

# 2019 UNIVERSAL REGISTRATION DOCUMENT

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



# 2

## CORPORATE SOCIAL RESPONSIBILITY

NFPS

<b>2.6</b>	<b>COMMUNITIES: SUPPLIERS &amp; PARTNERS</b>	<b>149</b>
2.6.1	Challenge: long-term partnerships and work with socially supported organisations	149
2.6.1.1	<i>Policy</i>	149
2.6.1.2	<i>Measures implemented and results</i>	150
2.6.2	Challenge: supporting suppliers	152
2.6.2.1	<i>Policy</i>	152
2.6.2.2	<i>Measures implemented and results</i>	152
2.6.2.3	<i>Risk mapping</i>	154
2.6.2.4	<i>Alert Mechanism</i>	157
2.6.2.5	<i>System for monitoring major issues</i>	157
2.6.2.6	<i>Evaluation and control</i>	158
2.6.3	Contribution to the UN's Sustainable Development Goals (SDGS)	160

## 2.6.2 CHALLENGE: SUPPORTING SUPPLIERS

Hermès is committed to providing long-term support for all our partners, and maintaining balanced relationships characterised by goodwill and high standards; we ensure that all our partners share and respect our social, environmental and ethics ambitions. We pay special attention to human rights and fundamental freedoms, working conditions (health, safety, working hours, wages, etc.) and the environment, whether at our suppliers' premises or at their own suppliers' and subcontractors' premises, with a view to better understanding all of the supply chains.

### 2.6.2.1 POLICY

The Group policy on supplier guidance and support is based on the following fundamental axes:

- ◆ seek the best quality and enrich Hermès' creation with concrete propositions resulting from our partners' innovation;

- ◆ ensure long-term relationships with suppliers by preserving key skills, securing supplies and services, and establishing balanced and sustainable relationships;
- ◆ guarantee ethics throughout the supply chains;
- ◆ contribute to the economic performance of the House by controlling costs, as a whole, and by providing value to customers.

The Group's purchasing policy sets out the principles through four fundamental elements:

- ◆ securing of supplies: Purchasers are responsible for ensuring long-term relationships with suppliers with in particular the preservation of key skills, securing of supplies and services, and the establishment of balanced and sustainable relationships. The House's ethics policy leaves no room for aggressive, unfair purchasing practices;
- ◆ empowerment: operationally, each *métier* is responsible for the management of its suppliers and subcontractors. The *métier*-based approach guarantees proximity, understanding of issues and pragmatism of its mechanisms, while complying with the House's rules. The Hermès Group coordinates and monitors the policies, tools and achievements with respect to two departments: direct and indirect purchasing. The current purchasing policy was formally issued in May 2013. It is regularly updated and distributed to all employees via the intranet and at training sessions;
- ◆ support for suppliers on environmental issues is a priority at Group level. In partnership with the WWF, a special water analysis was carried out at our main suppliers using the Water Risk Filter. The results will feed into a Group action plan. A WWF review of our main supply chains for exotic skins (crocodile and alligator), cashmere and wood also included environmental dimensions;
- ◆ exercise of a duty of care, in particular in relation to human rights.

### 2.6.2.2 MEASURES IMPLEMENTED AND RESULTS

Since 2017, the Hermès Group's purchasing has been coordinated by two divisions: direct purchasing and indirect purchasing. The main duties of these two divisions are coordinating the network of purchases, raising their awareness and training them in CSR issues in the supply chain, structuring and strengthening the supplier support and guidance system, and accelerating its implementation in all the House's *métiers* and subsidiaries. The Group's direct and indirect purchasing departments also coordinate the supplier audit programme conducted with an external firm. The Hermès Group has its own certifications, knows its suppliers well (see the length of partnerships) and has a relationship of trust with its auditor partners. The Hermès Group does not seek to use external audits first and foremost because it prefers to have direct knowledge of its partners' practices.

