

2023 Universal Registration Document

CSR Extract

Non-Financial Performance Statement (NFPS)



2.8 ETHICS – COMPLIANCE

Introduction

Driven by its humanist values, the Hermès Group's ethics and compliance policy aligns with the universal framework set down by the major principles, standards and international agreements, in particular those covering the subject of human rights. The Group has several requirements in terms of ethics: zero tolerance for breaches of probity, a determined commitment to a culture of ethics, an anti-corruption policy and, lastly, a structured approach to protecting personal data.

Specific governance, carried out at the highest level of the organisation, guarantees the commitments, policies, control and alert systems that form the foundation of the approach.

The Hermès Group maintains relationships with its employees and partners based on trust, open communication and a control strategy adapted to the issues. To ensure that each employee adheres to the rules of good conduct adopted by Hermès, numerous training sessions help them to understand the importance and the issues of the Group's ethics approach in the performance of their activities. Partners are informed of the Group's expectations and the existence of information reporting channels and the procedures for using these.

In 2023, the Group strengthened its compliance programmes, in particular by:

- ◆ the update and extension of the H-Alert! whistleblowing system to all Hermès Group stakeholders. This change is accompanied by direct access to the digital platform of the H-Alert! whistleblowing system on the Group's institutional website;
- ◆ the continuation of training, in particular with the "Ethics, integrity and anti-corruption" module. In 2023, 2,818 employees were trained, thus totalling more than 14,000 people trained since the module's launch in 2017;
- ◆ the publication of the updated and detailed vigilance plan as a stand-alone document.

ETHICS – COMPLIANCE			
OBJECTIVE	INDICATORS	2023 RESULTS	CHANGE 2022/2023
PROMOTING THE MAIN ETHICS STANDARDS AND THE APPLICATION OF HUMAN RIGHTS AND ANTI-CORRUPTION REGULATIONS			
Ensure employees adhere to ethics and compliance principles	100% of employees informed	100% of employees receive codes of business conduct, ethics charter and anti-corruption code of conduct	=
Strengthening the Group's duty of care	Publication of a stand-alone vigilance plan	Publication of the Group's 2023 vigilance plan, which won an award from the French Sustainable Investment Forum (see § 2.1.1)	↗

2.8.1 PROMOTING ETHICS

POLICY

The Group's policy is to maintain, wherever it operates, healthy and lasting relationships with its employees, customers, suppliers, partners and communities. This approach is organised with a specific governance, demonstrated at the highest level of the organisation, a policy, efforts to promote and raise awareness of ethics and integrity issues, and using tools that formalise its commitments.

The promotion of ethical values is supported through actions to raise awareness and provide training in the Group's policies. The Group has also put in place prevention and detection systems to prevent any infringement of its principles.

2.8.1.1 GOVERNANCE

2.8.1.1.1 Ethics Committee

The Hermès Executive Committee oversees all ethical issues, particularly those relating to human rights. It is supported by an Ethics Committee set up in 2018 and chaired by the Executive Vice-President of Governance and Organisational Development, a member of the Executive Committee, and composed of the Director of Human Resources, who is also a member of the Executive Committee, the Group Director of Social Development, Group General Counsel and the Chief Compliance Officer.

The Ethics Committee oversees ethics actions with three main duties:

- ♦ advise on the Group's ethics culture and make recommendations;
- ♦ receive alerts (through various reporting channels);
- ♦ direct and monitor the treatment of these alerts.

The Ethics Committee met formally four (4) times in 2023 and its members interact with each other as often as necessary.

2.8.1.1.2 Legal compliance department

The main task of the legal compliance department is to design, develop, implement and lead the Group's compliance programmes and ethics policies worldwide. It identifies, evaluates and controls the compliance risks to which the Hermès Group is exposed, verifies compliance with the various laws and regulations, and ensures, in close cooperation with the Group's various departments, the coordination, implementation and updating of compliance programmes. The Chief Compliance Officer reports to the Group General Counsel, who reports to the Executive Vice-President Corporate Development and Social Affairs, member of the Executive Committee. The latter reports to the Group's Executive Chairman.

The independence of the Chief Compliance Officer is ensured by direct and regular reporting to the Executive Vice-President Corporate Development and Social Affairs, at frequent meetings and to the Ethics Committee.

The Chief Compliance Officer chairs and oversees the Compliance and Vigilance Committee.

At least once a year, the Chief Compliance Officer reports on his

duties to the Audit and Risk Committee of the Hermès International Supervisory Board.

