



2021

UNIVERSAL REGISTRATION DOCUMENT

CSR EXTRACT
NON-FINANCIAL PERFORMANCE STATEMENT
(NFPS)

Page numbers have been retained from the original version.

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 care towards its partners as well as by promoting the socially supported sector.

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Introduction

In line with its strategy of preserving unique *savoir-faire* and securing supplies, most of Hermès' production is integrated: 58% 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 whose exceptional *savoir-faire* and future success will contribute to that of the Hermès Group and therefore, their social and environmental practices must be irreplaceable.

These subcontractors and suppliers of the House are, for the most part, historical partners. As such, for direct purchasing (production purchases), the average length of trading relationships with the Hermès Group's 50 largest suppliers in 2021 was 20 years. They operate mainly in the Leather Goods division (tanneries and manufacturers) but also in other *métiers* (jewellery and shoes, notably). This stability is also true for small suppliers, some of which 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.

In terms of organisation, indirect purchases are supervised by a Group department, which pools certain items (such as packaging) and coordinates a network of dedicated buyers in the *métiers*, subsidiaries and central services. It also coordinates Group action plans on major topics, such as the elimination of single-use plastics (§ 2.4.1.1.1).

Direct purchasing is also supervised by a dedicated Group department which coordinates a network of buyers within the *métiers* and coordinates the process of analysing supply chains (§ 2.4), managing supplier risks and the supplier audit programme. Moreover, it 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).

Particular attention is paid to human rights issues, which are, for instance, the main topic of a dedicated section in the supplier handbook signed by suppliers.

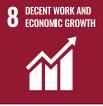
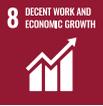
Hermès pursues a corporate strategy in which ethics and proper business conduct are the pillars and guardians of responsible and sustainable performance. An Ethics Committee has been set up to receive and process alerts, as well as to provide advice and recommendations on the Group's ethics culture (§ 2.8).

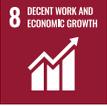
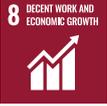
In 2021, the Group made progress on the major procurement issues, with the aim of making a long-term difference through steady improvements with a significant impact. Among these, the selected elements below are particularly illustrative of 2021 for this section:

- ◆ CSR and Supply Chain Briefs sent to suppliers;
- ◆ Opening of the ethics whistleblowing line for suppliers;
- ◆ Commitment of 12 subsidiaries and suppliers to the Medef French Business Climate Pledge;
- ◆ Five-fold increase in purchases from socially supported organisations in France since 2017 (€3.8M).

COMMUNITIES

SUPPLIERS AND PARTNERS

OBJECTIVES	INDICATORS	2021 RESULTS
 SUPPORT THE DEVELOPMENT AND EVOLUTION OF SUPPLIER PRACTICES TO PRESERVE KEY SAVOIR-FAIRE AND SECURE SUPPLIES		
	Average length of relationships with the top 50 direct suppliers	20 years of trading for relationships with the top 50 direct suppliers
 <p>Create lasting relationships with our suppliers to promote sustainable action plans</p>	Supplier payment terms in France	An average of 24 days for supplier payments in France in 2021, compared to a general average of 43 days in France (according to the Banque de France), and improvement (27 days in 2020 and 29 days in 2019)
	Amount paid in advance of the contractual term	€3.6 million ahead of the contractual deadline, thanks to the implementation of an automated service or delivery validation system, in order to support the cash flow of our partners
 CO-CONSTRUCT SUSTAINABLE DEVELOPMENT ACTION PLANS WITH OUR SUPPLIERS AND PARTNERS		
 <p>Work with our suppliers to achieve the highest existing standards</p>	% of suppliers that are part of certified supply chains	100% of Jewellery workshops RJC certified 100% of the paper and cardboard used for orange boxes and bags is FSC-certified Commitment of partner tanneries to the LWG (Leather Working Group)
 ENSURE THE APPLICATION OF OUR SOCIAL, ENVIRONMENTAL AND ETHICAL REQUIREMENTS (DUTY OF CARE)		
	Guarantee suppliers' adherence to the Group's CSR commitments	% of purchasing suppliers that have signed handbooks 1 and 2
		89% of direct purchasing suppliers have signed handbooks 1 and 2
 <p>Monitor the CSR performance of suppliers</p>	Number of suppliers (French and international) assessed by EcoVadis and average score of suppliers by EcoVadis	322 suppliers (French and international) assessed by EcoVadis, with an average score of 55.4 , compared to 42.8 for all assessments carried out by EcoVadis, i.e. an outperformance of 29%
	Control the application of the Group's requirements by all suppliers	Number of audits performed on direct suppliers
		66 audits performed on direct tier 1 suppliers and 47 performed on direct tier 2 suppliers
	Allow suppliers to report actions that do not comply with the Group's codes	Activation of an alert system
		Launch of the alert system H-Alert! for all suppliers

