



HERMÈS
PARIS

**VIGILANCE
PLAN**

2022 FINANCIAL YEAR

INTRODUCTION

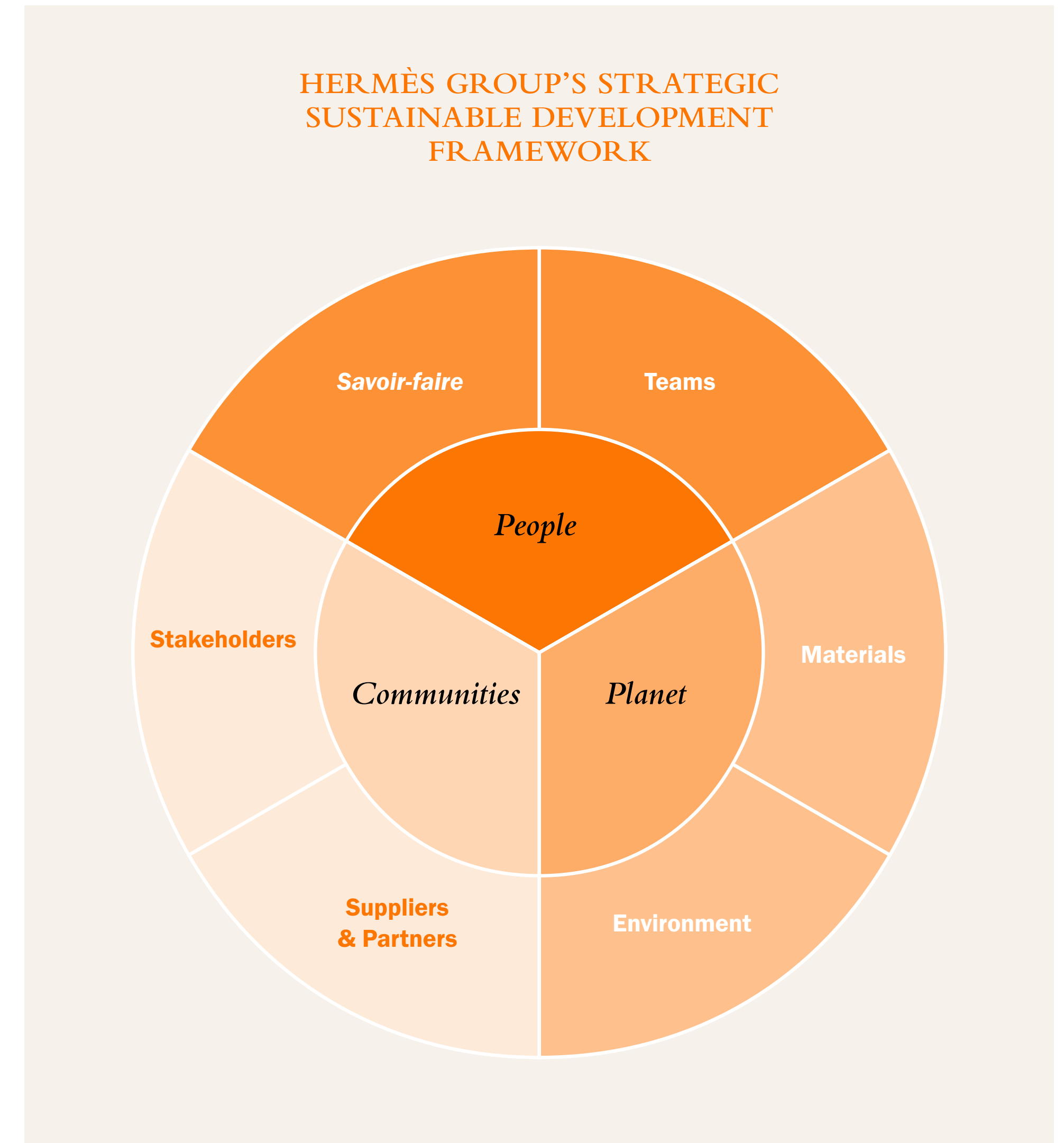
Hermès is committed to respecting human rights, fundamental freedoms, the health and safety of people and the protection of the environment. To this end, a policy and a number of actions are carried out in a concerted manner and are presented in this vigilance plan. In accordance with French law no. 2017-399 of 27 March 2017 relative to the duty of care, this plan is a veritable tool for mapping and managing risks.

In 2023, Hermès reached a new milestone, with the publication of this autonomous vigilance plan targeting its external (institutions, associations, suppliers and service providers) **and internal** (employees and employee representatives) **stakeholders.**

This publication is part of a continuous improvement process with regard to the Group's vigilance, including:

- a reinforced risk mapping methodology;
- an in-depth risk analysis;
- the ongoing deployment of risk mitigation measures;
- the modification of the whistleblowing system.

This approach responds to Hermès' goal of ensuring virtuous economic, social and environmental development for all its employees, partners, customers and stakeholders, as well as for future generations. Giving back to the world part of what it provides: this is the humanist goal that drives the Group.



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GROUP PROFILE AND AMBITION

Since 1837, Hermès manufactures exceptional objects, designed to last and be passed on.

Hermès, present worldwide, remains an independent house supported by family shareholders, a guarantee of stability and longevity. Promoting French manufacturing, **its project is based on the excellence of its craftsmanship: human hands, savoir-faire and quality.**

The attention paid to people has a natural place at the heart of the house's craftsmanship business model, both at its sites as well as its partners and suppliers. Hermès wants to be a responsible and committed employer wherever it operates: it systematically seeks the best level of prevention and protection for its employees and fights against all forms of discrimination.

Hermès is very attentive to respecting a balance in terms of diversity and to stringently applying the fundamental principles of the United Nations and OECD with regard to human rights and fundamental freedoms.

As a manufacturer committed to the excellence of its creations, Hermès is constantly working to improve working conditions. The group thus has a genuine ability to assess the risks and mitigation measures taken by its partners, regarding the health of people, their safety and their working conditions.

As regards the environment, Hermès is working to reduce all its impacts, notably in terms of GHG (greenhouse gas) emissions, the protection of water resources and biodiversity, or animal welfare. This requirement runs throughout the entire production chain: from the supply of raw materials to the retailing of products and their repair, and including manufacturing.

OUR ROOTS AND VALUES



An independent creative house since 1837



An integrated model of French manufacturing



A humanist management of employees



A wide product offering of long-lasting objects



A socially responsible company

UNIQUE HERITAGE



Creative heritage



Savoir-faire heritage

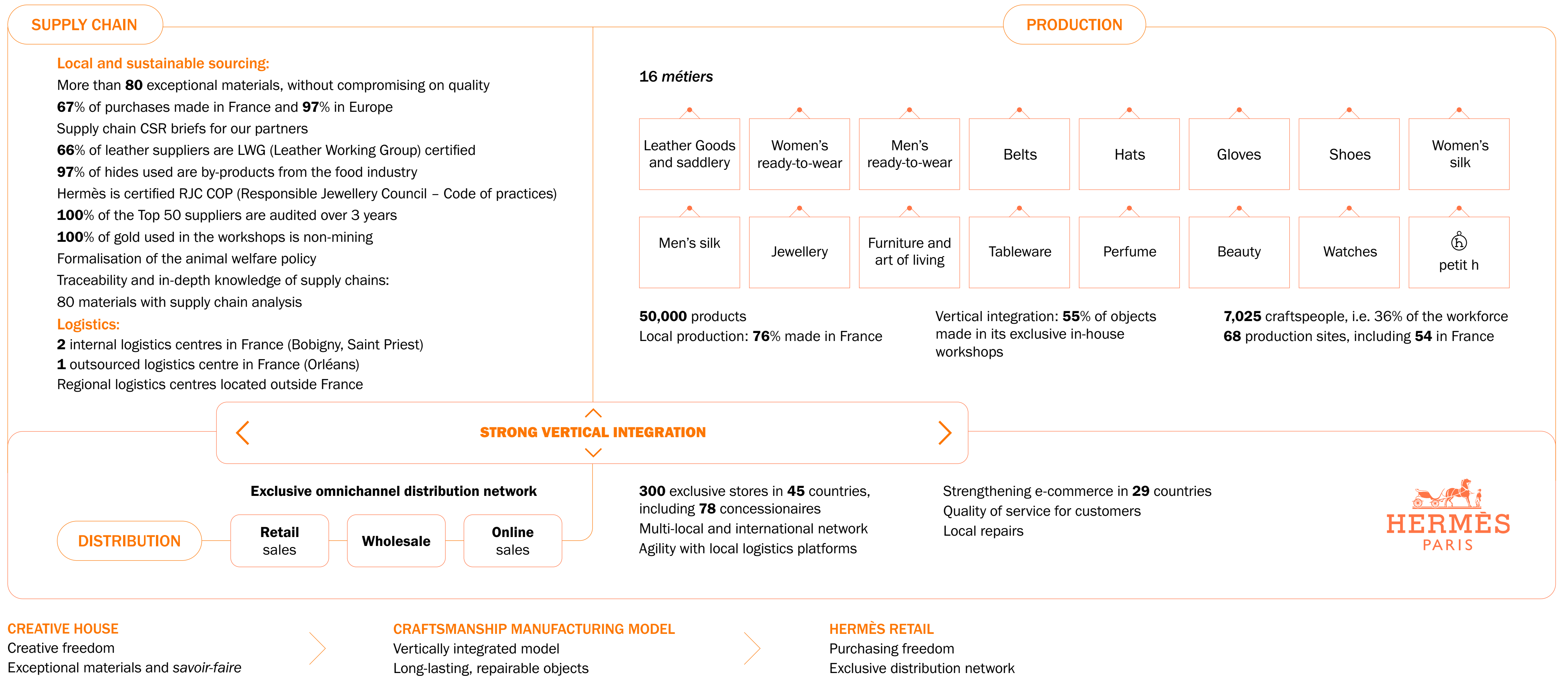


Materials heritage



Retail heritage

AN ARTISANAL, CREATING VALUE AND SUSTAINABLE FRENCH MODEL (SIMPLIFIED VERSION)



HERMÈS IN FIGURES

16
métiers

- Leather Goods and Saddlery
- Women's ready-to-wear
- Men's ready-to-wear
- Belts
- Hats
- Gloves
- Shoes
- Women's silk
- Men's silk
- Jewellery
- Furniture and art of living
- Tableware
- Perfume
- Beauty
- Watches
- Petit h

€11,602 million
in revenue in 2022

300 exclusive stores,
including 29 in France

19,700
employees in 2022

8,561 employees work in production
in France

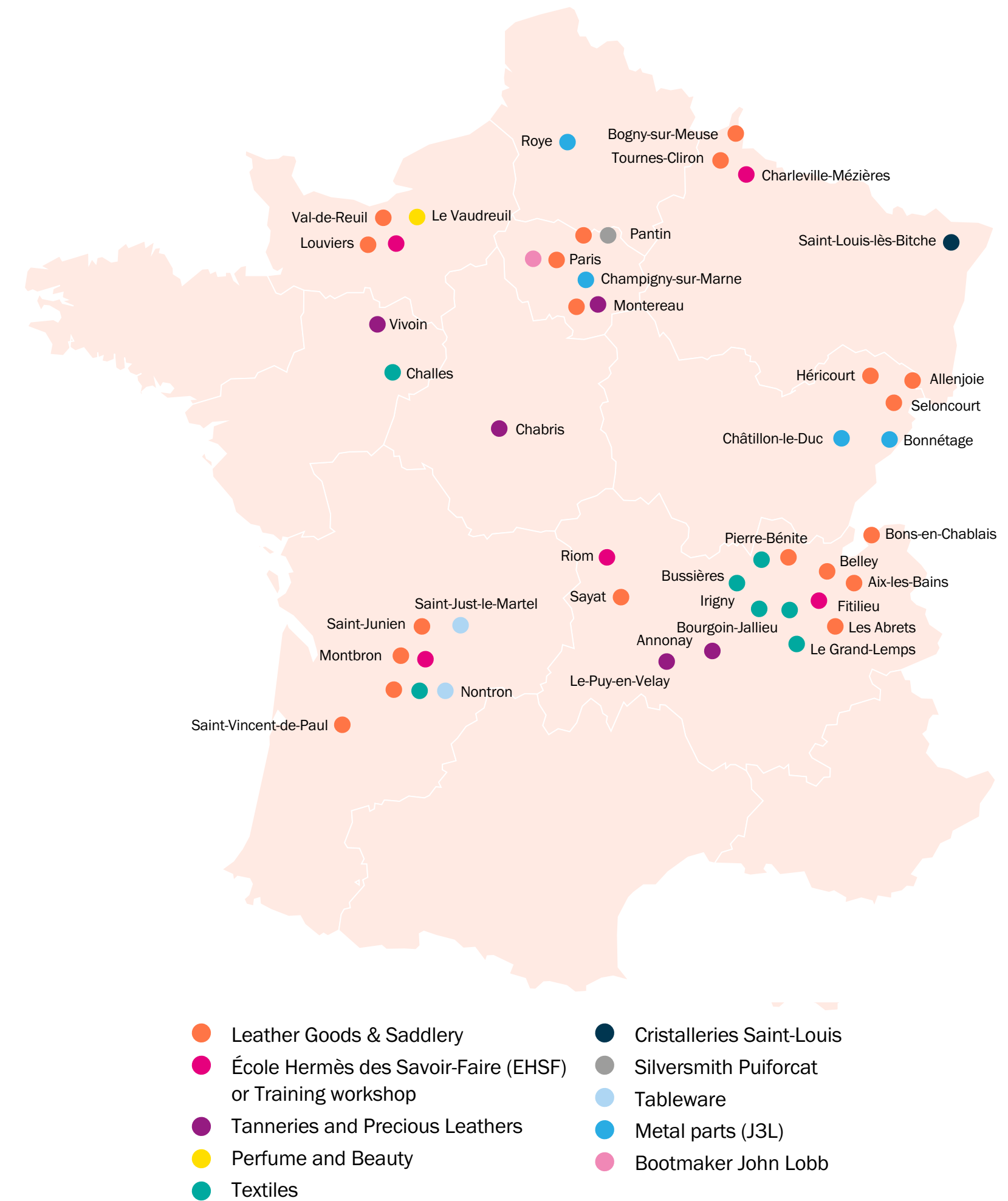
76%
of objects produced
in France

68
production sites

54 sites in France
2 sites in America
6 sites in Australia
6 sites in Europe (excluding France)

9,491
jobs created across
the Group in 10 years

55%
of objects made in
its exclusive in-house
workshops



HERMÈS VALUE CHAIN

■ INTERNAL ■ EXTERNAL

SOURCING & TRANSFORMATION OF MATERIALS

Crocodilian farms in the United States and Australia

Direct purchases
Suppliers of materials and components from around the world divided into 88 supply chains grouped into five macro-families:

- animal (fibres and leather) •
- plant-based •
- synthetic/artificial •
- mineral •
- metal •