The legal compliance department relies on the in-house counsels in the Hermès International legal department in Paris, on subsidiaries' legal departments (in Lyon, New York, Shanghai, Singapore, Seoul and Tokyo) and on the Group's network of internal control officers, to deploy compliance programmes and ethics policies within the Group.

These employees take part in the implementation and management of compliance programmes, including the corruption prevention and combatting plan, as well as the deployment of ethics policies in all of the Group's métiers and entities. They verify in particular that the policies and procedures put in place are applied by the operational staff in all the métiers and entities.

2.8.1.1.3 Compliance and Vigilance Committee

The Compliance and Vigilance Committee meets regularly and is composed of the following functions:

- ♦ Chief Compliance Officer;
- ♦ Head of Legal Compliance;
- ♦ Group General Counsel;
- ♦ Director of Audit and Risk Management;
- ♦ Director of Internal Audit;
- ♦ Head of Risks and Foresight;
- ♦ Director of Sustainable Development;
- ♦ Director of Consolidation, Taxation and Management Control;
- ♦ Group Director of Social Development;
- ♦ Group Direct Purchasing Manager;
- ♦ Group Indirect Purchasing Manager;
- ♦ Group Director of Retail Activities;
- ♦ Director of Retail Activity Compliance.

Its duties specifically include:

- ♦ define compliance guidelines, particularly in terms of human rights;
- ♦ advice and recommendations on prevention and monitoring actions, notably in terms of duty of care and the fight against corruption for all Group entities;
- ♦ monitor the development of compliance programmes: ethics and anti-corruption, vigilance plan, anti-money laundering, economic sanctions;
- ♦ the management of the deployment of awareness-raising and training campaigns for employees most at risk;
- ♦ monitor and update the entire vigilance plan.

The actions of the Compliance and Vigilance Committee contribute to:

- ♦ the provision of expertise;
- ♦ the dissemination of a culture of compliance by relaying the programmes to the entities' Governing bodies and employees;

- ◆ ensuring programme coordination and consistency;
- ◆ develop the Group's policies in this area;
- ◆ supporting and monitoring compliance programmes.

For example, in 2023, the Compliance and Vigilance Committee monitored the updating of the risk mapping and the associated vigilance plan, particularly in terms of human rights, as well as the subject of international economic sanctions.

2.8.1.1.4 A global network of compliance liaison officers

Legal teams located in France (Paris and Lyon) and the United States, China, Japan, Singapore and South Korea are part of the network of compliance ambassadors and act as compliance relays. The latter act with the Group legal compliance department and with the Group Data Protection Officer in order to develop, facilitate, coordinate and monitor compliance programmes and ethics policies within the Group. The legal teams benefit from a compliance review framework enabling them to apply the corresponding programmes.

The international legal departments monitor compliance issues with the local teams. By way of illustration, a regional Compliance Committee was created in 2020 and meets quarterly to deal with all compliance, ethics and personal data issues in the South East Asia region. This committee brings together the legal, human resources, internal control and management functions of the entities concerned.

The internal control officers and auditors are also compliance ambassadors and monitor the application of compliance programmes (see chapter 4 "Risk factors and management AFR", § 4.3). The Group's internal control officers have access to a compliance review framework and second-level control plan developed in collaboration with the legal compliance department and the audit and risk management department.

In addition, in the Supplier Code of Conduct (rolled out in 2024), it is specified that when the national legislation of the supplier's country and the Code deal with the same subject, the most stringent norms or standards apply, in compliance with local public order provisions. This provision stems from the OECD principles and makes it possible to protect all people involved in our entire value chain (see § 2.7).

2.8.1.2 FRAMEWORK AND TOOLS

2.8.1.2.1 Promotion of and compliance with fundamental conventions on human rights and fundamental freedoms

Hermès is involved in promoting respect for human rights and fundamental freedoms and, as such, undertakes to comply with the principles, standards and international agreements listed in the table below:

