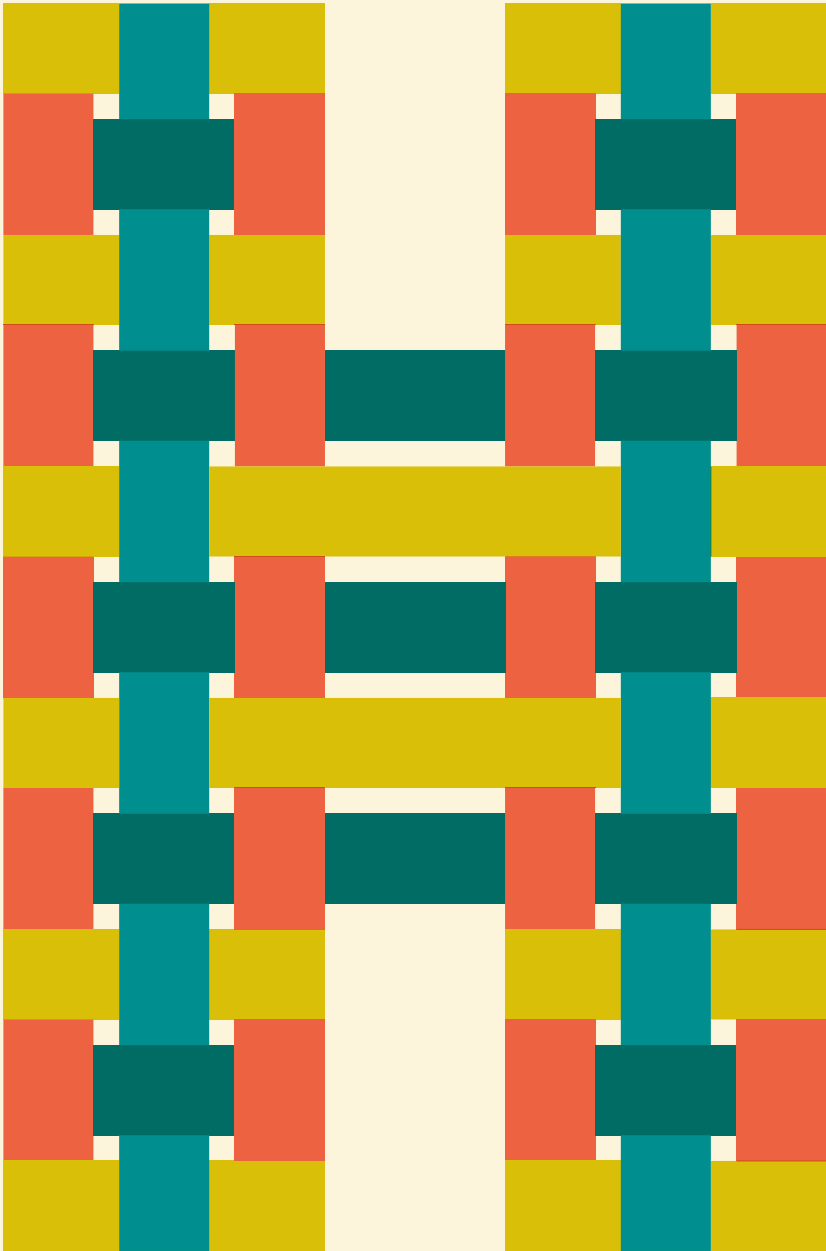


2020 Universal registration document

CSR EXTRACT
Non-Financial Performance Statement (NFPS)



As detailed below, **Hermès has been an investor in the Livelihoods carbon fund since 2012**, and theoretically receives higher and higher carbon credits each year depending on the development of the projects. In 2020, however, due to the pandemic, some Livelihoods (<https://livelihoods.eu/>) projects could not be verified and were therefore unable to deliver carbon credits. At the end of the year, Hermès approached the company EcoAct to purchase additional carbon credits with high environmental and social value, in order to maintain a growth momentum compared to last year.

