



2021

# UNIVERSAL REGISTRATION DOCUMENT

CSR EXTRACT  
NON-FINANCIAL PERFORMANCE STATEMENT  
(NFPS)

Page numbers have been retained from the original version.

### 2.5.4 CLIMATE CHANGE

Hermès has stepped up its actions to combat climate change since 2020. **The Executive Committee** thus updated and validated the Group's strategy with ambitious objectives founded in science, through **the Science-Based Targets initiative (SBTi) in order to achieve zero net emissions by 2050:**

**Objectives:**

- ◆ a reduction in absolute value of **50.4% for scopes 1 and 2 emissions over the period 2018 to 2030;**
- ◆ a reduction in relative value of **58.1% for scope 3 emissions over the period 2018 to 2030;** this objective means involving the supply chain in the process, as well as suppliers and partners;
- ◆ **a 50% reduction in the carbon footprint per m<sup>2</sup> of real estate space built or renovated by 2030;**
- ◆ implement a policy of 100% renewable electricity within its own operations by 2025 **and 100% renewable energies by 2030;**
- ◆ defossilisation of industrial sites.

**The validation of the scopes 1, 2 and 3 emission reduction targets by the Science-based targets initiative at the end of 2021 is recognition of Hermès' commitment to the fight against climate change.**

In addition, Hermès demonstrates its commitment, the strengthening of its transparency and the consistency of its policy with that of the sector by presenting its actions in accordance with the framework recommended by the **TCFD (Taskforce on Climate-related Financial Disclosures)** and by completing the **Climate CDP** questionnaires; as well as by participating in the market initiatives: **Fashion Pact and UNFCCC (United Nations Fashion Industry Charter for Climate Action).**

These commitments enable the Group to follow a path of reducing its direct and indirect emissions, thereby helping to limit global warming to 1.5°C by 2050.

This policy is being 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.

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).

### MEASURES IMPLEMENTED AND RESULTS

As illustrated above (§ 2.5.2), 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, as in the "defossilisation of industrial sites" programme.

However, these actions, which necessitate technical and organisational changes, do not have an immediate effect on changes in energy consumption: the objective is to take the time to implement effective, in-depth solutions that are sustainable over time. All *métiers* are working on plans to reduce their consumption and change their energy mix, with these analyses serving as a basis for the construction of SBTi trajectories.

As part of the operational implementation of the defossilisation strategy, the Group has decided to set up an **internal carbon price** mechanism to strengthen decisions favourable to the energy transition. This price was calculated on the basis of internal simulations and compared to a CDP sector benchmark. It will be used in notional form for the calculations of industrial investments (scopes 1 and 2), real estate investments (scopes 1, 2 and 3), as well as for new transportation contracts (scope 3). In 2021, this price was set at €40 per tonne of CO<sub>2</sub> equivalent. It may change depending on economic conditions.

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 with a score of A- for this third financial year on the data for 2020** (CDP Climate Change 2021 questionnaire: Leadership A-: best practices on climate issues). The details of its actions and commitments are disclosed to the public.

