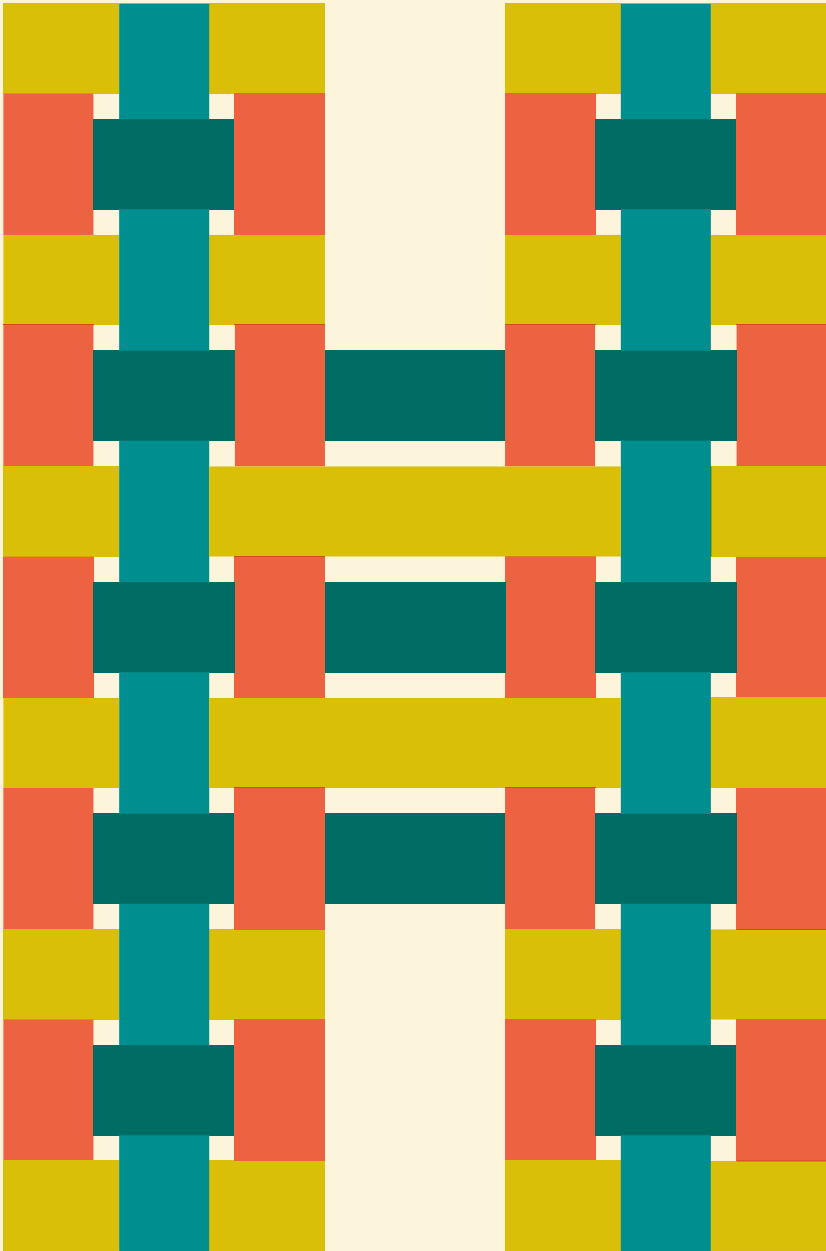


# 2020 Universal registration document

CSR EXTRACT  
Non-Financial Performance Statement (NFPS)



### Alignment with TCFD recommendations

In the interests of transparency, **Hermès presents its actions according to the framework recommended by the TCFD. The TCFD (Task Force on Climate-related Financial Disclosures)** is a working group appointed by the Financial Security Board (FSB) in December 2015. Chaired by Michael Bloomberg, it is composed of 32 members from the financial and non-financial sectors (asset managers, pension funds, private groups, audit and consulting companies, rating agencies). This working group has published recommendations on how to report and publish the risks and opportunities related to climate change, with the aim of increasing transparency between companies and investors in order to reduce investment risks, and reconcile the short-term financial decisions with the long-term consequences of climate change. Reporting is organised around the following topics:

