.3

	Sections in the universal registration document
Metrics and targets	§ 2.5
<i>The SBTi validated Hermès' carbon emission reduction targets, confirming the consistency of its policy with the Paris Agreements' 1.5 °C trajectory.</i>	
◆ Indicators used by the Group to assess climate-related risks and opportunities, in accordance with its strategy and risk management process	§ 2.5.1 and § 2.5.4
◆ Communicate scopes 1, 2 and, if appropriate, 3 greenhouse gas (GHG) emissions, as well as related risks	§ 2.5.4.2.1
◆ Objectives used by the Group to manage climate-related risks and opportunities and performance against these objectives	§ 2.5.4.2 and § 2.5.4.3

2.7.2.2.3 Application of the European Taxonomy to the Hermès Group's activities

The European Taxonomy for sustainable activities, or "Taxonomy", establishes a list of economic activities considered environmentally sustainable, on the basis of ambitious and transparent technical criteria. The introduction of this standard designed to distinguish economic activities contributing to the European objective of carbon neutrality – the Green Deal – underlines the scale of the economic and industrial transformations to be achieved as well as the ambition of the European authorities in terms of sustainable and transparent finance. On the strength of its environmental, social and societal commitments, Hermès supports the European Commission in its work to analyse activities and define technical review criteria intended to guide the investments of public and private players towards projects contributing to the transition to a sustainable and low-carbon economy.

The first environmental objectives of the Taxonomy relating to the mitigation of and adaptation to climate change have prioritised the activity sectors that have a major contribution to greenhouse gas emissions at the European Union level. The Hermès Group's activities, built on a craftsmanship, value-creating and sustainable business model, have not been considered by the Taxonomy as making a substantial contribution to these objectives. On the other hand, the Group is ramping up its climate commitments, among others described in § 2.5. The Group is also closely monitoring the publication of delegated acts for the other four environmental objectives, which should better reflect the contribution of its activities to a more sustainable world.

2.7.2.2.3.1 Qualification levels retained by Hermès

In accordance with European regulation 2020/852 of 18 June 2020 on the establishment of a framework to promote sustainable investments within the European Union (EU)¹, the Hermès Group is required to publish, for financial year 2021, the portion of its revenue, eligible investments and operating expenses resulting from products and/or services associated with economic activities considered sustainable within the meaning of the classification and criteria defined in the Taxonomy for the first two climate objectives of mitigation and adaptation.

This first assessment of the eligibility of the Hermès Group's activities for climate change mitigation of and adaptation was conducted on the basis of the Delegated Regulation of 4 June 2021 and its annexes² supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council using the technical review criteria to determine the conditions under which an economic activity can be considered as contributing substantially to climate change mitigation or adaptation. The financial information detailed in the section below corresponds to the definitions specified in Article 8 of the regulations and has been subject to joint analysis and control by the consolidation department, the CSR department, investment department, real estate development department and the *métier* teams.

To arrive at this assessment, a detailed analysis of the Group's activities was carried out in parallel to a review of the existing processes and reporting systems, allowing the financial aggregates required by the Taxonomy to be excluded. The methodological elements on which the Group conducted its analysis – assumptions, estimates and limitations – are described in this report.

At the end of this assessment, no eligible revenue was identified for this first year for the climate change mitigation and adaptation objectives, as the activities defined for these objectives do not cover the Group's activities. Due to the lack of eligible revenue, capital expenditure and operating expenses related to activities contributing to revenue could not be classified as eligible.

Nevertheless, since Hermès is taking actions to mitigate its carbon emissions and making investments to decarbonise its activities, particularly in the construction and renovation of owned and leased buildings, the Group has deepened its analysis by focusing on CapEx related to this type of investment. This in-depth analysis is presented below.

Lastly, the analysis of OpEx led to the amount analysed being considered not material with regard to the Group's materiality thresholds, the amount of OpEx within the meaning of the Taxonomy representing **less than 5%** of total Group OpEx. This observation, combined with the fact that the Group's activities are not eligible to date, leads the Group to use the exemption provided for not calculating the Taxonomy OpEx KPI in more detail.

1. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852&from=EN>

2. [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PI_COM:C\(2021\)2800](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PI_COM:C(2021)2800)

2.7.2.2.3.2 Presentation of Taxonomy indicators: eligible CapEx

The analysis of the eligibility for CapEx was conducted by analysing the various operational investments of the Group by category. In particular, investments related to the construction of new buildings, the renovation of existing buildings as well as ad-hoc work related to the energy efficiency of buildings were analysed in detail by the real estate development department with the help of an external firm on methodology.

Figures related to the analysis of **the 2021 CapEx within the meaning of the Taxonomy** are presented below:

<i>In millions of euros</i>	Amounts for 2021
Operating investments (IAS 16 and IAS 38)	532
◆ Eligible investments after analysis	218
Eligibility ratio of operational investments	41%
Right-of-use assets (IFRS 16)	267
◆ Right-of-use assets eligible at 100%	267
Overall total CapEX Taxonomy	799
Taxonomy CapEx eligibility ratio	61%

These CapEx related to real estate investments do not fully reflect the efforts made by the Group within the Sustainable Construction Framework of the real estate development department. These guidelines were created according to the strictest requirements in terms of CO₂ emissions, air quality, local supplies, and respect for biodiversity, in addition to using criteria related to the environmental quality and comfort in use of buildings (§ 2.5).

In addition, as required under the Taxonomy, the change in right-of-use assets relating to leases recognised in accordance with IFRS 16 was included with an eligibility ratio of 100%.

The CapEx indicator obtained is 61%, with a strong contribution from right-of-use assets. The Group's operational investment eligibility ratio is 41%.

The Group will revise its methodology and its eligibility analysis as the Taxonomy is implemented and according to changes to the activities listed and the technical review criteria.

EXPERTS' HANDBOOK

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).



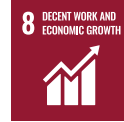
No. 1: No poverty

- ◆ 1.a “Ensure significant mobilisation of resources from a variety of sources, including through enhanced development cooperation, in order to provide adequate and predictable means for developing countries, in particular least developed countries, to implement programmes and policies to end poverty in all its dimensions”
- ◆ 1.b “Create sound policy frameworks at the national, regional and international levels, based on pro-poor and gender-sensitive development strategies, to support accelerated investment in poverty eradication actions”



No. 4: Quality education

- ◆ 4.4 “By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship”



No. 8: Decent work and economic growth

- ◆ 8.1 “Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries”
- ◆ 8.3 “Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services”



No. 9: Industries, innovation and infrastructure

- ◆ 9.5 “Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending”



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”
- ◆ 11.b “By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels”
- ◆ 11.3 “By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries”
- ◆ 11.4 “Strengthen efforts to protect and safeguard the world’s cultural and natural heritage”



No. 12: Responsible consumption and production

- ◆ 12.6 “Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle”



No. 15: Life on land

- ◆ 15.1 “By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements”
- ◆ 15.2 “By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally”
- ◆ 15.5 “Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species”



No. 17: Partnerships for the goals

- ◆ 17.1 “Strengthen domestic resource mobilisation, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection”
- ◆ 17.17 “Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships”

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 SAS; Axel Dumas – Executive Chairman

In 2021, the Group made progress on the main issues relating to ethics and compliance, with the aim of making a long-term difference through steady improvements with a significant impact. Among these, the selected element below is particularly illustrative of 2021 for this section:

- ◆ Rollout of e-learning course on ethics (9,000 people).

2.8.1 PROMOTING ETHICS

The Hermès Group's ethics policy aligns with the universal framework set down by the major principles, standards and international agreements. 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.

POLICY

The Group's policy is to maintain, wherever it operates, healthy and lasting relationships with its employees, customers, suppliers, partners and communities. This approach is organised with a specific governance, demonstrated at the highest level of the organisation, a policy, efforts to promote and raise awareness of ethics and integrity issues, and using tools that formalise its commitments.

The promotion of ethical values is supported through actions to raise awareness and provide training in the Group's policies for the Group's 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 is committed to respect the major principles, standards and international agreements:

- ◆ the Universal Declaration of Human Rights;
- ◆ the charter of fundamental rights of the European Union;
- ◆ the International Labour Organization's declaration on fundamental rights, 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 bribery of foreign 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, given to all employees and available on the Group intranet, as well as on the website: <https://finance.hermes.com/en/ethics-human-rights-and-diversities/>.

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 SAS; 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 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-diversities/>.

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;
- ◆ relations between Hermès and its suppliers;
- ◆ relations between Hermès and its customers;
- ◆ relations between Hermès and its shareholders;
- ◆ uncompromising principles of Hermès objects;
- ◆ relations between Hermès and society;
- ◆ 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 instil 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 lays down the House’s guiding principles on **business ethics**. 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-diversities/>. 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 ethics risks and to instil 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, 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:

- ◆ via the line management or via the Human Resources or the Ethics Committee; or
- ◆ via an online solution 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 ethics” section).

These reports are treated confidentially and in line with the applicable legal framework, protecting the whistle-blower.

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.

2.8.1.2 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 Corporate Development and Social Affairs, 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 these alerts.

The Ethics Committee met formally twice in 2021 and its members interact with each other as often as necessary.

2.8.1.2.2 Legal compliance department

The main task of the legal compliance department is to design, develop, implement and lead compliance programmes and ethics policies worldwide. It identifies, evaluates and controls the compliance risks to which the Hermès Group is exposed, verifies compliance with the various laws and regulations, and ensures the coordination, implementation and updating of compliance programmes, in close cooperation with the Group's various departments. The Compliance Chief Officer reports to the Group General Counsel, who reports to the Executive Vice-President of Corporate Development and Social Affairs, member of the Executive Committee, who in turn reports to the Group's Executive Chairman.

The independence of the Compliance Chief Officer is ensured by direct reporting, on a regular basis, to the Executive Vice-President of Corporate Development and Social Affairs. Meetings are accordingly held on a regular basis.

The Compliance Chief Officer chairs and oversees the Compliance and Vigilance Committee. He is also a member of the Ethics Committee, chaired by the Executive Vice-President of Corporate Development and Social Affairs.

The Compliance Chief Officer reports to the Audit and Risk Committee of the Hermès International Supervisory Board.

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 control officers, 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 and combatting 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:

- ◆ Compliance Chief Officer;
- ◆ Group General Counsel;
- ◆ Director of Audit and Risk management;
- ◆ Director of Sustainable Development;
- ◆ Director of Consolidation, Taxation and Management Control;
- ◆ Group Director of Labour Relations;
- ◆ Group Direct Purchasing Manager;
- ◆ Group Indirect Purchasing Director;
- ◆ Group Director of Retail Activities.

The Compliance and Vigilance Committee meets regularly (four times in 2021).

Its duties specifically include:

- ◆ the definition of compliance guidelines;
- ◆ advice and recommendations on prevention and monitoring actions in terms of duty of care and the fight against corruption for all Group entities;
- ◆ the management of the deployment of awareness-raising and training campaigns for employees most at risk.

For example, in 2021, the Compliance and Vigilance Committee monitored the creation and rollout of an anti-corruption e-learning module, the strengthening of the first, second and third-level control systems, as well as accounting controls dedicated to the fight against corruption.

Generally speaking, the actions of the Compliance and Vigilance Committee contribute to:

- ◆ the provision of expertise;
- ◆ the dissemination of a culture of compliance by relaying the programmes to the entities' governing bodies and employees;
- ◆ ensuring programme coordination and consistency;
- ◆ developing the Group's policies in this area.

2.8.1.2.4 Network of compliance ambassadors within the Group

Legal teams located in France (Paris and Lyon) and abroad, particularly in the United States, China, Japan, Singapore and South Korea, are part of network of compliance ambassadors. 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 control officers and auditors also play a role in the implementation and monitoring of the application of compliance programmes (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

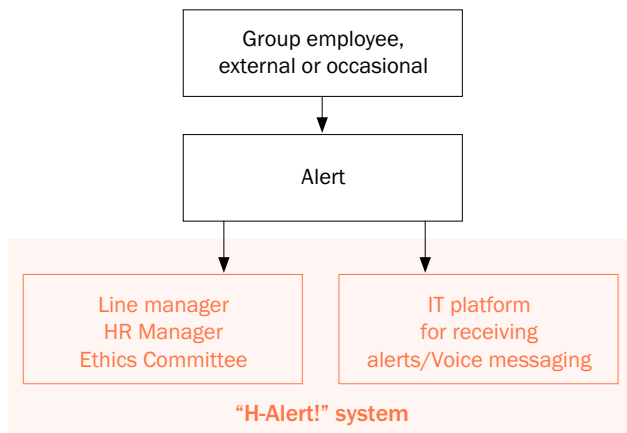
2.8.1.3.1 Professional whistleblowing line

In order to ensure compliance with laws and regulations and to step up the fight against breaches of ethics and integrity, in 2019 the Group introduced its global whistleblowing system, *H-Alert!*, intended to enable its employees worldwide, as well as its external and occasional employees, to report breaches and violations of which they are personally aware. It is supplemented by an e-mail whistleblowing system for its suppliers and commercial partners.

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 alert is made in accordance with the legislation in force. 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. The alert processing time varies depending on the complexity of the alert, in strict compliance with legal and regulatory provisions.

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 2021, 53 alerts were received through the *H-Alert!* system. All alerts were followed up 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, the Hermès Group has provided its suppliers and subcontractors, concessionaires, distributors and sales intermediaries with an external whistleblowing mechanism in the form of a generic email address, in the event of a breach or situation contrary to the ethics, social and environmental principles. These alerts are analysed by the legal department and the operating departments concerned.

The Company undertakes not to impede access to legal or other available mechanisms, including mediation processes, for any persons reporting negative impacts, especially on human rights, and undertakes to protect the whistle-blower.

2.8.1.3.2 Sanctions system set up

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, internal rules of procedure, for example, 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 ethics 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".

2.8.1.3.4 Training programmes 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.

Training provided by the legal department

Specific face-to-face or distance 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 financial year 2021, the training programme continued despite the context of the health crisis, and face-to-face or remote training was provided in many Group entities: 17 training sessions were held and 405 employees were trained.

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 training programme (e-learning) dedicated to ethics and the fight against corruption has been rolled out to all employees worldwide, as well as to external and occasional employees. It uses practical scenarios to give them the keys to preventing risks of corruption and breaches of ethics. This e-learning system includes a

comprehension and simulation exercise, for which a minimum score must be achieved, to ensure that employees have fully understood the risks of corruption and how to manage them. This e-learning is mandatory for all people considered to be exposed to the risk of corruption in accordance with the Group's corruption risk mapping. In 2021, more than 9,000 people followed this programme.

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 2021, 628 people attended 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 these risks 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. This module is regularly delivered in all subsidiaries worldwide. Since the creation of the module in 2017, 7,570 people have been trained. 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 (members of the Management Committees, support, sales staff, stockists, cashiers, managers, etc.).

The content of this training module was updated in 2021.

The purchasing department provides training for purchasers and, makes them aware, in particular, of the risks of corruption in their daily tasks. At its own level, it ensures the implementation of these ethical ambitions thanks to the CSR brief, distributed to the House's suppliers and partners. This document may be consulted at: <https://finance.hermès.com/en/sustainable-procurement>.

The audit and risk management department trains its internal control officers and participates in the Group training sessions in order to promote an awareness of risk management and internal control best practices amongst the management. Activities focusing on ethics and compliance issues continued this year with the organisation of three seminars by the audit and risk management department for internal control officers in all Group entities throughout the world.

2.8.2 THE FIGHT AGAINST CORRUPTION

"Combatting corruption is a clear priority for the Hermès Group.

The culture of probity, integrity and transparency is intrinsic to the values of Maison Hermès. Since its creation, the House has endeavoured to promote it to its employees, business partners and stakeholders".

Axel Dumas – Executive Chairman and Olivier Fournier – Executive Vice-President of Corporate Development and Social Affairs

POLICY

Corruption is in contradiction with the values of the Hermès Group. 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 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-diversities/>.

The Hermès Group continues to improve its corruption prevention plan, in accordance with the requirements of French law 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 validated 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 detailed 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 Ethics Committee

The governance of the Ethics Committee is explained in §2.8.1.2.1 above.

2.8.2.2.4 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 RESULT

2.8.2.3.1 Risk mapping

“The update in 2020 of the Group's anti-corruption risk mapping, as well as all the recommendations resulting from the action plans aimed at controlling these risks, demonstrate the Group's unwavering commitment to combating all forms of corruption and influence-peddling.

This exercise is part of the Group's approach to continually improve its anti-corruption and influence-peddling plan to make it increasingly robust and effective.”

Axel Dumas – Executive Chairman and Olivier Fournier – Executive Vice-President of Corporate Development and Social Affairs

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. This update has been communicated to all Group entities and departments, and action plans have been put in place.

The risk mapping, carried out according to a rigorous methodology, covers all the Group's activities in all the geographical areas in which 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, a focus is put on the activities and geographical areas concerned and the third parties involved.

The participation of many 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.

Following the update of the mapping in 2020, action plans corresponding to each risk scenario were put in place in order to respond in a proportionate and effective manner to the challenges facing the Group.

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

The anti-corruption code of conduct is available on the website: <https://finance.hermes.com/en/ethics-human-rights-and-diversities/>.

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.

2.8.2.3.3 Whistleblowing system

The *H-Alert!* internal Group whistleblowing system is described in paragraph 2.8.1.3.1 above. It is supplemented by an external e-mail whistleblowing system managed by the Group legal department.

2.8.2.3.4 Procedures for assessing the situation of customers, 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 average length of relationships with suppliers in the industrial sector is 20 years and a large majority of these partnerships are European.

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 the *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 manage their relationships with third parties and update their assessments and engagement policies on a regular basis. The distribution in 2021 of the CSR briefs is a step forward in the formalisation and dissemination of our high standards. 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. An accounting control procedure dedicated to the prevention and detection of corruption and influence-peddling was put in place in 2020 and controls were carried out in 2021.

Furthermore, annual self-assessment campaigns (see § 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.

2.8.2.3.7 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.

2.8.2.3.8 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 relating to ethics and integrity as described in Group procedures and, in particular, those relating to the fight against corruption and influence-peddling;
- ◆ the second level of control involves internal control officers 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 control officers;

- ◆ 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 § 2.8.1.1.3).

2.8.3.1 DATA PROTECTION OFFICER

The Group Data Protection Officer is responsible for 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 Compliance Chief Officer, who reports to the Group General Counsel, reporting to the Executive Vice-President of Corporate Development and Social Affairs, member of the Executive Committee, who in turn reports to the Group's Executive Chairman.

2.8.3.2 “PERSONAL DATA PROTECTION” GOVERNANCE

The Data Protection Officer relies on a network of people throughout the Group – mainly consisting of the Head of Information Systems Security (CISO), members of the legal department, and internal control officers. This network enables him or her to be regularly informed of issues related to the processing of personal data, to ensure that they are dealt with consistently by the subsidiaries and to be alerted to local legal and regulatory changes where applicable.

Data protection guidelines have been rolled out to the network of internal control officers since 2020 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 matrix of precise and concrete annual controls to be carried out by internal control officers has been added to the rollout of the guidelines.

In 2021, a Regional Data Protection Officer was appointed for China, enabling the Group to strengthen its support and expertise in a constantly changing local legislative context (in particular the new law on the protection of personal data that entered into force on 1 November 2021). The Regional Data Protection Officer acts in coordination with the Group Data Protection Officer and the local legal department in order to maintain consistency in the management of personal data across the entire Hermès Group.

2.8.3.3 MAIN ACTIONS IMPLEMENTED

The awareness-raising and training programme was enhanced with new employee training sessions. In particular, the French human resources teams continued to be trained, across all *métiers*, as part of the rollout of a new human resources management information system. This awareness raising and training programme is complemented by the international release of an online training module (e-learning) for all Group employees and translated into 11 languages. To date, nearly 9,000 people in the most sensitive functions and *métiers* have taken this module.

The principles of protection of privacy by design and by default are ensured by the use of 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 2021, 269 projects 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 their geographical origin and the contact channel used. In 2021 (figures from November 2020 to November 2021), 457 requests were processed, of which 10% were requests for modifications, 15% requests for information, 10% requests for access and 60% 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 controllers of Group entities to assess compliance with the Group's rules and applicable regulations.

2.8.4 DUTY OF CARE

Hermès is committed to respect for human rights and fundamental freedoms, the health and safety of employees and the protection of the environment. It ensures control through a policy and concerted actions.

POLICY

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 reasonable 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 care (human rights, fundamental freedoms, health and safety and environmental protection) and to the development of measures to prevent breaches, in particular within its supply chains.

To do this, it works with the Group's main support departments and relies on the Compliance and Vigilance Committee (see § 2.8.1.2.3).

2.8.4.1 ACTIONS IMPLEMENTED AND RESULT

Each year, the legal compliance department reviews the actions taken within the Group as part of the vigilance plan. This is set out in the table below and refers to Group policies, measures implemented in 2021, as well as key performance indicators.