Analysis of the main carbon footprint items

The diversity of the Hermès Group's activities means that the areas responsible for the highest scopes 1 and 2 emissions vary widely from one activity to another. Each *métier* has drawn up a plan addressing its own challenges. The energy consumption figures provide a picture of the main contributing *métiers*. Special attention is paid to the energy consumption of stores, which account for 19% of total consumption (and 37% of market-based scopes 1 and 2). Consumption reduction measures are presented above.



* Base 2018, Scope 2 market-based

The Greenhouse Gas Protocol (GHG Protocol) proposes determining the greenhouse gas emissions of scope 3 from 15 categories. Using the significant categories of the Hermès Group's activity as described in § 2.1 "Business model", the calculation of the emissions of scope 3 is carried out each year with the help of a specialised consultant. It takes into account the most recent emission factors and technical definitions that are best adapted to the Hermès Group's specific needs. This approach is refined as progress is made in this area.

For Hermès, the main categories are as follows:

- ◆ raw materials used: all leathers, silks, cashmeres, other textiles, metals and precious stones, perfume ingredients (category [1]);
- ◆ wrapping and packaging products (category [1]);
- ◆ purchasing and subcontracting (category [1]);
- ◆ transport of goods and products upstream of production units, inter-site transport and downstream transport of products to the stores (categories [4] and [9]);

- ◆ employee travel: commuting to and from work for craftspeople, domestic and international business travel (categories [6] and [7]).
- ◆ upstream energy consumed (category [3]);
- ◆ fixed assets (category [2]);
- ◆ waste generated in operations (category [5]).

Within scope 3, in addition to materials, transportation represents a significant share of emissions, this being the trade-off for French production and global distribution. As explained below, this transport is analysed in detail and subject to operational actions to lessen the impact.

The scope 3 changes observed stem from the reduction of emissions in some categories, the improved measurement of other categories (estimates replaced by more precise calculations) and the update of the emissions factors.

2.5.2.2.2 Focus on the métiers

Real estate

In 2019, the Hermès Group performed two GHG emission assessments were carried out on a production site (the Leather Goods workshops at les Alpes and les Abrêts) and a distribution site (George V store in Paris). These assessments made it possible, on the one hand, to assess the environmental impact of the constructions and, on the other hand, to adjust the standard layout and construction benchmark to guide the CO₂ emission reduction ambitions on future projects through the Hermès sustainable construction framework.

In 2020, the Group real estate department committed to **reducing the carbon footprint/m² of areas built or redeveloped by 50%** between now and 2030. This is in response to the Group's commitments to achieve a relative reduction, given the correlation between activity and the number of square meters of premises.

In order to measure and control the carbon footprint of buildings with regard to the objectives the Group wants to achieve, the group real estate department systematically conducts a Life Cycle Assessment (LCA) of the construction materials chosen for each real estate project.

Thus, improvement of the GHG emissions of new stores and new buildings involves special attention being paid to the choice of building materials, reduction in their weight, efforts to source supplies locally, and modes of transportation with low carbon emissions.

The Hermès Group's sustainable construction framework addresses carbon challenges and targets stemming from the Hermès commitments related to new construction, renovation and dismantling projects.

Transportation

The commercial department is working on projects to improve the Hermès Group's logistics footprint. The main projects concern local transport services, giving priority to the use of carbon-neutral modes of transport, longer-distance transport, where air transport is being replaced by sea or rail whenever possible, and the optimisation of volumes transported.

For local transport, *i.e.* deliveries from local warehouses to city centres, electric or hybrid vehicles are used whenever possible. The French logistics centre, for example, uses hybrid or electric vehicles for deliveries to the Paris sites.

For more distant transport (Asia, America, Oceania), maritime transport is preferred when the nature, volume and quantity of the items to be shipped justify it. To date, this mainly concerns publications (for example, the biannual review *Le Monde d'Hermès*), items related to communication events, store fittings and sales associate uniforms. Tests are also conducted for sea (to Asia and the United States) or rail transport (to China) for other categories of items, in particular furniture, shoes and ready-to-wear.

Calls for tenders for transportation of goods systematically include a criterion related to improvement of the carbon footprint.