OBJECTIVE	KPI	2021 RESULTS
 DEVELOP BALANCED PARTNERSHIPS, SUPPORT OUR PARTNERS, AND PROMOTE LOCAL INTEGRATION AND OTHER REGIONAL DEVELOPMENT OF BASINS AND SITES WHERE WE ARE LOCATED		
	Contribute to regional development through our purchasing policies	% of our suppliers that contribute to the development of priority areas (rural areas, districts, the long-term unemployed)
		20% of our French suppliers contribute to development in priority regions, in particular 560 suppliers located in Rural Revitalisation Zones and 1,480 suppliers located in priority urban areas
 INCREASING PARTNERSHIPS WITH SOCIALLY SUPPORTED ORGANISATIONS		
	Encourage the use of suppliers that use socially supported organisations and employ socially supported organisations directly	Amount of purchases made from socially supported organisations
		€3.8 million in purchases from adapted companies (EAs) and sheltered work establishments (ESATs)
	Encourage the use of suppliers that use socially supported organisations and employ socially supported organisations directly	Number of suppliers referenced that are Social and Solidarity Enterprises (ESS)
		530 referenced suppliers are Social and Solidarity Enterprises (ESS)

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. In particular, the Group monitors issues related to human rights and fundamental freedoms, employment conditions (hygiene, health, safety, working hours, wages, etc.), the environment and biodiversity, as well as animal welfare. This monitoring applies to its tier one suppliers, but also to their own suppliers (tier two) and subcontractors, with the aim of always better understanding all the supply chains and align their CSR objectives with Hermès.

POLICY

At Group level, the direct and indirect purchasing departments coordinate and monitor policies, tools and outcomes. The Group purchasing policy, issued in May 2013 and updated in January 2021, is based on four elements:

- ◆ security: ensuring long-term relationships with suppliers, in particular, with the preservation of key *savoir-faire*, securing of supplies and services, and the establishment of balanced and sustainable relationships with partners;
- ◆ quality and innovation: seeking the best quality and enriching Hermès' creation with concrete proposals, resulting from the innovation of partners;
- ◆ CSR: ensure a social, societal, environmental and ethical commitment across all supply chains, by sharing the House's objectives in these areas with partners and supporting them in their implementation;
- ◆ cost control: contribute to the House's economic performance both by controlling costs, considered as a whole, and by providing value to the customer.

In January 2021, this policy was updated to strengthen its CSR component, by adding a CSR brief and a supply chain brief:

- ◆ The CSR brief specifies the House's objectives and its expectations vis-à-vis suppliers on five themes: human and social rights, biodiversity, energy and carbon, water and plastics;
- ◆ The supply chain brief presents, for each raw material, both the short-term objectives and the trajectory for 2024, the points requiring particular attention, and those that are prohibitive. In particular, this brief includes certification objectives for most materials according to the best existing standards (cf. 2.4.2.1 "Management of supply chains").

Operationally, each *métier* is responsible for managing its suppliers and more generally, its supply chains. This approach guarantees proximity, understanding of issues and pragmatism of its mechanisms, while complying with the House's rules.

These three documents, the Group purchasing policy, the CSR brief and the supply chain brief, were presented to all of the House's purchasers

during a purchasing network meeting in April 2021. Purchasing managers then gradually rolled out these documents to their suppliers throughout the year. Supplier meetings have been organised by the *métiers* with their main suppliers to present these CSR and supply chain briefs in person and advise them on the implementation of these objectives. Suppliers so wishing were offered more in-depth training in 2022, in particular in the areas of energy and carbon, water and biodiversity, in order to continue to support them in the best possible way using a collaborative approach.

