



2021

# UNIVERSAL REGISTRATION DOCUMENT

CSR EXTRACT  
NON-FINANCIAL PERFORMANCE STATEMENT  
(NFPS)

Page numbers have been retained from the original version.

## 2.2.1 FULFILMENT AND WELL-BEING

The sustainability of the House rests on the women and men who contribute in a harmonious and positive manner to its functioning and development. For this reason, the Group is very demanding in terms of working conditions so that everyone can express their potential safely, in a pleasant environment, whether on production sites, in stores or offices. This also means supporting the transformation of working practices, whether digital or organisational, and seeking a permanent balance between the changing world and the goal of living well alongside one another.

### POLICY

The Group's policy integrates health, safety and well-being challenges in its operational strategy as a priority, in particular for its manufacturing activities. Working time is managed by each entity in compliance with the regulations in force, according to the particularities of its activity, and with a view to ensuring a balance between private and professional life. Social dialogue is a priority and is organised in each country according to local laws and regulations. In addition, faithful to its family tradition, the House involves its employees in long-term growth through individual and collective compensation measures.

### MEASURES IMPLEMENTED AND RESULTS

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

#### 2.2.1.1 FULFILMENT AND WELL-BEING

##### 2.2.1.1.1 Employee well-being

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

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

This approach continued in 2021, despite an unfavourable context, with its rollout to three new sites. **Since its launch, nearly 8,000 employees at 41 sites have taken part, i.e. 73% of employees in France.** The average response rate of 83% is a sign of the commitment of employees and provides a strong representation of their views.

The topics selected locally are varied: time management, fatigue and physical health, warm-up/stretching, hazard management, musculoskeletal disorders (RSI), management of emotions, communication, etc. More than 65 participatory workshops with employees and employee representatives were set up at the sites on topics identified for progress, such as "Fair and unfair – Optimising relations at work", "Stress management and emotional load", "Development and commitment", "Workspace ergonomics and the working environment".

Following this diagnostic phase, the French sites set up a workplace health and well-being observatory on each site, which coordinates the action plan via working groups, in conjunction with the Management Committees and the site's Health, Safety and Working Conditions Commission. Recurring themes that can be part of Group initiatives are identified and dealt with collegially at the same time. This Observatory remains a reference point in the long-term prevention and identification of risk situations relating to health or well-being. Similar approaches to analysing well-being at work are carried out within our Retail subsidiaries.

**In Europe**, a vast engagement survey was launched at the end of May 2021 for all employees in 16 countries (survey sent to 1,075 people) with a participation rate of 88%. It recorded an increase in the engagement level from 74% to 76%. The strengths identified by the Retail Europe teams relate to pride in belonging and confidence in the future, the care and sincere concern for employees, recognition and feedback provided, and the House's CSR commitment. In Russia, for example, the engagement rate was 86% and 96% of employees would recommend Hermès as a good company. 93% say that Hermès takes care of its employees. In Italy, the participation rate was 89%, with 83% saying they were proud to work for Hermès and 85% welcoming its commitment to CSR.

**In the United States**, HOP conducted its second employee engagement survey in 2020, and continued the analysis in 2021 (2,700 comments representing more than 250 pages analysed by local HR departments). The survey enabled 755 employees to express their views, i.e. a very high commitment rate of 91% (up from 83% in 2018). The most positive response was the statement that employees are proud to work for Hermès (98.5%) followed closely by the fact that Hermès is a socially responsible company (96%).

The points of progress identified, on which local HR is working, generally concern the workload, with the desire for a better work-life balance and the development of career opportunities.

##### 2.2.1.1.2 Working conditions and environment (EHS)

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

**A common strategic framework, adaptable to the activity**

The EHS (Environment, Health and Safety) policy for the Hermès Group's industrial sites aims to implement systems that help preserve the health and ensure the safety of employees while protecting the environment. It is supervised and validated by the Executive Vice-President of the Manufacturing Division & Equity Investments, a member of the Executive Committee.

While craftsmanship expertise is essential to the production of beautiful products, the high level of expertise in health, safety and the environment contributes directly to the improvement of working conditions and the well-being of all. Thus, for Hermès, any work accidents, occupational disease or environmental accidents are unacceptable.

Each *métier*, through its managers, undertakes to work relentlessly, with commitment and determination, in order to achieve this level of control and to pass on the environmental and health and safety issues that are at the heart of the craftsmanship culture:

- ♦ eliminate and prevent the risk of injury, preserve long-term health;
- ♦ protect the environment by controlling risks and reducing identified impacts.

Any new Hermès industrial site, and any renovation, is designed and built with the health and safety of the craftspeople and partners working there in mind.

