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UNIVERSAL REGISTRATION DOCUMENT

CSR EXTRACT NON-FINANCIAL PERFORMANCE
STATEMENT (NFPS)



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2.5.6 CLIMATE CHANGE

Thanks to its craftsmanship model and a production mainly in France, Hermès is today one of the lowest carbon emitters among CAC 40 companies. Nevertheless, taking all the necessary measures to combat climate change, the Group has stepped up all actions aimed at reducing the Group's footprint since 2020. The Executive Committee thus updated and validated the Group's strategy with ambitious objectives founded in science, through its membership of the Science-Based Targets initiative (SBTi) in order to achieve zero net emissions by 2050. **SBTi validated the emission reduction targets for scopes 1, 2 and 3** at the end of 2021, thus recognising Hermès' commitment to the fight against climate change and **its commitment to reducing its direct and indirect emissions, helping to limit global warming to 1.5°C by 2100**, in accordance with the Paris Agreements.

Hermès' policy in this area is implemented as a priority on the most significant issues. 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.

Objectives:

- ◆ implement a policy of **100% renewable electricity** within its own operations **by 2025 and 100% renewable energies by 2030**;
- ◆ achieve the phase out fossil fuels at industrial sites;
- ◆ reduce absolute value by **50.4% for scopes 1 and 2 emissions over the period 2018 to 2030**;
- ◆ reduce relative value by **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;
- ◆ reduce **the carbon footprint by 50% per m² of real estate space** built or renovated by 2030;
- ◆ achieve **net zero emissions by 2050**.

In addition, Hermès is attentive to the transparency and consistency of its policy with that of the sector by presenting its actions according to the framework recommended by the TCFD (Taskforce on Climate-related Financial Disclosures, § 2.7.2.2.2), by responding to the CDP climate questionnaire and by participating in market initiatives: Fashion Pact and UNFCCC (United Nations Fashion Industry Charter for Climate Action).

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) using scientifically recognised scenarios including those of the IPCC (RCP 2.6, RCP 4.5, RCP 8.5).

The new CSR governance structure established at the end of 2022 (§ 2.1.6) places the supervision of the Group's climate policy directly at the heart of the Executive Committee's responsibilities.

INTERNAL CARBON PRICE

As part of the operational implementation of the strategy to phase out fossil fuels, 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. Set in 2021 at €40 per tonne of CO₂ equivalent, it may change according to economic conditions and its revaluation is subject to the assessment of the Sustainable Development Board. It is currently 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). More specifically, this carbon price makes it possible to "put a cost" on the negative climate externalities generated by certain industrial investments, and promotes the adoption of less emissive solutions. For example, the adoption by one of the Group's tanneries of a solution for drying hides based using a heat pump, rather than gas, was allowed by re-weighting the actual cost, including environmental externalities, for the second option.

MEASURES IMPLEMENTED AND RESULTS

As illustrated above (§ 2.5.1), 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, such as in the "phase out fossil fuels at 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.

2.5.6.1 STUDYING RISKS AND ACTING TO REDUCE THEIR IMPACTS

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, involves around 20 high-level executives from the Company from 2020, 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.

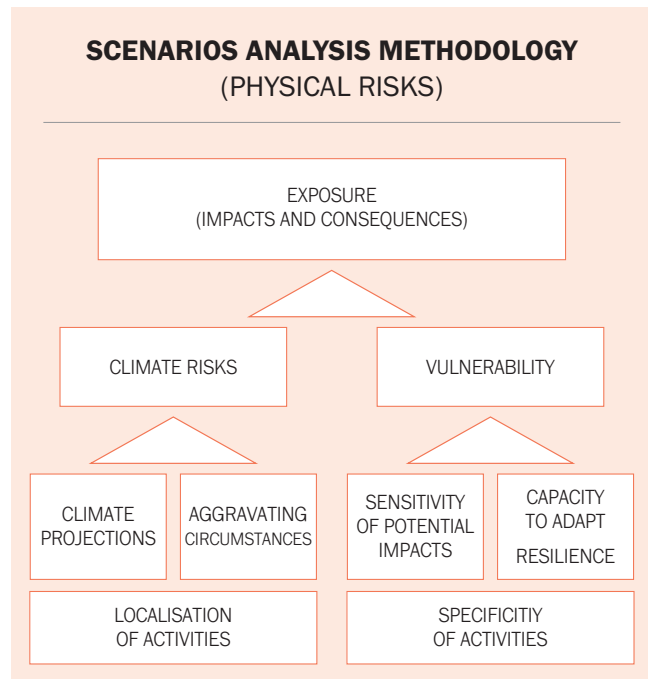
The exposure to transition risk is studied both by the audit and risk management department in its vertical analysis of the House's main activities (production *métiers*, retail subsidiaries), by the industrial affairs and sustainable development departments and by the Sustainable Development Committee, with a more transverse vision that covers the main issues (water, climate, etc.).

