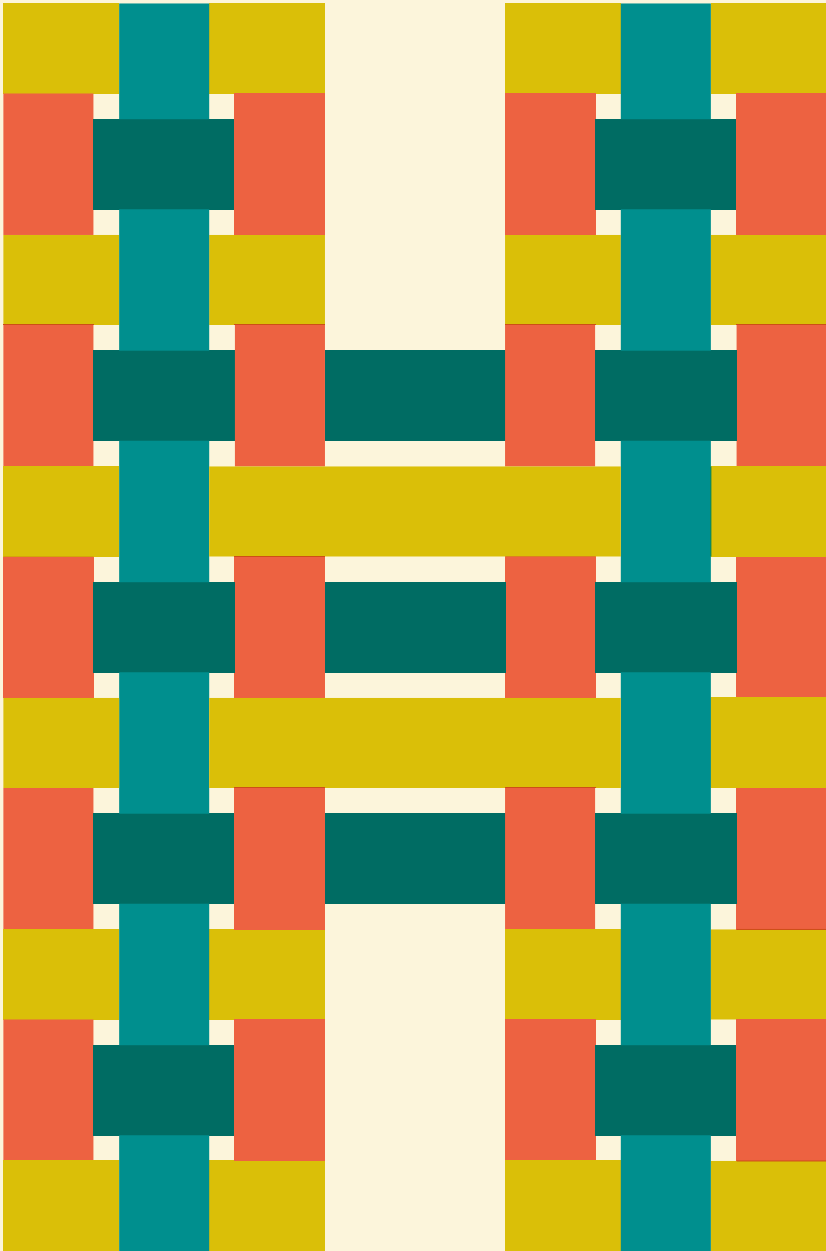


2020 Universal registration document

CSR EXTRACT
Non-Financial Performance Statement (NFPS)



2.6 COMMUNITIES: SUPPLIERS & PARTNERS

Hermès' sustainable development is linked to the ability of its partners and suppliers to develop sustainably with regard to social, environmental and ethics issues, in particular human rights, fundamental freedoms, employment conditions, respect for nature and its biodiversity.

More broadly, Hermès contributes to the deployment of responsible sustainable development practices through its influence and by exercising a duty of vigilance towards its partners as well as by promoting the supported sector.

2

Introduction

Most of Hermès' production is integrated, in line with its strategy of preserving unique *savoir-faire* and securing supplies : **61% of our objects are made in Hermès exclusive and in-house workshops**. Our ability to grow is however also linked to the retention and development of our suppliers and subcontractors, whose exceptional *savoir-faire* and future success will contribute to that of the Hermès Group and whose social and environmental practices must be irreproachable.

The House's subcontractors and suppliers are mainly long-term partners. As such, for direct purchasing (production purchases), **the average length of trading relationships with the Hermès Group's top 50 largest direct suppliers in 2020 was 20 years**. They operate mainly in the Leather Goods division (tanneries and manufacturers) but also in other *métiers* (silk and textiles, notably). This stability is also true for small suppliers, some of which may have been working with the House for more than 50 years.

The Hermès Group has also been working with socially supported organisations in France for many years for its direct and indirect purchases, and this practice is growing steadily every year.

Indirect purchases are supervised by a Group department which, on the one hand, pools certain purchases at Group level (such as packaging), but also manages a network of dedicated purchasers in the *métiers*, subsidiaries or central services. It also coordinates Group action plans on major topics, such as the elimination of single-use plastics (see chapter 2 "Corporate social responsibility, § 2.4.1.1.1).

Direct purchasing is also supervised by a Group department which coordinates a network of buyers within the *métiers* and coordinates the process of analysing supply chains, managing supplier risks and the supplier audit programme. It also defines the Group's purchasing policy as well as the CSR objectives for suppliers and partners (human rights and labour-related, biodiversity, energy and carbon, water, plastics).

More broadly, human rights issues are specifically taken care of and are for instance the main topic of a dedicated section in the "supplier handbook" signed by subcontractors and suppliers.

Hermès pursues a corporate strategy in which ethics and proper business conduct are the pillars and guardians of a responsible and sustainable performance. An Ethics Committee has been set up to receive and process alerts, as well as to provide advice and recommendations on the Group's ethics culture.

Covid-19: SUPPORT FOR SUPPLIERS DURING THE CRISIS

From the start of the Covid-19 health crisis, the purchasing teams in all *métiers* have strengthened their presence with their suppliers through very regular contacts, at least weekly, to check collectively the health challenges for their teams, their financial health and their level of activity. In this context, several actions have been implemented to support their cash flow:

- ◆ payment of orders made, even in the absence of physical receipt;
- ◆ acceleration of payment terms (even if the standard at Hermès is already to pay suppliers as soon as possible and not when due);
- ◆ maintain order volumes in line with pre-existing plans;
- ◆ orders sometimes made ahead of need to support the level of activity.

Of course, masks and hydroalcoholic gel were provided to some suppliers to enable them to reopen more quickly and safely, especially at the beginning of the period when a certain shortage existed, to capitalise on the House's ability to make bulk purchases.

Hermès Maroquinerie-Sellerie division

The strength of Hermès Maroquinerie-Sellerie's network of partners has proven to be a real boom in managing the Covid-19 crisis. In addition to maintaining the Group's business and commitments to its suppliers, the following elements were shared within the network:

- ◆ the operational implementation of best practices for the application of government recommendations (application of barrier gestures), by capitalising on the analyses and work carried out in the workshops;
- ◆ equipment and resources: distribution of hydroalcoholic gel and masks;
- ◆ information on State business support mechanisms.

Moreover, these actions were praised by the partners in a letter of thanks sent to the Group's Management.

