

2.5.7 CLIMATE CHANGE

Global warming, its impact on biodiversity and the industrialisation of raw materials are areas of concern, which we address through our climate strategy, our concrete initiatives in terms of responsible supply chains and our policies to preserve natural resources.

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. Hermès has developed a climate transition plan which is available on the Hermès Finance website⁽¹⁾. 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 Agreement.

1. https://assets-finance.hermes.com/s3fs-public/node/pdf_file/2023-07/1690390732/hermes-climate-transition-plan-july-2023-ven.pdf

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 manufacturing 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, compared with 2018;
- ◆ 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), responding the CDP climate questionnaire (on which it received an A rating in 2023) and participating in market initiatives such as the 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. This policy is reflected in its climate transition plan. 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 (SSP1-1.9, SSP1-2.6, SSP2-4.5, SSP3-7.0, SSP5-8.5).

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 since 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 comparisons 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 on 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. The programme "Phase out fossil fuels at manufacturing sites" carried out across all Hermès Group divisions is an illustration of the measures undertaken.

Hermès is working to achieve long-term change and is investing in the future to implement technical and/or organisational solutions that will make it possible to significantly reduce our energy consumption and in a sustainable manner. All métiers are therefore working on a plan to reduce their consumption and change their energy mix, which confirms our SBTi trajectories.

2.5.7.1 STUDYING RISKS AND ACTING TO REDUCE THEIR IMPACT

Hermès is striving to reduce the impact of its activities on the climate, and the House is examining potential adaptations to its value chain (internal, external) in order to reduce its exposure to the effects of climate change. Depending on the regions and métiers concerned, the 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.).

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 and direct purchasing departments, has involved around 20 high-level executives from the Company since 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, direct purchasing 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, which are listed below. The analyses are conducted along three time horizons (within three years, within five years, and within 25 years).

A risk of a carbon tax at borders could, for example, weigh on Hermès' transportation of goods or raw materials. According to the information in the 2023 World Bank report on the state of and trends in carbon pricing and the opinions of experts on its implications for French companies by 2050, this estimated price would be between €50 and €250 per tonne of CO₂ equivalent, according to the scenarios by 2050. Reducing the impact of this risk involves decarbonisation of supply chains and the promotion of less carbon-intensive modes of transportation, such as rail and maritime transportation.

The physical risks related to climate change could impact the production sectors for raw materials, such as Brazilian silk or European leather.

Heat waves, increased temperatures and droughts can impact the health of silkworms and silk production in Brazil. The consequences are already visible: a drought in 2020 resulted in a two-month delay in silk production. If climate change were to perpetuate these annual droughts, the consequences for Hermès could include production delays of a similar duration. To strengthen the resilience of this sector, Hermès is already providing financial support to its partner in Brazil for its work in adapting to climate change. The Group has also anticipated the subject to reduce the potential impact of this risk by setting up a buffer inventory of silk.

These climate risks can also have an impact on leather production in Europe and lead to an increase in animal mortality or a reduction in the quality of the leather. In order to prevent the risk of animal transportation bans during periods of high temperatures, Hermès optimises its use of raw materials, in particular for calves, and has established back-up reserves of hides in its own operations.

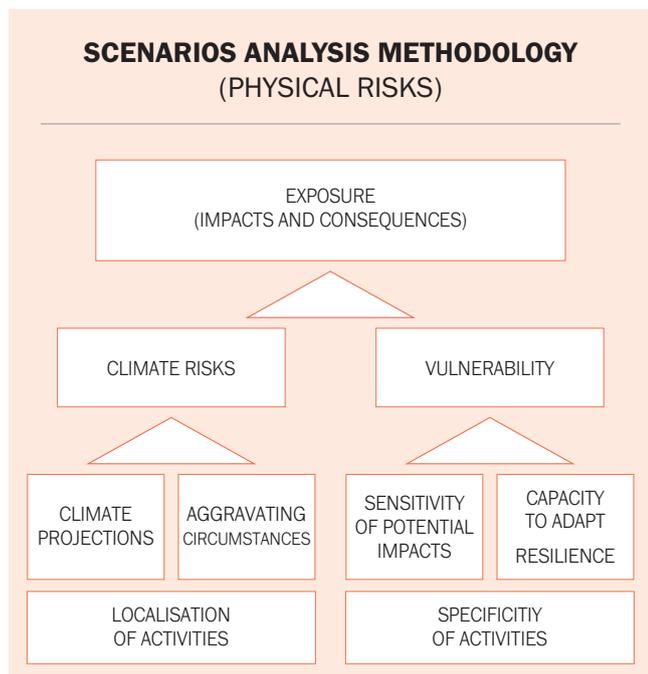
In terms of opportunities, the decarbonisation work at Hermès' sites, as well as the care taken in new buildings, are a source of energy savings for the Group, in a context of pressure on energy supplies. For example, for the latest Leather Goods workshops in Louviers and Sormonne, which hold the E4C2 label, the energy savings are significant in comparison with the energy consumption of similar manufacturing sites, for the entire period of use of the buildings. In Louviers, the site's energy consumption savings are greater than €1 million over a 15-year lifespan.

The repair service, available to Hermès customers worldwide, offers the possibility of extending the life of Hermès objects, thus limiting the carbon footprint over an extended life cycle. This is made possible thanks to the attention paid to reparability from the design stage, as well as to the craftsmanship techniques. As a reminder, in 2023, craftspeople repaired 202,000 products.

An 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 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 (manufacturing sites);
- ◆ two systemic scenarios of direct and indirect impacts on Hermès' global business were examined, modelling a succession of extreme events in France or modelling a global health and food crisis to test the resilience of the upstream and downstream logistics chains, production and product distribution. They are built on the basis of systemic failures of support functions and/or external service providers outside Hermès' 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 2023, Hermès continued to roll out the assessment of its activity'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).