#### 2.5.4.1 STUDYING THE 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.

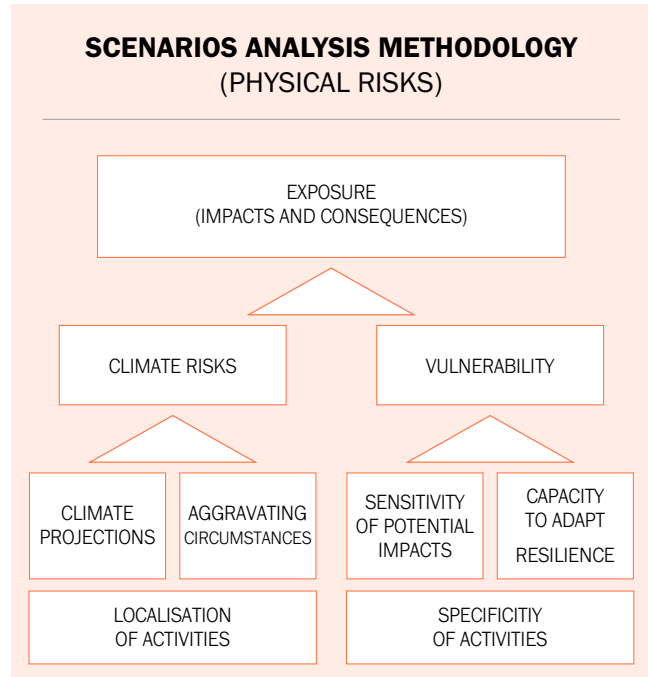
Hermès has based its approach to adapting to climate change on the identification of risks and the assessment of their relevance in order to define action plans within each *métier*, with the assistance of a consulting firm and the use of authoritative tools.

This project, coordinated by the industrial affairs department, from 2020 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).

This analysis of the physical risks related to climate change was carried out 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 (manufacturing 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.

In 2021, Hermès continued to roll out risk assessment, integrating it into the management of the sectors in order to extend the approach to all of its value chains.

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 assistance of a consultancy and tools such as Mycris,

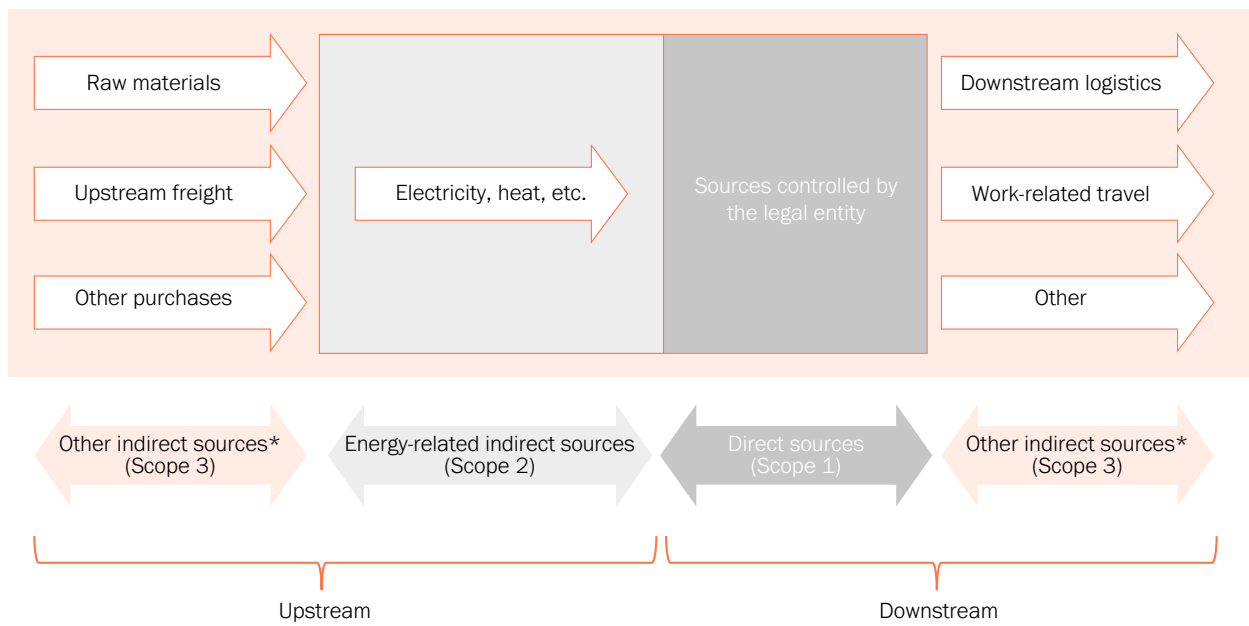
Sea level rise by Alex Tingle, and the projection maps from the IPCC report "Global warming of 1.5°C".