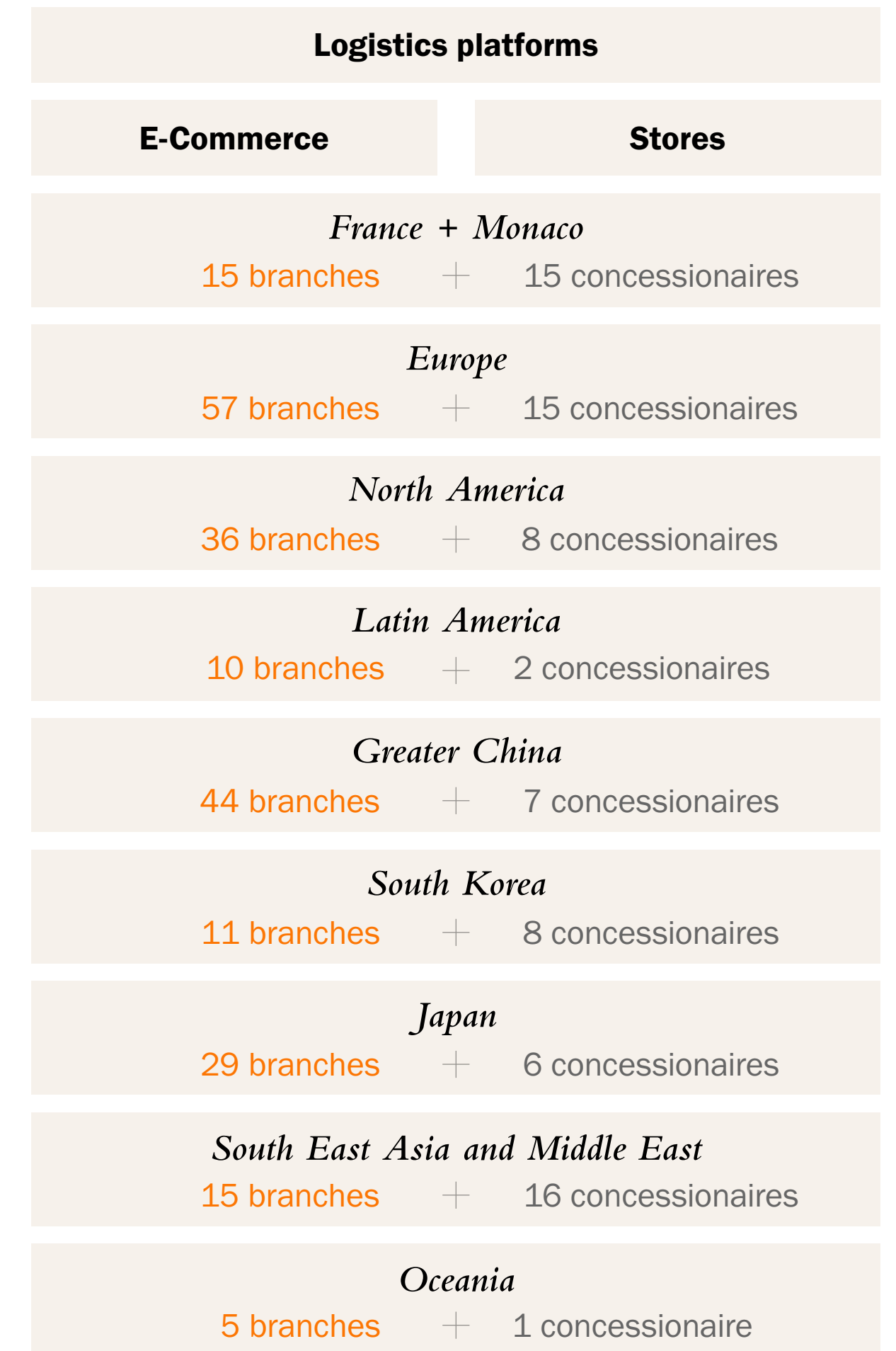
Indirect purchases
Suppliers in France and worldwide divided into 38 categories grouped into 9 families, the main ones being:

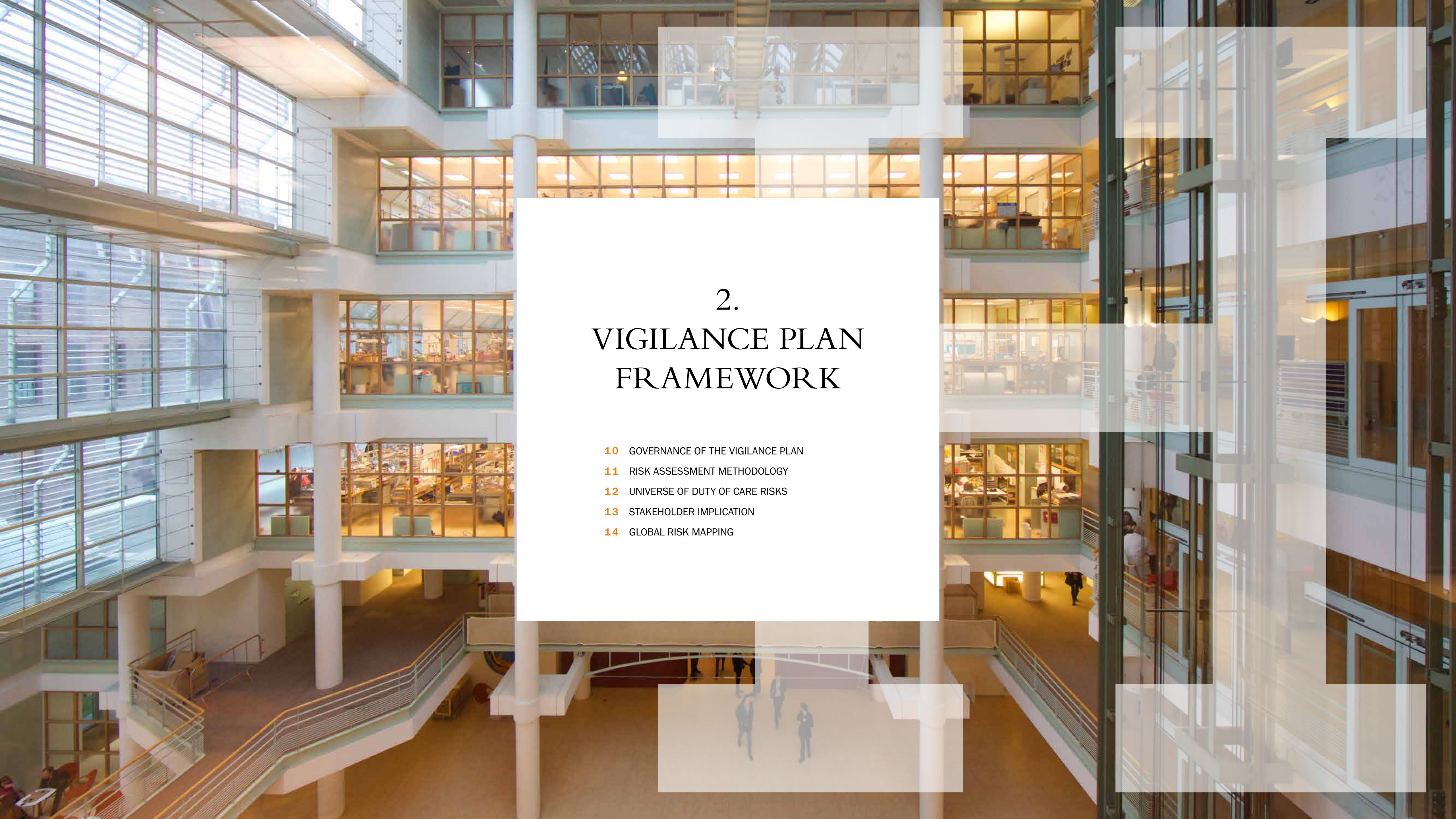
- Communication •
- IT •
- General Services •
- Transport & Logistics •
- Real estate •

PRODUCTION/MANUFACTURING OF FINISHED PRODUCTS structured according to the Hermès métiers



EXCLUSIVE DISTRIBUTION





2. VIGILANCE PLAN FRAMEWORK

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GOVERNANCE OF THE VIGILANCE PLAN

A Compliance and Vigilance Committee oversees the vigilance plan.

Its main duties are:

- the definition of compliance guidelines;
- recommending preventive actions;
- managing and rolling out employee awareness and training campaigns;
- monitoring the entire vigilance plan;
- coordinating the consultation and involvement of stakeholders in updating the vigilance plan.

The departments that are members of the Compliance and Vigilance Committee participate in the oversight of these duties, as well as in the drafting of the vigilance plan. The functions that are at the heart of the duty of care issues, such as the human resources or purchasing departments, have their own management bodies. They meet regularly to monitor the actions implemented, with the aid of indicators.

COMPLIANCE AND VIGILANCE COMMITTEE

Legal compliance department

Group legal department

Audit and risk management department

Sustainable development department

Consolidation, taxation and management control department

Group social development department

Group direct purchasing department

Group indirect purchasing department

Group retail operations department

In 2022, the Compliance and Vigilance Committee strengthened the Group's vigilance plan by:

- making changes to the methodology;
- conducting more in-depth assessment of the risks on certain scopes of activity and key themes;
- updating and expanding the whistleblowing system.

This committee meets regularly

6

times in 2022

RISK ASSESSMENT METHODOLOGY

In 2022, Hermès reinforced the mapping of risks related to the duty of care.

The Compliance and Vigilance Committee used three pre-existing approaches, presented below. The reinforcement of risk mapping made it possible to:

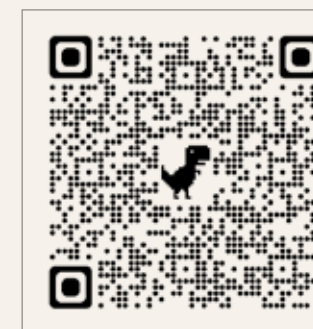
- **update the risk universe specific to Hermès**, related to the duty of care, enabling a common language to be established and strengthening cross-functional work on these subjects;
- **develop the analysis of risks** in certain scopes assessed as priorities. This prioritisation was notably developed through an understanding of the level of exposure, the perception of the current level of control and the analysis of risk mitigation measures;
- **add an external and independent data source on “raw” risks**, i.e. without any mitigation measures that Hermès may implement;
- **reinforce stakeholder involvement.**

ANALYSIS OF THE EXISTING TOOLS MAKING IT POSSIBLE TO UPDATE THE MAPPING OF RISKS RELATED TO THE DUTY OF CARE

The analysis of non-financial risks is based on two axes: the magnitude of multi-criteria impacts and the probability of occurrence.

This analysis is based on risk mapping exercises conducted by the audit and risk management department with all Group entities and departments.

The materiality analysis conducted by the sustainable development department and described in section 2.1.3 of the document, accessible *via* the following QR code, identified 15 priority issues for Hermès.



These issues provide:

- an internal overview of the overall impact of Hermès and its value chain, in view of their materiality;
- an external overview assessing the impact of these factors on the sustainability of the business model.

Supplier risk mappings by purchasing category and for all supply chains are carried out and managed by the direct and indirect purchasing departments. Purchasers in each *métier* identify and formalise the risks for each purchasing category, particularly those related to the duty of care. Since 2019, these risk analyses by purchasing category (manufacturing, metal parts, fabrics, etc.) have been supplemented by supply chain analyses by raw material.

UNIVERSE OF DUTY OF CARE RISKS

Hermès drew up a mapping to identify, analyse and prioritise the risks of serious harm resulting from its activities. This risk universe was improved according to internal guidelines. It was then refined by the Compliance and Vigilance Committee, which structured all the interviews conducted on the internal and external scopes.



HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS

Social dialogue	Non-compliance with social dialogue and trade union rights
Discrimination	Discriminatory behaviour in terms of access to employment, compensation, careers or access to training
Decent wage	Salary not in accordance with the legislation in force or insufficient to meet the needs of the employee and their family
Child labour	Child labour, in any form
Forced labour	Forced labour or modern slavery
Negative impact on communities	Deterioration in the living conditions of local communities, related to activities
Personal data	Breach of personal data protection



HEALTH & SAFETY

Consumer safety	Lack of safety of products placed on the market
Health and safety at work	Work accident or illness related to: <ul style="list-style-type: none"> • lack of protection when using machines; • uncontrolled exposure to hazardous chemicals; • the appearance of RSI (repetitive strain injury) caused by heavy loads, repetitive movements or static work; • or in the event of fire.
Psychosocial risks	Moral or sexual harassment Threats, stressful situations
Working conditions	Indecent working environment and/or accommodation for employees, excessive workload
Safety of people	Lack of protection of employees in their workplace or during their travel: assaults, theft, attacks related to their activity



ENVIRONNEMENT

GHG emissions and climate change	Climate deterioration due to activities
Depletion of natural resources	Insufficiently controlled consumption of resources that are non-renewable, limited, to be preserved (water, wood)
Pollution and waste	Emissions of pollutants via aqueous or atmospheric discharges and of various forms of waste, including plastic waste
Biodiversity damage	Destruction of a part of biodiversity through the use of raw materials or the establishment of sites
Animal welfare	Animal exploitation practices contrary to the Group's commitments and to compliance with the principles of animal welfare

STAKEHOLDER IMPLICATION

The Hermès Group has involved stakeholders in the preparation of its vigilance plan. In this respect, it is true to the spirit of the law as well as its desire to work with its internal and external partners.

In consultation with the departments concerned, direct purchasing, indirect purchasing, sustainable development, social development and legal compliance, the Group's stakeholders were involved in updating the vigilance plan. Manufacturers, suppliers, service providers, employee representatives and associations met with an independent firm to share their analyses of Hermès' duty of care. These discussions supplemented the analysis carried out with other stakeholders as part of the materiality exercise.

This approach aims to establish a high-quality, transparent and confidential discussion between the two parties concerned. The interviews carried out focused on:

- points of attention and risks to be addressed by Hermès in its value chain;
- the assessment of the control systems implemented by the Group;
- suggestions for improvements to be taken into account.

SUPPLIERS OF DIRECT PURCHASES

Textile suppliers,
metal component suppliers,
designers, manufacturers, finishers

INDIRECT PURCHASING SUPPLIERS

Architects, fitters,
packaging suppliers,
general service providers

PERSONNEL REPRESENTATIVES AND OCCUPATIONAL HEALTH DOCTORS

ASSOCIATIONS AND UNIVERSITIES

Livelihoods fund, WWF,
Cambridge Institute for Sustainability
Leadership

As part of the materiality analysis, these discussions highlighted the Group's vigilance on the following points:

- a very cautious perception in terms of ethics and risk control;
- employee protection and attention at all times;
- detailed knowledge of the *métier* of the craftsperson, enabling the implementation of a consistent system that meets the highest standards;
- working in partnership, creating lasting value;
- a steady reduction in the environmental footprint of activities (GHG, water, biodiversity) and continuous improvement in animal welfare.

GLOBAL RISK MAPPING

■ AT HERMÈS ■ AT PARTNERS' SITES

To create, produce and distribute its products among its customers, Hermès operates a value chain that mobilises a number of supply chains for raw materials, subcontractors who transform these materials, and production sites, the vast majority of which are in France, that make products based on a unique savoir-faire and a global, multi-channel distribution chain.

HERMÈS MATERIALS AND COMPONENTS RAW MATERIALS SUPPLY CHAIN

Stemming from over 80 supply chain, the materials used – leather, silk, cashmere, wood, etc. – are for the most part natural, renewable and obtained within a framework set by the “supply chain brief”, according to specifications, complying with regulations, and respecting biodiversity and best practices.

There are two types of supply chains:

- “Hermès materials and components”, which constitute **internal** supplies within the Hermès Group;
- the “raw materials supply chain”, which constitutes supply sources that are **external** to the Group.

PRODUCTION WORKSHOPS MANUFACTURERS AND SUBCONTRACTORS

Materials are transformed at Hermès’ **internal** production workshops and at **external** sites managed by our manufacturers and subcontractors.

The “Production Workshops” managed by Hermès apply a policy that prioritises the challenges of protecting the health, safety and well-being of employees, as well as the protection of the environment in compliance with the regulations in force.

The same requirements apply to the sites of manufacturers and subcontractors, who are for the most part historical partners.

LOGISTICS PLATFORMS

The Group has a logistics division and ships more than five million products each year to exclusive stores around the world through logistics service providers.

Within the logistics platforms managed by the Hermès Group, many projects are currently being implemented to improve the working conditions of teams and reduce the environmental impact.

HERMÈS BRANCHES CONCESSIONAIRES

Hermès distributes its products through 300 exclusive stores, including 222 branches and 78 concessionaires.

The exclusive stores managed by Hermès (the branches) are located in historical locations in markets where Hermès has long been established (France – Europe) and new locations in the heart of major cities (Asia – America – Middle East).