New or existing industrial practices, as well as processes and products, are constantly analysed to minimise their risks and effects on the environment, health and safety.

Lastly, each *métier* strives to train and raise awareness among all its employees to achieve these ambitions, taking into account the unique features of its activity.

To support this policy, the Hermès industrial department runs an EHS programme that changes every four years. The fifth cycle of this programme began in 2018 and consists of three components:

- ♦ an EHS regulatory watch organised at a frequency adapted to changes in the regulations of the countries in which the sites are located: in France, the watch is shared quarterly; for the rest of the world, it is published bi-annually or annually;
- ♦ the elimination of hazardous situations by ensuring the proper management of hazardous work and the control of environmental practices through the Group's guidelines, updated each year and which supplement those of the real estate development department;
- ♦ a safety culture, assessed each year at all industrial sites in accordance with internal standards.

The industrial department audits the achievements of the industrial sites with the support of an external firm and regularly reports on the progress made in meeting Hermès' commitments. In 2021, 15 audits were carried out.

To complete this programme, the industrial department has been running an EHS network since 2003, made up of EHS managers from the House's various *métiers*. With around 20 members, this network meets several times a year to set targets, share results and learn about best practices in each of the *métiers*.

**Actions implemented within the *métiers*: some examples**

Each department regularly feeds into an action plan for the management and continuous improvement of working conditions, particularly in terms of ergonomics.

*Leather*

The Leather Goods division has the objective of making its production units safe places, supporting tradition, excellence in *savoir-faire* and innovation. The resources enabling employees to work safely, perform their duties over the long term, and protect their health are a priority within each site. The division's senior management meets each quarter to discuss health and safety issues at work. An external body conducts regular audits on the degree to which the production units have adopted a strong health and safety culture in accordance with Hermès' own guidelines. An EHS manager is appointed in each production unit. The central coordination ensures the consistency of the progress plans, provides them with material support, and monitors changes in regulations and technological developments. It develops and distributes shared training, reporting and regulatory compliance tools.

Among the Leather Goods division's priorities, the fight against RSI (repetitive strain injury) is the subject of several types of actions:

- ♦ the introduction of electric height-adjustable workbenches;
- ♦ work carried out in collaboration with biomechanics and *physiotherapists* to measure the biomechanical impact of each movement performed by craftspeople on a daily basis. This innovative protocol, using cutting-edge technologies, has made it possible to create a hierarchy of training actions and thus reduce physical stress in strict compliance with *savoir-faire*;
- ♦ the setting up of "ergo relays", who are either craftspeople or employees from support functions, and some of whose missions are dedicated to the prevention of musculoskeletal disorders in their workshops. This community provides concrete support to each craftsperson in order to progress in terms of ergonomics and good postures within each leather goods workshop. At the same time, the ergo-motor skills module "Un Corps Pour La Vie" continued to be rolled out, with the aim of better preparing the body and supporting the demands inherent in the specific activities of saddlers and leather goods craftspeople (warm-up, posture, etc.). To date, 3,000 craftspeople have been trained;
- ♦ the perfecting of a shoulder realignment tool, aimed at preventing musculoskeletal disorders of the upper limb, a process supervised by local *physiotherapists*.

### Logistics

Logistics ships more than five million products to 306 stores each year. For more than five years now, the Hermès Commercial site in Bobigny has been constantly transforming to improve in the face of a constantly increasing workflow. Various projects have been carried out to mechanise certain tasks and significantly reduce the risks of RSI (repetitive strain injury) in certain operations. Thus, the time between receipt and shipping of a product has been reduced from 15 to 10 days, while maintaining the level of quality control and improving working conditions. These projects have also enabled operators to develop new skills, flourish and feel collectively responsible for the smooth running of the site.

### Working environment

The House is very attentive, for its production units and its offices, to providing quality workplaces. This aspect is also one of the pillars of the “sustainable construction” framework put in place by the Group (see § 2.5.1.2). In 2021, for example, the following achievements can be highlighted.

A new living space has opened its doors on *rue de Penthièvre* in Paris to welcome Hermès Perfume and Beauty and the digital sales and service department in an exceptional building with views over the whole of Paris, bathed in light, offering a large garden and equipped with 10 terraces (i.e. 2,000 m<sup>2</sup> of outdoor spaces out of a total of 8,000 m<sup>2</sup>). The aim is not only to design welcoming living spaces, but also to make them stand out by highlighting the *métiers* and *savoir-faire*.

The Maroquinerie de Guyenne benefits from new premises in an HQE building, with energy consumption optimisation and photovoltaic panels providing electricity for the building. Height-adjustable workbenches have been installed within HMS and HTH, partly by retrofitting when possible.