Women's Ready-To-Wear

The Women's Ready-to-Wear *métier* provided full support to suppliers in difficulty, in particular to small-scale manufacturers who are highly specialised in their production activities, by repositioning order volumes to provide them with stable workloads despite the health crisis.

Cash advances were granted to certain manufacturers, and contact was maintained with all suppliers and partners *via* updates at least monthly throughout the crisis period, including during lockdown periods.

Textile donations were also made to produce masks.

This made it possible to maintain a high level of trust and good continuity of commercial relations despite the significant uncertainties of this crisis.

Footwear

The Footwear *métier* worked throughout the year to support its partners in the context of a general decline in partners' revenue. Regular contact was made with subcontractors during and following lockdowns to ensure they were all managing to survive. Cash advances were made to the most vulnerable manufacturers. In addition, orders were allocated in a homogeneous manner in order to ensure balanced workloads until the resumption of growth.

Belts

The Belts *métier* paid particular attention in 2020 to maintaining its business volumes with its suppliers and manufacturers. Cash facilities and order smoothing have made it possible to maintain a stable and regular level of production with the *métier's* suppliers and partners.

Accessories-Jewellery

The Accessories-Jewellery *métier* has supported its suppliers and manufacturers in several ways since the start of the pandemic:

- ◆ links and communication were maintained with all suppliers, through regular calls and updates on activity;
- ◆ the communication of order forecasts was strengthened, in order to smooth out the activity and ensure a flow of activity, which made it possible to maintain a level of orders almost identical to 2019 in terms of revenue.

Hermès Maison

In this delicate context linked to the Covid-19 crisis, Hermès Maison wished to be particularly vigilant about the health of its suppliers and thus supported, whenever possible, the cash flow of its suppliers through advance payments or orders.

In addition, supplier payment terms were optimised with payment on presentation of delivery notes and not on physical receipt of the goods.

Production schedules were adapted to the constraints and capacities of suppliers.

Lastly, certain vulnerable suppliers received specific support: accompanying letter for state-guaranteed loan (PGE) requests, advance orders for cash flow support.

Puiforcat

Over the March/May period, supplier invoices were paid as soon as notification was received that the goods had been shipped, and not upon reception on site, for the most vulnerable suppliers.

No orders were cancelled, of course.

Cate/Beyrand

Delivery schedules were reviewed based on supplier openings and deliveries were staggered upon reopening.

Volumes in the porcelain sector were increased both for components and for subcontracting, demonstrating real support for the ceramic sector in Limoges.

Among the customer markets affected by a decline in activity, no orders were cancelled, although a non significant number of orders were postponed to 2021.

Lastly, suppliers benefited from the Hermès Group's support during the lockdown and production shutdown period, with payment of invoices on presentation of delivery notes despite the absence of physical delivery. This helped support partners' cash flow.

Hermès Bijouterie-Joallerie

In a particularly unstable context, support for French partners was stepped up, either remotely or on site, with all the necessary precautions.

Particular vigilance was also paid to international suppliers to whom visits were postponed.

The *métier* did not cancel any orders in connection with the health crisis.

Hermès Horloger division

Close attention is paid to the financial situation of partners, particularly due to the Covid-19 pandemic, which has put all players in the watch industry in a situation that could be potentially difficult. Financial monitoring measures have been taken throughout the year to support partners if necessary and thus avoid possible failures.

COMMUNITIES : SUPPLIERS - CHALLENGES AND KEY FIGURES

Support and control



20 years length of relationships (top 50 direct suppliers)



56% of purchases made in France (top 50 direct suppliers)

100% of Leather Goods objects made in France



71 in-depth audits of tier one and tier two suppliers

55% of audits still took place despite the Covid-19 crisis



85% direct purchasing suppliers who signed handbooks 1 and 2 (CSR policy)



+18% outperformance of Group indirect supplier CSR scores compared to the EcoVadis benchmark

Responsible practices



100% of suppliers listed in 2020 undergo CSR audits



1st luxury goods house certified RJC COP 2019 (gold, silver, platinum, diamonds, coloured gemstones)



2020 commitment within the Leather Working Group (LWG, Leather Goods)



€2.4 million in total purchases from socially supported organisations (EA, ESAT)

2.6.1 SUPPORT AND CONTROL

Hermès is committed to providing long-term support for all its partners and maintaining balanced relationships characterised by goodwill and high standards; it therefore ensures that all its partners share and respect its social, environmental and ethics ambitions. The Group pays special attention to the issues of human rights and fundamental freedoms, working conditions (health, safety, working hours, living 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.

POLICY

At Group level, the direct and indirect purchasing departments coordinate and monitor policies, tools and outcomes. **The purchasing policy, issued in May 2013, was updated this year.** It is shared with all employees via the intranet, transmitted through training sessions, and communicated to partners.

The Group's purchasing strategy, formalised in a policy, is based on four elements:

- ◆ **secure supplies.** purchasers are responsible for ensuring long-term relationships with suppliers with in particular the preservation of key *savoir-faire*, securing of supplies and services, and **the establishment of balanced and sustainable relationships.** The House's ethics policy leaves no room for aggressive or 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. Purchasing contributes to the House's economic performance, both through cost control, considered as a whole, and through the provision of value to the customer by seeking the best quality and by enriching Hermès' creation with proposals based on the innovation carried out among partners;
- ◆ **support suppliers on environmental issues:** in partnership with the WWF, a special water analysis was carried out at the main suppliers, using the Water Risk Filter. The results will feed into a Group action plan. The main supply chains, in exotic skins (crocodile and alligator), cashmere or wood, are also reviewed by the WWF, including environmental aspects;
- ◆ exercise a **duty of vigilance** to ensure ethics across all supply chains, particularly **on social and human rights issues.**

Information on the environmental and social footprint of the supply chain is detailed in see chapter 2 "Corporate social responsibility", § 2.7.2.2.1.

MEASURES IMPLEMENTED AND RESULTS

Since 2017, the Hermès Group's purchasing has been organised into two divisions: direct and indirect purchasing. The main duties of these two divisions are coordinating the network of purchasers, raising their awareness and training them on 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, known by its suppliers (see chapter 2 "Corporate social responsibility", § 2.6.1.1) and has a relationship of trust with its audit partners. While external certifications are useful, the Group favours closer supervision through direct knowledge of its partners' practices, which the House's business model makes possible.

The maison's supplier policy, operational since 2018, was updated in 2020 around four pillars (security, quality and innovation, cost control and CSR). The CSR section gives rise to specific developments, illustrating the importance of the subject for the House. This policy will be gradually rolled out in 2021, in a collaborative approach with partners, in addition to the C1 (confidentiality and commercial loyalty) and C2 (social, environmental and ethics policy) handbooks, as well as sector briefs for raw materials purchases (see chapter 2 "Corporate social responsibility", § 2.4.1.1).

The Group's buyers, trained since 2018 and meeting quarterly in Purchasing network meetings, will be in charge of deploying this system. Its proper application will be verified by internal and external audits (see chapter 2 "Corporate social responsibility", § 2.6.1.2.2). Internally and externally, compliance with regulations and policies, when they are more stringent, is an imperative, particularly with regard to social issues, employment conditions, human rights, ethics and environmental protection.