In its responses to the CDP Climate 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 of the House's emblematic value chains, from the sourcing of materials to the exclusive stores: 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' *métiers*. 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.

ILLUSTRATION OF THE METHODOLOGY USED FOR THE PHYSICAL RISK ANALYSIS



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 2022, Hermès continued to roll out the assessment of its business's exposure to climate risks. As a reminder, an analysis of water-related climate risks (droughts, floods, water stress, etc.) was carried out by WWF France in 2021. The partnership continued this year, to conduct in-depth audits. 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).

During the financial year, the Hermès Group Services teams and the Hermès International real estate department reviewed the risk analysis previously carried out in the sectors. The two departments have deepened the analysis of the resilience of the sites by undertaking an analysis of the physical risks to which all sites located in France may be exposed. This analysis is being presented to the management of the various sites so that appropriate resilience plans can be developed.

Lastly, Hermès is also committed to a collaborative strategic foresight approach that brings together more than 15 large companies and organisations from various sectors, as well as research institutions (UGA, CIRAD, EM Lyon, Univ. de Paris, ESCP Europe, Univ. Georgetown). This project is called **IRIS**.

Coordinated by an expert firm (Carbone 4), the work carried out by this group of players aims to:

- ◆ build shared, enforceable and rigorous tools (forward-looking scenarios) and methods that enable companies to design strategies based on “physically” realistic transformations and collectively anticipate the disruptions caused by the confrontation with planetary limits (resources, climate);
- ◆ develop a “methodological grammar” with companies in order to structure and facilitate discussions with their stakeholders on forward-looking subjects such as the future of mobility under the constraints of resource supplies, or changes in lifestyles.

All conclusions will be freely accessible (open source) to ensure their wide distribution and use.

As a founding member of the initiative, Hermès will contribute in particular, alongside representatives of other companies and a group of experts, to the construction of scenarios (for example, the determination of assumptions). After a pre-project phase completed in 2022, work began in January 2023 and breaks down into three one-year stages.

2.5.6.2 REDUCING GREENHOUSE GAS EMISSIONS IN ABSOLUTE VALUE

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® (carbon assessment) 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).

2.5.6.2.1 Greenhouse gas emissions assessment

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 exclusive 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”, in accordance with the GHG Protocol methodology.

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.

Regarding 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 offset, beyond its targets of 100% coverage of scopes 1 and 2, with an additional target of covering 100% of its transportation (internal and external) mainly 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 ⁽¹²⁾).

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).

GREENHOUSE GAS EMISSIONS ASSESSMENT

In k tonnes CO ₂ eq	2018	2019	2020	2021	2022	Like-for-like change/ 2021 ⁽¹⁾	Change/2018	2030 target
Scope 1	22.1	20.9	19.9	21.3	18	-	-	-
Scope 2 market-based	21.7	20.5	18.7	16.1	13.3	-	-	-
Total scopes 1 and 2	43.7	41.4	38.5	37.4	31.3	-16.4%	-28.4%	-50.4%
Scope 3	578.7	483.6	462.5	490.1	609.6	-	-	-
TOTAL GROUP	622.4	524.9	501.0	527.4	640.9	18.9%	-	-

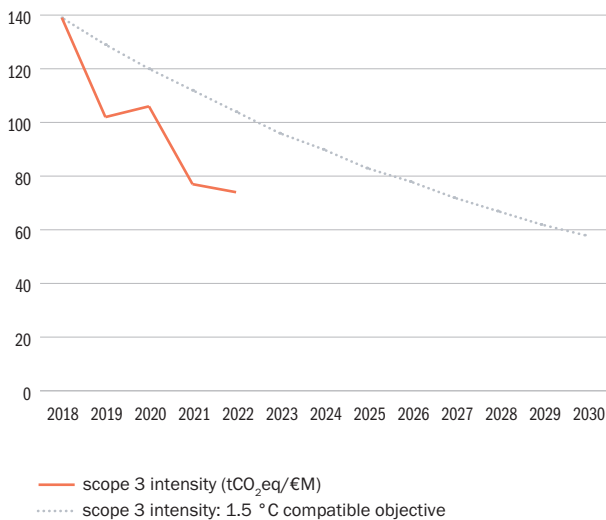
INTENSITY

In tonnes CO ₂ eq per €M Gross Margin	2018	2019	2020	2021	2022	Like-for-like change/ 2021 ⁽²⁾	Change/2018	2030 target
Scopes 1 and 2	10.5	8.7	8.8	5.8	3.8	-	-	-
Scope 3	138.6	101.8	105.7	77	74.2	-5.3%	-46.5%	-58.1%
TOTAL GROUP	149.1	110.6	114.5	82.8	78	-	-	-

