



2022

UNIVERSAL REGISTRATION DOCUMENT

CSR EXTRACT NON-FINANCIAL PERFORMANCE
STATEMENT (NFPS)



Page numbers have been retained from the original version

2.6.1 SUPPORT AND CONTROL

Committed to providing long-term support for all its partners and maintaining balanced relationships, Hermès therefore ensures that all everyone shares and respects 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 protection of 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 (§ 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. For example, all direct suppliers of HTH (Holding Textile

Hermès) received the CSR brief and the supply chain brief. This is also the case for tier-one suppliers in the Shoes *métier* and for certain tier-two suppliers. Meetings were organised by the *métiers* with their main suppliers to present these documents in person and advise them on the implementation of these objectives. Suppliers who so wish are also offered more in-depth training, 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.

In 2022, **the topics of circularity and traceability were added to the CSR brief, increasing it from five to seven themes and the issues of carbon, water, biodiversity and deforestation were strengthened.**

Suppliers are also invited to share their carbon data (scopes 1, 2 and 3), which will feed detailed figures into the Group's carbon data.

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 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 55% 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). In this way, through its purchasers by *métier*, the Group is in most cases close (geographically, on account of an ongoing relationship and thus 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 the Group has 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.

As described in chapter 8 “Ethics and compliance”, §2.8.4.4, the Group published a specific vigilance plan in 2022.

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:



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 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 one 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, biodiversity, 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.) (§2.4.2.1).

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 88 raw materials supply chains. **At the end of 2022, risk mapping and a risk analysis by supplier had been conducted for 96% of purchasing categories and a comprehensive analysis had been completed for 80 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 (§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 lower; however, these are particularly closely monitored for 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. Expert tools, compiling the most up-to-date data, are used in this process.

If a risk is suspected, the purchaser conducts a more detailed analysis 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.

CSR self-assessment

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.). Tailor-made by the Hermès’ teams, it is both comprehensive and corresponds to their typology and needs. The resulting progress plan will be easier to manage, having been jointly constructed. The aim is for each supplier to be able, for example, to ascertain its carbon footprint, and that its emissions can be allocated to Hermès in a precise manner and without excessive approximation.

The Hermès Purchasing information system will be modified for more cross-buyer/supplier exchanges and new topics, in particular carbon. Resources will be available from it, such as e-learning sessions and webinars.

Audits

Direct purchases

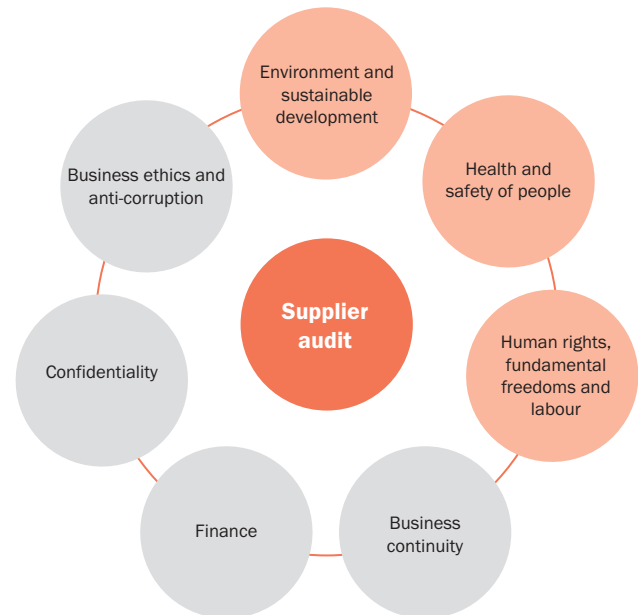
A procedure for conducting and monitoring external audits of Hermès' suppliers updated in August 2022 governs the overall process of the supplier audit programme. Initiated on a voluntary basis in 2011, the process was strengthened with the implementation of the laws on the duty of care and Sapin II. The supplier audit programme is managed by the direct purchasing department (DAD) in partnership with all of the House's *métiers*.