A certain number of actions are also carried out to improve visual and acoustic comfort (soundproofing of machines, noise mapping, light measurement campaigns) at the Maroquinerie de Guyenne.

### Air quality, lighting and acoustics

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

In 2021, air quality measurements were launched on certain production sites in France, as well as in tertiary buildings and stores.

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

At our industrial sites, various improvements in terms of working conditions and environment were made in 2021, in addition to the Group’s ambitions, such as:

- ♦ the installation of a ventilation solution for the hot-part workshop at Crystal Saint-Louis to renew the air in this workshop while recovering the excess heat from the furnaces. This solution made it possible to significantly improve the working conditions in this workshop;
- ♦ a measurement campaign was carried out to ensure the absence of fine particles; on the ATBC (a subsidiary of HTH) silk and cashmere weaving site.

#### 2.2.1.1.3 Work accidents

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

	Group	France	International only
Lost time work accident severity rate	0.34	0.52*	0.09
Lost time work accident frequency rate	9.07	11.92*	5.11

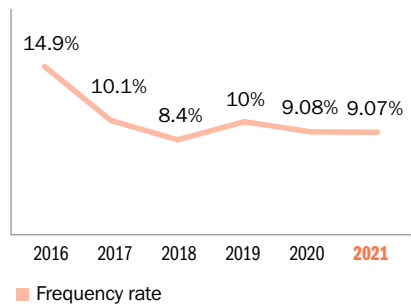
\* These higher figures should be put into perspective with the production workforce being mainly located in France (78% of manufacturing sites are located in France), a country in which regulatory requirements control the various cases of accidents and their reporting more strictly and exhaustively than elsewhere.

In 2021, the frequency rate of lost-time work accidents for the Group as a whole stood at 9.07, with a severity rate of 0.34 (respectively 9.08 and 0.41 in 2020). This calculation is based on the total number of actual hours worked. It is difficult to interpret because of the variety of *métiers* in the Group, however the trend is clearly positive (**falling by more than one-third in five years**). No work accidents resulted in fatalities in 2021.

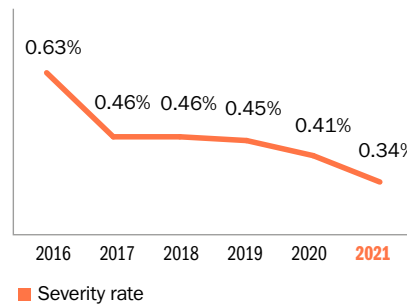
In France, the frequency rate was 11.92 with a severity rate of 0.52 (respectively 12.3 and 0.67 in 2020). The industrial workforce represented 70% of the workforce in France, and consequently affects these rates. The rates for the main *métiers* concerned (leather and crystal) are below the rates for their industries.

Looking at figures for International alone, the frequency rate was 5.11 and the severity rate was 0.09 (respectively 4.72 and 0.06 in 2020).

**Change in the frequency rate of work accidents across the entire Group**



**Change in the severity rate of work accidents across the entire Group**



Each accident or significant incident is the subject of an investigation with a detailed analysis of the causes, the conclusions of which are systematically shared with other industrial sites that may present the same risks. Thus, a sharing of experiences and best practices is in place, allowing health and safety at work departments to exchange their opinions and think about common solutions to the risks identified.

#### 2.2.1.1.4 Organisation of working hours and schedules

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

The Group human resources department and the Director of Labour Relations, issue general contextual instructions, such as during the health crisis, negotiate agreements and carry out arbitration on any complaints, and intervene in the event of non-compliance with the general rules established by the House.

**Given that 84% of employees are either craftspeople or work in stores, teleworking is less significant than in other industries.** Other than in exceptional circumstances, it is considered on a case-by-case basis depending on the situation, particularly in France. However, the health crisis greatly increased the use of teleworking during periods of lockdown or tension related to the health situation, for workstations where it is possible. In order to facilitate the temporary use of this work organisation, various measures have been implemented such as the provision of laptops, headsets or the payment of a fixed monthly sum intended to offset the additional costs related to teleworking, etc. In some countries, teleworking has been more sustained, such as in the United Kingdom, where the Smart Working Day allows remote working on certain days.

Globally, 95% of employees work full-time. Some 813 employees worked part-time in 2021. Various working time flexibility schemes have been established, notably in the leather goods workshops (42% of employees in France).

Through its philosophy and its activity with a strong craftsmanship component, the House values the presence of the teams and attaches particular importance to working together, which necessarily involves a presence on sites.

In China, schedules for sales associates include eight hours' work a day and two days off. Annual leave has been increased from 10 days to 12.