CROSS-REFERENCE TABLE

HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS

	Group activities	Suppliers and subcontractors
Risk mapping	<ul style="list-style-type: none"> ◆ Non-financial risk analysis (2.1.4) 	<ul style="list-style-type: none"> ◆ Analysis by supply chain (2.4.2) ◆ Risk mapping (2.6.1.2) <p>Indicators: 108 purchasing categories identified 93% of risk mappings by purchase category completed At end-2021, 74 raw material supply chains analysed</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 (2.6.1.1.3) ◆ 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) ◆ Supplier audits by a third-party organisation (2.6.1.3.2) <p>Indicators: 66 audits of tier one suppliers and 47 audits of tier two suppliers in 2021 (direct purchases) 322 suppliers on EcoVadis</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 (2.3.2.3) ◆ Responsible management and Social diversity (2.2.2.1) <i>Alterego</i> training programme ◆ Health and well-being at work initiative (2.2.1.1) (73% 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) ◆ Social, environmental and ethics policy (Handbook 2) (2.6.1.3) ◆ CSR brief communicated to suppliers and partners (social and environmental issues) (2.6.1.4) ◆ Launch of a certification or label award process for 32 supply chains (2.4.2.1) ◆ Monitoring audits (2.6.1.3) <p>Indicators: Signature rate for Handbook 2: 89%</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 (2.6.1.5)
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 (2.1.1) ◆ Number of hours devoted to training: over 423,317 hours (2.3.2) ◆ Gender pay equality index: 90/100 (2.2.2.1.3) 	<ul style="list-style-type: none"> ◆ System of monitoring by audit and risk management department (2.6.1.3)

HEALTH & SAFETY

	Group activities	Suppliers and subcontractors
Risk mapping	<ul style="list-style-type: none"> ◆ CSR risk analysis (2.1.3 and 2.1.4) 	<ul style="list-style-type: none"> ◆ Analysis by supply chain (2.4.2) ◆ Risk mapping by purchase category (2.6.1.2) <p>Indicators: 108 purchasing categories identified 93% of risk mappings by purchase category completed</p>
Regular assessment procedures	<ul style="list-style-type: none"> ◆ EHS audits conducted by an external specialist (2.2.1.1) ◆ Information system rolled out on sites for Group health and safety reporting (2.2.1.1) ◆ Internal safety audits (2.2.1.1) ◆ 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) ◆ 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) ◆ Audits conducted by specialist service providers in certain channels (alligator, cashmere, wood) WWF (2.4.2) ◆ Supplier audits by a third-party organisation (2.6.1) <p>Indicators: 66 audits of tier one suppliers and 47 audits of tier two suppliers in 2021 322 suppliers on EcoVadis</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) ◆ EHS regulatory monitoring conducted by an external specialist and distributed to each industrial <i>métier</i> (2.2.1.1.2) ◆ Coordination of the Environmental, Health and Safety network by the industrial affairs department, training and sharing best practices (2.2.1.1.2) ◆ Health and well-being at work initiative (2.2.1.1.1) (73% participation rate over the last three years) 	<ul style="list-style-type: none"> ◆ Training for direct and indirect purchasers (2.6.1) ◆ Social, environmental and ethics policy (Handbook 2) (2.6.1.4) ◆ CSR brief communicated to suppliers and partners (social and environmental issues) (2.6.1.4) ◆ Launch of a certification or label award process for 32 supply chains (2.4.2.1) ◆ Monitoring audits (2.6.1) <p>Indicators: Signature rate for Handbook 2: 89%</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 (2.2.1.1.3) 	<ul style="list-style-type: none"> ◆ Professional whistleblowing email alert address for suppliers and subcontractors (2.6.1.5)
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 EHS compliance audits in our various units (2.2.1.1.2) <p>Indicators: Work accident rate: 9.07 with a severity rate of 0.34 (2.2.1.1.3) Turn-over: 1.38% (2.3.1)</p>	<ul style="list-style-type: none"> ◆ System of monitoring by audit and risk management department (2.6.1.3)

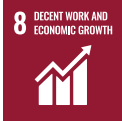
ENVIRONMENT

	Group activities	Suppliers and subcontractors
Risk mapping	<ul style="list-style-type: none"> ◆ CSR risk analysis (2.1.3 and 2.1.4) ◆ Climate risk mapping (2.5.4) 	<ul style="list-style-type: none"> ◆ Analysis by supply chain (2.4.2) ◆ Risk mapping by purchase category (2.6.1.2) ◆ Study of the physical risks related to climate change (2.5.4) <p>Indicators: 108 purchasing categories identified 93% of risk mappings by purchase category completed Climate change: two value chains studied, using six direct supply chains impact scenarios and two systemic scenarios with direct and indirect impacts on Hermès' global activity (2.5.4).</p>
Regular assessment procedures	<ul style="list-style-type: none"> ◆ EHS audits conducted by an external specialist (2.2.1.1.2) ◆ Water risk assessment with WWF (2.5.4.1) ◆ Tools for updating the overall assessment of greenhouse gas emissions from Group production and distribution sites (2.5.4.2) ◆ Audits of the supply chains for exotic skins by external parties (WWF, veterinarians, associations, etc.) (2.4.2) ◆ 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) ◆ 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) ◆ Audits conducted by specialist service providers in certain channels (alligator, cashmere, wood) WWF (2.4.2) ◆ Supplier audits by a third-party organisation (2.6.1.3) <p>Indicators: 66 audits of tier one suppliers and 47 audits of tier two suppliers in 2021 322 suppliers on EcoVadis</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> (2.2.1.1.2) ◆ Coordination of the Environmental, Health and Safety network by the industrial affairs department, training and sharing best practices (2.2.1.1.2) ◆ Sustainable development ambassadors: over 350 employees worldwide (2.3.2.3) ◆ Limiting the consumption of natural resources (2.5.2) <p><i>Improving production processes (2.5)</i></p> <ul style="list-style-type: none"> ◆ Combating climate change (2.5.4) ◆ Limiting the carbon impact in scopes 1, 2 & 3 and carbon offset (2.5.4) ◆ Waste management (2.5.3) ◆ Respect and protect biodiversity (2.5.5) <p><i>High-quality supplies, and work on animal welfare (2.4.2), Global biodiversity score (2.5.5.3)</i></p> <ul style="list-style-type: none"> ◆ Circular economy (2.4.1) ◆ 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) ◆ Social, environmental and ethics policy (Handbook 2) (2.6.1.3) ◆ CSR brief communicated to suppliers and partners (social and environmental issues) (2.6.1.4) ◆ Launch of a certification or label award process for 32 supply chains (2.4.2.1) ◆ Monitoring audits (2.6.1.3) <p>Indicators: Signature rate for Handbook 2: 89%</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 (2.6.1.5)

	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 EHS compliance audits in our various units (2.2.1.1.2) <p>Indicators: CDP Climate Change score: A- (2.5.2) Water consumption at industrial sites (2.5.2) Energy consumption at industrial sites (2.5.2)</p>	<ul style="list-style-type: none"> ◆ System of monitoring by audit and risk management department (2.6.1.3)

EXPERTS' HANDBOOK

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



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”*
- ◆ 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”*



No. 16: Peace, justice and strong institutions

- ◆ 16.b *“Promote and enforce non-discriminatory laws and policies”*
- ◆ 16.5 *“Substantially reduce corruption and bribery in all their forms”*
- ◆ 16.5 *“Reduce corruption and bribery”*
- ◆ 16.10 *“Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements”*

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

For the year ended 31 December 2021

This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditor of Hermès International (hereinafter the "entity"), appointed as an independent third party and certified by COFRAC (Cofrac Inspection Accreditation no. 3-1060, whose scope is available at www.cofrac.fr), we hereby report to you on the consolidated non-financial information statement for the year ended 31 December 2021 (hereinafter the "Statement"), included in the Group 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, Executive Management is responsible for preparing the Statement, which must include a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented in light of those risks and the outcome 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 head office.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by the provisions of article L.822-11-3 of the French Commercial Code 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 standards 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 consistency of the Statement with the provisions of article R.225-105 of the French Commercial Code;
- ♦ the fairness of the information provided in accordance with article R.225-105 I, 3 and II of the French Commercial Code, i.e., the outcome of the policies, including key performance indicators, and the measures implemented in light of 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 law and anti-corruption and tax legislation;
- ♦ the consistency of products and services with the applicable regulations.

NATURE AND SCOPE OF OUR WORK

The work described below was performed in accordance with the provisions of articles A.225-1 et seq. of the French Commercial Code determining the conditions in which the independent third party performs its engagement and with the professional standards applicable in France 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 consistency 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 the impact of those risks on compliance with human rights and anti-corruption and tax evasion legislation, as well as the resulting policies and their outcomes;
- ◆ we assessed the appropriateness 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 paragraph 2 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 the 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 results that we considered to be the most important (see the list provided 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,
 - tests of details, 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 20% and 69% 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 (see the list provided in the appendix);
- ◆ 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 Group Real Estate Department: Cannes (France), Paris George V (France), Palermo (Italy), Rome (Italy), Vancouver (Canada), Toronto (Canada), East Coast Corporate Office (United States), New York Madison 691 (United States), NY Madison 635 (United States), NY Wall Street (United States), Hawaii Ala Moana (United States), Miami (United States), Hangzhou (China), Chengdu (China), Hong Kong Plaza (Hong Kong), Shanghai Maison (China), Seoul Dosan Park (South Korea), Ginza Maison H (Japan). For the Industrial Affairs Department: Ateliers HCl (Italy), Compagnie des Cristalleries de Saint-Louis (France), Pyramide (France), J3LP (Portugal), SIEGL (France), Gordon Choisy Montereau (France), Tanneries d'Annonay (France), Tanneries du Puy (France), Janamba Croc Farm (Australia), Pinnacle Alligator Farm (United States). For the Human Resources Department: Pôle Maison (France), Hermès Homme (France), Hermès Femme (France), Hermès IDO (France), Hermès Bijouterie (France), Hermès International (France), Hermès Commercial (France), Manufactures de Franche-Comté (France), Compagnie des Cuirs précieux (France), Tanneries d'Annonay (France), Tanneries de Montereau (France), Tanneries de Vivoin (France), Maroquinerie du Sud-Ouest (France), Maroquinerie des Alpes (France), Hermès Maroquinerie Sellerie (France), Hermès Parfums (France), Hermès APAC HK & Macao (Hong Kong and Macao), Hermès China & China Trading (China), Hermès APAC Taiwan (Taiwan), Hermès Japon (Japan).

MEANS AND RESOURCES

Our work was carried out by a team of eight people between November 2021 and March 2022 and took a total of ten weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted some 15 interviews with the people responsible for preparing the Statement, representing the Industrial Affairs Department, the Group Real Estate 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 consolidated non-financial information statement is not in accordance with the applicable regulatory provisions and that the Information, taken as a whole, is not presented fairly and in accordance with the Guidelines.

Neuilly-sur-Seine, 3 March 2022

One of the Statutory Auditors
PricewaterhouseCoopers Audit

Olivier Auberty
Partner



Sylvain Lambert
Partner in charge of the Sustainable Development Department



APPENDIX: LIST OF INFORMATION THAT WE CONSIDERED TO BE THE MOST IMPORTANT

Key performance indicators and other quantitative results:

Main risks or opportunities identified	Sections of the management report presenting the associated policies, measures and outcomes reviewed as part of our work
Teams	Chapter 2.2 <i>Including outcomes 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 deaths following a work accident* ◆ Number of occupational illnesses* ◆ Absenteeism rate in France* ◆ Number of disability officers ◆ Number of social dialogue agreements signed in France in 2021
Savoir-faire	Chapter 2.3 <i>Including outcomes and KPIs:</i> <ul style="list-style-type: none"> ◆ Number of training hours* ◆ Percentage of items produced in-house and in exclusive workshops ◆ Number of Living Heritage Companies ◆ Number of partnerships with leatherworker training schools in France
Materials	Chapter 2.4 <i>Including outcomes and KPIs:</i> <ul style="list-style-type: none"> ◆ Change in the overall tonnage of industrial waste* ◆ Percentage of Eoko-TEX certified cotton pouches ◆ Percentage of recycled gold and silver processed in workshops (excluding semi-finished products and suppliers)
Environment	Chapter 2.5 <i>Including outcomes and KPIs:</i> <ul style="list-style-type: none"> ◆ Total water consumption of industrial sites and farms* ◆ Gas consumption of industrial sites and farms* ◆ Electricity consumption of industrial sites and farms and stores and offices* ◆ Fuel consumption of industrial sites and farms* ◆ Renewable energy consumption of industrial sites and farms* ◆ Total energy consumption of industrial sites and farms* ◆ Weight of ordinary industrial waste (OIW) of industrial sites and farms* ◆ Weight of hazardous industrial waste (HIW) of industrial sites and farms* ◆ Scope 1 and scope 2 carbon emissions of industrial sites and farms* ◆ Scope 3 carbon emissions* ◆ Percentage of industrial waste recycled ◆ Percentage of the Group's activities covered by the GBS study ◆ Percentage of green electricity at Group level
Stakeholders and transparency	Chapter 2.7 <i>Including outcomes and KPIs:</i> <ul style="list-style-type: none"> ◆ Percentage of purchasing categories that have been risk-mapped and risk-analysed by supplier ◆ Number of supplier audits conducted ◆ Number of raw material chains that have undergone supplier risk analysis ◆ Amount of purchases from supported and protected sectors in France

1. At the request of Hermès International, we performed more extensive procedures on the outcomes and key performance indicators presented in the table with the "*" symbol, enabling us to express a reasonable assurance conclusion regarding said selected information. Our reasonable assurance report is available on request from the Company's headquarters.

Qualitative information (measures and outcomes):

- ◆ Climate Champion Award – Challenges;
- ◆ Most responsible “Clothing and accessories” company – Le Point Statistica;
- ◆ 7th best employer in France – Glassdoor;
- ◆ Validation of the carbon trajectory by the SBTi;
- ◆ Supplier CSR Brief;
- ◆ Animal Welfare Policy;
- ◆ Maternity Policy;
- ◆ Diversity and Inclusion Barometer;
- ◆ Deployment plan for the Campus Hermès training offer;
- ◆ “Storytellers of Culture” training;
- ◆ Hermès apprenticeship training centre dedicated to the leather goods industry;
- ◆ Number of “Best Artisans in France” (*Meilleurs Ouvriers de France* – MOF) within Hermès;
- ◆ Naturalness indicator for fragrance ingredients;
- ◆ CDP water security score;
- ◆ Membership of the ZDHC initiative;
- ◆ Science-based targets;
- ◆ Sector Brief;
- ◆ HMS Handispensable Day;
- ◆ Collaboration with Sup de Sub;
- ◆ Launch of new projects financed by the 2nd Carbon Livelihoods Fund;
- ◆ H-Alert! system;
- ◆ Procedure for auditing accounts deemed to be the “most sensitive”;
- ◆ ISP information systems security procedure.

2.10 REASONABLE ASSURANCE REPORT BY ONE OF THE STATUTORY AUDITORS ON A SELECTION OF ENVIRONMENTAL AND SOCIAL INFORMATION PUBLISHED IN THE MANAGEMENT REPORT OF HERMÈS INTERNATIONAL

For the year ended 31 December 2021

2

This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

Further to your request and in our capacity as Statutory Auditor of Hermès International, we have performed the review described below for the purpose of expressing reasonable assurance on a selection of social and environmental indicators published in the 2021 management report.

The environmental and social information selected by Hermès International is as follows:

- ◆ Total workforce and breakdown
- ◆ Number of dismissals
- ◆ Number of training hours
- ◆ Absenteeism rate in France
- ◆ Work accidents, Frequency rate, Severity Rate
- ◆ Number of occupational illnesses
- ◆ Total water consumption of industrial sites and farms
- ◆ Gas consumption of industrial sites and farms
- ◆ Electricity consumption of industrial sites and farms
- ◆ Fuel consumption of industrial sites and farms
- ◆ Renewable energy consumption of industrial sites and farms
- ◆ Total energy consumption of industrial sites and farms
- ◆ Change in the overall tonnage of industrial waste
- ◆ Weight of ordinary industrial waste (OIW) of industrial sites and farms
- ◆ Weight of hazardous industrial weight (HIW) of industrial sites and farms
- ◆ Scope 1 and scope 2 carbon emissions of industrial sites and farms
- ◆ Scope 3 carbon emissions

The information was prepared under the responsibility of the Industrial Affairs Department, the Human Resources Department and the Sustainable Development Department in accordance with the Company's procedures, which are available on request from the Company's head office.

Our role is to form a reasonable assurance conclusion on the selected information, based on our work. The following conclusions relate to the selected information and not to all CSR information contained in the management report.

NATURE AND SCOPE OF OUR WORK

We performed our work in accordance with the professional standards applicable in France to such engagements, as well as with ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

We performed the procedures described below in order to obtain reasonable assurance that the selected information was prepared, in all material respects, in accordance with the Company's procedures:

- ◆ we reviewed, at Group level, the appropriateness of the reporting procedures used by the Company as regards relevance, completeness, reliability, objectivity and clarity;
- ◆ we verified the implementation of data collection, compilation, processing and control processes to ensure the completeness and consistency of the information and obtained an understanding of the internal control and risk management procedures used to prepare the information;
- ◆ we performed analytical procedures and verified, on a sample basis, that the data had been correctly calculated and consolidated. This work involved, in particular, interviews with the persons from the Industrial Affairs and Human Resources Departments responsible for compiling and applying the procedures and consolidating the data;
- ◆ we selected a sample of entities, as follows:
 - for the Industrial Affairs Department: Ateliers HCl (Italy), Compagnie des Cristalleries de Saint-Louis (France), Pyramide (France), J3LP (Portugal), SIEGL (France), Gordon Choisy Montereau (France), Tanneries d'Annonay (France), Tanneries du Puy (France), Janamba Croc Farm (Australia), Pinnacle Alligator Farm (United States),
 - for the Human Resources Department: Pôle Maison (France), Hermès Homme (France), Hermès Femme (France), Hermès IDO (France), Hermès Bijouterie (France), Hermès International (France), Hermès Commercial (France), Manufactures de Franche-Comté (France), Compagnie des Cuirs précieux (France), Tanneries d'Annonay (France), Tanneries de Montereau (France), Tanneries de Vivoin (France), Maroquinerie du Sud-Ouest (France), Maroquinerie des Alpes (France), Hermès Maroquinerie Sellerie (France), Hermès Parfums (France), Hermès APAC HK & Macao (Hong Kong and Macao), Hermès China & China Trading (China), Hermès APAC Taiwan (Taiwan), Hermès Japon (Japan);
- ◆ with regard to the selected entities:
 - we checked that the procedures had been properly understood and correctly implemented on the basis of interviews with the persons responsible for preparing the data,
 - we performed tests of details, using sampling techniques, to verify the calculations and reconcile the data with the supporting documents.

These entities represent between 54% and 69% of the selected environmental and social information reported by the Company.

We were assisted in our work by our experts in corporate social responsibility.

CONCLUSION

Based on our work, we believe that the above-listed environmental and social information selected by the Company and reported in the 2021 management report, was prepared, in all material respects, in accordance with the guidelines used by the Company and applicable in 2021.

Neuilly-sur-Seine, 3 March 2022

One of the Statutory Auditors
PricewaterhouseCoopers Audit

Olivier Auberty
Partner



Sylvain Lambert
Partner in charge of the Sustainable Development Department



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CORPORATE GOUVERNANCE

AFR

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SUPERVISORY BOARD CORPORATE GOVERNANCE REPORT

This chapter 3 “Corporate governance” incorporates § 3.1 to 3.9, the Supervisory Board corporate governance report prepared pursuant to Article L.22-10-78 of the French Commercial Code (Code de commerce) and in accordance with the recommendations of the French 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 17 February 2022.

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.

Hermès International's Supervisory Board holds powers that are strictly defined by the Company's Articles of Association and does not have the power to appoint the Executive Chairmen or determine their compensation policy. These decisions are the responsibility of the Active partner, Émile Hermès SAS, under the aegis of its Executive Management Board. Furthermore, and this is an essential point of the Company's governance, the duties of the Supervisory Board do not entail any involvement in the Executive Management, nor any liability for management actions and the results thereof. This provision of the Afep-Medef Code is therefore not applicable to Hermès International, given its legal form and the role assigned to the Supervisory Board (described in § 3.5.1).

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 in § 3.6.2) 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 § 3.3.5.1). Since 2018, the CAG-CSR Committee has also ensured the existence of a succession plan for the Chairman of the Supervisory Board (see § 3.4.4) 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 in § 3.6.2) 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 in § 3.8.1.2.

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 in § 3.8.1.2.4.

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 Chairman of Émile Hermès SAS 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 a Senior Executive 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 in § 3.3.4.1 and § 3.3.4.2.

The Executive Management appointed two new female members to the Executive Committee on 1 March 2022, bringing the proportion of female members to 40% and the proportion of women on Governing bodies to 54.2% (excluding the Executive Chairman).

Equity ratios (Article 26.2)

These ratios and the methodology used for their calculation are presented in § 3.8.2.3.

The scope used in the denominator is that provided for in Article L. 22-10-9, 6° and 7° of the French Commercial Code (*Code de commerce*), i.e. employees of the listed company Hermès International. In addition to the legal requirement, this choice is likely to facilitate understanding of changes in ratios and the consistency of the calculation basis over time, which will be less affected by changes in the scope of consolidation (acquisitions/disposals) within the Group.

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.

They are based on the criteria of accessibility, accuracy, comparability and availability of the information presented in the four key sources of information of each company (universal registration document, website, notice of Shareholders' General Meeting – for which an award was already received last year – and ethics charter). An independent scientific committee ensures the neutrality and fairness of the ranking. It is composed of 10 members of organisations and associations representing users of information, including Paris Europlace, Euronext, AMF, IFA, SFAF, AFG and F2ic.

Hermès International was the **Winner of the “CAC Large 60” (CAC 40 and CAC Next 20) at the Grand Prix de la transparence in 2021**. This award recognises the work of all the House's teams who contribute to the production of regulated information.

This award applauded in particular:

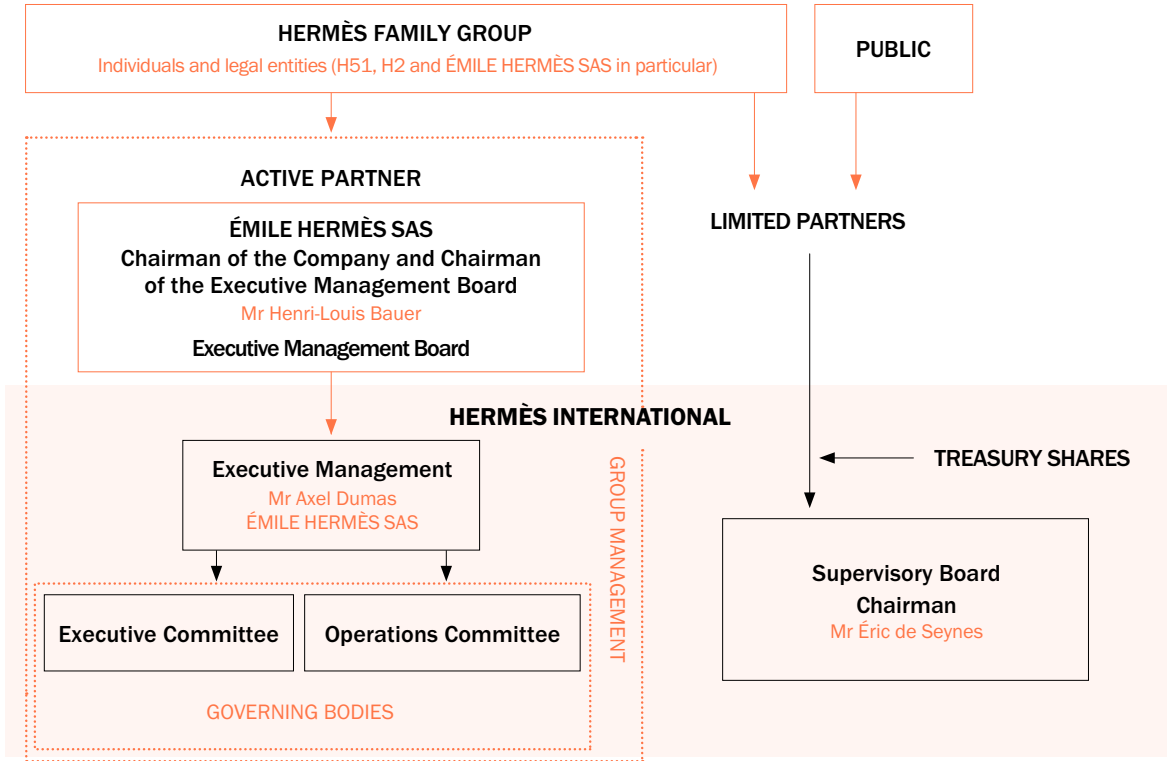
- ◆ the recent redesign of the website <https://finance.hermes.com/en>;
- ◆ the reorganisation of the CSR, governance and risk factor sections of the universal registration document, which were subject to a major semantic, informational and infographic review;
- ◆ the digital accessibility of the four information sources on which the transparency awards are based;
- ◆ the publication of the 2020 universal registration document in XHTML format.

Hermès has also made the Top 20 for the 2021 Transparency Awards and has been nominated for the “Website” and “All categories” awards.

Faithful to the values of craftspeople and the validity of the craftsmanship model, the Hermès Group strives to achieve quality in all areas and to pursue its quest for continual improvement.

3.2 AMBITIOUS AND BALANCED GOVERNANCE

3.2.1 ORGANISATIONAL STRUCTURE OF HERMÈS INTERNATIONAL AS AT 31 DECEMBER 2021



3.2.2 TWO TYPES OF PARTNERS

Hermès International was converted into a *société en commandite par actions* (partnership limited by shares – SCA) by a decision of the Extraordinary General Meeting held on 27 December 1990, in order to preserve its identity and culture and thus ensure its sustainability over the long term, in the interests of the Group and all shareholders. This singular legal form, whose capital is divided into shares, brings together two types of partners:

The Active Partner (Émile Hermès SAS) – § 3.3.1

The Active partner Émile Hermès SAS is involved in the operation and organisation of the Company. It has structuring powers.