In 2022, the Hermès Group's GHG emissions were around 641 k tonnes CO₂eq (up 18.9% from the previous year on a like-for-like basis). **With a decrease of -28.4% in absolute value of scopes 1 and 2 compared to 2018, and -46.5% of scope 3 in intensity, emissions are in line with the Group's 2030 targets validated by SBTi.**

The chart below illustrates the reduction trajectory of the intensity ratio of scope 3 emissions validated with SBTi (grey curve). The scope 3 intensity ratios recorded between 2018 and 2022, shown on the dark orange curve, demonstrate that the Group systematically manages to exceed the targets it had set itself as part of its emissions reduction trajectory. **In 2022, the Group achieved 80% of its SBTi scope 3 reduction target.**

CHANGE IN THE INTENSITY TRAJECTORY OF THE GROUP'S SCOPE 3 EMISSIONS WITH REGARD TO THE TRAJECTORY VALIDATED BY SBTi



Analysis of the Group's overall GHG assessment

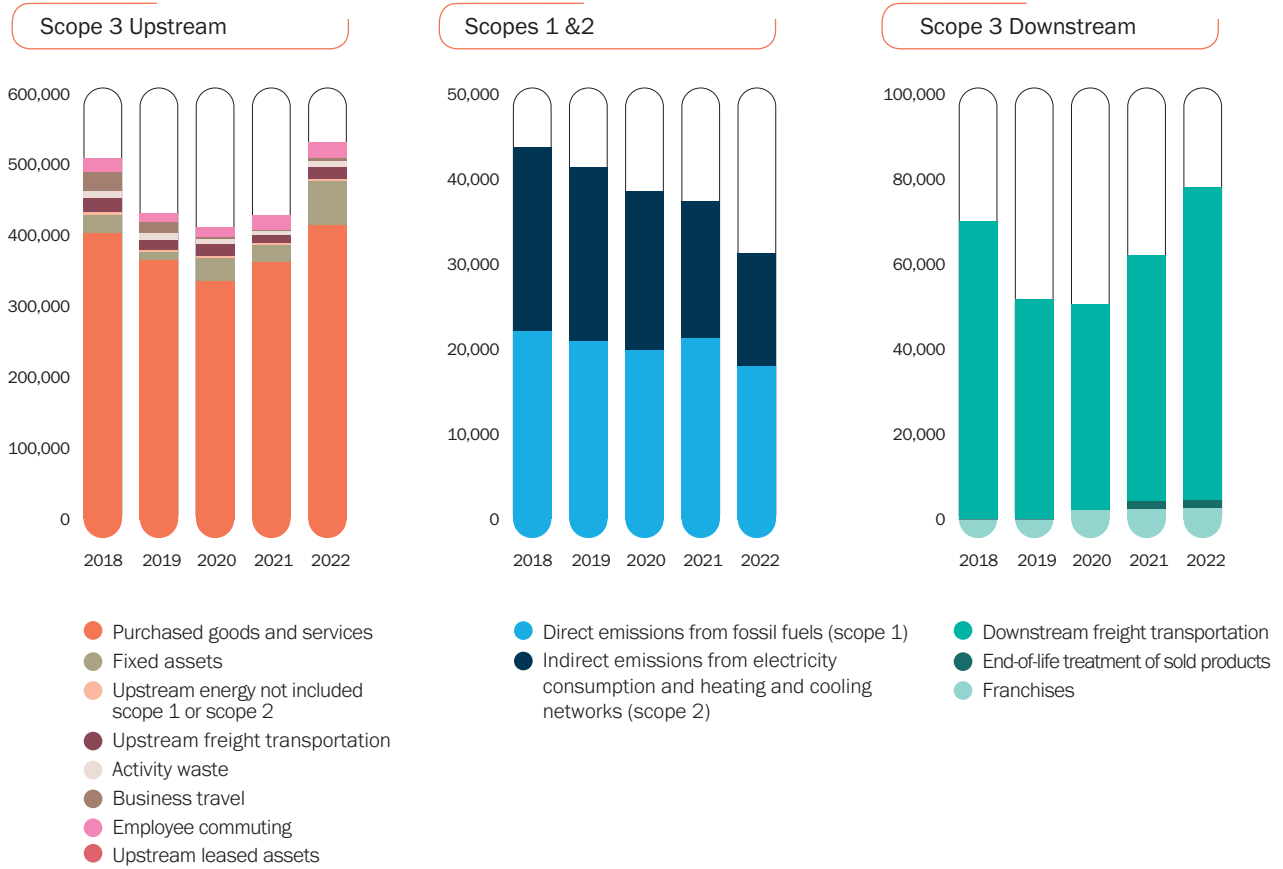
The GHG emissions break down as follows:

- ◆ 31.3 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 exclusive 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 -28.4% in four 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;
- ◆ 609.6 k tonnes of CO₂eq for scope 3, which essentially takes into account mainly the carbon footprint of raw materials (64% 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 15% of the total scope 3. **With a reduction in intensity of -46.5% in four 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 78 (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 activity growth and the Group's footprint is -47.7% over four years.