In essence, if the supplier information questionnaire confirms a significant level of risk, the purchaser alerts the direct purchasing department and their line manager, a member of the *métier's* Management Committee, and an action plan is drawn up to prevent or mitigate the risks. If the risk is related to the environment, the health and safety of people, social issues or human rights and fundamental freedoms, an external body recognised for its expertise in these areas, 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, every three years.**

These on-site audits last an average of 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, with a higher level of requirement than that of the SA 8000 standard:



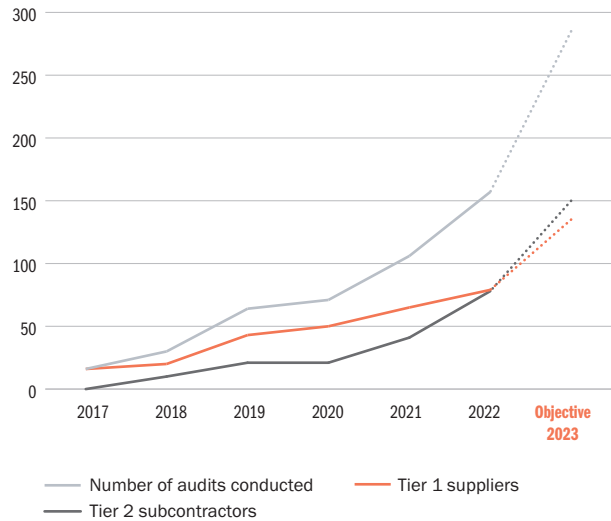
Of these seven topics, the three priorities, which meet our obligations under the duty of care law are those identified in orange in the diagram above. If the audited supplier uses subcontractors, all of its subcontractors will also be audited by the third-party firm. These tier 2 audits last an average of half a day and focus on health and safety, environment, and human rights, fundamental freedoms and labour.

The schedule of this supplier audit programme begins in September of year N-1 with the establishment by the *métiers* of the list of suppliers to be audited according to the priorities defined above. This list is validated by the direct purchasing department with the associated budget. Preparatory meetings for the audits are held before the end of the year with the *métiers* and the third-party firm. They make it possible to properly dimension the audits and establish the provisional schedule for year N. The suppliers concerned are then informed of the planning of an audit. Prior to it being undertaken, a financial analysis is conducted using dedicated tools. The audit takes place according to a precise schedule including an in-depth site visit and interviews with employees. A report is published by the third-party firm within 15 days to quickly implement any corrective actions. A Direct Purchasing Audit Committee meets twice a month and brings together the direct purchasing department, the audit and risk management department, purchasing and internal control of the *métier* that requested the audit, as well as all *métiers* that have a commercial relationship with this supplier. During this committee meeting, the main audit findings are presented and the priority actions to be carried out by the supplier are discussed. The urgency of these actions is defined and shared with the supplier. The objective is to have all action plans closed during year N. A site visit may be organised to validate the proper closure of the action plan.

In a context where more than half of the production is in-house, **the Group devoted 16,000 hours to auditing its direct suppliers, i.e. the equivalent of 10 full-time employees over the year.** The audit firm spent 7,000 hours working on Hermès' supplier audit program and the teams devoted 9,000 hours to it.

- ◆ 100% of the top 50 suppliers were audited, and even more widely, the 20% of suppliers who represent 80% of the Company's revenue.
- ◆ 100% of manufacturers for Men's ready-to-wear, Women's ready-to-wear and Shoes were audited.
- ◆ 100% of Italian manufacturers of Men's ready-to-wear and Women's ready-to-wear will now be audited every three years.
- ◆ in Shoes, 100% of Italian manufacturers will now be audited every two years.
- ◆ in 2023-2024, 500 tier 2 audits (subcontractors of 100% of Italian manufacturers) are planned over two years on labour-related issues.
- ◆ 100% of suppliers outside Europe are re-audited at least every three years.

SUPPLIER AUDITS



BREAKDOWN OF AUDITS PERFORMED ON DIRECT TIER 1 AND 2 SUPPLIERS

Direct purchases	2020	2021	2022	Objective 2023
Audits carried out	71	106 *	157	285
Types of suppliers	Tier 1: 50 suppliers Tier 2: 21 suppliers	Tier 1: 65 * suppliers at 87 sites Tier 2: 41 suppliers located 93% in Italy	Tier 1: 79 out of 102 sites Tier 2: 78 located mainly in Italy	Tier 1: 135 Tier 2: 150 mainly located in Italy
Number of audit days		144 *	204 (7,000 hours for the external firm)	
Results	609 findings, of which 0.5% considered critical, 25% major and 43% significant. The remaining 31.5% concern simple points for improvement, and proposals for best practices to encourage suppliers to constantly improve in a spirit of continuous improvement.	1,364 findings, of which 0.2% 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.	1,793 findings, of which 0.7% considered critical. <i>see below for more details</i>	

* Corrected 2021 information.