#### Work-life balance

With regard to work-life balance, the Group communicates internally to share best practices and encourages subsidiaries to adapt them and apply them locally. Managers are expected to be role models. Each craftsperson is responsible for distributing his or her hours over the week and thus benefits from significant flexibility to combine his or her working hours and personal life. Particular attention is paid to monitoring leave and to counting hours of work or recovery. Arrangements are made at the start of the school year, for example, or in the event of childcare constraints. The specific cultural characteristics of each country are also taken into account, for example to reconcile the culture of strong commitment in Japan and the regulations on taking leave; or in the United States, the monitoring of compensatory rest periods and even the planning of leave well in advance. Employees are systematically encouraged to use their annual leave.

For all sites in France, the form used in the annual appraisal that each manager conducts with each of his or her employees has been adapted to include a discussion on work/life balance.

Some additional initiatives have been rolled out, such as the possibility for pregnant women to telework for one day/week when their job allows this, access to reserved parking spaces, and parenthood interviews. Hermès Femme encourages each manager to demonstrate flexibility in managing their teams to combine comfort and efficiency in the work of their employees. A survey on childcare within Hermès Perfume and Beauty was conducted.

Internationally, the subject of parenthood has resulted in the implementation of a new platform for employees in Italy that covers aspects relating to family and education (enrolment in schools, purchase of school books, specialised courses). Within HOP (United States), a resource group of employed parents supports working parents and the return of new parents after maternity, paternity or adoption leave. In the United Kingdom and Ireland, hours can be concentrated to enable only four days a week to be worked. At Hermès Japan, the reduced-time working regime applies to mothers of children between the ages of four

and six (beyond the legal obligation that applies up to the age of three). The normal work schedule is 7.5 hours per day and this mechanism allows mothers to work 5.5 hours, 6 hours or 6.5 hours.

### Focus on logistics

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

Since 2019, employees have benefited from variable arrival, lunch and departure times. They have a minimum number of hours worked per week, with the option to work more hours, and the flexibility to adjust their daily work hours according to peaks and troughs of activity, but also to suit their personal obligations or preferences. This change, which is rarely so extensive within a logistics site, is a sign of trust in employees and has required significant managerial adjustment. It has been very well received by the teams, who experience less stress in the morning and can adapt their schedules to their personal constraints and changes in volumes. Clear communication on figures and activity enables managers to anticipate peaks and to give everyone responsibility.

In addition, the Switch multi-skills programme, which began three years ago, trains volunteer employees in a wide range of logistics *savoir-faire*. The “Switchers”, numbering 40 at the end of 2021, work on similar jobs, as well as on very different assignments, for example by alternating quality control, preparation, shipping and e-commerce. This virtuous principle reinforces the flexibility of the *métier*: by developing their skills, these operators can also better meet the various needs in the event of a peak in activity.

#### 2.2.1.1.5 Harassment

Hermès does not tolerate any conduct that manifests itself in particular through behaviour, words, acts, gestures or writings that may infringe on a person's personality, dignity or physical or psychological integrity, thereby jeopardising their personal wellbeing or employment, or adversely affecting the social climate. In France, harassment is a form of behaviour incriminated by the Labour Code. If intentional, it may constitute an offence, which exposes the perpetrator to criminal conviction. Many countries have similar regulations on this subject.

The Group's policy is that any employee who feels harassed, or witnesses a situation of that nature must disclose it as soon as possible to his or her superiors and/or a Human Resources manager and/or report it through the “H-Alert!” whistleblowing system, which guarantees the confidentiality of exchanges. Group rules provide for appropriate investigations (such as the establishment of a joint commission of inquiry) depending on the situation so that each case can be examined and dealt with. Hermès attaches great importance to everyone's professional development and compliance with the rules of ethics. It takes action against all abusive behaviour at any level of the hierarchy.

The prevention of and fight against harassment, whether psychological or sexual, is one of the House's priorities. To achieve this, pairs of Company and SEC Officers were appointed within the French entities to deal with harassment and sexist behaviour. The legal role of the officers was extended to the prevention and fight against psychological harassment. In late 2020 and early 2021, each pair of officers (Company and SEC) took part in a training course together, introduced by the Group labour relations department and led by an external firm. The objective of this training was to enable the officers to understand the notions of psychological harassment, sexual harassment and sexist acts and to know how to classify a situation using the legal framework. This training also makes it possible to identify at-risk behaviours, to encourage the implementation of preventative measures and to react in the event of an alert by knowing how to show empathy and distance. This training was also an opportunity to remind people of the existence of the “H-Alert!” whistleblowing system. In order to promote social dialogue, the Company and SEC Officers have drafted a roadmap for working together as pairs within their company.