Lastly, **the optimisation of volumes transported will drive the improvement in our logistics footprint.** In 2019 and 2020, we modernised our order preparation tools: automated pre-packing, optimisation of order preparation circuits and automated adaptation of the height of transport crate contents before closing, all contribute to reduce the volumes transported, for an equivalent number of items.

In addition to all these actions to reduce emissions, and since 2020, the carbon impact of European deliveries has been directly offset by the providers Fedex and DHL.

Lastly, at the employee level, Hermès launched several initiatives in 2020 to continue to promote soft mobility. On the one hand, through a proactive policy of replacing internal combustion vehicles with electric vehicles or plug-in hybrids (22% of the current fleet in France), both for company vehicles and service vehicles. On the other hand, through the proposal of a long-term rental solution for electric bicycles with a small contribution from Hermès Sellier and Hermès International employees; the Group pays 70% of the rental. In this context, awareness-raising on the use of bicycles has been set up through the organisation of two outings during Sustainable Development Week (1 October 2020).

Tanneries

The GHG emissions assessment for the Tanneries and Precious Leathers division was updated for 2020.

This was the subject of extensive work with the help of specialised consultants in order to improve the comprehensiveness and quality of the data included, in particular the emission factors considered. All emissions from scopes 1, 2 and 3 (including impacts related to animal breeding) have been consolidated at the division level for two years.

The crocodile and calf tanneries, the goat tawery, and the breeding farms and processing facilities owned by the division account for around one-third of GHG emissions. The rest of the CO₂ emissions are divided between external farms and, to a lesser extent, upstream freight (supply of hides) and downstream freight (shipments of finished hides to customers), subcontracting activities as well as head offices and sales offices. Since 2010, a sea transport system was set up for the hides of

Alligator mississippiensis from the southern United States, *Crocodylus niloticus* from Africa and, since 2013, *Crocodylus porosus*, from Australia. The proportion of sea transport in the supply of raw crocodilian hides remained stable compared with 2019 and accounted for 20% of supplies. The percentage of raw hides from Africa was slightly higher, with one-third of the hides transported by sea in 2020.

Textile

The division's GHG emissions assessment is revised every year to analyse the impact of actions on greenhouse gas reductions. The activities producing the most emissions are purchasing (fabrics, chemical products and packaging), energy needs, inter-site freight, upstream freight and business travels.

The division's efforts to reduce energy consumption, the pooling of transportation and purchasing, the reduction of inventories, along with the implementation of travel rules and remote meetings, have helped reduce our emissions.

To reduce employee travel and to find "soft" transport solutions, the manufacture de Bourgoin and manufacture de Pierre-Bénite are taking part in the definition and organisation of travel plans. Since September 2019, the ITH site has been part of a regional inter-company mobility plan in order to study ways of improving employee travel inside the business park. A mobility challenge was carried out on the site. On that day, around 10% of employees opted for a mode of transport other than car. The Holding Textile Hermès and Ateliers AS establishments, in conjunction with the Pierre-Bénite production unit, carried out an overall assessment of commuting travel. They have already carried out several actions following this diagnostic: employees receive financial assistance to buy bicycles and mileage allowances are paid. They are also provided with tools to facilitate remote meetings and with specific parking spaces for carpooling vehicles. Lastly, the transport assessment and the issue of the carbon impact are progressively being included in projects as well as in Product Development and Industrialisation Committees.

Leather

In the Leather Goods division, the first discussions on the carbon footprint of activities were launched in 2006 with the launch of a GHG emissions assessment at the manufacture de Pierre-Bénite and extended to all the other Leather Goods production units in 2008. Since then, the regular measurement of carbon emissions has provided concrete actions to progress plans such as the introduction of electric company cars and the increase in the share of renewable energies.

The energy savings made in 2019 (consumption reduced by 2,236 MWh compared with 2018) brought down the annual Carbon impact related to scopes 1 and 2 by more than 250 tonnes of CO₂eq.

In 2019, mobility plans were implemented on the Leather Goods production units in Belley, Aix-les-Bains and Pierre-Bénite (collaborative approach with the Textile division for Pierre-Bénite). Thanks to this exercise, we were able to identify concrete improvement actions that fed into a multi-year action plan specific to each site.

