



2021

UNIVERSAL REGISTRATION DOCUMENT

CSR EXTRACT
NON-FINANCIAL PERFORMANCE STATEMENT
(NFPS)

Page numbers have been retained from the original version.

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.

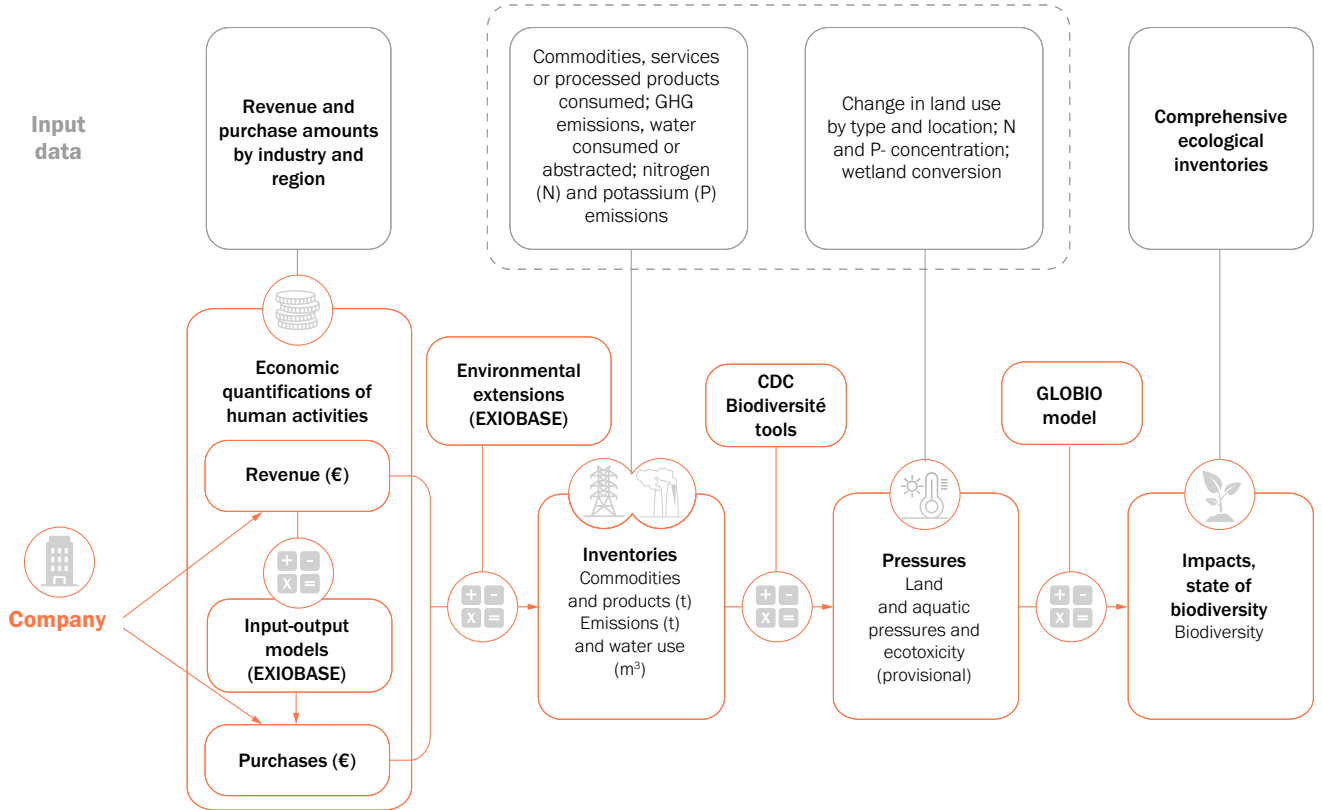
DIFFERENCES BETWEEN METRICS, UNITS, TOOLS AND INDICATORS (CDC BIODIVERSITÉ, 2020)

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

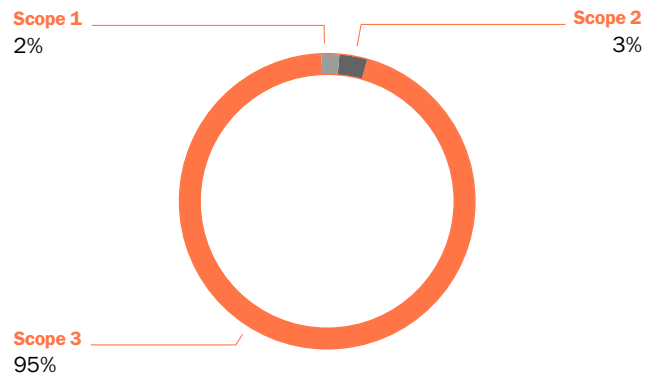
change in the watershed. These pressures are derived from the work of IPBES. The calculation is based on the use of the GLOBIO database, and makes it possible to calculate static and dynamic impacts, on scopes 1 (direct operations) and 2 (energy purchases excluding fuels), as well as 3 upstream (other 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.

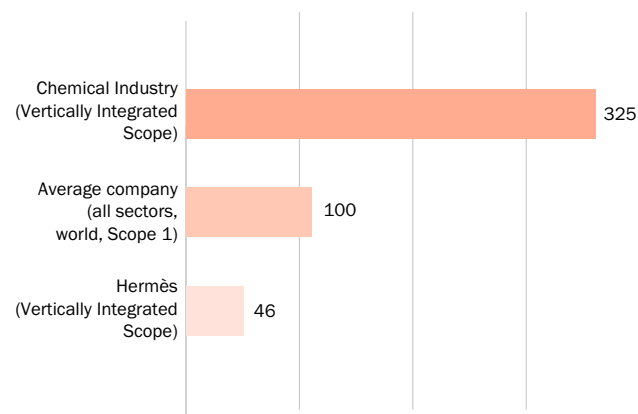
BREAKDOWN OF HERMÈS' TERRESTRIAL DYNAMIC IMPACT BY SCOPE



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)

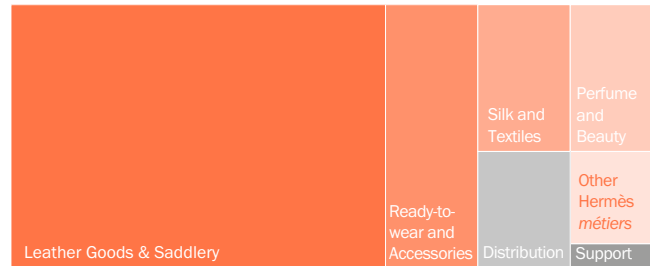


Sector data provided by CDC Biodiversité

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)



2

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.