In early 2022, all Directors of Human Resources and HR managers in France will be trained in the fight against harassment (sexual and moral) and sexist behaviour, using the same firm that trained the officers. Following this training, the Directors of Human Resources will raise awareness among the members of their entity's Management Committee and then the entire managerial body and employees, through the provision of an awareness-raising kit to be rolled out in 2022.

In addition to the Group's work to combat harassment, local initiatives have been taken by certain entities, such as within Hermès Cuir Précieux, with the creation of a “Well-being at work” commission made up of Human Resources, members of the SEC and CSSCT, as well as the EHS manager. The Hermès Horloger division has set up an external “trusted person” system as a network of people to report any problems relating to harassment, discomfort or isolation within or outside the Company. This system is in addition to feedback of employees carried out by managers or human resources.

Furthermore, psychosocial risk (PSR) prevention training has been proposed to managers since 2017. It is led annually by the Group Director of Labour Relations. This training makes it possible to make managers aware of the existence of these PSRs (stress, harassment, violence at work, burnout, etc.); it also allows them to learn to detect situations that may lead to these PSRs and to identify warning signals, even weak ones. The objective is to know how to detect a difficult situation as soon as possible and provide a rapid and appropriate response. This training is also an opportunity to raise manager awareness on workplace health and well-being measures, a series of collective prevention measures designed to improve physical and psychological health and well-being at work. Roll-out of this theme began in France, and they will be extended internationally.

### 2.2.1.1.6 Absenteeism

In France, the absenteeism rate was 4.17% (9.58% in 2020 and 4.1% in 2019). It was mainly impacted by the health crisis, with, in addition to cases of Covid, contact cases, childcare needs and protection of vulnerable people. These factors increase the absenteeism rate accordingly. **The Group's absenteeism rate stood at 3.26% in 2021** (6.45% in 2020 and 2.9% in 2019). It restates the cumulative number of hours of absence for the following reasons over a period less than or equal to 90 consecutive days: illness or occupational illness; absence as a result of a workplace or commuting accidents; and unjustified or unauthorised absences. Given the exceptional situations surrounding the Covid-19 crisis, these figures should be interpreted with caution.

Changes in absenteeism are systematically monitored and analysed by entity in order to identify causes and propose action plans. The latter supplement the initiatives focusing on an improvement of working conditions, development of versatility or manager training regarding the management of absenteeism. Measures adopted include communication, awareness-raising and prevention actions (vaccinations, presence of a doctor on the sites, etc.), but also control, in order to increase the accountability of employees and managers. Moreover, based on the demographics of certain sites, specific actions have been implemented in order to support parenthood under the best possible conditions.

### 2.2.1.2 SHARING THE CORPORATE PROJECT AND ITS VALUES

A pillar of Hermès' coherence and uniqueness, this desire to share values, which strengthens the sense of belonging and enhances understanding of the business model, is driven by three main challenges: creating the right conditions for adherence to the corporate project and encouraging commitment, enriching the employee experience, bringing the values and family spirit to life. This challenge guarantees the long-term effectiveness and cohesion of the teams and the sustainability of the business model.

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

#### 2.2.1.2.1 Facilitating employee support for the corporate project and giving meaning

In the particular context of the ongoing health crisis, internal communication continued to play a central role in supporting the recovery and illustrate the strength of the business model through digital tools and events.

Created in 2019, HermèsSphère, the Group's digital workplace, broadcasts almost daily news on its timeline. Alerted by an email newsletter, employees are involved in real time in the life of the Group and its subsidiaries. **On average, around 450 articles are published per year.**

In 2021, HermèsSphère continued to welcome new subsidiaries to its ecosystem. After the American subsidiary Hermès Of Paris, Hermès Japan has been given a space dedicated to its local news and Hermès Greater China can now translate the Group's news into the language of its employees.

In France and abroad, internal communication systems have been expanded to maintain proximity with teams, share news, present development projects and encourage dialogue.

Senior Executives and managers took active steps, either remotely or in person, to share challenges and strategy and ensure that links with their team were maintained.

In September 2021, for example, 200 employees from the support functions in France met in Copenhagen along with members of the Executive Committee. Brought together around a common purpose and focused on the new challenges of their stakeholders, they looked ahead ten years to reflect on the added value of their respective functions.

In November 2021, Hermès Information Systems organised the second edition of its Innovation Day: a day of innovation and inspiration created in 2020 that brought together 170 employees around key future digital innovations.

Twenty-one meetings led the human resources community to focus on priority areas of development in 2021. In June 2021, 55 Senior Executives and Directors of Human Resources met virtually as strategic partners to discuss human resources priorities and proactively engage in the sharing of experiences.

#### 2.2.1.2.2 Fostering the collective dynamic and family spirit

Whenever possible and in compliance with health protocols, Hermès has seized on opportunities to return to working alongside one another harmoniously.