1. See the greenhouse gas emissions assessment table in the appendix to § 2.5.
2. Idem.

CHANGE IN GHG EMISSIONS ON THE VARIOUS SCOPES AND ITEMS OF THE GHG PROTOCOL SINCE 2018



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 issues. The energy consumption figures provide a picture of the main contributing *métiers*. Special attention is paid to the energy consumption of exclusive stores, which account for 19% of total consumption (and 27% of market-based scopes 1 and 2). Consumption reduction measures are presented above.

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.



-16.4%*
carbon emissions from production sites, logistics centres and exclusive stores (scopes 1 and 2)

* Base 2021, scope 2 market-based

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.

2.5.6.2.2 Focus on the métiers

Audit of production sites and métiers;

The greenhouse gas assessment of the Tanneries and Farms division was updated for 2022. As in previous years, this assessment was made more reliable in order to improve the comprehensiveness and quality of the data included. The total emissions of scopes 1, 2 and 3 (including impacts related to livestock farming) is estimated at around 105 thousand tonnes of CO₂eq, i.e. an increase of 7.1% (excluding construction of the new farm in Australia). Scope 3 increased by 8.4% due to increased production of calfskin and goat leathers since the acquisition of Mégisserie Jullien and therefore an increase in purchases of raw hides.

The activities of the crocodile, calfskin and goat hide tanneries, as well as the hide processing and inspection facilities owned by the division, account for around one-third of the HCP division's greenhouse gas emissions.

The rest of the CO₂ emissions are distributed between external farms (around half of the division's total) and, to a lesser extent, freight both upstream (supply of hides) and downstream (shipping of finished hides to customers), subcontracting as well as headquarters and sales offices.

Métiers

Scopes 1 and 2 decarbonisation plan

Métiers	Scopes 1 and 2 decarbonisation plan
Tanneries and farms	Energy saving solutions
Leather	<p>In 2019 and 2020, energy audits were carried out on all Leather Goods division workshops to better understand the energy profile of each one and to develop a prioritisation strategy within the division. Five leather goods workshops, among the oldest, were identified as priorities in terms of actions because they alone consume 54% of the entire division's energy (and generate 58% of scopes 1 and 2 carbon emissions).</p> <p>In 2021 and 2022, more in-depth investigations were conducted at these five production units with a specialist external firm. This made it possible to draw up a specific investment programme with a schedule between 2023 and 2026.</p> <p>In addition to these priority production units, progress actions are planned until 2029 for all leather goods workshops. Optimised management of energy equipment, the permanent elimination of the use of fossil fuels (specifically gas, which concerns six leather goods workshops) and work to optimise existing buildings are planned.</p>
Textile	<p>Energy (S1 & 2) represents 12% of the sector's carbon emissions. Areas for improvement:</p> <ul style="list-style-type: none"> ● heat recovery; ● improved insulation of high-loss areas; ● substitution of fossil gas by low-carbon energies. <p>Replacement in 2021 of the fuel oil boiler at the Challes site by a pellet boiler. Technical study phase for the SIEGL and ATBC sites to replace gas boilers with geothermal heating. Technology selected and commissioned in HTH's tertiary buildings since July 2022.</p>
Crystal manufacturing	<p>Installation of an oxy-fuel furnace. Expectation of a 30% reduction in gas consumption.</p> <p>Waste heat recovery to heat La Grande Place museum.</p> <p>Project to streamline tertiary buildings under study to limit unnecessary heating of buildings not fully occupied.</p>