The exclusive stores managed by the concessionaires mainly concern the stores of the travel retail network located in the largest airports in the world, and some stores in local markets managed by historical partners.

SUPPORT FUNCTIONS SERVICE PROVIDERS & TRANSPORT

To develop its activity and ensure its operations, the Group has internal support functions, notably in charge of Human Resources, Information Systems, General Services, Communication, Legal Affairs and Finance, both centrally and in the various subsidiaries.

At the same time, many **external** service providers and carriers are used to support the Group.

GLOBAL RISK MAPPING

Assessment of risks according to their net criticality: impact x probability x level of control

 AT HERMÈS  AT PARTNERS' SITES

RISKS	HERMÈS MATERIALS AND COMPONENTS	RAW MATERIALS SUPPLY CHAIN	PRODUCTION WORKSHOPS	MANUFACTURERS AND SUBCONTRACTORS	LOGISTICS PLATFORMS	SERVICE PROVIDERS & TRANSPORT	HERMÈS BRANCHES	CONCESSIONAIRES	SUPPORT FUNCTIONS
Human rights									
Social dialogue	●	●	●	●	●	●	●	●	●
Discrimination	●	●	●	●	●	●	●	●	●
Decent wage	●	●	●	●	●	●	●	●	●
Child labour	●	●	●	●	●	●	●	●	●
Forced labour	●	●	●	●	●	●	●	●	●
Negative impact on communities	●	●	●	●	●	●	●	●	●
Personal data	●	●	●	●	●	●	●	●	●
Health & safety									
Consumer safety	●	●	●	●	●	●	●	●	●
Health and safety at work	●	●	●	●	●	●	●	●	●
Psychosocial risks	●	●	●	●	●	●	●	●	●
Working conditions	●	●	●	●	●	●	●	●	●
Employee safety	●	●	●	●	●	●	●	●	●
Environment									
GHG emissions and climate change	●	●	●	●	●	●	●	●	●
Pollution and waste	●	●	●	●	●	●	●	●	●
Depletion of natural resources	●	●	●	●	●	●	●	●	●
Biodiversity damage	●	●	●	●	●	●	●	●	●
Animal welfare	●	●	●	●	●	●	●	●	●

Net criticality  Very high  High  Medium  Low and very low  Not significant



AT HERMÈS

3.

HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS

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SUMMARY OF HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS RISK MAPPING

Hermès' sustainable development is based on the fulfilment and well-being of its teams, as part of a corporate project that places people at the heart of its values since 1837. Hermès nurtures the richness of its human capital and contributes to major societal challenges through proactive initiatives in the areas of ethics, diversity, equality among employees, consideration of disability and, more generally, respect for human rights and fundamental freedoms.

RISKS	DESCRIPTION OF RISK AT THE GROUP	HERMÈS MATERIALS AND COMPONENTS	PRODUCTION WORKSHOPS	LOGISTICS PLATFORMS	HERMÈS BRANCHES	SUPPORT FUNCTIONS
Social dialogue	Non-compliance with social dialogue and trade union rights	●	●	●	●	●
Discrimination	Discriminatory behaviour in terms of access to employment, compensation, careers or access to training	●	●	●	●	●
Decent wages	Salary not in accordance with the legislation in force or insufficient to meet the needs of the employee and their family	●	●	●	●	●
Child labour	Child labour, in any form	●	●	●	●	●
Forced labour	Forced labour or modern slavery	●	●	●	●	●
Negative impact on communities	Deterioration in the living conditions of local communities, related to activities	●	●	●	●	●
Personal data	Breach of personal data protection	●	●	●	●	●

Net criticality ● Very high ● High ● Medium ● Low and very low ● Not significant

SOCIAL DIALOGUE

The Group is present in 45 countries. There are different laws and cultures in terms of social dialogue. Hermès nevertheless guarantees quality social dialogue and freedom of expression for all employees. This dialogue involves collective bargaining and the daily involvement of employee representatives in various projects. It is essential to the proper functioning of the Group's companies.

RISK ASSESSMENT

In France, where 62% of employees work, a social dialogue monitoring commission, composed of union representatives on the Group Works Council and management representatives, meets twice a year to review social dialogue at the various sites. In 2019, in order to prepare for the renegotiation of the renewal of the social dialogue agreement, it sent a questionnaire to all employee representatives, their managers and a panel of 1,000 employees. This commission meets twice a year.

In **international retail operations**, quality social dialogue requires respect for freedom of expression. Some local initiatives illustrate opportunities for discussions in which employees can express both their concerns and satisfaction:

- in the United States (Hermès of Paris), round tables or ERGs (Employees Resource Groups) create discussion spaces where people can speak freely on a variety of topics chosen by employees (return from leave, diversity and inclusion);
- in Taiwan and Japan, quarterly meetings bring employee representatives together;
- in China and Latin America, regular meetings are organised between Group Management and employees.

A "Well-being and Engagement" survey was carried out in 2018 and relaunched in 2021 in 16 European countries, as well as in other countries (United States, China, South Korea, Japan). It thus made it possible to receive employee feedback on:

- their level of resources;
- pay equity;
- the link to performance;
- work-life balance;
- the social climate.

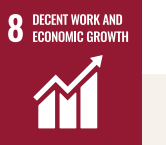
RISK MITIGATION

In France, an agreement to renew social dialogue was renegotiated and signed at the end of 2021. It includes a number of measures to encourage and promote social dialogue, such as:

- acquiring a better understanding of its players;
- increasing interactions with them;
- improving the coordination of their mandate and their professional activity;
- developing employee skills.

In French companies, social dialogue involves the permanent operation of employee representative bodies and a robust and active collective bargaining process. Collective agreements are thus concluded in all companies that have union representatives or with the social and economic committees authorised to negotiate these agreements. In other countries, dialogue takes various forms, depending on local regulations and customs.

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, this policy involves ensuring the due implementation of the principles of freedom of association and collective bargaining, in compliance with local regulations. Hermès encourages workers to exercise their fundamental rights freely.



MONITORING

73

social dialogue agreements and amendments were signed in France, i.e. 62% of the workforce

73%

of employees in France were involved in a well-being survey since 2018

63%

of employees have access to a dialogue structure

82%

of employees are represented by trade unions

100%

of employees in France are represented by social and economic committees

DISCRIMINATION

Through its métiers, its creations, its savoir-faire, its distribution network and its customers, Hermès closely integrates diversity. Its uniqueness is based on the continuous requirement to recruit and integrate employees from all backgrounds.

RISK ASSESSMENT

A global “Diversities and Inclusion” (D&I) diagnostic was launched in 2021 with the aim of ensuring that no person in the Group is treated less favourably than another because of their origin, their gender, their gender identity, their family status, their state of health, their sexual orientation, their religious convictions or under any other pretext.

Using a questionnaire completed by more than 100 Managing Directors and Directors of Human Resources from all countries, and qualitative interviews conducted around the world, the Group’s ambition was formed and its commitments structured.

Each country was thus asked to commit to local action plans based on the following three axes:

- strict compliance with the principle of non-discrimination;
- strengthening of gender diversity and equality;
- better consideration of disability on a daily basis.

RISK MITIGATION

Respect for differences is formalised and presented to employees in the ethics charter. This policy involves creating conditions for equal opportunities in terms of recruitment and employment and combating all forms of discrimination.

In 2022, each country identified a **D&I Officers**, set their objectives, action plan and monitoring indicators. This network is coordinated by the Group labour relations department. Some practical examples illustrate the house’s actions in this area:

- in France, an “Alterego” managerial training course dedicated to combating all forms of discrimination was developed since 2017;
- in the United States, the Hermès of Paris subsidiary specified its mission in terms of diversity with the tagline “employer guaranteeing equal opportunities” in its job offers. In addition, eight employee groups were created to develop a more inclusive culture taking into account racial equality, parenthood, LGBTQIA+ communities and women, bringing together 214 employees.

In March 2023, the network of 27 worldwide D&I Officers met for the first time. The participants attended a one-day training course on unconscious bias. As part of the network’s annual meeting, they worked on a diversity fresco and the actions to be undertaken on the three pillars of the Group’s policy. An e-learning module on unconscious bias was made available to the Officers. A global index to measure gender equality will be set up and sharing of best practices took place in order to organise, throughout the Group, an employment week for people with disabilities. These are all measures intended to prevent all forms of discrimination.

Gender equality is particularly taken into account at Hermès, notably by ensuring equal opportunities at all levels of employment. Women managers benefit from programmes designed to encourage women in leadership.

MONITORING



67%

Ratio of women in the Group
Executive Committee: 40%
Operations Committee: 64%
Women managers: 60%

95%

Gender pay equity index in France

> 850

employees completed a “Diversity and Inclusion” training course

6.4%

of employees with disabilities in the workforce in France

1st place

in the 2022 European “Diversity and Inclusion” ranking of the Financial Times

DISABILITY (FOCUS)

The integration and retention of employees with disabilities is a priority for the Group. In 2017, the first Group disability agreement led to many initiatives and commitments shared by the Disability Officers (14 Officers covering all métiers). These actions allowed the house to make considerable progress.

In France, the number of employees with disabilities has doubled in four years, exceeding 650 employees recognised at the end of 2021, i.e. 6.4% of the French workforce.

Over this period, the house has initiated more than 90 “Duodays” (days dedicated to the inclusion of people with disabilities) throughout France. In November 2022, on the occasion of the European Week for the Employment of People with Disabilities, the French Deputy Minister in charge of Inclusion, visiting the premises in Pantin, praised the commitment and the remarkable results of this policy.

Echoing World Disability Day at the beginning of December, the Handi’Cap 2022 Forum, an annual highlight organised exceptionally in virtual form, brought together nearly 200 new managers and new HR staff, essential levers for the proper deployment of the Disability policy.

The **second Group disability** agreement was signed on 22 July 2020, with all union coordinators. Rolled out progressively from 2021 to 2023, it pursues the Group’s ambitions in terms of inclusion and responding to the following issues:

- structuring a genuine job retention policy;
- strengthening indirect employment through collaboration with the sheltered and adapted sector and self-employed disabled workers;
- fighting against decision-making biases caused by stereotypes or prejudices in terms of disability;
- changing perceptions within the Company through the dissemination of information and communication;
- anticipating the scheduled end of approved collective agreements as a means of managing the Group Disability Agreement.

Internationally, a number of countries are carrying out specific actions for people with disabilities.

By way of example:

- in Canada, a rigorous accessibility policy is in place and sales associates are trained in accessibility;
- in mainland China, for certain events, catering services are provided by a structure in which over 70% of the workforce are employees with disabilities;
- in Taiwan, Hermès supports drawing classes for students with autism disorders to enable them to express their talent.

In the United States, the Hermès of Paris branch undertakes to comply with all applicable provisions of the Americans with Disabilities Act (ADA) and Americans with Disabilities Act Amendments Act (ADAAA). The Company’s policy is not to discriminate against any qualified employee or candidate as regards employment conditions due to the disability or perceived disability of that individual as long as they can perform essential job duties with or without reasonable adaptations.

HERMÈS
MISSION handicap

“I was delighted to participate for the first time in the Handi’Cap Forum to talk about the initiatives taken by the equestrian profession. The sharing of concrete and easy-to-implement initiatives by the various speakers gave us the energy and the desire to explore new avenues to promote inclusion and diversity within our teams, values that resonate strongly within the company and personally.” Chloé Nobecourt, Director of the Saddlery métier.

DECENT WAGE

The Group, in France and abroad, provides its employees with overall compensation that meets best market practices, strictly complies with applicable standards and regulations and exceeds the minimum legal locally-defined salaries. Hermès is particularly attentive to the compensation conditions and development opportunities for all its employees. Offering them comprehensive compensation is also a way of recognising their contribution to the house's development.

RISK ASSESSMENT

The risk of an insufficient salary is linked to the Group's presence in a large number of countries, which implies several compensation and social protection schemes.

For better visibility on the well-being of employees at work and to identify at-risk situations, employee engagement surveys are regularly conducted.

In 2022, an audit was conducted to obtain a **precise mapping of social protection schemes**. The Group wants to be the benchmark employer in this area.

RISK MITIGATION

The Group's policy is that all of its employees should receive compensation that competitively meets best market practices, complies strictly with applicable standards and regulations, and is higher than the minimum legal locally-defined salaries.

The house pays particular attention to the compensation of its employees in order to offer them a living wage that is not limited to the legal minimum wage. Initiated in 2022, a detailed study of the matter is under way in cooperation with leading independent organisations, including the Fair Wage Network, to ensure that the Group complies with this target worldwide.

The resilience, commitment and contribution of each employee to the success of the collective project were recognised by the allocation of exceptional bonuses (€3,000 gross in February 2022 and €4,000 gross in February 2023). During the two years of Covid-19, basic salaries were maintained for all employees during the periods of general lockdown and exclusive store closures. This was done without recourse to State aid, in all countries where the Group operates.



MONITORING

97%

of employees worldwide benefit from supplemental schemes, in addition to statutory health plans

96%

of employees worldwide benefit from supplemental schemes, in addition to statutory welfare plans

87%

of employees worldwide benefit from supplemental schemes, in addition to statutory pension plans

> 11,000

employee shareholders or holders of rights to free shares, i.e. 56% of the workforce as at 31/12/2022

100%

of Group employees benefit from a maternity policy with compensation maintained for 16 weeks

80%

of employees are covered by the paternity policy

SOCIAL PROTECTION (FOCUS)

True to its commitment as a responsible employer, Hermès has put in place adapted and far-sighted systems to strengthen the protection of its employees throughout their lives.



HEALTH AND WELFARE

Employee compensation is supplemented by healthcare and welfare schemes.

Providing social protection to its employees (and indirectly to their families) against the risks of death and sick leave wherever the Group operates is essential for Hermès. Employees are protected against the major risks of everyday life.

Guarantees covers medical and maternity care and retirement, as well as long-term illness and mortality risks. Hermès' ambition is to protect the families of its employees, in the event of death, by paying a lump sum equal to two years' salary. This system covers 85% of employees worldwide. It covers 95% of employees, if we consider one year's salary. In France, this scheme is supplemented by an education allowance to enable the children of the deceased employee to continue their studies.



PARENTHOOD

The Group establishes a parenthood policy at all its subsidiaries and monitors its effective implementation. This primarily concerns maternity, with full maintenance of basic pay for a minimum of 16 weeks of leave and full coverage of the related health costs.

- In France, Hermès decided to introduce, with effect from 1 January 2022 for all its entities, full maintenance of salaries within the framework of paternity leave of 28 days. This initiative is available to everyone, without any seniority condition. This paternity leave is also available to employees in other countries: its duration and conditions are then adapted to the local culture and practices.
- In Switzerland, paternity leave is two months paid at 100% for a father in a homoparental couple. All requests to return to work part-time and/or for unpaid leave after maternity leave are systematically granted.
- In Singapore, maternity leave is extended to 16 weeks and paternity leave lasts two weeks. All employees receive six days of parental leave for children under the age of six and two days of parental leave for those aged seven to twelve. These measures are in addition to government legislation.



RETIREMENT

In terms of supplemental pensions, the aim is to help employees build up additional income at the end of their working lives. Hermès is often a pioneer in the proactive implementation of these systems.

By way of example:

- in France, over 15 years ago, Hermès set up a supplemental defined-contribution pension plan under a collective agreement for all employees in France. In 2022, this plan represented total contributions of €8.4 million, of which over 91% were financed by the employer;
- in the same spirit, Hermès decided to set up a supplemental pension plan for all its local employees in China from the second quarter of 2022.

PERSONAL DATA

At Hermès, respect for privacy represents more than a legal obligation, it is a Maison Hermès value and an essential commitment to maintaining a relationship of trust with its employees, customers and partners. The Hermès Group implements a protection system for all the personal data it processes: those of its customers, employees or third parties. This system is applied in accordance with European data protection regulations and applicable local regulatory requirements.

RISK ASSESSMENT

The main risks are related to customer data as well as candidate and employee data.