In September 2021, Hermès Maroquinerie-Sellerie celebrated its first establishment in the Bordeaux region by inaugurating the Maroquinerie de Guyenne. Following speeches by Axel Dumas and regional representatives, the traditional ribbon cutting launched the festivities bringing together the 200 craftspeople of the site.

In November 2021, the inauguration of a first renovated space in the Tanneries du Puy brought together around 200 employees of the site and internal guests of Hermès Cuir Précieux.

Varying the formats to adapt to the health constraints in force, the entities continued approaches aimed at preserving relationships: the Hermès Maroquinerie-Sellerie Central Services Day involved fun team activities, the Hermès Of Paris "Behind the Orange Curtain" virtual sessions brought together a total of 525 employees to learn more about the House and its development, Hermès Femme continued its Friday Free Time, with nine meetings taking place during 2021, bringing together between 45 and 100 people around presentations on internal and external topics.

However, as in 2020, health restrictions prevented the "Tandem" programme, created in 2008, and the "Tilbury" programme, launched in 2018, from running.

**Tandem**

*Tandem* is a programme that brings together a craftsperson and a sales associate, and invites one to put him or herself in the shoes of the other. In practice, a craftsperson is welcomed by a sales associate in a store, and a few weeks later, the craftsperson welcomes the sales associate in his or her workshop (or vice versa). In turn, they each discover the other's *métier*. This programme is carried out in a spirit of generous sharing, curiosity, reciprocity and commitment. Nearly 550 employees have taken part in this initiative since its creation.

**Tilbury**

In the same vein as *Tandem*, *Tilbury* is a programme that exchanges experiences and shares practices between a store manager and a production Site Manager, launched in 2018. For five days, they each put themselves in the shoes of the other by participating in the daily life of their host (meetings, discussions with teams) and experiencing the business on the ground, with the store manager spending time with craftspeople in the workshop, and the Site Manager spending time with sales associates and customers in the store.

### 2.2.1.3 MAINTAINING THE QUALITY OF SOCIAL DIALOGUE

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

In France (62% of employees), **social dialogue is organised on a company-by-company basis, through representative bodies and agreements signed each year.** In other countries, dialogue takes various forms, depending on local customs and regulations. The Hermès Group's ethics charter confirms Hermès' commitment to the conventions of the International Labour Organization (ILO), especially with regard to freedom of association. **In all the countries concerned, the policy is to ensure that the principles of freedom of association and collective bargaining are implemented, in compliance with local regulations.** Hermès does not interfere with, and encourages, the free exercise of fundamental rights for workers.

For example, following a change in collective agreement and given a change in the workforce, a Committee for Prevention and Protection at Work was set up in Belgium in early 2021. In the same way, and at the request of employees this time, an employee representative body was set up in Germany in the Munich store. In general, in the international distribution activities, the quality of social dialogue depends on respect for freedom of expression and anonymous satisfaction surveys that are regularly conducted by the Directors of Human Resources of the area (or country, depending on the size of local markets). The survey carried out at in 16 European countries in 2018 made it possible to ask employees about their level of resources, pay equity, the link with performance and the balance between professional and personal life. These are all subjects that contribute to quality social dialogue.

In France, a Social Dialogue Monitoring Committee (France) was set up pursuant to the agreement on social dialogue and the exercise of union rights within Hermès Group companies and signed in 2008 by all the representative trade unions.

In order to strengthen social dialogue, this agreement was renegotiated in 2021 and a new Group agreement on the renewal of social dialogue was signed on 25 November. It includes a number of measures designed to encourage and promote social dialogue through better knowledge and greater interaction of its players, as well as through better definition of the mandate and professional activity and the development of skills.

This agreement provides, for a second annual meeting of the Social Dialogue Monitoring Committee, the strengthening of the role of the Group coordinators, organisation of an inter-union discussion day with all the representative trade unions within the Group, and the participation of employee representatives in a training session on labour law, also open to managers.

In the various French companies, social dialogue involves the permanent operation of these employee representative bodies and a robust and active collective bargaining process. Collective agreements have been concluded in all companies that have union representatives or with the Social and Economic Committees authorised to negotiate certain agreements. **In 2021, 73 agreements and amendments were signed in France** on subjects as varied as salary increases, incentive and profit-sharing schemes, working hours and equality between women and men.