In line with the Hermès Group's carbon footprint reduction targets, the Leather Goods division has defined new objectives for the building of future production sites. Construction programs for new production sites now include the Bepos target.

In 2020, the division also launched a LCA (life cycle assessment) process for those products in which carbon plays an important role.

It makes it possible to strengthen internal work according to an objective ranking (such as the impact of employee transport in rural areas), and prepares the future environmental billboard.

Crystal manufacturing

The production unit GHG emissions assessment was updated for 2020. The latter is down compared to 2019, particularly in terms of natural gas consumption and raw material purchases. The material fusion process is still responsible for the majority of energy use. The electrical energy used by the factory is 100% "green" electricity. The data collection process used for the GHG emissions assessment has become more structured and reliable, in particular with the use of more detailed data on freight and travel. This analysis approach will be used in future production unit projects and is used in the water-energy-carbon plan.

2.5.2.3 UNDERTAKE VOLUNTARY CARBON OFFSETTING ACTIONS

In addition to its actions to reduce its carbon emissions in relative and then absolute values, the Hermès Group has decided to establish a voluntary carbon offset system with high environmental, social and societal value in order to reduce its global footprint.

In June 2012, Hermès joined the Livelihoods Fund, a coalition of companies financing carbon offset projects with high social and environmental value. Livelihoods initiatives are described below as well as in the section covering relations with stakeholders, notably explaining that more than 130 million trees have already been planted, benefitting more than 1 million people (see § 2.7.2.2 in chapter 2 "Corporate social responsibility") through the LCF1 fund.

The operation of this system is based on **seven structuring principles**, the foundations of the Livelihoods charter, which contribute to its value:

- ♦ **reduction first of all:** the carbon credits generated by Livelihoods projects serve to complement internal reduction efforts, and are one of the parameters for achieving carbon neutrality by 2050;
- ♦ **principle of additionality:** the projects supported by Livelihoods would not have existed without its investments, which require in-depth studies in complex social and economic contexts. These are not off-the-shelf or standardised projects, as is sometimes the case for certain renewable energy carbon projects. The aim is to help disadvantaged and sometimes marginalised communities to break out of poverty, as formalised in the Livelihoods charter;

- ♦ **carbon credits certified to the highest standards,** Gold Standard and Verra (formerly VCS), which validate the carbon effectively removed (and not carbon reduction estimates or future projections). Each project also results in a follow-up and calculations of impacts according to the United Nations' SDGs;
- ♦ **an entrepreneurial risk to finance projects in the beginning: Livelihoods does not buy credits "on the market" from projects that have already been started, accepting to pay a margin to an intermediary. It helps disadvantaged communities by investing for them right from the beginning, by taking a risk of between €2 million and €6 million on each project, with no absolute guarantee of any return.** The communities concerned do not have the means to carry out their projects without this risk-taking. Project financing occurs during the first years, with the results seen, for example, when the trees grow. This can sometimes be five years after the main investments have been made;
- ♦ **a coalition of companies** driven by the same spirit: all investors in Livelihoods pool their commitment and therefore receive credits from a portfolio of projects that have been developed and discussed together;
- ♦ **a long-term approach:** companies and project sponsors, as well as communities, are committed to projects lasting between 10 years (energy projects) and 20 years (farming projects). During this period, the fund will help communities, monitor projects and receive credits after a few years. Commitments of this length are rare for company coalitions;
- ♦ **local communities that benefit directly from projects:** thanks to the NGOs that coordinate projects at local level, communities benefit directly from the advances provided by the projects: increases in soil fertility, regenerative farming, efficient agro-ecological practices, restoration of ecosystems, generation of farming, forestry and fishing income and the improvement of living conditions. This is actually one of the key success factors of the projects: the communities mobilise themselves because they find that there is a direct advantage to the project.