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.

An analysis of transition risks was carried out in 2023 by the industrial and direct purchasing departments, with the help of an expert firm, in order to anticipate changes in Hermès' upstream value chain and the impacts on activity. It makes it possible to use different transition and climate change scenarios to test the business model, in order to identify the axes and levers of resilience in the face of identified vulnerabilities and to devise the initial solutions, which can be adapted as short, medium and long-term operating strategies for each activity impacted. The study identified paths of resilience for Hermès, in order to secure its supplies for several strategic resources to 2050. It comprises:

- ◆ a diagnostic to assess the availability of six of Hermès' strategic resources, leather and textile materials, under contrasting decarbonisation and +2°C warming scenarios;
- ◆ a strategy and initial action plans to establish low-carbon and resilient models for the production of these resources and the implementation of complementary and sustainable alternative sectors.

The availability of high-quality climate scenarios is an issue for these transition risk studies. Hermès is therefore 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, University of Paris, ESCP Europe, University of Georgetown). This project is called the IF Initiative (formerly 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 continued in 2023 and breaks down into three one-year stages.

2.5.7.2 REDUCING GREENHOUSE GAS EMISSIONS

Since 2013, the Group has been equipped with the tools needed to carry out an annual update of the overall assessment of greenhouse gas emissions from its production and distribution sites. This work is carried out with the help of an independent 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 carbon footprint 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).

2.5.7.2.1 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. The CDP questionnaire gives Hermès the opportunity to develop its climate actions in more detail.

Hermès has decided to report on all scope 3 categories, even if this requires working on the basis of estimates for certain items (several 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 3.3% 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 information based on this other methodology is nevertheless communicated (“location-based”).

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 (1)).

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).

Uncertainties:

In 2023, 98% of emissions are assessed using a physical approach, i.e. Hermès converts physical data (km, kWh, kg, etc.) into emissions using physical emission factors (expressed in kg CO₂eq/physical unit). These emission factors are either calculated precisely using internal data or taken from leading international standards. They are naturally subject to variation over time.

Furthermore, in this 2023 carbon footprint, nearly 7% of emissions reported in scope 3 came directly from suppliers and partners.

GREENHOUSE GAS EMISSIONS ASSESSMENT

In k tonnes CO ₂ eq	2018	2019	2020	2021	2022	2023	Like-for-like change/2022 ¹	Change/2018	2030 target
Scope 1	22.1	20.9	19.9	21.3	18	12.8	-	-	-
Scope 2 market-based	21.7	20.5	18.7	16.1	13.3	9.2	-	-	-
Total scopes 1 and 2	43.7	41.4	38.5	37.4	31.3	22	-29.5%	-49.6%	-50.4%
Scope 3	578.7	483.5	462.5	490.1	609.6	643.8	-	-	-
TOTAL GROUP	622.4	524.9	501.0	527.5	640.9	665.8	1%	-	-

(1) See the greenhouse gas emissions assessment table in the appendix to § 2.5.

1. Location-based scopes 1 and 2: 49.7 (2018), 48.5 (2019), 49.3 (2020), 56.2 (2021), 57.2 (2022), 53 (2023) in k tonnes CO₂eq. Scope 2 location-based: 27.6 (2018), 27.6 (2019), 29.4 (2020), 35 (2021), 37.3 (2022), 34.9 (2023) in k tonnes CO₂eq.

INTENSITY

In tonnes CO₂eq/€m Gross Margin

	2018	2019	2020	2021	2022	2023	Like-for-like change/2022 ¹	Change/2018	2030 target
Scopes 1 and 2	10.5	8.7	8.8	5.8	3.8	2.3	-	-	-
Scope 3	138.6	101.8	105.7	77	74.2	66.3	-13.3%	-52.2%	-58.1%
TOTAL GROUP	149.1	110.5	114.5	82.8	78	68.6	-	-	-

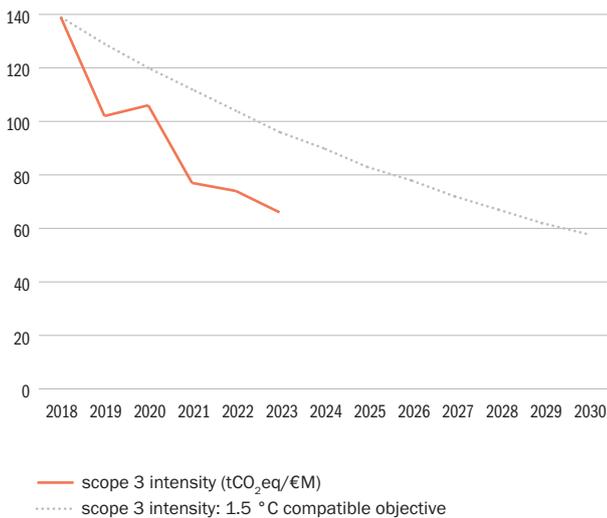
(1) See the greenhouse gas emissions assessment table in the appendix to § 2.5.