#### Governance

The Hermès Executive Committee is aware of the profound changes brought about by climate-related issues and is directly involved in taking them into consideration at the highest level. As detailed in § 2.1.3.3 in

chapter 2 “Corporate social responsibility”, the Executive Committee oversees climate strategy and decisions, on the one hand, by involving two of its members who take part in the work of the Sustainable Development Committee, and on the other hand, through specific sessions to approve major decisions (for example, in July 2020 to validate the reduction targets for the year 2030). Climate issues are handled by the industrial affairs, real estate or distribution department, as well as by the sustainable development department, which ensures the implementation of this strategy in coordination with all Group entities.

The Group's Executive Chairman, Axel Dumas, was involved in a number of climate-related issues in 2020, including decisions regarding the commitment to the SBTi initiative and support for the TCFD. The issue of climate change is central to the governance and high-level strategic dialogue within Hermès, in accordance with the recommendations of the TCFD.

The CAG-CSR Committee (Compensation, Appointments, Governance and CSR), a Supervisory Board committee, takes part in discussions on the climate strategy by interviewing the sustainable development department at least once a year.

At the operational level, the Managing Directors of the *métiers* and subsidiaries are directly involved in reducing carbon emissions within their scope as part of the Group's objective by 2030.

Additional information relating to the governance of climate-related issues within the Group can be found in § 2.1.3.3 in chapter 2 “Corporate social responsibility”.

#### Strategy

The Group's climate strategy aims first and foremost to reduce its emissions in accordance with the Paris Agreement, particularly for its own operations, but also those of its suppliers. It is now also closely linked to the analysis of risks and opportunities for Hermès, particularly in its value chain. Work to assess these risks was started in 2019 with the help of a consulting firm and involving the Management Committees of the Group's main entities (see § 2.5.2.1 in chapter 2 “Corporate social responsibility”). Using tools for analysing both qualitative and quantitative climate scenarios, as recommended by the TCFD, the resilience of the Group's activities and its strategy are currently being studied. This resilience assessment will therefore make it possible to better define the strategic orientations to be associated with climate-related issues, including with regard to the various decarbonisation trajectories of the global economy. In 2019, the Group initiated the analysis of the IPCC (Intergovernmental Panel on Climate Change) scenarios RCP 2.6 (equivalent to a 2 °C scenario), RCP 4.5 and RCP 8.5.

These analyses are conducted over three time scales (two-year budget vision, within five years and a long-term vision of 25 years). Based on the scenarios, an assessment of the operational and financial impacts is underway, in particular to prioritise the resilience actions.

Moreover, in defining the Group's strategy, Hermès attaches great importance to the assessment of water risks in view of the global challenge of preserving water resources, as well as the impact of such water resources risks related to its natural raw materials, namely cowhide, exotic leather (crocodile), silk and cashmere. As indicated in § 1.11.4.1 in chapter 1 "Presentation of the Group and its results", disruptions to the climate system and the associated operational, regulatory and political transition issues, such as the price of carbon, have already been identified as physical and transition risks that impact on the Group's supply chain, its various operations (manufacturing, logistics and distribution), as well as the behaviour of its customers. Supply chain impacts can take place at several levels. Silk and cashmere production, for example, are particularly vulnerable to increased temperatures and more intense heat events. The production of alligator leather depends on being able to harvest alligator eggs in their natural habitat, a possibility which, as has already been seen, may no longer be granted by the local authorities in the event of extreme events, which can lead to disruption in supply. The economic impact of the scenario assessed (reduction of 10% over one year) is not significant at Group level.

The financial consequences resulting from the inappropriate management of these risks could result, on the one hand, in increased direct costs for the supply of raw materials when their production is directly affected and, on the other hand, by the evolution of carbon taxes applied to air freight, by also increasing costs, for example. Aware of these implications and the associated challenges, the Group is working with the main *métiers* and suppliers to jointly build more resilient value chains. Audits complement this approach in order to carry out more in-depth analyses of the risks and opportunities for the key raw material sectors (cashmere, wood, natural essences and leather).

