



Hermès Climate Transition Plan

Introduction

The signing of the Paris Agreement in 2015 marked the beginning of corporate mobilization against climate change. Since then, successive IPCC¹ reports and numerous initiatives have helped companies better understand climate issues, mobilize to reduce their footprint, and anticipate future impacts on their activities.

Hermès' transition plan synthesizes its short, medium, and long-term strategy to achieve its climate goals. It explains how the Group is organized to achieve these goals, within the limits of the uncertainties inherent in any forward-looking vision, those implied by scientific innovation, and those related to competition and confidentiality issues. This plan, aligned with the expectations of the CSRD (Corporate Sustainability Reporting Directive), is intended for its teams and all its stakeholders.

Due to its artisanal model and the localization of its production in France or in nearby Europe, Hermès is structurally a low greenhouse gas (GHG) emitter compared to its activity and workforce (approximately 750 KTeCO₂ for more than 25,000 people and €15 billion in revenue²). Nevertheless, the Group aims to contribute to carbon emission reductions in its direct operations and across its entire value chain. Hermès also adapts to the risks caused by climate change on its business model.

This transition plan specifies how the Group intends to reduce its emissions (mitigation policy) and integrate the effects of future developments (adaptation policy). It includes the implementation of specific actions by entity and *métier*, integrates into strategy and financial planning, considers short, medium, and long-term aspects, emphasizes quickly achievable actions, covers all emission scopes, and encompasses all Group activities (including its value chain).

It will be regularly updated.

This document successively covers:

- **Topic governance:** management, supervisory board, executive committee, internal operational committees, Group departments;
- **Decarbonization strategy and set objectives**, including notably participation in place-based initiatives (including SBTi³), voluntary contribution to reduction, avoidance, and sequestration projects with third parties and external communication on this subject;
- **Decarbonization levers and implemented actions**, including notably monitoring of obtained results and their internal use;
- **The Group's adaptation strategy** to climate, physical, and transition risks;
- **Allocation of necessary resources**, particularly financial.

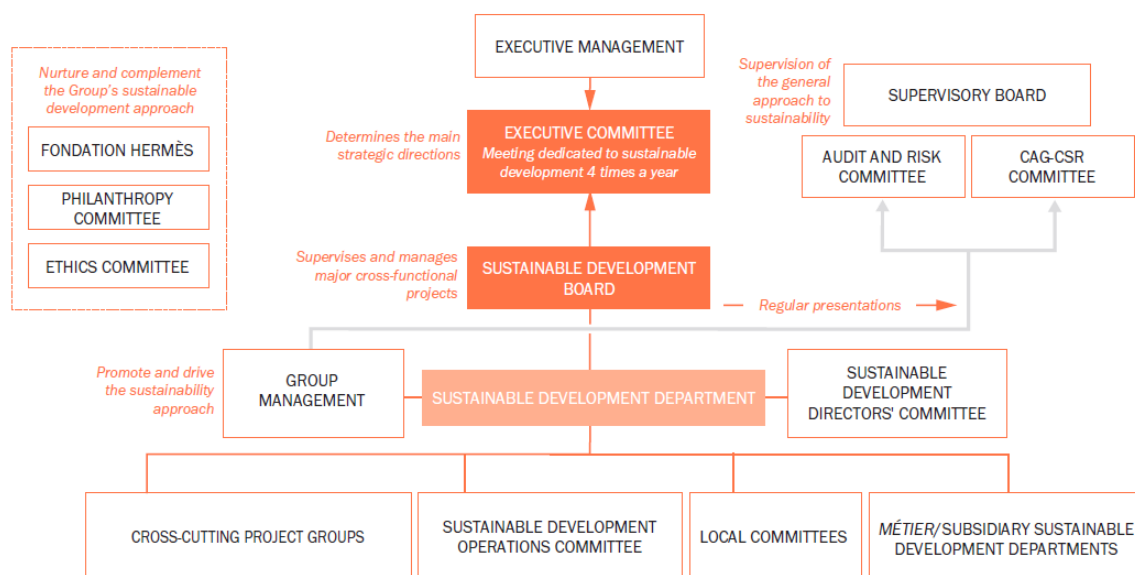
¹ International panel on climate change.

² Data as of December 31st, 2024.

³ The Science based targets initiative.

