



CSR commitments and performances

Version 2021.2

Subject

This document describes the policies adopted by Hcp regarding Corporate Social Responsibility (CSR).

It is intended for all stakeholders of the group.

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PRINCIPLES AND COMMITMENTS

The group implements an artisan model based on the principle of sustainability. Based on the sparing use of raw materials of the highest quality, this model respects the nature from which it draws inspiration.

It relies on the implementation of ethical principles that require the highest level of consideration to be given to all stakeholders, particularly the players in the group's supply chains. This requirement also extends to the respect of nature, and particularly, the welfare of the animals whose skins are used.

Hcp's trade is the transformation of skins intended to become exceptional products with a long lifetime. The group is fully devoted to all the action and commitment principles developed : adherence to Fashion Pact, Act4nature International, Climate Pledge, Leather Working Group (LWG) and the Animal Welfare Group, a specific forum within LWG.

In addition, the group has made a commitment to the Livelihoods carbon fund and entered a partnership with WWF France in favour of biodiversity.

Lastly, the group also adheres to the Universal Declaration of Human Rights, the United Nations Global Compact, the United Nations guiding principles regarding human rights and the declaration of the International Labour Organisation (ILO) pertaining to the fundamental principles and rights at work.

A global policy with 6 particular challenges

As an entity of the group, Hcp implements the group's artisan model. This translates as a continuous commitment to product quality, a continuous effort to improve the industrial and environmental performance of its entities (farms or tanneries), and the respect for those that work for or with Hcp. The same requirements are implemented with regard to its various suppliers through its purchasing policy.

The group's principal areas of focus for sustainable development are: people (know-how, teams), the planet (materials, environment), and communities (stakeholders and transparency, suppliers and partners).

More specifically, the measures implemented by Hcp to address six major concerns: Water, Traceability, Humans, Safety, Carbon and Animal [Eau, Traçabilité, Hommes, Innocuité, Carbone et Animal] ("ETHICA")

PRINCIPLES AND COMMITMENTS

- **Water [Eau]**: considering water to be a precious resource; its use in the breeding farms and the tanneries is closely monitored, along with its discharge.
- **Traceability [Traçabilité]**: guaranteeing compliance with all the principles set forth by the policies adopted by Hcp requires the traceability of skins, both upstream, with regard to their procurement, and throughout the industrial transformation processes.
- **Humans [Hommes]**: paying the utmost attention to the conditions in which men and women work within the group, as well as within its partners.
- **Safety [Innocuité]**: enabling all clients to rely on the impeccable quality of the products they purchase, and the absence of any risk pertaining to their use.
- **Carbon [Carbone]**: working on reducing the impact of its activities on the production of greenhouse gases through the reduction of energy consumption and the substitution of fossil fuels.
- **Animal [Animal]**: actively contributing, through its expertise, to the definition and implementation of the group's "animal welfare" policy that is committed to and monitors compliance with the guiding principles defined by the World Organisation for Animal Health.

In connection with these various issues, Hcp implements a pro-active policy of continuous improvement based on innovation and the monitoring of scientific and regulatory developments. This implemented progress-making approach is supported by significant investments (32 million euros over the next three years 2021-2024).

The ETHICA approach within the entities of the Hcp group

The six ETHICA challenges are taken on board by all entities. The Farms division is made up of an alligator farm and a skin inspection centre in the United States (*Alligator mississippiensis*), three crocodile farms in Australia (*Crocodylus porosus*) and two skin transformation and inspection sites in Australia. They represent a strategic element in the supply chain of crocodilian skins.

In addition to their impact reduction measures, the farms fully participate in programmes for environmental protection and wild animal conservation, as part of the CITES convention for the protection of endangered species, and in partnership with the conservation experts of the IUCN.

Hcp operates six tanneries, five of which are in France (Annonay, Le Puy-en-Velay, Vivoin, Montereau as well as la mégisserie Jullien in Chabris, acquired in May 2020) and one in Italy in Cuneo. Hcp's industrial entities are committed to operating in the best conditions, both with regard to the security and well-being of employees and the limitation of their environmental impact. Limiting the risks and impacts is a vital requirement, as well as a general performance lever.

This outlines the coherent policy adopted by Hcp: limiting inputs, substituting debated substances, controlling consumptions and emissions, monitoring the treatment of all effluents and waste, ensuring employee well-being and health, and verifying the safety of leathers treated in our tanneries.