Métiers	Scopes 1 and 2 decarbonisation plan
Perfume and Beauty	Study of options on the Vaudreuil site for the replacement of gas boilers by a low-carbon solution: biomass or geothermal boilers, taking into account plans to upgrade the site.
J3L	<p>2°C reduction in heating (corresponding to a reduction of 44 tCO₂eq)</p> <p>Replacement of the fuel oil boiler by a wood-fired boiler at the Polissage Brun site (corresponding to a reduction of 17.3 tCO₂eq)</p> <p>Implementation of centralised regulation at SCAP for offices (corresponding to a reduction of 3.5 tCO₂eq)</p> <p>Implementation of photovoltaic panels installed on the J3LP site (corresponding to a potential emission reduction of 42 tCO₂eq considering the site autonomous in electricity)</p> <p>Several other actions are underway or under study:</p> <ul style="list-style-type: none"> ● Installation and commissioning of a pergola with photovoltaic panels on JULEA ● Installation of photovoltaic panels on all site roofs ● Transition to 100% LED for interior and exterior lighting ● Thermal insulation of the least insulated walls ● Replacement of windows not yet equipped with double glazing ● Recovery of heat emitted by compressors ● Elimination of gas consumption for heating on the SCAP site ● Installation of wind turbines on the J3LP site
HCI (Italy)	The site is 100% supplied with green energy (photovoltaic panels and geothermal energy)
Ateliers Hermès Horloger and LMH (Switzerland)	Signature of a Universal Agreement on Objectives, under the aegis of the Swiss Confederation, based on energy analysis and indicating ways to reduce energy consumption and CO ₂ emissions. This will result in the action levers essential to reducing energy consumption for the next 10 years.
CATE	<p>Change of compressor: completed in May 2022 (gain to be assessed with increased activity)</p> <p>Change of industrial dishwasher in October 2022: savings to be assessed in 2023 and study of the use of the dishwasher before decoration (potential savings in water, energy, plastic/waste)</p> <p>Replacement of the air vacuum pump with variator completed in November 2022</p> <p>Installation of wrapping machines instead of shrink-wrapping machines and shrinkage tunnel: energy saving (-90% on the consumption of this operation) and plastic reduction</p> <p>Combining enamel firing on a single kiln and 2x8 shifts: gain to be assessed in 2023</p> <p>Reduction in the minimum heating temperature recommendation for premises from 22°C to 19°C - 20°C – completed in October 2022</p> <p>Reduction in the decoration hot water temperature recommendation from 60°C to 50°C</p> <p>Decarbonisation study of the site with the support of the real estate department and with the target of gas substitution: potential gain of 114 tCO₂eq with identical electricity consumption, i.e. the target for scopes 1 and 2 to 2030</p>
Beyrand	<p>Implementation of electricity & gas sub-meters to measure and prioritise good actions</p> <p>Reduction of the furnace operating hours at the laboratory passage (carried out at the beginning of October - 1 h/day + ongoing tests to go further)</p> <p>Test and study of the interruption of extraction and/or AHU at weekends in certain workshops (printing workshop 2, inkjet & covercoat)</p> <p>Installation of LED bulbs and motion detectors in the corridors</p> <p>Exploration of the partial substitution of gas on the current site (boilers, tannery line) – from 2023</p>
Puiforcat	Installation of several heat pumps to eliminate gas heating

Real estate

Since 2020, Hermès International and the Group real estate department have committed to reducing the carbon footprint/m² of built or redeveloped surface areas by 50% by 2030, bearing in mind that the absolute value of emissions remains unchanged since 2018.

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 Analysis (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 deployment of the Harmonie standard (§ 2.5.2) will significantly reduce scopes 1 and 2 of new buildings. This addresses carbon issues 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 CO₂ emission reduction ambitions on future projects through the Hermès sustainable construction standards.

In 2022, leather goods construction illustrates the performance of the Harmonie standard, particularly in terms of Carbon:

- ◆ in the choice of materials and supplies for the Maroquinerie de Louviers, in bricks of local manufacture, and that of the Maroquinerie de la Sormonne, in wood (frame, burnt wood facades);
- ◆ in the realisation of the carbon trajectory, with energy performance beyond the E4C2 label (positive energy building by integrating the energy consumed by industrial processes), the LCA of the materials and energies used gives a balance of 776 kg CO₂eq/m² for Louviers and 810 kg CO₂eq/m² for Sormonne. In comparison, a leather goods item of the same nature in 2018 emitted 1,100 kg CO₂eq/m² in terms of materials and energy.

Transportation

Governance

The team in charge of the Group's upstream and downstream logistics works with the subsidiaries and *métiers* to be able to offer them more sustainable transport. The quality reviews conducted with carriers and freight forwarders are an opportunity every quarter to share, among other things, Hermès' expectations in terms of multimodal solutions and changes in possible means of transport (new fuels, aircraft with an improved carbon footprint, routes, etc.) and to hear new proposals from them.

A newsletter keeps everyone abreast of these logistics and carbon topics and also makes it possible to share current projects.

In 2023, a working group will be set up at Group level to also deal with intra-country transport issues (in particular in China and the United States), to share best practices and alternatives to be studied.

Calls for tenders systematically include a CSR dimension and suppliers are assessed on their performance in this area.

