

# 2019 UNIVERSAL REGISTRATION DOCUMENT

## CSR EXTRACT NON-FINANCIAL PERFORMANCE STATEMENT (NFPS)



# 2

## CORPORATE SOCIAL RESPONSIBILITY

NFPS

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## 2.6 COMMUNITIES: SUPPLIERS & PARTNERS

### 2.6.1 CHALLENGE: LONG-TERM PARTNERSHIPS AND WORK WITH SOCIALLY SUPPORTED ORGANISATIONS

Maintaining the existing *savoir-faire* through close long-term partnerships with our suppliers, both local (France and the EU) and further afield. The vast majority of these suppliers have been partners of the Hermès Group for many years. Moreover, aware of its social responsibility, Hermès has also been working with socially supported organisations in France for many years for its direct and indirect purchases, and this practice is growing steadily every year.

#### 2.6.1.1 POLICY

Hermès' policy is to cultivate its *savoir-faire* by supporting its suppliers in the long term. Hermès seeks excellence among various French craftspeople with traditional, scarce and precious *savoir-faire*. In so doing, it aims to safeguard and perpetuate our national artisanal heritage. Some creations also rely on *savoir-faire* that is scarce worldwide.

The Hermès Group has a long-standing disability policy, developing partnerships with socially supported organisations (EA <sup>1</sup>, Esat <sup>2</sup>) in France, and strives to strengthen these partnerships whenever possible with a target of increasing them by 20% per year. This is an opportunity for the House to support companies to improve their skills.

The *métiers* are responsible for Group suppliers management and favour a pragmatic, long-term approach. It is supervised by two Executive Vice Presidents for direct and indirect purchases, respectively.

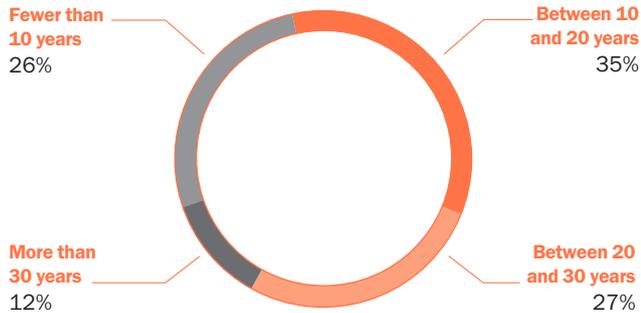
The House's supplier policy, which is explained externally by the two "undertaking handbooks", is put into operational practices by the purchasers (who were specifically trained on the subject in 2018 at an *ad hoc* seminar) and verified by internal and external audits. Internally and externally, compliance with ethics, environmental and social regulations is mandatory.

1. EA: adapted company.  
2. Esat: sheltered work establishment.

### 2.6.1.2 MEASURES IMPLEMENTED AND RESULTS

#### Our suppliers are partners

For the Group's 50 largest direct suppliers, the average length of trading relationships breaks down as follows:



\* Two suppliers' trading relationships are older than 40 years and one of it is 60 years old.

Of these 50 suppliers, 94% of purchases are made in Europe, with 52% in France.

For direct purchasing, relations with our suppliers are also based on proximity, facilitated by the fact that they are mainly based in France, or at least in Europe, which makes regular visits possible. To ensure appropriate *savoir-faire* and excellence, the Hermès Group also uses a few suppliers further afield such as Vietnam for lacquer, Nepal for cashmere spinning and Indonesia for woodwork. These suppliers produce small volumes, but are subject to special monitoring, in particular through audits every three years conducted by an external third party, action plan monitoring by senior purchasers, and regular visits by Hermès (at least once a year).

This stability and proximity of relations with partners enable us to establish long-term, close collaboration with them in several areas as part of the continuous improvement of the supply chains.

#### Leather Goods division

The Leather Goods division carries out most of its production in-house. It nurtures a very close relationship with its partner suppliers of skins, metal parts, etc. Most of these suppliers have been working with Hermès for many years and the relationships are built over time. The teams visit them frequently to initiate and then follow improvement measures, which may relate to the development of new products, the quality or optimisation of raw materials or the management of health, safety and environmental (HSE) issues. Regular audits consolidate these approaches.

#### Textile division

The *métier* works in collaboration with partners in France who are part of the Lyon textile ecosystem, the birthplace of the "silk" activity. For over 10 years it has also been collaborating with an India-based supplier that uses ancient *savoir-faire* such as embroidery, indigo dyeing, and regional handcrafted woven fabrics.

Hermès supervises these relations carefully with the dual purpose of creating conditions to perpetuate this *savoir-faire* and ensuring these suppliers apply best practices (protecting the environment, social and ethics rules, etc.).

Hermès carries out regular visits (at least once a year) and organises the monitoring of key points by senior purchasers when necessary.

#### Construction

In partnership with suppliers, architect-designer consultants and local architects, the specification and local sourcing of building materials and *savoir-faire* is systematically sought and recommended.