In tonnes of CO ₂ eq/€m revenue	2018	2019	2020	2021	2022	2023
Scope 1	3.7	3.0	3.1	2.4	1.6	1.0
Scope 2 market-based	3.6	3.0	2.9	1.8	1.1	0.6
Total scopes 1 and 2 market-based	7.3	6.0	6.0	4.2	2.7	1.6
Scope 3	97.0	70.3	72.4	54.6	52.5	48.0
TOTAL GROUP	104.3	76.3	78.4	58.7	55.2	49.6

In 2023, the Group's GHG emissions were 666 k tonnes CO₂eq (up 1% from the previous year on a like-for-like basis). With a decrease of -49.6% in absolute value of scopes 1 and 2 compared to 2018, and -52.2% of scope 3 in intensity, emissions were in line with the Group's 2030 targets validated by the 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 2023, shown on the dark orange curve, demonstrate that the Group systematically managed to exceed the targets it had set itself as part of its emissions reduction trajectory. In 2023, the Group achieved 90% 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:

- ◆ 22 k tonnes of CO₂eq for scopes 1 and 2, i.e. direct and indirect emissions related to energy consumed by production sites, offices, logistics centres and stores. In understanding this figure, it should be recalled that the Company has a business model in which 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 SBTi. With a reduction of 50% in four years, the Group is making progress in line with the 2030 target, and is continuing the necessary transformation effort for its industrial facilities, which will take several years to achieve;
- ◆ 643.8 k tonnes of CO₂eq for scope 3, which essentially takes into account mainly the carbon footprint of raw materials (72% 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 -52.2% in five years, the Group is also 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 68.6 (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 -52.2% over five years.

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.

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.



-52%
scope 3 carbon emissions in intensity between 2018 and 2023

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 certain other categories (estimates replaced by more precise calculations) and the update of the emissions factors.

2.5.7.2.2 Focus on the métiers

Métier supply chains and production sites: scopes 1 and 2 decarbonisation plan

The industrial department coordinates a plan to reduce scopes 1 and 2 emissions with the métiers and production sites. Prior to this, each métier analyses the emissions of its manufacturing sites, most often related to energy consumption. These analyses, often supplemented by in-depth technical studies, have made it possible to define an emissions reduction plan and a trajectory, based on actions to optimise existing equipment or investments in new, more efficient equipment or lower-carbon energy production: the combined actions described below make it possible to forecast an additional emissions reduction of 10,200 tonnes of CO₂eq in absolute value between 2023 and 2030, and should make it possible to achieve a reduction of 50% in emissions from manufacturing sites by 2030 compared with 2018, including the projected growth in activity.

2

Métiers

Scopes 1 and 2 decarbonisation plan

Tanneries and farms

TANNERIES:

Photovoltaic electricity production at sites located in countries with carbon-based electricity:

- ♦ 2023: Conceria di Cuneo - Increase in the photovoltaic fleet (an additional 300 m² in the summer of 2023) and LED relamping.

Connection to low-carbon district heating networks:

- ♦ 2024: Tannerie de Montereau – Connection to the waste incineration plant for heat recovery.

Substitution of gas by a low-carbon alternative energy:

- ♦ 2024: Tannerie de Vivoin – Move from gas boilers and the steam circuit to all-electric, with replacement of production equipment (drums and dryers)
- ♦ 2025: Tannerie d'Annonay – Installation of two hot-air gas boilers through heat pumping and biomass boiler.
- ♦ 2025: Tanneries du Puy – Removal of gas boilers and the steam circuit. Study of technological choices in progress.
- ♦ 2025: Mégisserie Jullien – Replacement of gas boilers. Study of technological choices in progress.

FARMS:

- ♦ Photovoltaic electricity production at sites located in countries with carbon-based electricity.
- ♦ Increase in the fleet of photovoltaic panels at Australian sites between 2025 and 2027.
- ♦ Replacement in 2027 of a fuel oil boiler on one of the farms by a decarbonised hot water production solution.
- ♦ Increased monitoring of refrigeration facilities to limit refrigerant leaks as much as possible.

Leather

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). 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**.

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) and work to optimise existing buildings are planned.

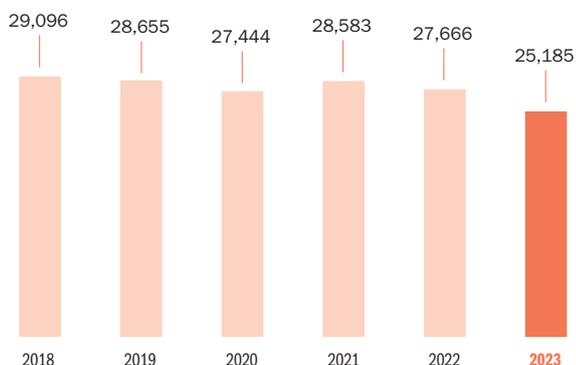
In this context, in 2023, within the Manufacture de Haute Maroquinerie, building insulation work was carried out and the gas boilers were replaced with heat pumps. In addition, the adjustment of temperature settings at all sites has led to reductions in energy consumption of up to 27%.

Furthermore, **each new Leather Goods workshop follows the Harmonie standard** (§ 2.5.2), which significantly reduces scopes 1 and 2 for new constructions, making it possible to continue decoupling activity and carbon emissions.