Action levers and results

To improve the carbon footprint of transport, **two main levers exist and are mobilised, sometimes jointly, by the sales department: implementing transport alternatives, in particular to air transport, and changing fuel.**

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). Since the summer of 2022, 100% of the transport between our logistics platforms and the shipping points for our products (airports or ports) has been carried out by our long-standing partner using bioNGV vehicles⁽¹⁾, which emit 80% less greenhouse gas than diesel⁽²⁾. In the same way, electric transport has been rolled out in Rome and Milan, Italy.

Similarly, intra-European upstream logistics flows are gradually replacing diesel fuel with gas or biogas. Rail transport has been set up with the United Kingdom, in addition to road transport, taking into account the ban on using NGV vehicles through the Channel Tunnel. The trucks therefore use a biofuel derived from rapeseed. In addition, Belgium and Luxembourg are now supplied by road transport.

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), a rail/sea combination (to Japan) or air/sea (to Australia) for other categories of items, in particular furniture, as well as more seasonal items such as shoes and ready-to-wear. The rail route to China has been suspended due to the current conflict.

Calls for tenders for goods transport systematically include a criterion linked to the improvement of the carbon footprint: the use of NGV and bioNGV for road transport, SAF (Sustainable Aviation Fuel) for air transport, SMF (Sustainable Maritime Fuel) for maritime transport, are gradually asked of the selected service providers. With regard to alternative fuels, carriers are required to source only from recognised and certified suppliers.

The quarterly quality meetings conducted with carriers also provide visibility on the type of aircraft used by carriers or charterers, and it is possible to choose aircraft with lower emissions due to their size and modernity. Cargo aircraft are preferred, which have fewer emissions as they are loaded optimally. The data are shared, become increasingly precise and the calculated carbon footprint is refined.

At present, 10% of Hermès Sellier product deliveries to the exclusive store network are delivered by sea. This flow is rapidly increasing. It will be further optimised by introducing regular shipments of products intended in particular to support sales across the entire network.

For the distribution of its perfumes and beauty products, Le Comptoir Nouveau de la Parfumerie (CNP) is working to improve its carbon footprint. CNP works with partners using neutral modes of transport for short distances on a daily basis. Wherever possible, city-centre deliveries are made in electric vehicles (Hermès exclusive stores in France, and in Europe, for example). The connection between the logistics site and the depot of one of the main transport service providers is carried out by NGV-powered vehicles. For deliveries in France and Europe, the optimisation of loading and the frequency of departures are also key elements: weekly and bi-weekly shuttles have been in place for several years and link the logistics warehouse and the various distribution platforms located in France or Spain.

1. BioNGV is obtained from the methanisation of various and sometimes combined organic waste.
2. <https://www.afgnv.org/bilan-co2-du-gnv-ou-biognv/>.

Within the Tanneries and Farms division, greenhouse gas emissions related to the upstream and downstream freight of hides are constant compared to 2021.

Since 2010, a maritime transport network for hides has been set up for *alligator mississippiensis* from the southern United States, *crocodylus niloticus* from Africa, and, since 2013, for *crocodylus porosus* from Australia. The share of maritime transport in the supply of raw crocodilian hides is similar to that of 2021 and represents a quarter of supplies.

Raw hides from Australia are mainly supplied by sea (65% in 2022). The increase in maritime transport in the supply of raw hides is a focus of work for the supply chain teams as part of the division's strategy to reduce scope 3 CO₂ emissions.

Within the HMS division, a fleet of biogas trucks was introduced in 2022 to transport finished products from the leather goods workshops to the central warehouse. The carbon footprint related to this transport has been reduced by 67%. In addition, considerable work has been carried out to optimise these flows, in particular by adding components that were previously transported via courier services.

In 2022, the Shoe *métier* optimised its shipments from Italy to France in cardboard box pallets, with less intermediate packaging and fewer voids transported. Trucks now have a full load, thus reducing their number on the roads. The CATE site has a project to optimise shuttles between the Group's sites and is studying LNG as an alternative fuel.

Purchases of goods

Decarbonisation of the Purchases of goods item can only be done in conjunction with suppliers or partners. The objective is therefore to support them so that they can carry out their own carbon footprint assessment and then allocate the appropriate share to each Hermès *métier*. For more mature suppliers, a questionnaire is sent to them to share their CSR strategy, their carbon footprint or their reduction trajectory, starting with their scopes 1 and 2. Supplier days are also organised with a focus on carbon. Thus, in October 2022, the Home *métier* organised the second edition of its supplier days in order to provide suppliers with more visibility on the strategy, future workload and sustainable development requirements. A presentation of the carbon footprint was supplemented by carbon footprint training given by two teams of consultants.