Focus on the real estate department

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 societal 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. Hermès hope that its partners can also be actors in this ambition. Its suppliers are invited to ascertain 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.

2.6.1.1 SOCIAL, ENVIRONMENTAL AND ETHICS REQUIREMENTS

The supplier risk management system, which had already existed in the Hermès Group for many years, has been strengthened since 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 undertaken in the specific context of Hermès, which carries out more than 58% of its production internally: this not only reduces its exposure to risk, but it often gives it a better understanding of operational issues (being itself an actor on the subject). Thus, through its purchasers by *métier*, the Group is in most cases close (geographically, on account of an ongoing relationship and technically) 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 and biodiversity. 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, using a "risk-based" approach that aims to prioritise the issues using successive filters, to focus efforts on the most significant issues.

In accordance with the recommendations of law No. 2017-399 of 27 March 2017 on the duty of care of parent companies and ordering companies, this 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 an established 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 departments at all the House's *métiers*.

The diagram below summarises this methodology and the corresponding tools:



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COVID-19: SUPPORT FOR SUPPLIERS DURING THE CRISIS

In 2021, **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 were 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 internally 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.

As indicated above, these practices have led to concrete results (payment terms improved to 24 days in France vs. an average of 43 days, €3.6 million in cash advanced compared to the payment term).

Masks and hydroalcoholic gel were naturally 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, making use of the House's ability to make bulk purchases.

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 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 all suppliers and, more generally, all supply chains, the purchasers in each *métier* formalise a **risk mapping for each of their purchasing categories, assessing in particular the risks 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**. Since 2019, these risk analyses by purchasing category (manufacturing methods, metal parts, fabrics, etc.) have been supplemented by analyses of the supply chains by raw material (cotton, linen, gold, silver, etc.) (see § 2.4.2.1 “Management of supply chains”).

Since 2018, the emphasis has been on direct production purchases, for which control of the supply chain is a strategic challenge. With its 16 *métiers*, the Group has around 100 direct purchasing categories and more than 80 raw materials supply chains. **At the end of 2021, risk mapping and a risk analysis by supplier had been conducted for 93% of purchasing categories and a comprehensive analysis had been completed for 74 raw materials supply chains.**

Among the risks identified, ensuring the sustainability 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 and energy consumption and biodiversity are important issues, systematically taken into account (see § 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, notably through audits, with a particularly high level of exigence. 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 particularly closely monitored for the small number of supplies from further afield.

2.6.1.3 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. This 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.

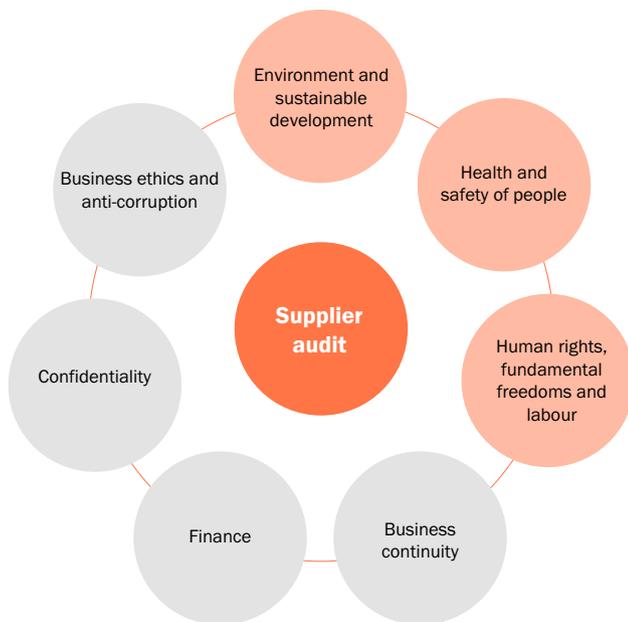
Audits

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 during 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, approximately 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 care law are those identified in orange in the diagram above.

In 2021, the health situation related to Covid-19 once again impacted the supplier audit programme. Despite this, 105 audits were completed, i.e. 80% of planned audits (compared to 71 audits in 2020, i.e. 55% of the target). This represents an increase of 48%. The vast majority of these audits were conducted in Italy (51%) and in France (28%). They were distributed among 66 tier 1 suppliers, on 87 sites, and 41 tier 2 suppliers, 93% of which were located in Italy. In total, 145 days of audits were carried out on site.