### Duty of care

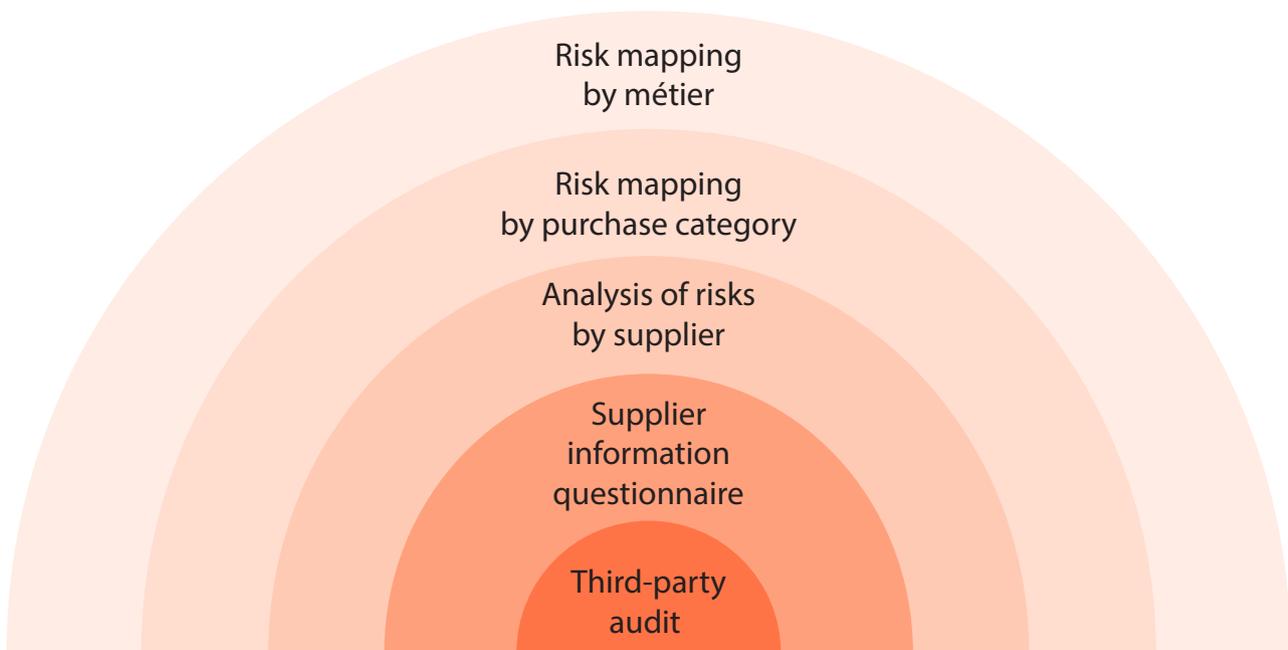
The supplier risk management system, which had already existed in the Hermès Group for many years, was strengthened and accelerated in 2018 as part of the rollout of a reasonable duty of care plan with respect to suppliers and subcontractors as required by French law. The management system applies in a context where most of Hermès' production is in-house and often close to its suppliers, both geographically and in relationship terms. Special attention is given to human rights and fundamental freedoms, the health and safety of people, and more generally their working conditions, as well as the protection of the environment. Ethics, specifically the prevention of corruption and bribery, are also closely monitored.

In accordance with the recommendations of the French law 2017-399 of March 27<sup>th</sup> 2017 concerning the duty of care of parent companies and contractors, this duty of care plan includes:

- ◆ risk mappings aimed at identifying and assessing the risks generated by the activities of suppliers and subcontractors, and more generally by all of the supply chains;
- ◆ procedures to regularly assess the situation of suppliers and subcontractors with which we have a trading relationship, but also to assess the situation of tier 2 suppliers and subcontractors, in order to gain an ever-stronger understanding of the supply chains;
- ◆ appropriate action to mitigate risks identified and prevent serious breaches of human rights, fundamental freedoms and health, safety and environmental regulations;
- ◆ an alert and reporting mechanism;
- ◆ a system for monitoring the measures implemented and assessing their effectiveness.

A methodology for monitoring supplier risks was formalised in 2018 and is applied by the direct purchasing and indirect purchasing divisions at all the House's *métiers*.

The diagram below shows this methodology and the corresponding tools:



The *métier* purchasers must sort their suppliers by purchase category then, for each of these categories, map the global risks and analyse the risks by supplier. For suppliers identified during the analysis as “at-risk” (e.g. corruption, politically exposed persons, negative press, breach of human rights, risk to the health and safety of persons, environmental

risk) and those identified as strategic or sensitive (volume of business, special *savoir-faire*, *intuitu personae*, succession, financial health, etc.), the purchasers must complete a “supplier information questionnaire” to enable them to investigate the risks further. If the risk is confirmed, an external audit is requested.

