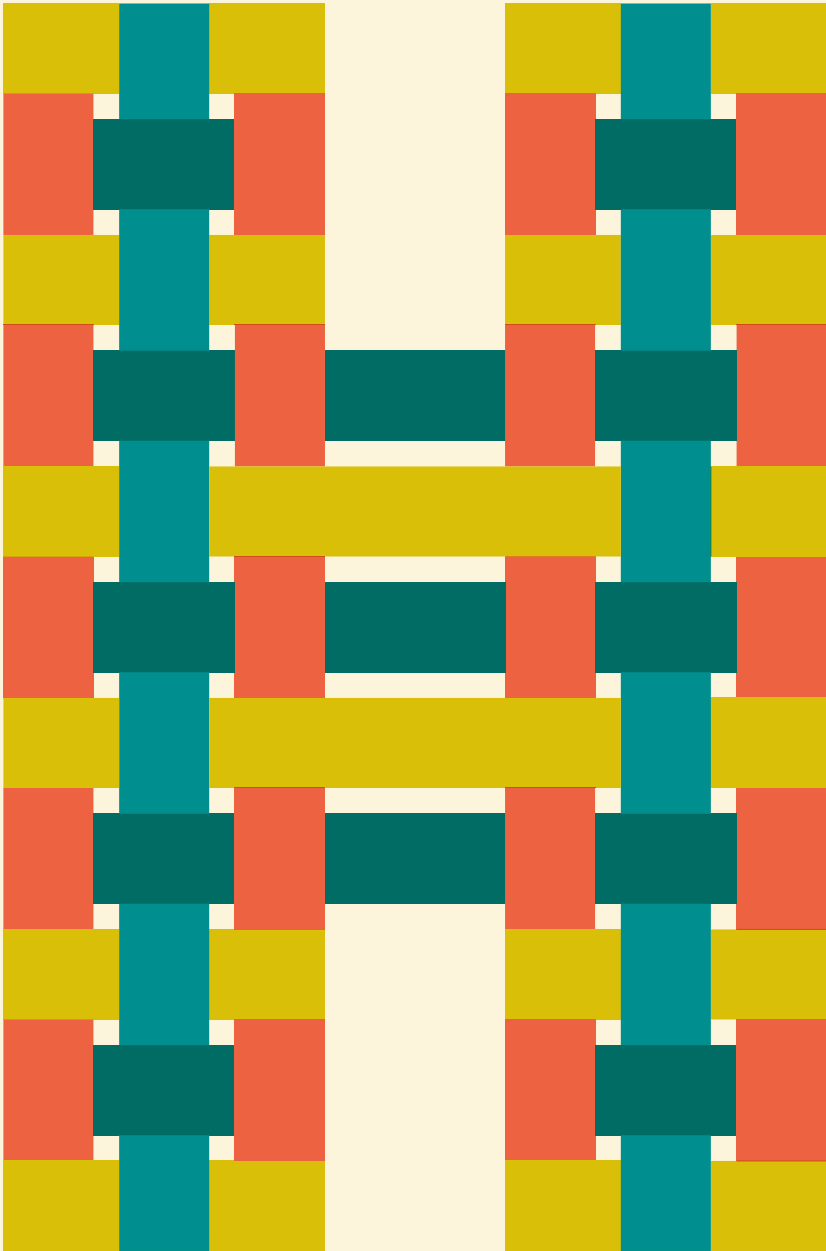


2020 Universal registration document

CSR EXTRACT
Non-Financial Performance Statement (NFPS)



2.2.1 EMPLOYEE DEVELOPMENT AND WELL-BEING

Hermès seeks to support the transformation of working practices, including digital and organisational, while remaining faithful to its values. Hermès is founded on a project of living together while respecting the balance of life, the aspirations of each individual, but also the development of new working technologies and interactions both at work and with customers. The uniqueness of Hermès therefore also rests, beyond the creations and products, on this quest for permanent balance between the evolution of the world and the project of living together in a qualitative way.

The sustainability of the House rests on the women and men who contribute to its functioning and development. It is therefore essential to create the conditions for their well-being and development. Hermès is very demanding when it comes to the quality of its employees' working conditions. It strives to enable each employee to work, develop and fulfil his or her potential and give meaning to his or her actions, not only by safeguarding health and safety, but also by providing a pleasant working environment, whether at production sites, in stores or in offices. Achieving this objective involves various actions to improve the quality of life at work and reconcile professional and personal life, and which are most demanding and vigilant in the areas of health and safety at work.

POLICY

The Group's policy is to integrate health, safety and well-being challenges in its operational strategy as a priority, in particular for its manufacturing activities. This policy is applied by the senior management of the Group's *métiers* and subsidiaries. Working time is managed by each entity in compliance with the regulations in force and according to the particularities of its activity, with a view to ensuring a balance between private and professional life. Social dialogue is a priority and is organised in each country according to local laws and regulations. In addition, faithful to its family tradition, the House involves all its employees in the Group's long-term growth through generous programmes. In terms of employee compensation, a wide range of individual and collective compensation tools are used. These systems are described in chapter 2 "Corporate social responsibility", §2.2.1.4.

MEASURES IMPLEMENTED AND RESULTS

Hermès contributes to the development and well-being of its teams, and more broadly to major societal challenges through its proactive actions in terms of ethics, diversity, equality between its employees, consideration of disability and, more generally, human rights. The impact of these actions is measured regularly in order to assess their effectiveness and adjust them if necessary.

2.2.1.1 ENSURING THE WELL-BEING AND DEVELOPMENT OF EMPLOYEES

2.2.1.1.1 Working conditions and environment (HSE)

The diversity of the Group's *métiers*, from production to retail, not forgetting the support functions, involves managing extremely different issues. The Group's vision of health, safety and working environment issues therefore involves adapting to the specificities of its activities and to local differences.

Since 2018, the human resources Department of the Group has launched a health and well-being approach in France called SATIN.

This is based on taking stock of the situation every few years via an internal survey of all employees in France, and the introduction of action plans. The questionnaire, designed by the INRS (National Institute for Research and Safety) and the University of Lorraine, enables each employee to anonymously express their feelings on various topics relating to physical and mental health, stress, the work environment, activity and organisation.

This approach continued in 2020, despite an unfavourable context, with the rollout to three new sites. **Since its launch, 6,777 employees at 29 sites have taken part, i.e. 65% of employees in France.** The average response rate of 83% is a sign of the commitment of employees and provides a strong representation of their views.

An analysis was undertaken of nearly 24,600 *verbatim* statements by employees on the way they feel about work. The content of jobs is the strong point of their commitment to work.

Areas for improvement cited include workload, the physical environment and fatigue.

Commitment to the Group's values is exceptionally high, regardless of the *métier*, age and seniority. More specifically, 88% of employees say that they like their work and 82% feel good in the Company. In addition, 83% said they see themselves being in the same position in two years with a similar level of health. A sizeable majority believes that the content of their work (81%) and employment relationships (89%) play a role in their sense of satisfaction. A large majority finds interest, usefulness and variety in their work, and is satisfied overall with the responsibilities they are given. Craftspeople particularly appreciate the manual craftsmanship, the quality and beauty of the products made to the highest standards, and the nobility of the materials used. Diversity of contacts and autonomy are perceived as factors aiding fulfilment. Overall, 98% of employees believe that they have the ability to meet the demands of their work. Some 74% said their morale was good and they had confidence in the future, and 87% expressed satisfaction in terms of job security and professional development.

Following this diagnostic phase, the French sites set up an Observatory of health and well-being at work. This determines the priority lines of work and coordinates the action plan via working groups, working with the Management Committee and the Health, Safety and Working Conditions Commission at each site. The themes selected locally are varied: time management, fatigue and physical health, warm-up/stretching, management of hazards, repetitive strain injuries (RSI), management of emotions, communication, etc. Recurring themes that can be part of Group initiatives are identified and dealt with collegially at the same time. This Observatory remains a reference point in the long-term prevention

and identification of risk situations relating to health or well-being. Similar approaches to analysing well-being at work, explained below, are carried out within our Retail subsidiaries.

More than 65 participatory workshops with employees and employee representatives were set up at the sites on identified themes for progress, such as “Fair and unfair – Optimising relations at work”, “Stress management and emotional load”, “Development and commitment”, “Workstation ergonomics and the working environment”.

For example, Hermès Cuirs Précieux (HCP) identified areas for improvement in managerial culture and interpersonal relations, physical fatigue linked to the arduous nature of production workstations, and the social climate. Action plans are developed jointly with the observatories of each of the sites and in connection with the Hermès Cuirs Précieux Innovation approach, since a significant proportion of the projects put forward concern well-being at work.

In addition, similar employee engagement initiatives continued in Europe, China, the United States and Japan. A total of 1,751 employees in these four geographical areas also had the opportunity to share their opinions on all topics relating to engagement and well-being at work. **In total, 75% of the Group’s workforce have completed these well-being questionnaires over the last three years.**

Hermès was also recognised in the Capital/Statista 2020 ranking of the top 500 employers in France, taking first place in the top 30 companies with the highest ratings by their employees, all categories combined, as well as first place in the Clothing and Accessories sector.