To preserve natural resources and reduce the carbon footprint of its buildings, the construction department encourages all stakeholders (subsidiaries, architects, engineers and consultants) to source their construction, interior decor materials and *savoir-faire* locally. This approach is promoted by the Hermès Sustainable Construction Framework. For several years, a thorough analysis has been conducted on the materials used in new or renovated stores and production sites, making it possible to progressively refine their selection and recycling, resulting in a significant reduction in the environmental impact.

Examples of the use of local materials and *savoir-faire* for store construction in 2019:

- ♦ Thailand: in Phuket the bamboo facade was created by a local craftsman; in Bangkok woven rattan partition walls and local craftsmanship products were used;
- ♦ Japan: in Fukuoka partition and screen walls made from Japanese cypress wood from Hinoki, use of Japanese wall coating techniques; in Chiba Sogo (Tokyo) veneers in local cherry wood and Japanese wall coatings were used;
- ♦ China: in Qingdao and Guanzhou the glazed bricks were made locally.

#### Societal responsibility and using socially supported organisations

As part of the first Group Disability Agreement signed for 2018-2020, Hermès has set itself the ambitious goal of increasing its use of socially supported organisations by 20% every year. The final target of this agreement, €1.1 million by the end of 2020, was met in the first year with purchases to the value of €1.5 million made from adapted companies (EAs) and sheltered work establishment (Esats) in 2018. This year again, total Group purchases from socially supported organisations exceeded the objective with €1.7 million spent. Most of these purchases are initiated by Hermès Services Groupe and Hermès Maroquinier Sellier. Regardless of the impact of the Disability reform which will come into effect in 2020 and will restrict the tax impact of purchases from socially supported organisations, the Hermès Group intends to pursue its policy of buying from EAs and Esats by developing new co-contracting collaborations and partnerships. 2020 will also be devoted to preparing a new 2021-2023 Disability Agreement, in a format yet to be decided, a transition agreement which will subsequently require each division to take responsibility for its own inclusion policy.

As part of the “*Hors les Murs*” initiative, sometimes EA/Esat workers carry out work at the various *métier* workshops, and may subsequently be hired by the company.

This ambitious Responsible Purchasing policy is based on allowing EA and Esat workers to exercise a professional activity in a meaningful environment. The current legislation changes of the Disability Reform, which could set a ceiling for the tax reductions generated by purchases from socially supported organisations, will not threaten this policy, which has been reaffirmed to all players and influencers.

## Support Métiers and Functions

### Hermès Services Groupe

The general services department made a commitment in 2016 to increase purchases from socially supported organisations. Since 2018, the impact of this commitment is measurable with a significant increase in full-time equivalent posts created: 2 UBs (FTE disabled posts entitling the company to tax relief, known as *Unités Bénéficiaires*) in 2017, 10 UBs in 2018, 27 UBs in 2019. The 2020 target is 45 UBs. These results stem from the initial contact made with potential suppliers, when systematically the Hermès disability employment policy is broached. Suppliers are selected and interviewed based on their ability to work with socially supported organisations and the latter features in every stage of the selection process.

Many different *métiers* use socially supported organisations: cleaning, concierge service, mail handling, logistics, printing supplies, catering, management of meeting rooms and green spaces, etc. For example, APF-Association des Paralysés de France runs an entire mail dispatch/receipt service, employing seven people. This leads to regular co-contracting agreements.

More generally, all the existing agreements are reviewed and dedicated clauses for socially supported and sheltered organisations is systematically incorporated.

On a related note, the temporary employment agencies listed by Hermès receive an incentive based on the number of disabled workers they appoint as temporary employees.

### Hermès Femme

The partnership with an Esat subcontracted to respond to HR applications continued, as did partnerships with the communications agency (EA Sabooj) and the printer (HandiPrint) for the Hermès Femme Integration Day.

### Hermès Distribution

The French subsidiary uses an Esat to handle responses to paper job applications; it also regularly uses their catering and printing services for various in-house events.

Hermès Suisse collaborates with the Foyer Handicap de Genève for envelope stuffing.

## Production

### Leather Goods division

The Leather Goods division has been in partnerships with EAs and Esats for 10 years and has particularly close links with seven of them. They are called upon to perform different preparatory tasks such as cutting the backing fabric, repairing the cutting dies and making cutting workbenches.

The division aims to build a local network of partner EAs or Esats for each of its regional clusters along with their establishment..

The main principles governing this approach are based on:

- ◆ respect for others: “Diversity, a key factor in success, requires a respectful ear”;
- ◆ specific and individualised support;
- ◆ maintaining the high standards expected, “see the skill of the disabled worker”.

As part of an ongoing improvement initiative, the working, health and safety conditions of these partners are formally assessed. They are offered technical and quality support on a day-to-day basis, but also over the long term, as part of development projects. These projects may involve the development of future premises, the acquisition of new equipment, or *savoir-faire* training to entrust them with tasks with greater added value. For example, manufacturing equipment has been donated to some Esats and also to the “*Les Mains Ouvertes*” in Sayat, an association for the integration of vulnerable people.