Purchases of raw materials (leather, textiles, metals and precious stones, etc.) represent 61.2% of the total carbon impact and 64% of scope 3. A multi-company group, bringing together players in the cashmere sector, has been created to work on cashmere emissions, identify the main sources of emissions and reduce them; the study will start in 2023 and the results are expected in 2025.

In 2022, a circular economy project was launched for cardboard packaging for the Perfume and Beauty *métier*. The aim is to reuse the cardboard waste generated by the site for the manufacture of future cardboard boxes and limit emissions related to packaging.

An assessment of suppliers targeting their carbon footprint with an action plan to monitor and support them in reducing their GHG emissions is planned for 2023.

Commuting

Hermès continued to promote soft mobility for commuting in France (63% of employees), 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 2022, Cristalleries Saint-Louis formalised an agreement on teleworking, in collaboration with employee representatives, making it possible to limit commuter journeys from time to time. In addition, a project to promote carpooling among employees is being studied.

Commuting by the Textile division's employees represents 3.5% of its emissions. The HTH site is present in several discussion groups with local authorities on mobility issues in order to reduce travel with a high carbon impact, requiring changes to the traffic networks. The sector's sites are gradually increasing the number of charging stations for electric vehicles: the Pierre-Bénite division has thus increased the number of stations available to employees from two to 20.

In 2022, the Vaudreuil site (Perfume and Beauty) offered electrically-assisted bicycles to employees in addition to the charging stations set up on the site to encourage the use of electric vehicles.

The implementation of a software platform promoting carpooling between J3L colleagues (four to six trips per month and per employee would lead to a reduction of 106.3 tCO₂eq per year).

Compagnie des Arts de la Table et de l'Émail (CATE) located in Nontron has identified where employees live to encourage carpooling and has approached the local authority to identify ways to encourage soft mobility.

The HMS division has an ambitious objective: to reduce the impact of employee commuting by 4% per year. To date, software has been implemented to both regularly prepare a mobility plan for each site and to measure the impact of each employee's actual modes of travel. On sites already covered, the reduction commitment has been met and the solution will be extended to all production sites.

Considering that societal expectations around mobility are very high, it seemed appropriate to aim for the formalisation of a Group framework by launching a pilot mobility plan for 3,000 employees located in Île-de-France. The project began with the analysis of the sites in October 2022 carried out by a specialist service provider. The employee survey took place in December 2022 with a very high participation rate. 2023 will be the year of analysis of the results and construction of the action plan, particularly in terms of options for a modal shift. Feedback on the systems put in place will be provided in order to assess their success rate and identify any necessary adjustments. Then, on the strength of this experience, a roadmap for the entire Group will be recommended.

Business travel

Hermès also employs a proactive policy of replacing internal combustion vehicles with electric vehicles or hybrids (34% of the current fleet in France), both for company vehicles and service vehicles. Hermès' vehicle policy has always anticipated regulations, in France and internationally: limiting CO₂ emissions/km, limiting vehicle weight, eliminating diesel from 2017, etc. This approach is being continued with a vision for mobility and no longer solely from a motorisation perspective.

With regard to longer distance travel, the disruptions related to the health crisis have made it possible to solidify alternative working solutions (videoconferences), and accelerated the awareness of employees on the review of the most efficient working methods internationally. The distribution subsidiaries are working on organisations to reduce their carbon footprint, as part of the monitoring of their strategic CSR plans. For example, initiatives are carried out locally in France. Thus, Saint-Louis continued to promote low-impact mobility. Initially, meetings and training by videoconference are preferred wherever possible over those involving travel. When necessary, employees are asked to use public transport, such as trains, and to limit air transport as far as possible. In 2022, a business travel charter was formalised limiting the use of aircraft to journeys of more than four hours.

2.5.6.3 UNDERTAKING VOLUNTARY CARBON OFFSETTING ACTIONS WITH IMPACT

All of the initiatives taken by Hermès aim to make its business model increasingly sustainable and to contribute to a more sustainable world. This strategy, which is based on an analysis of the risks and resilience potentials that may be associated with it, is recognised by the rating agencies (§ 2.7.3.3).

2.5.6.3.1 Carbon neutrality approach

As specified by ADEME (French Ecological Transition Agency), carbon neutrality aims to offset, on a global scale, any greenhouse gas emissions resulting from human activity by sequestering equivalent quantities of CO₂, i.e. keeping them out of the atmosphere over the long-term. This therefore 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 CO₂ 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, which 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. In 2022, the community of buyers benefited from training on measuring the carbon footprint, thus enabling Hermès buyers to better understand the quality of the low-carbon approach carried out by suppliers. Its craftsmanship production in a logic of quality and sustainability, and not volume or rapid renewal, is a powerful vector of consumption with a low carbon footprint;
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 proactive way to this collective neutrality by 2050, by putting its offset efforts into perspective in relation to the level of its emissions. The Group does not seek to claim carbon neutrality by itself.