Lastly, Hermès was awarded the Humpact Emploi France Grand Prix 2020, which, for the second time, is given to listed companies that create jobs and have implemented the most virtuous social policies in France. **Hermès secured 1st place** “thanks to the comprehensiveness of its actions on all the themes of the Humpact universe and its remarkable transparency”.

Industrial activity

Since 2003, the industrial affairs department has led a health, safety and environment network (HSE network) comprising HSE managers from the House’s different *métiers*. With around 20 members, this network meets several times a year to set targets, share results and learn about best practices in each of the *métiers*. Industrial activity represents 48% of the Group’s workforce.

The main actions of the House’s various *métiers* are described below. They go beyond simple regulatory compliance whenever necessary to aim for true well-being at work.

As the Group’s different *métiers* have unique working conditions, each *métier* develops a specific system and defines and formalises an HSE policy, which it monitors at its own level. Given the diversity of the House’s actions, this pragmatic approach is the most effective.

Any useful improvements in occupational health and safety conditions, as well as environmental issues, are financed as a priority and off-budget if necessary.

Since 2002, HSE audit cycles at the various units have been conducted by a specialist external consultancy, spread over three years. These audits aim to check regulatory compliance and assess the safety culture of each site. The fifth cycle began in 2018 and eight audits were carried out in 2020, in the context of the pandemic. Audits are also conducted at the time of construction or acquisitions, in order to cover all of the House’s industrial assets over a three-year period. The information system deployed on the sites for the Hermès Group’s environmental reporting is also used to coordinate the follow-ups to these audits and monitor changes in environment, health and safety regulations, with the assistance of a specialist external body.

Leather Goods division

The Leather Goods division has the objective of making its production units safe places, supporting tradition, excellence in *savoir-faire* and innovation. The resources enabling employees to work safely, perform their duties over the long term, and protect their health are a priority within each site.

The division’s senior management meets each quarter to discuss health and safety issues at work. It guides strategy on priority topics, encourages local initiatives and validates the actions of central coordination. An external body conducts regular audits on the degree to which the production units have adopted a strong health and safety culture in accordance with Hermès’ own guidelines.

An HSE manager is appointed in each production unit. This manager monitors the progress plans defined with his or her management in accordance with the Leather Goods & Saddlery division’s policy. The HSE manager deals with everyday matters relating to health and safety at work, working closely with the cross-functional teams (maintenance, occupational health, etc.).

Central coordination ensures the consistency of the improvement plans carried out by each production unit and establishes priorities. It provides material support to the actions carried out on site, selects experts when their participation is needed, and monitors changes in regulations and technical innovations. It develops and distributes shared training, reporting and regulatory compliance tools.

In order to structure the approach, a health and safety at work roadmap was drawn up by senior management and is organised around the following six pillars:

- ◆ eliminate any risk of serious injury;
- ◆ comply with regulations;
- ◆ protect employees’ health over the long term;
- ◆ aim for zero accidents;
- ◆ take care of employees’ well-being;
- ◆ make a health and safety culture at work a permanent consideration of employees.

For 2020, 16 action plans stemming from these six pillars and covering all Leather Goods workshops were managed.

Among the priorities, the fight against repetitive strain injuries (RSIs) was the subject of several types of actions:

- ◆ **the introduction of electric height-adjustable workbenches has begun.** More than 1,000 Leather Goods craftspeople, out of a total over of more than 5,000, already use this device, which makes it possible to easily and individually adjust the working height according to the movement being performed in order to reduce joint stress. The use of this tool is accompanied by a training module developed in collaboration with a team of biomechanics;
- ◆ in addition, **work was carried out in collaboration with biomechanics and physiotherapists to measure the biomechanical impact of each movement performed by craftspeople on a daily basis.** This innovative protocol using new technologies has made it possible to prioritise training actions and define tools to reduce physical stress in strict compliance with *savoir-faire*;
- ◆ **to reinforce the ergonomics skills of key functions in the Leather Goods workshops** and thus support the teams, training specifically adapted to Hermès Maroquinerie-Sellerie was provided to 60 local managers, 80 “ergo relays”, craftspeople whose duties are in part dedicated to the prevention of repetitive strain injuries in their workshops, and 40 employees from support functions (training, *savoir-faire*, etc.). Finally, for the third consecutive year, the ergo-motor skills module “Un Corps Pour La Vie” (A Body for Life) was run in 2020, with the aim of better preparing the organisation and supporting the demands inherent in the specific activities of saddlers and leather workers (for example, warm-up activities). **To date, 2,900 craftspeople and women have been trained;**
- ◆ a shoulder realignment tool, aimed at preventing repetitive strain injuries of the upper limbs, was developed and tested at the Leather Goods workshop in the Ardennes. In view of the very positive results, it was rolled out in 2020 at three other Leather Goods workshops: Allan, Seloncourt and Héricourt. The process is supervised by local physiotherapists.

The special focus initiated in 2019 continued on the prevention of work accidents linked to interventions by outside companies on Leather Goods sites. New methodologies were developed and more than 50 Leather Goods & Saddlery division employees were trained through a two-day module.

The Leather Goods sites provide financial support to the practice of sports and offer daily initiatives to foster well-being. Such actions include stretching and muscle-building courses, the provision of masseurs and the organisation of teams to take part in local sporting and charitable events. Moreover, each Leather Goods site offers muscular awakening sessions or rebalanced physical exercises at the start of and during work.

Lastly, actions to improve the machine fleet, which began in 2014, are continuing, with noise reduction as a major objective. Working closely

with manufacturers or suppliers of equipment, the central teams are revising the systems for noise reduction at source to ensure greater acoustic comfort in the workshops. In 2020, the soundproofing system for digital cutting equipment, which had been introduced at the manufacture de Pierre-Bénite in 2018, was rolled out to six other Leather Goods factories.

Workbench lighting, which contributes to reducing the visual fatigue of craftspeople, and thermal comfort management in workshops are also two issues central to the concerns of the Leather Goods division’s workshops and benefit from substantial investments.

Tanneries division

For several years, the sites have been working to improve health and safety conditions, and many initiatives have already been undertaken, in line with workplace risk assessments. These actions are managed by the HSE managers of each production site, with the support of the Site Managers. All of the data is shared within the division, and joint improvements are implemented at the instigation of the industrial department.

To coordinate cross-division duties relating to HSE, quarterly meetings among the HSE managers of the tanneries are held at the division’s sites or at other Hermès sites. These meetings are a chance to discuss regulatory updates and share best tanneries practice.

To structure the HSE approach on an operational level at all of the division’s production sites, a Health, safety and environment policy was drawn up by senior management in 2020, accompanied by a roadmap for the period 2020-2023.

This policy is based on six strategic axes, around which the sites’ action plans are built:

- ◆ ensure and maintain regulatory compliance of sites;
- ◆ eliminate major risks and aim for “zero work accidents”;
- ◆ protect employees’ health over the long term;
- ◆ control and reduce the impact on the environment;
- ◆ sustainably embed a health, safety and environment culture at all levels of the organisation;
- ◆ guarantee the chemical compliance of leathers over time.

One of the priorities of this roadmap concerns the prevention of risks within the sites. In this respect, numerous training sessions, carried out annually, were provided, in addition to regulatory training: handling of chemical products, movements and postures, OHS (first-aiders at work), reinforced HSE welcome for new arrivals.

These training sessions complement the risk prevention initiatives carried out by site management teams as well as the various initiatives carried out during the year to improve working conditions. By way of example:

- ◆ improved machine fleet safety;

- ◆ improved air collection, extraction and renewal mechanisms in the workshops;
- ◆ reduced noise pollution in workspaces;
- ◆ improving the ergonomics of workstations by modifying production equipment or training by physiotherapists and ergonomics consultants;
- ◆ the acquisition of an assessment tool that automatically quantifies the postural risks that may lead to repetitive strain injuries (RSIs) and thus makes it possible to anticipate them;
- ◆ regular communication campaigns on site;
- ◆ improved safety on sites when renovating buildings, notably at the tanneries du Puy.

This year, all tanneries also continued to work on optimising the management of chemical products, replacing certain substances and measuring employee exposure to certain chemical agents.

In order to control the safety of finished hides from the division's tanneries, the in-house chemical analysis laboratory created in 2019 became operational in 2020. This laboratory is responsible for testing, in addition to independent external laboratories, the chemical compliance of the finished hides with the most stringent regulations in force around the world or with customer specifications. Monitoring is also conducted in order to analyse the permanent changes in regulations, in particular with regard to REACH (registration evaluation authorisation and restriction of chemicals), POP (persistent organic pollutants) or biocide regulations, and to anticipate future regulations.

In addition, performance criteria for occupational health and safety at work are included in the tanneries' incentive scheme agreements in order to underline their importance and to support team motivation.

Farms (United States and Australia)

Actions relating to environmental, health and safety issues are steered by local management teams, assisted, if necessary, by specialist consultants. They also benefit from the expertise of the Hermès' industrial operations department.

Furthermore, in order to strengthen the health and safety culture at work and the prevention of occupational risks on livestock farms and processing sites, external audits by specialised consultants and the widespread rollout of "safety moments" by management started in 2019, continued in 2020.

Numerous actions to prevent risks and improve working conditions were also carried out by site management teams. By way of example:

- ◆ improved on-boarding of newcomers thanks to a mentoring initiative by experienced employees;
- ◆ improved ergonomics at certain workstations;
- ◆ the arrangement of work and storage areas or the renovation of buildings in order to optimise daily production and logistics operations.

Textile division

While the health crisis particularly disrupted the "health and safety at work" programme, it also enabled the Textile division to stress the centrality of HSE issues in the organisation. Thus, the division has maintained its efforts to follow the health and safety strategy set for all sites in the sector. This strategy is based on three fundamental pillars:

- ◆ move towards a clear and efficient organisation;
- ◆ coordinate and share experiences;
- ◆ take action to comply with the HSE sector charter.

In terms of organisation, the establishment manager and the local contact person are placed at the heart of HSE projects, each one having to be an actor and a driving force at their own level and to champion the subjects with conviction. The hiring of an HSE facilitator for Ateliers AS has strengthened this organisation.

To optimise the coordination of actions, HSE network half-days are organised every six months to bring together HSE officers, nurses and Site Managers, to discuss progress and difficulties and to share any new guidelines. Since 2020, a bimonthly HSE Operations Committee meets to address operational issues and share new tools. A mobile discussion group has also been created to facilitate and boost the exchange of information.

The sector's roadmap is based on its HSE charter, which gives the sites a clear vision of the main rules and fundamental values to be developed in order to improve performance in terms of safety and the environment. It is based on four major areas:

- ◆ strengthening and anchoring the HSE culture: through training for Management Committees and managers, as well as discussion workshops with teams. Additional actions have been implemented locally: dedicated HSE welcome booklet, integration of health and safety criteria into the incentive scheme, HSE topics in communication bulletins, employee involvement in maintenance operations;
- ◆ risk management and control: this is based in particular on monthly internal audits (safety inspections), chemical risk management software used on all sites, audits conducted by an external firm, the involvement of insurers who are also involved in risk anticipation and an external advisor for the transport of hazardous materials. 2020 was marked by the rollout of compliance checks for substances subject to occupational exposure limits, the rollout of training and monitoring of equipment for working at height, as well as the reinforced monitoring of external companies and the implementation of actions to reduce the risks of co-activity. Finally, the ATBC, Ateliers AS and AEI sites were audited by the external firm appointed by the Group. These audits led to detailed action plans to improve the safety management system. The actions cover several themes such as the precise definition of roles and responsibilities, targeted training on the risks encountered in the company and the implementation of communication routines and safety audits;

- ♦ controlling and monitoring of the regulatory compliance of equipment and machinery: this priority area was the subject of an action plan common to all sites, defined in September 2018 and the first stage of which, in 2019, was a comprehensive and shared inventory of the anomalies encountered. 2020 was devoted to the treatment of these anomalies, the last phase of the project: 51% have now been resolved, and the aim is to have all points resolved by 2022;
- ♦ prevention of RSIs: handling is the leading cause of work accidents in the sector, which is why this year, communication was strengthened through awareness-raising and training actions, such as golden rules and correct movements. The sector is also continuing its work on the development of workstations with physiotherapists and ergonomists. Numerous other local initiatives have made it possible to limit employee exposure and improve the ergonomics of their workspaces (handling equipment and trolleys/clamps, hoists, posture review, height-adjustable workstations, conveyors, etc.).

Cristalleries Saint-Louis

Management's commitment to health, safety and the environment has been set out in a formal policy. This is developed and coordinated by all of the Company's departments, which contribute to its application. In 2020, HSE topics at the crystal manufacturing division were coordinated by a safety facilitator, a nurse, an environmental engineer, and a technical Health, Safety and Environment manager.

The safety at work initiative, launched in 2018, was reinforced by an assessment carried out with the help of an external consultant, conducted over several years and with all employees. The feedback at the end of 2019 made it possible to establish a general and detailed roadmap for each department. An "observatory" made up of management, the health and safety department, employee representatives, craftspeople and department managers was set up to ensure monitoring.

Each department regularly feeds into an action plan for the management and continuous improvement of working conditions, particularly in terms of ergonomics. The most significant actions in 2020 were: the installation of a new maintenance workshop, the improvement of the ergonomics of "picking" and "grinding" operations in the hot-part workshop, the replacement of the internal transport vehicle or the renovation of the roof and the replacement of the lift in the logistics building.

The update of the chemical risk assessment of the production units made it possible to specify the level of exposure of certain homogeneous exposure groups (HEG). The results of these samples revealed the performance of the actions previously carried out and made it possible to identify additional actions to be implemented. Among the most important are: the implementation of suction systems at workstations in the maintenance workshop, new equipment for transferring raw materials in the composition workshop and the optimisation of process settings.

In 2020, a "lead committee" was set up, made up of workshop managers, members of the Health, Safety and Working Conditions Committee, the HSE team and the Company's management. Lastly, as regards regulations relating to arduous working conditions, production units still operate using the "alternating shift work" patterns, in particular the "material preparation" and "cutting" workshops.

Perfumes

Following the SATIN survey, working and discussion groups were organised at Comptoir nouveau de la parfumerie in 2020. They made it possible to define areas for improvement and recommendations grouped around three themes: management, professional development and mobility, and workload. The concrete action plan resulting from each of these recommendations will be drawn up at the level of each department in order to provide the most appropriate responses to each context, while ensuring consistent consolidation at the level of Comptoir nouveau de la parfumerie.

The implementation of the Integrated Management System (IMS), initiated in 2018 and based on ISO Quality, Safety and Environment Corporate social responsibility standards, continued on the basis Comptoir nouveau de la parfumerie's Quality Safety Environment policy and associated objectives. Regular HSE site visits, internal system audits, process reviews, monitoring of indicators and formalised management reviews help to ensure its smooth operation.

Launched in 2019, the OPERA (Organisation of Production in Responsible and Autonomous Teams) project is also continuing its implementation within production teams. This comprehensive approach makes it possible to broaden the range of professional skills of production staff, to acquire new *savoir-faire*, to evolve in the organisation, to be more independent through the valuing of skills, to be actors in improving the organisation of work and the team and gaining access to new responsibilities, to promote professional development through better monitoring of training. In concrete terms, since the end of 2020, production staff have been following a skills development pathway based on eight defined themes: packaging, quality, adjustment, safety, supply, coordination, continuous improvement, sheathing, each broken down into three levels of expertise. Each employee personalises his or her career path according to their aspirations and the needs of the Company.

In order to improve workplace ergonomics, a collaborative robot was installed on one of the perfume packaging lines to carry out the packing and unpacking operations, previously carried out manually by an operator and bearing a repetitive strain risk.

J3L

The J3L group, which joined the Hermès Group in July 2020, has considered HSE topics to be a formalised priority area since 2014.

The J3L division consists of six production sites covering all stages of the manufacture of metal parts, as well as a central entity housing various support services and the single-entry point for the various Hermès *métiers* and other customers. This division has existed in this form since 2015 and today represents 580 employees.

On the basis of a detailed regulatory audit of each entity, carried out at the end of 2013, J3L embarked on a programme of HSE compliance actions: numerous investments, internal actions supported by external partners were put in place, implemented between 2014 and 2017. The site departments drove around 80% of the actions carried out, supported and advised by the industrial performance manager who led the rest of the joint and cross-functional actions at the sites.

At the end of 2017, the regulatory assessment was updated *via* a new audit which validated nearly 75% of the priority actions. This assessment also included an assessment of the level of safety culture.

The HSE project continued its structuring from 2018 to 2020. Industrial performance now coordinates an HSE community made up of HSE managers or intermediaries at each production site. This community meets twice a year, holds monthly conference calls, organises one or two working groups per year on priority themes, and carries out an annual review with the establishment of a common roadmap in the presence of the Site Directors.

Among the topics in 2020, the following stand out:

- ◆ continuation of the “working at height” programme initiated in 2019, the Hermès Group’s annual theme;
- ◆ implementation of a training and coaching programme in HSE leadership, for all departmental managers in the division. The objective is to discover the challenges related to the safety of employees and to learn how everyone, in line with their own *métier* and *savoir-faire*, can participate in the prevention of work accidents for themselves and for others;
- ◆ carrying out a transport and hazardous materials (THG) audit, together with the appointment of a safety advisor, common to the division, to facilitate the sharing and processing of points to be improved.

Retail operations and other functions

Within Hermès Distribution France, the sustainable development ambassadors appointed in each store help to roll out the values of inclusion and CSR. At their initiative, well-being briefs were organised in some stores (initiation to meditation, breathing exercises, stretching, etc.). To support sales associates who had a heavy workload at the end of the year, 145 massages performed by a company which employs people who are blind were offered in seven stores.

Within Hermès Distribution Europe, an engagement survey conducted at European level in 2018 led to the establishment of working groups in 2019 on various topics, with results bearing fruit in 2020.

In the United Kingdom, recent employee surveys measuring engagement and well-being resulted in high scores. Among the various schemes, an individual well-being allowance is allocated to each employee to help take care of their physical health and well-being. In addition, free weekly cardio training lessons, mindfulness sessions and

workshops are offered, as well as free in-home access to virtual exercise subscriptions through the Company’s private health insurance. Employees have been trained to provide mental health first aid. Individual interviews were organised with the HSBC Bank for all employees experiencing financial difficulties in managing their budget.

In Germany, a Glassdoor-type survey conducted by Kununu was launched among employees. Conducted in October, this study will identify areas for improvement for 2021. A daily fitness programme is also offered to employees.

In the United States, Hermès Of Paris launched its second employee engagement survey. The objectives of this survey were to establish qualitative benchmarks to measure the progress made while reaffirming to employees the importance of inclusion. In addition, the survey goals are also to collect actionable data, to obtain employee feedback on the organisation and support future organisational growth in the best way. Hermès Of Paris has committed to conducting an employee engagement survey every two years.

The survey conducted in August saw 755 employees express their views, representing a very high participation rate of 91%, up from the first survey, which already stood at 83% in 2018.

The survey is intended to measure the degree of alignment of employees with different levers of engagement or motivation relating to pride, team dynamics, fairness, job satisfaction, leadership, communication, work-life balance, professional development and growth, retention and corporate social responsibility.

The most positive response was the statement that employees are proud to work for Hermès, with which 98.5% of Hermès Of Paris employees agreed, followed closely by several items, for which the scores were also very high:

- ◆ Hermès is a socially responsible company 96%;
- ◆ dynamism of the team, encouraging people to do their best 94%;
- ◆ being treated respectfully at work 89%;
- ◆ job satisfaction by making the link between work and company objectives 97%;
- ◆ openness and quality of communication with management 92%;
- ◆ working at Hermès offers a healthy work-life balance 89%;
- ◆ ability to see yourself still working at Hermès in three years’ time, 93%.

The survey also included open-ended questions, which made it possible to collect numerous statements about Hermès’ culture, the business and opportunities for change and innovation. Hermès Of Paris received 2,683 responses, totaling 255 pages of comments. After analysing this material, Hermès wants to focus on improving communication practices, sales processes, talent development and learning opportunities, omni-channel selling methods and employee engagement initiatives.

In addition, initiatives on diversity, inclusion and family were launched, including action committees and conference series. A health and welfare reimbursement (\$100 per year) was offered to all employees. The month of October has been designated “Health and Well-being Month”.

In Mexico, given the context of insecurity, psychological support sessions were organised to help team members improve their confidence and reassurance.

In Japan, all employees were approached as part of two surveys. The first, on their commitment to work, obtained a participation rate of 94% and involved 718 employees. The second, an update of a survey on stress management at work already carried out in 2018, obtained a 98% response rate.

The engagement study covers numerous areas in order to improve working methods, such as the expansion of non-sales workspaces (inventory, rest areas, locker rooms, etc.), the introduction of flexible working hours for office staff, key employee motivation points and work organisation issues.

All employees have a mandatory annual medical check-up (exceeding regulatory requirements). The local policy of maintaining wages during maternity leave, in accordance with the Group’s policy, was effective. Coverage of hospital stays for employees has begun to apply to real cases. Every year, all employees carry out a stress level check, following which the company doctors provide them with personalised advice, which may include a temporary sick leave. Yoga classes are offered in many departments and relaxation areas have been introduced in offices.

Logistics division

For the past five years, the Bobigny site, one of Hermès Commercial’s two sites, has been constantly introducing improvements. Logistics ships more than five million products to 306 stores each year. Faced with a constantly increasing flow, various projects are carried out to mechanise certain tasks despite the wide variety in terms of product turnover, volume and value. Thus, the time between receipt and shipment of a product, previously lasting 15 days, has been reduced by more than 30% while developing more targeted quality control, ensuring uniform quality and improving working conditions.

Logistics is increasing its productivity, but above all, remains attentive to ensuring that operators develop new skills, flourish and feel collectively responsible for the proper functioning of the site. This is the goal of the Pulse project launched in 2018, which consists of installing machines in several phases to improve efficiency and mechanise difficult or repetitive tasks, limit shifts in load and optimise employee travel. During this third year of the Pulse project, the modernisation of the site is continuing, driven by a common desire to be efficient and to value the work of everyone. In addition to the renovation of the locker rooms, a pilot scheme is under way with a shuttle bus from the metro station in the morning.

Two concrete projects have significantly reduced the risk of repetitive strain injuries (RSIs) on certain operations.

Hermès Femme and IDO

Internal communication on CSR was carried out during the year in order to engage all teams. Several CSR projects were presented at Hermès Femme’s monthly meetings, bringing together more than 250 employees connected simultaneously, with open Q&A sessions. Hermès Femme’s sustainable development team was expanded in 2020 with the arrival of an employee in charge of implementing circular economy projects across the *métiers* and entities of the Company.

Real estate division

Since 2019, the Hermès Group has implemented a process aimed at gradually ensuring that all occupied buildings have air quality in which concentrations of the main pollutants are below the levels recommended by the World Health Organisation (WHO).

In China, the Hermès stores in Shanghai IFC, Xiamen, Qingdao and Harbin are the first stores to have been equipped with systematic pollutant measurement systems and efficient air filtration, resulting in a reduction in the number of particles of around 90% between outdoor and indoor air.

In 2020, special attention was paid to the well-being of users of the new Guyenne Leather Goods workshop in St-Vincent-de-Paul (Bordeaux), with natural lighting, soft light in the workshop, an efficient heating and cooling process, a high quality of fresh air and effective acoustic treatment. Biophilic design, incorporating pleasant natural spaces, is also a source of well-being.

Hermès Group Services

In the summer of 2020, Hermès Group Services’ teams moved to a brand new building, named *Carrousel*, in Pré-Saint-Gervais. Renovated, this brick and glass building has been rebuilt to create light and bright modern offices, suitable for teamwork in the twenty-first century. Boasting three environmental labels, Well, Breeam and High Environmental Quality, *Carrousel* was designed to promote the well-being of teams.

Holding Textile Hermès

Since 2018, the division has been conducting a major transformation project at its manufacture de Pierre-Bénite: the *Passerelles* project. Its ambition is to build a living space to welcome, connect, grow together and make the Holding Textile Hermès industry really shine. The expected benefits are as follows:

- ◆ anticipate changes in the production capacity of Ateliers AS to meet customer expectations;
- ◆ professionalise the management of production flows through a sector logistics organisation;
- ◆ develop operational proximity between production and support functions;
- ◆ support increases in the division’s headcount and the development of working methods for better living together, thus consolidating its local integration.

The physical organisation of the manufacture de Pierre-Bénite is therefore set to change as part of this project, which places people and the environment at the heart of its choices.

While waiting for the delivery of the final buildings, the various teams concerned are experiencing a transition period in temporary living spaces. In order to maintain good working conditions, without compromising on employee safety, and wishing to use this period as a time for experimentation and accompanying the change, Holding Textile Hermès has implemented certain actions:

- ◆ definition of a plan to support change on four major axes: management, communication, test & learn, participation; conducting impact analyses and specific workshops;
- ◆ regular feedback on the changes implemented, introduction of “attitude agreements” on the basis of this feedback in order to find an operating mode adapted to the transitional spaces, the results of which will enrich the new project;
- ◆ implementation of participatory workshops to build future living spaces together that meet the needs of employees and the desired changes: catering, reception, parking and new modes of transport;
- ◆ co-construction of the future offices by running 24 workshops involving more than 90 employees, who were able to define their layout and project their individual, collective and managerial modes of operation onto these new spaces;
- ◆ management of various experimentation levers: tests of furniture, opening up of offices, customisation of spaces;
- ◆ making regular communication with all employees in the sector a key event: publication of two newsletters per year, production of films showing the progress of the project (in particular the delivery of the industrial part) and interviews with employees, updates on the progress of the work and any discomfort generated;

2.2.1.1.2 Organisation of working hours and schedules

Given the diversity of its activities, the Group gives its subsidiaries a **great deal of freedom in the organisation of working time and flexible working hours**, in order to be able to adapt them as closely as possible to the realities of their *métier*. In this context, Hermès pays particular attention to compliance with the regulations applicable in the countries concerned in terms of working hours, maximum working hours and minimum breaks, depending on the activities. The Group encourages each entity to put in place all measures likely to contribute to the well-being of employees at work, such as flexible working hours for French entities.

The Group Director of Human Resources and in particular the Director of Labour Relations, issue general contextual instructions, for example during the health crisis, negotiate agreements and carry out arbitration on any complaints, and intervene in the event of non-compliance with the general rules established by the House.

With regard to work-life balance, the Group communicates internally to share best practices and encourages subsidiaries to apply them. Managers are expected to be role models.

Given that 84% of employees are either craftspeople or work in stores, teleworking is less significant than in other industries. Except in exceptional circumstances, it is examined on a case-by-case basis, particularly in France. Globally, 95% of employees work full-time. Some 762 employees worked part-time in 2020. Various working time flexibility schemes have been established, notably in the Leather Goods workshops (47% of employees in France).

Flexibility at Hermès more often means adaptation of working hours on the sites than the systematic use of teleworking. Through its philosophy and its activity with a strong craftsmanship component, the House values the presence of the teams and attaches particular importance to working together, which necessarily involves a significant presence on sites. Creation appears to be essentially collaborative work that draws on the exchange of ideas and direct contact.

61% of the production workforce benefits from working time arrangements.

Work-life balance

The annual appraisal form for all sites in France has been adapted to include a discussion on work-life balance, a subject systematically addressed during the annual appraisal that each manager conducts with each of his or her employees.

Hermès Maroquinerie-Sellerie

With the exception of the training workshops, which follow fixed schedules to ensure the pedagogical quality of the apprenticeship programmes, all production workshops benefit from a flexible work schedule.

Extended periods are offered on all sites for the morning arrival, lunch break or to leave the production unit at the end of the day. Each craftspeople is responsible for distributing its hours over the week and thus benefits from significant flexibility to combine their working hours and personal life. These time slots are extended in the event of external constraints (heatwaves, strikes, etc.).

Holding Textile Hermès

Members of the Management Committees were asked to monitor the annual leave taken and the recuperation time of their teams. Rules and deadlines have been put in place to allow each employee to reduce untaken hours and leave. Within SNC, an additional break was introduced for seamstresses and a flexible working schedule was introduced. Staggered arrival is authorised on the first day of the school year.

Logistics

The operations of the logistics department were reviewed as a whole, both in terms of people and productivity. In addition to the reorganisation of tasks, the introduction of work tools and training, and a new working time agreement now provide more flexibility.

Employees now benefit from variable arrival, lunch and departure times. They have a minimum number of hours to work per week, with the possibility of working more. This change, which is rarely so extensive within a logistics site, is both a major managerial change and a sign of trust in employees. It has been very well received by the teams, who experience less stress in the morning and can adapt their schedules to their personal constraints and changes in volumes. Clear communication on figures and activity enables managers to anticipate peaks and to give everyone responsibility.

In addition, the Switch multi-skills programme, which began two years ago, trains volunteer employees in a wide range of logistics *savoir-faire*. The “Switchers”, numbering 30 at the end of 2020, work on similar jobs, as well as on very different assignments, for example by alternating quality control, preparation, shipping and e-commerce. This virtuous principle reinforces the flexibility of the *métier*: by developing their skills, these operators can also better meet the various needs in the event of a peak in activity.

United States

To ensure the physical and mental well-being of the teams, a number of arrangements are offered. All sales associates benefit from a continuous weekend off each month. Hours have been changed in some stores to avoid employees having to work on Sundays. Extra care is taken in the preparation of schedules and rotations to ensure an equitable distribution of late work, particularly during busy periods. In addition, compensatory time of 30 minutes is granted for late hours in high season.

All employees can legally request flexible working hours, particularly in the event of childcare constraints. Parents can also combine their working hours to alternate four weeks of work and one week of rest. All employees with more than 10 years of service are now eligible for five weeks of paid leave.

Annual leave is planned from the end of the previous year to ensure that everyone uses all their rights and that rotations are balanced.

Japan

Given the culture of strong engagement, employees are encouraged to take at least their annual holiday of five days. Management ensured that all Hermès Japan employees complied with this legal requirement. Detailed information on overtime hours is communicated to management each month so that it can monitor the working hours and rest of its employees. Employees whose overtime hours are significant or excessively high have a meeting with the company doctor and are subject to increased vigilance by their manager.

South Asia

Employees are encouraged to use all their annual leave. In Singapore, additional childcare leave was granted to employees with children aged 12 or under.

Distribution Europe

Overtime and associated rest are monitored on a weekly basis in order to preserve everyone’s rest time.

For example, in Italy, headquarters employees enjoy great flexibility, which is much appreciated, in their arrival times in order to adapt their professional life to their personal life (public transport, children to drop off at school, etc.).

Teleworking

The health crisis has greatly increased the use of teleworking. During the two lockdown periods, the number of employees teleworking is estimated at more than 4,000. They demonstrated strong commitment and very satisfactory engagement, which made it possible to limit the impact on projects or deliverables. In support functions, teleworking was generalised on all sites during the two lockdown periods and during the intermediate summer period.

In order to prevent the psycho-social risks associated with both the isolation that may be experienced during teleworking and the climate of health uncertainty and associated anxiety, each manager and member of the human resources function contacted their direct teams in order to obtain news and identify any additional needs specific to this period.

Within Holding Textile Hermès, specific tools were provided to facilitate teleworking by designers and colourists.

2.2.1.1.3 Absenteeism

In France, the absenteeism rate was 9.58% (4.1% in 2019). The rate of absenteeism was notably impacted by the health crisis, particularly during the first wave of lockdowns, during which compensation was maintained in all countries even when teleworking was not possible. Thus in France, in addition to Covid-19 cases and contact cases, a certain number of employees had to be placed on authorised paid absence for various reasons including the closure of production workshops and stores and, for reasons related to the health context such as childcare or the need to protect vulnerable people. These factors increase the absenteeism rate accordingly. **The Group’s absenteeism rate stood at 6.45% in 2020** (compared to 2.9% in 2019). This restates the cumulative number of hours of absence for the following reasons over a period less than or equal to 90 consecutive days: illness or occupational illness; absence as a result of a workplace or commuting accidents; and unjustified or unauthorised absences.

Changes in absenteeism are systematically monitored and analysed by entity in order to identify causes and propose action plans. Return-to-work interviews are one of the tools that HR departments use for improvement. This type of measure helps to encourage dialogue and to better understand the causes of the absence while respecting medical confidentiality. Managers are also trained in managing returns to work based on the type of absence, which is a key element for limiting their frequency.

This monitoring system has led certain companies to establish short- and medium-term objectives with regard to absenteeism. These objectives are accompanied by initiatives focusing on an improvement of working conditions, development of versatility or manager training regarding the management of absenteeism. Measures adopted include communication, awareness-raising and prevention actions (vaccinations, presence of a doctor on the sites, etc.), but also control, in order to increase the accountability of employees and managers. Moreover, based on the demographics of certain sites, specific actions have been implemented in order to support maternity under the best possible conditions. These specific action plans consist, for example, in adapting workspaces, or putting in place preventive measures aimed at enabling pregnant women to remain in employment, if they so wish, until the start of their maternity leave (see chapter 2 "Corporate social responsibility", § 2.2.2.1.3).

2.2.1.1.4 Work accidents

The diversity of the Group's *métiers*, which are both industrial and retail, and its geographical locations in France and abroad, make it difficult to make global analyses and comparisons of work accident statistics. Health and safety are a key priority for all of the House's managers.

For a number of years, Hermès has been developing a policy to prevent work accidents, occupational illnesses and repetitive strain injury, as well as an active policy to maintain employment and prevent people being unable to work, based on a number of awareness-raising campaigns (nutrition, physical activity, etc.).

In 2020, the frequency rate of lost time work accidents for the Group as a whole stood at 9.08, with a severity rate of 0.41 (respectively 10 and 0.45 in 2019). This calculation is based on the total number of actual hours worked. It is difficult to interpret because of the variety of *métiers* in the Group. No work accidents resulted in fatalities in 2020.

In France, the frequency rate is 12.30 with a severity rate of 0.67 (respectively 14.3 and 0.71 in 2019). The industrial workforce represents 77% of the workforce in France, and consequently affects these rates. The rates for the main *métiers* concerned (leather and crystal) are below the rates for their industries.

Looking at figures for International alone, the frequency rate was 4.72 and the severity rate was 0.06 (respectively 4.3 and 0.11 in 2019).

In order to prevent the risk of road accidents during business or personal travel, a Group programme has been prepared in France covering a multi-year plan of practical training and awareness-raising workshops.

Leather Goods division

In the Leather Goods division, the frequency indicator for work accidents with and without lost time, in relation to activity, improved by 30.5% between 2019 and 2020. The severity indicator for lost-time work accidents in relation to activity improved by 70.4%.

Each work accident or major event (near-misses with significant potential severity, for example) is the subject of an investigation with an analysis of the causes, the conclusions of which are systematically shared with the other Leather Goods division production units. Thus, a sharing of experiences and best practices is in place, allowing health and safety at work departments to exchange their opinions and think about common solutions to the risks identified.

Tanneries division

The Tanneries division ended financial year 2020 (12 rolling months) with a frequency rate of 35 and a severity rate of 1.37. While the frequency rate has worsened compared to 2019, the severity rate has decreased. These results encourage us to maintain constant vigilance and to multiply our actions in terms of risk prevention and management. Improving the safety culture remains a priority for the division over the coming years. Each work accident or significant incident is the subject of an analysis to identify the causes and an information note distributed to all sites so that preventive actions can be implemented.