These audits led to the identification of 1,364 findings, of which 0.2% were considered critical, 18.5% major and 52.5% significant. The remaining 28.8% concern simple points for improvement, with proposals for best practices to encourage suppliers to constantly progress in a spirit of continuous improvement.

Breakdown of supplier audit findings by family

Hermès places the safety of people at the heart of its concerns, which is why the level of health and safety audits is particularly high. It is therefore no surprise that 57% of the findings are related to this theme, i.e. 776 findings, of which 23% considered major (no critical findings).

Only three critical findings were identified in 2021. They concerned a single supplier and were linked to a proven environmental soil pollution issue. The supplier took immediate steps and implemented the necessary actions to correct the situation and comply once more.

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

- ◆ fire risk: non-compliance of electrical installations, inaccessibility of emergency equipment and exits, ATEX (explosive atmospheres) study not carried out;
- ◆ chemical risk: inventory not conducted, lack of search for substitutes for CMR products (carcinogenic, mutagenic and reprotoxic), lack of measurement of exposure to substances with OELs (occupational exposure limits);
- ◆ risks related to workstations: incomplete or outdated generic single document, no prevention plan or lack of lockout-tagout procedure;
- ◆ compliance with mandatory periodic inspections: lifting equipment and accessories, pressurised equipment, boilers, etc.

In terms of the environment, the main recurring findings relate to non-compliance with the obligations related to ICPE regulations, the administrative management of waste, and the absence of an asbestos technical file.

In terms of labour, the most frequently occurring observations concern the exceeding of the overtime quota, the absence of an SEC or the lack of training for this committee and the absence of formalised professional interviews.

In terms of ethics and anti-corruption, although some suppliers have not yet formalised their own ethics and anti-corruption charter, they have all signed and implement Hermès' social, environmental and ethics policy as a basis (Handbook 2) which notably contains clauses relating to the fight against corruption.

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.

Supplier Audit Committee (direct purchases)

Since early 2019, a Supplier 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 Supplier Audit Committee brings together the direct purchasing department, the Director of Industrial Affairs, the Director of Audit and Risk Management and the purchasers concerned within the *métiers*. The Supplier 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 Supplier 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 direct purchasing department can accompany the purchaser on these visits. Lastly, once all the findings have been cleared by the supplier, a closing visit is carried out by the purchaser concerned and a member of the Group direct purchasing department to confirm the

successful completion of all corrective actions and ensure their sustainability over time.

EcoVadis

In line with its responsible purchasing strategy, the indirect purchasing division selected EcoVadis at the end of 2018, which offers a collaborative platform for assessing the environmental performance and social responsibility (CSR) of its suppliers (environmental, social and human rights, ethics and responsible purchasing). Each company is assessed on these fundamental issues according to their size, location and sector of activity. Evidence-based assessments are reported in assessment sheets enabling the implementation of corrective action plans.

Since the programme was launched, 322 French and international suppliers have accepted Hermès' invitation to join the programme. **The average score of these indirect suppliers is 29% higher than the EcoVadis average** (55.4 compared to 42.8). In 2021, the objective of inviting the top 150 indirect purchasing suppliers in France to self-assess or share their score was achieved. With the aim of ensuring progress, a number of suppliers whose scores did not yet meet Hermès' demanding standards were also reassessed. The target is to invite 50 additional suppliers during 2022, in order to cover the 200 main indirect suppliers in France.

2.6.1.4 RISK MANAGEMENT AND MITIGATION OR PREVENTION OF SERIOUS VIOLATIONS

The Group's policy is also based on a desire to train purchasers in an increasingly complex *métier* and formalise concrete commitments by suppliers.

Network management and training

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

Each direct purchasing network, led by its Group department, regularly 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 are also an opportunity to share the purchasing risk mapping of the various *métiers*. This helps purchasers to exercise their duty of care vis-à-vis their suppliers and subcontractors, and more generally vis-à-vis all supply chains. In particular, in 2021, the enhancement of the CSR component of the Group's purchasing policy was presented to the entire community of purchasers, i.e. 120 direct purchasers, during these meetings.

In addition, networks specific to certain supply chains have existed since 2019 and meet on average three times a year, and more frequently if necessary. These are the leather, textile, metal parts, cashmere 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.