Major international ethics principles	Internal framework	Examples of implementation
The Universal Declaration of Human Rights The Charter of fundamental rights of the European Union The International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and the ILO Fundamental Conventions The OECD Guidelines (2023) for Multinational Enterprises The Global Compact under the aegis of the United Nations	Ethics charter <i>Aims to promote respect and ensure proper application of major international ethics principles.</i> Code of business conduct <i>Aims to raise awareness of certain risks and give employees appropriate behavioural reflexes.</i> Anti-corruption code <i>Aims to promote an ethics culture in which breaches of probity have no place.</i> Supplier Code of Conduct <i>Aims to promote ethical, responsible and sustainable conduct for all suppliers.</i>	Ethics Committee <i>The committee collects and processes alerts, as well as providing advice and recommendations on the Group's ethics culture.</i> H-Alert! system <i>Employees are encouraged to report grave and serious incidents through several information channels.</i> Supplier brief <i>Suppliers integrate the Group's human rights expectations.</i> Métier/subsidiary EHS policies <i>Policies include good working conditions for employees.</i> UK modern slavery act California transparency supply chain act Modern slavery act Australia

The Group's policy is to adhere to the universally recognised ethical principles, particularly those concerning human rights and the fight against corruption, and to ensure that they are implemented in its operations. This policy is formalised by several more charters and additional codes, validated by the Executive Committee, that fall within the framework of fundamental principles such as the Universal Declaration of Human Rights, and the rules of the ILO, the OECD and the Global Compact governing sustainable development.

Furthermore, the Hermès Group and all its employees strive to comply with the laws and regulations applicable in all countries where they operate.

These principles have been clearly set forth in the Group's ethics charter since 2009 and in its code of business conduct since 2012, given to all employees and available on the Group intranet, as well as on the financial ⁽¹⁾.

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

2.8.1.2.2 Ethics charter

“The ethics charter serves to enrich the corporate project around the genuineness of the Group’s purpose and ethics. It guarantees respect for the debt of gratitude that is owed to our employees and partners.

This charter does not replace the laws and regulations applicable in the countries where the Group operates, but aims to promote compliance with them and ensure their proper application. It is of course in line with fundamental principles such as the Universal Declaration of Human Rights, and the rules of the ILO, the OECD and the Global Compact. It is one of the means of ensuring the sustainability of our unique business model.”

Henri-Louis Bauer – Chairman of the Executive Management Board of Émile Hermès SAS; Axel Dumas – Executive Chairman

The House’s ethics have been enshrined, since 2009, in an ethics charter, updated in 2023, distributed to all employees worldwide and available in 12 languages so that it is accessible to everyone.

A summary version is also available on the website ⁽¹⁾ and on the HermèSphère intranet in the “Our Ethics” section. It reaffirms the Group’s desire to respect fundamental principles in its relations with its stakeholders and is signed by the Executive Management.

The ethics charter, designed as a tool for progress and dialogue, seeks to promote compliance and ensure the proper application of laws, regulations and fundamental principles. It invites employees, in the event of difficulty in application or misunderstanding, to talk to their line manager. It is structured around the following points:

- ◆ relations between Hermès and its employees;
- ◆ relations between Hermès and its suppliers;
- ◆ relations between Hermès and its customers;
- ◆ relations between Hermès and its shareholders;
- ◆ the uncompromising principles of Hermès objects;
- ◆ relations between Hermès and society:
 - environment,
 - relations with communities and local authorities,
 - its cultural and solidarity actions,
 - its communication;
- ◆ adherence to international principles;
- ◆ relations with its stakeholders, with which Hermès aims to ensure dialogue and consultation in order to contribute to the economic and social development of the regions and employment areas where its manufacturing and commercial sites are located. Hermès is investing in this to have a positive impact, by using local resources as much as possible, as a socially responsible company in a spirit of regional responsibility.

2.8.1.2.3 Code of business conduct

“To help make sure that everyone is on the same page, this “code of business conduct” has been formalised. Its role is to raise awareness of certain risks and to instil Group employees with behavioural reflexes in response to frequently raised issues.

The sheets below, each of which must be responsible for the proper application of the code, are instruments of progress and dialogue.”

Axel Dumas – Executive Chairman

A code of business conduct, available in 13 languages, is distributed to all employees worldwide. It sets out the House’s guiding principles on business ethics. It was updated in 2023, in particular to strengthen the Group’s commitment in terms of competition law.

The code is given to all employees as soon as they join the House, is signed by the Executive Management and is available on the internet ⁽²⁾.

Its purpose is to raise employees’ awareness about ethics risks and to instil behavioural and alert reflexes. It consists of factsheets, dealing with key issues.

The code sets out whistleblowing protocols existing as part of a Group system called H-Alert!. Employees confronted with situations that raise ethics issues, or who believe, in good faith, that a violation of a code, charter, procedure, law or regulation has been committed, are encouraged to report the irregularities or breaches as soon as possible using the whistleblowing channels set out in relation to the Group’s H-Alert! whistleblowing system.