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, in 2022, 59% of the findings were related to this topic, i.e. 1,058 findings, of which 21% considered major or critical.

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

- ◆ fire risk;
- ◆ chemical risk;
- ◆ risks related to workspaces;
- ◆ compliance with mandatory periodic checks.

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 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 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.

In more detail, in 2022, 12 critical findings were identified at four suppliers. Five findings were related to personal health and safety (personal protective equipment, electrical installations, machine protection), four were related to the labour topics (working time, day off, salary) and two were related to the environment (soil and risk of pollution). A letter was sent to the four suppliers concerned. They all took immediate steps to implement the necessary actions to correct the situation and comply once more.

The 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 the *métier* purchasers are involved in the auditing of their suppliers, supporting the process upstream, participating in audits alongside the external firm, and in 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.

BREAKDOWN OF AUDITS CARRIED OUT AT INDIRECT PURCHASING SUPPLIERS

Indirect purchases	2020	2021	2022	Objective 2023
Planned audits	10	15	20	24
Audits carried out	6	10 (+67%)	18 (+80%)	Target of +20%
Geographical locations	France 100%	France 40% China 30% Portugal 20%	France 65% Italy 15% Portugal 10%	Being finalised

Supplier Audit Committee (direct purchases)

Since 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

Indirect purchases

In terms of indirect purchases, **audits of one to two days, depending on the type of activity, are carried out on suppliers' premises.** Since 2014, strategic suppliers of packaging at Hermès Sellier and of fittings have all been audited, as have the general services of the French entities. Each year, this list is extended to strategic suppliers from other departments (logistics, temporary work, transportation, etc.) or to suppliers whose buyers have identified a risk.

In 2022, indirect purchasing thus carried out 18 audits in France and abroad. Several times a year, the audits are reviewed by a dedicated Indirect Purchasing Audit Committee in order to review the audit results and approve the action plans decided upon. This is also an opportunity to study the follow-up audits carried out by buyers in charge of suppliers.

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 on four themes: 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 recorded in assessment sheets enabling the implementation of corrective action plans.

	2020	2021	2022	Objective 2023
Number of national and international suppliers invited to use the EcoVadis platform since 2018	200, i.e. 50% of indirect purchasing expenditure	322, i.e. 60% of indirect purchasing expenditure	736, i.e. 70% of indirect purchasing expenditure	900, i.e. 80% of indirect purchasing expenditure
Average score	50.8 (18% higher than the overall EcoVadis average of 42.8)	55.4 (29% higher than the overall EcoVadis average of 42.8)	55.2 (23% higher than the overall EcoVadis average of 44.9)	

Number of suppliers assessed in 2022	Average score	Average score Environment	Average score Labour and human rights	Average score Business ethics	Average score Responsible purchasing (for the suppliers concerned)
463	55.2 EcoVadis: 44.9	57.3 EcoVadis: 44.8	57.4 EcoVadis: 47.7	51.3 EcoVadis: 42.9	49.6 EcoVadis: 37.0
Of these 463 suppliers, 69% were reassessed	Average score increase of +3.2 points	Average score increase of +4.4 points	Average score increase of +2.0 points	Average score increase of +3.2 points	Average score increase of +3.8 points

The results of supplier assessment with the platform are reflected in action plans proportionate to the risk exposure according to the score. The latter triggers a new assessment at a variable date according to the level of performance. Thus, suppliers can be congratulated or encouraged to implement a corrective action plan or, after an explanatory meeting, be supported in a traditional site visit and specific questioning process.

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, common to several *métiers*, 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. In 2022, the Group had a total of 218 people trained in the subject (trained in 2021 or 2022).

In addition, Hermès continues to conduct buyer training on carbon footprints, with more than 50 people trained, mainly in purchasing functions. The objective was for them to be able to understand the tool but above all be able to explain it to their suppliers to help them in their own carbon footprint studies. In 2023, this training will be enhanced by a module on analysing the results and proposing action levers to suppliers.

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 2023.

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 contractual 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⁽¹⁾. 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 signature campaign launched in 2018 continued to present and encourage all the Group's suppliers to subscribe to this new version.