They mainly come in two forms:

- a breach of regulatory principles: poor management of personal rights, unlawful processing of data, etc.;
- a data breach: mainly due to subcontractors and cyberattacks.

Internal control assessments and audits are regularly carried out, including through auditors external to the Hermès Group. Conducted according to control and audit lines validated by the Group, they relate to the application of the Group's procedures and, more generally, to the maturity of the data protection system.

RISK MITIGATION

Since 2015, the Group has set up Binding Corporate Rules (BCR), which define the rules for the protection of its customers' personal data. These apply to all entities with a retail operation.

The Group's Data Protection Officer (DPO) relies on a network made up of the Head of Information Systems Security, the legal department, internal controllers and regional DPOs (notably in China). This network enables it to be informed of issues and legal changes in the processing of personal data and to ensure that said processing is consistent and complies with Group rules.

A range of actions and systems are deployed at the Group:

- an employee awareness-raising and training programme, in person or using mandatory e-learning modules, translated into 11 languages;
- an application of the principles of protection of Privacy by Design & by Default through the project security integration procedure and by conducting privacy impact assessments;
- the use of a specific compliance tool enabling in particular effective management of customer rights (access, modification, deletion, etc.), the implementation of privacy impact assessments and the keeping of a register of the Group's processing operations;
- a procedure for managing incidents and personal data breaches (data leaks).

MONITORING

> 10,000

people in the most sensitive functions have completed the e-learning module on personal data protection

399

projects run through the security integration procedure in 2022

648

requests processed in 2022



AT HERMÈS

4. HEALTH & SAFETY

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SUMMARY OF HEALTH & SAFETY RISK MAPPING

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: everyone can express their potential safely, in a pleasant environment, whether on production or logistics sites, in stores or offices.

RISKS	DESCRIPTION OF RISK AT THE GROUP	HERMÈS MATERIALS AND COMPONENTS	PRODUCTION WORKSHOPS	LOGISTICS PLATFORMS	HERMÈS BRANCHES	SUPPORT FUNCTIONS
Consumer safety	Lack of safety of products placed on the market	●	●	●	●	●
Health and safety at work	Work accidents or occupational illnesses related to a lack of protection when using machines, uncontrolled exposure to hazardous chemicals, the appearance of RSIs (repetitive strain injury) caused by heavy loads, repetitive movements or static work or, in the event of fire	●	●	●	●	●
Psychosocial risks	Moral or sexual harassment Threats, stressful situations	●	●	●	●	●
Working conditions	Indecent working environment and/or accommodation for employees, excessive workload	●	●	●	●	●
Employee safety	Lack of protection of employees in their workplace or during their travel: assaults, theft, attacks related to their activity	●	●	●	●	●

Net criticality ● Very high ● High ● Medium ● Low and very low ● Not significant

HEALTH & SAFETY AT WORK

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. Hermès wants to limit the risk of any form of work accident or occupational illness.

RISK ASSESSMENT

Hermès regularly measures the health and safety situation of its employees in order to adapt its action plan. Hermès monitors changes in the severity and frequency rates of work accidents. The industrial department audits the industrial sites with the support of an external firm.

Since 2018, the SATIN questionnaire designed by the INRS (Institut national de recherche et de sécurité – French National Institute for Research and Safety) and the University of Lorraine has enabled employees to express their feelings on various topics relating, among others, to physical health.

Internationally, engagement surveys have identified areas for progress, for which human resources are mobilised.

The risks mainly relate to RSI (repetitive strain injury), exposure to chemical products and work accidents.

RISK MITIGATION

Hermès aims to protect the health of employees by preventing work accidents and occupational illnesses, including RSIs. In order to achieve this objective, Hermès is setting up awareness-raising campaigns on nutrition, physical activity, etc.

To address the issues presented following the SATIN survey, the French sites set up a **health and well-being at work observatory**.

The industrial technical and innovation department is overseeing a multi-year **EHS (environment, health and safety) programme**. The 5th cycle, started in 2018, aims to improve the anchoring of the safety culture on industrial sites and to reduce major risks, such as working at heights, through assessments carried out by an external firm. As part of the EHS approach, each significant accident or incident is investigated with a detailed analysis of the causes, with the conclusions systematically shared with the other industrial sites. In addition to accidental events, the EHS network, led by the industrial technical and innovation department, makes it possible to strengthen the sharing of experiences and the cross-segment implementation of best practices among *métiers*.

In terms of prevention, each *métier* trains and raises awareness among its employees, taking into account its specific features. The *métiers* analyse their industrial practices and processes in order to minimise risks.

The main provisions are as follows:

- **work accident:** securing machines whose use represents a specific danger, wearing PPE (personal protective equipment), equipment for isolated workers, training newcomers in safety rules, first aid training, etc.;
- **chemical exposure:** renovation of workshops, installation of aspiration systems, provision of PPE, plans to remove harmful products such as those classified as CMR (carcinogenic, mutagenic and reprotoxic substances), reinforced medical surveillance, etc.



MONITORING

8.07

lost time work accident frequency rate at Group level
Down by 12% compared to 2020

0.33

lost time work accident severity rate at Group level in 2022
Stable compared to 2021

3,900

employees trained in the “*Un Corps Pour La Vie*” module at the end of 2022

FIGHT AGAINST REPETITIVE STRAIN INJURY (FOCUS)

Among the priorities of many of the Group's métiers, the fight against RSI (repetitive strain injury) is the subject of increased attention. Employees may experience pain related to repetitive movements performed in the course of their work.

Leading the way in this area, the **Leather Goods division** implemented various actions, such as:

- working with biomechanics doctors and physiotherapists to measure the impact of each gesture performed on a daily basis by craftspeople, prioritising training actions and reducing physical stress in strict compliance with *savoir-faire*;
- improving the ergonomics of workstations, including the installation of height-adjustable workbenches;
- collective warming up before starting work;
- the introduction of “ergo relays”, craftspeople or other employees, partly dedicated to prevention, to support each craftsperson in terms of ergonomics and good posture;
- training, using the ergo-motor skills module “A body for life” set up since 2011, which provides gestures for craftspeople to adopt to prepare the body and support the demands inherent in the specific activities of saddler-Leather Goods workers;
- the “share your safety” approach, which invites each craftsperson to think about the risks related to their workspace and to propose solutions;
- the approach of developing multiple skills and of product diversification in order to vary gestures.

Other craftsmanship divisions, such as textiles, watches or metal parts, also implement actions, such as:

- assessing workspaces with physiotherapists and ergonomists;
- installing new handling equipment;
- improving the ergonomics of workstations, notably by installing height-adjustable workbenches;
- warming up before starting work;
- conducting communication campaigns related to the handling of loads;
- training employees in “gestures and postures”;
- organising working groups on improving ergonomics.

At **Cristalleries Saint-Louis**, in the cold-part glass workshop, tedious manual operations with low added value are eliminated thanks to a new cutting machine as well as a machine for treating its aqueous effluents. At the control stations, to limit the handling of parts, conveyors and lifting tables, as well as modified transport trolleys are made available to craftspeople. In the hot-part workshop, the biomechanical demands of glass craftspeople are reduced thanks to a jib crane offering mechanical assistance for the handling and moving of the blowing rods.

In retail, notably in France, several mitigation actions were rolled out:

- sessions by well-being coaches and osteopaths;
- massage workshops during busy periods such as the summer and the holiday season;
- the distribution of information videos on relaxation, massages by type of workstation, to help teams counter fatigue and physical pain.

These initiatives also concern the logistics *métiers*. Thus, for over six years, the Hermès Commercial site in Bobigny has continuously transformed itself to improve in the face of a constantly increasing workflow. Mechanisation projects, as well as the use of automatic conveying techniques, reduce the risks of RSIs related to tedious operations.

In 2022, to support the increase in e-commerce activity, two new automated vertical storage towers were installed and associated with a new conveyor section. This project made it possible to minimise operator moving and reduce manual handling.

WORKING CONDITIONS

If Hermès is so demanding about working conditions, it is so that everyone can safely express their potential in a pleasant environment, at production sites and logistics sites, in exclusive stores or offices. In addition to the fundamental issues of health and safety at work, it also means adopting the best managerial practices and providing a working environment conducive to the well-being of everyone.

RISK ASSESSMENT

The SATIN survey, initiated in 2018 and rolled out across all sites in France, made it possible to draw up an inventory with employees at French sites on their feelings about their working environment and its organisation.

A second survey is being prepared for 2023.

A health and well-being at work Observatory has been set up at each site, in conjunction with the site's Management Committees and the Health, Safety and Working Conditions Commission.

Internationally, and more specifically in Europe, Asia and the United States, employee engagement surveys are used to identify risks related to working conditions.

The main areas for improvement are:

- workload, with the desire for a better work-life balance;
- air quality;
- visual and acoustic comfort.

RISK MITIGATION

The Group encourages everyone to put in place all measures likely to contribute to the well-being of employees at work, taking into account the specificities of each *métier*.

In terms of the organisation of working hours, the Group gives its subsidiaries a great deal of freedom. However, it ensures strict compliance with the regulations applicable in each country in terms of working hours, maximum working hours and minimum breaks. Particular attention is paid to monitoring leave and to counting hours of work and recovery.

- In the Leather Goods & Saddlery division, all production workshops benefit from 213 “ergonomics relays” and are organised around flexible hours, with early and late working hours possible. Each craftsperson is responsible for choosing his or her hours in order to reconcile working time and personal organisation;
- In the United States, all sales associates receive a continuous weekend off each month. The schedules are designed to avoid work on Sundays and ensure a fair distribution of late working, notably during periods of high traffic;
- In China, for sales associates, schedules provide for a maximum of eight hours of work per day and two days of rest per week. Annual leave has been increased from ten days to twelve;
- In logistics, employees benefit from flexible working hours with a minimum number of hours to be worked per week, the possibility of working more and the flexibility to adjust their daily working hours.

Air quality, light and acoustics in the working environment are one of the pillars of the “sustainable construction” framework. This policy is applied in a concrete manner at the Group's sites.



MONITORING

73%

of employees in France have taken part in a well-being survey since 2018

3,900

employees trained in the “*Un Corps Pour La Vie*” module

3.37%

absenteeism rate in 2022

PSYCHOSOCIAL RISKS (PSR)

The well-being of employees is a priority for Hermès. Hermès takes measures to enable all its employees to work in a healthy and fulfilling environment.

RISK ASSESSMENT

The SATIN survey rolled out at all sites in France made it possible to assess the mental health and stress of employees.

Internationally, employee engagement surveys are regularly conducted, in the United States in 2020, in Europe in 2021, and in Japan in 2022, where employees were asked to take part in two surveys: one on employee engagement, and the other on stress management.

In 2023, work is under way to harmonise the “Well-being and Engagement” surveys, making it possible to address various dimensions relating to health, fulfilment and engagement through a global common core. From 2023, an enhanced version of SATIN 2 will be rolled out in France with several production units in the Leather Goods & Saddlery division. These “Well-being and Engagement” surveys will be carried out at foreign subsidiaries every two years.

The risks identified mainly relate to stress and emotional management.

The Hermès Group is also very active in the fight against all forms of harassment (cf. focus hereafter).

RISK MITIGATION

The Group acts to prevent psychosocial risks. Notably, it tries to ensure work-life balance by disseminating best practices and encouraging subsidiaries to apply them. These incentives are of course rolled out locally, taking into account the cultural specificities of countries. Exemplarity is especially required of managers.

During the crisis linked to the Covid-19 epidemic, psychological units were systematically set up by the Group’s entities. These can be activated on at any time, on a case-by-case basis, if necessary.

Training on the prevention of psychosocial risks is offered to managers to make them aware of the existence of PSRs (stress, harassment, violence at work, burnout, etc.). The objective is to teach them how to quickly detect difficult situations, to identify warning signals, even weak ones, in order to provide a rapid and appropriate response. This training is also an opportunity to raise awareness of preventive measures for physical and psychological health, and well-being at work. Roll-out of this theme began in France, and it will be extended internationally.

Local initiatives were taken by certain entities:

- at Hermès Cuirs Précieux, with the creation of a “Well-being at work” commission;
- at Hermès Distribution France, with the organisation of well-being briefs in certain exclusive stores (introduction to meditation, breathing exercises, stretching, etc.);
- in Japan, where reconciling a culture of strong commitment with regulations on leave requires increased vigilance by management, which ensures that employees take leave and rest time;
- in France, where the Sleep plan was rolled out, with various conferences and a self-diagnostic questionnaire for 900 people.



MONITORING

79%

of employees took part in a well-being survey during the past 3 years

83%

average response rate of employee well-being and development surveys

60%

of managers in France have followed the harassment awareness module, i.e. more than 1,200 people

FIGHT AGAINST HARASSMENT (FOCUS)

Hermès does not tolerate any conduct that manifests itself through behaviours, words, acts, gestures or writings that may infringe on a person's personality, dignity or physical or psychological integrity, thereby jeopardising their personal well-being or employment, and adversely affecting the social climate.

PREVENT

The prevention of and fight against harassment, whether psychological or sexual, is one of the house's priorities.

At the French entities, employer and CSE (Social and Economic Committee) officers were appointed to prevent sexist acts and sexual harassment. To improve consistency and efficiency, the role of these officers was extended to the prevention of moral harassment. They were trained to adapt these concepts to their legal framework and to be able to characterise a situation.

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 showing empathy and distance. In 2022, all directors and human resources managers in France were trained; they in turn raise awareness among managers and employees with the provision of a set of awareness-raising measures.

Moreover, based on this approach, some entities decided to supplement it by deploying other awareness-raising tools. For example, Hermès Cuir Précieux rolled out collective workshops in all divisions in France for Management Committees, managers and employees to raise awareness and identify weak signals.

In addition to this Group mobilisation, local initiatives were undertaken such as:

- at the Hermès Watch division, with the implementation of an external "Trusted Person" system. This is a network of people who provide help and support in relation to any problem of harassment, discomfort or isolation in or outside the Company;
- in the United States, our Hermès of Paris subsidiary is rolling out mandatory harassment awareness training for all employees, including specific content for managers, with 965 courses completed in 2022.

ALERT

The Group's policy is clear: any employee who is the victim of harassment, or who witnesses a situation of this type, can report it to the *H-Alert!* whistleblowing system. Thus, any employee can directly contact their line manager, the human resources manager or the members of the Ethics Committee, or report their alert via the *H-Alert!* platform.

TRAINING MODULES ARE BEING ROLLED OUT:

- **An e-learning module** called "Understanding to prevent sexist acts and harassment", addressing issues of moral and sexual harassment, sexist acts and sexual assault, is **mandatory for all managers in France**. Notably, it presents the solutions offered by Hermès and specifies the role expected of managers in terms of setting an example, detecting weak signals and control. At the end of 2022, 60% of managers in France had completed this module, *i.e.* more than 1,200 people. This awareness-raising course is also **mandatory for employee representatives, and is open to all employees**. The module is currently being **rolled out internationally**;
- **A face-to-face module** was specially designed for Harassment Officers. The Harassment Officers receive one day's training in pairs to identify at-risk behaviours, promote the implementation of preventive measures and react in the event of an alert, demonstrating empathy and distance. At the end of 2022, 50 two-person teams had been trained.

Since 2021, more than 40 directors and human resources managers were trained on this subject.

EMPLOYEE SAFETY

The Group's policy includes the issue of employee safety, as a priority, in its strategy for the protection of property and people. Safety is very important in a context of risk of physical harm to people in several cities and countries where Hermès operates.

RISK ASSESSMENT

Due to the nature of its activities and the value of its products, the Hermès Group identifies risks of physical harm to people (employees and external partners that could cause moral and psychological harm).

The Group safety department is responsible for regularly visiting the various sites in France and abroad. To carry out this mission, it notably relies on a questionnaire on the safety systems applicable in the exclusive stores and manufacturing sites.