### 2.6.2.3 RISK MAPPING

The Hermès Group has produced a risk mapping (see “Risk factors” section in 1.11), into which the mappings produced by each of the main *métiers*, retail subsidiaries and support activities are fed. Each of these mappings takes risks related to suppliers and subcontractors into account.

In addition, to guarantee the thorough assessment of each supply chain, the purchasers in each *métier* formalise a risk mapping for each of their purchasing categories, assessing in particular the risks of the entire supply chain with respect to human rights and fundamental freedoms, the health and safety of people, social aspects, the environment and sustainable development, ethics and corruption risks. These risks are prioritised based on their criticality, on the one hand, calculated as the product of the impact on the Hermès Group or its stakeholders by probability of occurrence, and on the level of control, on the other hand.

Since 2018, the emphasis has been on direct purchases (production purchases) for which control of the supply chain is obviously a strategic challenge. The 15 Hermès Group's *métiers* count around 100 direct purchasing categories. The target was to map 50% of these purchasing categories by the end of 2019. The target was exceeded with 66% of the categories risk mapped at the end of 2019. Workshops planned for the first half of 2020 should take the total to 75%.

Among the risks identified, ensuring the durability of artisanal *savoir-faire* and maintaining our capacity in France are major challenges for several divisions, as is improving the traceability of raw materials throughout the supply chain. Issues relating to the environment and the health and safety of people are also identified, but are analysed less critically. Conversely, because the vast majority of suppliers are in France, the risk of violation of human rights and fundamental freedoms is generally assessed as very low.

#### Procedures to regularly assess the situation of suppliers and subcontractors

For each purchasing category previously covered in a risk mapping, the *métier* purchasers carry out a second-level risk analysis by supplier. It aims to assess the performance (deliveries, quality, etc.) and financial independence of each supplier, but also the risks related to human rights and fundamental freedoms, the health and safety of people, and more generally, employment conditions, as well as environmental risks. Corruption risks are also assessed according to the country in which the supplier is based and its activity.

If a risk is suspected, the purchaser arranges an audit to confirm or rule out this risk, supported by a “supplier information questionnaire” setting out the various topics included in the previously completed supplier risk analysis framework.

This “supplier information questionnaire” is more generally used by the direct purchasers as the basis of visits to a tier 1 or higher supplier with the aim of constantly improving their knowledge of the supply chains. Purchasers also use this questionnaire during pre-accreditation visits before starting to work with a new supplier. These pre-accreditation visits are compulsory within the scope of direct purchasing.

If the supplier information questionnaire confirms a significant level of risk, the purchaser alerts the direct purchasing department and their line manager, a member of the *métier*'s Management Committee, and an action plan is drawn up to prevent or mitigate the risks. If the risk is related to the environment, the health and safety of people, social issues or human rights and fundamental freedoms an external body, recognised for its expertise in environment, health and safety of people and social issues, is asked to conduct an audit. The results of these audits and action plans are taken into account for any continuation of relationships.

In pursuit of their responsible purchasing strategy, in late 2018 the two purchasing divisions selected Ecovadis, a company that offers a collaborative platform for the evaluation of the corporate social responsibility (CSR) performance of their suppliers (environment, social & human rights, ethics and responsible purchasing). Each company is assessed on these fundamental issues according to their size, location and sector of activity. The evidence-based appraisals are reported in assessment sheets on the basis of which corrective action plans are put in place.