Crystal manufacturing division

In 2020, the frequency of reporting of high-risk situations improved significantly (the frequency rate was 26), the result of an awareness-raising initiative that is gradually embedding itself in daily operations. The severity rate remains low (1.22). The organisation put in place made it possible to involve all employees on a daily basis. A steering committee meets monthly to assess the performance of the system.

A process of periodic audits of the various sectors by the relevant managers was initiated in 2020, in order to maintain the transversal momentum of this project. The members of the Social and Economic Committee, recently trained in risk prevention and workshop visits, will join the pool of auditors from 2021.

Textile division

The Textile division ended financial year 2020 with an accident frequency rate (rolling 12 months) of 7.44 and a severity rate of 0.89. These very positive results mark a drop of 39% in the frequency rate and encourage us to maintain our target. Currently, each significant incident is thoroughly investigated, leading to corrective actions. Feedback on major events is produced and distributed to all sites in the sector.

Perfumes

The number of work accidents with lost time remained limited in 2020 (the frequency rate was 6.19) and the severity level is low (0.065). These two indicators remain well below the rates for the chemicals industry. Accidents are mainly related to travel or traffic on site. All minor accidents are tracked and monitored daily. Action plans are initiated in the event of significant potential severity or recurrence. As every year, a campaign to monitor employee exposure to chemical agents was carried out.

2.2.1.2 SHARING THE CORPORATE PROJECT AND ITS VALUES

A pillar of Hermès' coherence and uniqueness, this desire to share values, which strengthens the sense of belonging and enhances understanding of the business model, is driven by three main challenges: facilitating adherence to the corporate project, informing and enriching the employee experience, bringing the culture to life and driving collective dynamics. This challenge guarantees the long-term effectiveness and cohesion of the teams and the sustainability of the business model.

Since 2018, all new employees have taken part in Hermès corporate culture training.

2.2.1.2.1 Facilitating the adherence of employees to the corporate project

In the specific context of the health crisis, internal communication played a central role in 2020. By regularly informing employees, it has helped to mobilise them around the business model. By maintaining the House's connections, with the various communities and within the teams, it also continued to bring to life the culture and values of a people-focused House.

The many internal communication systems have been reinvented and intensified. The *HermèsSphère* digital workplace has been an essential internal medium:

- ◆ newsfeed publications have refocused on unifying messages from general management and echoed the House's day-to-day news, so that employees could follow the Group's progress;
- ◆ a great deal of content related to the corporate culture was shared to feed the knowledge, a way to recall the origins of the House and its fundamentals. *H TV*, the in-house video channel, has been enriched by a new series entitled "Living Heritage" presenting the vocation of the Hermès *Conservatoire des Créations* team and several objects from the collection;
- ◆ the *HermèsSphère Rewind* newsletter, previously weekly, has been transformed into *HermèsSphère Day to Day*. By announcing the publications of the day, it has become an unmissable and expected event;
- ◆ when lockdown was introduced in the United States, the *Bonjour HOP* series was launched in the space dedicated to employees of the American subsidiary Hermès Of Paris. The American teams were able to start each day with the message of a friendly face: photos, anecdotes, words of encouragement.

HermèsSphère is gradually expanding its audience and is preparing to be launched at Hermès Japan and Hermès China, in addition to their current advertising, in a renewed format and with permanent content in Chinese and Japanese versions. These versions will also benefit from a contribution area dedicated to their employees.

During the year, the Chief Executive Officers, the Management Committees and the managers of the various entities were invited to numerous meetings and seminars, mostly virtual, in order to share the lessons learned from the crisis and share the course of action and the challenges but also to participate in discussions.

In France, the entities have reinvented their internal communication method to stay as close as possible to the teams, share news, present projects and answer questions, with initiatives such as the "Workshop cafés" aimed at craftspeople in the Hermès Maroquinerie-Sellerie Craftsmanship division.

Hermès Maroquinerie-Sellerie has launched several studies and projects aimed at supporting growth and driving change. Among them, internal communication aims to transmit the House's culture, to bring to life the values, and to maintain a strong bond between each employee despite the distances involved. First concrete achievement, the programme "HMS unveils itself" was offered from April to October. Once or twice a week, a Hermès Maroquinerie-Sellerie employee took the floor during a virtual meeting to discuss a topic: his or her *savoir-faire*, *métier* or role, a project or a passion. Since November, the monthly newsletter *Le point Sellier* distributed to all employees of the division has replaced it. A fun and joyful way to share news from the division, teams and projects.

Newsletters and internal newspapers multiplied in 2020, both in the distribution network (Belgium, Mexico, Spain, China, France, Japan, Brazil, etc.) and in production channels such as the Hermès Horloger division, John Lobb and Holding Textile Hermès. An effective way to involve employees in the activity and results of each subsidiary, to maintain the link, to celebrate career paths and welcome new employees.

Internationally, to bring subsidiaries that are further away from the heart of the House and foster relationships, the members of the Executive Committee have often spoken to employees. At the initiative of Hermès Of Paris, employees from North America, South America and Canada were invited to a virtual session with Axel Dumas, Executive Chairman of Hermès, to listen to the story of six generations of entrepreneurs and share the vision of the future.

In the vast South Asia region, which includes entities located in Australia, Malaysia, Indonesia, Singapore, India, the Middle-East, Thailand and Korea, the Regional Management Committee set up "Virtual Townhalls" in order to communicate on the results and strategic challenges, to collect testimonials on different themes and to discuss actions related to the management of the health crisis. An opportunity for all employees in the region to also be able to question the Management Committee during these meetings.

2.2.1.2.2 Fostering the collective dynamic and family spirit

The networking mechanisms contribute to the development of employees throughout their career in the House. They enable transformative discoveries, preserve the quality of the connections and foster curiosity and open-mindedness.

In early February, the traditional Podium Discovery Day gave around 40 craftspeople from production sites in France and Switzerland the opportunity to discuss new collections with the *métiers*, to discover the Hermès *Conservatoire des créations* in Pantin and to take a guided tour of the Faubourg-Saint-Honoré store.

However, health restrictions prevented the "Tandem" programme, created in 2008, and the "Tilbury" programme, launched in 2018, from running. These occasions, where people from the complementary worlds of craftsmanship and sales meet, share and discuss, involve craftspeople and women, sales associates, store managers and

production Site Managers, who each spend a week “in the shoes” of another person. In 2019, more than 30 such operations were carried out.

Although the year was not conducive to geographical exchanges, the spirit of the network remained very much present thanks to local “live my life” initiatives. At John Lobb, for example, the programme took the form of networking between the support functions, the workshop and the stores, supplemented by the “Lobb Business Buddy” programme, an international mentoring programme between various John Lobb employees. Hermès Commercial, Hermès Maison, Puiforcat and Holding Textile Hermès have also offered “live my life” within their entities. Footwear and Jewellery division, activities managed by the same Executive Vice-President and Artistic Director, have created a network between these two *métiers*.

The *Prix de l'Adresse*, an internal competition that revives little or no longer used *savoir-faire* is a true invitation to go the extra mile for volunteer craftspeople. In teams, supervised by technical advisors and Human Resources employees, participants have several months to manufacture an exceptional item from the Hermès *Conservatoire des collections* or to create an original item. **In 2020, the 5th Prix de l'Adresse was prepared, ready for launch next year. In the meantime, a travelling exhibition “La Caravane du Prix de l'Adresse”, featuring the winning pieces of the first four editions, was presented in January in Pantin, where it received more than 1,100 visitors.** It then took to the road to cover eight stages in Paris, Normandy, the Ardennes and the Franche-Comté division. The adventure will continue in 2021.

2.2.1.3 MAINTAINING THE QUALITY OF SOCIAL DIALOGUE

It is Hermès' policy to constantly ensure that it implements and guarantees both high quality social dialogue and freedom of expression for its employees. This involves both collective bargaining and daily participation by employee representatives in various projects. It is essential to the functioning of the Hermès Group's various companies.

In France (63% of employees), **social dialogue is organised on a company-by-company basis, through representative bodies and agreements signed each year.** In other countries, dialogue takes various forms, depending on local customs and regulations. The Hermès Group's ethics charter confirms Hermès' commitment to the conventions of the International Labour Organization (ILO), especially with regard to freedom of association. In all the countries concerned, the policy is to ensure that the principles of freedom of association and collective bargaining are implemented, in compliance with local regulations. Hermès does not interfere with and encourages the free exercise of these fundamental rights for workers.

With regard to distribution activities, the quality of social dialogue internationally depends on respect for freedom of expression and satisfaction surveys that are regularly conducted by the Human Resources Directors of the area (or country, depending on the size of local markets). Carried out anonymously, these surveys allow employees

to express themselves in complete confidence and with total freedom on various aspects of their work. For example, the survey carried out at the end of 2018 in 10 European countries made it possible to ask employees about their level of resources, pay equity, the link with performance and the balance between professional and personal life. These are all subjects that contribute to quality social dialogue. Throughout 2019 and 2020, working groups were set up and implemented action plans. Similar surveys have been carried out in the United States and Japan.

In addition, in 2020, throughout the lockdown and store closures, numerous internal communication meetings, cross-functional projects aimed at involving all employees, as well as training initiatives, were developed in order to maintain a link and a high-quality social dialogue with all employees.

In France, all companies concerned set up their SECs (Social and Economic Committees) on 31 December 2019, taking into account the reality of the organisation of the various divisions or sites. This tailor-made approach has made it possible to structure things according to the needs and social and operational realities of each entity. The Social and Economic Committee has replaced the elected employee representatives in the Company. It merges all the employee representative bodies, employee delegates, Works Council and the Health, Safety and Working Conditions Commission.

In France, social dialogue also takes place through the annual meeting of the Group Works Council, which fosters discussion with employee representatives and representatives of the five national trade unions present in the Group. This meeting enables dialogue and the sharing of results from the previous year and the outlook for the coming years. Furthermore, a Social Dialogue Monitoring Committee (France) was set up in 2008 pursuant to the agreement on social dialogue and the exercise of union rights within Hermès Group companies, signed in 2008 by all of the representative trade unions.

In early 2020, as a follow-up, this Monitoring Committee sent anonymous questionnaires to all employee representatives (and their deputies), managers of representatives and a panel of employees. Three joint working groups were set up in 2019. Composed of a representative from each trade union, two members from Human Resources, a manager and an employee, the task of these working groups was to provide answers to the concerns and difficulties identified, on the following topics: “The attractiveness of mandates and the role of employee representatives”, “Communication and the image of employee representatives” and “The training and development of the skills of employee representatives”. Finally, all of these proposals were presented at a plenary session in July bringing together all those involved in the renewal of social dialogue. These proposals served as the basis for discussions undertaken in the framework of the renegotiation of the Hermès Group agreement on social dialogue and the exercise of trade union rights in September 2020. The labour relations department and the Group union coordinators met twice face-to-face and continue to negotiate remotely due to the health situation.

Social dialogue in France is also nourished by the annual meeting of the reflection and exchange group on healthcare costs, a forum for dialogue set up on a voluntary basis to allow constructive exchanges on the balance and evolution of the healthcare cost regime applicable within the majority of the Group's companies.

In the various French companies, social dialogue thus involves the permanent operation of these employee representative bodies and a robust and active collective bargaining process. Collective agreements have been concluded in all companies that have union representatives or with the Social and Economic Committees authorised to negotiate certain agreements. **In France in 2020, 69 agreements and amendments were signed (including a group agreement for the payment of a profit-sharing bonus for financial year 2019, a group agreement on emergency measures to deal with the Covid-19 pandemic, and a second group agreement to promote the professional integration and job retention of people with disabilities)** on subjects as varied as salary increases, incentive schemes and profit-sharing, working hours, or gender equality.

Social dialogue has also played a central role in managing the consequences of the Covid-19 crisis in the various French companies and internationally. A group agreement on emergency measures to deal with the Covid-19 pandemic was signed electronically on 26 March 2020. **This agreement made it possible to implement a whole series of measures intended to support the temporary closure of the sites, in particular the full maintenance of the usual compensation of employees in a situation of inactivity, the use of teleworking and the taking of one week's paid leave by all employees.** Regular formal meetings and ongoing discussions were held with union representatives, the Social and Economic Committee and the Health, Safety and Working Conditions Commission in order to monitor the economic and health status of each Group company. The relationship with personnel bodies and trade unions was decisive in supporting employees during the lockdown, as well as in preparing for the resumption of activity. Remote social dialogue continued with dedicated groups on social networks, consultations with employee bodies by video-conference or by the electronic signature of agreements.

2.2.1.4 IMPLEMENTING VALUE-SHARING MECHANISMS THROUGH AMBITIOUS COMPENSATION POLICIES

Hermès pays constant attention to the compensation conditions and development of all its employees, in order to offer them comprehensive compensation packages and recognise their contribution to the House's development.

At all levels of the organisation, equality of opportunity, diversity and inclusion in terms of employment, training, supervision and remuneration are truly supported by the House's commitment, whose objective is to take concrete and sustainable actions.

The compensation policy therefore consists of offering a wide range of individual and collective compensation schemes, because the Group believes that each individual contribution creates value and contributes to the collective dynamic that makes it possible to achieve its medium- and long-term development strategy.

This ambitious policy incorporates the following elements and benefits:

- ◆ in the short term, fixed salaries, individual and collective bonuses, paid holidays, and various profit-sharing schemes;
- ◆ in the medium and long term, employee shareholding plans awarded to all employees worldwide;
- ◆ post-employment benefits through end-of-career bonuses and supplemental pension plans that are set up for the vast majority of employees and in accordance with local legislation and market practices;
- ◆ lastly, social protection schemes enrich the employer offering with additional health and personal protection guarantees.

Compensation levels within the various entities, in accordance with Group policies, mainly reflect the skills and *savoir-faire*, level of responsibility and the needs of the subsidiaries and local employment and compensation markets.

The Group's policy, in France and abroad, is that all of its employees should receive overall compensation that competitively meets best market practices, strictly complies with applicable standards and regulations, and is higher than the minimum legal or locally defined salaries. This attitude is illustrated, for example, by the granting, on several occasions in recent years, of rights to Hermès International free shares to all its employees worldwide (see § 2.2.1.4.2 below). For the third year in a row, Hermès is paying all employees on permanent contracts worldwide an exceptional and additional bonus in respect of 2020 of more than €1,000 in recognition of their contribution to Group performance.

In terms of social protection, employees are protected against the major risks of everyday life. Benefits cover the risks of mortality (accidental and all other reasons) and long-term illness, but also medical and maternity care, and retirement.

The compensation paid to Corporate Officers is shown in chapter 3 "Corporate governance" of this document.

2.2.1.4.1 Compensation

The annual change in compensation in all subsidiaries is made in accordance with the budget guidelines sent by the Group, which take into account both inflation and trends in local compensation markets. Particular vigilance with regard to compliance with the principle of gender equality and possible discrepancies with the market (internal and external) is systematically recommended for the performance of salary reviews.

Specific budgets are granted if adjustments are necessary. Several agreements signed by subsidiaries provide for equal pay monitoring indicators – during and after maternity, adoption and/or education leave (see chapter 2 "Corporate social responsibility", § 2.2.1.4.4 below).

Hermès is committed to rewarding employee performance at both the collective and individual levels, and the development of variable compensation at both levels in recent years reflects this commitment, whose objectives and assessment criteria are clearly shared with employees in the interests of transparency and motivation.

In addition to the changes in fixed salaries from which employees benefited, additional and exceptional measures were also decided by the House throughout the year:

- ◆ a flat-rate profit-sharing supplement that is identical for everyone was allocated to employees in France;
- ◆ an exceptional bonus in support of purchasing power in the amount of €1,000 was paid to all eligible employees within the meaning of the law, under the agreement signed with the social partners; it also

IN MILLIONS OF EUROS

	2018	2019	2020
Total payroll	695	777	1,040

The Hermès Group's payroll (excluding profit-sharing and incentive schemes) was €1,040 million in 2020, compared with €777 million in 2019, plus €323 million in social security charges.

Payroll costs (excluding exchange rate impact) reflect increases in both workforce and salaries ¹ in all geographical areas.

In order to offer a clear, comprehensive and transparent view of all the elements of direct and indirect compensation, since 2018 the Group has produced an individualised summary of compensation for all employees in France. The clarity and completeness of these summaries are particularly appreciated by employees.

2.2.1.4.2 Employee shareholding plans

Faithful to its family tradition and wanting to involve all employees worldwide in the Group's medium- and long-term growth, Hermès has set itself apart in recent years by **the implementation of employee shareholding plans, and notably free share plans in 2007, 2010, 2012, 2016 and 2019.**

The desire to recognise the commitment of employees, who are key to the success and outreach of the House, by sowing the seeds of its long-term success and cultivating the exceptional *savoir-faire* preserved and developed within the Hermès Group, led Executive Management to decide to set up a fifth free share allocation plan on 1 July 2019. Under this collective plan, each eligible employee worldwide (*i.e.* more than

benefited other Group employees in France without any social or tax exemption scheme;

- ◆ eligible employees of foreign entities also benefited from equivalent measures with the payment of a bonus of up to €1,500, implemented in accordance with local customs and legislation.

In 2020, a year deeply marked by the health crisis due to Covid-19, the Group wished to recognise the day-to-day contribution of all employees in a spirit of appreciation, solidarity and generosity:

- ◆ **basic salaries were maintained for all employees during periods of lockdown and store closures, without resorting to state aid in all countries where the Group is present;**
- ◆ exceptional bonuses were paid twice to recognise the commitment of employees who made a particular contribution during these periods of general lockdown;
- ◆ In line with its ambition of responsible employer, the Group will pay in 2021 a bonus of €1,250 to all employees for their commitment and contribution to financial results.

13,000 employees in all ² of the House's entities in the various countries) thus received rights to free shares, *i.e.* a total of 500,544 shares. At 31 December 2020, employee shareholding represented 1.09% of the share capital, *i.e.* over one billion euros.

All of these plans send a single message to employees worldwide and their objective is three-fold:

- ◆ to show the confidence of the House in the long-term commitment of its employees and unite them around the Hermès Group strategy;
- ◆ to acknowledge the contribution made by all employees, whatever their role, to the development of the House, by providing a single compensation component to share the benefits of our growth, enabling employees to identify more closely with the long-term Hermès growth decisions;
- ◆ to consolidate the strong links between employees and the House.

In order to promote, on the one hand, the loyalty of employees over the medium and long-term, and on the other, collective performance, these plans are accompanied by:

- ◆ vesting periods of at least four years;
- ◆ conditions of presence;
- ◆ performance conditions (for a portion of the allocation).

1. Including, where applicable, gains from free share allocation plans.

2. Subject to a condition of uninterrupted seniority on the grant date.

The Group's ambition is to continue to involve all its employees in its corporate project in a single way by strengthening employee shareholding. The vast majority of employees who become shareholders through these employee shareholding plans keep their shares well beyond the mandatory vesting and holding periods (in France, where applicable). At the end of 2020, nearly 80% of employees held rights that were vesting and accordingly, continue to be involved in the Hermès Group's governance and operations over the long-term, in a spirit of mutual trust with the House.

2.2.1.4.3 Profit-sharing and incentive schemes (France)

Since 2012, a special profit-sharing agreement signed with all of the representative unions has enabled all employees of the companies in France to share in the profits of the Hermès Group in a harmonised manner.

Incentive scheme agreements are in place at all Group companies in France. These agreements, concluded for a period of one to three years,

IN MILLIONS OF EUROS	Incentive schemes	Profit-sharing	Total (France)
2018	33.4	48.2	81.6
2019	34.2	53.1	87.3
2020	40	73.6	113.6

2.2.1.4.4 Other social benefits and social protection schemes

In addition to the fixed and variable compensation paid to employees, the Hermès Group provides health insurance and welfare benefits not only in France but also in other countries where it operates.

In 2019, the Hermès Group put a comprehensive maternity policy in place, which includes maintaining full basic pay for at least **16 weeks'** maternity leave and covering 100% of maternity-related healthcare costs. This policy continued to be rolled out in all subsidiaries worldwide in 2020 and its effective implementation is monitored as part of Group procedures. The House remains very attentive to offering its employees favourable working conditions and work-life balance when they welcome a new child.

In terms of social protection, the House's policy is to encourage the implementation of voluntary coverage that supplements the required legal schemes, based on local market practices. For the vast majority of employees around the world, these schemes are mainly funded by the subsidiaries.

Furthermore, several years ago, Hermès set up a supplementary defined-contribution pension plan under a collective agreement for all employees in France. This plan, for which most of the contributions are paid by the Group, allows them to build up individual savings for retirement. In 2020, this plan represented total contributions of €6.7 million, of which over 90% were financed by the employer.

For all entities together, as detailed in note 28 the consolidated financial statements, the Group's total commitment to post-employment and similar benefits amounted to €368 million in 2020.

aim to **involve employees in the development of locally-determined indicators** that are relevant with regard to the activity and environment of each of these entities, notably quality, safety (for example, workplace accident rate at Hermès Sellier), productivity and sustainable development objectives (for example, water consumption in the Textile division).

Employees of foreign entities (37% of all Group employees in 2020) also benefit from a range of regular additional compensation initiatives in line with performance and local customs.

In France, **€113.6 million was distributed in incentive and profit-sharing schemes**, and €3.5 million in employee support activities, compared with €87.3 million and €3.2 million in 2019 respectively. These amounts have a significant positive impact on the overall compensation of the House's employees and reflect its desire to share the fruits of growth with everyone.

Outside France, in line with local practices, the Group participates in whole or in part in the financing of these defined-contribution supplemental pension plans provided for by law or by agreements. The management of these systems is entrusted to specialist external partners (insurer, bank or other).

More than 70% of employees worldwide benefit from additional statutory health, pension and welfare plans.

Inclusion and work/life balance are priority objectives, the concrete achievement of which is ensured by agreements and action plans relating to professional equality in place for several years and within many entities. Thus, several companies in France (across all business divisions) have signed agreements with social partners that include measures aimed at:

- ◆ ensuring equity in terms of compensation before and after maternity, paternity, adoption or education leave;
- ◆ adjusting on a full-time basis, the payment by the employer of pension contributions on a full-time basis for employees who have chosen to work part time, and allowing parents to benefit from a leave of absence in the event of the serious illness of a child (up to 10 hours per week, to be adjusted in agreement with their manager);
- ◆ offering employees the opportunity to donate their days off (up to five days per year and on an anonymous basis) for the benefit of their colleagues whose children are seriously ill.

In a desire to give free rein to this commitment, the House also allows international solidarity leave, business creation leave or more traditionally, sabbatical leave.

The principle of these agreements is to set precise and relevant indicators and to ensure their annual assessment and monitoring with the aim of continuous improvement, even when the prior diagnostics have not revealed any major imbalance between the situation of women and men.

Hermès, the vast majority of whose employees work in OECD countries, applies regulations on working hours and minimum wages strictly, in compliance with ILO conventions.

2.2.2 SOCIETAL COMMITMENTS

Maintaining diversity in terms of people and talents is the foundation of the House's wealth, creativity and longevity. The Hermès Group is committed to the principles of recognition and respect, irrespective of one's origin, gender, family situation or *métier*. The diversity policy is overseen by a member of the Executive Committee in charge of governance and organisational development. It is based on the values and ethics of the House and on the actions overseen by the Group's Human Resources department.

POLICY

The responsible employer policy implemented in the Hermès Group aims to further actions to enhance the development of its employees, the foundation of the House's economic performance. It covers aspects related to diversity and difference. Attaining these two interlinked and complementary objectives involves a range of initiatives to promote responsible integration and responsible management. Drawing on the conviction that diverse talent is a source of wealth, creativity and innovation, Hermès strives to facilitate the integration of employees in all their diversity by developing practical actions in favour in particular of people with disabilities or the long-term unemployed, senior workers, and people from visible minorities or disadvantaged neighborhoods and areas.

The policy consists of establishing conditions that provide equal opportunity in terms of recruitment and employment, under its various components, and refraining from any form of discrimination.

Hermès' employee compensation policy is part of the fight against forced labour, by systematically complying with the requirement to issue a pay slip at regular intervals, explaining all legal deductions, and prohibiting the payment of recruitment fees paid by employees, regardless of their location in the world.

MEASURES IMPLEMENTED AND RESULTS

The Group undertakes regular actions to improve its approach to diversity and inclusion. This momentum is illustrated by the **signing of the second Group Disability Agreement in 2020**, the continuation for the second

year of the gender equality index, and the rollout of a maternity policy for all employees with a minimum of 16 weeks leave and payment of salaries.

The decision was also made to launch a working group on the creation of a network of women within the Group. This body will be set up by 2021 with the aim of understanding the career dynamics of women at all levels of the Company and determining how best to support them.

Furthermore, on the subject of inclusion, the decision was taken to launch a diagnostic on inclusion practices in 2021, with the aim of ensuring that no-one in the Group is treated less favourably than another because of an irrelevant factor, such as origin, gender, sexual identity, marital status, health, sexual orientation, religious beliefs or any other pretext. As part of a coordinated group initiative, a common international foundation built on the Group's shared values will be established through a participatory approach and will enable each subsidiary to commit to an action plan in line with its local and cultural challenges.

2.2.2.1 FACILITATE THE INTEGRATION AND RECOGNITION OF TALENTS IN THEIR DIVERSITY, AND PROMOTE EQUAL OPPORTUNITIES AND INCLUSION

Respect for differences is formalised and presented to employees in the ethics charter drawn up in 2009 and updated in 2019. This foundation document guarantees objectivity, equal opportunities and the promotion of diversity without discrimination in recruitment, career development and day-to-day management.

You are reminded that, under French law, this means avoiding any situation in which, on the basis of origin, gender, family situation, pregnancy, physical appearance, particular vulnerability resulting from a person's economic situation, apparent or known, name, place of residence or bank domiciliation, state of health, loss of autonomy, disability, genetic characteristics, morals, sexual orientation, gender identity, age, political opinions, trade union or mutualist activities, exercise of a local elective mandate, ability to express themselves in a language other than French, membership or non-membership, real or supposed, of a particular ethnic group, nation, race or religion, a person is treated less favourably than another is, has been or will be treated in a comparable situation. These elements are adapted in the subsidiaries in accordance with local culture and applicable laws.

2.2.2.1.1 Responsible management, inclusion

To develop responsible management, **the "Alterego" training programme on inclusion highlights the wealth of diversity** for the company and thus reinforces fair management in access to employment and career management. This programme, which began in 2017, was continued in three sessions in 2020, **bringing to 750 the number of executive and local managers who took part in this programme**. The aim is to share the Hermès culture as a responsible employer and an actor and to pass on the ambition of inclusion, particularly with regard to disability, religion, gender equality and intergenerational management.