RISK MITIGATION

The Group has set up several measures to ensure the safety of employees at the various sites and countries where it operates:

- a safety policy for all of its activities and sites;
- specific transport security procedures;
- a crisis management process, in the case of a serious event. This provides for the setting up of a crisis unit with dedicated resources made available. Crisis management simulation exercises are regularly conducted.

Several measures are deployed depending on the level of risk at the Group's various production and distribution sites to protect employees:

- reinforcement of safety and security equipment, surveillance cameras, vaults, access controls, fencing, intrusion detectors;
- transport security;
- training of teams on how to react in the event of incidents (e.g. robbery);
- provision of a psychological unit;
- lack of company names at production sites so that they do not indicate that they belong to Hermès.

A computerised safety and crisis management tool was rolled out in March 2021 at sites in the Paris region. The extension to other Group sites is carried out gradually, depending on the level of risk at each site.



MONITORING

Experts from the Group safety department regularly travel to the various sites, during events in France and abroad, to ensure compliance with Group safety procedures. A questionnaire on industrial safety is also completed during these site visits or audits.

Security incidents are reported in a specific database. They are regularly reported to the Group Safety Committee and the Audit and Risk Committee, and are then analysed in detail, thus contributing to the continuous improvement of the system.

AT HERMÈS

5. ENVIRONMENTAL PROTECTION

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SUMMARY OF ENVIRONMENTAL PROTECTION RISK MAPPING

The Group's sustainable and responsible development involves knowing, controlling and reducing its environmental impacts, as part of a responsible approach. More broadly, Hermès contributes, through its commitments and actions, to the fight against climate change and the preservation of biodiversity.

RISKS	DESCRIPTION OF RISK AT THE GROUP	HERMÈS MATERIALS AND COMPONENTS	PRODUCTION WORKSHOPS	LOGISTICS PLATFORMS	HERMÈS BRANCHES	SUPPORT FUNCTIONS
GHG emissions and climate change	Climate deterioration due to activities	●	●	●	●	●
Pollution and waste	Emissions of pollutants via aqueous or atmospheric discharges and of various forms of waste, including plastic waste	●	●	●	●	●
Depletion of natural resources	Insufficiently controlled consumption of resources that are non-renewable, limited, to be preserved (water, wood)	●	●	●	●	●
Biodiversity damage	Destruction of a part of biodiversity through the use of raw materials or the establishment of sites	●	●	●	●	●
Animal welfare	Animal exploitation practices contrary to the Group's commitments and to compliance with the principles of animal welfare	●	●	●	●	●

Net criticality ● Very high ● High ● Medium ● Low and very low ● Not significant

GREENHOUSE GAS EMISSIONS AND CLIMATE CHANGE

The Group is resolutely committed to a low-carbon world. Targets have been quantified and included in the schedule, compatible with limiting global warming to 1.5°C by 2100. Actions have been taken in this regard, both within the Group's activities (production, construction, logistics, etc.) and within its supply chain.

The Group's policy includes several axes:

- measure the impacts of its activities across all scopes 1, 2 and 3;
- prioritise actions to reduce emissions in the various categories where the Group can act;
- set up offsetting actions;
- study the effects of climate change, inform and collaborate with our partners and suppliers to adapt the entire value chain.

RISK ASSESSMENT

Since 2013, the Group has updated the overall greenhouse gas emissions assessment of its production and distribution sites and its supply chain according to the three scopes of the GHG Protocol. This work is carried out with the help of an independent external specialist firm and using the Bilan Carbone® (Carbon Assessment) method and the GHG Protocol.

In 2019 and 2020, an energy and thermal diagnostic campaign was carried out at all industrial, tertiary and distribution sites in France to assess performance and schedule action plans.

RISK MITIGATION

True to its concrete and long-term commitments, since 2020 Hermès has stepped up its fight against climate change by updating its strategy with ambitious, science-based targets, through the "Science-Based Targets" initiative (SBTi) to reach zero net emissions by 2050:

- 50.4% reduction in terms of absolute value in scopes 1 and 2 emissions from 2018 to 2030;
- 58.1% reduction in terms of relative value in scope 3 emissions from 2018 to 2030;
- 50% reduction in the carbon footprint per m2 of buildings constructed or renovated by 2030;
- defossilisation of operations and implementation of a 100% renewable electricity policy by 2025 and 100% renewable energy by 2030.

Hermès is gradually rolling out concrete actions to replace the fossil fuels used, and reduce its energy consumption and its carbon footprint across the three scopes:

- all French sites are now 100% powered by green electricity from hydroelectric, photovoltaic or wind power, produced in France;
- the real estate department includes the reduction of the carbon footprint in its "Responsible real estate standards". Through life cycle analyses, the promotion of the use of bio-based materials and the development of local sourcing with a web platform launched in 2021, it now has tools that enable it to manage all its projects;
- the sales department is working to improve the logistics footprint, notably on local transport, with carbon-neutral modes of transport;
- over long distances, when the nature, volume or quantity to be transported allows it, sea transportation is preferred over air. Work is being done to use alternative fuels with lower emissions and to optimise the volumes transported;
- within the supply chain, suppliers and sectors are mobilised to reduce their footprint.

Furthermore, for the establishment of new Leather Goods workshop sites, Hermès now favours the conversion of brownfield sites or wastelands whenever possible.



MONITORING

-28.4%

decrease in scopes 1 and 2 emissions in absolute value compared to 2018

-46.5%

decrease in scope 3 emissions in intensity ratio compared to 2018

-62.4%

decrease over 10 years in industrial energy consumption (electricity and gas), in intensity

100%

renewable electricity in France and 89.1% worldwide

55.4%

renewable energy worldwide

A- CDP score

on 2021 data

DEPLETION OF NATURAL RESOURCES

Managing the environmental impact of its entire value chain is a core preoccupation for Hermès. Respecting natural resources, promoting regenerative agriculture and forestry, and managing energy resources are all pillars of Hermès' environmental policy.

RISK ASSESSMENT

The Hermès Group uses raw materials from renewable natural sources, taken while respecting their regeneration potential. This is notably the case for hides from farmed animals, or the main textile materials such as silk, cashmere and wool.

The technical qualities of materials are studied on a case-by-case basis, notably through supply chain analyses, LCAs (life cycle analyses) by product, or more generally through work on biodiversity (see below).

In order to preserve all natural resources as much as possible, the Group closely monitors its water consumption, whether for its industrial activity (mainly in France), or within its supply chain abroad:

- in tanneries, with the tanning, dyeing and finishing processes for hides;
- in textiles, with the printing and finishing steps;
- in crocodilian farms, with the filling of breeding tanks and their regular renewal, which guarantees the bacteriological quality of the water and animal welfare.

RISK MITIGATION

Hermès' policy and its actions on the ground aim to limit the consumption of natural resources. This objective involves:

- searching for new production methods for existing materials or for new, more frugal materials;
- rolling out eco-design;
- promoting the circular economy;
- reducing waste at all stages of production;
- reducing water consumption at all stages of production.

Optimising the use of materials

- At the tanneries, hide imaging systems enable the identification of defects, facilitate sorting, maximise the use of hides and reduce waste.
- In leather work, the *métiers* have always been attentive to reducing material scraps as much as possible. In France, since 2022, the Group has implemented measures, notably inventory optimisation, to recycle and reuse its leather scraps as much as possible.
- Since 2019, a working group of the textile Hermès subsidiary has focused on optimising the use of cashmere and the production of silk items is organised to avoid producing surpluses.

Reducing water consumption

All production *métiers* have a minimum annual reduction target of 5% in intensity. This target has been achieved every year since 2018 and, over 10 years, water consumption (excluding farms) has fallen by nearly 60% in intensity. This is the result of continued reduction efforts on all the Group's industrial sites. The *métiers* work on a daily basis to minimise water consumption, find innovative solutions to increase the proportion of recycling (rainwater recovery, rainwater treatment, wastewater treatment, innovative efficient water and energy systems, implementation of valves that adjust the water flow, etc.). As an illustration of this approach, in the textile supply chain, the reduction of water consumption is one of the criteria of the incentive scheme.



MONITORING

97%

of hides come from agri-food channels

100%

of gold and silver used in jewellery is from non-mining sources

100%

of orange boxes and bags are made from renewable, recyclable or recycled materials

-5%

Target for the reduction per year in water consumption in intensity (m³ per €m of revenue) from 2018 to 2030

A score

in the CDP Water Security questionnaire in 2021

A- / B rating

in the CDP Forest questionnaire on 2021 data

-28%

reduction in industrial water consumption compared to 2019

ECO-DESIGN, RE-USE AND END OF LIFE OF PRODUCTS (FOCUS)

ECO-DESIGN AND CIRCULAR ECONOMY

Hermès is committed to eco-design and the circular economy. Most *métiers*:

- undertake initiatives to measure environmental impact, and to raise awareness of eco-design, circularity and traceability;
- conduct precise life cycle analyses, with an increasing amount of actual data, on their flagship products. More than 80% of the *métiers* did so in 2022.

PRODUCT LIFE AND END-OF-LIFE

Repairing to extend the life of objects

Hermès objects are designed to last. Their design and manufacturing method favour robustness, in the pure tradition of saddler craftspeople. From saddles to silk to watches, all owners of Hermès objects can request their repair. With 202,000 repairs carried out in 2022, this commitment is a reality worldwide.

End-of-life and “zero destruction”

Hermès’ business model is based on the exclusive stores’ freedom to purchase and the desirability of the house’s products. This model generates only a minimal number of unsold items. In France, Hermès has already ended the destruction of most of its new products intended for sale (under the AGEC law), notably for clothing. By 2025 and 2030, these initiatives will be extended to the remaining countries and products.

The Group has implemented the “zero destruction” action plan for unsold items using the following alternatives:

- exceptional sales to the public and staff;
- donations of products to partner associations;
- partnerships with schools, specialised players and industries, through a collaborative approach;
- integration of eco-design of products to facilitate the recycling or reuse of end-of-life materials.

OIKOS LAB

The Group real estate department has begun a project to reuse unused materials. Leather, silk, porcelain and textile materials are integrated into the design of Hermès’ living spaces (Leather Goods workshops, exclusive stores and offices).

Thus, Oïkos Lab was born. It aims to stimulate design, to create unique living spaces and to reduce their environmental footprint.

The Oïkos Lab actively participates in the house’s circular economy.

In 2022, Oïkos Lab made it possible to:

- recover 10% of dormant and downgraded leather inventories;
- recycle all porcelain production waste.

Petit h

Above all, a unique creative process: inventing objects. But these objects are created from Hermès materials not used in the production of the house’s collections. The goal is to combine the excellence of the house’s *savoir-faire* with the creativity of artists and designers. It all starts from available materials rather than from a preconceived idea.

Some creations, around 200 per year, are manufactured as unique pieces, at the whim of the available materials. The creation of several hundred other pieces is based on mastered and controlled productions.

RECYCLING AND RE-USE – FROM PRODUCTION

Without waiting for the publication of the French AGEC law (anti-waste and the circular economy), the *métiers* have accelerated their initiatives through numerous working groups, which have designed solutions that create a second life for objects and recycle objects, and which are now in widespread use. Thus, in 2022, 18 tonnes of textile materials from manufacturing offcuts were recycled.

POLLUTION AND WASTE

Hermès works actively to limit the environmental impact of its activities.

RISK ASSESSMENT

A major aspect of environmental protection and societal responsibility, waste and discharge management means that each of the house's various *métiers* does all it can to reduce the production of waste and discharges and to recycle or recover them.

The policies conducted by Hermès in terms preventing and combating pollution aim, based on a study of risks, to control said risks and limit their impact on the environment, whether on the soil, air or water:

- the volume of waste remains under control (+30% in three years despite an activity that has been multiplied by 1.8), and less than 15 kt per year;
- chemical oxygen demand (COD) is one of the water quality parameters measured. In 2022, 395 tonnes of COD were released. New indicators and objectives will be put in place within two years for this quality component of discharged effluents.

RISK MITIGATION

Each *métier* must define and implement measures to reduce waste and aqueous discharges and ensure their treatment in order to avoid any environmental pollution.

Waste reduction

The main types of non-hazardous waste generated by the industrial sites are WWTP (Wastewater Treatment Plant) sludge, process sludge and dredging sludge, as well as leather by-products generated during the tanning process (e.g. non-usable parts of raw hides or cuttings related to thinning).

The tanneries are constantly seeking new reuse channels for this waste and are active participants in the think tanks that are brought together at Hermès to discuss leather waste, and in the work done by the Centre technique du cuir (CTC), the French expertise centre on leather. The HCP division also studies the recovery and reuse of leather scraps being tanned with various partners.

Aqueous waste management

- Fifteen industrial sites (notably the tanneries and textile sites) carry out discharge controls in compliance with the standards in force, in conjunction with the local authorities, and integrate their own wastewater treatment plants, including filter gardens. These stations treat 455,179 m³ per year (77% of aqueous discharges), using the most suitable technologies for the substances discharged according to the limits imposed by the environmental authorities, almost exclusively in France.
- Hermès Cuirs Précieux is continuing to implement the ZDHC (Zero Discharge of Hazardous Chemicals) protocol, which aims to apply best practices in terms of the use of hazardous substances and the quality of wastewater discharges.

MONITORING



100%

of tanneries are equipped with their own water treatment plants

41%

of all waste is recovered (recycling, reuse, energy recovery)

100%

of plastic hangers recycled

PROTECTION OF BIODIVERSITY

To protect biodiversity, Hermès is taking action within its direct sphere of responsibility, its extended sphere of influence, and through commitments beyond its economic sphere of influence.

RISK ASSESSMENT

To assess its biodiversity footprint, Hermès relies on impact measurements at different levels with the help of recognised partners:

- at the scale of its production sites, through biodiversity diagnostics (16 indicators out of the five erosion factors defined by IPBES, an intergovernmental scientific and policy platform on biodiversity and ecosystem services);
- across the entire value chain, thanks to the GBS (Global Biodiversity Score) approach;
- in supply chains, through dedicated studies: the Brazilian silkworm supply chain in 2020 with the Cambridge Institute for Sustainable Leaders, then the goat leather supply chain in 2021.

Most of the footprint comes from upstream in the value chain. The main pressures on terrestrial biodiversity are related to land use by crops or livestock, and greenhouse gas emissions.

RISK MITIGATION

The materials are selected and supplied by each *métier*, in compliance with the “supply chain brief” and regulations, and respecting biodiversity. Materials or species threatened with extinction, or those whose trade is illegal, are prohibited.

Hermès has renewed its commitment to Act4Nature International. It is divided into four areas:

- train the Management Committees and site and supply chain employees in 2023, then all employees by 2025. An e-learning module on biodiversity was rolled out in 2021;
- collaborate by developing the partnership with WWF France and other field NGOs involved in the protection of biodiversity, such as ICFA (International Crocodilian Farmers Association) for crocodilians or SAOBC (South African Ostrich Business Chamber) for ostriches;
- assess and pursue the deployment of the GBS approach in the main supply chains by 2025 on high-impact production sites;
- act by rolling out action plans by 2025 for high-impact raw material sites and supply chains. Continue to invest in the Livelihoods Fund and biodiversity projects with the Fondation d’Entreprise Hermès.

The Livelihoods Carbon Funds, of which Hermès has been a partner since 2012, are taking action to restore biodiversity, for example by replanting more than 130 million trees.

A best practices guide has been formalised since 2021 to help each Leather Goods division implement projects related to the protection of the Group’s biodiversity.

The fight against deforestation, coordinated by a Group committee, works mainly on:

- cattle feed;
- the use of fully FSC-certified timber sources (Forest Stewardship Council), or other specific certification.