Powers:

- ◆ determining for the Group: (i) strategic options, (ii) consolidated operating and investment budgets, and (iii) 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 (except those falling within their own powers);
- ◆ appointing or dismissing the Executive Chairmen;
- ◆ establishing the compensation policy for the Executive Chairmen;
- ◆ authorising all significant transactions (loans, guarantees, investments, etc.) when their amount exceeds 10% of the Hermès Group's net consolidated financial position;
- ◆ formulating recommendations to the Executive Management on all issues of general interest to the Group;
- ◆ proposing the appointment or dismissal of members of the Supervisory Board.

Émile Hermès SAS has been the sole Active partner of Hermès International since 1 April 2006.

The Executive Management Board of Émile Hermès SAS exercises the powers attached to being an Active partner of the Company.

The Active partner cannot participate in the vote on the appointment of members of the Supervisory Board at a General Meeting. The shares held in the Company are therefore removed from the quorum of the resolutions of the General Meetings concerned.

The Active partner is jointly and severally liable for the Company's debts.

In accordance with Article 26 of the Articles of Association, each year, the Company pays the Active partner an amount equal to 0.67% of the distributable profits.

The Limited Partners (shareholders) – chapter 7 “Information on the Company and its share capital”, § 7.2.2

The Limited Partners or shareholders, who provide capital, enjoy limited prerogatives.

Powers:

- ◆ voting the parent company financial statements and the consolidated financial statements approved by Executive Management;
- ◆ determining the allocation of net income (including the distribution of dividends);
- ◆ approving related-party agreements;
- ◆ appointing the Statutory Auditors;
- ◆ appointing and dismissing the members of the Supervisory Board.

Any other decision of the shareholders is only valid if approved on the same terms by the Active partner.

The law explicitly prohibits them from any interference in the Company's management, for any reason whatsoever, on pain of being liable under the same conditions as the Active partner.

The liability of the shareholders is limited to the amount of their contribution.

Shareholders receive a share of the profits in the form of dividends.

The main Limited Partners are listed in § 7.2.2.5.

3.2.3 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 – § 3.3.2

The Company is currently administered and managed by two Executive Chairmen, one of whom is the Active partner.

The role of Executive Chairman is to manage the Group.

Powers:

- ◆ 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;
- ◆ exercising the broadest of powers to act on behalf of the Company in all circumstances with regard to third parties, subject to the limits of the corporate purpose and powers granted to the Supervisory Board and to Shareholders' General Meetings.

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 Management is assisted by the Executive Committee (see § 3.3.3.1) and the Operations Committee (see § 3.3.3.2), which constitute the Governing bodies.

The Joint Council – § 3.5.2.2

The Joint Council, composed of the members of the Executive Management Board of Émile Hermès SAS (see § 3.3.1.5), the Active Partner (see § 3.2.2 and § 3.3.1) and the members of the Hermès International Supervisory Board (see § 3.4) is a consultation body that has no decision-making powers of its own.

It is aware of all issues that are submitted to it or that it takes up, without being able to replace the bodies to which the decision-making powers are assigned.

Nevertheless, the Active Partner, through the Executive Management Board, and the Supervisory Board may, as the Joint Council if they so wish, take any decisions or issue any opinions within their competence.

Supervisory Board – § 3.4

The Supervisory Board is an offshoot of the General Meeting of Limited Partners. The appointment of members of the Board (except for the employee representatives) is solely that body's responsibility.

Powers:

- ◆ controlling the management of the Company (power comparable to that of the Statutory Auditors); audit of the parent company and consolidated financial statements and respect for equality between shareholders;
- ◆ determining the allocation of net income to be put to the General Meeting each financial year;
- ◆ convening the Shareholders' General Meeting whenever it deems it appropriate;
- ◆ preparing the corporate governance report;
- ◆ preparing a report to the General Meeting on the performance of its duties;
- ◆ authorising or downgrading related-party agreements;
- ◆ authorising 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 SAS;
- ◆ it must be consulted by the Active partner regarding: (i) strategic options; (ii) consolidated operating and investment budgets; (iii) proposals to the General Meeting pertaining to the appropriation of share premiums, reserves or retained earnings; and (iv) setting the compensation policy for the Executive Chairmen;
- ◆ issuing, for the attention of the Active partner, a reasoned opinion on: (i) any appointment or dismissal of any Executive Chairman of the Company; and (ii) the reduction in the notice period in the event of resignation of the Executive Chairman.

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".

The Board is supported by the work of two permanent committees:

- ◆ Audit and Risk Committee;
- ◆ Compensation, Appointments, Governance and CSR Committee or "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.

3.3 ADMINISTRATIVE AND MANAGEMENT BODIES

3.3.3 GOVERNING BODIES

The definition of the Governing bodies retained for a number of years 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.

This scope complies with the definition of Article L. 23-12-1 of the French Commercial Code (*Code de commerce*) in its wording resulting from law No. 2021-1774 of 24 December 2021 aimed at accelerating economic and professional equality (known as the Rixain law).

The policy of non-discrimination and gender balance within the Governing bodies is described in § 3.3.4.

3.3.3.1 EXECUTIVE COMMITTEE

3.3.3.1.1 Role and composition

Role

The Executive Chairmen are supported in their management of the Group by the Executive Committee. This consists of Executive Vice-Presidents, each of whom has well-defined areas of responsibility.

The role of the Executive Committee is to oversee the Group's strategic and operational management.

The Executive Committee meets every two weeks.

Its composition reflects the Group's main areas of expertise.

Composition at 01/03/2022²

11
MEMBERS

40%
WOMEN MEMBERS
(EXCLUDING
EXECUTIVE CHAIRMAN)

8 years
AVERAGE LENGTH
OF SERVICE ON THE
EXECUTIVE COMMITTEE

19 years
AVERAGE LENGTH
OF SERVICE IN THE GROUP

54 years
AVERAGE AGE¹



1

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



2

Agnès de Villers



3

Sharon MacBeath

Two new members
joined the Executive Committee
on 1 March 2022.

3.3.4 NON-DISCRIMINATION AND DIVERSITY POLICY

3.3.4.1 GENDER BALANCE POLICY IN GOVERNING BODIES

In accordance with the provisions of 2 of Article L. 22-10-10 of the French Commercial Code (*Code de commerce*), 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.

The Executive Management has set Company gender balance objectives since 2020 as follows:

Overall gender balance target for Governing bodies: the proportion of members of each gender should be at least equal to 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 described in § 3.3.3.1);
- ◆ the Operations Committee (role and composition described in § 3.3.3.2).

Time horizon: the proportion set having already been reached on 31 December 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 2022, 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 in § 3.4.3.

3.3.4.2 GENDER BALANCE OF GOVERNING BODIES

The table below illustrates gender balance on the governance bodies, on the Supervisory Board and in the Senior Executives category:

AS AT 31 DECEMBER	2021	2020
Governing bodies (Executive Committee and Operations Committee, excluding the Executive Chairman) ¹		
Proportion of women	52.2%	54.2%
Proportion of men	47.8%	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% ²	44.0% ²

(1) The appointments made to the Executive Committee on 1 March 2022 changed the composition of the Governing bodies (excluding the Executive Chairman) as follows:

- ◆ 24 members;
- ◆ 54.2% women;
- ◆ 45.8% men.

(2) Within the meaning of Article L. 3111-2 of the French Labour Code. This category comprises the 105 positions with the highest levels of responsibility according to the classification used by the Group in 2020 and 2021.

3.3.4.3 PROFESSIONAL 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.

As the results published below illustrate, the Hermès Group is constantly committed to promoting gender equality. Particular attention is paid to equality, particularly in the awarding of equal pay for equal work and ensuring equal opportunities in access to employment and internal promotions. 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.

The Group is mainly composed of women (67%), represented at all levels of the hierarchy, for example on the Operations Committee (67%).

Since 2019, Hermès has 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.

In addition, in order to offer an increasingly inclusive framework for parenthood and to support the professional careers of women, from 1 January 2022 the Group is offering paternity or adoption leave for employees in France (i.e. 62% of the House's workforce) by maintaining the compensation of the persons concerned at 100%.

In France, agreements or action plans relating to professional equality are regularly 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. These agreements define progress targets 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. Women in managerial roles and positions of responsibility at production sites also benefit from personalised coaching support.

In accordance with Article L. 1142-8 of the French Labour Code (Code du travail), on March 2022 Hermès International published the professional gender equality index for 2021, which was 99/100.

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 results obtained for each indicator are given in brackets):

- ◆ gender pay gap (39/40);
- ◆ difference in the breakdown of individual pay increases (20/20);
- ◆ breakdown of promotions (15/15);
- ◆ number of employees receiving a pay increase upon their return from maternity leave (15/15);
- ◆ number of employees of the under-represented gender among the 10 highest-paid employees (10/10).

The overall weighted average index of the Group for financial year 2021 was 90/100.

3.3.5 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 in § 3.4.4.

3.3.5.1 SUCCESSION PLAN FOR EXECUTIVE MANAGEMENT

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).

The results of the other Group companies are available at <https://finance.hermes.com/en/ethics-human-rights-and-diversities/>.

3.3.4.4 DIVERSITY POLICY AND RESULTS IN TERMS OF GENDER BALANCE IN THE TOP 10% OF POSITIONS WITH THE HIGHEST 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.

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.

Each year, the CAG-CSR Committee conducts an annual review of this plan. In early 2022, 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.

3.3.5.2 TALENT REVIEW

A new “Talent Review” process, now annual, was rolled out throughout the Group in 2020, with the following objectives:

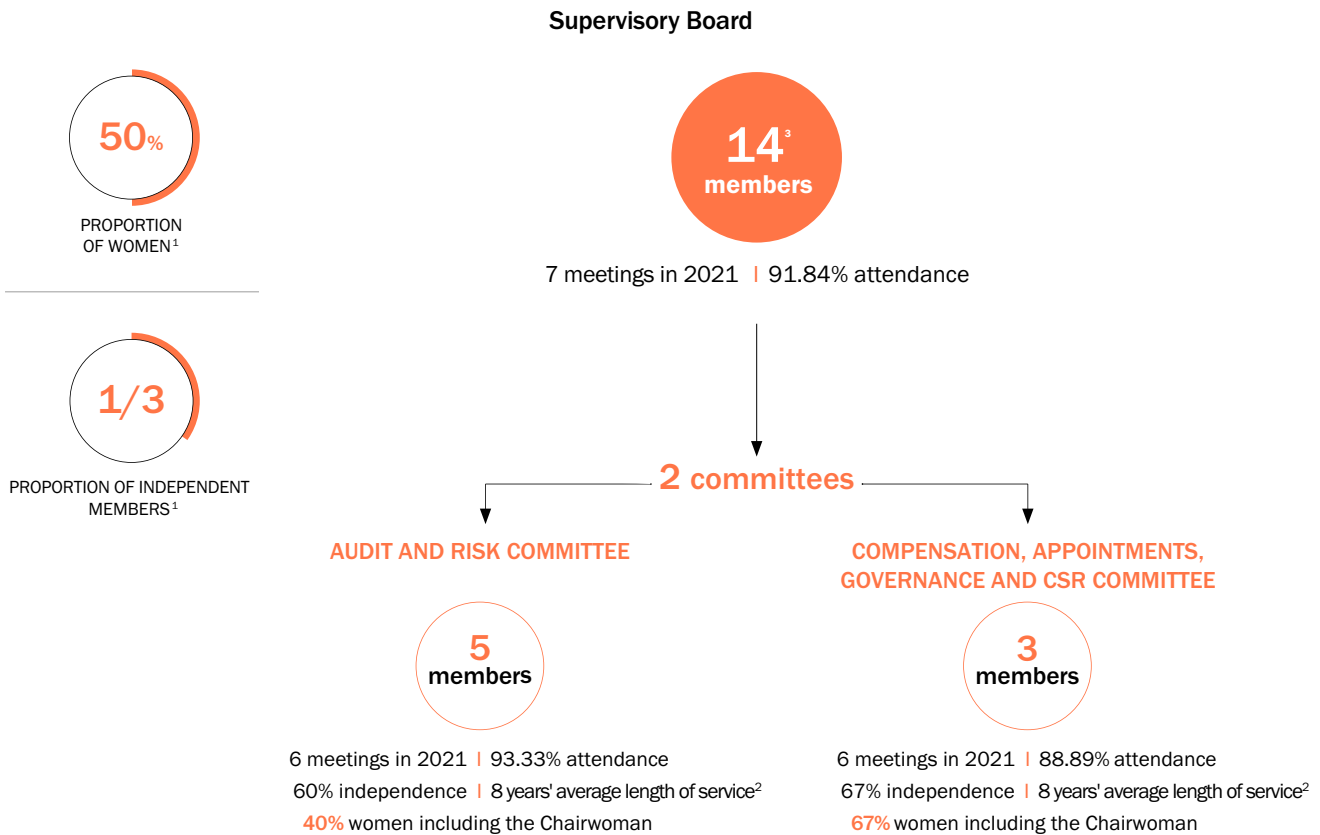
- ◆ take stock of our leadership talents to ensure succession within Hermès;
- ◆ improve anticipation of succession plans;
- ◆ engage a stronger dynamic in the development of talents.

This Talent Review covers the succession of the members of the Executive Committee and of the members of the Operations Committee.

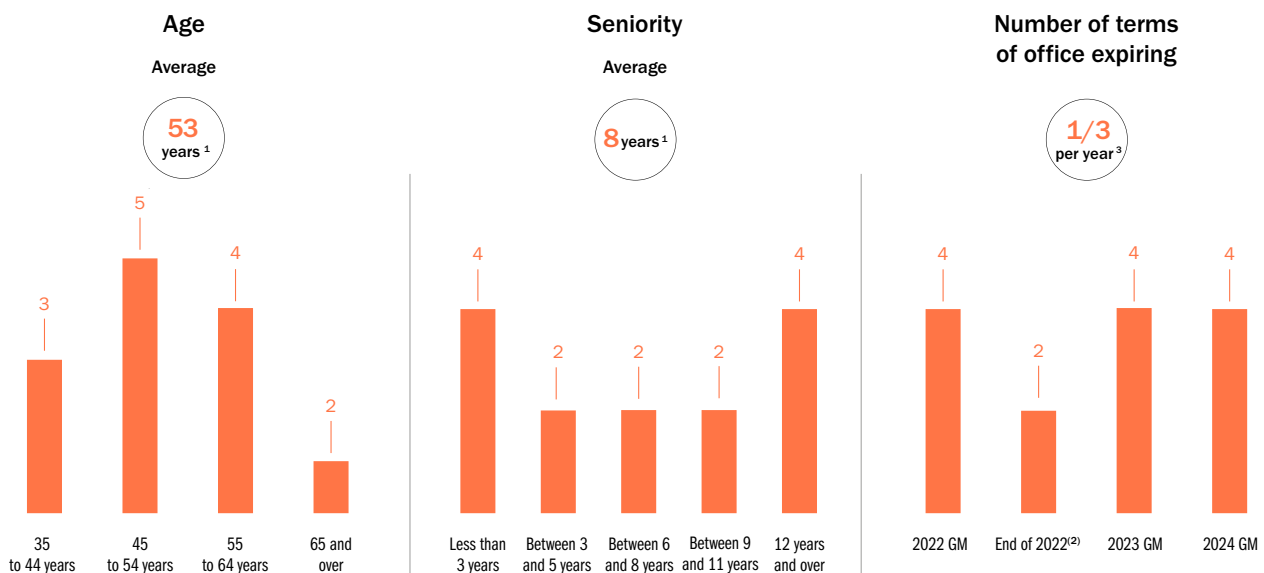
The Talent Review and succession plans for the Executive Management and the Chairman of the Supervisory Board are presented to the CAG-CSR Committee every year.

3.4 ORGANISATION OF THE SUPERVISORY BOARD

3.4.1 KEY DATA ON THE SUPERVISORY BOARD AS AT 31 DECEMBER 2021



3



- The members of the Supervisory Board representing employees are not taken into account for the calculation of these proportions.
- The ages and lengths of service indicated are determined in number of full years at 31 December 2021.
- Twelve members are appointed by the Shareholders' General Meeting and two members, representing employees, are appointed by the Group Works Council.
- Supervisory Board members representing employees.
- Excluding Supervisory Board members representing employees.

3.4.2 APPLICABLE PRINCIPLES

Number of Supervisory Board members

The Supervisory Board is composed of between three and fifteen 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.

Two Supervisory Board members representing the Group’s employees are designated by the Group Works Council in accordance with the provisions of Article L. 225-79-2 of the French Commercial Code (*Code de commerce*).

The diversity policy applied within the Supervisory Board is described in § 3.4.3.

3.4.2.1 SELECTION PROCESS FOR NEW MEMBERS OF THE SUPERVISORY BOARD

3.4.2.1.1 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 (see § 3.4.3);
- ◆ 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 SAS 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 (Article 2.2.2.1).

3.4.2.1.2 Members of the Supervisory Board representing employees appointed by the Group Works Council (Article L. 225-79-2 of the French Commercial Code)

Pursuant to Article L. 225-79-2 of the French Commercial Code (*Code de commerce*), a Supervisory Board of more than eight members must appoint two employee representatives, respecting gender parity.

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.

Since late 2019, the Supervisory Board has included two members representing employees.

3.4.2.1.3 Effective implementation

The selection process was not implemented in 2021.

It is not planned to implement it in 2022 for members of the Supervisory Board appointed by the General Meeting insofar as no appointments of new members are proposed to the General Meeting of 20 April 2022.

With regard to the members of the Supervisory Board representing the employees, the process of appointment by the Group Works Council will be implemented at the end of 2022 at the expiry of current terms of office.

3.4.2.2 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) whose duties are described respectively in § 3.5.1.2 and § 3.5.1.3.

3.4.2.3 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.

3.4.2.4 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.

3.4.2.5 NUMBER OF SHARES TO BE HELD BY MEMBERS OF THE SUPERVISORY BOARD

The rules of procedure (Article 2.2.1), 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 2021 (€1,536), this represents more than five years of compensation for a member of the Board.

The Supervisory Board meeting of 10 January 2022 noted that all members of the Supervisory Board continued to comply with this obligation as at 31 December 2021.

The number of shares held by each member of the Supervisory Board is shown in § 3.10.1.

Information on the restrictions on the sale of shares by members of the Supervisory Board is provided in § 3.10.2.3.

3.4.2.6 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" (collective age limit).

In 2021, the Supervisory Board decided to add to its rules of procedure (Article 2.1.7.1), as an internal rule, that no person may be appointed to the Supervisory Board or have his or her term renewed if they have reached the age of 80 (individual age limit).

The Chairman and Vice-Chairmen are not subject to any age limit other than the age limits applicable to all Board members (individual and collective).

No member of the Supervisory Board has reached the age of 75 and the oldest member was 68 in 2021.

The breakdown of Board members by age group is detailed in § 3.4.1.

3.4.2.7 EMPLOYEE REPRESENTATION ON THE SUPERVISORY BOARD

3.4.2.7.1 Members of the Supervisory Board representing employees (with voting rights)

Pursuant to Article L. 225-79-2 of the French Commercial Code (Code de commerce), 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 in § 3.4.2.1.2.

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, the members of the Supervisory Board representing employees 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 (*Code de commerce*), 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 second year of their office, Ms Pureza Cardoso and Mr Rémy Kroll attended the following training programme:

- ◆ internal training: discovery of the podium (see page 15);
- ◆ internal training: visit to the Hermès Parfums production site in Vaudreuil;
- ◆ internal training: presentation of the anti-counterfeiting system;
- ◆ IFA training: Being a Director of a family business;
- ◆ IFA training: Civil and criminal liability of directors;
- ◆ IFA training: The Board and CSR;
- ◆ IFA training: Posture of the director.

3.4.2.7.2 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 (*Code du travail*), 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.

3.4.3 DIVERSITY POLICY APPLIED WITHIN THE SUPERVISORY BOARD

3.4.3.1 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 (*Code de commerce*), 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)
in 2021	2020 (page 243)

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 set out in § 3.4.3.2.

At the end of 2021, it reviewed the diversity policy applied within the Supervisory Board and considered that there was no need to change the composition of the Board for 2022.

3.4.3.2 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 fifteen 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 twelve 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 (collective age limit).

Since 2021, pursuant to Article 2.1.7.1 of the Board's rules of procedure, as an internal rule, no person may be appointed to the Supervisory Board or have his or her term renewed if they have reached the age of 80 (individual age limit).

Objective:

Maintain the current statutory age limit rule, which is satisfactory.

**average age:
53 years**

Implementation procedures and results obtained:

As at 31 December 2021:

- ◆ no member was over the age of 75;
- ◆ the members of the Board were between the ages of 38 and 68;
- ◆ the average age of Board members was 53;
- ◆ as shown in the "Age" chart in § 3.4.1, the breakdown of age groups within the Board is balanced.

Gender parity ¹

Article L. 22-10-74 of the French Commercial Code (*Code de commerce*) requires a minimum of 40% of each gender.

Objective:

Maintain a proportion of women and men in line with legal requirements.

**50%
women ¹**

Implementation procedures and results obtained:

Since the end of 2017: 50% women and 50% men; the legal requirement is therefore exceeded.

Number of independent members ¹

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 (*Code de commerce*). This minimum proportion has been included in the Supervisory Board's rules of procedure (Article 2.1.5.3).

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. as at 31 December 2021, 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 § 3.4.5.2) 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:

As at 31 December 2021:

- ◆ the proportion of Board members competent in each of the six areas of expertise (see § 3.4.5.2) 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.

3.4.3.3 NUMBER OF MEMBERS AND REPRESENTATION OF WOMEN AND MEN ON THE SUPERVISORY BOARD

31/12	2019	2020	2021
Members appointed by the General Meeting	12	12	12
Employee representative members appointed by the Group Works Council	2	2	2
Women ¹	50%	50%	50%
Men ¹	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 (Code de commerce)), not employee representatives.

n/a: not applicable

3.4.4 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 2022, it noted that it remained unchanged and maintained its assessment that this plan is of good quality and appropriate.

3.4.5 COMPOSITION OF THE SUPERVISORY BOARD

3.4.5.1 COMPOSITION OF THE SUPERVISORY BOARD AS AT 31 DECEMBER 2021

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 § 3.4.6); and
- ◆ 2 members representing employees (see § 3.4.2.1.2).

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 (*Code de commerce*) 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.

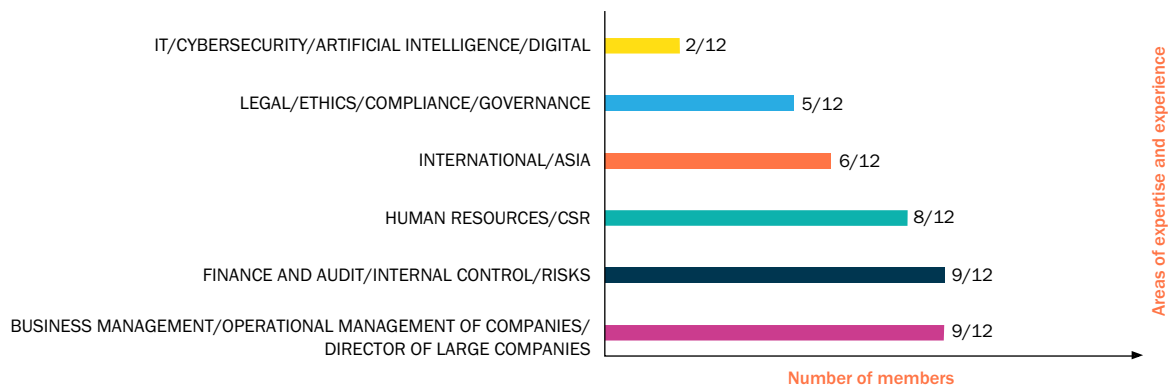
All the Supervisory Board members are French except Ms Olympia Guerrand, who is Franco-Portuguese, and Mr Alexandre Viros, who is Franco-American.