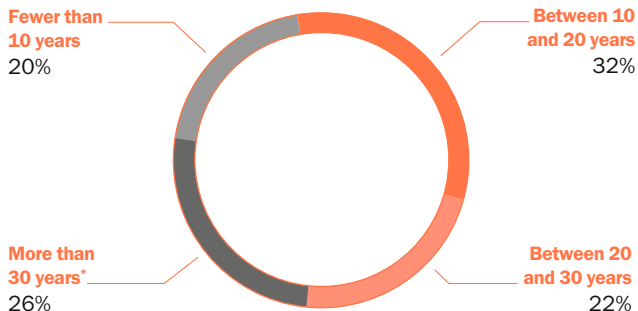
2.6.1.1 SUPPORT SUPPLIER PRACTICES TO PRESERVE KEY SAVOIR-FAIRE AND SECURE SUPPLIES

Hermès' policy is to cultivate its *savoir-faire* by supporting its suppliers in the long term. Hermès seeks out excellence among various French craftspeople with traditional, scarce and precious *savoir-faire*. In so doing, it aims to safeguard and perpetuate our national heritage of craftsmanship. Some creations also rely on *savoir-faire* that is rare worldwide. Maintaining the existing *savoir-faire* through close long-term partnerships with our suppliers, both local (France and Europe) and further afield.

As detailed in the "Materials" section in see chapter 2 "Corporate social responsibility", § 2.4.2.1, **suppliers are committed to having their activity certified, with targets for 2024.**

Our suppliers are partners

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



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

The average length of relationships is 20 years. Of these 50 suppliers, 93% of purchases are made in Europe, with 56% in France.

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

Leather

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

Textile

The *métier* works in collaboration with partners in France who are part of the Lyon textile ecosystem, the birthplace of the "Silk" activity.

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

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

Real estate

Since 2017, the real estate 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 drives 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 real estate has been defined. Partners can choose to also be part of this ambition. Suppliers are invited to determine their "CSR" profile.

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.

Métiers

Women's Ready-To-Wear

In 2020, the Women's Ready-to-Wear *métier* implemented a support strategy for its raw material suppliers as well as its producers and manufacturers.

At the level of suppliers of raw materials and components, communication has been maintained and strengthened on sustainable development issues.

As the cashmere sector was identified as a priority in terms of sustainable development, discussions were held with the main Women's Ready-To-Wear supplier on the environmental and social issues relating to their supplies.

Overall, all textile suppliers were approached during 2020 in order to jointly construct responsible supply chains for natural fibres, based on the existing RWS, RDS and OekoTex labels.

A holistic and well-thought out vision has been developed, taking into account all the characteristics of the fabrics, in particular the geographical location of the fibre production.

In terms of components, a progress initiative was launched in collaboration with suppliers to minimise the use of plastics in the wrapping and packaging of these items.

Regarding the producers and manufacturers of Women's Ready-To-Wear, the third-party audit approach was strengthened in 2020 (six audits completed in 2020), despite a complicated health context, making it possible to maintain a close relationship and discuss sustainable development issues effectively.

Ties with the most committed partners in sustainable development were strengthened in 2020: SA 8000 certification for the largest OuterWear manufacturer in the *métier*, and ISO 14001 certification for the largest manufacturer of cashmere coats.

The selective sorting of textile offcuts has been developed and reinforced by a majority of French and Italian manufacturers (20 French and 10 Italian manufacturers), in order to promote and optimise the recycling of raw materials.

Footwear

The Footwear *métier* continued its audits and associated action plans with visits during the first quarter and then remotely using photos and documentation following the restrictions on travel. However, the health situation has slowed down the rollout of certain action plans that were started in 2020.

The *métier* was also able to participate in the analysis of several specific sectors (sheep, cattle, etc.) in order to establish the action plans to be implemented in 2021 for more responsible sourcing of materials.

Puiforcat

2020 was an opportunity for Puiforcat to make progress on three main topics in terms of sustainable development with suppliers:

- ◆ confirmation with the silver raw material partner based in Germany, of the exclusive use of recycled silver, in order to limit the need for silver from mining;
- ◆ establishment from September of a recycling channel for metal waste (mainly brass, copper and aluminum), now remelted, refined and converted into raw material for new uses. It should be noted that this process has been in place for many years for precious metals, gold and silver;
- ◆ a joint initiative with Hermès Bijouterie was initiated in April in order to deepen knowledge of the “silver” purchasing chain in all its dimensions: upstream, downstream and the global ecosystem. The actions identified will make it possible, in the first half of 2021, to move up the value chain and to better understand the suppliers and subcontractors as well as their activities and specificities. An HSE audit is already planned for the second quarter of 2021 with the silver raw material supplier.

Hermès Maison: Furniture & Lighting/Objects/Textiles

Hermès Maison placed sustainable development at the heart of its purchasing strategy in 2020, by involving its partners:

- ◆ new campaign to ask its 130 direct purchasing suppliers to sign the latest versions of handbooks 1 and 2;
- ◆ evaluation of all its new strategic partners on HSE aspects;
- ◆ conducting of HSE audits with a specialised external firm, covering 25% of purchasing expenditure, and 75% of remote sourcing, and management of action plans with its partners;
- ◆ contribution to the initiative launched by Hermès International on the analysis of upstream sectors: plant-based sectors such as mahogany or walnut, or animal sectors such as cashmere, wool or leathers used by the House.

Hermès Bijouterie-Joallerie

Hermès Bijouterie-Joallerie builds sustainable management of its supply chains over the long term. In addition to the detailed knowledge and privileged support of direct partners, the tracing of value chains to the source of raw materials and identification of all stakeholders are crucial areas of development.

The level of integrated transformation operations as well as transparency on supply chains are essential criteria in selecting partners. As a reminder, the *métier* is RJC certified and is working on COC (chain of custody) certification, which requires detailed knowledge of its sector and attests to its high quality.

Hermès Horloger division

The Hermès Horloger division took part in the development of the “industry toolkits” on diamonds and precious metals, and a complete mapping of the supply chain of all partners in the diamond panel is under way. **The analysis of the gold sector confirmed the choice to use only COC gold (recycled) via a specialised partner, and to commit to the COC certification process in 2021.**

In 2020, the Hermès Horloger division launched an analysis of the mother-of-pearl sector, which is sensitive in terms of the environment, the health and safety of people, and corruption, as well as issues relating to human rights and fundamental freedoms. Several discussions were held with a supplier to work on measures that may reduce the risks associated with this sector. The objective is in particular to centralise purchases and reduce the number of people involved in order to improve management of CSR compliance.

A mapping of the origin by country of the various ornamental stones used in the manufacture of the dials was also initiated. A country risk analysis was carried out on this subject.

Indirect purchases

Within Hermès Group Services, the indirect purchasing department continued its process of monitoring indirect suppliers in 2020 with the EcoVadis assessment platform (see box).

EcoVadis, CSR performance and responsible purchasing assessment platform

EcoVadis offers a comprehensive corporate social responsibility (CSR) assessment service via a global SaaS⁺ platform. The EcoVadis rating covers a wide spectrum of non-financial management systems, including consequences in the following areas: environment, social & human rights, ethics and responsible purchasing.

Each company is assessed on fundamental issues according to their size, location and sector of activity. These evidence-based assessments are worked into assessment sheets, with scores between zero and one hundred (0 and 100), and medals (bronze, silver, gold), where applicable. The assessed company can benchmark its score against its industry.

Hermès calls on EcoVadis for its indirect purchases, to promote sustainability in supply chains, and encourage its partners to go beyond simple compliance to achieve global best practices.

In 2020, work was started with the main cotton suppliers in order to be able to switch all cotton supplies to organic cotton or GOTS for packaging by 2024. These improvements will take place gradually from 2021 on emblematic and widely used elements, namely the herringbone covers and wrapping ribbons, which will significantly reduce the corresponding water consumption.

2.6.1.2 ENSURE THE APPLICATION OF SOCIAL, ENVIRONMENTAL AND ETHICS REQUIREMENTS

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 vigilance plan with respect to suppliers and subcontractors as required by French law.

This monitoring is carried out in the context where Hermès carries out more than 60% of its production internally, which on the one hand reduces its exposure to risk (compared to other players in the sector for which subcontracting is predominant), and on the other hand often gives it a better understanding of operational issues (also being a player in the field). Thus, through its purchasers by *métier*, the Group is often close (geographically or because of an ongoing relationship) to its suppliers. In addition to quality issues, 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 influence-peddling, are also closely monitored.

All of this work is carried out systematically across the entire scope of the Group, as well as using a “risk-based” approach that aims to prioritise the issues with successive filters to focus efforts on the most significant issues.

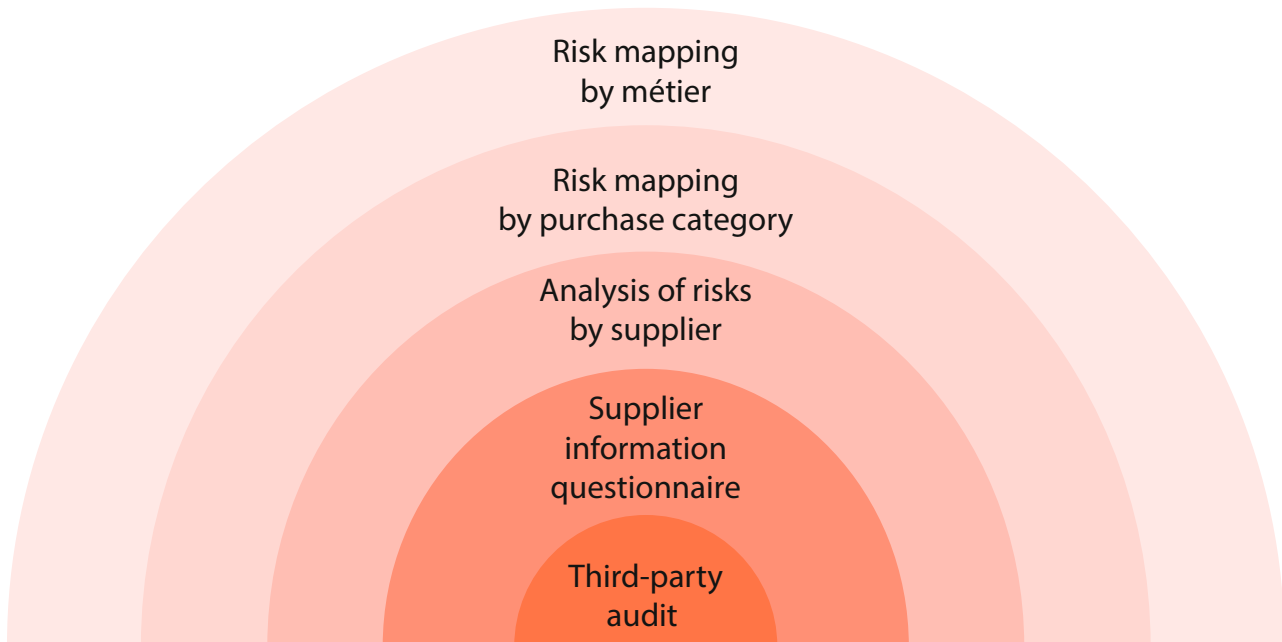
The diagram below shows this methodology and the corresponding tools:

In accordance with the recommendations of Act No.2017-399 of 27 March 2017 on the duty of vigilance of parent companies and ordering companies, this **duty of vigilance plan** is specifically structured around:

- ◆ **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;
- ◆ a **whistleblowing mechanism** and **alert monitoring**
- ◆ 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*.

2



The *métier* purchasers must sort their suppliers by purchase category then, for each of these categories, map the global risks and then analyse the risks by supplier. For suppliers identified as “at-risk” (notably 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), 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.

2.6.1.2.1 Risk mapping

The Hermès Group has produced a risk mapping (see chapter 4 "Risks and control", § 4.1), 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 production purchases, for which control of the supply chain is obviously a strategic challenge. The 16 Hermès Group’s *métiers* count around 100 direct purchasing categories. The initial objective to map out 75% of these purchasing categories by the end of 2020 was exceeded, with **92% of the purchasing categories risk mapped at the end of 2020**.

Among the risks identified, ensuring the durability of craftsmanship *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. The impact of climate change, water consumption and biodiversity are also important issues that are increasingly being taken into account (§2.5). Issues relating to the health and safety of people are also identified, but deemed to be less critical, this point being already controlled thanks to the long-standing monitoring with all suppliers, with a particularly high level of requirement. Lastly, as the majority of suppliers are located in France, the risk of violation of human rights and fundamental freedoms as well as the risk of corruption are generally assessed as very low; however, they are specially monitored for the small number of supplies from further afield.

2.6.1.2.2 Regular assessment procedures

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.

Audits

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, is asked to conduct an audit. The results of these audits and action plans are taken into account for any continuation of relationships.

Audits are also requested for strategic or sensitive suppliers (volume of business, specific *savoir-faire*, *intuitu personae*, 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, at least every three years.

These audits last at least two days each and are carried out in the presence of a Hermès representative. They make it possible to verify *in situ* the reality of suppliers’ social, environmental and ethics commitments, the proper implementation of regulations that concern them, and the reality of the working conditions and well-being of employees.

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



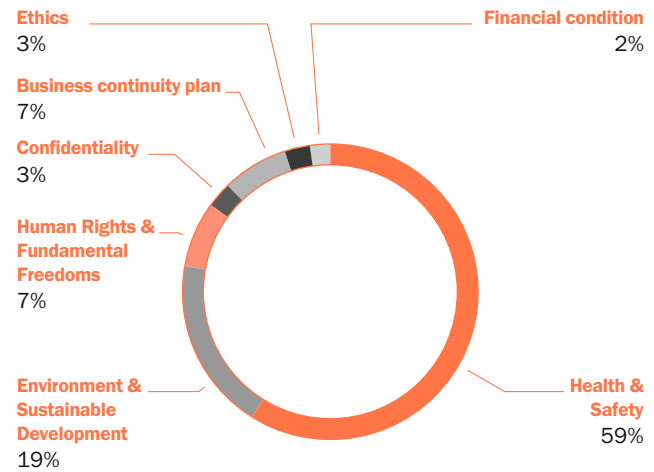
Of these seven topics, the three priorities, which meet our obligations under the duty of vigilance law, are:

- ◆ 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.

The health situation related to Covid-19 had a strong impact on the supplier audit programme for 2020. Nevertheless, 55% of planned audits could be maintained, the vast majority in France and Italy. Nevertheless, it was possible to carry out **a total of 71 audits, including 50 audits of tier 1 suppliers and 21 of tier 2 suppliers.**

These audits led to the identification of **609 findings, of which 0.5% were considered critical**, 25% major and 43% significant. The remaining 31.5% concern simple points of improvement, proposals for best practices to encourage suppliers to constantly improve in a process of continuous improvement.

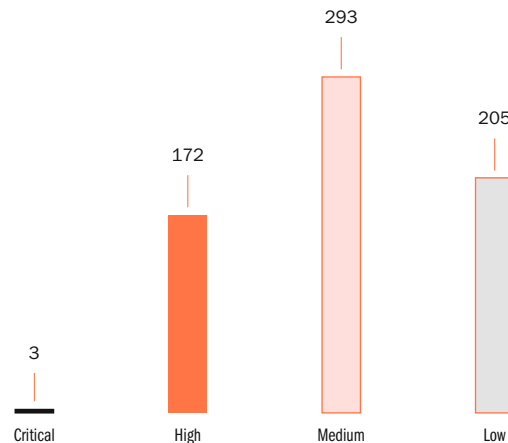
BREAKDOWN OF SUPPLIER AUDIT FINDINGS BY FAMILY



Hermès puts the safety of people at the heart of its concerns, and the level of audit requirements on the subject of health and safety is therefore particularly high. As a result, 57% of findings were related to this theme, *i.e.* 347 findings, of which 31% were deemed critical or major.

The three “critical” findings related to fire safety compliance issues, which were resolved immediately after the audit.

BREAKDOWN OF SUPPLIER AUDIT NON-COMPLIANCE



The most frequent major observations in terms of personal health and safety relate to:

- ◆ fire risk: non-compliance of electrical installations, difficult to access emergency exits and equipment, ATEX (Explosive Atmospheres) study not carried out;
- ◆ chemical risk: unrealistic inventory, substitutes for CMR products (carcinogenic, mutagenic and reprotoxic) not sought, no measurements of exposure to substances with OELs (occupational exposure limits);

- ◆ at workstations: incomplete or not updated generic single document, no prevention plan or lockout-tagout procedure;
- ◆ compliance with mandatory periodic inspections of lifting equipment and accessories, pressure equipment, boilers, etc.

In terms of the environment, the main recurring findings relate mainly to non-compliance with the obligations related to ICPE regulations, the administrative management of waste, and the absence of an asbestos technical file. It is important to note that no risk of pollution has been identified at any supplier.

In terms of ethics and anti-corruption, even if some suppliers have not yet formalised an ethics and anti-corruption charter at their level, they use Hermès' social, environmental and ethics policy as a support (handbook 2), which contains clauses relating to the fight against corruption, and which they have all signed.

These audits are a fundamental part of the risk assessment system for suppliers and subcontractors. They also contribute to the quality of the relationship, a key factor in the success of sustainable support towards best practices. 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 in a more formal manner. An employee from the direct purchasing department is also involved in most of the audits. It also helps develop the purchasers' CSR expertise, which they can then apply to the identification of risks when visiting their suppliers.

Lastly, in line with their responsible purchasing strategy, the indirect purchasing division selected EcoVadis (see box in chapter 2 "Corporate social responsibility, § 2.6.1.1) at the end of 2018, which offers a collaborative platform to assess the environmental performance and corporate social responsibility (CSR) of their suppliers.

Since the programme was launched, **200 French and international suppliers have accepted Hermès' invitation to join the programme. The average score of these indirect suppliers is 18% higher than the EcoVadis average (50.8 compared to 42.8).** In 2020, the objective of inviting the top 100 indirect purchasing suppliers in France (or 38% of Group expenditure) to self-assess or share their rating was achieved.

For 2021, the objective is to invite 50 additional suppliers in order to cover the Group's 150 main indirect suppliers, and then to roll out the approach to all suppliers.

If all suppliers agreed to take this step, it would represent 55% of indirect purchases in France.

Supplier Audit Committee

Since early 2019, an Audit Committee is tasked with analysing the various audit reports and defining the actions to be implemented as a priority with each of the audited suppliers. This Audit Committee brings together the purchasing department, the Industrial Affairs Director, the Audit and Risks Director and the purchasers concerned. The Audit Committee meets twice a month to review the findings of new audits and dedicate

time to follow up on past audits. The purchaser of the *métier* in question is responsible for distributing the conclusions of the Audit Committee 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.

2.6.1.2.3 Risk management and mitigation or prevention of serious violations

The Group's policy is based on training for purchasers and the formalisation of concrete commitments from suppliers.

Network management and training

The two purchasing divisions, direct and indirect, are responsible for coordinating the network of buyers and organising joint training actions.

The direct purchasing network, led by the Group direct purchasing department, brings together purchasers from the *métiers* every three months to review the Group's policy and procedures, regulations, legal rules and tools for monitoring suppliers and subcontractors. These meetings provide the means to exercise their duty vigilance 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.

In addition, networks specific to certain supply chains were created in 2019 and meet at least three times a year, more frequently if necessary. These are the textile, metal parts, tanners and precious metals purchasing networks. These meetings provide the opportunity to discuss the risks identified within the chains and steer the action plans to prevent or mitigate these risks.

At the end of 2018, the construction of a **training course for purchasers was started, with the aim of strengthening and structuring the training already existing** within the Group. These dedicated sessions are either more general, **with detailed CSR components**, or more technical on HSE (health, safety, environment), legal compliance and human rights topics.

A training course on "Purchasing fundamentals at Hermès" is under construction and comprises two components, on responsible purchasing and supply chain management.

"Environment, health and safety" training is being rolled out, targeting purchasers as a priority, but also everyone who works with the House's suppliers and subcontractors. It aims to acquire sufficient expertise to identify any shortcomings on the part of a supplier or a subcontractor and support it in the corrective actions to be implemented, in a partnership and continuous improvement approach. Around 250 people will be trained by the end of 2021.

In addition, a “Legal and Compliance” training course is being developed with the legal department, and a “Human and Rights and Social” training course will be developed with an external firm expert in the field in 2021.

Supplier commitments

From a legal standpoint, **Hermès systematically requests a formal commitment from its suppliers to comply with their 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 updated in 2020 to include an email address enabling suppliers to report any breaches in terms of ethics.

The vast signature campaign launched since 2018 continued in 2020 to present and encourage all the Group’s suppliers to subscribe to this new version.

The supplier undertaking handbook 2 is publicly available online (<https://finance.hermes.com/en/ethics-human-rights-and-diversity/>) and contains the following sections:

- ◆ international standards and agreements;

The House complies with 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 Organisation (ILO) declaration on the fundamental principles and rights at work, and asks its suppliers to do likewise;

- ◆ Good labour practices;

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

- ◆ 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 vigilance 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 or listing.



85%

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

The percentage of active suppliers in the direct purchasing scope who signed undertaking handbooks 1 and 2 reached 85% at the end of 2020, compared to 76% in 2019.

2.6.1.2.4 Alert mechanism and system for monitoring major issues

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 subcontractors is regularly updated in light of actual experience. In particular, the conclusions of the audits, which bring together the auditors, the *métiers*, the purchasers and the industrial department, offer deep insights solidly rooted in the real circumstances of subcontractors.

In accordance with the code of business conduct, **any employee who identifies suspicious behaviour within the supply chain is invited to report it internally through the “H-Alert!”** mechanism implemented as described in chapter 2 "Corporate social responsibility", § 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.

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 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 chapter 4 "Risks and control", § 4.3.

In order to fulfil the requirements of Act No. 2017-399 of 27 March 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 duty of vigilance plan applicable to the Hermès Group companies. A Director of Legal Compliance has been in place since 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 chapter 2 "Corporate social responsibility", § 2.8.3.1).



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

2.6.1.2.5 Human rights in the supply chain

The Hermès craftsmanship model, in which 61% of objects are made in Hermès' exclusive in-house 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' exposure to supplier risk is therefore reduced. **An analysis of the top 50 direct suppliers shows that 56% of them are in France and 37% elsewhere in Europe.** Just 7% of purchases are made in more distant countries, mainly raw materials (e.g. exotic leathers), where control and monitoring are extremely strong:

The Group's policy, for its own operations as well as for those carried out by its suppliers and partners, is to enforce compliance with major international human rights principles and labour rights.

- ♦ Hermès' internal and external ethics approach is based on the universal framework established by major international principles. **The Ethics charter, signed by the Executive Chairman, established in 2009, is communicated to all employees, and is available on the intranet and can be accessed by the public at <https://finance.hermes.com/en/>.** It specifies that these principles apply to both Group companies and suppliers. In particular, explicit reference is made to the Universal Declaration of Human Rights, the charter of fundamental rights of the European Union, the charter of fundamental principles and rights 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 10 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 suppliers during operational exchanges with purchasers, and was formalised in the signing of the C2 undertaking handbook (see chapter 1 "Presentation of the Group and its results"), which is also available to the public online at <https://finance.hermes.com/en/>.

Monitoring of practices is primarily the responsibility of the *métiers* and their purchasers, who are in direct contact with 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, acceptable 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 the partner to help it understand why the topic is important to Hermès, 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. At the outcome, the relationship is suspended.

Evaluation and control

Leather

Hermès Maroquinerie-Sellerie's suppliers are long-term partners with whom a privileged relationship is maintained, which makes it possible to achieve the House's commitments in terms of duty of vigilance. In addition, different means exist to secure collaboration: risk mapping based on the issues and on a set of collected data, regular visits by a multi-skilled team led by Hermès purchasers, a general framework formalised in annual guidance letters exchanged between producers and purchasers and finally control systems (on-site audits, carried out by internal and external teams). The responsibilities are clear, each supplier is in control of its scope. However, regular discussions make it possible to co-construct a long-term partnership strategy within a socially responsible environment.

Textile

In 2019, the Textile division tightened control of its supply chain. 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, Holding Textile Hermès 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 purchasing 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.

Hermès Bijouterie-Joallerie

At Hermès Bijouterie-Joallerie, the signature rate for handbooks 1 and 2 reached 100% of direct partners. In addition to these documents common to all Hermès Group suppliers, additional commitments are made via the signature of a "Precious Materials Sector" Appendix. The aim is to clarify the House's expectations in terms of responsible sourcing of precious metals, diamonds, coloured and ornamental stones.

Hermès Bijouterie-Joallerie conducted five HSE audits with its direct partners with the support of a specialised firm. Three audits based on the "supplier knowledge questionnaire" also took place, including two at tier two suppliers. The follow-up of the audits carried out in previous years gave rise to systematic exchanges in order to monitor the improvement plans, whenever possible on site.

The constraints related to the health crisis, particularly concerning travel, weighed on the 2020 audit programme. Some trips abroad, for international fairs or visits to raw materials suppliers, had to be postponed until 2021.

Home

At Hermès Cate, orders of plain porcelain and colour prints have been grouped and forecasted to meet the needs of a growing activity. This is key to provide visibility to Beyrand and different partners. A new initiative is in place to obtain commitments to sustainable supplies, over a minimum period of two years, with a requirement to provide advance warning if the situation changes. Audits, mainly focused on Health, Safety and Environment (HSE) topics and production capacity, continue to be carried out at suppliers of raw materials such as dyes, where possible given the health context. In parallel, a plan to secure supply in necessary quality and quantity has been emplaced in collaboration with partners. Puiforcat set up a supplier quality unit in January 2020, with a single point of contact for all quality issues with partners. Their monitoring is based on quality control reports and monthly quality performance indicators.

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 local governments and their nature protection departments, which enforce compliance by the operations, and other major players in the sector.

Any breeding sites that 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 audit programme is now systematically conducted with the help of an external firm, according to strengthened procedures, and has been carried out at the division's farms since 2019. The progress plans that will be drawn up will be monitored annually by the external firm's consultants.

Furthermore, the Hermès Group is required to communicate its actions in terms of protecting human rights in accordance with the Modern Slavery Act (in the United Kingdom) and the California Transparency in Supply Chains Act (in the United States).

2.6.2 RESPONSIBLE PRACTICES

Through the sector Brief jointly developed in 2020 with the various *métiers*, the sustainable development department and the direct purchasing department, Hermès formalised its responsible purchasing principles and integrated them into the management approach of the supply chains. This document shares Hermès' short- and medium-term CSR objectives and specifies the certifications and reliable labels to be requested from suppliers and external partners.

Moreover, aware of its social responsibility, Hermès has also been working with socially supported organisations in France for many years for its direct and indirect purchases, and this practice is growing steadily every year.

POLICY

The *métiers* are responsible for Group supplier's management and favour a pragmatic, long-term approach. It is governed by a Group policy and supervised by two CEOs, respectively for direct and indirect purchases.

The Group has long pursued a policy in favour of people with a disability, through partnerships with companies in the socially supported organisation sector (EA¹, ESAT²) in France. As part of this commitment, the Group wants to strengthen these partnerships whenever possible with an annual growth target of 20%. This is an opportunity for the House to support companies to improve their skills.

MEASURES IMPLEMENTED AND RESULTS

2.6.2.1 DEVELOP BALANCED PARTNERSHIPS AND PROMOTE LOCAL ROOTS

Hermès Maroquinerie-Sellerie

The *métier's* commitment to the Leather Goods landscape in France, where it is one of the major players, involves two main challenges:

- ♦ the development of a robust socio-economic foundation: The House ensures the financial health of its service providers by supporting them over time. Their location boosts local economic activity. Recruitment is carried out mainly through the Pôle Emploi (the French employment agency) and candidates receive comprehensive professional training, which makes them part of a dynamic and growing sector;
- ♦ the professionalisation of the Leather Goods sector: The Group supports its partners through training programmes that promote the entire sector. This takes the form of initial and continuing training for service providers' trainers, as part of an approach to ensure progress across the entire value chain, from materials to the manufacture of Leather Goods. Hermès participates and contributes to the coordination of networks between stakeholders in the sector: entrepreneurs, suppliers or professional committees such as the National Leather Council. This enables Leather Goods professionals in France to advance together on craftsmanship *savoir-faire* but also more broadly on the sector's sustainable development commitments. These sharing environments between industry players allow the dissemination of best professional practices and discussions on regulatory changes.

1. *Etablissement Adapté : Adapted companies.*

2. *Etablissement et Service d'Aide par le Travail : Sheltered work establishment.*

2.6.2.2 ACTIVELY CONTRIBUTING TO THE IMPROVEMENT OF OPERATIONAL PRACTICES: CERTIFICATIONS AND LABELS

Hermès Leather Goods & Saddlery

Hermès works with tanners mainly located in France and Europe, which follow European and national regulations. The majority are long-standing partners, with whom the relationship is based on proximity and intimate knowledge maintained through regular visits.

In order to go beyond the assessment of partners on environmental aspects by aiming to implement the best certification models, in addition to the SAOBC and ICFA certification process already introduced in the ostrich and crocodile sectors, **in February 2020 Hermès decided to join the Leather Working Group (LWG).**

LWG is a multi-stakeholder group that promotes sustainable environmental practices in the leather industry. It has developed rigorous audit standards and protocols that are benchmarked against industry best practices. These protocols have been reviewed by several NGOs, including Greenpeace, NWF, WWF (United States), sustainability organisations and academic institutions. LWG verifies compliance through independent audits conducted by approved third parties. Its approach is holistic, both on environmental aspects, the search for best practices and by defining guidelines for continuous improvement.

Since February, all tannery suppliers have been encouraged to undergo assessment using the LWG audit protocol, with the objective of eventually reaching 100%. In 2021, a trajectory will be set out to achieve this ambitious goal.

At the same time, the Company will participate actively in LWG meetings in order to contribute to the improvement of the sector.

Furthermore, since October 2020, Hermès has been a member of the LWG Animal Welfare Group.

In terms of animal welfare, over the years Hermès has built a solid foundation of industrial partnerships that has led it to play a facilitating role between partners in the supply chain, independent researchers, specialised NGOs and other luxury brands. Hermès is thus working to create certified supply chains that produce good results, generate social value and respect the environment. Engaging supply chains and other stakeholders early in this transformation is key to achieving this ambition. In addition to the needs of animals, direct collaboration with suppliers has shown that improving animal welfare can also lead to improved product quality.

This commitment is illustrated by:

- ♦ **the joint creation of animal welfare standards with other stakeholders:** Hermès has spent the past three years working with all partners in the ostrich leather supply chain: farmers, processors, tanners, veterinarians, regional and national regulators, RSPCA UK, external animal welfare consultants and experienced researchers, to develop and implement production standards. The direct involvement of partners has enabled the ostrich industry to take ownership of the process, which will ensure increased commitment and its long-term success;
- ♦ co-construction of knowledge and skills in the supply chain: Hermès encourages communication and dialogue between the various stakeholders, leading to mutually beneficial relationships and a common path for future improvements. This approach, which is both original and scientific, is based on actual observation of animals to assess their physical and mental well-being. For example, in the ostrich supply chain, training programmes supported and funded by Hermès have been developed in collaboration with industry specialists, researchers and external experts to improve knowledge and skills of farmers, processors and auditors in the supply chain. Hermès is also working with independent research organisations and government agencies to develop new and sustainable practices in ostrich farming.

The Group's actions in terms of animal welfare are described in chapter 2 "Corporate social responsibility", § 2.4.2.2.

Hermès Bijouterie-Joallerie

Hermès Bijouterie-Joallerie asks all its partners to commit to respecting the rules established in the "Blue Books" of the World Jewellery Confederation (CIBJO), and to adopt the responsible practices recommended by the World Diamond Council (WDC).

As a reminder, **the Group is RJC certified for its Jewellery activities and is the first luxury house to be certified across the whole of this scope, and using the more stringent criteria of the new COP standard** (see chapter 2 "Corporate social responsibility", § 2.4.2.1.3).

All suppliers are asked to obtain Responsible Jewellery Council Code of Practices (RJC COP) certification. Available since 2010 for the gold and diamond sectors, this certification has become applicable since 2019 for silver and precious stones. Several of the House's partners have embarked on the process, and 72% of direct partners are already certified.

With regard to precious metals, the focus is on the Responsible Jewellery Council "Chain of Custody" certification, which certifies the traceability of recycled gold, platinum and soon, silver.

2.6.2.3 INCREASING PARTNERSHIPS WITH SOCIALLY SUPPORTED ORGANISATIONS

As part of the first Group Disability Agreement signed for 2018-2020, Hermès had set itself the ambitious goal of increasing its use of socially supported organisations by 20% every year. The final target of this agreement, €1.1 million by the end of 2020, was met in the first year with €1.5 million spent on purchases from adapted companies (EAs) and sheltered work establishment (ESATs) in 2018.

A second Group disability agreement was signed on 22 July 2020 with all union representatives. Approved by the *Direction régionale des entreprises, de la concurrence, de la consommation, du travail et de l'emploi* (French employment administration) in November, this second agreement will come into force for 2021, 2022 and 2023. It will continue the Group's ambitions in terms of inclusion, while adapting the commitments to new legislative and regulatory directives (see chapter 2 "Corporate social responsibility", § 2.2.2.1.4).

This year, the Group's total purchases from socially supported organisations reached €2.4 million, i.e. responsible purchasing tripled in four years. This ambitious Responsible Purchasing policy is based on allowing EA and ESAT workers to exercise a professional activity in a meaningful environment. Most of these purchases are initiated by Hermès Group Services and Hermès Maroquinerie-Sellerie.

The legislation changes of the Disability Reform, which set a ceiling for the tax reductions generated by purchases from socially supported organisations, will not threaten this policy, which has been reaffirmed to all players and influencers.

The Group regularly uses the "Hors les Murs" initiative, in which EA and ESAT workers carry out their work at the workshops, and may subsequently be hired by the Company.

Support métiers and functions

Hermès Group Services

The general services department made a commitment in 2016 to increase purchases from socially supported organisations. Since 2018, the impact of this commitment is measurable with a significant increase in full-time equivalent posts created. These results stem from the initial contact made with potential suppliers, when the Hermès responsible purchasing policy is broached. Suppliers are selected and interviewed based on their ability to work with socially supported organisations and the latter features in every stage of the selection process. This recourse covers various *métiers*: cleaning, concierge, mail management, logistics, printing supplies, catering, management of meeting rooms, green spaces, etc. For example, a mail forwarding/receiving service has been set up and entirely entrusted to the APF-Association des Paralysés de France, and employing seven people. This leads to regular co-contracting agreements.

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

On a related note, the number of disabled workers placed as temporary employees by the interim agencies listed by Hermès is followed closely.

Hermès Femme

The partnership continued with the communication agency EA Sabooj and the printer Handiprint for the graphics and printing of integration day badges. A new partnership with the adapted company Les Ateliers d'Aubervilliers, part of the network of the Cités Caritas association, was launched with a direct collaboration in March for the production of jewellery accessories, including the assembly of components and packaging in orange boxes.

Accessories-Jewellery

In 2020, the Accessories-Jewellery *métier* continued to work with an adapted company that is part of the network of the Cités Caritas association and employs over 60 people with disabilities. This partner provides the *métier* with jewellery assembly and packages it in orange boxes.

Hermès Distribution

The French subsidiary regularly calls on ESATs for catering and printing activities during various internal events (Sustainable Development Week, SEEPH, training sessions, team seminars, etc.). An ESAT supports the recruitment team in managing responses to paper job applications. Each year, the subsidiary calls on visually impaired massage practitioners, *via* a social utility company, to give massages to employees in stores. Lastly, the Bordeaux store has been cooperating with an ESAT for over a year through the integration of one or two employees several days a week to help with logistics activities.