The H-Alert! whistleblowing system is also open to third parties; its operating methods are set out below (see § 2.8.1.3.2).

The opportunity to revise the ethics charter and code of business conduct is reviewed each year by the Compliance and Vigilance Committee described in § 2.8.1.1.3. Any amendment to these documents must be validated by the relevant member of the Executive Committee.

2.8.1.3 PREVENTION AND CONTROL MEASURES

2.8.1.3.1 Training programmes on ethics issues

Within the Group, several training courses on ethics issues (face-to-face or remotely) are provided to employees, regardless of their type of contract (fixed-term, permanent, temporary or intern). Depending on the subject, they may be designed by the legal department or the human resources department, with the help of internal control.

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

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

An **online training module (e-learning)** dedicated to ethics and the fight against corruption has been rolled out to all employees worldwide in 2020, as well as to external and occasional employees. It uses practical scenarios to give them the keys to preventing risks of corruption and breaches of ethics. This e-learning system includes a comprehension and simulation exercise, for which a minimum score must be achieved, to ensure that employees have fully understood the risks of corruption and how to manage them. This e-learning module is mandatory for people considered to be exposed to the risk of corruption in accordance with the Group's corruption risk mapping. These people include in particular employees with financial commitment authority and/or employees with links to external stakeholders. Since the rollout of the e-learning module in 2020, more than 15,000 employees have completed it. In 2023, 5,227 employees followed the anti-corruption e-learning module.

Furthermore, **specific training modules** on the Group's ethics and anti-corruption policy, the contents of which are adapted to the teams, subsidiaries and métiers in question, are delivered by the legal department to those employees who are most exposed to the risks of corruption, as identified and prioritised in the Group risk mapping. They may be buyers, people in charge of internal control, members of management committees, etc. They aim to provide employees with the knowledge and tools needed to prevent and detect at-risk situations and to determine the behaviour to adopt in such cases. They are also an opportunity to set out all internal procedures relating, for example, to gifts and invitations, conflicts of interest, accounting control and the third-party assessment system. In financial year 2023, 505 employees benefited from these specific training courses.

The "**Ethics, integrity and anti-corruption**" (EIAC) training course, the content of which was updated in 2022, is intended for all sales staff in the exclusive stores within the Group's entities. In 2023, 2,818 people took this module, which aims to explain the risks of corruption to sales staff. They learn about different forms of corruption and how to effectively combat these risks in their daily tasks. Lastly, they learn about the tools and procedures that they can use in case of doubt. Attendance at these training sessions is monitored. This module is regularly delivered in all subsidiaries worldwide. Since the module was rolled out, more than 14,000 people have been trained. The objective is to train all distribution subsidiary employees, whether their contract is fixed-term, permanent, temporary or as an intern, etc. and whatever their role (members of the Management Committees, support, sales staff, stockists, cashiers, managers, etc.).

The purchasing department provides training for purchasers and, makes them aware, in particular, of the risks of corruption in their daily tasks. At its own level, it ensures the implementation of these ethical ambitions thanks to the CSR brief, distributed to the House's suppliers and partners ⁽¹⁾.

The audit and risk management department internal control officers are trained and take part in the Group training sessions in order to promote an awareness of risk management and internal control best practices amongst the management.

Activities focusing on ethics and compliance issues continued this year thanks to the organisation of two seminars by the audit and risk management department for internal controllers worldwide.

The roll-out of all training sessions on ethics issues is closely monitored by the legal compliance department, in collaboration with internal control and human resources.

The themes of the fight against corruption are also addressed as part of the policies and training courses put in place within the Group to combat counterfeiting and the parallel market.

2.8.1.3.2 Whistleblowing system

In accordance with laws and in order to boost the fight against breaches of ethics and integrity, in 2019 the Group set up a global whistleblowing system called H-Alert!

This system is composed of several channels, including in particular the traditional communication channel (HR/manager) as well as the H-Alert! platform. This system has been designed to enable its employees worldwide, its external and occasional employees and all external stakeholders to report breaches and violations.