Ms Nathalie Besombes, Director of Corporate law and Stock Exchange regulations and Compliance Officer, is the Supervisory Board Secretary.

MEMBERS APPOINTED BY THE GENERAL MEETING												
Éric de Seynes Chairman	Monique Cohen Vice-Chairwoman	Dominique Senequier Vice-Chairwoman	Dorothee 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

Main areas of experience and expertise of the members of the Board appointed by the General Meeting⁽¹⁾⁽²⁾



(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.

SUMMARY PRESENTATION OF THE MEMBERS OF THE SUPERVISORY BOARD AS AT 31 DECEMBER 2021

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 61 years – 09/06/1960	226 (NP) 285			07/06/2010 03/03/2011 (Chairman)	2023 GM	11 years		
Monique Cohen (F) (Vice-Chairwoman) Nationality: French 65 years – 28/01/1956	250	2 BNP Paribas Safran	✓	03/06/2014	2023 GM	7 years	✓ (Chairwoman)	
Dominique Senequier (F) (Vice-Chairwoman) Nationality: French 68 years – 21/08/1953	200		✓	04/06/2013	2022 GM	8 years		✓ (Chairwoman)
Dorothee Altmayer (F) Nationality: French 60 years – 01/03/1961	200			06/06/2017	2023 GM	4 years		
Charles-Éric Bauer (M) Nationality: French 57 years – 09/01/1964	75,748			03/06/2008	2022 GM	13 years	✓	
Estelle Brachlianoff (F) Nationality: French 49 years – 26/07/1972	100		✓	04/06/2019	2022 GM	2 years	✓	✓
Matthieu Dumas (M) Nationality: French 49 years – 06/12/1972	1,563			03/06/2008	2024 GM	13 years		✓
Blaise Guerrand (M) Nationality: French 38 years – 04/06/1983	200			29/05/2012	2024 GM	9 years		
Julie Guerrand (F) Nationality: French 46 years – 26/02/1975	6,825			02/06/2005	2022 GM	16 years		
Olympia Guerrand (F) Nationality: French and Portuguese 44 years – 07/10/1977	600			06/06/2017	2024 GM	4 years		
Renaud Momméja (M) Nationality: French 59 years – 20/03/1962	89,012 (US) 60,960			02/06/2005	2023 GM	16 years	✓	
Alexandre Viros (M) Nationality: French and American 43 years – 08/01/1978	100		✓	04/06/2019	2024 GM	2 years	✓	
Members of the Supervisory Board representing employees appointed by the Group Works Council								
Pureza Cardoso (F) Nationality: French 50 years – 04/03/1971	100 ³		n/a ⁴	12/11/2019	12/11/2022	2 years		
Rémy Kroll (M) Nationality: French 49 years – 04/05/1972	220 ³		n/a ⁴	12/11/2019	12/11/2022	2 years		
						Average	8 years	

(1) The ages and seniority indicated are determined in number of full years as at 31 December 2021.

(2) The independence criteria for its members, formalised since 2009 by the Supervisory Board, are described in § 3.4.6.1.

(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.

3.4.5.2 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" in § 3.4.5.1 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 § 3.4.8.

3.4.5.3 CHANGES IN THE SUPERVISORY BOARD DURING FINANCIAL YEAR 2021

The General Meeting of 4 May 2021 renewed the terms of office of Ms Olympia Guerrand as well as Messrs Matthieu Dumas, Blaise Guerrand and Alexandre Viros, for a period of three years expiring at the end of the Annual Ordinary General Meeting called in 2024 to approve the financial statements for the financial year ending on 31 December 2023.

3

SUMMARY OF CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD OVER THE PAST THREE FINANCIAL YEARS

	Departures	Appointments	Renewals
2019		<ul style="list-style-type: none"> ◆ Ms Pureza Cardoso (12/11/2019) ◆ Mr Rémy Kroll (12/11/2019) 	<ul style="list-style-type: none"> ◆ Ms Estelle Brachlianoff (04/06/2019) ◆ Ms Dominique Senequier (04/06/2019) ◆ Ms Julie Guerrand (04/06/2019) ◆ Mr Charles-Éric Bauer (04/06/2019)
2020			<ul style="list-style-type: none"> ◆ Ms Dorothée Altmayer (24/04/2020) ◆ Ms Monique Cohen (24/04/2020) ◆ Mr Renaud Momméja (24/04/2020) ◆ Mr Éric de Seynes (24/04/2020)
2021			<ul style="list-style-type: none"> ◆ Ms Olympia Guerrand (04/05/2021) ◆ Mr Matthieu Dumas (04/05/2021) ◆ Mr Blaise Guerrand (04/05/2021) ◆ Mr Alexandre Viros (04/05/2021)
Changes in terms of diversification (representation of women, nationality or experience) or change with respect to corporate governance	<p>The appointment of two members of the Supervisory Board representing employees in 2019 was made pursuant to the provisions of Article L. 225-79-2 of the French Commercial Code (<i>Code de commerce</i>).</p> <p>The renewal of Board members in 2019, 2020 and 2021 made it possible for:</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 in § 3.6.1.1.

3.4.5.4 CHANGES WITHIN THE SUPERVISORY BOARD AFTER 31 DECEMBER 2021

None

3.4.5.6 FUTURE CHANGES TO THE SUPERVISORY BOARD

The “Number of terms expiring” chart in § 3.4.1 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
2022 GM	Ms Dominique Senequier		Vice-Chairwoman of the Board Chairwoman and member of the CAG-CSR Committee
	Mr Charles-Éric Bauer	Board member appointed by the General Meeting	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	Board member appointed by the General Meeting	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
2024 GM	Mr Matthieu Dumas	Board member appointed by the General Meeting	Member of the CAG-CSR Committee
	Mr Blaise Guerrand		
	Ms Olympia Guerrand		
	Mr Alexandre Viros		Member of the Audit and Risk Committee

3.4.5.6.1 Renewal of terms of office expiring in 2021

The terms of office of four members of the Supervisory Board (Mss Estelle Brachlianoff, Julie Guerrand, Dominique Senequier and Mr Charles-Éric Bauer) expire in 2022 and all four have chosen to run for office.

It is proposed that the General Meeting of 20 April 2022 renew their terms of office 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 20 April 2022”, § 8.2.1 “Explanatory statement to the thirteenth to sixteenth resolutions”.

3.4.5.6.2 Non-renewal of terms of office expiring in 2022

As indicated opposite, it is proposed that the General Meeting of 20 April 2022 renew all terms of office expiring in 2022.

3.4.5.6.3 Appointment of new members of the Supervisory Board proposed to the General Meeting of 20 April 2022

No appointment of new members of the Supervisory Board is proposed to the General Meeting of 20 April 2022.

3.4.6 INDEPENDENCE OF THE MEMBERS OF THE SUPERVISORY BOARD

3.4.6.1 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 2.1.5 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 corporate governance report.

Criterion 4: *Family ties*

Not to be related by close family ties to a Corporate Officer.

Criterion 5: *Statutory Auditors*

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 as soon as the 12 years is reached.

Criterion 7: *Status of 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 SAS, Active partner.

3.4.6.2 SITUATION AT 31 DECEMBER 2021 WITH REGARD TO THE INDEPENDENCE CRITERIA SET OUT ABOVE

3.4.6.2.1 Independence of the Supervisory Board

The proportion of independent members on the Supervisory Board has been one-third (i.e. four out of twelve 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 (*Code de commerce*);
- ♦ the Supervisory Board rules of procedure (Article 2.1.5.1).

On 31 December 2021, 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”: Mss 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 § 3.4.7.5) in which they are asked to make a sworn statement:

- ♦ 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.

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

3.4.6.2.2 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).

3.4.6.2.3 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.

3.4.7 SUPERVISORY BOARD ETHICS

3.4.7.1 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.

They were revised in 2021 (version No. 15) mainly to add new provisions for educational purposes and to reflect the Board's current practices. In addition, an individual age limit of 80 has been added (see § 3.4.2.6).

The full text of the **Supervisory Board's rules of procedure** is made available at each update at <https://finance.hermes.com/en/governing-bodies-rules-procedure-articles-association/>.

The main provisions of the Supervisory Board and committee rules of procedure are set out in this chapter 3.

It details in particular the ethics principles during the holding of office:

- ◆ duties: guiding principles;
- ◆ confidentiality;
- ◆ prevention of insider trading – stock market ethics – abstention obligations – reporting obligation;
- ◆ business relationships, conflicts of interest and personal statements.

3.4.7.2 COMMITTEE RULES OF PROCEDURE

The rules of procedure of the committees are described in § 3.6.2.2 for the CAG-CSR Committee and § 3.6.3.2 for the Audit and Risk Committee.

The full text of the **committees' rules of procedure** is made available at each update at <https://finance.hermes.com/en/governing-bodies-rules-procedure-articles-association/>.

3.4.7.3 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 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 2021 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.

In addition, the Company has developed an e-learning training course on the prevention of market abuse, which all Supervisory Board members must follow.

3.4.7.4 ATTENDANCE

The Supervisory Board's rules of procedure (Article 2.2.2.1) state that Supervisory Board members undertake to participate actively in all meetings of the Board and of the specialised committees of which they are a member.

The compensation policy for members of the Supervisory Board established by the Board is described in § 3.8.1.3.

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 table in § 3.8.1.3.4).

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 2021, seven meetings of the Supervisory Board, six 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: seven of the 14 members attended all Board meetings.

Each absence was the subject of a precise and detailed justification by the relevant Board members.

2021	Attendance at Supervisory Board meetings	Attendance at Audit and Risk Committee meetings	Attendance at CAG-CSR Committee meetings
Total number of meetings	7	6	6
Overall attendance rate	91.84%	93.33%	88.89%
Éric de Seynes (Chairman)	100.00%	n/a	n/a
Monique Cohen (Vice-Chairwoman)	100.00%	100.00%	n/a
Dominique Senequier (Vice-Chairwoman)	71.43%	n/a	100.00%
Dorothee Altmayer	85.71%	n/a	n/a
Charles-Éric Bauer	100.00%	100.00%	n/a
Estelle Brachlianoff	85.71%	66.67%	66.67%
Pureza Cardoso (employee representative)	100.00%	n/a	n/a
Matthieu Dumas	85.71%	n/a	100.00%
Blaise Guerrand	100.00%	n/a	n/a
Julie Guerrand	100.00%	n/a	n/a
Olympia Guerrand	85.71%	n/a	n/a
Rémy Kroll (employee representative)	85.71%	n/a	n/a
Renaud Momméja	85.71%	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

3.4.7.5 MEASURES TAKEN TO ENSURE A BALANCE OF POWERS WITHIN THE BOARD AND AVOID POTENTIAL CONFLICTS OF INTEREST

The governance of the Company is by nature dissociated (see § 3.2.3), which guarantees a strict separation of executive powers and control powers.

The Supervisory Board comprises at least one-third independent members (see § 3.4.3.2). The Audit and Risk Committee is three-fifths independent members and the CAG-CSR Committee two-thirds.

In accordance with Article 2.2.2.4 of the Supervisory Board's rules of procedure, each member of the Supervisory Board shall at all times maintain his or her independence of thought, analysis, judgment and action and shall endeavour to this end to avoid any conflicts of interest.

Each member shall inform the Supervisory Board of any conflicts of interest in which they might be involved. In the event of a potential conflict of interest, the member concerned must immediately notify the Chairman of the Supervisory Board, who then informs the CAG-CSR Committee so that, based on an analysis of the situation declared, it can

form an opinion. This opinion is then submitted to the Supervisory Board and, if the Board decides to follow it, is then notified to the person concerned by the Chairman of the Board. The Board's decision is recorded in the minutes of the meeting. The Supervisory Board member concerned shall refrain from attending the discussions and from voting on the corresponding deliberation and any decisions on the matters in question.

More specifically, the member concerned shall inform the Chairman of the Supervisory Board of their intention to accept a new corporate office or any involvement in the specialised committees of a corporate body, or any new position, such that the Supervisory Board, upon the proposal of the CAG-CSR Committee, may decide on the compatibility of such an appointment with the term of office as a member of the Company's Supervisory Board.

At the end of their term of office, members of the Supervisory Board must respect a minimum period of three years before seeking and/or accepting the exercise of a term of office in a company conducting activities that compete with those of the Group and/or in a company in which the Group holds a significant investment.

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 being 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 13.2 [Ardian Holding]) under related-party transactions.

After examining each of these situations in early 2022, 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.

3.4.7.6 PLURALITY AND NUMBER OF OFFICES

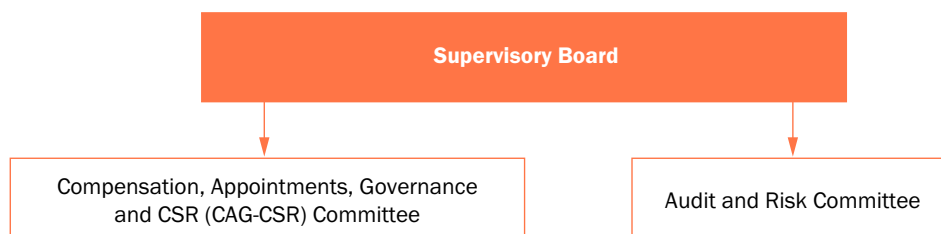
The offices of members of the Supervisory Board are not taken into account when calculating the plurality of offices, Articles L. 225-21 and L. 225-77 of the French Commercial Code (*Code de commerce*) being expressly excluded from the provisions applicable to *sociétés en commandite par actions* (Partnerships 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 in § 3.4.8.

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.

3.6 SPECIALISED COMMITTEES

3.6.1 APPLICABLE PRINCIPLES



Since 2005, the Supervisory 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 (*Code de commerce*), 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. Their powers do not reduce or limit the powers of the Board and the opinions, proposals or recommendations made are in no way binding on the Board.

The members of the committees do not incur any legal responsibilities in respect of their duties other than those of members of the Supervisory Board.

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 (*Code de commerce*)) and the recommendations of the Afep-Medef Code updated in January 2020 (see § 3.1.2).

3.6.1.1 CHANGES IN THE COMPOSITION OF THE COMMITTEES OVER THE FINANCIAL YEAR

The Supervisory Board meeting of 4 May 2021:

- ◆ 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 2021

	Departures	Appointments	Renewals
Audit and Risk Committee			Ms Monique Cohen, Chairwoman (04/05/2021) Ms Estelle Brachlianoff (04/05/2021) Mr Charles-Éric Bauer (04/05/2021) Mr Renaud Momméja (04/05/2021) Mr Alexandre Viros (04/05/2021)
CAG-CSR Committee			Ms Dominique Senequier, Chairwoman (04/05/2021) Ms Estelle Brachlianoff (04/05/2021) Mr Matthieu Dumas (04/05/2021)

3.6.1.2 FUTURE CHANGES TO COMMITTEES

The terms of office of members of the Supervisory Board of Mss Dominique Senequier and Estelle Brachlianoff, and Mr Charles-Éric Bauer expire in 2022.

No change is currently planned in the composition of the committees, subject to the renewal of their terms as members of the Supervisory Board by the General Meeting of 20 April 2022.

3.6.2 CAG-CSR COMMITTEE

3.6.2.1 COMPOSITION AS AT 31 DECEMBER 2021

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.

The main areas of expertise and experience, and the key skills of the members of the CAG-CSR Committee are presented in the information concerning them (see § 3.4.8).

It is chaired by Ms Dominique Senequier, Vice-Chairwoman of the Board, who is independent.

Changes in the composition of the CAG-CSR Committee are presented in § 3.6.1.1.

As at 31 December 2021, the CAG-CSR Committee was composed of the following three members, including two women and one man:

2021 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 68 years ¹ - 21/08/1953		04/06/2013	2022 GM	8 years	100.00%
	Estelle Brachlianoff (F) Nationality: French 49 years ¹ - 26/07/1972		04/06/2019	2022 GM	2 years	66.67%
	Matthieu Dumas (M) Nationality: French 49 years ¹ - 06/12/1972		03/06/2008	2024 GM	13 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 2021.

(2) This figure reflects the average attendance of the members of the CAG-CSR Committee in office as at 31 December 2021, and does not take into account members who left the Committee during the year.

3.6.2.2 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 rules of procedure of the CAG-CSR Committee were revised on 26 November 2021 (version No. 8). The main changes concern:

- ◆ the addition of new provisions for educational purposes or inspired by best stock market practices;
- ◆ more detailed description of Committee practices.

The main provisions of the CAG-CSR Committee's rules of procedure are set out in chapter 3 of the universal registration document.

3.6.2.3 OPERATION

The operation of the CAG-CSR Committee complies with the principles applicable to Board committees (see § 3.6.1).

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 2021.

As part of its responsibilities in terms of social and environmental responsibility, a meeting dedicated to the presentation of exposure to CSR risks has been held every year since 2021 with the Audit and Risk Committee. The purpose of this joint meeting is to strengthen coordination and sharing between the two committees on this related subject.

Before each CAG-CSR Committee meeting, 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 Executive Vice-President of Corporate Development and Social Affairs, and the Group Director of Human Resources, systematically participate in the meetings of the CAG-CSR Committee. The Group Director of sustainable development participates at least twice a year for subjects relating to CSR.

The secretarial duties of CAG-CSR Committee meetings are provided by the Director of Corporate law and Stock Exchange regulations and Compliance Officer, and secretary of the Supervisory Board, under the responsibility of the Chairwoman, or by a member of the CAG-CSR Committee appointed as rapporteur by 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 CAG-CSR Committee uses the *Herboard* secure digital platform (see § 3.5.3.2).

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 next Committee meeting, which approves the final text of the minutes of the previous meeting.

The CAG-CSR Committee uses a dashboard to plan and prepare its work in a balanced way over the year.

3.6.2.4 MAIN DUTIES AND WORK CARRIED OUT IN 2021

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 2021 are as follows:

Purpose of duties	Main duties and work carried out in 2021 ¹
General	<ul style="list-style-type: none"> ◆ conduct a periodic self-assessment of its operation; ● approve the revision of the rules of procedure of the CAG-CSR Committee.
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; ◆ make any proposals on the compensation policy for members of the Supervisory Board and committees; ◆ check the compliance of the planned distribution of the compensation of the members of the Supervisory Board with the compensation policy; ● 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 2021]; ◆ 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 2021, actual bonus for 2020 and target bonus for 2021) of the members of the Executive Committee; ◆ approve the compensation arrangements (fixed compensation for 2021, actual bonus for 2020 and target bonus for 2021) 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 2021]. <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 2021]; ◆ 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 2021]; ◆ be informed of the Company's policy with regard to gender equality and equal pay.

(1) Non-exhaustive list ◆ Annual topics ● One-off or multi-year topics

Purpose of duties	Main duties and work carried out in 2021 ¹
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 [n/a in 2021]; ◆ 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: desired balance in the composition of the Board in relation to the diversity policy applied within the Supervisory Board, the composition and changes in the Company's shareholding structure, search for and assessment of potential candidates, opportunity for reappointments; ◆ set up and participate in the induction and training programme for new members of the Supervisory Board; ◆ ensure the existence of a talent succession plan, which covers the members of the Executive Committee and the Operations Committee; ◆ ensure the existence of a succession plan for the Executive Chairmen and the Chairman of the Supervisory Board and conduct an annual review.
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: 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 [n/a in 2021]; ◆ 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; • approve the revision of the rules of procedure of the CAG-CSR Committee.
CSR	<p><u>HR challenges</u></p> <ul style="list-style-type: none"> ◆ assist the Supervisory Board in monitoring social, non-discrimination and diversity policies; ◆ be informed of the annual rankings regarding the representation of women in large companies and the criteria taken into account in their preparation; ◆ be informed of leadership development actions; ◆ be informed of the publication of the Hermès International gender equality index; • be informed of recruitment issues, employer brand and support for growth; • be informed of the Group's approach to diversity, inclusion and gender balance. <p><u>CSR challenges</u></p> <ul style="list-style-type: none"> ◆ assist the Supervisory Board in monitoring CSR issues; ◆ 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 challenges; ◆ be regularly informed of the assessments of non-financial agencies; ◆ be informed of the content of the Non-Financial Performance Statement (NFPS); ◆ be informed, in a joint meeting with the Audit and Risk Committee, of exposure to CSR risks.

(1) Non-exhaustive list

◆ Annual topics • One-off or multi-year topics

3.6.3 AUDIT AND RISK COMMITTEE

3.6.3.1 COMPOSITION AS AT 31 DECEMBER 2021

Its rules of procedure provide that the Audit and Risk Committee is composed of at least four members of the Supervisory Board 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, risk management and CSR.

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 in § 3.6.1.1.

The main areas of expertise and experience of the members of the Audit and Risk Committee are presented in the information concerning them (see § 3.4.8).

As at 31 December 2021, the Audit and Risk Committee comprised the following five members, including two women and three men:

2021 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 65 years ¹ – 28/01/1956	03/06/2014	2023 GM	7 years	100.00%
		Charles-Éric Bauer (M) Nationality: French 57 years ¹ – 09/01/1964	26/01/2005 ²	2022 GM	16 years	100.00%
		Estelle Brachlianoff (F) Nationality: French 49 years ¹ – 26/07/1972	04/06/2019	2022 GM	2 years	66.67%
		Renaud Momméja (M) Nationality: French 59 years ¹ – 20/03/1962	03/06/2008	2023 GM	13 years	100.00%
		Alexandre Viros (M) Nationality: French 43 years ¹ – 08/01/1978	04/06/2019	2024 GM	2 years	100.00%
	AVERAGE ATTENDANCE					93.33%³

(1) The ages indicated are determined in number of full years at 31 December 2021.

(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 2021, and does not take into account members who left the Committee during the year.

3.6.3.2 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 revised on 26 November 2021 (version No. 6). The main changes concern:

- ♦ the addition of new provisions for educational purposes or inspired by best stock market practices;
- ♦ more detailed description of Committee practices.

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.

3.6.3.3 OPERATION

The operation of the Audit and Risk Committee complies with the principles applicable to the Supervisory Board committees (see § 3.6.1).

The Audit and Risk Committee meets as many times as necessary and usually 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.

As part of its responsibilities in terms of social and environmental responsibility, a meeting dedicated to the presentation of CSR risk exposure has been held every year since 2021 with the CAG-CSR Committee. The purpose of this joint meeting is to strengthen coordination and sharing between the two committees on this related subject.

The Audit and Risk Committee meets when convened by its Chairwoman, 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, 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 Executive Vice-President of Corporate Development and Social Affairs, systematically participates in the meetings of the Audit and Risk Committee.

The Director of Audit and risk management, 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 half-year 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 § 3.5.3.2).

Minutes of Audit and Risk Committee meetings are prepared at the end of each meeting and sent to all members of the Committee.