The Livelihoods fund is organised by a system of successive compartments. The first LCF1 (Livelihoods carbon fund 1), opened in 2011, is currently the only one to issue carbon credits. Hermès is also been a shareholder in a second sub-fund, LCF2. Numerous projects have already been launched by this fund, in India, Indonesia, Kenya, Rwanda and Malawi, on agroforestry, mangrove and energy projects. They should generate their first credits in 2021.

Capitalizing on a decade of experience with private investors, at the end of 2019 Livelihoods announced the launch of a third Carbon Fund to help companies, financial investors and cities accelerate climate action and generate large-scale social impact.

This third Carbon Livelihoods Fund (LCF3) aims to invest €150 million to improve the lives of 2.5 million beneficiaries in developing countries. Following on from the LCF1 and LCF2 funds, this new impact fund will invest in community projects for the restoration of natural ecosystems, agroforestry and regenerative agriculture.

In 2020, Hermès confirmed its commitment to the climate, communities and biodiversity through an investment in this third LCF3 compartment. Each of these funds has a lifespan of 20 years. The Group is thus

demonstrating its long-term philosophy and continuing its commitment to reduce the impacts of climate change.

As mentioned in § 2.7.2.1.4 in chapter 2 “Corporate social responsibility”, the Livelihoods projects naturally produce positive impacts that go beyond the sequestration or reduction of carbon emissions, as illustrated for LCF1 as follows:

LIVELIHOODS' LCF1 FUND



20M€
already invested



2.1MtCO2eq
sequestered or avoided in natural and agricultural ecosystems



130 million
trees planted



32,000 hectares
planted and preserved
(under assessment)



> 200,000 households reached

1 million
people impacted

120,000 efficient
cookstoves distributed

The carbon deliveries expand as the trees grow (the projects span a period of 20 years). They delivered for the seventh time in 2020, after verification from specialised auditors (using the Gold Standard and Verra standards).

Although in 2020, the Covid-19 crisis had little impact on the operational side of projects and their development, it disrupted the verification operations of carbon auditors, delaying carbon deliveries over the period (carbon credits not verified in 2020 will be available in 2021). Two out of five projects could not be verified, significantly reducing the amount of carbon credits certified and available to Livelihoods shareholders.

In order to meet its commitment to cover all of its emissions in scopes 1 and 2 with carbon credits, Hermès approached EcoAct to acquire additional carbon credits with high social and environmental value. EcoAct, one of the major and recognised players in the carbon market in France, has sold Gold Standard certified credits from improved cooking stove projects in Kenya and Malawi.

In total, Hermès received and cancelled 46,200 carbon credits in respect of 2020, helping to offset 134% of its scopes 1 and 2 carbon emissions.

§ 2.7 “Communities: stakeholders and local integration” provides further information on the Livelihoods societal aspects.

2.7.2.1.4 Livelihoods Carbon Fund

Since 2012, Hermès has been a partner of the Livelihoods Carbon Fund (LCF), which aims to improve the living conditions of disadvantaged communities in a sustainable manner by developing large-scale projects with real impact against climate change (www.livelihoods.eu).

LCF aims to be a start-up investor (with an entrepreneurial approach and investment risk) in three types of projects (ecosystems, agroforestry and energy) in Africa, Asia and Latin America. The fund has 10 partners: Danone, Crédit Agricole, CDC, Schneider Electric, La Poste, Hermès International, Voyageurs du Monde, SAP, Firmenich and Michelin. The fund has two sub-funds (LCF1 and LCF2). The initial term of the LCF1 fund is 24 years, and projects run for between 10 and 20 years. LCF1, launched in 2011, is the only one that has generated carbon credits to date. Sub-fund LCF2, launched in 2017 and larger than LCF1, is half-way through its investment process, in particular through the extension of the projects of the LCF1 sub-fund. For the time being it does not deliver any credits.