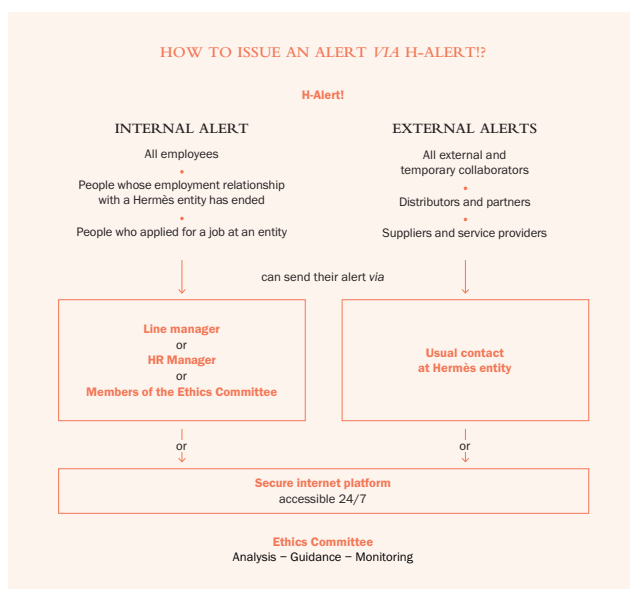
Available seven days a week, 24 hours a day and operated by an external service provider, the H-Alert! platform makes it possible to report facts that may constitute a violation of any law or regulation, or a violation of the Group's codes, procedures and ethics standards, as well as to report the existence of risks or violations of human rights and fundamental freedoms, the health and safety of people or the environment resulting from the activities of the Group and/or its subcontractors or suppliers.

The H-Alert! global whistleblowing system was updated in 2022 and 2023 in accordance with French law no. 2022-401 of 21 March 2022 and the decree of 3 October 2022, in order to:

- ◆ strengthen the protection of whistleblowers against any form of retaliation; and
- ◆ give suppliers, service providers and distributors, and in general, the Hermès Group's co-contractors, access to the H-Alert! whistleblowing system.

The H-Alert! whistleblowing system is now accessible to all Group stakeholders, both internal and external, either via the HermèsSphère intranet site or the Hermès Finance institutional website. Available in 21 languages to ensure its proper distribution, the new information notice was the subject of a communication within the Group and our suppliers.

1. <https://finance.hermes.com/en/responsible-sourcing/>



In terms of whistleblower protection, the Group has introduced effective measures guaranteeing the confidentiality of information and processing of reports at all times. Where appropriate, following an investigation, disciplinary sanctions may be decided upon and implemented against employees who violate the Group's ethics rules, which may go as far as dismissal. Contracts and commercial relationships (with suppliers or business partners) may also be terminated in the event of serious breaches of the Group's ethics rules.

The Company undertakes not to impede access to legal or other available mechanisms, including mediation processes, for any person reporting negative impacts, especially on human rights, and also to protect the whistleblower. To strengthen the independence of the people responsible for handling alerts, investigations are conducted separately from the management line against which the complaint is made. Always in accordance with applicable local rules, the House may also use third parties, such as lawyers, to conduct these investigations.

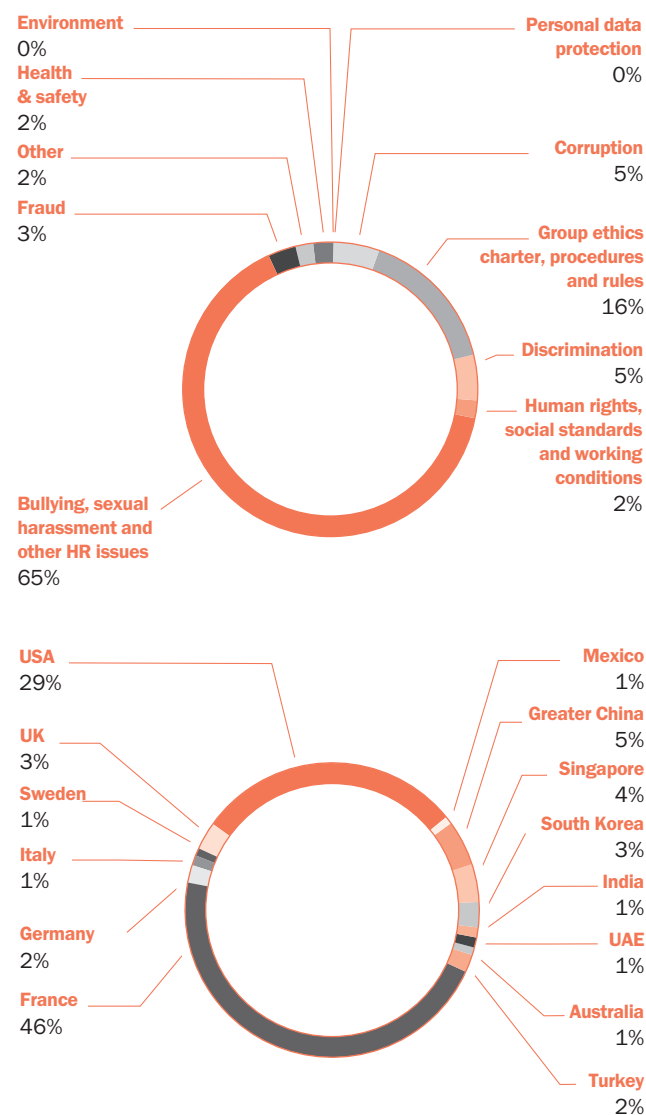
Upon receipt of an alert, an acknowledgement of receipt is systematically sent within seven (7) days of receipt of the alert. The admissibility of alerts is processed within a maximum of one month and, if the alert is admissible, it is immediately assigned to the entity concerned by the subject reported. Thus, the admissibility of reports on social issues (discrimination, harassment, etc.) is analysed by the human resources department. The admissibility of other reports is made by the Ethics Committee, which, as a reminder, includes two members of the Hermès Executive Committee. Reports relating to social issues are dealt with by the local HR or Director of Human Resources (outside the managerial line against which the complaint is made) and its follow-up is shared with the Ethics Committee. Other reports are handled by a person appointed by the Ethics Committee according to their topic (purchasing department, legal department, etc.).