Métiers	Scopes 1 and 2 decarbonisation plan
Textile	<p>2023: Energy consumption represents 8% of the sector's carbon emissions. Scopes 1 and 2 emissions were reduced by 7% compared with last year thanks to the actions implemented.</p> <p>Sobriety and energy efficiency:</p> <ul style="list-style-type: none"> ◆ Change in use or renewal of equipment: boilers, extractions, rooftops. ◆ Shutdown of certain energy-intensive equipment or production. ◆ Communications, regular monitoring and control.
Crystal manufacturing	<ul style="list-style-type: none"> ◆ The installation at the end of 2022 of a gas melting furnace using oxy-fuel combustion has made it possible to reduce gas consumption by more than 30% compared to the old furnace. ◆ Part of the waste heat from this new furnace is recovered to heat the adjoining La Grande Place museum, reducing the associated gas consumption by more than 40%. ◆ The renewal of equipment, the use of waste heat and the electrification of processes associated with energy efficiency and sobriety actions are also being studied in order to continue the site's decarbonisation.
Perfume and Beauty	Continuation of a feasibility study for the replacement of gas boilers by a low-carbon solution: biomass or geothermal boilers, or connection to a heating network, taking into account plans to make changes on the site.
HMM	<p>Actions carried out:</p> <ul style="list-style-type: none"> ◆ Fabrique de Cœuilly: removal of gas heating, reinforcement of the roof insulation, installation of an instantaneous water heater and replacement of old lighting with LEDs. ◆ Fabrique de Bonnetage: installation of a wood pellet boiler, replacement of the electric convector by an inertia radiator, installation of LED lighting and variable speed drives on the electric motors. ◆ Fabrique de Roye: optimisation of the centralised regulation of offices, provision of thermostats for room temperature control, and installation of LED lighting and presence detectors to reduce energy consumption related to lighting. ◆ Fabrique de Châtillon-le-Duc: installation of LED lighting, installation of a new air compressor with self-regulating time settings to control energy consumption more precisely. <p>Actions to be implemented:</p> <ul style="list-style-type: none"> ◆ Fabrique de Champigny-sur-Marne: optimisation of electroplating management, wall insulation, replacement of windows and installation of LED lights. ◆ Fabrique de Fundão: studies regarding the installation of wind turbines and photovoltaic panels, improvement of wall insulation. ◆ Fabrique de Cœuilly: study regarding the installation of solar panels and solar films to reduce the need for air conditioning. ◆ Fabrique de Bonnetage: insulation of walls, replacement of joinery, optimisation of ventilation and updating of the machine fleet.
Ateliers Hermès Horloger and LMH (Switzerland)	<ul style="list-style-type: none"> ◆ Validation of the Universal Objectives Agreement, under the aegis of the Swiss Confederation, with recognition of the commitments made on energy efficiency and climate protection until 2031. The reduction targets have been validated by the FOEN (Federal Office for the Environment) and will be monitored annually by an external firm. ◆ The first measures to decrease energy consumption and reduce CO₂ emissions have been validated and will be implemented in the coming months: roof repair, photovoltaic solar installation, improved lighting, etc. ◆ The 300 Hermès Horloger employees were also trained in climate issues with a day dedicated to the Climate Fresco and Hermès' climate issues. It was the largest corporate climate fresco ever organised in a company in Switzerland.
Porcelain	<p>Several actions were implemented in 2023:</p> <ul style="list-style-type: none"> ◆ Replacement of equipment with more efficient equipment and changes in uses: compressor, industrial dishwasher, vacuum pump, wrapping machines. ◆ Optimisation of the filling and operating ranges of enamel kilns. ◆ Reduction in the heating temperature settings for buildings and hot water used for decoration, shutdown of certain heating and ventilation equipment at weekends. ◆ In addition, a decarbonisation study of the CATE site was carried out, with the support of the real estate department. It led to a plan to substitute the gas used on site in the coming years.

This favourable change is linked to the Group's sobriety and efficiency efforts. All of these sobriety and efficiency efforts lead to a favourable change in GHG emissions on scopes 1 and 2 of the industrial scope, as shown in the following graph:

CHANGE IN SCOPES 1 AND 2 LOCATION-BASED EMISSIONS OF INDUSTRIAL SITES (IN TONNES OF CO₂EQ)



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.

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 the carbon footprint 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.

The Sormonne and Louviers Leather Goods workshops, demonstrating the performance of the Harmonie standard

Inaugurated in 2023, the Sormonne and Louviers Leather Goods workshops illustrate the performance of the Harmonie standard, in particular in terms of carbon:

- ◆ in the choice of materials and supplies for the Maroquinerie de Louviers, which uses locally-made bricks, and that of the Maroquinerie de la Sormonne, made of wood (frame and burnt wood facades);
- ◆ in the implementation of the carbon trajectory, with energy performance exceeding the E4C2 label (positive energy building through integrating the energy consumed by industrial processes). The LCA of the materials and energies used gives a result of 776 kg CO₂eq/m² for Louviers and 810 kg CO₂eq/m² for Sormonne. In comparison, a Leather Goods workshop of the same nature in 2018 emitted 1,100 kg CO₂eq/m² in terms of materials and energy.

2

Transportation

Governance

The team in charge of the Group's upstream and downstream transport works with the subsidiaries and métiers to be able to offer them more sustainable solutions. 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 transportation and low-carbon solution topics and also makes it possible to share current projects and best practices identified. In order to standardise carbon data, a working group within the transport purchasing community was set up to select a Group tool to carry out a harmonised carbon footprint assessment within all the entities concerned.

In 2024, a working group will be set up 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.

Procurement practices

Calls for tenders systematically include a CSR dimension and suppliers are assessed on their performance in this area. The CSR performance of transport partners is carried out with the EcoVadis platform. 82% of our partners have already been assessed.

Calls for tenders for goods transport systematically include a criterion linked to the improvement of the carbon footprint: the use of NGV and bioNGV⁽¹⁾ 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.

In addition to the quarterly reviews, the collaborative approach with partners has been strengthened. Workshops/events on decarbonisation provided food for thought and enabled new sustainable solutions to be identified through the sharing of best practices.

Action levers and results

To improve the carbon footprint of transport, three main levers exist and are mobilised, possibly jointly, by the sales department: continue the modal shift, deploy alternative fuels and optimise transport.

Modal shift

For distant transport (Asia, America, Oceania), maritime transport is preferred when the nature, volume and/or 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 conducted for sea transportation (to Asia and the United States), a rail/sea combination (to Japan, temporarily suspended) or air/sea (to Australia) demonstrated the interest for other categories of items, in particular furniture, as well as for more seasonal items such as shoes and ready-to-wear. A good increase in shipments by sea was thus observed in 2023 (+118%). 873 TEUs (20-foot containers) were sent in 2023 compared to 401 in 2022. The rail route to China via Russia has been suspended due to the current conflict.