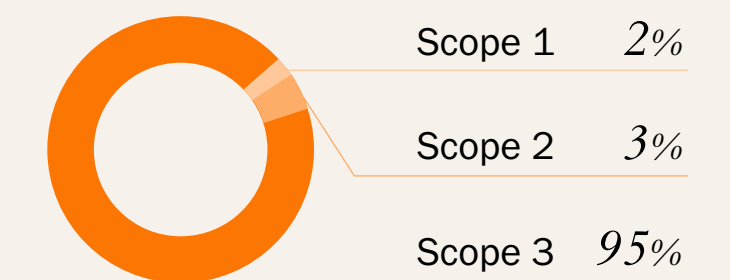
Lastly, crocodilian farms in the United States and Australia that collect eggs in the natural environment scrupulously respect the quotas in force and the processes provided for by the applicable regulations. Revenues from collection are earned locally; they actively contribute to the maintenance of the natural ecosystems in place as well as to local and indigenous communities in general (whether through employment or other social/economic schemes).



MONITORING

96%

of Hermès’ revenue is covered by the GBS analysis on upstream scopes 1, 2 and 3, i.e. the “vertically integrated scope” of CDC Biodiversité



100%

of employees will be trained by 2025

29%

of sites assessed with an action plan (target 100% of sites in France by 2025)

100%

of the paper of the orange boxes is 100% FSC

75,000

hectares preserved or restored via the Livelihoods Funds

BIODIVERSITY PROTECTION – GBS ILLUSTRATION

“Nature has been inspiring us since 1837. Protecting biodiversity is a wonderful opportunity. This wealth must be passed on to future generations. It’s a challenge we must win today”. Axel Dumas, Executive Chairman of Hermès.



Hermès’ biodiversity footprint was measured using the Global Biodiversity Score approach led by CDC Biodiversity (a subsidiary of Caisse des Dépôts) and implemented with the support of WWF France.

This analysis of the impacts of all of the house’s *métiers* on biodiversity covers 92% of Hermès’ revenue (in 2019). The single indicator, MSA.km2 or MSA (Mean Species Abundance), is a metric that assesses the integrity of ecosystems.

The analysis is carried out on the impact of the various components of economic activity on ecosystems, according to the following pressures:

- land use;
- fragmentation and encroachment;
- atmospheric nitrogen deposits;
- climate change;
- hydrological disturbance;
- wetland conversion;
- nutrient emissions;
- change in land use in the catchment area.

Results are broken down into static and dynamic impacts by scope.

Although calculations of the impact on biodiversity are still not widespread, initial comparisons suggest that Hermès’ activity has a less intensive impact on biodiversity than that identified in available inter-sector data. Its intensity compared to a base of 100 representing an average company is only 46%.

Most of the impact (95%) is in the supply chain. This corresponds to upstream purchases and 50% to the Leather Goods *métier*. Two priority action levers have been identified: animal feed and livestock farming.



Act4Nature is an initiative launched by EpE (*Entreprises pour l’Environnement*) and by numerous partners. It mobilises companies and encourages them to protect, enhance and restore biodiversity. Common commitments are set by scientific associations and institutions, as well as individual commitments specific to each partner.

The common commitment aims to integrate the theme of biodiversity in all activities: from governance and strategy to the most concrete operations. It also makes it possible to legitimise this theme with regard to the Company’s employees and stakeholders, to prompt and encourage widespread and spontaneous actions.

Each company defines its individual commitment according to its activities. It must evolve regularly, Act4Nature being a continuous improvement process.

ANIMAL WELFARE

Hermès' policy favours the search for well-being through the observation of animal behaviour and aims to achieve concrete results.

RISK ASSESSMENT

To assess this risk, update policy and standards, measure progress and ensure that resources are made available, the house set up an Animal Welfare Committee in 2019, which meets at least every six months.

The Group is exposed to this risk in its animal supply chains: leathers, precious leathers, wool and hair, feathers and down.

Hermès uses more than 35 different leathers, mainly from French or European calves. Exotic hides include crocodile, lizard and ostrich hides.

All of these supplies are directly purchased from suppliers, with the exception of some alligator and crocodile hides, since the Group has farms in Australia and the United States.

RISK MITIGATION

The Group has a very strict animal welfare policy in all the supply chains concerned. Formalised in 2021, it commits the Group to respecting the fundamental principles of animal welfare, including five fundamental freedoms defined by the **Farm Animal Welfare Council**.

The concept of “One Welfare” recognises the links between animal welfare, human welfare and the environment. In this context, various measures are rolled out:

- strict standards describing best practices, adapted to each supply chain, covering the areas of farming and slaughter practices, transportation, traceability, etc.;
- a monitoring system adapted to each supply chain, making it possible to improve practices through regular internal or external controls and audits;
- multi-stakeholder collaboration, to ensure that the results obtained on animal welfare correspond to the expectations of stakeholders (including NGOs).

Hermès thus participates in the development of global best practices in a number of supply chains:

- for its own breeding activities and for its raw material supply chains;
- with the International Crocodilian Farmers Association (ICFA), to develop, enrich and implement an international certification framework for the well-being of crocodilians and the application of sustainable livestock practices on farms;
- with the ostrich supply chain, in partnership with SAOBC: through the creation of a standard, a certification process and funding to train farmers and processors;
- with several French luxury brands, as part of a working group to define and implement a responsible calfskin supply chain, with full traceability of hides and a strict definition of animal welfare standards;
- in collaboration with animal welfare experts, for the creation of a standard for the lizard supply chain in Malaysia;
- by endorsing the most demanding certifications for textile fibres: Textile Exchange's “Responsible Animal Fibre” reference framework and its specific standards (wool, alpaca, mohair, down), the Sustainable Fibre Alliance standard for cashmere, and its developing relations with the International Cooperation Committee of Animal Welfare in China.



MONITORING

100%

of métiers comply with the Group's animal welfare policy

100%

of Hermès farms are IFCA certified

99.3%

of raw crocodilian hides purchased in 2022 were from farms certified to ICFA standards

92%

of hides sourced in Europe, from a regulated ecosystem

100%

of the ostrich supply chain has been SAOBC certified since July 2022 (including leather and feathers)

100%

of the lizard supply chain in Malaysia is LPPS certified (Lizard Procurement and Processing Standard)



HERMÈS AND ITS PARTNERS

6. DIRECT PURCHASES

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SUMMARY OF DIRECT PURCHASING RISK MAPPING

The Hermès craftsmanship model, with 78% of objects made in France, relies on a network of suppliers based mainly in Europe, where labour practices are some of the strictest.

Hermès builds balanced partnerships with its direct suppliers, according to its principles of transparency, high standards and accuracy.

The risk exposure of its direct suppliers is therefore reduced for Hermès. Nevertheless, the Group is aware that the sustainability of its activities depends on the availability of the exceptional raw materials used. Furthermore, Hermès is committed to sustainably developing its supply chains, by going beyond compliance with environmental, ethics, social and animal welfare regulations, to contribute to the future availability of these resources.

To this end, the buyers of each *métier* carry out risk mapping for each category of purchases (raw materials, manufacturing, etc.). The risks assessed are mainly those relating to human rights and fundamental freedoms, personal health and safety, social issues, the environment, biodiversity and sustainable development, ethics and the risk of corruption.

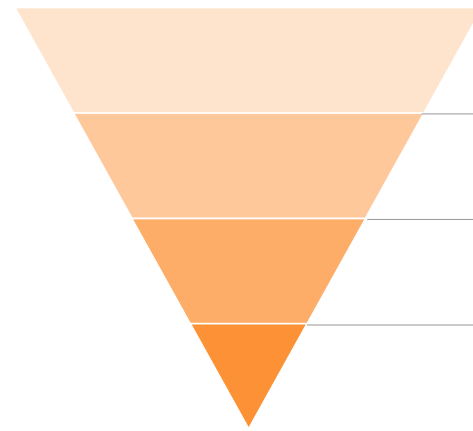
Since 2019, these mapping exercises have been supplemented by supply chain analyses by raw material. With its 16 *métiers*, the Group has around 100 direct purchasing categories and more than 80 raw materials supply chains.

At the end of 2022, 93% of the purchasing categories had been the subject of risk mapping and a risk analysis by supplier. Of the 88 supply chains identified, 80 supply chains were the subject of a comprehensive analysis, covering 99% of the Group's supplies. The analysis of these supply chains resulted in the supply chain brief, distributed to all suppliers. The latter includes targets for the traceability and certification of raw materials (see Supply chain analysis below).

RISKS	RAW MATERIAL SUPPLY CHAINS	SERVICE PROVIDERS & TRANSPORT
Human rights		
Social dialogue	●	●
Discrimination	●	●
Decent wages	●	●
Child labour	●	●
Forced labour	●	●
Negative impact on communities	●	●
Personal data	●	●
Health & safety		
Consumer safety	●	●
Health and safety at work	● See page 43	● See page 43
Psychosocial risks	●	●
Working conditions	● See page 43	● See page 43
Employee safety	●	●
Environment		
GHG emissions and climate change	● See page 44	●
Pollution and waste	●	●
Depletion of natural resources	●	●
Biodiversity damage	●	●
Animal welfare	● See page 40	●

Net criticality ● Very high ● High ● Medium ● Low and very low ● Not significant

SUPPLIER EVALUATION AND AUDITS



- 1 Supplier risk assessment
- 2 Audit by the buyer
- 3 Audit by a recognised third-party expert
- 4 Supplier Audit Committee

1. SUPPLIER RISK ASSESSMENT

Each *métier*'s buyer carries out risk assessments, by supplier, in several areas:

- corruption;
- human rights and fundamental freedoms;
- health & safety;
- working conditions;
- environment;
- social;
- financial health and economic dependence;
- control of the supply chain;
- performance and continuity;
- confidentiality and security;
- Hermès dependency.

2. AUDIT BY THE BUYER

If a risk is suspected, the buyer carries out an audit to confirm or refute it, using a “supplier knowledge questionnaire” that details the various themes present in the supplier risk analysis grid. The “supplier knowledge questionnaire” covers topics such as ethics, human rights, health and safety, and the environment.

3. AUDIT BY A RECOGNISED THIRD-PARTY EXPERT

If the risk is related to the environment, working conditions, the health and safety of people, social issues or human rights and fundamental freedoms, an external body recognised for its expertise, is asked to conduct an audit.

These audits last at least two days 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 the regulations that concern them is also monitored, as well as the working conditions and well-being of employees. The results of these audits and action plans are taken into account during any continuation of relationships.

Due to its craftsmanship culture, its in-depth knowledge of purchasing channels and mechanisms, and its external EHS expertise, Hermès provides veritable spaces for discussion to build targeted plans with its partners.

4. SUPPLIER AUDIT COMMITTEE

Since early 2019, a Supplier Audit Committee is tasked with analysing the audit reports and defining the priority actions to be established with the audited suppliers.

This committee meets for two half-days per month. It is composed of the Group purchasing department, the audit and risk management department, as well as relevant buyers at the *métiers*. It reviews the conclusions of new audits and follows up on past audits.

Audit follow-up visits are planned three months, six months or one year after the audit, depending on the type and severity of the findings. Once all the findings have been cleared by the supplier, a closing visit is carried out by the purchaser concerned and by a representative of the Group direct purchasing department to confirm the successful completion of all corrective actions and ensure their sustainability.

MONITORING

79

audits of Tier 1 suppliers in 2022 compared to 65 in 2021

78

audits of Tier 2 suppliers in 2022 compared to 41 in 2021

7,000

audit hours by a third party in 2022

9,000

audit and internal monitoring hours in 2022

1,793

improvement findings, of which 0.7% considered critical

OTHER KEY RISK MITIGATION MEASURES

In addition to audits and improvement plans, in order to provide long-term support to all its partners and maintain balanced relationships, Hermès ensures that they all share and respect its social, environmental and ethics ambitions.

NETWORK MANAGEMENT AND TRAINING

In support of the CSR (corporate social responsibility) axis of its purchasing policy, the Group has drawn up a CSR brief since 2021, which sets out its expectations with regard to suppliers on seven themes:

- human and social rights;
- biodiversity;
- energy and carbon;
- water;
- traceability;
- circularity;
- innovation in materials and processes, plastics.

In parallel with the CSR brief, the Group direct purchasing department prepared the supply chain brief, described on page 45. The CSR brief and the supply chain brief were rolled out among all suppliers by the Group's buyers. During distribution campaigns, buyers present the issues and advise suppliers on the implementation of the measures provided for in the CSR brief and the supply chain brief.

The Group direct purchasing department also organises an annual direct purchasing day, which brings together all buyers, internal controllers and representatives of the legal department.

The purchasing community is guided by two bodies:

- on the one hand, the purchasing networks and channels, led by the Group's direct purchasing department, enable collaborative sharing on common issues: news on suppliers, issues related to purchasing volumes, quality, *savoir-faire*, CSR, traceability, material certification, carbon footprint and monitoring of the roll-out of the supply chain brief, the CSR brief, the CSR questionnaire and the supplier audit plan;
- on the other hand, the Direct Purchasing Coordination Committee manages strategic issues and, notably, discusses the Group's purchasing policy, internal procedures and the analysis of the purchasing risk mapping of the various *métiers*.

Since 2018, a catalogue of training courses adapted to buyers has been developed and is regularly updated. This catalogue is composed of dedicated generalist sessions, with detailed or more technical CSR components.

At the same time, EHS (environment, health and safety) training has been rolled out since 2020 (12 training sessions per year). In 2023, the Group direct purchasing department will roll out training for buyers on social issues and human rights. The *Bilan Carbone* (Carbon Assessment) training course was rolled out in 2022.

QUESTIONNAIRE AND SUPPLIER COMMITMENT

Hermès systematically seeks a formal commitment from its suppliers to comply with their social, regulatory and environmental obligations. This commitment is formalised by the signature of **Handbook 2** presenting the "Social, environmental and ethics policy" of the Hermès Group. This handbook includes commitments in terms of human rights, working conditions, manufacturing conditions, environmental protection and ethics.

With this signature, suppliers formally undertake to exercise their own duty of care towards their suppliers and subcontractors, which they are also required to declare to Hermès. No production may be subcontracted without Hermès' written agreement.

The percentage of active suppliers having signed Handbook 2 in the scope of direct purchases increased further: it reached 92% at the end of 2022, compared to 89% in 2021.

To strengthen supplier commitment, a "CSR self-assessment questionnaire" was submitted to them in 2022. With more than 100 questions relating to CSR, it allows buyers to ask their suppliers for any useful information relating to their CSR commitments: social policy, commitments in favour of the environment and biodiversity, ethics charter, waste management, commitments to reduce the water footprint, carbon footprint and greenhouse gas emissions, etc.

SUPPLY CHAIN ANALYSIS

For decades, the house has continued to learn more about its supply chains, to share and develop its requirements with its suppliers (often long-standing partners) and to achieve the highest quality and thus prepare for future growth.

Hermès has long had a process for monitoring its raw materials supply chains. Since 2019, the direct purchasing department has accelerated the process with the following ambitions:

- commit to in-depth knowledge and management of all the house's raw materials supply chains;
- address risk management commitments, in particular with regard to issues related to the duty of care;
- capture value creation opportunities for the house, for local authorities and for the environment;
- developing more virtuous sectors to ensure that 100% of the raw materials used to manufacture products come from sustainable and responsible supply chains.

With the support of an independent expert firm, Hermès systematically analyses its supply chains to map them, qualify traceability, assess inherent and specific risks, identify opportunities and define insurance and certification procedures. This analysis makes it possible to set up ambitious action plans managed by the *métiers*.

Out of 88 supply chains identified, 80 were analysed in detail as at the end of 2022, covering 99% of the Group's purchases (in purchase value). This represents almost the entire scope. The mapping of the Group's supply chains is considered complete. It will be enhanced according to the needs of the *métiers* and creative intentions.



These analyses of the supply chains gave rise to a supply chain brief, drawn up by the Group's direct purchasing department in collaboration with the *métiers*. The first version published on the **Hermès Finance institutional website** (see QR code opposite) at the end of 2020 included around 10 supply chains. Successive updates have been carried out since 2020. Thus, 62 supply chains have now been documented.