Governance

Governance of sustainable develop topics, including climate issues, is ensured at various hierarchical levels within the Group to provide strategic guidance and operational implementation. Climate issues are integrated into this global governance framework, allowing for consideration of their interactions with other issues, such as biodiversity. This is illustrated by the following diagram:



The Executive Management determines the Group's climate strategy. Since 2019, the variable remuneration of the two managers has been partly conditioned on a climate-related criterion, reflecting the Group's affirmed and consistent commitments to sustainable development⁴.

The Supervisory Board is particularly informed about climate change mitigation and adaptation issues through its two committees:

- The Compensation, Appointments, Governance, and CSR Committee (CAG-CSR Committee) participates to management control. In this context, the multi-year strategic orientations in terms of sustainable development, their implementation methods, and results are presented to it, particularly regarding climate policy.
- The Audit and Risk Committee monitors the effectiveness of internal control and risk management systems. In this context, it reviews environmental risks, including those related to climate, as well as the measures taken in response to reduce them.

Members of the Supervisory Board attend external trainings upon request regarding sustainable development. Regular internal training sessions, including climate-related topics, are also provided, emphasis in 2024, on CSRD obligations and notably the ESRS E1 standard, which addresses climate issues. Since 2023, Supervisory Board members have also been invited to participate to presentations jointly organized by the WWF France and the Sustainable Development Department.

⁴ The details regarding the CSR criteria for the Executive Management's remuneration are presented in the Group's Universal Registration Document in the section "Specific elements comprising the compensation policy for the Executive Chairmen (Article R. 22-10-40, II of the French Commercial Code (Code de commerce))".

The Hermès Executive Committee also plays a significant role and has a comprehensive view of the Group's climate issues. This ensures strategic positioning on this topic at the highest level of the organization.

Several times a year, the Group's Executive Committee organizes dedicated sustainable development training and discussion sessions. Climate topics are addressed. These sessions validate strategic orientations, monitor objectives set by the Group and associated results. They also allow to ensure periodic review of the adequacy of financial and human resources allocated to objectives. With a deeper understanding of the topics, the Executive Committee can integrate climate issues into the Group's strategy and enable more effective implementation of various internal projects.

To oversee the implementation of the Climate strategy determined by the Executive Management in coordination with the Executive Committee, **the Sustainable Development Council** comprises 14 members, directors of the main central functions and integrated divisions of the Group. This Council supervises sustainable development achievements, manages major cross-functional projects, oversees the roadmaps of the main entities, initiates and monitors ad hoc working groups, and identifies decisions to be submitted to the Executive Committee. The operational implementation of the strategy is the responsibility of management *métiers*, subsidiaries, and cross-functional departments. They are coordinated by specific steering committees with the support of expert departments.

What are the challenges for Hermès?

Hermès has been establishing a comprehensive greenhouse gas emissions inventory since 2011, following the GHG Protocol method, and reports on all three scopes. These efforts are reviewed by external and independent auditors. They are also used to respond to the CDP Climate questionnaire, for which Hermès received the highest rating (A) in 2023 and 2024.

The Group's emissions profile is as follows:

- Scopes 1 & 2 (market-based): 2%. This low figure is due to a low-carbon manufacturing activity (the Group produces more than half of its products in internal and exclusive workshops) and a strong transition to decarbonized energy (98% renewable electricity in 2024).
- Scope 3 consists of approximately 62% from the carbon footprint of raw materials purchasing, less than 12% from upstream and downstream transportation, and real estate representing less than 8% of emissions.

Strategy

Hermès business model relies on numerous activities in several countries, which distributes the risks and opportunities related to climate issues. The Group's strategy aims to reduce its carbon emissions in line with the Paris Agreement and adapt to climate change risks as early as possible in relation with its activity.

This transition plan is integrated into the Group's overall strategy, both in its own operations and across its value chain. Thus:

- As part of the operational implementation of its strategy which includes phasing out fossil fuels, Hermès has decided to no longer use gas or any other fossil fuel as an energy source for any new industrial investments, unless this is proven technically impossible, or unforeseeable/force majeure event likely to impact the availability of lower-carbon energies. This strategy is considered in the Group's business planning (management of industrial capacities, investment plans). It is reflected in the results obtained on scopes 1 & 2.

- The Group has implemented a strategy and action plans across its entire supply chains. While these have historically focused on quality and securing its supply chains, they also integrate the issue of climate transition. This materializes with the implementation of detailed analyses and specific action plans developed with our partners within the value chain and, where applicable, other external stakeholders (industry players, NGOs, etc.). The strategy is formalized through supply chain briefs⁵ and CSR briefs that are developed, communicated and implemented jointly with our suppliers (also available on our website). The systematic use of life cycle analyses by our businesses strengthens their ability to measure environmental impacts and propose actions to their partners.
- The Group's Logistics and Transport Department, which centralizes long-distance transport, has been following a plan to reduce its GHG emissions in partnership with carriers to decarbonize flows, but also by working on its internal processes (packaging, multimodality, etc.).
- Furthermore, the "Harmonie" real estate standard, an internal sustainable construction standard, allows for precise measurement of the environmental issues of all construction, development, and renovation projects of the House. This standard, aligned with the most stringent criteria and certified in November 2022 by an independent third-party verification body, integrates environmental sustainability issues, including carbon footprint.
- Finally, the long lifespan of Hermès products is an essential component of its business model, contributing to minimizing their environmental impact (including carbon). Hermès strives to reduce its impacts at all stages of the life cycle of objects, through the implementation of circularity loops (reducing the use of natural resources, reusing materials, reducing waste). Hermès is unusual in offering its customers a tailor-made After-Sales service, with no time limit, across all its métiers and throughout the world, which helps to extend the lifespan of its products.

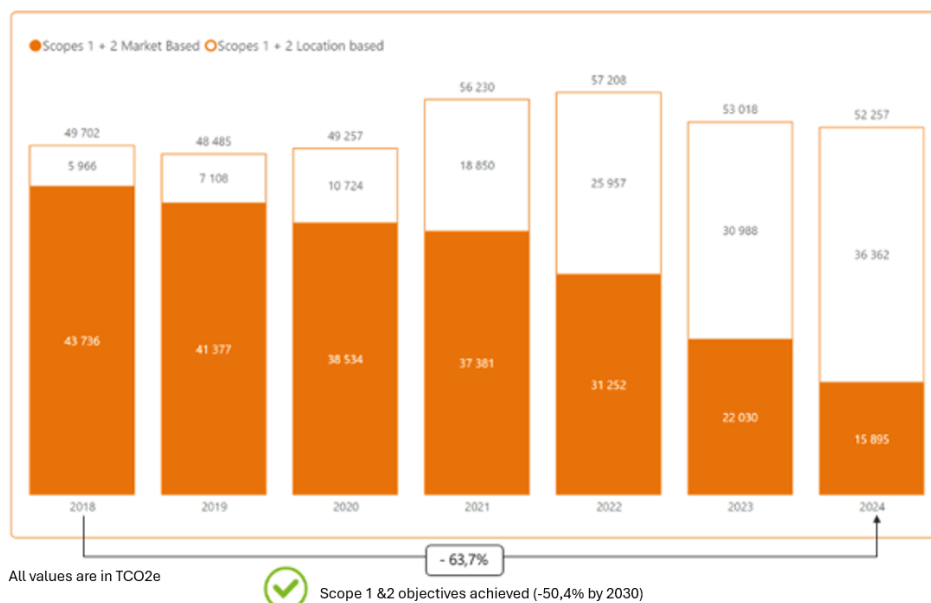
Targets

Hermès has developed a transition plan with ambitious science-based targets through its adherence to SBTi. The plan aims to reduce the absolute value of Hermès' greenhouse gas emissions by 50.4% for scopes 1 and 2 emissions (by 2030 compared to the 2018 base year) and by 58.1% in relative value (per million euros of gross margin) for scope 3 emissions over the same period. SBTi validated the reduction targets for scopes 1, 2, and 3 at the end of 2021, recognizing Hermès' commitment to the fight against climate change and its alignment with a trajectory to reduce direct and indirect emissions, thereby contributing to limiting global warming to 1.5°C by 2100, in accordance with the Paris Agreement.

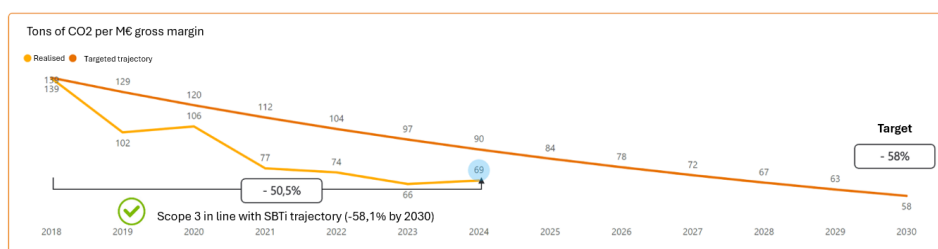
As of the end of 2024, the Group is on track with its objectives:

- **Scopes 1 & 2:** -63.4% compared to 2018

⁵ The supply chain allows to share with suppliers its ethics and sustainable requirements and those relating to the protection of people, animals and the environment. The brief reminds suppliers of the four principles of responsible purchasing: transparency, high standards, a caring attitude and fairness.



- **Regarding scope 3** (intensity target), the Group is also on track with its trajectory (-50%):



The Group has also set additional targets to achieve these overall goals. By the end of 2025, it aims to achieve 100% renewable electricity. By 2030, Hermès plans to reach 100% renewable energy across all its operations, illustrating its commitment to low-carbon energy. This includes determined efforts to phase out fossil fuels at its industrial sites. Additionally, the Group is committed to reducing the carbon footprint per square meter of built or renovated real estate by 50% by 2030 compared to the 2018 base year.

In the longer term, the Group aims to contribute to worldwide carbon neutrality by 2050, focusing primarily on reducing the Group's emissions within its own value chain.

In addition to this reduction ambition, Hermès also uses carbon credits, based on so-called "nature-based solutions"⁶ through natural sequestration mechanisms (e.g., plantations) or emission-avoidance mechanisms by implementing large-scale projects designed for the long term, for a sustainable implementation. Hermès has been a shareholder in the Livelihoods carbon fund⁷, a reference in this field, since 2012. Finally, Hermès is working on formalizing long-term objectives to align with the SBTi "net zero" standard, in accordance with the expectations of the CSRD. Hermès will update in 2025 the file to be submitted to SBTi, incorporating standard developments.

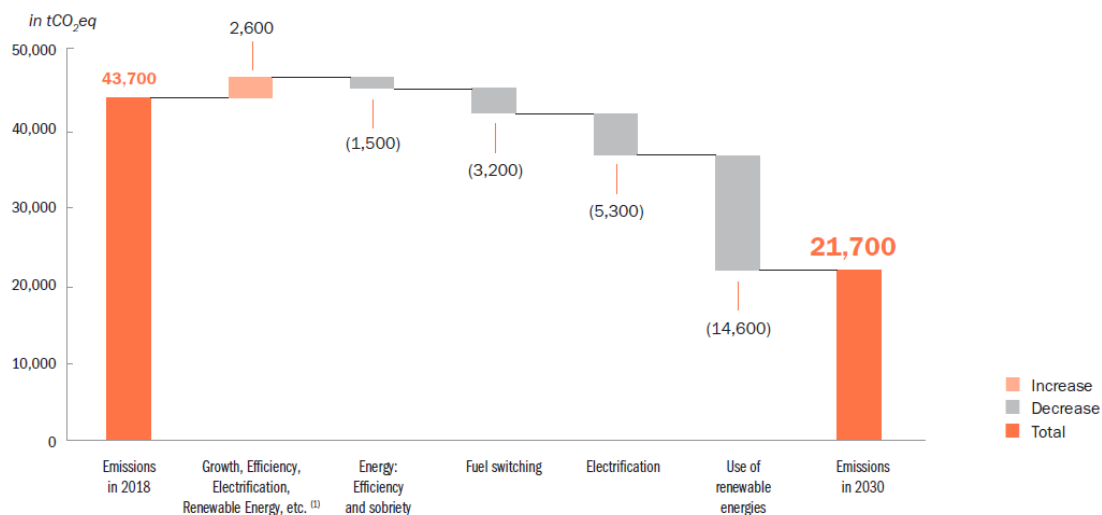
⁶ Nature-based solutions are defined by the International Union for the Conservation of Nature (IUCN) as actions that rely on ecosystems to meet global challenges such as the fight against climate change, management of natural risks, health, access to water, food safety, etc.

⁷ For more details on Livelihoods funds, please go to: <https://livelihoods.eu/>.

Decarbonization levers and actions plans

Hermès has defined a decarbonization trajectory for the industrial scope of its scope 1 and 2 emissions, as presented in the graph below.

DECARBONISATION LEVERS TO ACHIEVE THE 2030 OBJECTIVE VALIDATED BY THE SBTi (MARKET-BASED)



(1) This data reflects the difference between the rise in emissions due to the Group's growth and the effect of reduction actions taken since 2018.

Scope 1 and 2 emissions are those directly controlled by Hermès and are primarily related to gas and electricity consumption at the sites. Hermès sites use notably these resources for lighting, heating buildings, manufacturing processes. Industrial sites consume most of the energy purchased by the Group. This energy is used to operate a wide variety of equipment: glass furnaces and porcelain decoration kilns, tanning and finishing drums, leather drying lines, textile finishing and printing lines, machining and polishing machines, etc.

The main measures implemented in Hermès' own operations to decarbonize activities are:

- Regular monitoring of energy consumption, refrigerant leaks, and their GHG emissions in order to measure and reduce them;
- Energy sobriety, notably through a change in energy consumption habits (through for example heating temperatures reduction, cooling reduction, lighting intensity reduction);
- Energy efficiency, both in buildings and industrial processes;
- Phasing out fossil fuels and switching to electrification and renewable energy for new sites and equipment as well as to gradually replacing equipment using fossil fuels;
- Technology watching to identify new technologies that would pave the way for new decarbonization paths.

Scope 3 emissions are the indirect emissions caused by the Group's activities and resulting from its upstream and downstream value chain. The main levers implemented to decarbonize activity in Hermès' value chain are:

- Raising the awareness of tier 1 suppliers and partners, particularly through the implementation of supply chain and CSR briefs with our partners;

- Cross-sharing of GHG emission reduction ambitions between Hermès and these suppliers;
- Collecting GHG inventories from suppliers;
- Supporting major material supply chains to reduce their carbon footprint;
- Optimizing transport (loads optimization, weight reduction);
- Implementing less carbon-intensive alternative transport (modal shift);
- Using fuels derived from sustainable raw materials;
- Using and deploying the Harmonie sustainable construction standard to reduce the impact of new constructions;
- Shared mobility plans with Group employees;
- Seeking new ways to produce products while ensuring high quality, through material innovations or new manufacturing processes.

Climate change adaptation

The House is examining potential adaptations to its value chain (internal, external) to reduce its exposure to the effects of climate change. Depending on the regions and *métiers* concerned, the latter 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.).

Hermès bases its approach to climate change adaptation on the identification of physical and transition risks as defined by the TCFD⁸, using scientifically recognized scenarios, including those from the IPCC. Various studies conducted by Hermès, with the help of leading specialized firms on this subject, have identified physical and transition risks (for certain priority supply chains and Group sites) as well as to measure associated resilience analyses.

The prioritization of action plans integrates the extent and severity of physical and transition risks, 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.

The details of these analyses are available in the Group's URD⁹ available online¹⁰.

Hermès is also committed to a collaborative strategic foresight approach that brings together more than 20 large companies and organisations from various sectors, as well as research institutions. This project is called the IF Initiative. Coordinated by an expert firm, the work carried out by this collective of actors aims to formalize realistic scenarios considering resource scarcity and conflicts of use, particularly on energy issues and considering the projected impacts of climate change.

⁸ Task Force on Climate-Related Financial Disclosures.

⁹ Universal registration document.

¹⁰ Available at: <https://finance.hermes.com/>

Financial planning

The Executive Committee approves the capital and operating expenditure required to implement the transition plan, whether exceptional or budgeted.

Each *métier* establishes action plans and presents investment plans and necessary resources to the industrial management to achieve the Group's objectives. These action plans are reflected in the Group's consolidated financial statements through operational investments and operating expenses.

The Group's strategy is to finance expenses and investments related to the operational implementation of the transition plan for its operations, such as for example the construction of low-carbon leather goods workshops or the technological evolution of the glass furnace at the Cristalleries Saint Louis, for example.

To date, the impacts of climate change on the consolidated financial statements are not significant. The company's efforts are reflected in the consolidated accounts through operational investments and operating expenses. The long-term effects of climate change are not quantifiable at this stage.

Financial elements are also communicated in the Group's URD regarding CapEx related to the European taxonomy.

Scope 1, 2 & 3 accounting, verification and additional information

Hermès bases its carbon emission calculations on GHG protocol rules. It has implemented a specific reporting tool and uses expert advisors on a regular basis to refine emission factor calculations to review part of the computations made by the *métiers* or subsidiaries.

The calculation is carried out under the supervision of the Group's Industrial Technical and Innovation Department, which relies on operational relays within the entities of the House that have been trained on the subject. This centralization ensures the uniformity of the applied methods and the completeness of the calculations. The Group audit teams ensure that appropriate internal control is implemented for data collection from significant contributors.

The Group's GHG emissions accounting is also internally controlled annually and audited by an independent third party as part of the sustainability report audit.

This document contains certain statements and other information that constitute forward-looking statements. These forward-looking statements are not historical data and should not be construed as guarantees that the facts and data stated will occur. These forward-looking statements are subject to numerous risks and uncertainties, which are difficult to predict, generally outside the control of the Hermès Group or are even unknown, and which are liable to lead to results or events that are significantly different from those expressed, implied or anticipated by such forward-looking statements.

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