



2021

# UNIVERSAL REGISTRATION DOCUMENT

CSR EXTRACT  
NON-FINANCIAL PERFORMANCE STATEMENT  
(NFPS)

Page numbers have been retained from the original version.

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.

### 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.

- ◆ 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.

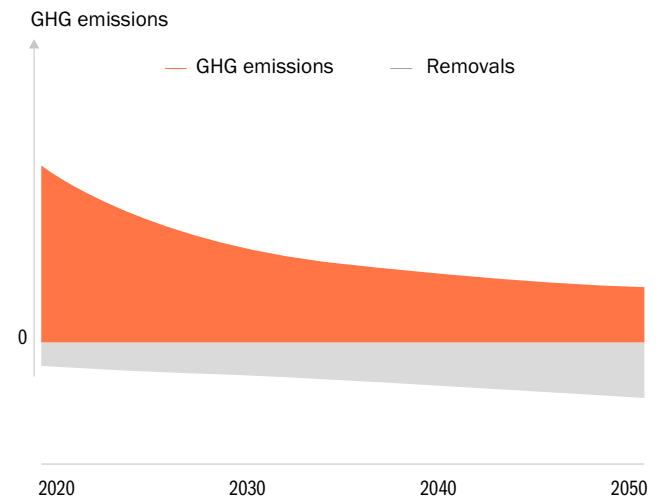
In 2021, Hermès increased the reliability of its emissions forecasts and, by confirming its commitment to the third Livelihoods fund, has secured this 2030 trajectory with projects that have maturities of 20 years, and deliveries of these credits, which will accelerate in the coming years.

**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.

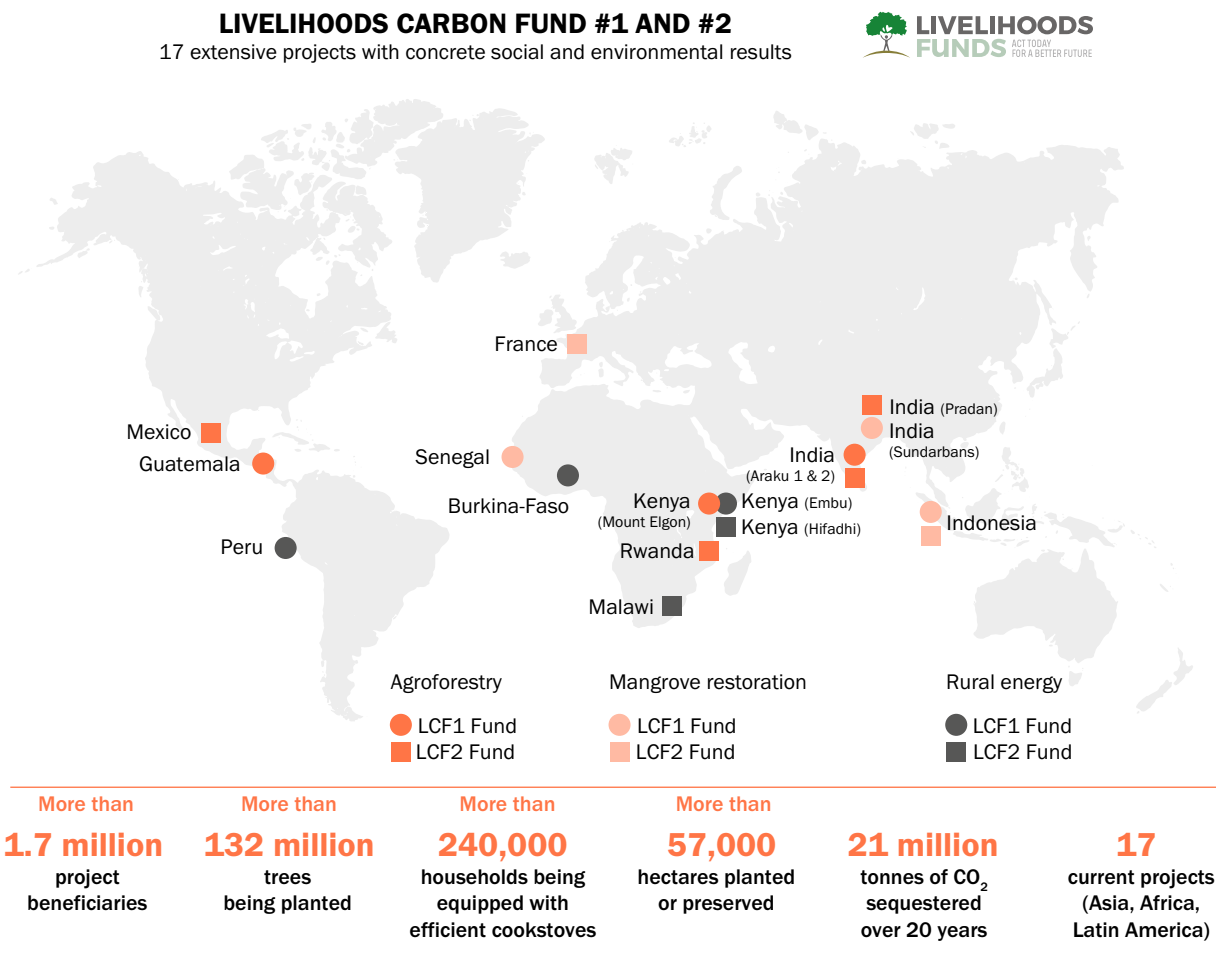
The Livelihoods fund is organised by a system of successive compartments. The first LCF1 compartment (Livelihoods carbon fund 1, €45 million), was opened in 2011, and until 2020 was the only one to issue carbon credits. Hermès has also been a shareholder since 2017 in a second sub-fund, LCF2 (€65 million), 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.