LIVELIHOODS CARBON FUND #1

Nine extensive projects with concrete social and environmental results



1 million	130 million	120,000	10 million	9	40 million
project beneficiaries	trees being planted	households being equipped with efficient cookstoves	tons of CO ₂ to be sequestered over 20 years	active projects (Africa, Asia & Latin America)	€ invested

The projects generate profits for local communities and ecosystems, as well as for the partners in the fund, which earn carbon credits with a significant environmental and social impact in proportion to their investment over the project development period. These projects, one of the characteristics of which is the aim to expand their scope to a very large scale, and for periods from 10 to 20 years, are the following:

- ◆ **Restoration and preservation of natural ecosystems**, for example mangrove forests. Nearly 8,000 hectares have been replanted in Casamance (“Océanium” project); 4,500 hectares in the Ganges delta (“News” project); 5,000 hectares in Indonesia (“Yagasu” project). These projects secure populations (protection against cyclones or the invasion of salt water) and provide food sources through ecosystem regeneration;
- ◆ **Agroforestry and soil remediation through sustainable agricultural practices**. With the support of the Naandi Foundation, Adivasi tribal communities in the Araku valley in India have, for example, planted six million trees (fruit trees, as well as for firewood, construction, etc.), including three million coffee bushes, in accordance with agroforestry models. In Guatemala, 4,000 hectares of trees and food crops have been planted in the Cerro San Gil mountain area (“Fundaeo” project), allowing rural families to increase their food security and incomes, while protecting biodiversity. In Kenya (project VI “Agroforestry”), on

the slopes of Mount Elgon near Lake Victoria, the livelihoods of 30,000 small farms will improve through the intensification of agriculture respectful of natural resources (Sustainable Agricultural Landscape Management – SALM) and the development of dairy production. The project also contributes to the protection of water resources and generates positive social impacts for women’s jobs;

- ◆ **Access to rural energy to reduce deforestation**. In Kenya, the “Hifadhi” project equipped 60,000 households with improved wood-burning cooking stoves that significantly reduce wood consumption compared to the previous cooking equipment, thereby reducing pressure on forests, firewood collection time for families, and exposure to the toxic fumes generated by old stoves. In Burkina Faso, with the support of the Tiipaalga NGO, 30,000 improved stoves were installed by inhabitants in their villages, in an effort to secure their use over time in part of the Sahel region. With the financial support of the French development agency (AFD), an agroforestry component has been added to this project. In Peru, the ITYF project (taken from the name of the Instituto Trabaja y Familia NGO) has installed 30,000 improved wood-burning cooking stoves and hygiene kits to families in extreme poverty in the Peruvian Andes. At the same time, the project brings training and awareness on health (reduction of toxic fumes, importance of boiling water, basic hygiene gestures, etc.), and will also have a significant impact against deforestation.

In 2020, the above projects impacted the lives of more than one million people, and helped replant more than 130 million trees, an area equivalent to five times that of Paris. They also equipped 120,000 families with improved cooking stoves, which reduces deforestation and preserves women's health, for a total of 10 million tonnes of CO₂ equivalent captured or avoided (projects last between 10 to 20 years). Thus, they help to offset Hermès' carbon emissions, on a voluntary basis.

In 2020, to help the people of the Ganges basin involved in the Livelihoods Carbon Fund's Sunderbans project, **Hermès made a special donation for the reconstruction of a school destroyed by Cyclone Amphan.**

The results obtained from the funds' projects have encouraged the shareholders of Livelihoods, including Hermès, to launch a second carbon fund in 2019, functioning on similar principles to the first fund. In 2020, the shareholders of the Livelihoods Carbon Fund are working on a third Livelihoods project.

Sciences Po sustainable development Chair

As mentioned in § 2.3.2.1 of chapter 2 "*Corporate Social responsibility*", the School of Public Affairs and the School of International Affairs (PSIA) of **Sciences Po** launched a new interdisciplinary chair in 2020: **the European Chair on sustainable development and Climate Transition**. It aims to promote the design of public policies serving the objectives of the European Green Deal, but also to train students, civil servants and members of civil society in the challenges of sustainable development.

This chair aims to shed new light on how to advance sustainable development along the three axes of climate transition, local economic development and social inclusion.

Hermès is proud to support this initiative alongside two partners, HSBC and the European Investment Bank. This partnership complements other joint initiatives with Sciences Po in the field of education.

2.7.2.2 COMMUNICATION AND TRANSPARENCY VIS-À-VIS STAKEHOLDERS