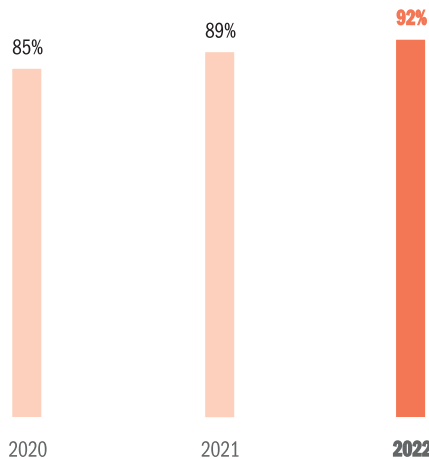
Handbook 2 includes items relating to international standards and agreements, rules of labour-related, environmental and ethical conduct, as well as personal data.

1. <https://finance.hermes.com/en/ethics-human-rights-and-diversities/>

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 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.

Percentage of active suppliers in the direct purchasing scope who have signed commitment handbooks 1 and 2.



Examples of the application of the approach by the métiers

As part of the management of its strategic partners, Hermès Horloger set up a cycle called "supplier relationship management" in 2022 with bimonthly meetings to strengthen ties, always with a view to co-building sustainable and healthy relationships. It addresses the central topics of the purchasing policy, i.e. the CSR vision, sound financial health, recent investments, as well as the short-, medium- and long-term needs of LMH, in order to be able to systematically give them a clear vision and thus secure their supplies.

Within the Fashion Jewellery *métier*, suppliers are supported in the zero plastic supply chain approach. Thus, they are careful not to include intermediate plastic packaging when sending articles between suppliers.

Two crucial suppliers of Hermès Internet of Things (IoT) were audited in 2022 after receiving supply chain briefs.

A supplier day was organised by the House *métier*, bringing together 41 suppliers who accounted for 87% of purchasing expenditure in 2022, with the aim of sharing the *métier's* strategy, carbon footprint training and discussing best practices in decarbonisation of the value chain. Supply chain and CSR briefs were also given to all suppliers with additional questions on their energy sobriety efforts, their energy sources and their levels of preparation in the event of offloading.

Finally, the Jewellery *métier* (Haute Joaillerie) participates in the "CSR" working group of the UFBJOP in order to organise the sector and the entire value chain with a view to achieving the sustainable development objectives by 2030, in particular decarbonisation in the SBTi sense of the term.

2.6.1.5 ALERT MECHANISM AND MONITORING SYSTEM FOR 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 issues 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 accordance with the French Sapin II law, 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.

French law no. 2022-401 of 21 March 2022 significantly amended the Sapin II law. Its provisions have been in force since 1 September 2022. This law broadens the scope of whistleblowing and the beneficiaries of whistleblower status.

As a result, **the global H-Alert! whistleblowing system was modified in 2022, in particular to:**

- ◆ **strengthen the protection of whistleblowers against any form of retaliation.** To this end, a new information notice on the whistleblowing system has been published;
- ◆ **provide Hermès suppliers, dealers, distributors, intermediaries and co-contractors in general with access to the unique H-Alert! whistleblowing system.**

The professional *H-Alert!* whistleblowing system is now accessible on the *HermèsSphère* intranet site and the Hermès Finance institutional site. Available in 21 languages, it was validated by the Group's Governing bodies and communicated to all its entities and structures.

These alerts are analysed by the legal compliance department and the Group purchasing department. § 2.8.1.3.2 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 55% of objects are made in Hermès' exclusive in-house workshops, and 76% 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 67% of the top 50 direct suppliers are in France and 30% in other European countries. Just 3% 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 and updated in 2022, is communicated to all employees. It is available on the intranet and can be accessed by the public on the financial website** ⁽¹⁾. 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 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, 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 through 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 (§ 2.6.1.4), which is also available to the public online ⁽²⁾.

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 Medef ⁽³⁾, and in addition to the renewal of its 2019 membership, Hermès led 12 companies, subsidiaries or partners of the Group, 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. Actions to mobilise the Group's supplier chain, launched in 2022, will strengthen this initiative.

1. <https://finance.hermes.com/en/>
 2. <https://finance.hermes.com/en/ethics-human-rights-and-diversities>
 3. MEDEF: Mouvement des Entreprises de France (French business association).