#### 2.7.2.1.4 Livelihoods Carbon Fund

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

LCF aims to be a start-up investor (with an entrepreneurial approach and investment risk) in three types of projects (ecosystems, agroforestry and energy) in Africa, Asia and Latin America. The fund has 10 partners in its LCF1 & LCF2 compartments: Danone, Crédit Agricole, CDC, Schneider Electric, La Poste, Hermès International, Voyageurs du Monde, SAP, Firmenich and Michelin. The initial duration of the funds is 24 years, and the duration of a project varies between 10 and 20 years. LCF1, launched in 2011, is fully invested; the LCF2 compartment, launched in 2017, which is larger than LCF1, is reaching the end of its investment process, including with the extension of projects in the LCF1 compartment. In June 2021, by joining LCF3, Hermès International renewed its commitment to local economic development, the protection of biodiversity and the fight against climate change.

## KEY INDICATORS OF THE LCF1 FUND

Results for the first Livelihoods Carbon Fund (nine projects):



Macro objectives	<b>Social results</b>	<b>Environmental results</b>	<b>Economic results</b>
	Number of beneficiaries <sup>(1)</sup> : <b>1.5 million</b> people positively impacted to date	Number of trees planted <sup>(2)</sup> : <b>127 million</b> to date	Investment capacity of the fund <b>€45 million</b>
Categories of impact	Number of households supported <b>&gt; 250,000</b>	Amount of carbon sequestered or avoided	Duration of commitment <b>20 years</b>
	Number of more efficient stoves distributed to families (mainly women) <b>&gt; 163,000</b>	• <b>9 MtCO<sub>2</sub> eq.</b> forecast • <b>2.4 MtCO<sub>2</sub> eq.</b> verified to date	
	<b>&gt; 163,000</b>	Hectares planted or preserved <b>36,000 hectares</b>	

2

**Definitions** (1) Number of people involved who are positively affected by the project's activities.  
(2) Trees, seeds, propagules (mangroves and agro-forestry trees) planted as part of the project's activities.

## KEY INDICATORS OF THE LCF2 FUND

Results for the 2<sup>nd</sup> Livelihoods Carbon Fund (eight projects to date):



Macro objectives	<b>Social results</b>	<b>Environmental results</b>	<b>Economic results</b>
	Number of beneficiaries <sup>(1)</sup> : <b>260,000</b> people positively impacted to date	Number of trees planted <sup>(2)</sup> : <b>5.43 million</b> to date	Investment capacity of the fund: <b>€65 million</b>
Categories of impact	Number of households impacted <b>43,600</b>	Amount of carbon sequestered or avoided (target) <b>12 MtCO<sub>2</sub> eq.</b>	Duration of commitment <b>20 years</b>
	Number of more efficient stoves distributed to families <b>78,500</b>	Hectares planted or preserved • <b>15,200</b> hectares	
	Number of women supported <sup>(3)</sup> <b>83,000</b>	• <b>6,000</b> hectares under restoration and preservation of biodiversity	
	Self-help groups set up <b>110</b>		

**Definitions** (1) Number of people involved who are positively affected by the project's activities.  
(2) Trees, seeds, propagules (mangroves and agro-forestry trees) planted as part of the project's activities.  
(3) Number of women participating in training on how to create improved stoves and/or agroforestry and natural ecosystem restoration activities.