3.6.3.4 MAIN DUTIES AND WORK CARRIED OUT IN 2021

In accordance with Article L. 823-19 of the French Commercial Code (*Code de commerce*) 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 2021 are as follows:

Purpose of duties	Main duties and work carried out in 2021 ⁽¹⁾
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; ◆ approve the revision of the rules of procedure of the Audit and Risk Committee.
Preparation of 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; ◆ note the consensus of financial analysts on the full-year and interim results; ◆ review press releases on quarterly revenue, full-year and interim results; ◆ 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 2021</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.

(1) Non-exhaustive list

◆ Annual topics • One-off or multi-year topics

Purpose of duties	Main duties and work carried out in 2021 ¹
Control of risk exposure and prevention of corruption	<ul style="list-style-type: none"> ◆ be informed of the security system and receive 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; ◆ regularly review exposure to risks such as financial, legal, operational, social and environmental risks and the actions taken as a result; ◆ be informed, in a joint meeting with the CAG-CSR Committee, of exposure to CSR risks; ◆ be informed of personal data risks and the corresponding action plans; ◆ be informed of operational risk mapping: in 2021, digital and the American subsidiary Hermès Of Paris; ◆ be informed of the Group risk mapping and the corresponding action plans; ◆ be informed annually, on the basis of the risk mapping, of IT risks, in particular cyber risks, and the corresponding action plans; ◆ proofread chapter 4 “Risk factors and management” of the universal registration document; ◆ be informed of the update of the plan to prevent and fight against corruption; ◆ 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; <ul style="list-style-type: none"> • be informed of the establishment of a new banking relationship.
(1) Non-exhaustive list	<ul style="list-style-type: none"> ◆ Annual topics • One-off or multi-year topics

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 Director of Consolidation, the Director of Audit and risk management, the Director of Group Safety, the Director of Group IT, the Director of Group Treasury, the Director of Financial

Communication 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.

3.8.2 OVERVIEW OF COMPENSATION AND BENEFITS OF ALL KINDS FOR CORPORATE OFFICERS

In accordance with the provisions of Article L. 22-10-77 of the French Commercial Code (Code de commerce), 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 2021.

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 20 April 2022 (see chapter 8 "Combined General Meeting of 20 April 2022", § 8.2.1 – Explanatory statement to the seventh to tenth resolutions).

3.8.2.1 COMPENSATION PAID TO THE EXECUTIVE CHAIRMEN OR GRANTED IN RESPECT OF THE 2021 FINANCIAL YEAR (EXECUTIVE CORPORATE OFFICERS) (ARTICLE L. 22-10-77 OF THE FRENCH COMMERCIAL CODE)

3.8.2.1.1 Compensation paid in 2021

All the fixed, variable and exceptional components comprising the total compensation and benefits of any kind paid during financial year 2021 to Mr Axel Dumas, on the one hand, and to Émile Hermès SAS, on the other hand, in respect of their duties as Executive Chairmen, are set out in chapter 8 "Combined General Meeting of 20 April 2022", § 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 § 3.8.1.1 and § 3.8.1.2 above and approved by the General Meeting of 4 May 2021.

3.8.2.1.2 Compensation awarded in respect of 2021

The variable compensation of the Executive Chairmen that will be awarded in 2022 in respect of the 2021 financial year 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 2021 to Mr Axel Dumas, on the one hand, and to Émile Hermès SAS, on the other hand, in respect of their duties as Executive Chairmen, are set out in chapter 8 “Combined General Meeting of 20 April 2022”, § 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 § 3.8.1.1 and § 3.8.1.2 above and approved by the General Meeting of 4 May 2021.

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 7 January 2022 and noted that the three indicators making up the criterion were fully achieved (see table below).

Consequently, the 2022 variable compensation, awarded in respect of financial year 2021, has been calculated by applying the change in the Company's consolidated net income before tax for financial year 2021 compared with 2020, i.e. an increase of +73.2%, to the variable compensation paid in 2021 in respect of 2020.

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 and improvements in equipment and industrial energy consumption processes continued to bear fruit, resulting in a much slower change in energy consumption over the reference period in comparison with the very significant increase in consolidated revenue. During the reference period – from 1 November 2020 to 31 October 2021: <ul style="list-style-type: none"> ◆ the Group's consolidated revenue at constant exchange rates grew by +43.3%; ◆ total industrial energy consumption (including potential scope effects) amounted to 161,332 MWh, an increase of +10.6%.
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 policy and its numerous initiatives to deepen local integration in 2021, both in France and abroad, notwithstanding the complex context due to the ongoing health crisis. The vast majority of these actions are part of a medium-long term perspective and are structured within the entities in ambitious and engaging policies, with the aim of energising and revitalising all the regions, creating and maintaining quality jobs and developing, through partnerships with external stakeholders, projects that resonate with the authentic values of its business model. Our actions promoting strong local integration continued in 2021 with determination and great success, driven by the House's commitment to act as a humanist, responsible company that creates jobs and in particular: <ul style="list-style-type: none"> ◆ job creation in the House's various sites outside major cities, which continued to increase, despite the Covid-19 health crisis, and reached a total of 5,488 employees (including 92% in production) at the end of September 2021; ◆ the quality of our social policies employed throughout the country and enabling these job creations has been recognised with several awards; ◆ in 2021, the House continued its strategic investments in several regional divisions in France; ◆ in the area of employment, the partnership with Pôle Emploi (National Employment Agency), Cap Emploi and professional reintegration associations continued and are structured by the implementation of a new selection process, harmonised and rolled out in all local partner agencies of our regional divisions, making it possible to recruit most of their employees through this channel; ◆ Hermès, a responsible employer, is also committed to transmission and education; ◆ the Group's disability policy also illustrates the reality of its strong local integration.

CSR criteria indicators	Importance	Level of achievement and justification
Qualitative social criterion: Group initiatives in favour of gender equality	1/3	100% At all levels of the organisation, equal opportunities, diversity and inclusion in terms of employment, training, supervision and compensation are at the heart of the Company's actions, with the aim of clearly demonstrating its position as a responsible employer. The Group's average gender equality index in France was 92/100. In 50% of the entities concerned, the index exceeded 90/100, in the other entities it was above 80/100. In 2021, the Group took a number of initiatives, including: <ul style="list-style-type: none"> ◆ the launch of a women's network within the Group in December 2021; ◆ the launch of a global Diversity & Inclusion approach aimed at ensuring that each of our employees has an inclusive, respectful and harmonious working environment that resonates with the local environment of our subsidiaries; ◆ the launch of a series of e-learning modules for the prevention of sexist behaviour.

3.8.2.2 COMPENSATION PAID TO THE CHAIRMAN OF THE SUPERVISORY BOARD IN THE COURSE OF OR ALLOCATED IN RESPECT OF 2021

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 2021 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 20 April 2022", § 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 § 3.8.1.1 and § 3.8.1.3 above and approved by the General Meeting of 4 May 2021.

3.8.2.3 RATIOS AND ANNUAL CHANGE IN COMPENSATION, COMPANY PERFORMANCE, AVERAGE EMPLOYEE COMPENSATION AND RATIOS (ARTICLE L. 22-10-9-6° AND 7° OF THE FRENCH COMMERCIAL CODE)

We present below:

- ◆ the changes over the last five years in the ratios between the level of compensation of each Executive Chairman and the Chairman of the Supervisory Board and:
 - on the one hand, the average pay on a full-time equivalent basis of the Company's employees other than Corporate Officers,
 - on the other hand, the median pay on a full-time equivalent basis of the Company's employees other than Corporate Officers;

- ◆ the annual change in the compensation of the Executive Chairmen and Chairman of the Supervisory Board, the performance of the Company, the average compensation on a full-time equivalent basis of Company employees other than Senior Executives, and ratios, over the past five years.

3.8.2.3.1 Methodology used

The methodology used, in line with the Afep guidelines updated in February 2021, is as follows:

- ◆ the notion of full-time equivalent (FTE) reflects a job performed on a full-time basis, i.e. as per legal working hours. As such, for part-time employees, compensation has been reconstituted on a full-time basis;
- ◆ based on the INSEE definition, the median wage is that which splits the Company's employees into two equal parts, such that half of the employees of the company in question earn less and the other half earn more. It differs from the average wage, which is the average of all wages in the company in question;
- ◆ the numerator shows the gross compensation (excluding social security contributions) paid to each Executive Chairman during the financial year, i.e.:
 - the fixed ("additional") compensation paid during the financial year under review,
 - the variable compensation set by the Articles of Association ("statutory compensation") paid during the financial year under review in respect of the prior year,
 - the exceptional compensation paid, if any, during the financial year under review,
 - other long-term compensation instruments and multi-year variable compensation paid, where applicable, during the financial year under review (taken at their IFRS value);

- ◆ the denominator shows the gross compensation (excluding social security contributions) of employees (continuously present in the year under review between 1 January and 31 December) of Hermès International – paid during the financial year, i.e.:
 - the fixed (“additional”) compensation paid during the financial year under review,
 - the variable compensation set by the Articles of Association (“statutory compensation”) paid during the financial year under review in respect of the prior year,
 - the exceptional compensation paid, if any, during the financial year under review,
 - other long-term compensation instruments, in particular grants of free shares, when the rights were allocated or were vesting during the current financial year; measured at their IFRS value, less an annual amount depending on the length of the vesting period(s),
 - employee savings: profit-sharing and incentive schemes;
- ◆ the scope used in the denominator is that provided for by law, i.e. employees of the listed company Hermès International whose headcount is representative within the meaning of the law for the determination of the ratios. It represented 390 employees as at 31 December 2021. In addition to strict compliance with the legal requirement, this choice is likely to facilitate understanding of changes in ratios and the consistency of the calculation basis over time, which will be less affected by changes in the scope of consolidation (acquisitions/disposals) within the Group;
- ◆ the following are excluded from the numerator and denominator:
 - severance payments and non-compete payments, which do not constitute recurring compensation,
 - the defined-contribution supplemental pension plan (Article 83 of the French General Tax Code (*Code général des impôts*)), which is a post-employment benefit,
 - the defined-benefit supplemental pension plan (Article 39 of the French General Tax Code), which cannot be valued insofar as payment is conditional on the completion of the beneficiary’s career in the Company,
 - benefits in kind, which represent an insignificant amount of the compensation of the Executive Chairmen.

With regard to the Company’s performance, it was decided to use the consolidated revenue (at constant rates) and the consolidated income before tax, which serve as a reference for the compensation of the Executive Chairmen and which are performance indicators that are particularly relevant to the Group’s business model. In addition, they are commonly used in results press releases.

AMOUNT OF COMPENSATION USED WITH REFERENCE TO THE NUMERATOR

	2021	2020	2019	2018	2017
MR AXEL DUMAS	€3,182,697	€3,403,423	€3,403,423	€3,092,816	€2,774,656
ÉMILE HERMÈS SAS	€1,279,003	€1,381,933	€1,381,933	€1,256,409	€1,256,409
MR ÉRIC DE SEYNES	€140,000	€140,000	€140,000	€140,000	€100,000

3.8.2.3.2 Presentation of ratios and annual change in compensation, the performance of the Company, the average compensation of employees and ratios

MR AXEL DUMAS – EXECUTIVE CHAIRMAN	2021	2020	2019	2018	2017
Change in total compensation paid during the financial year compared with the previous financial year	- 6.5%	0.0%	10.0%	11.5%	8.6%
Ratio compared with the average compensation of employees	17	17	18	18	16
<i>Change compared with the previous financial year</i>	0 point	-1 point	0 point	+2 points	0 point
Ratio compared with the median compensation of employees	34	37	38	35	32
<i>Change in % compared with the previous financial year</i>	-3 points	-1 point	+3 points	+3 points	+1 point

ÉMILE HERMÈS SAS – EXECUTIVE CHAIRMAN	2021	2020	2019	2018	2017
Change in total compensation paid during the financial year compared with the previous financial year	-7.4%	0.0%	10.0%	0.0%	0.0%
Ratio compared with the average compensation of employees	7	7	7	7	7
<i>Change compared with the previous financial year</i>	0 point	0 point	0 point	0 point	-1 point
Ratio compared with the median compensation of employees	14	15	15	14	14
<i>Change compared with the previous financial year</i>	-1 point	0 point	+1 point	0 point	-1 point

MR ÉRIC DE SEYNES – CHAIRMAN OF THE SUPERVISORY BOARD	2021	2020	2019	2018	2017
Change in total compensation paid during the financial year compared with the previous financial year	0.0%	0.0%	0.0%	0.0%	40.0%
Ratio of average compensation compared with the average compensation of employees	1	1	1	1	1
<i>Change compared with the previous financial year</i>	0 point	0 point	0 point	0 point	0 point
Ratio compared with the median compensation of employees	1	2	2	2	2
<i>Change compared with the previous financial year</i>	-1 point	0 point	0 point	0 point	+1 point

EMPLOYEES OF THE LISTED COMPANY	2021	2020	2019	2018	2017
Change in the average compensation compared with the previous financial year	-3.8%	3.4%	10.4%	1.1%	8.3%

GROUP PERFORMANCE	2021	2020	2019	2018	2017
Change in consolidated revenue at constant rates	41.8%	-6.0%	12.4%	10.4%	8.6%
Change in consolidated net income before tax	73.2%	-12.4%	9.9%	9.7%	14.2%

Explanatory notes on the Executive Chairmen

For the reasons set out on page 156 of the 2017 registration document, the compensation for Executive Chairmen was revised in 2017.

Explanatory notes relating to the Chairman of the Supervisory Board

For the reasons mentioned on page 156 of the 2017 registration document, the fixed compensation of the Chairman of the Supervisory Board was re-evaluated in 2017.

Explanatory notes on the employees

The changes for the five financial years presented in the above tables take into account the overall change in the total payroll, and for 2018, changes in scope.

The change in overall employee compensation also reflects (i) a positive dynamic of salary measures throughout the years presented, as well as (ii) the impact of allocations under employee shareholding plans. Depending on the plans and the respective duration of the vesting periods, the portion relating to these allocations may lead to a certain variation in the average and median compensation of employees in the reference scope.

The overall policy, and all of the components of the compensation awarded to employees of the listed company, and those of other Group entities in France and abroad, are presented and set out in chapter 2 “Corporate social responsibility”, § 2.2.

3.8.2.4 COMPENSATION OF THE SUPERVISORY BOARD, AUDIT AND RISK COMMITTEE AND CAG-CSR COMMITTEE ALLOCATED IN RESPECT OF 2021 OR PAID IN 2021

Compensation awarded to and received by members of the Supervisory Board in the last two financial years by Hermès International and the entities it controls as defined by Article L. 233-16 of the French

Commercial Code (Code de commerce) is detailed in § 3.8.4.3. This compensation constitutes the only elements referred to in Article L. 22-10-9, I of the French Commercial Code awarded in respect of 2021 or paid in 2021. Data relating to the past financial year will be voted on by the General Meeting in 2022 (“global” ex-post vote), see chapter 8 “Combined General Meeting.

4

RISK FACTORS AND MANAGEMENT

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, as 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.

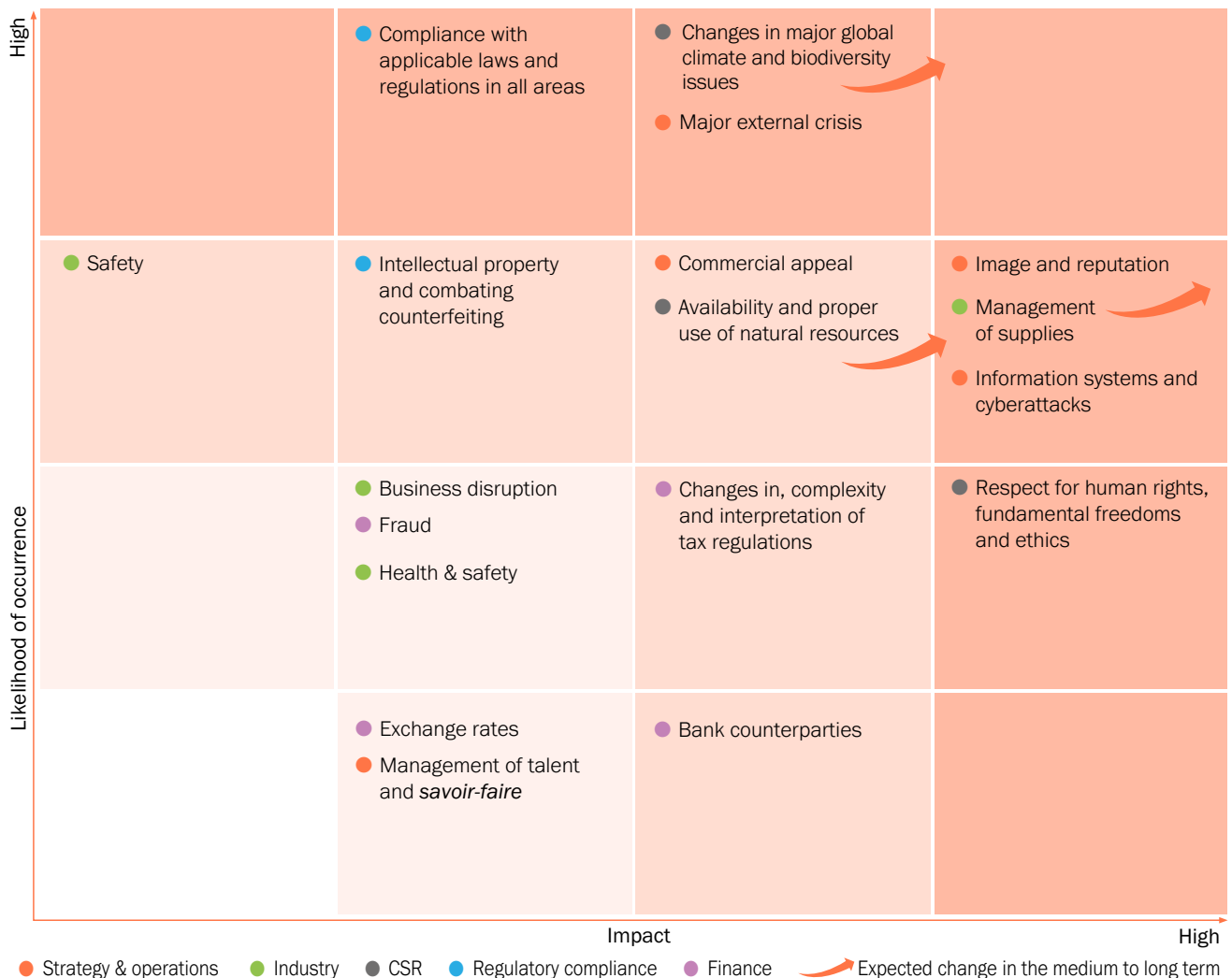
In the context of the current health crisis, certain risks have been exacerbated such as the risks of personal safety, supply disruption, non-continuity of activities, cyberattacks, fraud, etc. The Group quickly adapted by setting up a crisis management organisation and developing protocols to protect 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. It is periodically updated to take into account regulatory, legislative, economic, societal, geopolitical and competitive

developments. A detailed description of the management of these risks 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 impact of the risks identified is assessed using a multi-criteria grid defined at Group level and shared with the subsidiaries. The analysis criteria include, as an inseparable whole, financial, reputational and legal criteria, as well as criteria relating to social, societal and environmental responsibility. This methodology makes it possible to address a concept of double materiality by taking into account the impacts on the Group itself and on its stakeholders.

The Audit and Risk Committee was involved in drawing up this matrix.

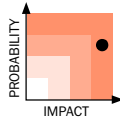


RISK RANKING BY CATEGORY (FROM MOST TO LEAST SIGNIFICANT)

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	4.1.1.3 Information systems and cyberattacks	Page 332
	4.1.1.4 Major external crisis	Page 333
	4.1.1.5 Management of talent and <i>savoir-faire</i>	Page 334
● 4.1.2 Industrial risks	4.1.2.1 Supply management	Page 335
	4.1.2.2 Business interruption	Page 336
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	4.1.2.4 Safety	Page 338
● 4.1.3 Legal and regulatory risks	4.1.3.1 Compliance with applicable laws and regulations in all areas	Page 339
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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 Hermès Group's reputation is based on the quality of its products and services offered to customers, the <i>savoir-faire</i> of its craftspeople and its unique communication. In a globalised world and surrounded by the growing influence of social networks, unfavourable media coverage or individual behaviour 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 unfavourable media campaign could negatively affect the image of the Group.</p>
<p>◆ RISK MANAGEMENT</p> <p>Hermès, through 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 <i>HermèsSphère</i> Intranet in the "Our Ethics" section and on the external website https://finance.hermes.com/en/ethics-human-rights-and-diversities/. In addition, a continuous training module on anti-corruption laws has been rolled out to operational staff.</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 "Corporate social responsibility". Through the structure of its family shareholding, the House remains independent in the way it implements its strategy and conducts its activities, which are 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>	

Note: Hermès' actions and achievements in the fields of ethics and compliance are described in chapter 2.

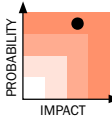
4.1.1.2 COMMERCIAL ATTRACTIVENESS ●

<p>◆ DESCRIPTION OF THE RISK</p> <p>The commercial attractiveness and desirability of the products are based on the Group’s unique model. The latter is characterised by its radical style, ancestral <i>savoir-faire</i> mainly “Made in France”, high quality products and services, its openness to local cultures and its unique 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>◆ POTENTIAL IMPACTS ON THE GROUP</p>  <p>The loss of commercial appeal could lead to a gradual loss of interest from customers.</p>
<p>◆ RISK MANAGEMENT</p> <p>The creative offering is the responsibility of the 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 craftspeople. 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. Tests carried out on all products before they are sold ensures their compliance and durability. The Group has also implemented a support system for its craftspeople and suppliers with a view to developing their <i>savoir-faire</i> in terms of the expected level of quality.</p> <p>The Hermès Group has introduced a number of tools, both in-store and online, to enrich the customer experience by raising the level of service to match the quality of its products. 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>	

4.1.1.3 INFORMATION SYSTEMS AND CYBERATTACKS ●

<p>◆ DESCRIPTION OF THE RISK</p> <p>Information systems are of paramount importance in the smooth running of the Group's day-to-day operations. They may concern customers, suppliers or employees, as well as the processing and storage of data.</p> <p>Personal data protection is a priority for the Group.</p>	<p>◆ POTENTIAL IMPACTS ON THE GROUP</p>  <p>The partial or total unavailability of certain information systems could disrupt or paralyse the processes and the activities concerned.</p> <p>A breach of information systems, triggered by a cyberattack, for example, could lead to a data breach, such as the unauthorised disclosure of sensitive data.</p>
<p>◆ RISK MANAGEMENT</p> <p>A global information system governance model clearly defines the roles and responsibilities of the Group's headquarters and subsidiaries. Common architecture and urbanisation rules favour a centralised model when technical or regulatory constraints allow. The sovereign functions of the information systems remain managed by the headquarters.</p> <p>A cybersecurity community is led by the Group team, which relies on dedicated experts and local contacts. Collaboration between these different actors is facilitated by the organisation of monthly updates (sharing on current positions and the evolution of threats, monitoring of the roadmap, reminders of best practices), monthly themed webcasts and the organisation of dedicated bi-annual seminars.</p> <p>Hermès' IT spending (investment and operating budget) is reassessed each year to ensure that investments are aligned with the Group's strategic challenges. Its objective is to align the technical infrastructures and systems with the growing needs of users while ensuring good operational performance. They also aim to keep IT risks under control and to develop information systems, in particular for new digital and cloud uses, whilst being socially and environmentally responsible.</p> <p>The information systems department adheres to an information technology charter and a set of procedures applicable to all Group companies. In particular, an information systems security policy (ISSP) is updated annually to adapt to threats. 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. Exercises are carried out on a regular basis to improve incident detection and response capabilities (red team/blue team system).</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 previously initiated was continued in 2021. This included strengthening the security of central systems, control over workstations, managing the life cycle of identities, securing internal and external access, preventing data leaks, protecting cloud applications and the physical security of data centres. Improved backup and fault tolerance arrangements for critical systems were also included to ensure continuity of 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 (endpoint detection response – EDR), 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 Centre – SOC) and are closely monitored. Security measures were strengthened during lockdown periods and systems were created for new uses introduced by teleworking.</p> <p>New initiatives to raise employee awareness of security issues have taken various forms within the framework of a global programme (conferences, films, e-learning, escape games, dedicated website in eight languages). Each year, Cybersecurity Month gives special emphasis to these topics.</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 annually and are followed by feedback and action plans. In addition to the information systems department, they involve various Group departments (internal communication department, financial communication and investor relations department, insurance department, audit and risk management department, legal compliance department and the Data Protection Officer, etc.) as well as a member of the Group Executive Committee.</p> <p>Furthermore, the Group ensures that it complies with the various standards and regulations applicable to the protection of personal data (GDPR) and payment card data (PCI-DSS). Compliance with the latter standard is also assessed annually by a third party. 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 exposed to economic, political, social and health developments in the many countries in which it operates.</p>	<p>◆ POTENTIAL IMPACTS ON THE GROUP</p>  <p>Geopolitical, economic or social tensions as well as a pandemic situation could have an impact on sales. The consequences would be even more unfavourable in areas 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 chapter 1 "Presentation of the Group and its results", § 1.7.</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>The Group operates 303 points of sale under the Hermès banner, including 221 branches that generate over 91% 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>Some Hermès products are also distributed via a network of multi-brand points of sale carefully selected on the basis of qualitative and/or quantitative criteria. This distribution method concerns in particular 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 described in § 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. In this respect, the acceleration of the development of the Americas region aims in particular to reduce the weight of Asia in the Group's sales.</p> <p>In addition, a crisis management system is in place to ensure business continuity. In particular, it was successfully implemented since early 2020 in the context of the Covid-19 pandemic (see § 4.3.4 Crisis management).</p>	

4.1.1.5 MANAGEMENT OF TALENT AND SAVOIR-FAIRE ●

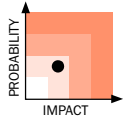
<p>◆ DESCRIPTION OF THE RISK</p> <p>The <i>savoir-faire</i> of craftspeople, and more broadly the development of the potential of employees, is one of Hermès' key assets. They are based on preserving, enriching and passing on this often exclusive <i>savoir-faire</i> in a context of growth for our <i>métiers</i> and our workforce.</p>	<p>◆ 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>◆ 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>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 craftspeople'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>True to its family tradition and wishing to involve all employees in its growth, Hermès has set up various 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. Thus, during periods of lockdown, training was held remotely, with face-to-face sessions resuming as soon as possible.</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 "Corporate social responsibility".</p>	

4.1.2 INDUSTRIAL RISKS

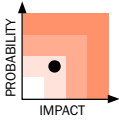
4.1.2.1 SUPPLY MANAGEMENT ●

<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.</p> <p>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>◆ 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>
<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 on in-depth knowledge of all its supply chains. A total of 75 supply chains have been analysed since the beginning of 2020, resulting in the creation of a supply chain brief for each of them, which formalises the Group's short and medium-term ambitions to ensure ethical and responsible supply chains.</p> <p>The Group Purchasing Manager handles supplier risk transversally. Its role is in particular to manage the community of buyers by supporting them on a daily basis in managing supplier risk, as described in chapter 2 "Corporate social responsibility", § 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>Drawing up supplier risk mapping enables action plans to be determined, assessed and prepared in response to the risks identified, wherever necessary, in particular in relation to the duty of care (human rights, environment, health and safety). Significant work has also been carried out to optimise and secure the supply chain.</p> <p>Committed to providing long-term support for all its partners and maintaining balanced relationships characterised by goodwill and high standards, Hermès ensures that its partners respect its social, environmental and ethics ambitions. A CSR handbook was formalised in January 2021 to set out the House's expectations on this subject. 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>The Group is strengthening supply protection, implementing a policy of diversification and limitation of supplier dependence, and building up security inventories. One of the challenges of the "know your supplier" system is ensuring that suppliers have identified the risk areas related to their activity that could lead to a total or partial stoppage of their production (critical raw materials, equipment, processes, sources of energy or key people, etc.). The formalisation of backup solutions and their regular testing are recommended. Where appropriate, equity investments may help to secure 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>	

4.1.2.2 BUSINESS INTERRUPTION ●


<p>◆ DESCRIPTION OF THE RISK</p> <p>Hermès relies on a highly integrated French production method. The vast majority of our objects (78%) are made in France in exclusive in-house workshops (over 58%). 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) or a major health crisis, is a key issue for Hermès.</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>
<p>◆ RISK MANAGEMENT</p> <p>The management of industrial risks is carried out by the Group's industrial affairs department. It is based on EHS networks in both the Group and internally within the <i>métiers</i>, as described in chapter 2 "Corporate social responsibility".</p> <p>The production sites are spread across the country and comply with French regulations, some of the most demanding in the world, thus reducing the risk of a complete 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>Two studies were carried out in collaboration with the Group's insurer in order to quantify the financial exposures related to production and storage sites as well as strategic suppliers for the Leather and Silk <i>métiers</i>. These analyses identified the sites, subcontractors and critical suppliers on which the Group should target its actions in order to ensure activity continuity. The Leather study was updated in 2020 and the Silk update was started in 2021.</p> <p>During its audits, the audit and risk management department ensures that activity continuity plans are formalised and tested on the Group's various sites and, where appropriate, issues recommendations. At the end of 2021, a centralised review of plans for the entire Group was initiated.</p> <p>In addition, the Group safety department, in collaboration with internal experts, coordinates regular site visits. Dedicated action plans are implemented and monitored operationally by the sites concerned.</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. 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>◆ 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>
<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 law no. 2017-399 of 27 March 2017 on the duty of care of parent companies and contractors, the Hermès Group has drawn up a vigilance plan. It aims to identify the risks and prevent violations of human rights and fundamental freedoms, the health and safety of people and the environment, resulting from its activities, as well as those of its subcontractors or suppliers (see chapter 2 "Corporate social responsibility", § 2.6).</p> <p>Moreover, the industrial affairs department leads a health, safety and environment (EHS) network comprising EHS 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. 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>Assessments of risks at employee workstations are carried out by the occupational health and hygiene division of the Group safety department for the stores and by the <i>métiers</i> for each of the production sites. They are updated annually.</p> <p>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 is 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 permanent changes in regulations and modify product specifications.</p>	


Note: The mitigation and prevention mechanisms for these risks are addressed specifically in chapter 2.

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>◆ POTENTIAL IMPACTS ON THE GROUP</p>  <p>Such breaches could cause damage to property and people working at the Group's sites (production, distribution, logistics or offices) or at events on external sites.</p> <p>Moreover, they could expose craftspeople and sales staff 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>◆ 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 all the Group's activities and sites; • since 2020, the procedures specific to transportation safety have been rolled out and adapted to the health situation; • 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>Hermès is organised to take account of these risks on a daily basis: a central monitoring station, operating round the clock, is connected to the 70 production and distribution sites in France and Switzerland. The Group took the decision to employ 60 agents in its internal safety division, to which external service providers are added.</p> <p>Experts within the Group safety department regularly travel to the various sites and during events in France and abroad to ensure compliance with Group safety procedures. A questionnaire on industrial safety is also completed during site visits or audits. Furthermore, the Group safety department has an advisory role to the <i>métiers</i> and subsidiaries.</p> <p>A computerised safety and crisis management tool was rolled out in March 2021 on sites in the Paris region. 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. It will gradually be rolled out to other Group sites over the coming years, depending on the level of risk identified at each site.</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>◆ 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>
<p>◆ RISK MANAGEMENT</p> <p>The Group keeps abreast of developments in regulations and case law in all relevant areas to ensure that it maintain compliance both in France and internationally. This monitoring is carried out in-house and by external firms:</p> <ul style="list-style-type: none"> internally, given the increasing complexity of each legal matter, the legal department is organised into specialised divisions, with departments or divisions specialising in one area of law (corporate and securities law, real estate law, mergers and acquisitions law, anti-counterfeiting). Business divisions with generalist teams in charge of the various <i>métiers</i> and regional divisions with legal teams in China, Japan, Singapore, South Korea and the United States, complete this organisation. The compliance department, which includes the experts in 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 of the regions where the Group develops its activity, Hermès is advised by specialised local law firms. The Group continues to be involved in ongoing litigation, but there are no pending settlements that are expected to have an impact on its activity 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 the Group's financial position or profitability. 	

4.1.3.2 INTELLECTUAL PROPERTY AND THE FIGHT AGAINST 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>◆ 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>
<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. The anti-counterfeiting department undertakes these actions with the support of external consultants and in collaboration with the competent local authorities. They are carried out both in traditional markets and on the Internet (Metaverse, online sales platforms, social networks, retail websites, instant messaging, etc.).</p> <p>These actions make it possible to seize and destroy several hundred thousand potentially dangerous counterfeit products each year (in compliance with CSR rules), to trace the source of the production chain for these products and ensure the Group's rights are recognised. Where applicable, the payment of damages compensates for the prejudice suffered and is reinvested in the fight against counterfeiting.</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 "Corporate social responsibility", and are articulated around the Hermès Group's six strategic sustainable development pillars:

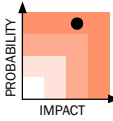
- ◆ teams;
- ◆ *savoir-faire*;
- ◆ raw materials;
- ◆ environment;
- ◆ suppliers and partners;
- ◆ stakeholders.

In 2021, Hermès updated the analysis of its priority CSR issues in order to guide its actions and facilitate understanding of its strategy. This materiality analysis was conducted by interviewing a panel made up of internal stakeholders who are experts in the subject, internal stakeholders outside France, and external stakeholders identified for their knowledge of the sector, the House and its functioning. Details of the method followed and the materiality matrix thus constructed 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:

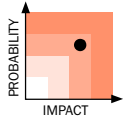
- ◆ risks related to changes in major global issues regarding climate and biodiversity;
- ◆ risks related to availability and judicious use of natural resources (water, energy, raw materials, waste management and recycling);
- ◆ risks related to human rights and fundamental freedoms, and in particular, 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. CSR topics are also part of the impact assessment criteria for each of the risk factors.

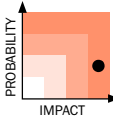
4.1.4.1 CHANGES IN MAJOR GLOBAL CLIMATE AND BIODIVERSITY ISSUES ●

<p>◆ DESCRIPTION OF THE RISK</p> <p>Climate change causes disruption (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>◆ 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>
<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"> governance at the highest level (Executive Committee); a strategy aligned with the Paris Agreements and validated by SBTi (Science Based Targets initiative) as being in line with a trajectory limiting global warming to 1.5 °C: <ul style="list-style-type: none"> defossilisation: 100% renewable energy in our direct operations by 2030, a reduction in greenhouse gas emissions of 50.4% in absolute value for scopes 1 and 2, and by 58.1% in relative value for scope 3 by 2030; 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.); 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 has been reviewed by external organisations. 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); 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 "Corporate social responsibility".</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. 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>◆ 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>
<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. This entire system is described in § 2.4.2 of chapter 2 "Corporate social responsibility". The approach undertaken aims to:</p> <ol style="list-style-type: none"> control the entire value chain with operational traceability and long-term partnerships with suppliers, partners and NGOs; 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; support regenerative agriculture that is more respectful of nature; 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 and a policy was formalised in 2021; create circularity: a committee, which includes all <i>métiers</i>, has been leading projects to innovate, reuse and recycle materials in order to prolong their life since 2020. <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.</p>	

4.1.4.3 RESPECT FOR HUMAN RIGHTS, FUNDAMENTAL FREEDOMS AND ETHICS ●

<p>◆ DESCRIPTION OF THE RISK</p> <p>The risks of 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 multiple nature of our <i>métiers</i> and supply chains, combined with our desire to use exceptional raw materials, means that we work in partnership with suppliers from all over the world. These partnerships require constant vigilance to ensure respect of these rights and ethics throughout our value chain.</p>	<p>◆ POTENTIAL IMPACTS ON THE GROUP</p>  <p>A violation of human rights, fundamental freedoms, health and safety or a breach of the Group's ethics rules would damage its reputation and image.</p>
<p>◆ RISK MANAGEMENT</p> <p>The Group promotes a demanding ethics culture and does not tolerate any breaches of probity. The approach is structured around a specific governance, supported at the highest level of the organisation. Documents formalising our commitments and tools for identifying, assessing, raising awareness, preventing and detecting these risks complete the control systems (see chapter 2 "Corporate social responsibility", § 2.8):</p> <ol style="list-style-type: none"> the Group has written its ethics values and its commitment to respect human rights and fundamental freedoms into the following documents: <ul style="list-style-type: none"> an ethics charter that defines the Hermès Group's fundamental principles, a code of business conduct that gives them a practical framework in terms of ethics, 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 documents, 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> <ol style="list-style-type: none"> in accordance with law no. 2017-399 of 27 March 2017 on the duty of care of parent companies and contractors, the Hermès Group has drawn up a vigilance plan. It aims to identify the risks and prevent violations of human rights and fundamental freedoms, the health and safety of people and the environment, resulting from its activities, as well as those of its subcontractors or suppliers. Systems for identifying, mitigating and preventing these risks have been put in place for employees, suppliers and subcontractors; risk analyses and procedures for the regular assessment of 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. These relate to human rights and fundamental freedoms, health and safety and compliance with environmental regulations (see § 2.6.1.1); an internal and external whistleblowing system is available to report any breaches or situations contrary to ethics, social and environmental principles (see § 2.8.2.3.3). <p>The content of these action plans is detailed in chapter 2.</p>	

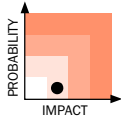
4.1.5 FINANCIAL RISKS

The Group has put in place an organisational structure which allows financial risks related to its business to be managed centrally. As the Group has a positive cash position, it is not exposed to liquidity risk and applies a conservative policy in managing counterparty risks.

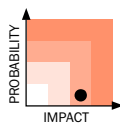
4.1.5.1 FRAUD ●

<p>◆ DESCRIPTION OF THE RISK</p> <p>The Group's exposure to the risk of fraud is due in particular to its growing visibility in many countries and its increasing digital presence. The inventiveness and adaptability of external fraud attempts on defence systems seen on the market also represent threats.</p>	<p>◆ POTENTIAL IMPACTS ON THE GROUP</p>  <p>Any case of fraud could cause financial losses to the Group and tarnish its reputation.</p>
<p>◆ RISK MANAGEMENT</p> <p>The management of payment transactions is centralised by the Group's treasury department and governed by precise validation and control rules. The Middle & Back-Office department ensures administrative management and operational control, notably via the use of integrated cash flow software.</p> <p>The Treasury Security Committee regularly checks that these procedures have been applied and that any risks identified have been addressed.</p> <p>The audit and risk management department oversees proper compliance with risk monitoring and management procedures. As part of the coordination of internal control, it regularly creates awareness among the network of internal control officers about the risk of fraud and restates the specific fraud prevention procedures, in particular as regards the purchase and payment process. External audits are also regularly carried out to identify and correct any vulnerabilities. Audits in subsidiaries to verify the proper application of procedures complement this system. At store level, a specific fraud prevention tool, developed on a data mining platform, was rolled out in 2021.</p> <p>The Group's risk mapping, as well as the risk mapping applied to the <i>métiers</i> and the main subsidiaries, address this risk and the corresponding action plans.</p> <p>Accordingly, awareness-raising campaigns in the functions most at risk of fraud are conducted on a regular basis. Awareness-raising, identified as an effective fraud prevention tool, is rolled out and adapted to the types of fraud (risk of system intrusion, "CEO fraud", etc.). In addition, an <i>ad hoc</i> security system has been put in place and is monitored by the Group safety department. In addition, a corruption risk map was drawn up with the assistance of a specialist external consultant and in collaboration with the Director of Legal Compliance (see chapter 2 "Corporate social responsibility", § 2.8.2.3.1). This was updated in 2020.</p> <p>The system put in place by the Group to protect itself against IT intrusion is the subject of a dedicated risk mapping (see § 4.1.1.3).</p>	

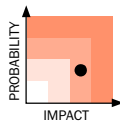
4.1.5.2 EXCHANGE RATES ●

<p>◆ DESCRIPTION OF THE RISK</p> <p>The Group is naturally exposed to foreign exchange risk because the bulk of its production is located in the eurozone, but the majority of its sales revenue is received in currencies other than the euro (American dollars, Japanese yen and other Asian currencies, etc.).</p> <p>As at 31 December 2021, 79% of the Group's sales were made in a currency other than the euro.</p>	<p>◆ POTENTIAL IMPACTS ON THE GROUP</p> 
<p>◆ RISK MANAGEMENT</p> <p>This exposure is hedged in order to minimise and anticipate the impact of currency fluctuations on the Group's profits.</p> <p>The Group's foreign exchange risk exposure management policy is based on the following principles:</p> <ul style="list-style-type: none"> • distribution subsidiaries are invoiced in their currency by production subsidiaries. The latter apply an annual exchange rate to the scales established in euros. So, the distribution subsidiaries concentrate most of the foreign exchange risk; • the Group's foreign exchange risk is systematically hedged by Hermès International on an annual basis. This basis is calculated using future internal cash flows from operations between Group companies; • no speculative transactions in the economic meaning of the term are authorised; • these hedges are provided through firm foreign exchange transactions and/or optional transactions eligible for hedge accounting; • other non-operating transactions are hedged against foreign exchange risk as soon as their commitment is firm and final. They include financial risks arising from intragroup loans and dividends in foreign currencies. <p>The Executive Committee approved these management rules, which were then endorsed by the Supervisory Board.</p> <p>The Middle & Back-Office department ensures administrative management and operational control, notably via the use of integrated cash flow software. In addition, Hermès International's audit and risk management department ascertains compliance with procedures and the control of risks.</p> <p>Finance general management validates management decisions within these rules.</p> <p>The Group's foreign exchange risk is hedged annually by Hermès International in accordance with the policy described above. It is based on highly probable future cash flows derived from budget forecasts. In practical terms, as at 31 December, the hedging of internal transactions in currencies for the following year is close to 100%.</p> <p>As such, the Group uses purchases and sales of put and call options as well as currency swaps and forward currency agreements.</p> <p>Quantitative information on foreign exchange risk impacts is provided in chapter 1 "Presentation of the Group and its results", § 10.2 of the consolidated financial statements.</p> <p>The treasury department constantly monitors changes in legal regulations with regard to derivative transactions to ensure that the Group remains compliant. Furthermore, the finance department adjusts its procedures and tools on an ongoing basis to accommodate changes in its environment. Thanks to the exchange rate hedging policy, the impacts are pre-empted. The price increases determined by region offset all or part of any losses.</p>	

4.1.5.3 BANK COUNTERPARTIES ●

<p>◆ DESCRIPTION OF THE RISK</p> <p>As the Group has a positive cash position and because of its other banking transactions (exchange rate hedging), the Group is exposed to counterparty risk that is mainly banking-related and is appropriately monitored.</p>	<p>◆ POTENTIAL IMPACTS ON THE GROUP</p>  <p>Financial losses.</p>
<p>◆ RISK MANAGEMENT</p> <p>The Group only deals with leading banks and financial institutions that have signed FBF and ISDA agreements relating to transactions on forward financial instruments. In addition, Hermès International's treasury department continuously monitors counterparty risks on financial transactions. Finally, the Group breaks down investment transactions, foreign exchange risk hedge transactions and deposits transactions in the selected banks within defined limits of amount and maturity.</p> <p>Moreover, the impact of the credit risk as recommended by IFRS 13 in the fair value of derivatives is close to zero for the Group, given that all of the derivatives have a maturity of less than 12 months.</p> <p>The Group follows a cautious investment policy, which aims to avoid any risk of capital loss and prioritise liquidity, thus enabling independent and responsive strategic developments.</p> <p>Available cash is invested, mainly in money-market mutual funds offered by leading financial institutions, in term deposits and in deposit certificates issued by top-rated banks, for the short term with very low sensitivity.</p> <p>Quantitative information on interest rate risk impacts is provided in chapter 1 "Presentation of the Group and its results", § 10.3 of the consolidated financial statements.</p> <p>The treasury department constantly monitors changes in legal regulations with regard to investment transactions to ensure that the Group remains compliant. Furthermore, the finance department adjusts its procedures and tools on an ongoing basis to adapt to changes in its environment.</p>	

4.1.5.4 CHANGES IN, COMPLEXITY AND INTERPRETATION OF TAX REGULATIONS ●

<p>◆ DESCRIPTION OF THE RISK</p> <p>The Group is exposed to financial risks related to changes in tax regulations or their interpretation in the countries where it operates.</p>	<p>◆ POTENTIAL IMPACTS ON THE GROUP</p>  <p>Any change in tax regulations involving and increasing taxes and duties, mainly income taxes, custom duties, withholding taxes, particularly concerning goods and financial flows (interests, dividends), could penalise the Group's results.</p>
<p>◆ RISK MANAGEMENT</p> <p>The Group provides regulatory oversight and defines its tax policy by relying on a team of tax experts, assisted by external advisers if necessary. The Group is committed to respecting all applicable laws and regulations in each of the countries where it operates. It relies on transparent and simple organisation. The Group's tax policy is not based on any tax optimisation or evasion scheme and complies with the principles laid down by the OECD. In the case of a dispute or differences in interpretation, the Group may have to challenge reassessments with the tax authorities and to seek redress using the means available to it for its defence.</p>	

5

CONSOLIDATED FINANCIAL STATEMENTS

AFR

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Comments on the consolidated financial statements are set out in chapter 1 "Presentation of the Group and its results", § 1.8.