With regard to the scope of stores in Europe, 86% of parcels are shipped by road since October 2023, resulting in a 72% reduction in greenhouse gas emissions in this scope.

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.

Overall, greenhouse gas emissions related to upstream and downstream freight of hides were reduced by 44% in 2023 compared to 2022. It is the result of work undertaken for several years by the Tanneries and Farms divisions to supply raw exotic hides in the most virtuous way possible. The transition from air transportation to maritime transportation is taking place gradually by anticipating the needs of tanneries and forging new partnerships with carriers. Gradually, the share of sea freight has increased: it is now the

predominant mode of supply (87% on average) for transport from the United States (83% maritime), Australia (98% maritime), and South Africa (96% maritime). A small proportion of air transportation is still necessary to manage unforeseen events or hurricanes in the United States.

Raw calf hides, 100% from the European Union and mainly from breeding and slaughter centres in France, are transported by truck.

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

Alternative fuels

Intra-European upstream logistics flows are gradually replacing diesel by 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. The latter is also used by the shuttles between the Beyrand and CATE sites and the Saran site.

In 2023, numerous shuttles using XTL fuel, a synthetic not derived from fossil fuels, were rolled out, in particular between Italy and France, allowing a saving in greenhouse gas emissions of around 215 tonnes of CO₂ equivalent. The same approach is followed for distribution in Italy with LNG shuttles, which should switch to XTL in 2024.

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.

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.

For the distribution of its perfumes and beauty products, the 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.

1. BioNGV is obtained from the methanisation of various and sometimes combined organic waste.

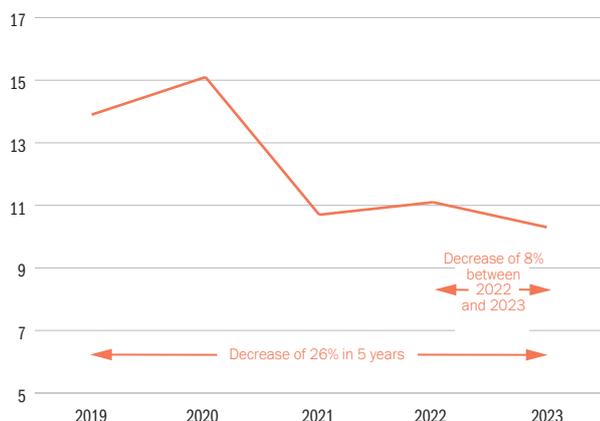
For local transport, i.e. deliveries from local warehouses to city centres, electric or biogas vehicles are used whenever possible. For example, the Parisian sites are delivered from the two French logistics centres using electric vehicles (from the Bobigny site), or biogas vehicles (from the Saran site). Since the summer of 2022, 100% of the transport between the logistics platforms and the shipping points for 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 transportation has been rolled out for the final kilometres for several cities in Europe such as Madrid, Milan, Rome, Padua, Naples, Kampen and Athens.

Optimisation of transportation

This last lever is very effective and is systematically activated. For example, for the transportation of shoes, stacking tests for the palboxes were decisive and have made it possible to make better use of the height of each truck and thus reduce the number of trucks, with a saving of 39 tonnes of CO₂ equivalent in 2023. In another example, upstream transportation for shoes is organised on the basis of a “milk round”, in which a standard route is set up, passing at regular intervals between several manufacturers to collect finished products and transport them to our logistics site. This system is used for suppliers in certain regions of Italy and between certain French sites. The average truck load factor for the first quarter of 2023 was 81%, up compared with 2022 (80%). The shuttles departing from the Saran site (in France’s Centre region), have a load factor of 94%, up five points compared with 2022. The collection of plain goods from three suppliers for delivery to the Beyrand decoration site is also carried out on a joint weekly basis.

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.

CHANGE IN THE INTENSITY OF EMISSIONS RELATED TO FREIGHT TRANSPORT OVER THE LAST FIVE YEARS



1. BioNGV is obtained from the methanisation of various and sometimes combined organic waste.
2. (french) <https://www.mobio gaz.fr/bilan-co2-du-gnv-ou-biog nv/>.

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.

Purchases of the raw materials needed for the manufacture of Hermès objects (leather, textiles, metals and precious stones, etc.) represent 58% of the total carbon impact and 60% of scope 3.

For textiles, a multi-company group bringing together players in the cashmere sector, including the Textile division, was created to work on cashmere emissions, identify the items with the highest footprint and reduce them; the study began in 2023 and will be completed in 2024.

For leathers, the raw materials department of the Tanneries division, in conjunction with the direct purchasing department, has created Environmental guidelines to improve discussions and the sharing of best practices with its raw hide suppliers. These guidelines, co-developed with Bureau Veritas, have been introduced to assess and share best practices in an educational way, in particular energy management, in terms of carbon emissions.

In 2024, the guidelines will be rolled out to two suppliers of exotic raw hides as well as two calf feedlots/slaughterhouses.

At the same time, the division is deepening its knowledge of the environmental impact associated with crocodilian feed through discussions with its suppliers and experts in calculating the carbon footprint for hunted food. Crocodilian feed accounts for around 5% of the Farm division’s greenhouse gas emissions.

In 2024, a precise mapping of the chemicals most used in tanneries and/or the most emissive will be carried out. Suppliers will be asked about the impact of their chemicals and their steps towards decarbonisation, which will become a purchasing criterion. Purchases of chemicals represent around 10% of the Tannery division’s emissions.