This analysis makes it possible to better take the Group's strategy on climate-related issues into account, whether they relate to the risks and opportunities identified by the scenario analysis or to the reduction targets to be set to better align with the scenario of the Paris Agreement. As indicated above, Hermès has set targets for reducing its emissions by 50% by 2030, and has adopted targets of 100% renewable energy by 2030 for direct operations. The Group is currently working to align these objectives with the SBTi initiative and to adopt a strategy in line with a trajectory below 2 °C, thus coming closer to the TCFD recommendations in terms of climate strategy.

### Risk management

The physical risks and transition risks related to climate change are increasingly being identified within the Group and its value chain and contribute to informing Hermès' strategy at the highest level. These analyses are organised around three complementary actions:

- ◆ Group risk mapping covering all topics, including climate;
- ◆ specific analyses, based on scenarios (see above) by activity and geography;

- ◆ ad hoc studies as part of the detailed analysis of the supply chains.

As detailed in § 4.3 of chapter 3 "Corporate governance", the Group's risk management process is based on the preparation of risk maps and the use of additional tools to help define the level of priority to be associated with the risks identified and the actions to be implemented to mitigate them. These risk maps are regularly updated and the action plans are monitored directly by the Group's various entities under the supervision of the audit and risk management department. They are consolidated annually into a Group-wide risk map, including climate-related risks such as the scarcity of certain raw materials:

- ◆ specific analyses based on scenarios are described above;
- ◆ ad hoc studies are conducted either internally or with subject matters experts.

Hermès took part, for example, in a pilot study by the Intersoie professional organisation, on the impact of climate change on silk production between now and 2030, with silk and textiles representing the Group's third-largest activity. Discussions are underway, in partnership with WWF France, to better quantify these impacts and implement actions to increase the resilience of sectors through the joint undertaking of reviews.

Hermès is continuing to study the potential adaptations required in its supply chain in order to reduce its exposure to the impacts of climate change and also to identify the related opportunities in the longer term. The use of production and distribution processes that consume less energy and water is, for example, identified as an opportunity to be implemented, which would result in a reduction in operating costs for the Group.

### Metrics and targets

Hermès is constantly developing the tools required to implement and monitor the deployment of the Group-wide climate strategy. This strategy is implemented through objectives and its monitoring through key indicators for the Group, as mentioned below. In 2020, the Group has set ambitious targets (see § 2.5.2.2 of chapter 2 "Corporate social responsibility") to reduce emissions. Each year, it calculates its carbon footprint across the three scopes and monitors the progress of its results in view of its targets for the year 2030.

With regard to indicators, since 2019, **10% of the Executive Chairman's variable compensation is subject to CSR criteria, including industrial energy consumption, which is directly linked to the Group's performance in terms of scope 1 emissions and scope 2 emissions.**

These scope 1 and scope 2 emissions and their changes, which are closely monitored by Hermès' different *métiers*, are detailed in this section, as are scope 3 emissions. The energy consumption and water consumption indicators, which are monitored in the same way, are indicated in § 2.5.1 "Challenge: limiting consumption of natural resources (water, energy)".

Regarding targets, the Group is committed to a path of reducing its direct and indirect emissions, limiting global warming to well below 2 °C by 2050 and is currently working on the detailed development of these targets. The *métiers* that contribute most to this objective for scopes 1 and 2 have already presented their trajectories, which confirm this ambition. As illustrated in § 2.5.2.2.1 “Greenhouse gas emissions”, the initial results are consistent with these targets.

**Towards increased resilience of the Group's value chain to the impact of climate change on water resources**

In 2019, together with WWF France, Hermès initiated an assessment of the risks related to water resources for the Group's operations (45 Hermès sites included in this study) as well as those of its key suppliers (30 sites). This study provides a better understanding of the water footprint and exposure to water-related risks of Hermès' activities and its value chain, by using the Water Risk Filter tool developed by WWF, including with regard to the impacts of climate change. This tool has made it possible to assess the risks of increased drought and flooding due to climate change, in the context of a global warming scenario of +2 °C by 2050, at the scale of the hydrographic basins of the sites of Hermès and its suppliers included in the scope of this study.

The results now enable the Group to work on defining and implementing actions to mitigate these risks in conjunction with the various players in its value chain. Hermès uses this analysis to inform its strategy on issues related to adaptation to climate change.