The supply chain brief is intended for all suppliers involved in the supply of raw materials required by Hermès. It allows Hermès to share with them its ethics and sustainable requirements and those relating to the protection of people, animals and the environment. The supply chain brief can be consulted in the Finance Hermès Group's institutional website.

PROCESS TO ANALYSE AND DEVELOP AN ACTION PLAN BY SUPPLY CHAIN

SUPPLY CHAIN TOOLBOXES

- Supply chain **mapping**
- Identification of **risks and opportunities** and definition of **action plans**

ACTION PLAN

SUPPLY CHAIN BRIEF

- Summary of **purchasing requirements** of each supply chain
- Definition of short-term targets and **trajectory through to 2024 and beyond**

 **CSR brief**

SUPPLY CHAIN SUPPORT

In 2021, supply chain governance was put in place, with the creation of a Supply Chain Committee, which meets twice a year. This body provides an overview of the management of the supply chains. It contributes to the progress of action plans and provides arbitration on certain points.

To support this Supply Chain Committee, purchasing and supply chain networks have been set up and are managed by the direct purchasing department, in order to share with the corresponding *métiers*' buyers the issues common to these supply chains, notably in terms of CSR, traceability and certification.

In 2022, this governance was enhanced by a network dedicated to metals & stones, as well as a network dedicated to contract work, which also makes it possible to address this dimension of the supply chain.

In 2023, other focus areas will be rolled out with regard to wood, plant-based materials, mineral supply chains (ceramics, enamel, crystal, etc.) and perfumes & cosmetics ingredients.

This entire system optimises the monitoring of the Group's supply chains.



MANAGEMENT OF SUPPLY CHAINS

In line with the supply chain analysis system and the associated governance, the Group direct purchasing department updated a procedure for managing supply chains and consolidating monitoring indicators in September 2022. This involves defining a management method adapted to the priority and risk levels, and assessing convergence towards a responsible model for each supply chain, using harmonised indicators.

A multi-criteria analysis, including the assessment of the CSR risks related to the duty of care, made it possible to establish the following categories and their monitoring methods:

PRIORITY SUPPLY CHAINS



Quarterly monitoring,
at each supply chain body (textiles, leather network, etc.)

STRATEGIC SUPPLY CHAINS



Annual monitoring,
for example in preparation for a supply chain
committee or a supply chain network

NON-PRIORITY SUPPLY CHAINS



Minimum monitoring **every three years**,
and when updating the toolbox

Among the priority supply chains, the main requirements of the brief are:

- **for leathers:** Leather Working Group certification for all Tier 1 players, and specific upstream requirements (farming, breeding);
- **for metals:** supply from recycled sources in line with the control chain of the Responsible Jewellery Council (RJC COC) for precious metals. Specific certifications for other substrates;
- **for animal textile fibres:** Textile Exchange certification (Responsible Wool Standard, Responsible Mohair Standard) and its general framework (Responsible Animal Fibres); for cashmere: SFA and/or SFA-ICCAW certification; for silk: GOTS certification;
- **for plant-based fibres:** level of due diligence by country. Organic certification of the Global Organic Textile Standard (GOTS) for cotton;
- **for all animal supply chains:** compliance with the requirements of the Group's animal welfare policy.

SUPPLY CHAIN BRIEF AND CERTIFICATION COMMITMENT

ANIMAL SUPPLY CHAINS *covered by the Group's animal welfare policy*

Leather

LWG certification

Precious leathers

IFCA certification for crocodile farms
SAOBC certification for ostrich farms
LPPS certification for lizard farms

Cashmere, wool and hair

SFA and/or SFA-ICCAW certification for cashmere
On an optional basis, GOTS certification
For wools, RWS/RAS/RMS certification and the RAF Textile Exchange general framework

Feathers and down

RDS certification

Mother-of-pearl and pearls

ASC certifications for aquaculture farms and MSC for fishing

Silk

GOTS certification for mulberry cultivation and breeding farms

PLANT-BASED SUPPLY CHAINS

Cotton

Level of due diligence by country and GOTS certification
Regenerative agriculture approach – ROC standard

Linen

Master of Linen

Cellulose fibres

FSC certified fibre sources + Canopy certification

Wood

FSC or, alternatively, PEFC certification

Wicker and straw

Organic and/or Naturland or fair trade certifications

SYNTHETIC SUPPLY CHAINS

Fibres

Use of GRS-certified recycled sources for elastane, polyamide/nylon and polyester
Cradle to Cradle certification on a wider range of materials (fibres, wood, plastics, etc.)

Rubber

FSC-certified sources and PFOA Free processes

MINERAL SECTORS & METAL SUPPLY CHAINS

Stones

RJC + COP and/or IRMA certification

Gold and silver

RJC + COC certification and use of recycled materials

Steel, aluminium and brass

IRMA/ICMM/ARM or ASI certification and use of recycled materials



HERMÈS AND ITS PARTNERS

7. INDIRECT PURCHASES

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- 53 ILLUSTRATION OF CERTAIN PURCHASING CATEGORIES

SUMMARY OF INDIRECT PURCHASING RISK MAPPING

The Hermès Group Services division coordinates a network of dedicated buyers in the support functions in each country and métier managers for categories such as real estate, general services, communications, IT and intellectual services.

The indirect purchasing department oversees the purchase of packaging and fixtures worldwide. This department coordinates energy, telephony, training, temporary work, translation, transport and logistics contracts in France. Depending on the countries in which the Group operates, the risks vary.

The subjects closely monitored by the Group in the scope of indirect purchases are notably:

- working conditions: hours, accommodation conditions, etc.;
- safety at work: wearing of PPE, safety on construction sites, etc.;
- workers' compensation;
- trade union rights and disciplinary practices;
- risks of discrimination;
- forced labour and modern slavery;
- child labour;
- environmental protection.

RISKS	SUPPLIERS, MANUFACTURERS AND SUBCONTRACTORS	SERVICE PROVIDERS & TRANSPORT
Human rights		
Social dialogue	●	●
Discrimination	●	●
Decent wages	●	●
Child labour	●	●
Forced labour	●	●
Negative impact on communities	●	●
Personal data	●	●
Health & safety		
Consumer safety	●	●
Health and safety at work	● See page 53	●
Psychosocial risks	●	●
Working conditions	● See page 53	●
Employee safety	●	● See page 53
Environment		
GHG emissions and climate change	●	● See page 53
Pollution and waste	●	●
Depletion of natural resources	●	●
Biodiversity damage	●	●
Animal welfare	●	●

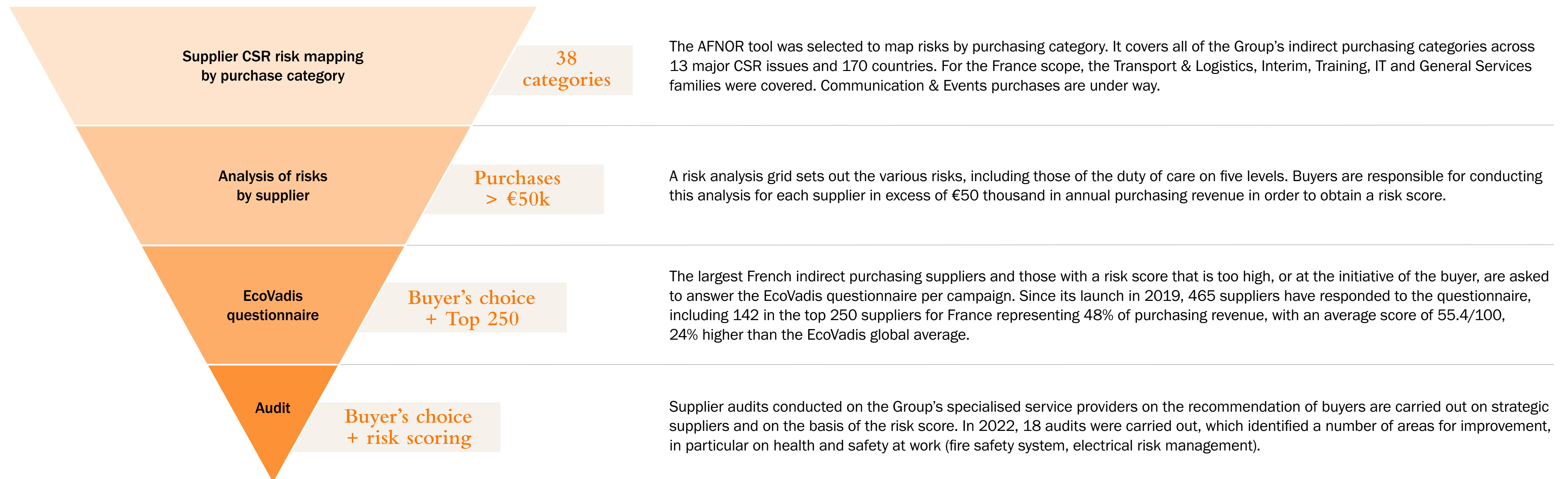
Net criticality ● Very high ● High ● Medium ● Low and very low ● Not significant

RISK ASSESSMENT

Indirect purchases use the Group approach to supplier risk management, in accordance with the requirements of the French law on the duty of care.

They carry out:

- risk mapping;
- regular assessment procedures for suppliers and subcontractors;
- risk mitigation actions;
- monitoring to measure their effectiveness.



RISK MITIGATION MEASURES

Indirect purchases use different levers to mitigate the risks in each category of purchases. The action plans are defined, adapted and monitored locally by the buyers within the métiers or subsidiaries, on the basis of the assessments carried out in order to guarantee better efficiency.

COORDINATION OF THE BUYER NETWORK AND TRAINING

The indirect purchasing division coordinates the network of buyers with:

- in France, a dedicated governance structure made up of committees by purchasing category from the various entities. Training sessions on CSR, EHS and compliance issues and requirements;
- internationally, the dissemination of purchasing policies, best practices and requirements among the finance departments in charge of these expenditure items, and management controllers;
- an annual indirect purchasing day, which brings together all buyers, internal controllers and representatives of the legal department.

In 2022, a quarterly newsletter was sent to all buyers. Punctuated by working meetings, it promotes discussion on cross-functional topics, such as the management of supplier price increase requests.

SUPPLIER COMMITMENTS

Hermès systematically requests a formal commitment from its suppliers to comply with their social, regulatory and environmental obligations through the signature of Handbook 2. This is a prerequisite for participation in a call for tenders and listing.



Handbook 2 is public and available online:
[Handbook 2 on supplier commitments presenting Hermès Group's SOCIAL, ENVIRONMENTAL AND ETHICS POLICIES](#)

Handbook 2 includes items relating to international standards and agreements, rules of labour-related, environmental and ethical conduct, as well as personal data. By signing it, suppliers and service providers formally undertake to exercise their own duty of care towards their suppliers and subcontractors, which they are also required to declare to Hermès.

SUPPLIER COORDINATION

Purchasers of the indirect purchasing department as well as the *métier* purchasers and managers of the support functions in each country are responsible for monitoring the practices and services of their suppliers with whom they are in direct contact.

When a case of non-compliance is identified, it is discussed with the partner to enable them to understand why it is of major importance for Hermès. Possible solutions for improvement are then examined as well as the implementation of an action plan, with a view to long-term relationships.

If this approach cannot be implemented, the subject is discussed by the Management Committee of the support function or the subsidiary concerned, and in certain cases by the Sustainable Development Committee, and relations are likely to be interrupted in accordance with the applicable rules.

ILLUSTRATION OF CERTAIN PURCHASING CATEGORIES



REAL ESTATE

The Group real estate department is responsible for all of the Group's renovation and construction projects, including exclusive stores. It works on 30 to 40 projects per year.

Since 2021, it has defined and rolled out a Responsible Real Estate framework that is significantly more demanding than those already in place (LEED, BREAM, HQE). This framework has been validated by Bureau Veritas and meets the Group's environmental commitments:

- delivery of responsible buildings;
- reduction of the carbon footprint;
- protection of biodiversity;
- development of local sourcing;
- environmental protection across the entire project value chain.

In practice, the Group relies on local project architects and interior fittings suppliers, who are selected partners, signatories of Handbook 2 and subject to audit campaigns.

While in France and in many countries where the Group is present, the risk is limited and controlled; certain points of vigilance concerning the suppliers called upon to collaborate in the construction and renovation of our exclusive stores, however, are particularly monitored by the architects and retail project managers. These involve hours, working conditions, pay, forced labour, site safety, the storage of hazardous materials and waste management.



LOGISTICS

The Group's logistics flows are concentrated between the production workshops and the stores, including a few warehouses, the main one of which is located in Bobigny.

The main risks relate to the human rights of employees of logistics providers, as well as their health and safety. Although most Hermès objects are delivered to stores using air transportation for reasons of security and time, it appears that, for the vast majority of products studied, this freight only represents a small part of the carbon impact, less than 5%.

The Group is working to reduce the impact of air transport by favouring less polluting modes of transport and by developing local supplies.

- In order to limit GHG emissions, calls for tenders for goods transport systematically include a criterion linked to the improvement of the carbon footprint: the use of NGV (natural gas for vehicles) and bio-NGV for road transport, SAF (sustainable aviation fuel) for air transport, and SMF (sustainable maritime fuel) for maritime transport, are increasingly requested from the selected service providers.
- Concerning the transport and logistics service providers involved in the management of Hermès products, the requirements related to the safety of people are identical to those put in place at Hermès. Special attention is paid to transport flows, and the companies selected must comply with technical security requirements and contractual commitments.



EVENTS

The Group's communication department is in charge of organising the brand's events around the world. The teams are in charge of the creation of events; they mobilise production companies and agencies to ensure their implementation.

For most events, and particularly for fashion shows, Hermès International's teams select and direct the artistic agencies (models and other artists) and work with producers to manage HSE risks. Risks are controlled, notably those relating to the distribution of workloads, safety instructions, the rights of models and respect for the environment.

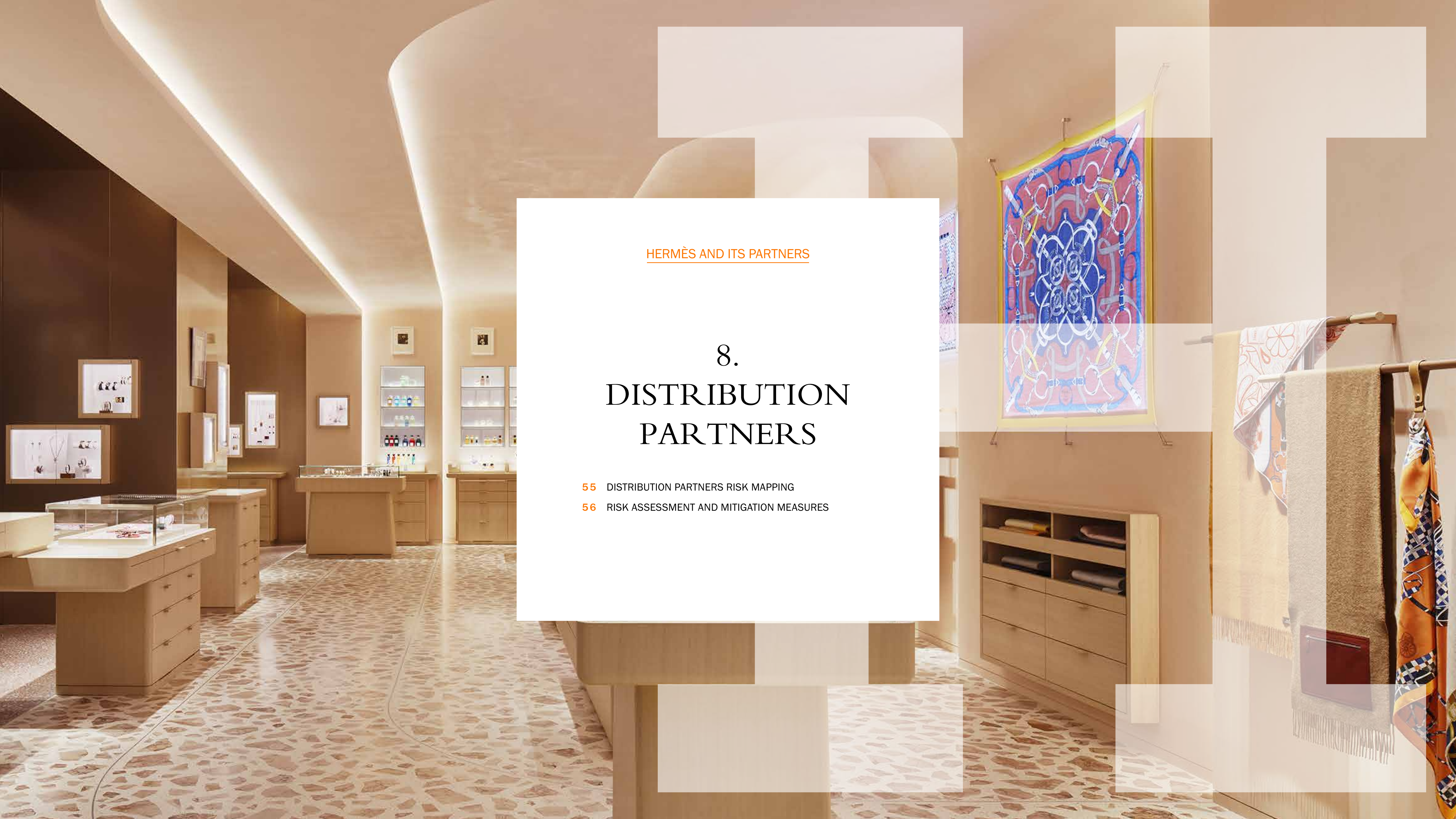
To this end, the Group is involved in the FHCM (Fédération de la haute couture et de la mode) in work to examine and analyse the ecological footprint of the fashion shows.