A partnership has been created with WWF to carry out in-depth audits on exotic hides, cashmere and the timber supply chain. Each audit also 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).

### 2.5.4.2 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), since December 2015 Hermès has published its Bilan Carbone® (Carbon Assessment) in accordance with 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).



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

### 2.5.4.2.1 Summary of greenhouse gas emissions

The Group expanded and structured its climate action in 2021, with the following choices, approved by the Executive Committee.

**Carbon reporting is 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 (certain stores, for example), considering that the quest for completeness contributes to the transparency of the analysis. For certain categories of the GHG Protocol, calculations or estimates led to non-material amounts (threshold below 0.5% of the total). They do not give rise to any specific monitoring and are listed below as “not significant”.

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 7.1% 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, through long-term investments in the Livelihoods fund.

In the following tables, the data is presented according to these principles. The figures for scopes 1 and 2 have been restated according to the market-based approach, to allow a fair comparison (see footnote<sup>1</sup>).

As part of the work carried out with the SBTi teams to validate the Group's trajectory up to 2030, and during the review of the Group's emissions summary by these experts, certain emission items were distributed differently between scopes 1, 2 and 3. These reclassifications were therefore made for the entire published period, from 2018 to 2021. This improvement in the quality of the analysis has a negligible impact on the data published to date (less than 4% for all 2020 emissions).



#### SUMMARY OF GREENHOUSE GAS EMISSIONS

<i>In k t CO<sub>2</sub>eq</i>	2018	2019	2020	2021	Change/2020	Change/2018	Target 2030
Scope 1	22.1	20.9	19.9	21.3	-	-	-
Scope 2 market-based	21.7	20.5	18.7	16.1	-	-	-
Total scopes 1 and 2	43.7	41.4	38.5	37.4	-3%	-14.5%	-50,4%
Scope 3	578.7	483.6	462.5	490.1	+6%	-15.3%	-
<b>TOTAL GROUP</b>	<b>622.4</b>	<b>524.9</b>	<b>501.0</b>	<b>527.4</b>	<b>+5.3%</b>	<b>-15.3%</b>	<b>-</b>

#### INTENSITY

<i>In t CO<sub>2</sub>eq per €M Gross Margin</i>	2018	2019	2020	2021	Change/2020	Change/2018	Target 2030
Scopes 1 and 2	10.5	8.7	8.8	5.8	-	-	-
Scope 3	138.6	101.8	105.7	76.5	-27.6%	-44.8%	-58.1%
<b>TOTAL GROUP</b>	<b>149.1</b>	<b>110.6</b>	<b>114.5</b>	<b>82.4</b>	<b>-28%</b>	<b>-44.8%</b>	<b>-</b>

In 2021, the Hermès Group's GHG emissions were around 527 k tonnes CO<sub>2</sub>eq, up 5.3% from the previous year. **With a drop of -15.3% in absolute value compared to 2018, emissions are in line with the Group's targets for 2030.**

The GHG emissions break down as follows:

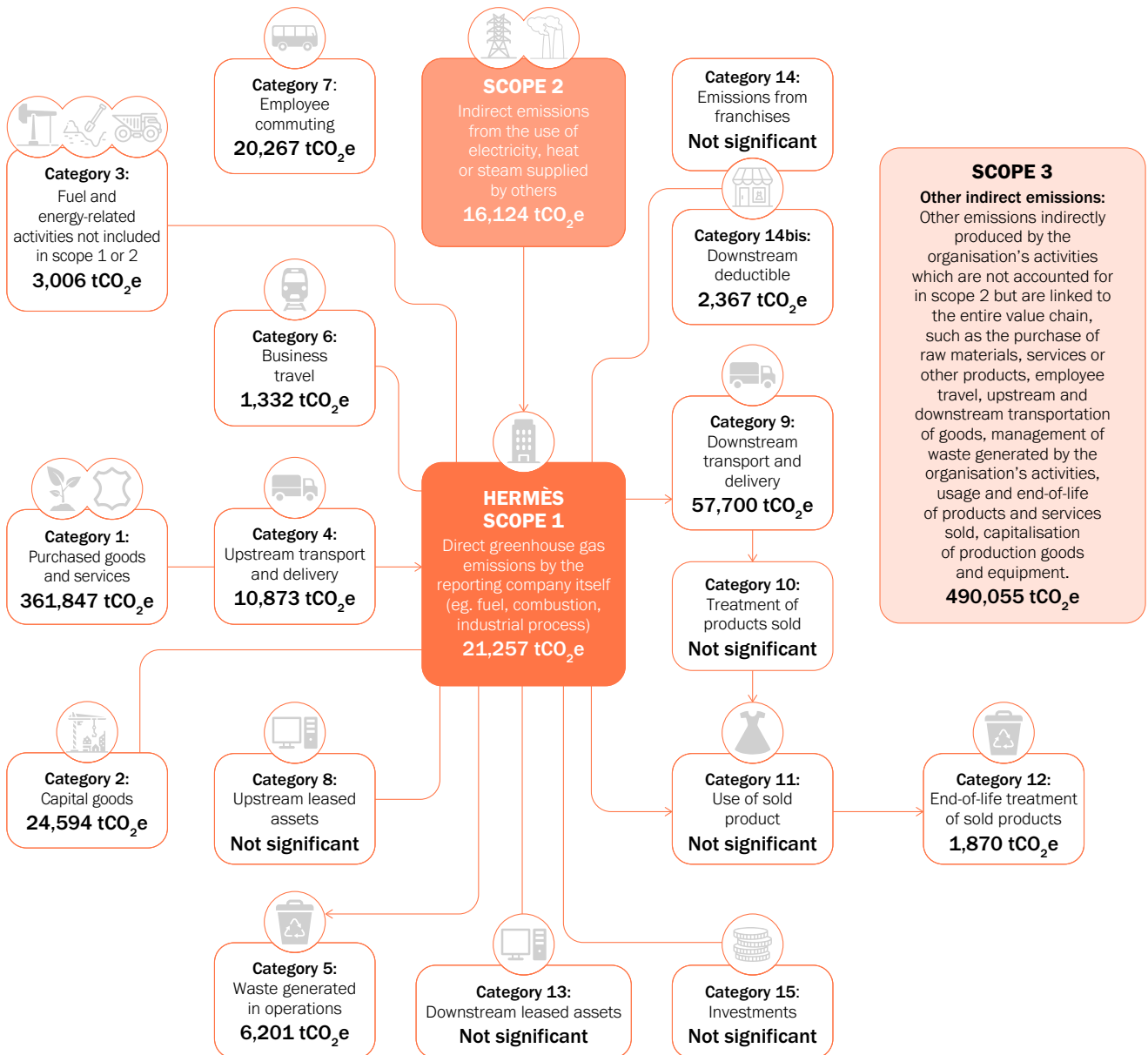
- ♦ 37.4 k tonnes of CO<sub>2</sub>eq for scopes 1 and 2, i.e. direct and indirect emissions related to energy consumed by production sites, offices, logistics centres and stores. In understanding this figure, it should be recalled that the Company has a **business model in which most**

**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). This figure is in line with Hermès' objectives validated by the SBTi. With a reduction of -14.5% in three years, the Group is making progress towards its 2030 target, and is continuing the necessary transformation effort for its industrial facilities, which will take several years to achieve. In 2021, scopes 1 and 2 of the GHG assessment were the subject of improvement work on the scope with the SBTi, as mentioned above.