Hermès Commercial

For several years, the Bobigny Logistics division has collaborated with two EAs/ESATs, which provide five workers for logistics and quality control positions. A team of three people was also deployed within the exceptional sales department to prepare products for donations to charities.

The partnership with the APF and Ateliers d'Aubervilliers continued with the provision of logistics operators in the workplace and, since 2020, the management of internal mail has been entrusted to a dedicated APF unit on site.

Production

Leather

For more than ten years, the Leather Goods division has been working closely with EAs and ESATs. These partnerships cover various preparatory work such as sanding and cutting reinforcements or gluing certain elements, the manufacture of furniture and workbenches for cutting, as well as logistics operations, management of green spaces, etc. New projects are being studied, such as the construction of mallets by the Micocouliers ESAT, in addition to riding crops (see box at the end of this chapter).

Hermès Maroquinerie-Sellerie's ambition is to build a local network with partner EAs or ESATs in each of its regional divisions as they are created. Three main principles structure this approach: respect for everyone, specific and individual support, and maintenance of the expected high standards. These projects may involve the layout of future premises, the acquisition of new equipment, or *savoir-faire* training to entrust them with tasks with greater added value.

Thus, the new Maroquinerie de Guyenne has developed a partnership with a local EA for the management of parts inventories. The production unit provided the equipment, trained the teams and dedicated a leather officer to provide day-to-day support for the necessary skills development.

In addition, the APF and Chantemerle partners have invested, on the recommendations of the *métier*, in digital cutting machines to ramp up the cutting of stiffeners. An investment that unexpectedly enabled APF to cut out masks early on in the lockdown. Building on this success, APF has since acquired a second machine to use in its clothing workshop.

The teams supervising the work of the EAs and ESATs ensure that working conditions, health and safety are formally assessed, in a quest for continuous improvement. They support them on a daily basis from a technical and qualitative point of view, but also over the long term. A joint project to optimise flows between these companies and the sites was started this year.

The eventual integration of disabled workers in the workshops remains a priority and Hermès Maroquinerie-Sellerie is working towards this with the EA and ESAT. Some of their employees are welcomed within the teams, thanks to temporary secondments ensuring gradual integration into the world of work.

Petit h strengthened the partnership launched in 2018 with the Domaine Emmanuel ESAT. At the time, the agreement focused on two areas of *savoir-faire*, machine sewing and hand embroidery, to craft small objects and clothes for independent designers. Petit h again asked them to carry out precision work on silk Christmas baubles, followed by other delicate sewing assignments (after-sales service repairs), as well as packaging of charms and, more recently, the production of hand-embroidered silk handkerchief cases or the making of button strips.

Tanneries

The Puy, Montereau and Vivoin tanneries enlist the help of ESAT employees to maintain the green spaces and clean the sites. The Annonay tannery also works with an ESAT on an occasional basis for commercial brochure packaging and leather sampling assignments. In 2020, the Tanneries and Precious Leathers division extended its partnership with the ESAT that provides catering services and meal trays for seminars and meetings at its headquarters. All tanneries are keen to continue these partnerships over the long term, and the ESATs are called upon as a priority in all calls for tenders.

Perfumes and Beauty

Several initiatives were carried out involving people with a disability, including: systematic consultation of a Val de Reuil ESAT (Adapei 27) and local APFs for manual packaging or unpacking work (Nomad boxes, scent stone or discovery kits, co-packing for make-up), breakfast and meal tray services in Pantin, the continued co-contracting of selective waste sorting or the processing of negative responses to job applications, the printing of an information booklet on the Opera project, etc.

Two additional partners were validated with Adapei 27: Évreux at the end of 2019 and Verneuil-sur-Avre in November 2020.

The process of recognition of acquired experience (RAE), which began in 2019 with Adapei 27, has continued. It aims to validate the skills of ESAT workers in relation to a *métier* framework, in order to lead ultimately to integration in the Company. Specifically, the Perfumes and Beauty teams involved participate in internal panels to assess the skills in the packaging *métier* gained by ESAT volunteers. Four panels are scheduled for 2021, as well as an external RAE at the end of an immersion course in the Vaudreuil packaging workshop.

Crystal manufacturing

The maintenance of green space has been entrusted to the association APAEIE Ingwiller for several years. Saint-Louis continues its partnership with the ESAT de la Ruche in the neighbouring town of Goetzenbruck for the storage of packaging materials and also offers secondments for employees to work in the dispatch warehouse at the production unit. This partnership contributed to the rehabilitation of a brownfield site.

Textiles

The entities of the sector collaborate with socially supported organisations for mechanical services, carpentry, packaging, cleaning and maintenance of green spaces (ATBC), the classification and referencing of textile archives and the inventory of trademarks (Holding Textile Hermès), the taking care of work clothes (AEI and AS), supporting the sampling department in the preparation of fabric rebracks for the *Première Vision* show (Holding Textile Hermès), the recycling of printing frames (Gandit), as well as catering services (meal trays, “*galette des rois*”) and the presence of a food truck (SIEGL, ITH, Holding Textile Hermès).

A partnership has been in place for more than 10 years for the maintenance of all green spaces around and outside SIEGL. For more than 10 years, a partnership with an ESAT has involved the assembly of samples and the manufacture of silk pouches at ATBC and AEI.

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 center dedicated to providing work to disabled people. The *savoir-faire* and the objects it generate 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 contribute to the UN's Sustainable Development Goals (SDGs).



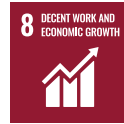
No. 5: Gender equality

- ◆ 5.1 “End all forms of discrimination against women”
Maintaining the continuity of internal policy on equal opportunity, especially with regard to women (see chapter 2 "Corporate social responsibility", § 2.2.2), the Hermès Group strives to apply this principle with respect to its suppliers. Handbook 2 defining undertakings with respect to social, environmental and ethics policies reflects these requirements. The code of business conduct also states that “the Group does not tolerate any discrimination, whether based on race, gender, age, religion, sexual orientation or political or trade union opinions”.



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. The average length of relationship with the top 50 suppliers is 20 years.
- ◆ 8.5 “Decent work for persons with disabilities”
The Hermès Group places work with socially supported organisations in France, with the objective of increasing the use of this sector by 20% each year, particularly under the Group Disability Agreement.
- ◆ 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. Suppliers must not employ anyone under the age of 16. If an employee of the supplier has not completed their mandatory schooling, the supplier must provide the necessary education and/or provide the means to continue their education at an appropriate institution.



No. 8: Decent work and economic growth

- ◆ 8.8 “Promote safe and secure working environments”
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. 12: Responsible consumption and production

- ◆ 12.2 “Achieve the sustainable management and efficient use of natural resources”
Hermès is working on the co-construction of sustainable sectors with all of its stakeholders, following the example of the working groups launched in 2018 for ICFA and SAOBC certifications.
- ◆ 12.8 “By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature”
Hermès has developed an animal welfare policy as well as demanding environmental criteria through work carried out with various external stakeholders, in particular Non-governmental organisations. The supply chain brief produced in 2020 is intended for all suppliers and enables Hermès to share with them its requirements for ethical and sustainable sectors and the protection of people, animals and the environment.



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.