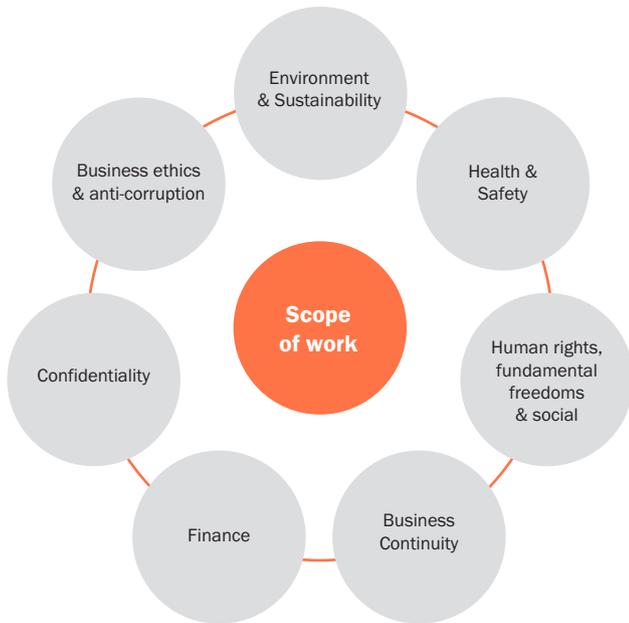
Since the programme was launched, 106 French and international suppliers have accepted Hermès invitation and shared their sheets. The programme will be stepped up in 2020 to increase the number of campaigns and suppliers covered, particularly those in the indirect purchasing chain.

Hermès' objective is to approach its 100 main suppliers of indirect purchases in France in 2020 and ask them to self-assess or share their EcoVadis score. If all suppliers agreed to take this step, it would represent 46% of indirect purchases in France in 2019.

Audits are also requested for strategic or sensitive suppliers (volume of business, specific *savoir-faire*, *intuitu persona*, located in a country far from France, etc.) Specifically, in terms of direct purchases, the Hermès Group's 50 largest suppliers must be audited at least once and all suppliers outside Europe must be audited regularly, approximately every three years.

These audits permit an on-site check of the supplier's social, environmental and ethical commitments, ensuring that relevant regulations are being complied with, and verifying the actual working conditions and well-being of employees.

In keeping with the supplier information questionnaire, these audits cover the following seven issues in particular:



In 2019, a sustainable development category was added to the Environment category, which was more concerned with compliance with regulations, and a special Ethics and anti-corruption category was created. The three priority topics of the seven covered, which meet our obligations under the duty of care law, are:

- ♦ social, human rights and fundamental freedoms (child labour, forced labour, discrimination, gender equality, undeclared work, employment contracts, wages, working hours, overtime, etc.);
- ♦ health and safety of people (fire prevention, workspace risk analysis, chemical risk, individual protection equipment, training, medical checks, etc.);
- ♦ environment (regulatory compliance, emissions/discharge management, wastewater management, waste management, chemical storage, sustainable development policy).

For direct purchases, the number of supplier audits conducted, which had already doubled between 2017 and 2018 and again more than doubled in 2019. The time devoted to these audits by the audit firm and Hermès teams was over 5,000 hours in 2019. Two-thirds of the audits were of tier 1 suppliers and one-third of tier 2 suppliers (in Europe and Asia principally). To lead this supplier audit programme, a supplier audit and CSR project manager joined the direct purchasing department and a second will be hired in 2020.

#### SUPPLIER AUDIT

	2017	2018	2019
Budget (in thousands of euros)	170	230	500
Hours	1,500	2,300	5,000

These audits are a vital component of the supplier and subcontractor appraisal system as well being key for the quality of relationships. This is why purchasers are involved in the auditing of their suppliers, supporting the process upstream, participating in audits alongside the external firm, and monitoring the progress made in the action plans alongside their suppliers in a more formal manner. An employee from the direct purchasing department is also involved in most of the audits. This ensures that the audits really do support the ongoing improvement of our partners. It also helps develop the purchasers' CSR expertise, which they can then apply to the identification of risks when visiting their suppliers.

#### Risk management and mitigation or prevention of serious violations

The two purchasing divisions, direct and indirect, coordinate the House's network of purchasers and conduct common training initiatives. As such, at the end of 2018, they started developing a training course for purchasers, aimed at strengthening and structuring the training already offered within the Hermès Group. An Environment, health and safety training is currently being rolled out. This course, which target purchasers as a priority, but also all people working with the House's suppliers and subcontractors, will enable everyone to gain sufficient expertise to identify any breaches by the supplier or subcontractor, and help them to implement corrective actions as part of a partnership and continuous improvement strategy. Around 250 people will be trained by the end of 2020.

In addition a Legal and Compliance course is currently being developed with the legal department.