1. Location-based scopes 1 and 2: 49.7 (2018), 48.5 (2019), 49.3 (2020), 56.2 (2021) in KT CO<sub>2</sub>EQ.

- ◆ 490.1 k tonnes of CO<sub>2</sub>eq for scope 3, which essentially takes into account the carbon footprint of raw materials (62% of scope 3) as well as all purchases, fixed assets, waste, subcontracting, packaging, transport of products and employee travel. Upstream and downstream transport (categories 4 and 9) represent 14% of the total scope 3. In 2021, scope 3 of the GHG assessment underwent work on improving the scope with the SBTi, input data and an update of emission factors using internationally recognised baselines and increasingly accurate calculations. The changes in scope 3 reflect the strong upturn in activity. **With a reduction of -44.8% in three 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 82.4 (all scopes), Hermès is ranked as one of the least carbon-intensive companies of the CAC 40, based on a full scope 3. The decoupling between business growth and the Group's footprint is -44.8% in three years.**



### 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 18% of total consumption (and 31% of market-based scopes 1 and 2). Consumption reduction measures are presented above.



**-14.5%\***  
**carbon emissions  
at production  
sites, logistics**

**centres and stores  
(scopes 1 and 2)**

\*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 scope 3 emissions 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.

#### 2.5.4.2.2 Focus on the *métiers*

##### Real estate

Since 2020, Hermès International and the Group real estate department have committed to reducing the carbon footprint/m<sup>2</sup> of built or redeveloped surface areas by 50% by 2030.

In order to measure and control the carbon footprint of buildings with regard to the objectives to be achieved, 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 Bilan Carbone® (Carbon Assessment) 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 standard addresses carbon challenges and targets stemming from the Group's commitments related to new construction, renovation and dismantling projects.

The first assessments made in 2019 enabled, on the one hand, assessment of the environmental impact of the constructions and, on the other hand, adjustment of the standard layout and construction benchmark to guide the CO<sub>2</sub> emission reduction ambitions on future projects through the Hermès sustainable construction standard.

In 2020, bio-sourced materials were selected for the construction of the new Guyenne leather goods workshop in St Vincent de Paul (Bordeaux); with the installation of a wooden structure. The LCA of the materials used gives a result of 428 kg CO<sub>2</sub>/m<sup>2</sup>. Furthermore, the mixed-use structure of the new Montereau leather goods building consists mainly of wooden posts and metal beams. The LCA of the materials used gives a result of 698 kg CO<sub>2</sub>/m<sup>2</sup>. For comparison, industry best practice is to aim for a footprint of less than 1,000 kg of CO<sub>2</sub>/m<sup>2</sup>.

##### 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, road or rail whenever possible, and choosing alternative fuels with lower emissions; 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. For example, the Parisian sites are delivered from the two French logistics centres using electric vehicles (from the Bobigny site), or hybrid vehicles (from the Saran site).

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

Tenders for freight transport systematically include a criterion linked to the improvement of the carbon footprint: the use of NGV and bio-NGV for road transportation, SAF (sustainable aviation fuel) for air transportation and SMF (sustainable maritime fuel) for maritime transportation, are gradually requested from the selected service providers.

Actions have also been taken to transport raw hides from farms to the division's tanneries. The Supply Chain teams have worked in this way since 2020 to increase the share of maritime transportation between Australia and France. In 2021, this share increased significantly, with a third of *Porosus* hides shipped by boat, which corresponds to a 30% decrease in transport-related CO<sub>2</sub> emissions compared to 2020 (for an equivalent number of hides transported).

**The optimisation of volumes transported will drive the improvement in our logistics footprint.** In 2019, 2020 and 2021, 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.

Lastly, at employee level, Hermès continued to promote low-impact mobility. On the one hand, through a proactive policy of replacing internal combustion vehicles with electric vehicles or plug-in hybrids (34% 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.

### 2.5.4.3 UNDERTAKE VOLUNTARY CARBON OFFSET ACTIONS

#### 2.5.4.3.1 Carbon neutrality approach

As specified by ADEME (French Environment and Energy Management Agency), carbon neutrality aims to offset, on a global scale, any greenhouse gas emissions resulting from human activity by sequestering equivalent quantities of CO<sub>2</sub>, i.e. keeping them out of the atmosphere over the long-term. This means sequestering carbon to stabilise its concentration in the atmosphere and limit the effects of climate change on the planet. This objective of neutrality has a scientific reality only at a global level, and involves the coordination of the States by the Paris Agreement. However it also requires the mobilisation of all stakeholders, from citizens to companies.