Leather Working Group (LWG) and certification

The Leather Working Group was created in 2005 on the initiative of a group of brands and tanneries sharing the same ambitions regarding the implementation of an audit protocol. The LWG audit standard is a credible and high-performance tool, developed in collaboration with experienced technical experts, and with the benefit of the vision and contribution of brands and retail trade.

For Hcp, membership of the LWG entails the audit of its tanneries. In keeping with the commitments that Hcp has made on the deployment of Leather Working Group certifications for its tanneries (100% of Hcp tanneries to be evaluated between now and the end of 2023), the group has been actively preparing itself for more than a year. On this basis, *Conceria di Cuneo* (Italy) was already audited in November 2020. All the tanneries (Montereau, Vivoin, Annonay and Le Puy) will be audited between now and the end of 2022/beginning of 2023. La mégisserie Jullien will be audited between now and the end of 2023.

Due to the absence of sufficient comparative data for the exotic and veal tanneries, the adaptation of the LWG criteria is currently ongoing in order to ensure the relevance of the framework with regard to the requirements implemented on the group sites. Hcp is in regular contact with the LWG to clarify the applicability of certain sections or issues to exotic and veal tanneries.



Water consumption and discharges

[*Consommations et rejets d'Eau*]

As a precious and vital resource, water is at the centre of our attention, whether this involves tannery manufacturing processes or breeding ponds at crocodilian farms, which are aquatic reptiles. Hcp's policy implements a dual principle: limiting the use of water taken from natural environments through the maximum reuse of consumed water; treating wastewater to obtain a discharge quality that is compatible with or close to the thresholds of "natural environment" quality.

Crocodilian farms

The farms are located in geographic zones with low water stress, as established by an analysis carried out in partnership with WWF. This obviously does not prevent research into limiting water consumption as much as possible, by avoiding any unnecessary wastage, and developing the recycling and the reuse of wastewater.

The farms of the Australian division take measures to implement a virtuous cycle: in Cairns, for example, the water used comes from the steam produced by the processes of a sugar cane manufacturing factory, which is already heated when it arrives at the farm (and represents almost a quarter of the total water consumption of Australian farms). Nutrient-rich water from animal basins is then used in neighbouring sugar cane plantations for its natural fertilising qualities. Each farm is also equipped with basins for the biological treatment of effluents to ensure the quality of water discharged in the natural environment.

At the farm in Janamba, the cultivation of sandalwood is developed, nourished by water from the basins. Sandalwood enables the production of an oil used in the manufacture of perfumes.

Tanneries

In the tanneries, located in France and Italy, the adopted policy aims to be able to operate in a cycle that is as closed as possible in the future: by implementing continually improved effluent treatment processes, with investments worth 1.4 million euros per year (over the 2018-2020 period). Today, the water is mainly discharged in communal treatment plants. Only the Vivoin tannery directly discharges treated water, which complies with the regulations, into the natural environment. The aim is that the water that continues to be discharged shall comply with the Prefectoral orders for the operation of the site and the agreements for discharges in the collective sewage network, i.e., it can be received by the communal water treatment installations but is also already treated to a quality level that is as close as possible to that of the natural environment.

Key figures

- 5 million euros invested in the tanneries' wastewater treatment plants over the 2018-2020 period.
- A chromium purification result that is higher than 99% for the tanneries' wastewater treatment plants.

Commitments

- To reduce water consumption by 5% a year in intensity (m^3 per million euros in turnover, constant perimeter) over the 2018 - 2023 period.
- To implement advanced treatment measures for water discharged by the group's sites making it possible to envisage its reuse or recycling.



Traceability of skins [Traceabilité des peaux]

The traceability of products is two-fold: on the one hand, there is that of the skins, that aims to keep Hcp informed of the breeding and transport conditions to verify their compliance with the principles and regulations pertaining to animal welfare; on the other hand, there is that of the leathers during their industrial production, in order to have a precise knowledge of their journey and to be able to guarantee their safety. Hcp endeavours to preserve the continuity of the traceability between these major production stages: it is carried out according to the individual challenges of each species regarding animal traceability; it is total with regard to industrial traceability.

Crocodilian and lizard

The reptiles used by the group (crocodiles and lizards) are protected by the Washington Convention (CITES), which requires that their breeding or their capture in their natural habitat comply with the conservation principles of these species. This also means that each skin is accompanied by an export and import permit, both delivered by the competent authorities of the relevant countries that verify their origin and legality.

The crocodilians (crocodiles and alligators) are bred in farms whose breeding practices have been certified as complying with ICFA international breeding standards and also respect Hcp's charter of good breeding practices as verified by Bureau Veritas. Each skin produced by the farms is marked with a CITES tag, to which a Hcp bar code is added, which is intended to ensure its traceability during the tanning process. These two markings are maintained on the skin through the industrial process until they leave the tannery.

Lizards are captured in Malaysia and West Africa. In Malaysia, each animal collected alive is registered then marked upon slaughter by an RFID chip. This device provides two kinds of information on each skin: the traceability guarantee from the capture zone to the abattoir, and the compliance with Hcp's capture, transport and slaughter standard created with animal welfare experts. Hcp also works with the South East Asian Reptile Conservation Alliance (SARCA) that works on the conservation of species in Asia, notably lizards, and the implementation of sustainable and certified supply chains.

In Africa, lizard fishing is a traditional ancestral activity of nomad tribes that is first performed for the local consumption of meat. The lizards are skinned on the fishing grounds. To date, traceability is ensured per bundle of skins, with each bundle being associated with a known hunter that has been trained in good practices for the respect of the animal.

Veal

90% of the skins used by the group's tanneries come from veal bred in France according to French regulations and standards of the joint trade organisation (Interbev), that aims to ensure animal welfare and guarantee the quality and security of the meat. They therefore follow the traceability process of the profession.

In collaboration with our partner abattoirs, the two tanneries of the group implement the traceability of each skin to trace them back to the abattoir, or even the breeder. The aim is to reach a volume of 50% of skins being individually marked by the end of 2022.

Once they begin the tanning process, the skins are marked and monitored throughout their treatment.

Goat

The goats come from a region in India where traditional pastoralism is practised. Investigations are ongoing to ensure that the best practices required by the group are being observed. To date, the traceability of the goats is ensured by the eight Indian supplier tanneries, that tan the skins before they are shipped to France.

The marking of the skins is performed when they arrive at la mégisserie Jullien, that was bought by Hcp in May 2020.

Key figures

- 100% of our crocodilian skins are marked with a CITES tag and a Hcp bar code.
- 100% of the lizards captured in Malaysia are traced.

Commitments

- 100% CITES compliant traceability for exotic skins.
- 2022: 100% of crocodilian skins certified as being ICFA compliant.
- 2022: 50% of veal skins being individually marked.



Product safety [Innocuité des produits]

Product safety [Innocuité des produits]

Established in Europe (France and Italy), the group's tanneries comply with the most demanding standards regarding the health protection of their employees, their clients, and the environment. The group's approach is notably based on the implementation of the REACH European Regulation. It aims to control and protect human health and the environment against the risks related to chemical substances by eliminating the most harmful substances and guaranteeing their absence above the defined thresholds in finished products.

When standards outside the EU are even more rigorous, they are adopted by Hcp. This is the case, for example, with formaldehyde, for which the standard is fixed at 100ppm in Europe, and at 75ppm in China: the group has adopted the latter.

Globally, the group is continually investigating scientific and regulatory developments in order to adapt the products that it uses through the tanning process of the skins. It has also implemented the substitution of CMR products (carcinogenic, mutagenic, or toxic for reproduction) and accepts no new CMR substances. Although the substitution cannot as yet be considered to have been completed, mainly due to perchloroethylene, the few CMR substances that are still used are used in minute proportions that are strictly controlled and supervised in order to guarantee the security of our teams throughout the production process.

Hcp is also a member of the professional organisation ZDHC (Zero Discharge of Hazardous Chemicals) which emphasises this logic by aiming for the deployment of best practices regarding restrictions of the use of dangerous substances in the production units and the quality of wastewater discharges in the tanneries.

The group also relies on the know-how of its suppliers, that themselves have often been recognised with expert labels (such as EcoVadis' gold rating, for example)

The use of chromium

Chromium salts have been historically used in tanneries during the tanning process. Nowadays chromium is a source of debate as under the effect of certain external factors such as UV rays, temperature or humidity, the oxidisation of chromium III into chromium VI can occur when not all the proper manufacturing practices are implemented. Chromium VI has been declared as a carcinogenic substance. However, this classification only applies to exposure by inhalation, i.e., in conditions different to those of the use of the leather by consumers. However, it may provoke allergic reactions when in contact with the skin, although the chance of this is even less than with gold: 0.04 to 0.11% of the European population are allergic to chromium VI when in contact with the skin, whereas more than 1% of the population are allergic to gold.

However, the nature of chromium VI justifies its systematic analysis in order to avoid any risk of the oxidisation of chromium III in finished products and to therefore guarantee compliance with the European regulatory limit of 3mg of chromium VI per kg of leather. For this purpose, two principles are applied: on the one hand, the implementation of best manufacturing practices (notably with the use of antioxidants); on the other hand, the regular verification of finished products using "predictive" analysis methods, that notably consist of ageing the leather to accelerate and detect any eventual presence of Chromium VI.

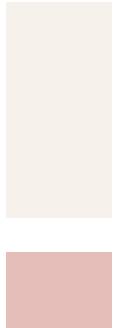
Moreover, research is carried out on chemical products and processes in order to improve their environmental impact, using the Life Cycle Assessment (LCA) methods.

Key figures

- More than 100 substances analysed (128) in control tests, spread over 18 groups.
- More than 4,000 tests (4,134) carried out per year by the tanneries in 2020.

Commitments

- No use of CMR substances in the industrial processes.
- Implementation of a proactive identification and analysis policy for products that are regulated or will be in the future.



Carbon footprint

Carbon footprint

The calculation of carbon emissions falls into three categories: "scope 1" corresponds with direct emissions of Greenhouse Gases generated by the activity of an organisation. "Scope 2" refers to the emissions associated with the consumption of electricity and heat (energy consumption). "Scope 3" represents indirect Greenhouse Gas emissions of an organisation.

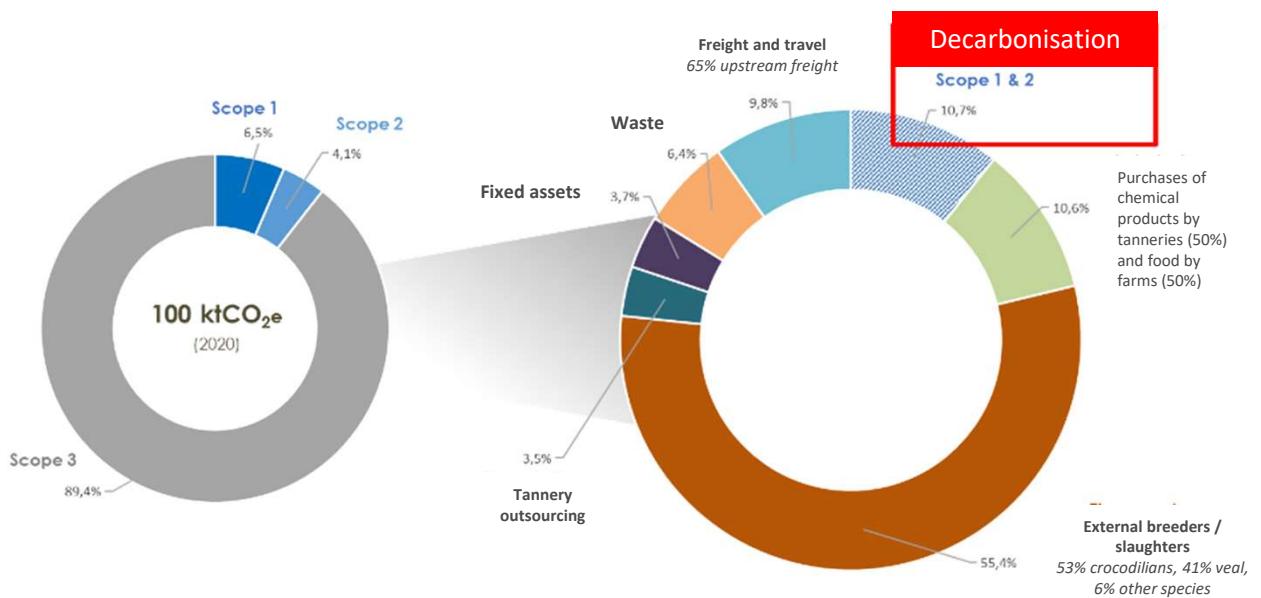
More than two thirds of Hcp's Carbon emissions result from direct breeding (our own farms) and indirect breeding (scopes 1 and 2) of animals from which the leathers originate. Almost 90% of Hcp's total emissions fall under scope 3.

In order to stand by the group's emission reduction commitments, Hcp has adopted an ambitious policy for the reduction of its energy consumption and the decarbonisation of its production sites, as well as the transport used for the skins. All of its sites have been audited, in order to assess the principal impacts and the means of improvement. Multiple investments have been implemented or planned in order to reach the objectives for the reduction of scope 1&2 emissions. Amongst these measures are insulation investments (le Puy, Montereau), for example, or the replacement of boilers (Vivoin, Annonay). These energy consumption reduction and decarbonisation efforts already benefit from 8 million euros in investment programmed between now and 2024.