5.1 CONSOLIDATED INCOME STATEMENT

<i>In millions of euros</i>	<i>Notes</i>	2021	2020
Revenue	3 and 4	8,982	6,389
Cost of sales	4	(2,580)	(2,013)
Gross margin		6,402	4,376
Sales and administrative expenses	4.2	(2,137)	(1,699)
Other income and expenses	4.3	(734)	(696)
Recurring operating income	3	3,530	1,981
Other non-recurring income and expenses	4.4	-	91
Operating income	3	3,530	2,073
Net financial income	9.1	(96)	(86)
Net income before tax		3,435	1,986
Income tax	6	(1,015)	(613)
Net income from associates	8	34	16
CONSOLIDATED NET INCOME		2,454	1,390
Non-controlling interests		(8)	(4)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT		2,445	1,385
Basic earnings per share (<i>in euros</i>)	11.6	23.37	13.27
Diluted earnings per share (<i>in euros</i>)	11.6	23.30	13.21

5.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In millions of euros</i>	<i>Notes</i>	2021	2020
Consolidated net income		2,454	1,390
Changes in foreign currency adjustments ¹		141	(103)
Hedges of future cash flows in foreign currencies ^{1 2}	11.5	(110)	55
♦ <i>change in fair value</i>	11.5	(87)	36
♦ <i>recycling through profit or loss</i>		(23)	18
Assets at fair value ²	11.5	87	-
Employee benefit obligations: change in value linked to actuarial gains and losses ²	11.5	9	(2)
Net comprehensive income		2,582	1,339
♦ <i>attributable to owners of the parent</i>		2,573	1,337
♦ <i>attributable to non-controlling interests</i>		9	2

(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>	31/12/2021	31/12/2020
Goodwill	7.1	42	42
Intangible assets	7.2	258	221
Right-of-use assets	7.3	1,517	1,446
Property, plant and equipment	7.2	1,881	1,646
Investment property	7.4	9	73
Financial assets	9.2	617	368
Investments in associates	8	51	49
Loans and deposits		59	56
Deferred tax assets	6.3	546	475
Other non-current assets	4.5	22	24
Non-current assets		5,002	4,401
Inventories and work-in-progress	4.5	1,449	1,289
Trade and other receivables	4.5	333	250
Current tax receivables	4.5	58	63
Other current assets	4.5	257	193
Financial derivatives	10	53	121
Cash and cash equivalents	9.3	6,696	4,733
Current assets		8,845	6,650
TOTAL ASSETS		13,847	11,051

LIABILITIES

<i>In millions of euros</i>	<i>Notes</i>	31/12/2021	31/12/2020
Share capital	11	54	54
Share premium		50	50
Treasury shares	11	(551)	(464)
Reserves		7,142	6,212
Foreign currency adjustments	11.5	178	38
Revaluation adjustments	11.5	83	106
Net income attributable to owners of the parent		2,445	1,385
Equity attributable to owners of the parent		9,400	7,380
Non-controlling interests		12	11
Equity		9,412	7,391
Borrowings and financial liabilities due in more than one year	9	24	18
Lease liabilities due in more than one year	7.3	1,529	1,447
Non-current provisions	12	26	22
Post-employment and other employee benefit obligations due in more than one year	5.3	220	275
Deferred tax liabilities	6.3	15	22
Other non-current liabilities	4.5	45	36
Non-current liabilities		1,860	1,821
Borrowings and financial liabilities due in less than one year	9	1	25
Lease liabilities due in less than one year	7.3	248	196
Current provisions	12	115	100
Post-employment and other employee benefit obligations due in less than one year	5.3	40	28
Trade and other payables	6.5	535	448
Financial derivatives	10	122	29
Current tax liabilities	4.5	347	218
Other current liabilities	4.5	1,168	795
Current liabilities		2,575	1,839
TOTAL EQUITY AND LIABILITIES		13,847	11,051

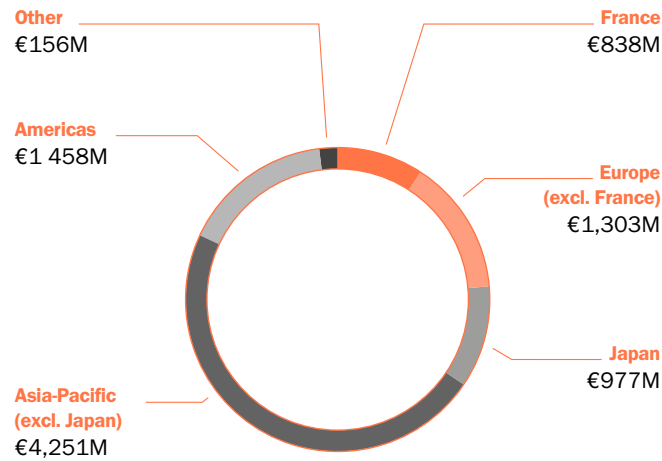
NOTE 3 **SEGMENT INFORMATION****Accounting principles**

Given the Group's current structure, organised into geographical areas placed under the responsibility of operational Senior Executives in charge of applying the strategy defined by the Executive Committee (the principal operational decision-maker), the Group has determined

that the geographical areas constitute the operating segments with reference to the fundamental principle of IFRS 8.

Segment information is presented after eliminations and restatements.

Revenue by destination geographical area breaks down as follows:



2021

<i>In millions of euros</i>	France	Europe (excl. France)	Japan	Asia-Pacific (excl. Japan)	Americas	Other	Unallocated	Total
Revenue	838	1,303	977	4,251	1,458	156	-	8,982
Recurring operating income	285	372	380	1,980	520	44	(50)	3,530
<i>Recurring operating profitability</i>	34%	29%	39%	47%	36%	28%	-	39%
Other non-recurring income and expenses	-	-	-	-	-	-	-	-
Operating income	285	372	380	1,980	520	44	(50)	3,530
Operating investments	234	38	22	105	77	-	56	532
Non-current assets ¹	886	454	253	916	752	33	1,162	4,456
Non-current liabilities ¹	206	364	113	561	562	-	40	1,845

(1) Non-current assets and liabilities other than deferred tax assets and liabilities.

Since 2021, “unallocated” includes expenses related to free share plans as well as unallocated central costs and internal billings.

2020

<i>In millions of euros</i>	France	Europe (excl. France)	Japan	Asia-Pacific (excl. Japan)	Americas	Other	Holding	Total
Revenue	620	953	834	2,915	959	108	-	6,389
Recurring operating income	159	195	292	1,290	229	25	(208)	1,981
<i>Recurring operating profitability</i>	26%	21%	35%	44%	24%	23%	-	31%
Other non-recurring income and expenses	-	-	-	-	-	-	91	91
Operating income	159	195	292	1,290	229	25	(117)	2,073
Operating investments	221	39	30	69	43	-	46	448
Non-current assets ¹	814	465	253	801	656	31	907	3,926
Non-current liabilities ¹	228	379	111	505	500	-	76	1,799

(1) Non-current assets and liabilities other than deferred tax assets and liabilities.

NOTE 4 ITEMS RELATING TO OPERATING ACTIVITIES

Accounting principles

Revenue

Revenue consists essentially of sales of goods and services produced by the Group's main operating activities:

- ◆ revenues mainly include retail sales in the Group's stores, which are recognised at the time of purchase by customers;
- ◆ Wholesale distribution to store concessionaires, distributors in the Perfume and Beauty activity and sales to producers (textile printing, tanning, metal parts, etc.) are recorded when control of the goods is transferred, which generally occurs at the time of shipping. Distributors and concessionaires therefore take control of products until sale to the final customer and thus act as the principal under the provisions of IFRS 15.

Any contractual or implicit take-backs of inventories are recorded as a deduction from revenue.

Cost of sales

The cost of sales mainly comprises purchases of raw materials, the cost of production labour, indirect production costs, variable selling expenses, as well as impairment of inventories.

Sales and administrative expenses

Communication

Communication expenses include expenses designed to promote brands and products to customers. These expenses are recognised as expenses in the financial year in which they are incurred.

Other sales and administrative expenses

Other sales and administrative expenses include costs usually borne by the Company in the course of its operations and which are not related to production. These mainly include expenses for sales staff and support functions, variable rent expenses and other administrative expenses (fees, insurance, travel, etc.).

Other income and expenses

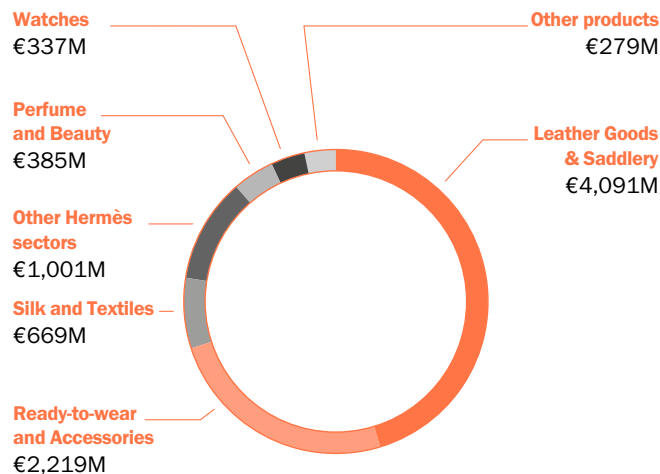
Other income and expenses mainly include:

- ◆ depreciation and amortisation of fixed assets and right-of-use assets, with the exception of charges relating to items allocated to production, which are classified as "Cost of sales";
- ◆ the cost of pension plans and other long-term benefits (see Note 5.3);
- ◆ expenses related to free share allocation plans (see Note 5.4);
- ◆ changes in provisions (see Note 12);
- ◆ impairment losses (see Note 7.5);
- ◆ donations and sponsorship expenses.

Other non-recurring income and expenses

This item enables the separate presentation of major non-recurring events that occurred during the financial year, whose financial impact was material and whose presentation under recurring operating income could affect the understanding of the Group's economic performance.

4.1 Revenue by métier



<i>In millions of euros</i>	2021	2020	Change at current exchange rate	Change at constant exchange rates
Leather Goods & Saddlery	4,091	3,209	27%	29%
Ready-to-wear and Accessories	2,219	1,409	58%	59%
Silk and Textiles	669	452	48%	49%
Other Hermès sectors	1,001	643	56%	57%
Perfume and Beauty	385	263	46%	47%
Watches	337	196	72%	73%
Other products	279	218	28%	29%
REVENUE	8,982	6,389	41%	42%

NOTE 6 INCOME TAX

Accounting principles

Income tax

The income tax expense includes the current tax due for the financial year by fully consolidated companies and deferred taxes.

The Group's companies are regularly audited by the tax authorities of the countries in which they operate. Appropriate liabilities are recorded in respect of any uncertain tax positions, the amounts of which are reviewed in accordance with the criteria of IAS 12 and IFRIC 23.

Tax consolidation regimes

The French tax consolidation regime allows certain French companies in the Group to offset their taxable income for the purpose of determining the overall income tax expense, for which only the parent company, Hermès International, remains liable.

Furthermore, there is another tax consolidation regime outside France.

Deferred taxes

Deferred taxes are calculated on all timing differences existing at financial year-end at the tax rate in force on that date, or at the enacted tax rate (or nearly enacted rate) for the subsequent financial year. Previous deferred taxes are revalued using the same method (liability method). The restatement of assets and liabilities related to leases also gives rise to the recognition of deferred taxes.

Deferred tax assets are recorded to the extent that their future use is probable given the expected taxable profits. If a non-recovery risk arises on some or all of a deferred tax asset, an impairment is recorded.

6.1 Breakdown of income tax

<i>In millions of euros</i>	2021	2020
Current tax	(1,029)	(618)
Deferred taxes	14	5
TOTAL	(1,015)	(613)

6.2 Rationalisation of the income tax expense

The effective tax rate was 29.5% as at 31 December 2021, compared with 30.9% as at 31 December 2020.

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>	2021	2020
Net income attributable to owners of the parent	2,445	1,385
Net income from associates	34	16
Net income attributable to non-controlling interests	(8)	(4)
Income tax expense	(1,015)	(613)
Net income before tax	3,435	1,986
Effective tax rate	29.5%	30.9%
Current tax rate in France	28.4%	32.0%
Theoretical income tax expense	(976)	(636)
<i>Reconciliation items:</i>		
◆ differences relating to foreign taxation (primarily the tax rate)	36	56
◆ permanent differences and other	(75)	(33)
TOTAL	(1,015)	(613)

The tax rate applicable in France in 2021 is the basic rate of 27.50% increased by the social contribution of 3.3%, i.e. a total of 28.41%.

"Permanent differences and other" include income and expenses that will never be deductible or taxable, the impact of tax loss carryforwards that have not been activated, tax adjustments for prior years and any risks and uncertain tax positions.

6.3 Deferred taxes

The net change in deferred tax assets and liabilities breaks down as follows:

<i>In millions of euros</i>	2021	2020
Deferred tax assets at 1 January	475	511
Deferred tax liabilities at 1 January	22	25
Net deferred tax assets at 1 January	453	486
Income statement impact	14	5
Scope impact	-	(1)
Exchange rate impact	15	(15)
Equity impact	49	(21)
Net deferred tax assets as at 31 December	531	453
Balance of deferred tax assets at the end of the period	546	475
Balance of deferred tax liabilities at the end of the period	15	22

The impact on equity mainly concerns the change in deferred taxes related to:

- ◆ revaluations recognised in equity (investments and financial investments and hedging of future cash flows);
- ◆ actuarial gains and losses on employee benefit obligations;
- ◆ the change in service cost allocation method in the calculation of post-employment benefit obligations (see Note 1.2).

These movements had no impact on net income for the year (see Note 11.5).

Deferred taxes mainly relate to the following adjustments:

<i>In millions of euros</i>	31/12/2021	31/12/2020
Internal margins on inventories and provisions for inventories	325	334
Employee benefits	61	84
Derivatives	19	(38)
Impairment losses	35	29
Regulated provisions	(17)	(34)
Other	109	77
TOTAL	531	453

Deferred tax assets linked to tax loss carry-forwards were not material as at 31 December 2021 and 2020.

As at 31 December 2021, tax loss carry-forwards that did not lead to the recognition of deferred tax assets represented potential tax savings of €40 million (compared with €46 million in 2020).

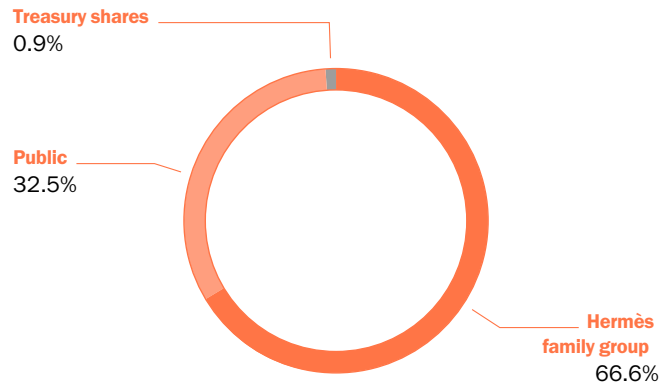
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7.2.2.5 BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS AS AT 31 DECEMBER 2021

BREAKDOWN OF SHAREHOLDERS AS AT 31 DECEMBER 2021



As at 31 December 2021 and to the Company's knowledge, the distribution of the share capital and voting rights of the Company was as follows:

	Share capital		Voting rights ¹			
			Allocation of net income		Other	
	Number	%	Number	%	Number	%
H51	57,279,794	54.3	113,689,009	63.9	113,689,009	63.9
H2	7,012,602	6.6	13,888,704	7.8	13,888,704	7.8
Other members of the Hermès family group	6,001,893	5.7	7,428,860	4.2	11,508,860	6.5
Sub-total Hermès family group ²	70,294,289	66.6	135,006,573	75.9	139,086,573	78.2
Public ^{3,4}	34,349,970	32.5	42,751,499	24.1	38,671,499	21.8
Treasury shares	925,153	0.9	-	0.0	-	0.0
TOTAL	105,569,412	100.0	177,758,072	100.0	177,758,072	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 in § 7.2.1.2.

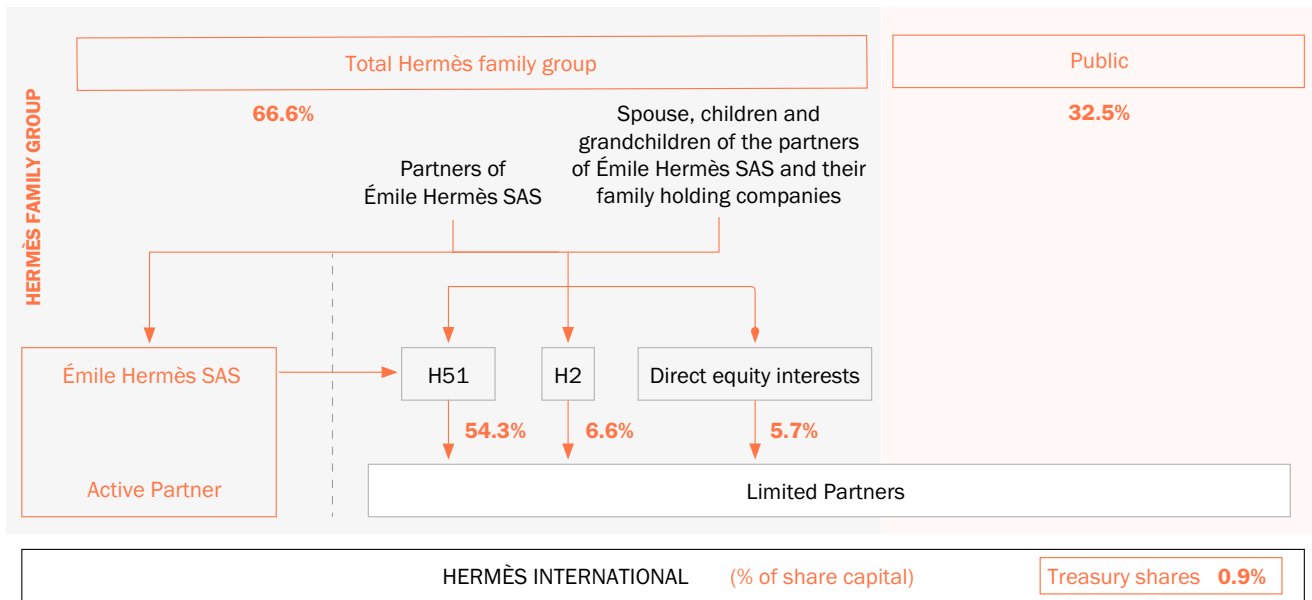
(2) The definition of the Hermès family group is in chapter 9 "Additional information", § 9.6.

(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.



7.2.2.6 CHANGE IN SHARE CAPITAL AND VOTING RIGHTS

During the last three financial years and to the Company's knowledge, the distribution of capital and voting rights in the Company (by percentage) was as follows:

Shareholders holding more than 5% of the share capital or voting rights	31/12/2021			31/12/2020			31/12/2019		
	Voting rights ¹			Voting rights ¹			Voting rights ¹		
	Share capital	Allocation of net income	Other	Share capital	Allocation of net income	Other	Share capital	Allocation of net income	Other
H51	54.3%	63.9%	63.9%	54.2%	63.8%	63.8%	54.2%	63.8%	63.8%
H2	6.6%	7.8%	7.8%	6.6%	7.9%	7.9%	6.6%	7.9%	7.9%
Other members of the Hermès family group	5.7%	4.2%	6.5%	5.7%	4.2%	6.5%	5.8%	4.5%	6.8%
Sub-total Hermès family group ²	66.6%	75.9%	78.2%	66.6%	75.9%	78.2%	66.7%	76.1%	78.5%
Public ^{3,4}	32.5%	24.1%	21.8%	32.5%	24.1%	21.8%	32.0%	23.9%	21.5%
Treasury shares	0.9%	0.0%	0.0%	0.9%	0.0%	0.0%	1.3%	0.0%	0.0%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	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 in § 7.2.1.2.

(2) The definition of the Hermès family group is in chapter 9 "Additional information", § 9.6.

(3) These percentages correspond to the total 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).

7.4 STOCK MARKET INFORMATION

7.4.1 SUMMARY OF STOCK MARKET INFORMATION

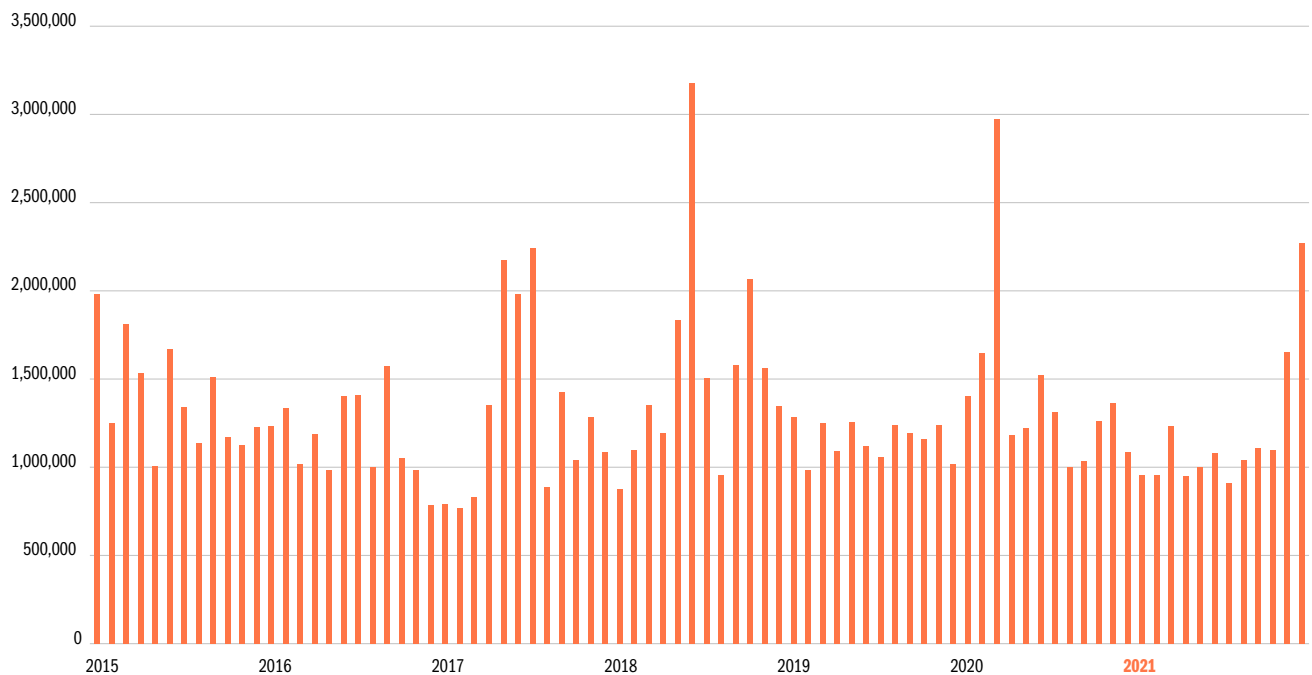
(Source Bloomberg)	2021	2020	2019
Number of shares as at 31 December	105,569,412	105,569,412	105,569,412
Average number of shares (excluding treasury shares)	104,623,330	104,430,772	104,233,233
Market capitalisation as at 31 December	€162.15 billion	€92.86 billion	€70.33 billion
Earnings per share (excluding treasury shares)	€23.37	€13.27	€14.66
Dividend per share	€8.00 ¹	€4.55	€4.55 ²
Average daily volume (Euronext)	55,257	66,151	54,467
12-month high share price	€1,678.00	€890.20	€689.20
12-month low share price	€839.40	€516.00	€462.40
12-month average share price	€1,190.97	€729.42	€607.44
Share price as at 31 December	€1,536.00	€879.60	€666.20

(1) Subject to the decisions of the Ordinary General Meeting of 20 April 2022, an interim dividend of €2.50 was paid on 23 February 2022.

(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

The company Hermès International was listed on the CAC 40 on 7 June 2018 and in the EURO STOXX 50 index on 20 December 2021.

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

Email: 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 upon appointment 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 BECOMING A HERMÈS INTERNATIONAL SHAREHOLDER

Registered shares

Hermès International offers its shareholders the opportunity to register their shares in pure registered form, offering the following advantages:

Free management

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.

Pure registered shareholders are totally exempt from custody fees, as well as costs inherent in the day-to-day management of their shares such as conversion to bearer shares, transfer of securities, changes in legal situations (transfers, donations, inheritance, etc.), securities transactions (capital increase, allocation of securities, etc.) and the payment of dividends.

The guarantee of personalised information

Pure registered shareholders receive personalised information on:

- ◆ the convening of General Meetings, with systematic sending of the notice of meeting, the single postal and proxy voting form, a request for an admission card and the legal information documents;
- ◆ the management of securities, the taxation of securities and the organisation of the General Meeting.