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

- ♦ rule no. 1: Undertake and publish an assessment of GHG emissions, reductions and offsets, in particular through this Non-Financial Performance Statement, but also with the public reporting of the CDP (assessment A- for the climate change part; presence on the CDP's 2022 A list);
- ♦ rule no. 2: Choose certified offset projects: all projects carried by Livelihoods and taken into account by the Group are audited and certified by Verra ⁽¹⁾ (formerly VCS) or Gold Standard ⁽²⁾;
- ♦ rule no. 3: Favour projects with a "sustainable development" approach, i.e. long-term projects with positive impacts on local communities 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;

1. <https://verra.org/>
2. <https://www.goldstandard.org/>

- ◆ 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°C scenarios of the Paris Agreement.

This national framework set by France is fully aligned with the content of international discussions that take place, notably during COPs. The methods for setting up new carbon markets (recorded in Article 6 of the Paris Agreement) are questioned there to **ensure that carbon offset projects have a positive impact on local communities. This is the position defended by the Livelihoods Venture fund to which Hermès is committed.** Its purpose, from its inception, was to be supported by organisations, such as the Group, able to accept and manage the complexity of systemic approaches to try to make both communities and nature thrive.

Governance

Livelihoods projects are monitored throughout the year by the Group's Sustainable Development Director, who attends meetings of the Livelihoods Fund's Board of Directors. A member of the Hermès Executive Committee is a director of the funds managed by Livelihoods, a witness to the Group's involvement at the highest level in these subjects. This monitoring makes it possible to validate the choices made in terms of investments and projects, and also to monitor the progress of projects that may be impacted, for example, by climate phenomena or other hazards. A presentation of Livelihoods progress is made to the Hermès Executive Committee at least once a year, in the same spirit of monitoring and sharing. The companies supporting Livelihoods provide more than just financing, they also bring a vision, stability and commitment to generate a positive impact that it is essential to share at the highest level of the Group.

Offset strategy

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

- ◆ **focus on reducing emissions in its own value chain**, which requires organisational and technological changes internally and with suppliers;
- ◆ **use voluntary offsetting, which is based in particular on so-called “Nature-based” solutions**⁽¹⁾ thanks to natural capture mechanisms (for example, planting) with the implementation of large-scale projects that take time to set up over the long term.

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 work and investments to offset all of its residual emissions by 2050.

1. *Nature-based solutions are defined by the International Union for the Conservation of Nature (IUCN) as actions that rely on ecosystems to meet global challenges such as the fight against climate change, management of natural risks, health, access to water, food safety, etc.*

CLIMATE CHANGE

SUMMARY OF GREENHOUSE GAS EMISSIONS – SCOPES 1 AND 2 AND DETAIL OF SCOPE 3

<i>In k tonnes CO₂eq</i>	2018	2019	2020	2021	2021 like-for-like	2022
Scopes 1 and 2	43.7	41.4	38.5	37.4	37.5	31.2
Scope 3						
Upstream						
1. Products and services purchased	402.9	365.6	336.2	361.8	373.3	415.1
2. Capital goods	26.7	10.7	31.5	24.6		61.2
3. Fuel- and energy-related activities not included in scopes 1 or 2 emissions	3.0	2.9	2.8	3.0		2.9
4. Upstream transportation and distribution	20.7	14.2	17.7	10.9		17.8
5. Waste generated by the sites	8.8	9.3	5.8	6.2		7.3
6. Business travel	27	15.9	3.2	1.3		4.8
7. Employee commuting	19.7	13.1	14.6	20.3		22.6
8. Upstream leased assets	N/S	N/S	N/S	N/S		N/S
9. Downstream transportation and distribution	70	51.7	48.5	57.7		73.5
10. Processing of products sold	N/S	N/S	N/S	N/S		N/S
11. Use of products sold	N/S	N/S	N/S	N/S		N/S
Downstream						
12. End-of-life treatment of sold products	N/S	N/S	N/S	1.9		1.9
13. Downstream leased assets	N/S	N/S	N/S	N/S		N/S
14. Franchises	-	-	2.1	2.4		2.6
15. Investments	N/S	N/S	N/S	N/S		N/S
TOTAL SCOPE 3	578.7	483.3	462.5	490.1	501.5	609.6

NB: calculations or estimates that led to non-material amounts (threshold <0.5% of the total) are included as "not significant".

NB 2: the data in the "2021 like-for-like" column include changes in scope, methodology and emission factors to make the data comparable to those for 2022.