The use of renewable energy forms is also prioritised. The Cuneo tannery already covers 23% of its electricity consumption (in 2020) with gas-fired co-generation and its solar panels. The crocodilian farms are also largely equipped with solar panels that supply 20% of their electricity consumption.

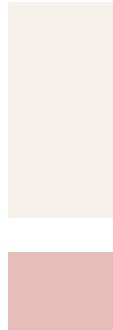
In order to limit emissions related to transport, maritime transport of the skins imported from farms has been developed. Today it is used for around 20% of the skins globally, and for a third of the skins that come from Africa.

Key figures



Commitments

- 2020: 100% of scope 1 and 2 emissions offset by ecological and social projects.
- 2025: 100% renewable energy for its own operations and no new investment in fossil fuels.
- 2030: reduction of emissions by 50% with regard to 2018 (in absolute terms for scopes 1 and 2, and in relative terms for scope 3).



Animal welfare

Animal welfare

The re-purposing of animal skins is an ancestral activity. It is the first example of recycling for breeders that are mainly intended for meat consumption. As with animals that are bred for their meat, exotic species are also fully re-purposed: although their value mainly comes from the skin, the meat and co-products (bones in animal food, fat in cosmetics) are also consumed or used.

Hcp has always aimed to respect the animal welfare principles defined by the World Organisation for Animal Health (OIE) and is committed to a global approach aiming to ensure the correct treatment of the animals used. The main principles that guide the OIE regarding the welfare of land animals make reference to "five fundamental freedoms." Set forth in 1965, these five freedoms describe the society's expectations regarding the living conditions of animals when placed under human responsibility, namely:

- Freedom from hunger, thirst, and malnutrition: the animal must have access to water and food in an appropriate quantity and that corresponds with the needs of its species;
- Freedom from fear and distress: the breeding conditions must not cause the animal physical suffering;
- Freedom from physical and/or heat stress: the animal must have a certain level of physical comfort;
- Freedom from pain, injury, and disease: the animal must not be subjected to mistreatment that may hurt or injure it and it must be treated in the event of illness;
- Freedom to express normal patterns of behaviour: its environment must be adapted to its species (it must be in a group if it is a social species for example).

Animals bred in Europe benefit from the full attention of the joint trade organisations that comply with the strictest animal welfare regulations. However, Hcp has not settled for the guarantees that these provide and has decided to establish its own policy intended to ensure the implementation of best practices by the various players (breeders, transporters, slaughterers).

Standards and audits

With regard to crocodilians, our own farms, as well as those of Hcp's suppliers are members of the ICFA association (International Crocodilian Farmers Association). The ICFA has developed standards based on best practices and cutting-edge science, validated by a panel of experts, which guarantee the durability of skins produced by farms. The farms are audited by a third party, the BSI group, which certifies their compliance with the standards.

The group also continues to enforce its own charter of good breeding practices, for which the compliance with its requirements is verified by Bureau Veritas, both for its farms and for the meat transformation and skin inspection sites. Moreover, it has now been proven by conservation experts ("Species Survival Commission" - SSC of the International Union for the Conservation of Nature - IUCN, in particular) that the responsible use of wild animals contributes to their conservation and the preservation of their often fragile habitat. In this instance, crocodilian numbers, that were once endangered, have increased all over, where breeding enables the remuneration of local communities and the prevention of unregulated hunting of wild animals.

With regard to lizards, the CITES framework is fully applied. Hcp ensures that the two networks in Malaysia and West Africa, are able to guarantee compliance with the best capture, transport, and slaughter practices, within organisations that are regularly verified and audited. Training courses have been provided to the hunting communities of the two regions to enable them to learn about and practice the methods that comply with the requirements enforced by Hcp, for example, the systematic stunning of animals before slaughter. In collaboration with animal welfare and normalisation experts, Hcp created an internal standard for its lizard supply chain in Malaysia in 2020. This document regulates the animal capture, transport, and slaughter operations, as well as the security conditions, environmental compliance and maintenance of traceability throughout the supply chain.

Although situations vary widely from region to region, the economic and social benefits for the local communities that live off hunting and fishing have been largely proven by IUCN experts: these activities provide them with an income and a livelihood.

Key figures

- In 2021, 97.4% of raw crocodilian skins come from farms that have been audited by Bureau Veritas.
- 100% of crocodilian breeding farms have signed our charter of good breeding practices.

Commitments

- 2022: 100% of crocodilian farms certified as complying with the international ICFA standard and Hcp's charter of good breeding practices.
- 100% of purchases of skins coming from breeders and abattoirs that comply with animal welfare standards.