In addition, an online service is available for consultation of equity holdings and placing of stock market orders: <https://www.planetshares.bnpparibas.com>.

Easy access to the General Meeting

Like any shareholder of the Company, registered shareholders are entitled to attend the General Meeting and enjoy the benefit of not having to make a prior request for a shareholding certificate.

In addition to the usual voting methods, holders of pure registered shares can vote before the meeting or give their proxy *via* "Votaccess", a voting platform.

Registration procedures

To transfer your securities directly to pure registered shares or for more information about pure registered shares, please contact:

BNP PARIBAS SECURITIES SERVICES:

Hermès International Shareholder Relations

Les Grands Moulins de Pantin

9, rue du Débarcadère – 93761 Pantin Cedex

From France: 0 826 109 119

From abroad: +33 1 55 77 40 57

<https://planetshares.bnpparibas.com>

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.

Thus, to participate in the General Meeting, bearer shareholders must obtain a shareholding certificate certifying the registration or recording in the books of their shares no later than midnight, Paris time, two working days prior to the General Meeting, from the financial intermediary managing their Hermès International securities.

7.5.5 DIALOGUE WITH SHAREHOLDERS AND THE FINANCIAL COMMUNITY IN 2021

The financial communication and investor relations department engages in dialogue with the financial community and all Group shareholders throughout the year, adapting in particular this year to the health context through the use of digital means, and by strengthening its discussions with shareholders.

In 2021:

		
Number of roadshows	Investor meetings	Institutions met
13	40	140

The House's sustainable, responsible and supportive model was presented at several events and in publications during 2021.

In October 2021, during the 12th *Grand Prix de Transparence* awards, Hermès International was awarded the *Grand Prix de Transparence* in the "CAC Large 60" category (CAC 40 and CAC Next 20) and was ranked third in the TOP 20 most transparent companies (see chapter 3 "Corporate governance", § 3.1.2), based on the criteria of accessibility, accuracy, comparability and availability of financial information.

In June 2021, Hermès was awarded the *Palme de la performance des jeunes actionnaires*, awarded by the Federation of Individual Investors and Investment Clubs (F2iC) in partnership with the EDHEC Business School, which demonstrates the dynamism of the Hermès share over the past ten years.

The Shareholders' General Meeting and the presentations of the financial results were broadcast live and recorded on the Company's website at <https://finance.hermes.com/en/>.

On 8 December 2021, Hermès organised an Analysts' Day at its premises in Pantin. This day was an opportunity to open the doors of its workshops and share the House's values, through three presentations:

- ◆ first, the main trends in the *métiers* and exclusive distribution, presented by the Executive Vice-President Finance;
- ◆ then, an immersion in the House's largest *métier*, Leather Goods & Saddlery, and the excellence of the *savoir-faire* of our craftspeople, presented by the Executive Vice-President Manufacturing Division & Equity Investments; and
- ◆ finally, Hermès' commitments in terms of social and environmental responsibility, developed by the Executive Vice-President Corporate Development and Social Affairs.

The main topics on the Analysts' Day agenda were:

- ◆ the dynamics of the business model;
- ◆ Hermès Leather Goods & Saddlery: unique *savoir-faire* constantly reinvented and;
- ◆ a craftsmanship, responsible and sustainable business model, whose commitments to sustainable development have been recognised by the exceptional increase in non-financial ratings this year.

All presentations relating to the event are available at the following address: <https://finance.hermes.com/en/publications/>.

Hermès is making a website, <https://finance.hermes.com/en/>, available to the financial community, its shareholders and, more generally, its stakeholders, which will be enhanced in 2021, in particular in respect of information relating to sustainable development.

- ◆ 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",
 - the House's key figures and the House's financial events;
- ◆ a specific "General Meeting" section, which allows shareholders to read all the information relating to this event and its retransmission;
- ◆ 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 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.

Financial information, including financial press releases, presentations of the Group's revenues and financial results, the letter to shareholders, information on General Meetings and the universal registration document, is available and archived on the Company's website.

In 2021, Hermès published two issues of its Letter to Shareholders, in French and English, a regular source of information on its news, presenting the main facts and figures and providing information on the Company's relationship with its shareholders.

Shareholders can also consult the information published by the Company on the following websites:

- ◆ <https://www.amf-france.org>, for press releases, registration documents/universal registration documents, threshold crossings, shareholder pacts and declarations sent to the AMF;
- ◆ <https://www.journal-officiel.gouv.fr/balo>, for documents published in the *Bulletin des Annonces Légales Obligatoires* (BALO);
- ◆ <https://www.infogreffe.fr> for filings made with the clerks of the Commercial Court of Paris (search by identification number: 572 076 396).

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ADDITIONAL INFORMATION

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9.5.5 CROSS-REFERENCE TABLE FOR THE NON-FINANCIAL PERFORMANCE STATEMENT

No.	Required elements	Reference texts	Chapter / § / Page
5.1	Business model	Articles L. 225-102-1 and R. 225-105, I of the French Commercial Code	chapter 2 § 2.1 / pages 47-55
5.2	Description of the main risks related to the business of the Company or Group, including, where relevant and proportionate, risks created by business relationships, products or services	Articles L. 225-102-1 and R. 225-105, I. 1 of the French Commercial Code	chapter 2 § 2.3.1.1 / page 56
5.3	Information on the way in which the Company or the Group takes into account the social and environmental consequences of its activity, and the effects of this activity on respect for human rights and the fight against corruption (description of the policies applied and due diligence procedures implemented to prevent, identify and mitigate the main risks related to the business of the Company or Group)	Articles L. 225-102-1, III, R. 225-104 and R. 225-105, I. 2 of the French Commercial Code	chapter 2 § 2.2.2.3 / pages 84-86 § 2.6.1.2.5 / pages 170-178 § 2.8.1.1 / pages 198-200
5.4	Results of policies applied by the Company or Group, including key performance indicators	Articles L. 225-102-1 and R. 225-105, I. 3 of the French Commercial Code	chapter 2 § 2.2 / pages 67-88 § 2.3 / pages 89-108 § 2.4 / pages 109-128 § 2.5 / pages 129-166 § 2.6 / pages 167-180 § 2.7 / pages 181-197 § 2.8 / pages 198-211
5.5	Social information (employment, work organisation, health and safety, labour relations, training, equal treatment)	Articles L. 225-102-1 and R. 225-105, II. A. 1 of the French Commercial Code	chapter 2 § 2.2 / pages 67-88 § 2.3 / pages 89-108
5.6	Environmental information (general environmental policy, pollution, circular economy, climate change)	Articles L. 225-102-1 and R. 225-105, II. A. 2 of the French Commercial Code	chapter 2 § 2.4 / pages 109-128 § 2.5 / pages 129-166
5.7	Societal information (societal commitments in favour of sustainable development, subcontracting and suppliers, fair practices)	Articles L. 225-102-1 and R. 225-105, II. A. 3 of the French Commercial Code	chapter 2 § 2.6 / pages 167-180 § 2.7 / pages 181-197
5.8	Anti-corruption information	Articles L. 225-102-1 and R. 225-105, II. B. 1 of the French Commercial Code	chapter 2 § 2.8.2 / pages 202-205
5.9	Information on actions in favour of human rights	Articles L. 225-102-1 and R. 225-105, II. B. 2 of the French Commercial Code	chapter 2 § 2.2.2.3 / pages 84-86 § 2.6.1.2.5 / pages 172-174 § 2.8.1.1 / pages 198-200
5.10	Specific information: <ul style="list-style-type: none"> the Company's policy to prevent the risk of technological accidents; the Company's ability to cover its civil liability in respect of property and persons as a result of the operation of such facilities; the means planned by the Company to manage the compensation of victims in the event of a technological accident involving its liability. 	Article L. 225-102-2 of the French Commercial Code	Not applicable
5.11	Collective agreements concluded within the Company and their impact on the Company's economic performance as well as on the working conditions of employees	Articles L. 225-102-1, III and R. 225-105 of the French Commercial Code	chapter 2 § 2.2.1.3 / page 76
5.12	Statement of the independent third party on the information presented in the SNFP	Articles L. 225-102-1, III and R. 225-105 of the French Commercial Code	chapter 2 § 2.9 / page 212

9.6 GLOSSARY

Active partners

See “*société en commandite par actions*” (partnership limited by shares).

Adjusted free cash flow

Adjusted free cash flow is the sum of cash flows related to operating activities, less operating investments and the repayment of lease liabilities recognised in accordance with IFRS 16 (aggregates in the consolidated statement of cash flows).

Afep-Medef Code

Corporate Governance Code of listed corporations developed by the *Association française des entreprises privées* (Afep) and the *Mouvement des entreprises de France* (Medef), after consultation with the various parties of the financial marketplace. This code provides a set of demanding and precise recommendations on corporate governance. It can be designated by listed corporations as their reference code pursuant to Article L. 22-10-10, 4 of the French Commercial Code (*Code de commerce*). The Afep-Medef Code is revised and updated on a regular basis.

Affiliates

Companies in which your company does not own, directly or indirectly, more than 50% of the share capital.

Articles of Association

The Articles of Association are a deed of incorporation of a company which defines its characteristics and the rules governing its operation. An amendment to the Articles of Association requires the agreement of all the Active partners and a vote by an extraordinary General Meeting.

Audit and Risk Committee

A committee of the Supervisory Board in charge of the financial statements, audit, risks, and corruption prevention.

Bearer Share

When shares are in bearer form (the most common), the custodian is a financial intermediary (bank or stock market firm). This intermediary is the only entity to know the individual shareholder’s identity, so the issuing company does not know the name of the holders of these shares.

CAG-CSR Committee

A committee of the Supervisory Board in charge of compensation, appointments, governance, and corporate social responsibility.

Capital gain

The profit made on the sale or disposal of a security. It is equal to the positive difference between the sale price and the purchase or subscription price.

Capital increase

Operation conducted to increase the Company’s equity capital. A capital increase is either done by increasing the par value of existing shares, or by creating new shares proceeding from subscriptions in cash, contributions in kind or profits, reserves or issue of share premiums incorporated into the capital. Capital increases may be carried out with or without subscription rights. They may enable new shareholders to hold a part of the Company’s capital. They must be previously approved by an Extraordinary General Meeting.

Consensus

This is the mean value of forecasts made by analysts.

Consolidated financial statements

The consolidated financial statements consolidate all of the financial statements of the companies forming the Hermès Group, for the purpose of presenting the financial position as if they formed a single entity.

Corporate governance

Corporate governance:

- ◆ covers certain principles of efficient operation and transparency to improve a company’s management and meet demands from investors and the public;
- ◆ concerns all the responsibilities, processes and practices designed to define Group management and the Company’s strategic actions, to ensure that risks are correctly managed and that goals are achieved;
- ◆ covers all the different bodies (Supervisory Board and its specialised committees, Executive Committee, etc.) put in place to oversee the management of a publicly-traded company.

CSR

Corporate social responsibility.

Declaration by Senior Executives (upon disposal of securities)

Declaration that the Senior Executives, the persons acting on their behalf, and the persons related to them are required to make to the issuer and the AMF, in respect of the transactions they carry out on the shares and debt securities of the Company in which they perform their duties and the related financial instruments. This declaration must be made within three working days starting from the date of the transaction (for more information, see the “*Guide de l’information permanente et de la gestion de l’information privilégiée*” DOC-2016-08 of the AMF).

Dividends

Portion of the Company’s profits, retained earnings or reserves that the General Meeting, on a recommendation by the Supervisory Board, decides to distribute to the shareholders. The dividend represents the share earnings, and its amount varies each year depending on the Company’s results and the policy it adopts.

Double voting right

The double voting right departs from the legal principle that the number of votes attaching to shares must be proportional to the share of capital they represent (principle of “one share one vote”).

A double voting right is granted:

- ♦ to any fully-paid Hermès International registered share which has been duly recorded on the books in the name of the same shareholder for a period of at least four years, and from the date of the first General Meeting following the fourth anniversary of the date when the share was registered on the books; and
- ♦ to any Hermès International registered share allocated as a bonus share to a shareholder, in the event of a capital increase by incorporation of amounts entered in share premium, reserve or retained earnings accounts, in proportion to existing shares carrying a double voting right.

The double voting right automatically ceases to exist in the conditions stipulated by law.

Earnings per share

This is a calculation done for stock market analysis obtained by dividing the Company’s net profit by the number of shares comprising the capital.

Equity

Capital belonging to the shareholders comprising equity subscriptions, profits left in reserves and income for the period.

Executive Chairmen

The role of the Executive Chairman consists in running the Group and acting in the general interests of the Company, within the limits of its corporate purpose and in compliance with the powers granted by law to the Supervisory Board and General Meetings of Shareholders.

Extraordinary dividend

This is a dividend of an exceptionally high amount compared to the dividend ordinarily paid and which is not therefore recurrent. It may complete or replace the ordinary dividend.

Financial Markets Authority (AMF)

Financial markets authority regulating French financial market players and products. The authority regulates, authorises, monitors and, when necessary, audits, investigates and imposes sanctions. It also ensures that investors are correctly informed and offers investor assistance, where necessary, *via* its mediation procedure.

The Financial Markets Authority (AMF) is an independent public authority responsible for:

- ♦ protection of savings invested in financial products;
- ♦ investor information;
- ♦ proper financial market operation.

“Épargne Info Service” answers your questions about savings products, the stock market or the role of the AMF on +33 (0)1 53 45 62 00 (local call rates in France).

General Meeting

The General Meeting is a decision-making body comprising all shareholders (Limited Partners).

Except for the appointment and dismissal of members of the Supervisory Board, the appointment and dismissal of the Statutory Auditors, the allocation of profits for the financial year and the approval of agreements subject to authorisation, no decisions may be validly made by the General Meetings unless they are approved by the Active partners at the latest by the end of the meeting that voted on the decision in question.

Growth in revenue at constant exchange rates

Growth in revenue 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.

HCGE

Corporate Governance High Committee (*Haut Comité de gouvernement d’entreprise*), whose role is to conduct oversight of the application of the Afep-Medef Code and to propose changes therein, subject to public consultation.

Hermès family group

The Hermès family group consists of the partners of Émile Hermès SAS, their spouses, children and grandchildren, and their direct and indirect holding companies of Hermès International and Émile Hermès SAS. The right to be a partner in Émile Hermès SAS is reserved for the descendants of Mr Émile-Maurice Hermès and his wife, and their spouses, but solely as the usufructuaries of shares.

EHS

Environment, Health and Safety.

Identification on request

In order to know the identity of all or part of its holders of bearer shares at a given time, a publicly-traded company may ask the Company Euroclear France for a breakdown of its shareholders using its notification platform, which allows identification information to be collected from financial intermediaries.

Law No. 2021-1308 of 8 October 2021, which transposed Directive (EU) 2017/828 of 17 May 2017 (known as “SRD II”) into French law, amending Directive 2007/36/EC of 11 July 2007 (known as “SRD I”) has replaced the TPI (identifiable bearer share) procedure by this procedure.

IFRS

International Financial Reporting Standards.

Institutional investors

Financial institutions (pension funds, insurance companies, banks, sovereign funds, etc.) investing money in securities.

Interim dividend

Advance payment of a portion of the forth coming dividend.

Joint Council

Whenever it considers it necessary, the Executive Management of Hermès International or the Chairman of the Supervisory Board of Hermès International calls a Joint Council between the Executive Management Board of Émile Hermès SAS and the Supervisory Board of Hermès International.

The Joint Council is an institution designed to enable extensive consultation between the Executive Management Board of the Active partner, an internal body needing to have knowledge of the main aspects of Hermès International’s Executive Management, and the Supervisory Board, an emanation of the shareholders.

The Joint Council hears all questions that are submitted to it by the person calling it or which it decides to examine, without however being able to make decisions in place of the bodies to which such powers are granted by law, the Company’s Articles of Association and those of Émile Hermès SAS.

The Joint Council of the Executive Management Board and the Supervisory Board does not, itself, have any decision-making powers. It acts solely as a consultation body. If they so wish, at a Joint Council meeting, the Executive Management Board and the Supervisory Board may make any decision or give any opinion within their sphere of competence.

LEI

LEI is a unique, global identifier that takes the form of a 20-digit alpha-numeric code. It is linked to key reference information. Developed by the International Organisation for Standardisation (ISO), the LEI is compulsory for all transactions in financial instruments listed on the stock exchange: it clearly and uniquely identifies the legal entities involved in such transactions.

Limited Partners

See “*société en commandite par actions*” (partnership limited by shares).

Liquidity

For a given security, this corresponds to the ratio between the volume of shares traded on the market and the number of shares comprising the floating stock. A security or a market is said to be “liquid” when buy or sell transactions can be completed without causing any excessive variations compared to the last trading price.

Management report

Information document required by the French Commercial Code (*Code de commerce*) whereby the Senior Executives and management bodies of a company report to the governing body on their management over the past year, and provide all significant information about the issuer and its future prospects. It is prepared by the same bodies as those that approve the annual financial statements. Companies preparing consolidated financial statements must also provide information about the management of the Group. This document is included in the universal registration document.

Market capitalisation

This is the market value of a company at a given time. It is calculated by multiplying the stock market price by the number of shares comprising the capital.

Net cash position

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.

Net income

A company’s net income is the balance between all of its income and all of its expenses over a given period. It reflects what the Company has earned or lost through its activities over that period.

Net profit

Positive statement of income balance.

Operating cash flows

Operating cash flows are all the financial resources generated by the Company in connection with its activity and which it could use to cover its financial needs. It measures the Company's ability to finance its requirements in order to exist, using its own resources, such as investments or debt repayments.

Parent company financial statements

The parent company financial statements are the annual financial statements of Hermès International taken individually.

Preemptive subscription right

Tradable right, detached from each existing share, enabling existing shareholders to purchase new shares or securities giving access to the share capital in an offering before the general public has the opportunity to do so, or to obtain, by selling their rights, an amount equivalent to the notional reduction in the value of their shares that would arise from the new issue.

Priority subscription right/Priority subscription period

In return for the cancellation of preemptive subscription rights, the Executive Management may introduce a priority right, which may be pro-rated. A priority right, like a preemptive subscription right, enables existing shareholders to subscribe to the proposed issue in proportion to the number of shares they currently hold. However, unlike a preemptive subscription right, a priority right is (i) exercisable within a priority period (in practice, at least five trading sessions) that is shorter than the period allowed for a preemptive right and (ii) not tradable.

Pro-rated (subscription rights)

In some cases, the Executive Management may introduce pro-rated subscription rights in favour of existing shareholders. This means that if irreducible subscriptions (i.e. subscriptions by shareholders exercising preemptive subscription rights) fail to entirely absorb the capital increase, the unsubscribed equity securities would be allocated on a pro-rated basis to those shareholders who made an application for additional shares (over and above the entitlement given by their preemptive subscription rights) in proportion to the subscription rights they hold and within the limit of the number of shares applied for by that shareholder.

Quorum

Minimum percentage of shares present or represented and carrying voting rights, required for a General Meeting to validly proceed.

Recurring operating income

Recurring operating income is one of the main performance indicators monitored by the Group's management. It excludes non-recurring items having a significant impact that could affect understanding of the Group's economic performance.

Registered share

When shares are registered shares, the custodian is the Company itself or an agent appointed by the issuing company to keep its registered share accounts. For Hermès International, this agent is BNP Paribas Securities Services (BP2S). Holders of registered shares are known by name by the issuing company. They may either manage their shares themselves, in which case they are described as "pure" registered shareholders; or appoint an agent of their choosing to manage their account held with the issuing company, in which case they are described as "administered" registered shareholders.

Remote voting

A shareholder may vote by post using a form provided for this purpose or online (please refer to the corresponding notice of meeting).

Restated net cash

Restated net cash corresponds to net cash 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.

Revenue

Revenue is the total amount of sales of goods and services made by the Company, over a given period, in the normal course of business.

Share

A marketable security issued by a listed (publicly-traded) or unlisted incorporated company, representing the unit value of the Company's share capital and granting the holder shareholder status. This share carries rights to disclosure of information and the right to vote at General Meetings, as well as financial rights (right to dividends, subscription rights). A share may be a bearer share or a registered share.

Share buyback

After consulting its shareholders at a General Meeting and obtaining their consent, a company may purchase its own shares on the stock market, within the limit of 10% of its capital (in accordance with the objectives defined in the share buyback programme). Shares thus purchased may then be held, sold, transferred or cancelled.

Share capital

Portion of equity capital contributed by shareholders when the Company is established or upon a subsequent capital increase.

Shareholding certificate

Document provided by the financial intermediary proving that a holder of bearer shares is a shareholder. This document enables the shareholder to take part in General Meetings.

Société en commandite par actions (SCA) (partnership limited by shares)

A company whose capital is divided into shares comprising one or more Active partners having status as merchant and who have unlimited joint and several liability for the Company's debts, and Limited Partners (or shareholders) who are not merchants and are only liable for the Company's debts in proportion to their investment.

Subsidiaries

Companies in which your company owns, directly or indirectly, more than 50% of the share capital.

Supervisory Board

The Company has a Supervisory Board (*Conseil de surveillance*), comprising between three and fifteen members (in addition to members representing the employees) who are appointed for term of three years (unless otherwise specified pursuant to Article 18.2 of the Articles of Association) from among shareholders that do not have status as Active partner, legal representative of the Active partner or Executive Chairman.

The powers and competence of the Supervisory Board are defined in Article 18 of the Articles of Association.

Treasury shares

A share that a company holds in its own capital. Treasury shares do not carry any voting rights and do not grant entitlement to dividends.

Universal registration document

Summary document filed on a voluntary basis by issuers. This is a communication tool enabling the market (financial analysts, investors, individual shareholders, etc.) to have access to annual information that includes all the information necessary to make a judgment on the business, financial position, results and outlook of the issuer as well as the governance and shareholding structures. It contains legal, financial and accounting information, information concerning the activities and shareholding as well as a description of the issuer for a given financial year. While this document is optional, most large listed companies prepare a universal registration document.

Voting right

A voting right attached to a share is exercised at the Company's General Meetings and enables shareholders to take part in the Company's principal decisions. A share may carry a single or multiple voting right(s), or no voting right at all, but only shareholders may hold voting rights.

Yield

Ratio of the dividend to the share price.

This glossary contains the most frequently used terms. The definitions are provided for information only and do not purport to be exhaustive. On no account shall this glossary be interpreted as replacing rules in force (legislation, regulations, Articles of Association, etc.), or documents and communications issued by the Company (notice of meeting, universal registration document, financial disclosures, etc.).

Hermès International

Société en commandite par actions (partnership limited by shares)
with share capital of €53,840,400.12 – Paris Trade and Company Register no. 572076396 –
Registered office: 24, rue du Faubourg Saint-Honoré – 75008 Paris.

Tel.: +33 (0)1 40 17 49 20

ISBN 978-2-35102-0463

A Hermès publication

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Illustration credits

Pages 5, 229, 230, 231, 233: Valérie Archeno - Page 13: Olivier Metzger 1, Sylvie Becquet 2 and 3, Edouard Caupeil 4 - Page 66: Christophe Mariot -
Page 88: Maxime Verret - Page 108: Chris Payne - Page 128: François Coquerel - Page 166: Pascal Biomez - Page 180: Nacása & Partners Inc -
Page 234: Olivier Metzger 1, Sylvie Becquet 2 and 3
Pages 247, 256, 258, 259, 261, 262, 263, 265, 266, 268, 269, 271, 272, 273, 275, 285, 288: Edouard Caupeil

Layout: **Labrador**

e-accessible version: Ipedis