Some initiatives illustrate what is being implemented locally:

- ♦ in France for example, the establishment of two cross-functional sector bodies at HTH, bringing together the elected representatives of the eight entities to deal with the sector's incentive scheme and the healthcare costs scheme;
- ♦ in Italy: HR Days to answer all questions or individual concerns of employees;
- ♦ in the United Kingdom: the Employee Council and various committees (SD, sponsorship, Carré On, etc.) have been set up;
- ♦ in Russia: with the presence of employee representatives at managers' meetings enabling suggestions to be shared;
- ♦ in Korea, where we do not have any statutory employee representation structures: a joint management-union conference takes place every quarter;
- ♦ and finally in Taiwan: quarterly meetings bringing together employee representatives and the employer are opportunities to share opinions and suggestions.

### 2.2.1.4 IMPLEMENTING VALUE-SHARING MECHANISMS THROUGH AMBITIOUS COMPENSATION POLICIES

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



This ambitious policy includes a wide range of individual and collective measures in terms of salary components and benefits:

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

**The Group's policy, in France and internationally, is that all of its employees should receive overall compensation that competitively meets best market practices, complies strictly with applicable standards and regulations, and is higher than the minimum legal or locally-defined salaries.** This attitude is illustrated, for example, by the granting, on several occasions in recent years, of rights to Hermès International free shares to all its employees worldwide (see § 2.2.1.4.2 below). For the fourth year in a row, Hermès is paying all employees worldwide an exceptional additional bonus in respect of 2021 of €3,000 in recognition of their commitment and contribution to the Group's performance.

In terms of social protection, the Group also implements a comprehensive and ambitious policy to ensure that employees are protected against the major risks of everyday life. Benefits cover the risks of mortality (accidental and all other reasons) and long-term illness, but also medical and maternity care, and retirement. Thus, the House's desire is to offer all its employees, in all countries where the Group operates, an overall compensation that provides a protective framework in the short, medium and long term, not only for employees but also for their families.

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

#### 2.2.1.4.1 Compensation

The compensation of Hermès' employees complies fully with the ILO conventions and the laws of all the countries in which the House operates. Regulations on working hours and minimum wages, the systematic issuance of a payslip on a regular basis, explaining all legal deductions, the prohibition of the payment of recruitment fees paid by employees regardless of their location in the world, and more generally the fight against forced labour, are principles applied naturally and strictly by Hermès entities, the vast majority of whose employees work in OECD countries.

The annual change in compensation in all subsidiaries is made in accordance with the budget guidelines sent by the Group, which take into account both inflation and trends in local compensation markets. Particular vigilance with regard to compliance with the principle of gender equality and possible discrepancies with markets (internal and external) is systematically recommended for the performance of salary reviews. Specific budgets are granted if adjustments are necessary. The monitoring of equal pay indicators and the measures to remedy the situation if necessary are overwhelmingly included in the agreements signed by the House's subsidiaries.

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

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

- ◆ **for the second year in a row, in the context of the Covid-19 health crisis, basic salaries were maintained for all employees during periods of lockdown and store closures, without resorting to state aid in all countries where the Group is present;**
- ◆ in a spirit of recognition and generosity, an exceptional bonus of €1,250 was paid in 2021 to all employees<sup>1</sup> for their commitment and contribution to the good results of 2020;
- ◆ the resilience, commitment and strength of the contribution of each employee to the success of the collective project in 2021 were also recognised by the allocation of an exceptional bonus of €3,000 that the Group will pay to each employee (on permanent and fixed-term contracts)<sup>1</sup> in February 2022.

In millions of euros	2019	2020	2021
Total payroll	777	842 <sup>2</sup>	881

The Group's payroll (excluding profit-sharing and incentive schemes) was €881 million in 2021, compared with €842 million in 2020, plus €281 million in social security charges. Payroll costs (excluding exchange rate

and scope impacts) reflect increases in both workforce and salaries in all geographical areas.

1. Subject to eligibility conditions.  
2. Adjusted data for 2020, for continuity of calculation methodology

#### 2.2.1.4.2 Employee shareholding plans

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

The desire to recognise the commitment of employees, who are key to the success and outreach of the House, led Executive Management to decide to set up a fifth free share allocation plan on 1 July 2019. Under this collective plan, each eligible employee worldwide (i.e. more than 13,000 employees in all of the House's entities in the various countries in 2019) thus received rights to free shares, i.e. a total of 500,544 shares. At 31 December 2021, employee shareholding represented 1.06% of the share capital, i.e. over €1.7 billion.

All of these employee shareholding plans serve three purposes:

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

In order to promote, on the one hand, the loyalty of employees over the medium and long-term, and on the other, collective performance, these plans are accompanied by vesting periods of at least four years, conditions of presence and, lastly, performance conditions (for a portion of the grants).

The Group's ambition is to continue to involve all its employees in its corporate project in a single way by strengthening employee shareholding. The vast majority of employees who become shareholders through these employee shareholding plans keep their shares well beyond the mandatory vesting and holding periods (in France, where applicable). At the end of 2021, 68% of employees held rights that were vesting and accordingly, continue to be involved in the Hermès Group's governance and operations over the long-term, in a spirit of mutual trust with the House.