Since the end of 2018, the development of a training course for purchasers has been ongoing, 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 EHS (Environment, Health and Safety), legal compliance and human rights topics.

The *Fundamentals of purchasing at Hermès* training course was finalised in early 2021 and is currently being rolled out. It lasts three days, including a full day dedicated to CSR, responsible purchasing and supply chain management.

An *Environment, health and safety* training course has also been running since 2020. It addresses purchasers, as a priority, but also everyone who is required to travel to the House's suppliers and subcontractors. This one-day classroom training aims to acquire sufficient expertise to identify any EHS shortcomings on the part of a supplier or a subcontractor and support it in the corrective actions to be implemented, in an approach of partnership and continuous improvement. At the end of 2021, despite the constraints related to the health situation, 161 people had already been trained, with the aim being to reach an additional 150 people in 2022.

In addition, a *Legal and compliance* training course is being finalised with the legal department, as well as a training course on *Human rights, fundamental freedoms and labour*. These two programmes will be rolled out in 2022. A Carbon Assessment training course will also be introduced in 2022.

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 are public and available online (<https://finance.hermes.com/en/ethics-human-rights-and-diversities/>).

They were updated in 2020 to include an email address facilitating the reporting by suppliers of any breaches they witness in terms of ethics.

The vast signature campaign launched in 2018 continued in 2021 to present and encourage all the Group's suppliers to subscribe to this new version.

Handbook 2 includes items relating to international standards and agreements, rules of labour-related, environmental and ethical conduct, as well as personal data.

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

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

The percentage of active suppliers in the direct purchasing scope who signed undertaking Handbooks 1 and 2 increased again to reach 89% at the end of 2021 (compared with 85% in 2020 and 76% in 2019).

In addition, the CSR briefs, created in 2020, and the supply chain briefs, developed in January 2021, specify the House's objectives and its expectations vis-à-vis suppliers on these topics. To strengthen supplier engagement, a "CSR self-assessment questionnaire" has been developed, comprising more than 100 questions relating to CSR. It allows purchasers to retrieve all the information they need from their suppliers in terms of CSR (social policy, commitments to the environment and biodiversity, ethics charter, waste management, commitments to reduce the water footprint, carbon footprint and greenhouse gas emissions, etc.). It will be widely rolled out to suppliers in the 1st half of 2022.

2.6.1.5 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 frequent assessments are important aspects that make it possible to detect any breaches and to alert the 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 suppliers and 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 suppliers and subcontractors.

In accordance with the code of business conduct, **any employee who identifies suspicious behaviour in the supply chain is invited to report it internally thanks to the H-Alert! mechanism.** 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 Group purchasing department. § 2.8.4.1. describes in more detail the implementation of this alert system.

2.6.1.6 HUMAN RIGHTS IN THE SUPPLY CHAIN

The Hermès craftsmanship model, in which 58% of objects are made in Hermès' exclusive in-house workshops, and 78% 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, all the more so as 66% of the top 50 direct suppliers are in France and 28% in Europe. Just 5% of purchases are made in more distant countries, mainly raw materials (e.g. exotic leathers), and control and monitoring there are extremely strong.

The Group's policy, for its own operations as well as for those carried out by its suppliers and subcontractors, is to enforce compliance with major international Human Rights principles.

- ◆ 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. It 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 (relating to issues involving 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 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 Handbook 2 (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. Depending on the outcome, the relationship is suspended.

Respect for Human Rights and fundamental freedoms is part of the vigilance plan put in place by the Group as part of its duty of care. This is repeated and detailed in § 2.8.4.

French Business Climate Pledge

In July 2021, as part of the “French Business Climate Pledge” initiative led by Medef¹, and in addition to the renewal of its 2019 membership, Hermès led to the participation of 12 Group companies, subsidiaries or partners to join this initiative. By encouraging participation in its ecosystem, Hermès is contributing to the successful transition to a low-carbon economy, by promoting awareness of these issues and sharing best practices and operational solutions.

2.6.2 RESPONSIBLE PRACTICES WITH SOCIALLY SUPPORTED ORGANISATIONS

Conscious of its social responsibility, Hermès traditionally uses socially supported organisations in France for its direct and indirect purchases, and this practice is growing strongly every year.