Finally, a Purchases at Hermès training course is under development and comprises two sections – responsible purchasing and supply chain management – still pursuing the same objective of ensuring CSR becomes part of the day-to-day life of purchasers and helping them to identify and prevent potential breaches of human rights and fundamental freedoms, the health and safety of people and the environment anywhere along their supply chains, tier 1 and tier 2 suppliers, and beyond.

On the other hand, a direct purchasing network is coordinated by the Hermès Group direct purchasing department and meets once every three months. These meetings are an opportunity to review the following issues with the *métiers'* purchasers: the Group's direct purchasing policy and procedures, regulations, legislation, and the tools used to monitor suppliers and subcontractors. They provide the means to exercise their duty of care with respect to their suppliers and subcontractors, and more generally with respect to all supply chains. Alongside this, and with the same objectives, an indirect purchasing network is coordinated by the Group indirect purchasing department and meets once a year. To supplement this, networks specific to certain supply chains were created in 2019 and meet three times a year. These are the textile purchasing network, the metal part purchasing network, the tawer purchasing network and the precious metals network. These purchasing network

meetings provide the opportunity to discuss the risks identified within the chains and steer the action plans to prevent or mitigate these risks. As shown by several operational examples (see section 2.4 “Materials”), these actions are necessarily specific.

From a legal standpoint, as part of its policy to support and monitor suppliers, Hermès seeks the formal undertaking of each of its suppliers to comply with its social, regulatory and environmental obligations through two undertaking handbooks, signed by both parties. These handbooks, which define the contractual relationships, are regularly updated, with:

- ◆ handbook 1 defining undertakings with respect to non-disclosure and fair trading;
- ◆ handbook 2 defining undertakings with respect to social, environmental and ethics policies.

These two handbooks were further developed in 2018, and an extensive campaign is under way to present them to the Hermès Group’s strategic and sensitive suppliers and encourage them to sign these new versions.

The supplier undertaking handbook 2, for example, contains the following sections:

- ◆ International standards and agreements

The House reminds all its suppliers that it respects the Universal Declaration of Human Rights, the United Nations Global Compact, the United Nations guiding principles on human rights, and most importantly the International Labour Organization (ILO) declaration on the fundamental principles and right at work, and asks them to do likewise.

- ◆ Good labour practices

This section deals mainly with the following subjects: human rights and fundamental freedoms, child labour, forced labour, compliance with health and safety rules, respect for freedom of association, non-discrimination, working time, compensation, and illegal work.

In its quest to combat child labour Hermès prohibits the employment of anyone under the age of 16. In addition, if a Group employee has not completed their mandatory schooling, the Hermès Group promises to provide the necessary resources so that they may do so.



# 76 %

**of direct purchase suppliers formally committed to social, environmental and ethics policies (handbooks 1 and 2)**

Regarding the fight against illegal work in particular, Hermès collects the following three legal documents for its French suppliers and subcontractors every six months: a company registration certificate, a certificate of coverage issued by URSSAF (a French social taxes body), and a list of the names of all foreign workers, as required by law.

To combat harassment and abusive behaviour, the Hermès Group informs its suppliers that it does not tolerate such practices.

In terms of the right to collective bargaining, the Hermès Group demands that its suppliers respect this right with no reprisals against union members and representatives.

In terms of working hours, the suppliers must comply with national and international regulations on working hours, overtime and minimum rest periods.

- ◆ Good environmental practices

This section states Hermès’ expectations in terms of compliance with environmental regulations, the controlled use of raw materials, energy and natural resources, the proper management of emissions, effluents and waste materials, and the protection of protected species and biodiversity.

- ◆ Good ethical conduct

This section covers subjects that include corruption and money laundering, as well as specific requirements for certain sensitive sectors, and recommendations on best practices in relation to subcontracting.

- ◆ Personal data

This section covers personal data protection principles.

By signing handbook 2, suppliers and subcontractors formally undertake to carry out their own duty of care with respect to their suppliers and subcontractors. Moreover, they are responsible for declaring all their subcontractors to Hermès and may not subcontract any production of Hermès products to a new subcontractor without Hermès’ prior written agreement. This agreement is tied to a pre-accreditation visit based on the supplier information questionnaire.

Purchasers must take care to regularly remind their suppliers and subcontractors of the undertakings they have made by signing handbooks 1 and 2. Furthermore, any new supplier is required to sign handbooks 1 and 2 before any partnership can be undertaken, and in particular prior to participating in any call for tenders.

In 2019, the target was that at least 65% of suppliers operating in the direct purchasing scope had signed handbooks 1 and 2. This target was exceeded with a 76% handbooks 1 and 2 coverage rate in the direct purchasing scope by the end of 2019.

Finally, audits are a vital component of the supplier risk management system. Thus Audit Committees were set up at the start of 2019 to analyse the various audit reports and identify the priority actions for each of the suppliers audited. The Audit Committee meetings are attended by the purchasing department, the Industrial Affairs Director, the Audit and Risks Director and the purchasers who had taken part in the audits. The Audit Committee met twice a *quarter* in 2019 and will meet twice monthly from 2020 to respond to the increasing number of audits carried out and also dedicate time to following-up past audits. The purchaser of the *métier* in question is responsible for distributing the conclusions of the Audit Committee meetings to each supplier and monitoring action plans. Audit follow-up visits are planned three months, six months and/or one year after the audit, depending on the type and severity of the findings. If necessary, a member of the Group purchasing department can accompany the purchaser on these follow-up visits.

#### 2.6.2.4 ALERT MECHANISM

The close relationships between Hermès and its suppliers are key to identifying suspicious conduct. On-site visits by purchasers and regular assessments are important aspects that make it possible to detect any violations and to alert the Hermès Group.

Each *métier* is responsible for monitoring the challenges identified and the proper implementation of corrective actions with suppliers. Similarly, the legal framework of relations with our subcontractors is regularly updated in light of actual experience. In particular, the conclusions of the audits, which bring together the auditors, the *métiers*, the buyers and the industrial department, offer deep insights solidly rooted in the real circumstances of our subcontractors.

In accordance with the code of business conduct, any employee identifying suspicious conduct within the supply chain is encouraged to report it internally through the “H-Alert!” mechanism, as described in section 2.8.4.1.

Furthermore, in the event of a breach or situation contrary to the ethics, social and environmental principles, the Hermès Group has provided its suppliers and subcontractors with a whistleblowing mechanism in the form of a generic email address. These reports are analysed by the legal compliance department and the purchasing department.

#### 2.6.2.5 SYSTEM FOR MONITORING MAJOR ISSUES

In addition to monitoring by *métiers* and subsidiaries, the audit department provides a summary of major risks to the Hermès Group management, and monitors major issues, including by way of audits. In 2018 it continued to audit purchasing functions. These audits enable the correct implementation of the system described above to be verified. First introduced in 2005, self-assessment of internal control by the subsidiaries contributes to the dissemination of an internal control culture in the Group. This system makes it possible to assess the level of internal control and to understand to what extent operational and functional risks are properly addressed, as described in section 1.10.7 “Internal control system in response to risks”.

In order to fulfil the requirements of law 2017-399 of March 27<sup>th</sup> 2017, the Hermès Group established a Compliance and Vigilance Committee comprising representatives of the sustainable development department, the audit and risk management department, the industrial affairs department, the human resources department, the sales department, the finance department and the legal department, in order to prepare a vigilance plan applicable to the Hermès Group companies. A General Counsel Compliance was appointed during 2017.

Application of the French law known as “Sapin 2” has led us to increase our monitoring of suppliers, particularly the monitoring of their regulatory compliance with respect to corruption prevention (see section 2.8.3.1).

2

## 2



### whistleblowing systems (internal and external) set up in 2019

#### Human rights in the supply chain

The Hermès craftsmanship model, in which 61% of objects made in Hermès exclusive and internal workshops, and 80% in France, relies on a network of suppliers based mainly in Europe, where labour practices are stricter than in other environments. Hermès’s exposure to supplier risk is therefore reduced. An analysis of the top 50 direct suppliers shows that 52% of them are in France and 42% elsewhere in Europe. Just 7% of purchases are made in more distant countries, mainly raw materials (e.g. exotic leathers), where our control and monitoring is extremely strong:

- ◆ Hermès’s internal and external ethics approach is based on the universal framework established by major international principles. The code of ethics, drawn up in 2009, was signed by the Executive Chairman. Communicated to all employees and available on the intranet and to the public at <https://finance.hermes.com>, it states that these principles apply to the Hermès Group companies and our suppliers. In particular, explicit reference is made to the Universal

Declaration of Human Rights, the charter of fundamental freedoms of the European Union, the charter of fundamental freedoms of the International Labour Organization, which covers freedom of association, the fight against forced labour, child labour and the fight against discrimination, and the OECD Guidelines. It is also a member of the United Nations Global Compact (in which Hermès is “Advanced” level), which invites companies to adopt, support and implement in their sphere of influence a set of ten core values (human rights, labour standards, environment, the fight against corruption), and the UN Guiding Principles on Business and Human Rights, which commit companies to respect human rights and address the negative impacts of their activities;

- ♦ this approach is regularly shared with the teams and was strengthened in 2018 by the direct and indirect purchasing departments (internal training, Paris buyer seminar, implementation of supplier practices monitoring software) and by the work of the legal compliance department. It is shared with our suppliers during operational exchanges with buyers, and was formalised in the signing of the C2 undertaking handbook (chapter 1 “Good corporate behaviour”). As described below, a comprehensive control system covers this aspect of Hermès’s relationship with its suppliers.

Monitoring of practices is primarily the responsibility of the *métiers* and their purchasers, who are in direct contact with our suppliers. The topics that are monitored closely include working conditions (hours, health and safety, compensation, right to organise and representation, disciplinary practices), risks of discrimination, forced labour, child labour, and, more broadly, living conditions (considering the local environment). Industry (for the packaging sector, for example) and geographical discussions are held to help identify the issues more precisely. When a subject is identified, it is discussed with our partner to help it understand why the topic is important to us, examine possible improvement solutions and put in place an action plan as part of a long-term relationship. If this process cannot be put in place, the subject is discussed by the Management Committee of the appropriate *métier*, the industrial affairs department and the Sustainable Development Committee and the relationship is suspended.

#### 2.6.2.6 EVALUATION AND CONTROL

##### Textile division

In 2019 the Textile division tightened control of its supply chain. Following the closing of various Chinese units, which were not environmentally compliant, a watch unit was established in house to monitor the supply of several chemical products and sensitive dyes.

This unit comprises the purchasing, processes and production departments. It has established a risk assessment document targeting sensitive products in terms of production and their shortage risks, together with an action plan suited to each site to minimise the risk (use of an alternative product, change in stock management, discontinuing the product, etc.).

To supplement this risk analysis, HTH continues to implement its strategic supplier audit policy. The aim is to systematically audit material suppliers and finishers.

As such, in addition to the standard audits each year Hermès works with an external firm to conduct three audits of its most important or most at-risk suppliers to obtain exhaustive information on the suppliers’ HSE and CSR situation: safety of people and property, compliance with standards and regulations, water and waste management, etc.

Based on the results of these audits, corrective action plans are put in place and monitored by the purchasers.

In 2019, the Textile division conducted audits on Tissages Perrin (woven silk and cashmere), Bratac (silk producer), Filatura Di Trivero (cashmere yarn) and TSJ (finisher).

##### Home division

At CATE, undertakings with respect to non-disclosure and fair trading (handbook 1) and social, environmental and ethics policies (handbook 2) were signed by suppliers accounting for 96% of total volumes purchased in 2019. For our French suppliers, the division also implements the obligations pursuant to the 2014 law on undeclared work aimed at combating unfair business competition. In addition, it conducts extensive inspections to ensure that supplier and/or customs declarations indicating that the components purchased have been “Made in France” are accurate. Finally, in 2019, industrial audits (HSE, quality, capacity, etc.) were conducted at the premises of our strategic metal part suppliers for the enamel activity.

At Beyrand, in January 2019, the purchasing and supply department set up the supply chain coordination function. The purchasing and supply department implements sustainability and security action plans with the various suppliers. An HSE audit of a strategic paper supplier was conducted in 2019 as part of this common action plan. Furthermore, the system of having strategic and/or sensitive suppliers sign handbooks 1 and 2 has continued, with new suppliers a priority. They have been signed by 60% of suppliers.

At Puiforcat, an HSE audit was carried out in 2019 to support the selected supplier on these issues: inventory and action plans monitored on a six-monthly schedule. Of the 45 direct purchasing suppliers, the handbooks 1 and 2 coverage rate is 80%. Alongside this, Puiforcat increased its partner support and presence in 2019. For example, for strategic suppliers such as Odiot and Greggio, Puiforcat staff visited their sites twice a month.

### Cristal

The Saint-Louis purchasing department ran a supplier risk analysis and audit initiative in 2019, with supplier audits and HSE training organised with the support of an external adviser. Suppliers of lighting components and raw materials were audited in 2019. The resulting action plans are closely monitored.

### Farms

The vast majority of the animals bred on the farms come from eggs collected in the natural environment according to the quotas set each year by the local authorities. Several players enable the smooth operation of the breeding industry in Australia and the United States, primarily the local governments and their nature protection departments, landowners, hunters and the egg collectors and incubators from whom the breeding farms purchase the eggs or newborns.

Any breeding sites which could supply the divisions' farms in the United States and Australia with eggs, newborn animals and sometimes one-year-old animals, undergo regular controls. Until now these have been in-house controls which have also covered the requirements of the Hermès Group's in-house charter. The new audit programme, always run in collaboration with Bureau Veritas and based on more stringent procedures, was rolled out at the division farms in 2019. The resulting progress plans will be monitored annually by Bureau Veritas consultants.

### Construction

Since 2017, the construction purchasing policy has been gradually rolled out at subsidiaries. For any new construction, the supplier's undertaking to adhere to local rules and acceptance of the charters on fair trading and good labour and environmental practices are a prerequisite to engagement with the Hermès Group.

The contractor's social responsibility forces it to reach beyond legal obligations and to implement all approaches that would benefit society. An internal methodology for analysing and managing supplier risks in construction has been defined. Hermès would like its partners to also work towards this ambition. In line with the Hermès Group's responsible purchasing strategy, it asks its suppliers to establish their CSR profile with Ecovadis. In 2019, 35 companies in the construction sector agreed to do this and 28 are currently being assessed. Based on the importance of the risks identified, specialised third-party firms are requested to conduct an on-site audit. They are responsible for determining action plans that will be shared with the suppliers for actions to be monitored internally by the Hermès Group.

Any new company that wishes to work with Hermès on a recurrent basis undergoes an Ecovadis audit as part of its qualifying process. They can also receive dedicated support by means of an in-depth site audit supervised by the construction teams.

#### **Esat les Micocouliers, the exclusive supplier of Hermès riding crops**

Since 1991, Hermès has been entrusting its entire production of riding crops, dressage sticks and whips to Esat les Micocouliers, in Sorède (Pyrénées Orientales). In this establishment, which provides employment to people with mental disabilities, some 30 craftspeople perpetuate the tradition involving the braiding of hackberry – a strong and supple wood. At the foot of the Albères mountains, they work with the same dedication as the hundreds of villagers who carried out that work decades before them. With the advent of the



motor car, Sorède's famous riding crops and whips became focused on the equestrian world and the circus universe. Production had almost disappeared when a regional non-profit organisation had the idea of reviving it in the late 1970s through a centre dedicated to providing work to disabled people. The savoir-faire and the objects it generates have thus survived the passage of time and are sold worldwide. Hermès' initial trade relations with Esat les Micocouliers date back to the 1980s. The House is now one its main clients.

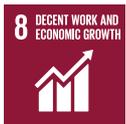
### 2.6.3 CONTRIBUTION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS (SDGs)

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:  
[https://finance.hermes.com/var/finances/storage/original/  
application/098b0de969efabaace34b1a1c43e2a72.pdf](https://finance.hermes.com/var/finances/storage/original/application/098b0de969efabaace34b1a1c43e2a72.pdf)

**Hermès International**

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

*Tel.: + 33 (0)1 40 17 44 37*

*ISBN 978-2-35102-0722*

*A Hermès publication*

*© Hermès, Paris 2020*

*Illustration credits*

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

Page 15 : Olivier Metzger 1, Edouard Caupeil 2

Page 99 : Benoît Teillet

Page 111 : Christophe Bornet

Page 205 : Olivier Metzger

Page 213, 215, 217, 219, 221, 222, 223, 225, 226, 228, 229, 231, 232, 233, 235, 250, 252 : Edouard Caupeil

Layout: **Labrador**