#### 2.2.1.4.3 Incentive and profit-sharing schemes (France)

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

Incentive scheme agreements are in place at all Group companies in France. These agreements, concluded for a period of one to three years, aim to involve employees in the development of locally-determined indicators that are relevant with regard to the activity and environment of each of these entities, notably quality, safety (for example, work accident rate at Hermès Sellier), productivity and sustainable development objectives (for example, water consumption in the Textile division).

Employees of international entities (38% of all Group employees in 2021) also benefit from a range of regular additional compensation initiatives in line with performance and local customs.

In France, €94 million in incentives and profit-sharing and €4 million in employee support activities were distributed, compared with €114 million and €4 million respectively in 2020 (the changes are linked to the difficult economic context in 2020 due to the Covid crisis). These amounts have a significant positive impact on the overall compensation (short, medium and long-term) of the House's employees and reflect its desire to share the fruits of growth with everyone.

<i>In millions of euros</i>	<b>Incentive schemes</b>	<b>Profit-sharing</b>	<b>Total (France)</b>
2019	34	53	87
2020	40	74	114
<b>2021</b>	<b>32</b>	<b>62</b>	<b>94</b>

#### 2.2.1.4.4 Other social benefits and social protection schemes

In addition to the fixed and variable compensation paid to employees, the Hermès Group provides health insurance and welfare benefits not only in France but also in other countries where it operates. In terms of social protection, the House's policy is to encourage the implementation of voluntary coverage that supplements the required legal schemes, based on local market practices. For the vast majority of employees around the world, these schemes are mainly funded by the subsidiaries.

**Since 2019, the global maternity policy has been rolled out in all subsidiaries worldwide, including basic compensation fully maintained for a minimum of 16 weeks of leave and full coverage of maternity healthcare costs.** The rollout of this policy continued in all subsidiaries in 2021 and its effective implementation is monitored as part of Group procedures.

The House remains very attentive to offering its employees favourable working conditions and work-life balance when they welcome a new child. In France, agreements or action plans relating to professional equality were renewed in order to reaffirm the guarantee of a balanced salary positioning between men and women, as well as respect for equal treatment in the allocation of salary increases, including during maternity leave. These agreements define progress targets for paternity leave, for example, in order to promote the role of fathers in the exercise of family responsibility, and to enable women to carry out a professional activity corresponding to their wishes. Paternity leave is also available to employees of foreign entities, the duration and conditions of which are adapted to local practices in accordance with local culture.

In order to support this ambition through even more concrete Group initiatives, the House decided **to introduce, in effect as of 1 January 2022 and for all its entities in France (i.e. 62% of the Group workforce), the full maintenance of salaries for fathers absent when taking paternity leave of 28 days.** This full maintenance covers the entire legal duration of the leave and benefits everyone without any seniority condition.

With a desire to provide positive support for parents and in the same spirit as the protection applicable to pregnant women, new fathers benefit from protection against dismissal during the four weeks following the birth of their child and, to support the use of voluntary part-time contracts and ensure parents making this choice are not penalised, pension contributions are paid by the employer on a full-time basis<sup>1</sup>.

Furthermore, several years ago, Hermès set up a **supplementary defined-contribution pension plan under a collective agreement for all employees in France.** This plan, for which most of the contributions are paid by the Group, allows them to build up individual savings for retirement. In 2021, this plan represented total contributions of €7.4 million, of which over 90% were financed by the employer.

For all entities, the Group's total commitment in terms of pensions and similar was €331 million in 2021.

Outside France, in line with local practices, the Group participates in whole or in part in the financing of these defined-contribution supplemental pension plans provided for by law or by agreements. The management of these systems is entrusted to specialist external partners (insurer, bank or other). Thus, in the same mindset, and in contrast to customary market practices, Hermès took the innovative decision to set up a supplementary pension plan for all of the House's employees in China as of the second quarter of 2022.

**Thanks to these proactive social protection policies, nearly 75% of employees worldwide benefit from schemes in addition to statutory health, pension and welfare plans.**

Inclusion and work-life balance are priority objectives whose concrete achievement is ensured by professional equality agreements and action plans in place for several years and within numerous entities. Their principle is to set precise and relevant indicators and to ensure their annual assessment and monitoring with the aim of continuous improvement, even when prior diagnostics have not revealed any major imbalance between the situations of women and men. Thus, several companies in France (across all business divisions) have signed agreements with social partners that include measures aimed at:

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

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

1. These measures apply in the vast majority of entities in France, according to the provisions of the collective agreements in force.