POLICY

The Group has long pursued a policy in favour of people with a disability, through partnerships with companies in the socially supported and sheltered organisation sector (EA², ESAT³) in France. This ambitious responsible purchasing policy is based on allowing EA and ESAT workers to exercise a professional activity in a meaningful environment. 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 **ambitious target to increase** the use of the socially supported and sheltered organisation sector in France **by 20% per year** was widely exceeded in 2021, with purchases made growing from €0.7 million at the end of 2017 **to €3.8 million at the end of 2021, i.e. a fivefold increase in five years**. Driven by a proactive policy, these purchases are mainly made at the initiative of Hermès Maroquinerie-Sellerie and Hermès Group Services.

The Group regularly uses the *Hors les Murs* initiative, in which EA and/or ESAT workers come and carry out work in the workshops. In many *métiers* (Hermès International, Hermès Group Services, Hermès Maroquinerie-Sellerie, Hermès Parfum et Beauté, etc.), these workers made available on a daily basis by EAs and ESATs contribute to various activities (cutting, preparation of orders or meeting rooms, logistics, security, concierge, mail dispatching, etc.). These collaborations provide long-term employment opportunities.

MEASURES IMPLEMENTED AND RESULTS

Hermès Maroquinerie-Sellerie's commitment in favour of disability is at the heart of an ambitious prevention policy for all employees. Hermès Maroquinerie-Sellerie wishes to continue and strengthen the partnership whenever possible, with the aim that each internal regional division develops a partnership with one or more EA-ESATs in its region. Each partnership is first and foremost a human journey, providing an opportunity to integrate people with disabilities into the teams, drawing on the experience and skills of these structures.

The first step is to have the EA/ESAT partners work locally on the skills they already offer: green spaces, company restaurants, renovation of workbenches, small equipment, etc. Once this potential is tapped, a ramp-up of skills is envisaged in the techniques necessary for the manufacture of objects. The ultimate goal is to enable certain EA/ESAT partners to become contract manufacturers to whom the sites could entrust the manufacture of certain small finished products.

It is in this context that Hermès Maroquinerie-Sellerie organised the second *Handispensable* day in 2021, bringing together all of its EA/ESAT partners and their internal contacts, to jointly build progress plans and spread to other divisions the results of this commitment which exceeded €1.95 million in 2021.

The Le Puy, Montereau and Vivoin **tanneries** have enlisted the help of ESAT employees to maintain their 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 2021, the **Compagnie des Cuirs Précieux** extended its partnership with the ESAT that provides catering services and meal trays for seminars and meetings at its headquarters. Lastly, 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.

1. Medef: *Mouvement des Entreprises de France* (French business association)

2. EA - *Adapted company*

3. ESAT - *Sheltered work establishment*

Hermès Bijouterie developed a partnership with an EA in the Paris region for the assembly, quality control, packaging and shipping of horn jewellery accessories. At the last Handi'Cap Forum, the partners testified to the quality of this collaboration, which opens up other opportunities for after-sales service, repackaging for other *métiers*, the preparation of boxes, and even upcycling operations (dismantling unsold items).

Hermès Parfum et Beauté continues its collaboration with an ESAT partner for the recognition of prior learning (RAE).

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 asked them again 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.

Hermès Sellier General Services include in each call for tenders an inclusive clause on purchases from socially supported organisations and the sheltered sector, and regularly set up tripartite co-contracting contracts. These involved more than €870 thousand in purchases in 2021.

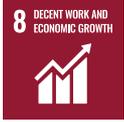
In Hermès Commercial, the Bobigny Logistics division has collaborated for several years with two EAs/ESATs, which provide five workers for logistics and quality control positions. A team of three people was also deployed within the exceptional sales department to prepare products for donations to charities.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

Hermès Distribution France 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. Finally, the Bordeaux store has been cooperating for more than a year with an ESAT, employing one or two employees several days a week to help with logistics activities.

EXPERTS' HANDBOOK

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. 8: Decent work and economic growth

- ◆ 8.5 "Achieve full employment"
- ◆ 8.3 "Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services"
- ◆ 8.4 "Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead"
- ◆ 8.5 "By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value"
- ◆ 8.8 "Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment"



No. 10: Reduced inequalities

- ◆ 10.2 “By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status”



No. 12: Responsible consumption and production

- ◆ 12.8 “By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature”