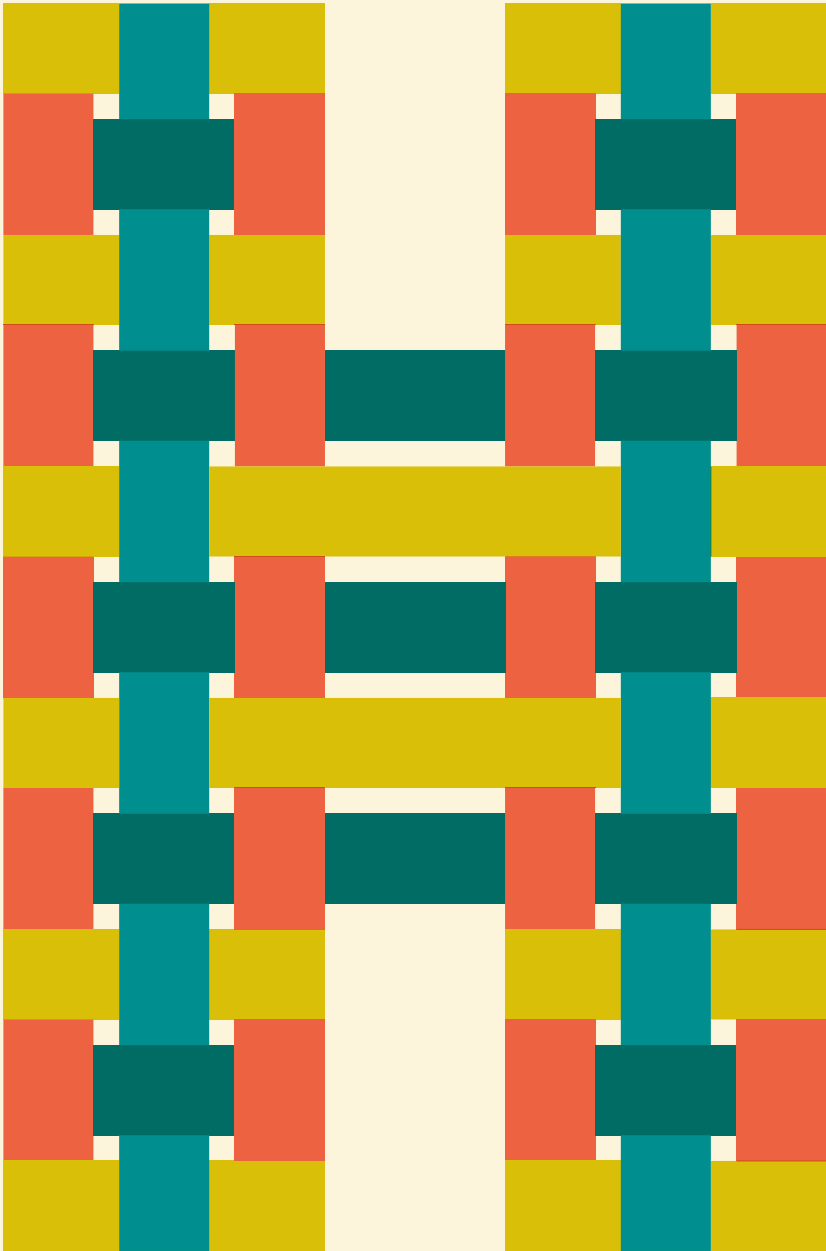


2020 Universal registration document

CSR EXTRACT
Non-Financial Performance Statement (NFPS)



2.5.2 CLIMATE CHANGE

Hermès stepped up its actions to combat climate change in 2020. **The Executive Committee updated and validated the Group's strategy with ambitious objectives:**

- ◆ **reduction of 50% in emissions by 2030;**
- ◆ **“defossilisation” of industrial sites and use of renewable energies;**
- ◆ **carbon offsetting strategy for scopes 1 and 2;**
- ◆ **increased transparency (TCFD, CDP, SBTi), membership of market initiatives: Fashion Pact and UNFCC (Fashion Industry charter for Climate Action).**

This policy will be 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.

As mentioned above, 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). **Hermès has committed as part of the SBTi to present within 24 months a trajectory compatible with the Paris agreements for reducing the Group's carbon emissions.** This policy is consistent with that of the sector grouped within the Fashion Pact, where Hermès is committed to setting up science-based targets on the climate and to implement actions compatible with a global warming trajectory, via a "fair transition", to reach zero net emissions by 2050.

Fighting climate change and increasing its resilience: a committed group

Hermès wanted to make a concrete commitment to the definition of targets for the reduction of its greenhouse gas emissions based on science, which will be validated through the Science-Based Targets (SBTi) initiative that the Group joined in 2020. This commitment will enable the Group to follow a path of reducing its direct and indirect emissions, thereby helping to limit global warming to below 2 °C by 2100.

Hermès is currently working to develop these emission reduction targets, which are as follows:

- ◆ a reduction in absolute value of 50% for scope 1 and 2 emissions over the period 2018 to 2030;
- ◆ a reduction in relative value of 50% for scope 3 emissions over the period 2018 to 2030; this objective means involving the supply chain as well as suppliers and partners in the process;

- ◆ a 50% reduction in the carbon footprint per m² of real estate space built or renovated by 2030;
- ◆ the implementation of 100% renewable energy in direct operations by 2030;
- ◆ convergence towards 25% of key raw materials with the least impact on the climate by 2025;
- ◆ defossilisation of industrial sites.

In addition, Hermès is showing its commitment by officially supporting the TCFD (Taskforce on Climate-related Financial Disclosures) initiative in December 2020, whose recommendations were already taken into account since last year in its response to the CDP 2020 climate questionnaire, which is publicly available on the CDP platform.

MEASURES IMPLEMENTED AND RESULTS

As illustrated above (energies), 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.

In 2020, Hermès decided to no longer use gas or any other fossil fuels as an energy source for all new industrial investments, unless this is proven technically impossible. This program, dubbed "defossilisation of industrial sites", reaffirms Hermès's desire to actively participate in the energy transition necessary to limit global warming. 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 and the Group given a score of B for this second financial year, using 2019 data (CDP Climate Change questionnaire 2020: Management B/B-: ability to take coordinated measures on climate issues). The details of its actions and commitments are disclosed to the public.

The Group supports the United Nations Framework Convention on Climate Change (UNFCCC), which sets the goal of zero net greenhouse gas emissions by 2050. Hermès joined the UNFCCC (United Nations) in 2020 through its signature of the Fashion Industry charter for Climate Action.

2.5.2.1 STUDYING 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.).

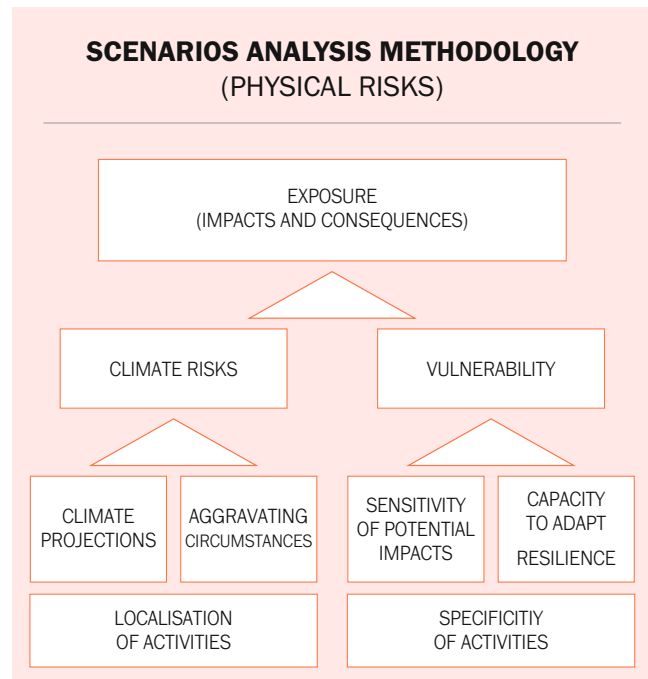
The impacts will depend on the extent and severity of these changes, in the same way as the various factors such as location, sensitivity of the upstream supply chain, the quality and capacity of local infrastructures and, more generally, the behaviour of the other players in the Hermès Group's ecosystem.

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 this year 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).

In 2020, the analysis of the physical risks related to climate change was carried out in particular 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 (production 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.

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 Carbone 4 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 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).

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

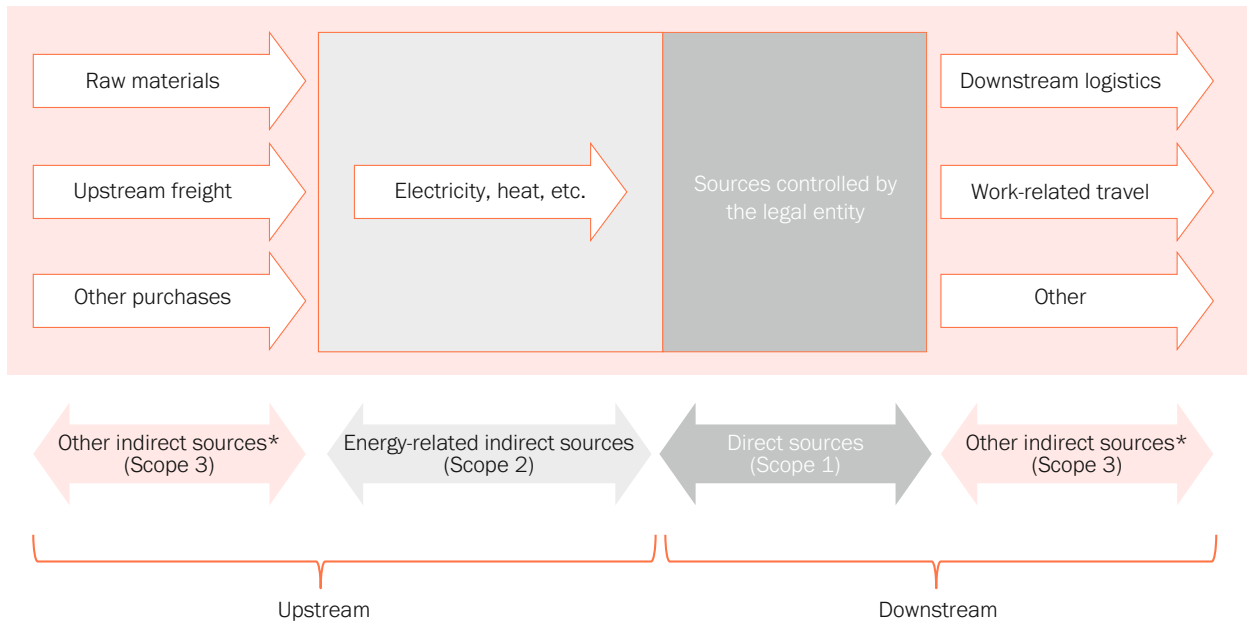
In 2019, together with WWF France, Hermès initiated an assessment of the risks related to water resources for the Group’s operations (45 Hermès sites included in this study) as well as those of its key suppliers (30 sites). This study provides a better understanding of the water footprint and exposure 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.

2.5.2.2 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), in December 2015 Hermès additionally published its Bilan Carbone® (Carbon Assessment), as per 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). As a participant in the CDP since 2018, all the Group’s carbon data can also be found there.



* Sources of emissions unaffected by regulatory requirements
Source: Ministry of the Environment

2.5.2.2.1 Greenhouse gas emissions

The Group expanded and structured its climate action in 2020, with the following choices, approved by the Executive Committee.

Carbon reporting will be 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, considering that the quest for completeness contributes to the transparency of the analysis.

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 6.6% 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, starting this year through one-off additional purchases, and in the longer term with new investments in the Livelihoods fund.

In the following tables, the data is presented according to these principles. The data for 2018 are those of the CDP, and the figures for scopes 1 and 2 for the years 2018 and 2019 have been restated according to the market-based approach, to allow a fair comparison (see footnote ¹).

2

GREENHOUSE GAS EMISSIONS

IN K TONNES CO ₂ EQ	2018	2019	2020	Change/2019	Change/2018	Target 2030
Scope 1	20.8	19.6	18.3			
Scope 2 market-based	15.5	15.6	16.3			
Total scopes 1 and 2	36.3	35.2	34.6	(-1.7%)	(-5%)	(-50%)
Scope 3	596.7	501.5	486.4	(-3.0%)	(-18%)	
Total Group	633	536.7	521.0	(-2.9%)	(-18%)	

SCOPE 3 – IN K TONNES CO₂EQ

	2018	2019	2020	
Upstream	1. Purchased goods and services	424.5	387.2	366.5
	2. Capital goods	26.7	10.7	28.9
	3. Fuel- and energy-related activities not included in scope 1 or scope 2	2.8	2.7	2.6
	4. Upstream transportation and distribution	20.7	14.2	17.7
	5. Waste generated in operations	8.8	9.3	5.8
	6. Business travel	27	15.9	3.2
	7. Employee commuting	16.2	9.6	11.1
	8. Upstream leased assets			Not significant
Downstream	9. Downstream transportation and distribution	70	51.7	48.5
	10. Processing of sold products			Not significant
	11. Use of sold products			Not significant
	12. End-of-life treatment of sold products			Not significant
	13. Downstream leased assets			Not significant
	14. Franchises	-	-	2.1
	15. Investments			Not significant
Total	596.7	501.5	486.4	

1. Location-based scopes 1 and 2: 42.3 (2017), 42.2 (2018), 42.3 (2019), 45.3 (2020) in k TCO₂eq.

INTENSITY IN T CO ₂ EQ PER €M REVENUE	2018	2019	2020	Change/2018	Target 2030
Scopes 1 and 2	6.1	5.1	5.4	(-11%)	
Scope 3	100.0	72.9	76.1	(-24%)	(-50%)
Total Group	106.1	78.0	81.5	(-23%)	

In 2020, the Hermès Group's GHG emissions were around 521 k tonnes of CO₂eq, down 3% from the previous year. **With a drop of -18% in two years, it is in line with the Group's targets for 2030.**

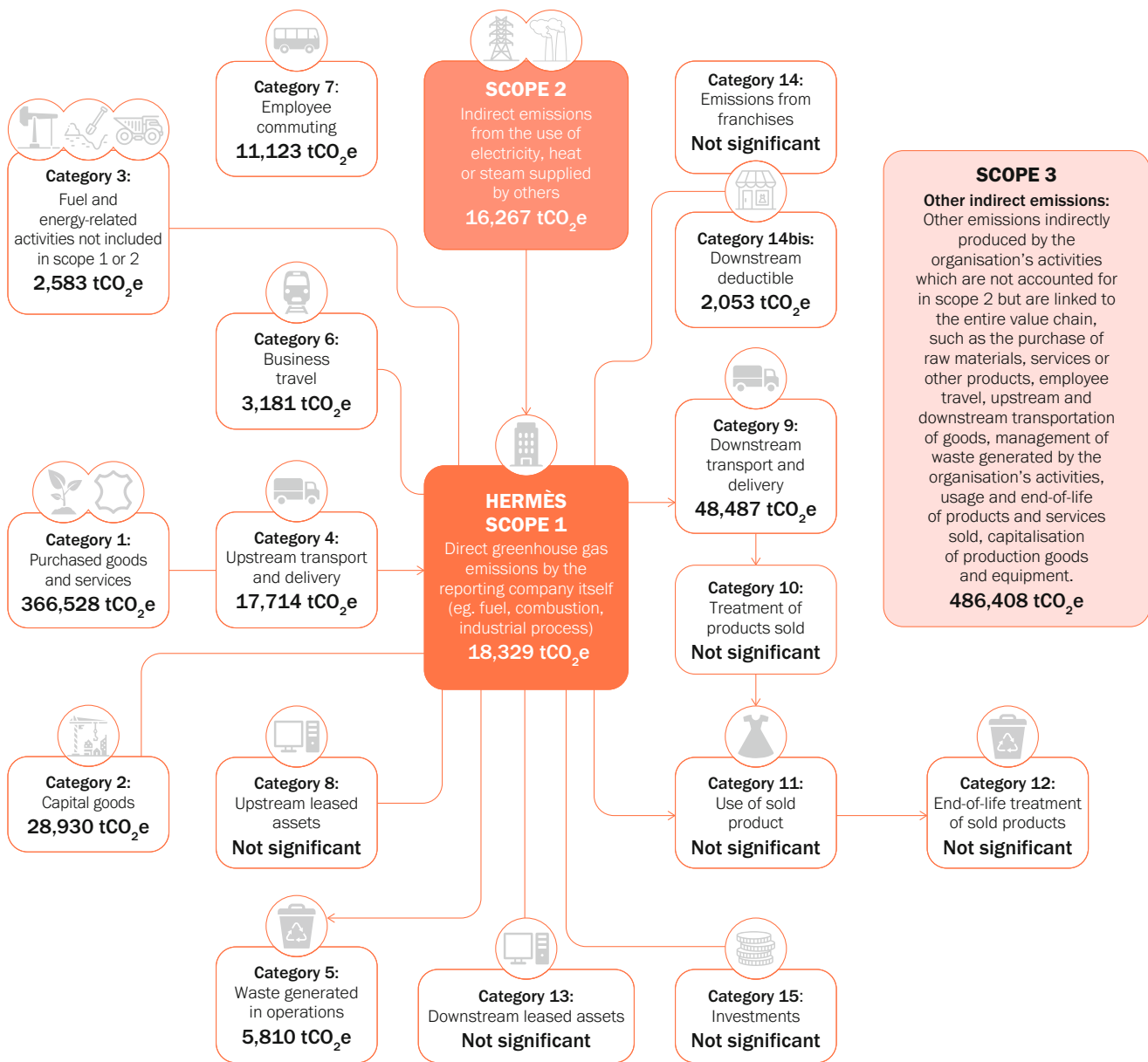
The breakdown is as follows:

- ◆ 34.6 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 **61% of 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). The - 5% reduction in scope 1 and 2 is consistent with that of the business. The increase is mainly due to a change in scope, as the Group decided to include in its calculation 100% of its stores in branches, including those in malls for which consumption information was not available until now, and also by an increase in consumption by stores in Asia, which have had extended hours to take into account the impacts of the pandemic. It also reflects a reduction in emissions from industrial facilities in France, as a result of operational improvements that are expected to continue to have an impact, and the increase in green energy in the Group's energy mix. With a 5% reduction in two years,

the Group is making progress towards its reduction target for 2030, and remains confident, since the reduction requires changes to the industrial tool that will take several years to implement;

- ◆ 486.4 k tonnes of CO₂eq for scope 3, which essentially takes into account the carbon footprint of raw materials (67% of scope 3) as well as all purchases, fixed assets, waste, subcontracting, packaging, transport of products and employee travel. In 2020, scope 3 of the GHG assessment underwent improvement on the scopes and input data. The emission factors were also updated based on internationally recognised baselines and increasingly accurate calculations. The changes in scope 3 are explained by a slight decrease in material purchases, and a rise due to the inclusion of the carbon weight of tertiary purchases. **With a change in intensity of -24% in two 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 5.4 (scopes 1 and 2) or 81.5 (all scopes), Hermès is ranked as one of the least carbon-intensive companies of the CAC 40. The decoupling between business growth and the Group's footprint is -24% in two years (even with a reduction in revenue in 2020 due to the pandemic).



Carbon offset

The Group's priority is of course to reduce its grassroots emissions. Its strategy is to obtain carbon credits with high social and environmental value on a voluntary basis with the aim of contributing to the fight against climate change.

The 2018 objective for 2020 was for this compensation to be in line with its scopes 1 and 2 in 2020, which the Group achieved one year in advance, in 2019. Hermès is pursuing its strategic ambition in 2020 with increased purchases of carbon credits (+5%), which now account for 134% of its scopes 1 and 2.

OFFSET IN K TONNES OF CO ₂ EQ	2018	2019	2020
Carbon offset	(-35.7)	(-43.8)	(-46.2)
Scopes 1 and 2	36.3	35.2	34.6
% coverage of scopes 1 and 2 emissions	98%	124%	134%

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.

2.5.3 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. It concerns its activities in France (80% of production) and internationally. The subject is supervised by the Sustainable Development Committee (two members of the Executive Committee) and will be managed by a dedicated committee.