In addition to Handbook 2, which is systematically signed by the Group's service providers, work is undertaken to specify the performance and control requirements to be applied to subcontractors.

HERMÈS AND ITS PARTNERS

8. DISTRIBUTION PARTNERS

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DISTRIBUTION PARTNERS RISK MAPPING

Hermès also works with concessionaire partners around the world. This represents a total of 78 stores in 30 countries.

Hermès' relationships with its concessionaires are long-standing relationships based on trust acquired over many years.

The small number of recent partners concern Travel Retail stores. These are major structures, leaders in their market, whose requirements in terms of respect for human rights and fundamental freedoms, health and safety and environmental protection are in line with those of the Group.

The Group has carried out risk mapping and assessed its exposure. The nature of the activity and the presence of concessionaires in certain countries may present particular risks in terms of:

- trade union law and local disciplinary practices;
- discriminatory practices related to the culture of the country;
- stress or harassment in high-activity stores;
- employee working conditions in terms of hours and rest.

RISKS	CONCESSIONAIRES
Human rights	
Social dialogue	●
Discrimination	●
Decent wages	●
Child labour	●
Forced labour	●
Negative impact on communities	●
Personal data	●
Health & safety	
Consumer safety	●
Health and safety at work	●
Psychosocial risks	●
Working conditions	●
Employee safety	●
Environment	
GHG emissions and climate change	●
Pollution and waste	●
Depletion of natural resources	●
Biodiversity damage	●
Animal welfare	●

Net criticality ● Very high ● High ● Medium ● Low and very low ● Not significant

RISK ASSESSMENT AND MITIGATION MEASURES

The legal and commercial departments use different levers to assess and mitigate risks in the Group's concessionaire network. The action plans are defined, adapted and monitored locally by the local area directors and legal directors.

VALIDATION PROCEDURE

The concessionaires are chosen because of the values shared with Maison Hermès.

A procedure was put in place for the validation of concessionaires:

- 1 **Validation of the real estate department when the concessionaire is set up.**
The site must meet Hermès' criteria in terms of the environment (not to harm biodiversity, not to pollute during construction, etc.), but also in terms of human rights and fundamental freedoms (e.g. compliance with social regulations).
- 2 **The regional or country management must then validate the establishment.**
- 3 **The Group Director of Sales must finally give their approval.**

CONCESSIONAIRE COMMITMENT

Each concessionaire must sign the business ethics charter, which sets out the Hermès Group's ethics, social and environmental commitments. Common to all countries, the business ethics charter presents the commitments of retailer partners in terms of respect for human rights, and the rules applicable to working conditions, environmental protection and personal data protection.

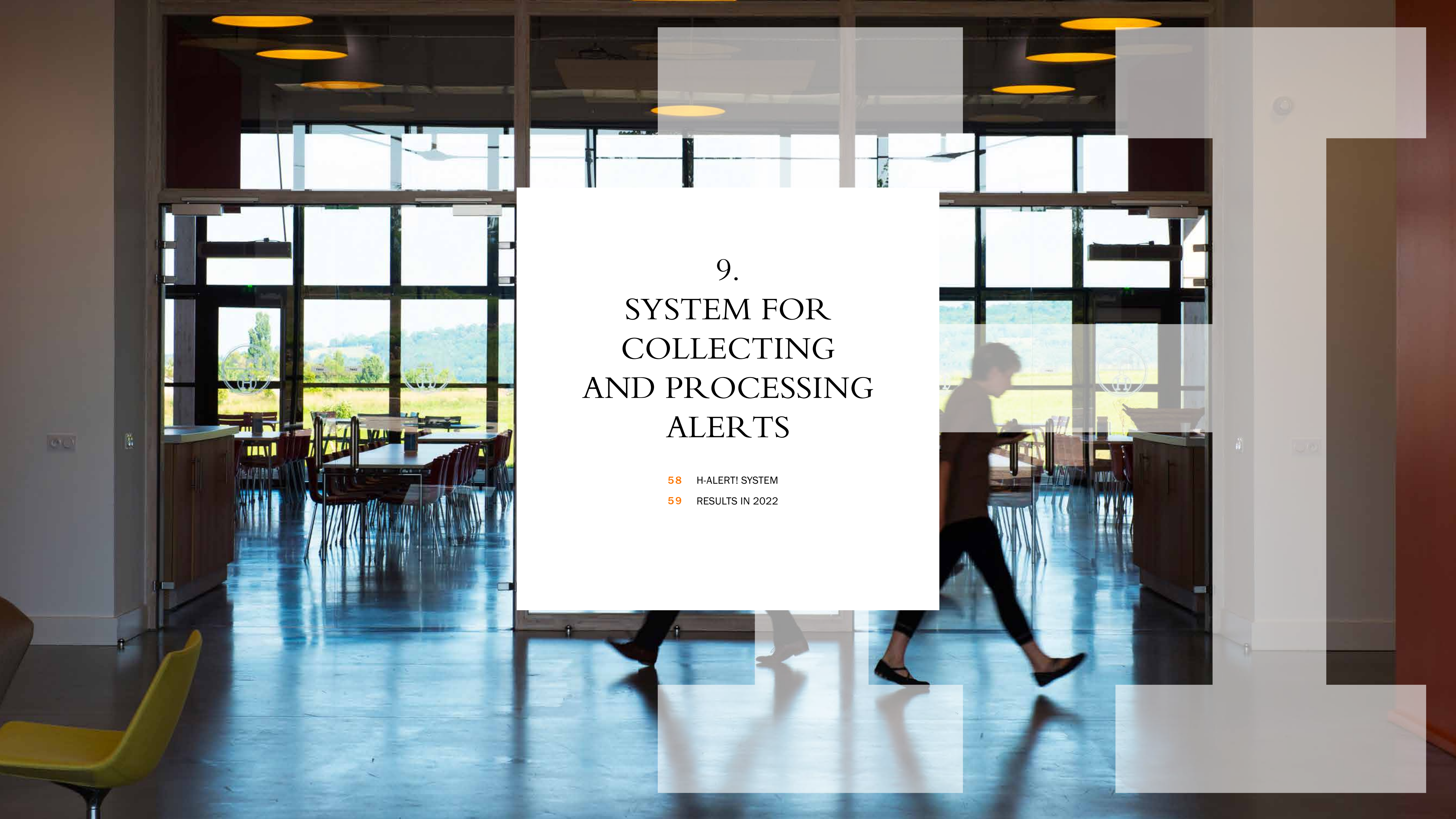
In addition, in the contracts that Hermès has its partners sign, the Group imposes a certain number of provisions on social issues, including a minimum number of employees to ensure that good working conditions are maintained.

CONCESSIONAIRE MONITORING

Retail directors and area directors carry out on-site visits, sometimes with the presence of local legal directors. The Hermès Group conducts occasional audits on the topics covered by the duty of care and on the contractual obligations of retail partners.

Weekly reviews make it possible to initiate actions as soon as an at-risk situation is detected (e.g. change of service provider). The local teams trained by the central teams remain in very regular contact.

The store projects department works on behalf of concessionaires during renovations or construction. The retail project manager visits the site once or twice a month for regular physical monitoring.



9. SYSTEM FOR COLLECTING AND PROCESSING ALERTS

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59 RESULTS IN 2022

H-ALERT! SYSTEM

Since 2019, the Group has set up its global alert system, H-Alert!

Intended for all internal and external stakeholders of the Group, H-Alert! allows to report the existence of risks to, or violations of, human rights and fundamental freedoms, the health and safety of people or the environment resulting from the activities of the Group, its subcontractors or its suppliers.

The Group’s Ethics Committee is responsible for overseeing the H-Alert! system and notably:

- receiving alerts (through various reporting channels);
- orienting and monitoring the processing of these alerts.

RECEIVING ALERTS

In addition to the traditional channels, internal or external persons wishing to make an alert can use the internet platform set up by the Group and operated by an external service provider. This platform, accessible 24/7, is available in 21 languages. It was communicated to all Group entities and to our external partners.

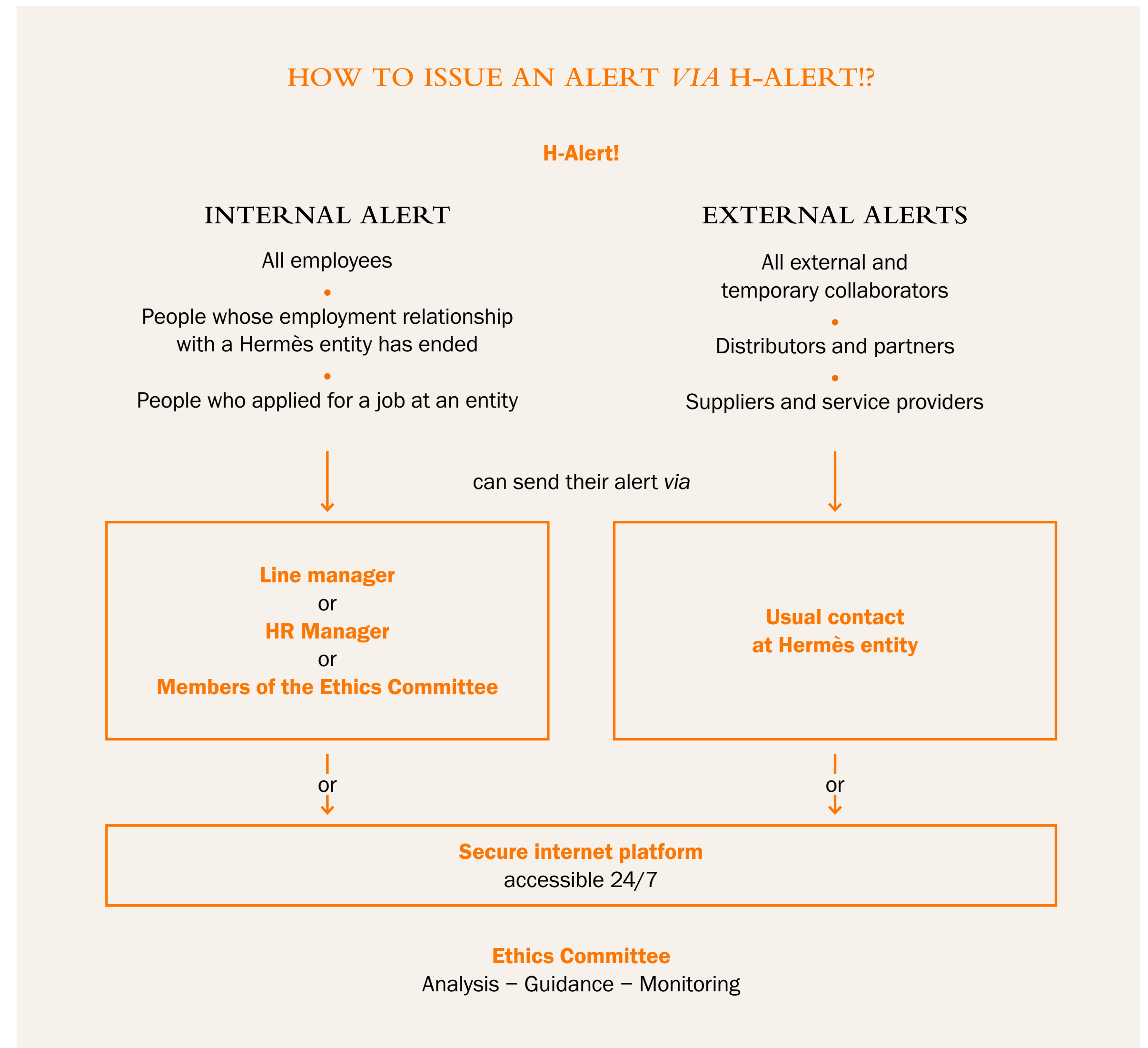
PROCESSING ALERTS

All alerts are acknowledged within 7 days. The admissibility of alerts is processed within one month of receipt. Disciplinary sanctions may be decided at the end of an investigation and implemented against employees who have violated the Group’s ethics rules, which may include dismissal.

PROTECTION OF WHISTLEBLOWERS

A person who issues an alert and acts in good faith benefits from a protection that may vary depending on the applicable laws.

Under French protection, the whistleblower may not be dismissed, sanctioned or discriminated against in any way for having reported facts in accordance with the procedure. More generally, no retaliation may be taken against them.



RESULTS IN 2022

The author of an alert and its facilitators may not be subject to retaliation. The Hermès Group guarantees the confidentiality of information and the processing of alerts. It is also possible to issue an alert anonymously. This whistleblowing system was audited at the end of 2021, confirming its effectiveness, availability and robustness.

In 2022

69

alerts were received through the whistleblowing system in 2022.

100%

of the alerts received were considered admissible.

All alerts were processed and monitored.

End 2022

16

alerts were still being processed, with the other alerts having been processed and now closed.


BREAKDOWN OF ALERTS RECEIVED BY CATEGORY



In 2022, the H-Alert! global whistleblowing system was amended to:

- strengthen the protection of whistleblowers;
- allow access to the H-Alert! whistleblowing system platform to the Hermès Group’s suppliers, service providers, distributors, intermediaries and co-contractors, as well as any other organisation or individual liable to identify breaches and alert the Group.

In 2023, the Hermès Group will continue to strengthen the communication and training of internal teams on the whistleblowing system, and notably on recent changes.



10.
OUTLOOK

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OUTLOOK

In 2023, Hermès will continue to strengthen the vigilance programme by carrying out the following actions:



THE OVERHAUL OF OUR ETHICS CHARTER

intended for all our employees and stakeholders



THE ROLL-OUT OF HUMAN RIGHTS TRAINING

for buyers



AWARENESS-RAISING AND SUPPORT

for our suppliers and partners on carbon and energy issues



COMMUNICATION AND TRAINING

on changes to the H-Alert! whistleblowing system



REGULATORY MONITORING

of regulatory matters at the European and international level

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for their advice and contributions

all service providers

for their contribution

This document is a free translation into English of the Vigilance Plan of the Company issued in French that is available on the website of the issuer. It has no other value than an informative one. Should there be any difference between the French and the English version, only the French language version shall be deemed authentic and considered as expressing the exact information published by Hermès.

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