Each situation is naturally subject to a unique approach to provide the assistance necessary for successful training. The ultimate integration of disabled workers into the workshops remains a priority and Hermès is working towards this with EAs and Esats.

The first “*Handispensable*” day at the Esat Chantemerle in Aix les Bains attracted almost 50 people from EA/Esat partners and also from various Hermès manufacturers and support functions. This was a day for sharing, getting to know each other better, working on common areas for improvement and reiterating the importance of these partnerships with a view to integrating people with disabilities into the workshops.

Petit h has also forged various long-term partnerships with socially supported organisations, including the Esat Jacques Monod, which assembles and packs small products such as charms (more than 10,000 pieces per annum).

### Tanneries

The Tanneries du Puy, Montereau and Vivoin, use their partnerships with sheltered work establishments (Esats) to undertake maintenance of green spaces. The Tannerie d’Annonay also works with an Esat on an occasional basis for commercial brochure packaging and leather sampling assignments. In 2019, the Tanning and Precious Leathers division extended its partnership with the Esat that provides catering services and meal trays for seminars and meetings at its headquarters.

### Perfumes division

The Perfumes division has several disability initiatives, including provision of the Handeco platform with awareness-raising and communication initiatives targeting all employees (the platform contains a directory with the contact details of approved EAs and Esats and a targeted search function); systematic consulting with a local Esat (ADAPEI 27) for 100% manual packaging/packaging removal work, and services such as breakfasts and meal trays provided in Pantin. A number of different tasks were entrusted to the Val de Reuil Esat in 2019: Travel kits, Fragrance stone kits, 2 ml kits, Discovery kits and soap packaging removal.

### *Cristallerie*

The maintenance of green space has been entrusted to the association APAEIE Ingwiller for several years. Saint-Louis continues its partnership with the Esat de la Ruche in Goetzenbruck for the storage of packaging materials and also offers secondments to Esat de la Ruche employees to work in the despatch warehouse at the production unit. Thanks to this partnership, a brownfield site was rehabilitated in the commune adjacent to Goetzenbruck.

Cristallerie Saint-Louis exceeded its obligation to employ disabled workers with a rate of more than 9% in 2019.

### *Textile division*

Entities in the Textile division collaborate with socially supported organisations for different types of work, namely for mechanical, carpentry, packaging and cleaning services and the maintenance of green spaces (ATBC), the filing and classification of textile archives and brand inventory (HTH), uniform cleaning and repair (AEI and AS), the recycling of printing frames (Gandit) and catering services and the provision of a food truck (SIEGL, ITH, HTH).

A partnership is in place, dating back to more than 10 years, for maintaining the green spaces around and in the areas outside SIEGL. Another Esat partnership of over 10 years is for the assembly of samples and manufacture of silk pouches at ATBC and AEI.

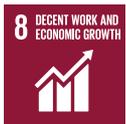
### 2.6.3 CONTRIBUTION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The relations that Hermès maintains with its suppliers and partners are governed by the following SDGs (the numbers refer to the UN's official typology):



#### No. 5: Gender Equality

- ◆ 5.1: *“End all forms of discrimination against women”*  
Maintaining the continuity of internal policy on equal opportunity, especially with regard to women (chapter 2.2.2), the Hermès Group strives to apply this principle with respect to its suppliers.



#### No. 8: Decent work and economic growth

- ◆ 8.5: *“Achieve full employment”*  
By expanding its activities, the Hermès Group contributes to the economic development of its supplier network. It extends its activities as a responsible employer and supports its suppliers and partners wherever they operate.
- ◆ 8.5: *“Decent work for persons with disabilities”*  
The Hermès Group places a certain amount of work with socially supported organisations in France.
- ◆ 8.7: *“Ethics and vigilance with respect to working conditions, including child labour and forced labour”*  
The Hermès Group has specific demanding requirements in relation to ethics and social and environmental responsibility. They apply in the context of relations that bind the Hermès Group to its suppliers, and regardless of their nature, through undertakings with respect to confidentiality, fair trading and social, environmental and ethical policies. These undertakings cover the exercise of vigilance with respect to forced labour and child labour.
- ◆ 8.8: *“Health and safety at the workplace”*  
By continuous monitoring as part of its vigilance plan, Hermès is attentive to whether its suppliers adhere to the best practices in regards to workplace health and safety.



#### No. 16: Peace, justice and strong institutions

- ◆ 16.5: *“Reduce corruption and bribery”*  
The Hermès Group's policy on ethics and business conduct condemns and prohibits any illicit conduct in this regard, resulting in formalisation efforts and more stringent controls since 2017 in accordance with French law.

Comprehensive annual report:  
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**Hermès International**

*24, rue du Faubourg Saint-Honoré – 75008 Paris.*

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*Illustration credits*

Page 5, 197, 198, 199, 202 : Valérie Archeno

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Page 99 : Benoît Teillet

Page 111 : Christophe Bornet

Page 205 : Olivier Metzger

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