To achieve carbon neutrality, two levers are necessary: drastically reduce GHG emissions as quickly as possible, and, at the same time, invest in biological or technological sinks to sequester residual CO<sub>2</sub> emissions.

For ADEME, this commitment by stakeholders to carbon neutrality must include the following three stages, which are applied by Hermès:

- 1. the implementation of a climate strategy consistent with the Paris Agreement**, i.e. enabling the reduction of emissions, and combined with a commitment to sufficient and verified resources. Hermès calculates its carbon emissions and ensures their audit by an independent third party, has formalised its reduction strategy since 2019, and had its SBTi trajectory validated in 2021;
- 2. participation, through its activity, in decarbonising its suppliers upstream and its customers downstream, through the adoption of low-carbon consumption methods.** Since 2021, in particular through CSR Briefs for its suppliers, Hermès has been committed to reducing emissions in its supply chain. Craftsmanship production in a logic of quality and sustainability, and not volume or rapid renewal, is a powerful vector of low-carbon consumption;
- 3. contribution to the financing of third party reduction, avoidance and sequestration projects to accelerate the ecological transition** and contribute to the increase of carbon sinks, according to the principle of carbon offset. This is the purpose of the Group's investment in the Livelihoods project since 2012.

Hermès wishes to contribute in a pro-active way to this collective neutrality by 2050, by putting its offset efforts into perspective in relation to the level of its emissions. However, the Group does not claim individually to be carbon neutral.

ADEME thus supports the principle of voluntary carbon offset if the company complies with five rules to which Hermès subscribes:

- ◆ Rule no. 1: Undertake and publish an assessment of GHG emissions, reductions and offsets, in particular through this URD, but also with the public reporting of the CDP (assessment A- for the climate change part).
- ◆ Rule no. 2: Choose certified offset projects: all projects carried by Livelihoods are audited and certified by Verra (formerly VCS) or Gold Standard.
- ◆ Rule no. 3: Favour projects with a "sustainable development" approach, i.e. long-term projects with positive impacts on populations and biodiversity, which are the hallmarks of the projects carried out by Livelihoods.
- ◆ Rule no. 4: Define the right combination of projects supported both nationally and internationally; while the first projects led by Livelihoods were international, inspired by the Clean Development Mechanisms, in 2021 Livelihoods launched its first project in Brittany (France) on a pilot basis and Hermès is also studying the possibility of other similar projects in France.



- ◆ Rule no. 5: Communicate responsibly. Hermès does not claim in any way to be carbon neutral, acknowledging that the Group’s activities have a carbon impact, even though it is one of the most moderate in the CAC 40. However, its actions are committed to the long-term, with the aim of achieving a “net zero” trajectory by 2050, compatible with the 1.5° scenarios of the Paris Agreement.

**Offset strategy:**

The Group’s ambition to achieve a “net zero” target by 2050 is based on two complementary approaches:

- ◆ a reduction in emissions, which requires organisational and technological changes both internally and with suppliers;
- ◆ offsetting, which is based in particular on natural capture mechanisms (e.g. planting) and the implementation of large-scale projects, which take time to be set up sustainably.

This carbon offset strategy is therefore gradual for two main reasons:

- ◆ on the one hand, so that the priority remains the allocation of human and financial resources to reducing emissions;
- ◆ on the other hand, to build offset projects with local communities, in compliance with our quality and ethics requirements, which takes time.

Hermès’ strategy is to follow a trajectory that will enable it to i) neutralise a growing part of its residual carbon emissions by 2030, calculated on the basis of emission reduction projections (as taken into account in the SBTi analyses), and ii) achieve expected volumes of voluntary carbon offsets (forecasts of carbon credits deliveries from the Livelihoods business plans). Hermès is continuing its analyses to achieve its 2050 goal of net zero.

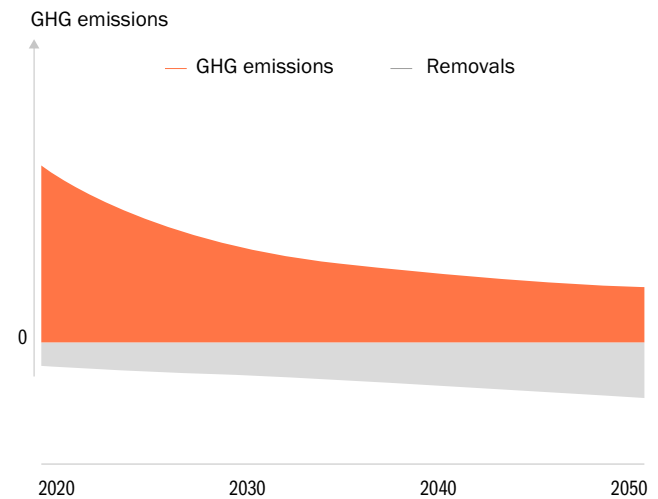
In 2021, Hermès increased the reliability of its emissions forecasts and, by confirming its commitment to the third Livelihoods fund, has secured this 2030 trajectory with projects that have maturities of 20 years, and deliveries of these credits, which will accelerate in the coming years.

**CARBON CREDITS RECEIVED AND CANCELLED**

	2018	2019	2020	2021
<b>Carbon credits received</b> <i>in k tonnes CO<sub>2</sub> eq</i>	36	44	46	<b>81</b>



**HERMÈS’ VOLUNTARY CARBON OFFSET TRAJECTORY**



#### 2.5.4.3.2 Livelihoods Carbon Fund

In June 2012, Hermès joined the Livelihoods carbon funds (LCF), 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 (see § 2.7.2.1.4), notably explaining that more than 132 million trees have already been planted, benefitting more than 1.7 million people.

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

- ◆ **reduction first:** 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.

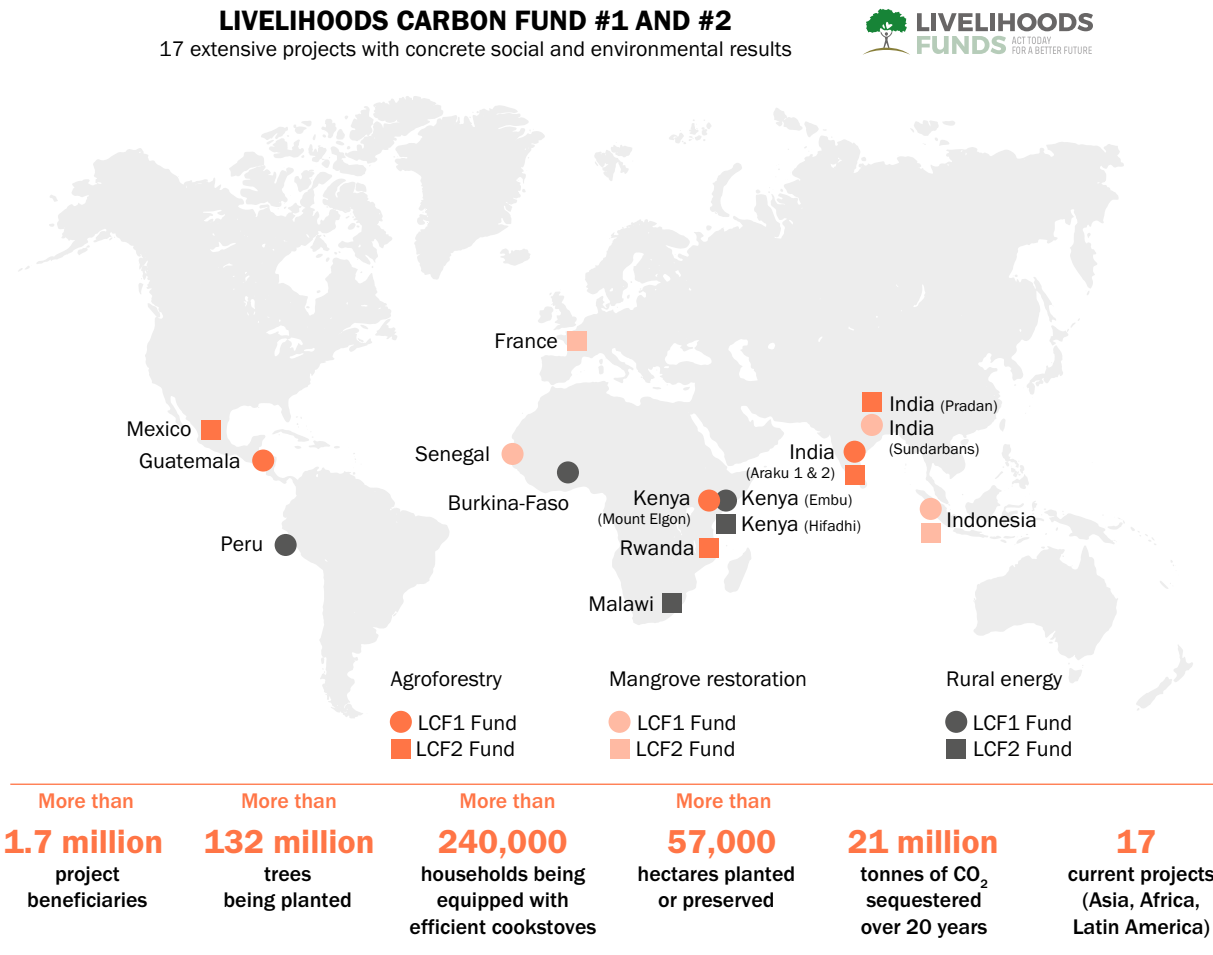
The Livelihoods fund is organised by a system of successive compartments. The first LCF1 compartment (Livelihoods carbon fund 1, €45 million), was opened in 2011, and until 2020 was the only one to issue carbon credits. Hermès has also been a shareholder since 2017 in a second sub-fund, LCF2 (€65 million), whose first deliveries took place this year. Numerous projects have already been launched by this fund, in India, Indonesia, Kenya, Rwanda and Malawi, on agroforestry, mangrove and energy projects.

Capitalising 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 Livelihoods Carbon Fund (LCF3), which was closed in June 2021, aims to invest €150 million to improve the lives of 2.5 million beneficiaries in developing countries. More than €250 million have been collected to fight against climate change through the three Livelihoods funds.

Hermès has thus confirmed its commitment to the climate, communities and biodiversity through an investment in this third LCF3 compartment. With each of these funds having a lifespan of 20 years, the Group is demonstrating its long-term philosophy, and its ability to assume long maturities (2030) and continue its commitment to reducing the impact of climate change.

Livelihoods projects produce positive impacts that go beyond the sequestration or reduction of carbon emissions, as illustrated by the following diagram:



The carbon deliveries expand as the trees grow (the projects span a period of 20 years). They were made in 2021 after verification by specialised auditors (according to the Gold Standard and Verra-VCS standards), and Hermès cancelled all the credits granted to it.

The Covid-19 crisis unsurprisingly created difficulties and delays in projects, whether in their implementation or verification. Nevertheless, the funds were able to distribute credits for amounts greater than the budget forecast.

In total, Hermès received and cancelled **81,000 carbon credits** for 2021, and contributed the same amount to reducing climate change impacts.

This amount is equivalent to the **entire scopes 1 and 2 carbon emissions, plus 63.6% of emissions related to upstream and downstream transportation of merchandise**, i.e. more than 76% of the total represented by scope 1, scope 2 and Transportation items.

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