The 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 LCF1 (2011, €45 million) and LCF2 (2017, €65 million), this new impact fund will invest in community projects for the restoration of natural ecosystems, agroforestry and regenerative agriculture. More than €250 million have been collected to help

disadvantaged communities, the fight against climate change and the protection of biodiversity. Fifteen companies and financial investors have joined LCF3 in a common investment vehicle to make the transition a success: Bel group, Chanel, Danone, DEG, Eurofins, the Global Environment Fund, Hermès, L'Occitane group, Mars, Mauritius



Commercial Bank, McCain Foods, Orange, SAP, Schneider Electric and Voyageurs du Monde.

Fully operational, the fund is now seeking field partners in various regions of the world to accelerate nature-based solutions.

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

- ◆ Restoration and preservation of natural ecosystems, for example mangrove forests. Nearly 10,500 hectares were replanted in Casamance (“Océanium” project); 4,500 hectares in the Ganges delta (“News” project); 10,000 hectares in Indonesia (“Yagasu” project). These projects secure populations (protection against cyclones or the invasion of salt water) and provide food sources through ecosystem regeneration;
- ◆ Agroforestry and soil remediation through sustainable agricultural practices. With the support of the Naandi Foundation, Adivasi tribal communities in the Araku valley in India have, for example, planted six million trees (fruit trees, as well as for firewood, construction, etc.), including three million coffee bushes, in accordance with agroforestry models, the aim of tripling these plantings in the coming years with the LCF2 project. In Guatemala, 1,750 hectares of trees and food crops have been planted in the Cerro San Gil mountain area (“Fundaecco” project), allowing rural families to increase their food security and incomes, while protecting biodiversity. In Kenya (project VI “Agroforestry”), on the slopes of Mount Elgon near Lake Victoria, the livelihoods of 40,000 small farms will improve through the intensification of agriculture respectful of natural resources (Sustainable Agricultural Landscape Management – SALM) and the development of dairy production. The project also contributes to the protection of water resources and generates positive social impacts for women’s jobs.
- ◆ Access to rural energy to reduce deforestation. In Kenya, the “Hifadhi” project will ultimately have equipped 120,000 households with improved wood-burning cooking stoves that significantly reduce wood consumption compared to the previous cooking equipment, thereby reducing pressure on forests, firewood collection time for families, and exposure to the toxic fumes generated by old stoves. In Burkina Faso, with the support of the Tiipaalgá NGO, 30,000 improved stoves were installed by inhabitants in their villages, in an effort to secure their use over time in part of the Sahel region. With the financial support of the French development agency (AFD), an agroforestry component has been added to this project. In Peru, the ITYF project (taken from the name of the Instituto Trabaja y Familia NGO) is installing 30,000 improved wood-burning cooking stoves and hygiene kits to families in extreme poverty in the Peruvian Andes. At the same time, the project brings training and awareness on health (reduction of toxic fumes, importance of boiling water, basic hygiene gestures, etc.), and will also have a significant impact against deforestation.

In 2021, the above projects impacted the lives of more than 1.7 million people since their creation, and helped replant more than 132 million trees, i.e. an area equivalent to five times the size of Paris. They also equipped more than 240,000 families with improved cooking stoves, which reduce deforestation and preserve women’s health, with a target of 20 million tonnes of CO<sub>2</sub> captured or avoided over the period (projects last between 10 to 20 years). They therefore help to offset Hermès’ carbon emissions on a voluntary basis (§ 2.5.4.3.2).

2021 was marked by the launch of new projects financed by the 2nd Carbon Livelihoods Fund (LCF2), which currently includes a portfolio of eight projects:

- ◆ for the first time in Europe, LCF2 launched a project called *Sols de Bretagne* in the Brittany region of France. In partnership with the Brittany Region, the Regional Chamber of Agriculture and the local association *Sols d’Armorique*, this project will support some 100 farmers in the transition to regenerative agriculture, as well as capture 140,000 tonnes of CO<sub>2</sub> in 10 years. (Find out more about the *Sols de Bretagne* project: <https://livelihoods.eu/portfolio/brittany-france-regenerative-agriculture/>);
- ◆ in Mexico, in the mountainous region of Oaxaca, Livelihoods and its partners launched a shaded agroforestry coffee project to restore the fragile mountainous ecosystem of Oaxaca, while helping more than 3,000 smallholders to improve their incomes. This 20-year project will be implemented by the local cooperative CEPCO, which has more than 30 years of experience with coffee producers in the region. The Livelihoods-CEPCO initiative will restore and preserve a total of 6,000 hectares, as well as generate more than one million tonnes of CO<sub>2</sub> over its lifetime. (Find out more about the Livelihoods agroforestry project in Oaxaca, Mexico: <https://livelihoods.eu/fr/restoring-the-earth-livelihoods-writes-a-new-chapter-with-coffee-farmers-in-mexico/>).