For metals, Hermès Manufacture de Métaux (HMM) is committed to reducing the greenhouse gas emissions associated with its activities by implementing several initiatives aimed at ensuring the sustainability and responsibility of its supply chain. HMM sources gold and palladium exclusively from suppliers with RJC COC certification, thereby ensuring the traceability of the precious materials used. This approach ensures that each material is recycled in accordance with the guidelines of the Responsible Jewellery Council.

In 2024, HMM aims to carry out a targeted assessment of the carbon footprint for 20% of its suppliers and to define decarbonisation actions with them. HMM already includes CSR criteria in its supplier audits, designed to assess and encourage best practices in terms of ethics, the environment and governance. Each year, three suppliers are audited, ensuring that HMM’s partners adhere to the standards of responsibility.

For Perfumes, in September 2023, a horizontal press was set up at the Vaudreuil site to reuse cardboard waste generated by the site in the manufacture of future cardboard cases and limit emissions related to packaging. 17 tonnes had been collected by the end of October 2023. The teams are also working to reduce multi-material packaging and eliminate materials with high emissions, such as zamac.

Commuting

The Leather division has set the ambitious objective, due to its mainly rural locations, of reducing the impact of employee commuting by 4% per year. Several actions are underway within the production units, such as the implementation of a digital solution for managing sustainable mobility at work. This makes it possible to measure the impact of each employee's actual mode of travel and to identify areas for improvement in line with the specific features of each site. The location of factories often determines the carbon footprint related to employee mobility: it is studied before the construction of future Leather Goods workshops to favour the presence of public transport infrastructure nearby. Limiting the number of parking spaces also encourages soft mobility.

Within the Leather division, Leather Goods workshops are equipped with charging stations for electric vehicles to encourage and facilitate the use of hybrid and electric vehicles.

In September 2023, Saint-Louis proposed an app with a carpooling solution to all its employees in the production unit. After two months of use, 11% of the workforce had registered for the platform and 248 carpooling trips had been made in 17% of cases. 91 kg of CO₂, corresponding to 736 km if travelled alone, had been saved.

For the Textile division, commuting by employees represented 3.3% 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.

This year, the textile sector once again took part in the mobility challenge in the Auvergne-Rhône-Alpes region in order to invite employees to test new modes of transport for their home-work journeys. A total of 132 journeys were made using soft mobility, *i.e.* 17% of employees (compared to 9% in 2022) and 2,026 km were "avoided", *i.e.* 434 kg of CO₂.

An in-depth look at mobility has also been initiated with an expert firm for entities on the outskirts of Lyon, with the aim of offering an alternative to private cars. Following the diagnostic and mapping phases, which were carried out in 2023, participatory workshops bringing together directors, human resources, EHS and employee representatives, among others, will be organised in 2024 in order to identify motivating factors and support.

Hermès Manufacture de Métaux is committed to developing sustainable mobility solutions for its employees. To encourage the use of soft mobility, HMM used a carpooling app, designed to facilitate the sharing of trips between colleagues. The user interface convinced 403 employees to register and participate in this ride-sharing

programme. Charging stations for electric vehicles are installed at the Fabrique de Champigny-sur-Marne. In Val-de-Fontenay, HMM offers a bicycle rental service, both mechanical and electric, at attractive rates for its employees.

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 4,000 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. In 2023, the action plan was defined, resulting in the signing with social partners of an agreement on sustainable mobility concluded for an indefinite period and coming into force on 1 January 2024. This agreement includes four major areas with the aim of promoting multimodality:

- ◆ rollout of the sustainable mobility package with a dedicated payment tool allowing the mode of transport to be selected (public transport, bicycle, carpooling, etc.), or even the purchase of personal protective equipment (helmets, for example);
- ◆ continued use of bicycles, with an additional focus on safety. All beneficiaries of a bicycle contract must now follow road safety training. 128 new bicycle contracts were signed in 2023. The installation of cycle paths around the sites is monitored at the same time and special attention is paid to the infrastructure on each site (presence of showers, parking areas, tools, etc.);
- ◆ choice of a platform to promote carpooling, particularly in Île-de-France;
- ◆ support for employees in the transition to electric vehicles with a collective or individual exchange offer with an expert to help employees identify the vehicle best suited to their use as well as the financial aids for which they may be eligible.

The study will be repeated after two years of implementation to measure the impact and the employee satisfaction rate.

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.

2.5.7.3 UNDERTAKING VOLUNTARY CARBON OFFSET 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).

2.5.7.3.1 Carbon neutrality approach

Some guidance

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:

- ◆ 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;
- ◆ 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. The community of buyers has benefited from training on measuring the carbon footprint since 2022, thus enabling Hermès buyers to better understand the quality of the low-carbon approach carried out by suppliers. In 2023, CSR briefs made it possible to ask the main suppliers for information on their carbon trajectories. 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;

- ◆ 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 (assessed A in 2023 for the CDP's climate change assessment);
- ◆ rule no. 2: choose certified offset projects: all projects led by Livelihoods or bought from Eco-Act, 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 led by Livelihoods;
- ◆ rule no. 4: define the right combination of projects supported both nationally and internationally: while the first projects led by Livelihoods were international, inspired by the Clean Development Mechanisms, in 2021 Livelihoods launched its first project in Brittany (France) on a pilot basis and Hermès is also studying the possibility of other similar projects in France;
- ◆ rule no. 5: communicate responsibly. Hermès does not claim in any way to be carbon neutral, acknowledging that the Group's activities have a carbon impact, even though it is one of the most moderate in the CAC 40. However, its actions are committed to the long term, with the aim of achieving a "net zero" trajectory by 2050, compatible with the 1.5 °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.

1. <https://verra.org/>

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

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 and Investment Committee. 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 on populations as well as biodiversity, which 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 on so-called "nature-based solutions ⁽¹⁾" through 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 Hermès' 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.

2.5.7.3.2 High environmental and social contribution projects including the Livelihoods carbon funds

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 158 million trees have already been planted, benefiting more than 1.83 million people.

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

- ◆ 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;
- ◆ the additionality principle: the projects supported by Livelihoods would not have seen the light of day without its investment alongside project developers, the vast majority of which are NGOs, which requires detailed study in complex social and ecological contexts. These are not off-the-shelf or standardised projects, but projects that require a systemic and tailor-made approach. Starting from the aspirations of disadvantaged and sometimes marginalised communities, this involves helping them out of poverty by increasing their income and improving their food security;
- ◆ 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). In addition, each project gives rise to monitoring and impact calculations in accordance with the United Nations SDG framework, given its contributions, which extend beyond just carbon sequestration (no poverty, gender equality, life on land, etc.);
- ◆ taking an entrepreneurial risk to finance projects from 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 communities by investing for them right from the beginning, and 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 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;

- ◆ 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.

The Livelihoods funds are 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 in 2021. Numerous projects have already been launched by this fund, in India, Indonesia, Kenya, Rwanda and Malawi, on agroforestry, mangrove and energy projects.

Capitalising on 10 years of experience with private investors, at the end of 2019, Livelihoods announced the launch of a third carbon

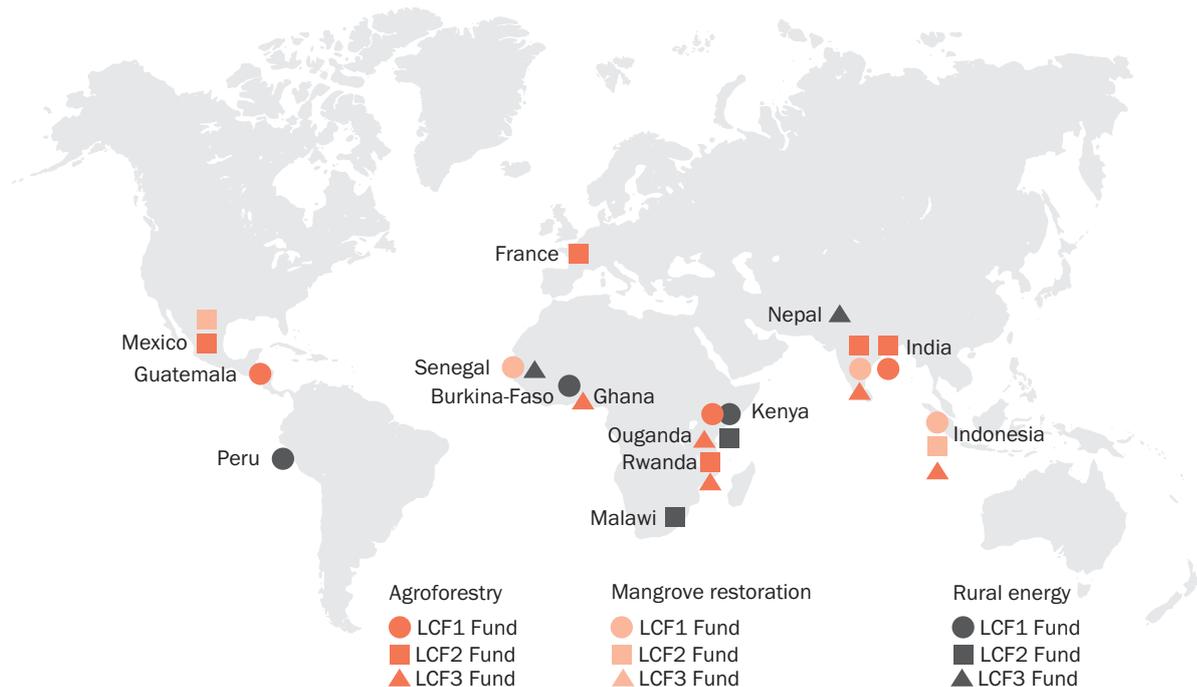
fund (LCF3), which was closed in June 2021 and which aims for an investment objective of €150 million to improve the lives of 2 million beneficiaries in developing countries. In 2022, the LCF3 Board approved several projects located in Ghana, Rwanda, Peru, Nepal and Indonesia, which began to be rolled out in 2023.

More than €260 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 investments 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 (2040) 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:

LIVELIHOODS CARBON FUND #1, #2 AND #3
25 extensive projects with concrete social and environmental results



Targeted objectives

More than 2.8 M project beneficiaries	More than 173 M trees being planted	More than 456,000 households being equipped with efficient cookstoves	More than 148,752 hectares planted or preserved	26 M tonnes of CO ₂ sequestered over 20 years	25 current projects (Asia, Africa, Latin America, Europe)
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Livelihoods launched a working group in May 2023 to formalise and further measure the impact of projects on biodiversity. Although the projects have clear biodiversity protection aspects, the objective is to be able to quantify them in a robust and scientific manner. A framework and a roadmap will be presented in February 2024 in order to define recommendations to be followed for all projects, in line with the TNFD reporting framework.

The carbon deliveries expand as the trees grow (the projects span a period of 20 years). They were made in 2023 after verification by specialised auditors (according to the Gold Standard and Verra – VCS standards), and Hermès cancelled all the credits granted to it.

In addition to its investment in the Livelihoods carbon funds, and to meet its commitments, Hermès has chosen to support projects

proposed by EcoAct, a major player in the field for more than 15 years. One of the projects selected, which makes it possible to obtain Gold Standard certified carbon credits, is located in Uganda, and consists of equipping local populations with improved cooking stoves, avoiding the use of charcoal and therefore deforestation and improving air quality inside homes. Another, on the same issue, is located in India.

Until 2022, Hermès accounted for its carbon credits each year on the basis of the amounts approved by the Boards of Directors of the underlying carbon funds. The year used corresponded to the actual capture of the projects, the files prepared locally and previously by the NGO partners and the start of verification operations by third parties (Verra, Gold Standard), with the following results:

Reminder of carbon credits received and cancelled as published in 2022	2018	2019	2020	2021	2022
Carbon credits received and cancelled					
<i>in k tonnes CO₂eq</i>	36	44	46	81	127
% coverage of scopes 1 and 2 market-based (2019-2021)	82%	100%	100%	100%	100%
% coverage of scopes 1 and 2 market-based and Transportation (2022-2023)					100%

Since 2022, the Livelihoods carbon funds have had to deal with difficulties setting up the necessary verification processes, with extended deadlines, without significant impact on the certified volumes. These difficulties are explained by the disruptions brought about by Covid-19 and a form of growth crisis in the certifying bodies, called on for an exponentially increasing number of projects. To apply a precautionary principle, in 2023 Hermès decided to change its accounting method. The carbon credits received and cancelled will

now only be recognised on receipt of the invoices attesting to the end of the legal certification operations, and therefore relating to carbon credits from previous years.

This approach leads to a reduction in the amounts reported by the Group, as a precautionary measure, and introduces greater variability to the schedule. It leads to the following results, reconstructed over the last five years for the sake of transparency:

CARBON CREDITS RECEIVED AND CANCELLED

<i>In tonnes CO₂eq</i>	2019	2020	2021	2022	2023	Cumulative 2019-2023
Carbon credits received and cancelled	36	42	51	56	197	382
Reminder of scopes 1 & 2	41	39	37	31	22	170
Reminder of the Freight transportation item (items #4 and #7 in scope 3)				91	100	191
Total coverage commitment	41	39	37	122	122	361
% coverage of scopes 1 & 2 market-based (2019-2021)	88%	>100%	>100%	>100%	>100%	
% coverage of scopes 1 & 2 market-based and Transportation (2022-2023)				46%	>100%	>100%
Difference in cancelled credits vs. commitments	-6	3	13	-67	76	20
Cumulative differences	-6	-3	11	-56	20	
% credits vs. Group carbon emissions	7%	8%	10%	9%	30%	

Over the period as a whole, Hermès met its 2019 target of offsetting its emissions to the extent of its scopes 1 and 2 (offsetting 224% cumulative). In 2022, Hermès decided to add a new target, complementary to scopes 1 and 2, and to also include the offset of emissions related to its internal and external transportation. To meet its commitments and take into account the unfavourable

impact of the change in method, the Group occasionally increased its purchases of carbon credits in 2023. It thus confirms compliance with its overall targets (scopes 1 and 2 and transportation over the period) with a bonus of 20 kt CO₂eq difference (i.e. 5% above target for the 2018-2023 period). In 2023, the Group offset 30% of its emissions.

This voluntary investment in carbon offset projects is part of a strategy of gradually increasing the coverage rate of the Group's residual emissions, with the target of an intermediate situation of 50% between 2030 and 2040, and 100% of residual emissions by 2050, with a view to "net zero". The deliveries of these carbon credits will accelerate in the coming years with the achievement of the targets of the LCF funds. It should be noted that SBTi took a position

in September 2022 in its paper "Net-Zero: Urgent Beyond Value Chain Mitigation Is Essential". In short, SBTi is encouraging companies to take the leadership initiated by Livelihoods from the outset, namely to commit to large-scale societal projects, recognising them as an effective means of combatting climate change. The House's actions are therefore fully in line with SBTi's position on carbon offset.

APPENDIX TABLES

CLIMATE CHANGE

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

In k tonnes CO ₂ eq		2018	2019	2020	2021	2022	2022 like-for-like	2023
Scopes 1 and 2 market-based		43.7	41.4	38.5	37.4	31.2	31.2	22.0
Scope 3								
Upstream	1. Products and services purchased	402.9	365.6	336.2	361.8	415.1	433.6	462.4
	2. Capital goods	26.7	10.7	31.5	24.6	61.2	61.2	31.0
	3. Fuel- and energy-related activities not included in scopes 1 or 2 emissions	3.0	2.9	2.8	3.0	2.9	2.9	2.6
	4. Upstream transportation and distribution	20.7	14.2	17.7	10.9	17.8	17.8	17.6
	5. Waste generated by the sites	8.8	9.3	5.8	6.2	7.3	7.3	8.1
	6. Business travel	27	15.9	3.2	1.3	4.8	4.8	10.7
	7. Employee commuting	19.7	13.1	14.6	20.3	22.6	22.6	25.3
	8. Upstream leased assets	N/S	N/S	N/S	N/S	N/S	N/S	N/S
Downstream	9. Downstream transportation and distribution	70	51.7	48.5	57.7	73.5	73.5	82.1
	10. Processing of products sold	N/S	N/S	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	N/S	N/S
	12. End-of-life treatment of products sold	N/S	N/S	N/S	1.9	1.9	1.9	1.6
	13. Downstream leased assets	N/S	N/S	N/S	N/S	N/S	N/S	N/S
	14. Franchises	-	-	2.1	2.4	2.6	2.6	2.6
	15. Investments	N/S	N/S	N/S	N/S	N/S	N/S	N/S
TOTAL SCOPE 3		578.7	483.5	462.5	490.1	609.6	628.1	643.8

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

NB 2: the data in the "2022 like-for-like" column include changes in scope, methodology and emission factors to make the data comparable to those for 2023.