In 2023, 105 alerts were received through the whistleblowing system, compared with 69 alerts in 2022. This increase reflects a process that is now well-known and efficient, but also the opening up of this system to all our external partners.

100% of the 105 alerts received in the financial year resulted in follow-up. Hermès carried out the internal investigations necessary to process said alerts.

All parties involved in the processing of alerts were mobilised and involved throughout the processing of the incidents.

The categorisation of alerts received is presented below.



To ensure that this whistleblowing system is properly used by external stakeholders, a dedicated section is included in the Supplier Code of Conduct updated and rolled out in early 2024. Specific communication aimed at suppliers and service providers will also be put in place.

2.8.1.3.3 Audit of the application of ethics values

Internal control evaluations, and internal and external audits on the application of Group procedures are carried out regularly at the Group's companies and métiers, as well as at its significant suppliers and partners. Among other areas, these audits cover compliance with ethics procedures, the fight against corruption, combatting money laundering, the protection of personal data, respect for the environment, respect for human rights and fundamental freedoms, hygiene, health and employee safety. The methodology of these controls and audits is described in chapter 4 "Risk factors and management", § 4.3 "Risk management, internal control and internal audit".

2.8.1.3.4 Sanctions system set up

A system of sanctions has been set up for compliance programmes because any breach of ethics and integrity is contrary to the Group's intrinsic values and internal rules laid down in this area.

In accordance with existing French law, rules of procedure are in place which devote a chapter to disciplinary law and the right of defence.

At international level, depending on applicable local law, there are either rules of procedure, which set out rules on disciplinary matters and which may go as far as dismissal, or an employee handbook is issued to employees on joining, and contains rules on disciplinary law, as well as anti-corruption measures. In the event of a breach of the Group's ethics rules and compliance programmes, commercial relations with a distributor or supplier may be suspended pending the implementation of corrective actions or be terminated.

The Group has not been convicted of corruption.

2.8.2 FIGHTING CORRUPTION

"Combatting corruption is a clear priority for the Hermès Group. The culture of probity, integrity and transparency is intrinsic to the values of Maison Hermès. Since its creation, the House has endeavoured to promote it to its employees, business partners and stakeholders."

Axel Dumas – Executive Chairman and Olivier Fournier – Executive Vice-President Corporate Development and Social Affairs

POLICY

Corruption is in contradiction with the values of the Hermès Group. The Group has a two-fold requirement: zero tolerance for breaches of probity, on the one hand, and a determined commitment to a culture of ethics, on the other.

The Group's policies in terms of ethics and the fight against corruption are clearly set out in the code of business conduct, available on the Group intranet as well on the Hermès Finance institutional website ⁽¹⁾.

The Hermès Group continues to improve its corruption prevention plan, in accordance with the requirements of the French law of 9 December 2016 on transparency, the fight against corruption and the modernisation of economic life in France.

Furthermore, the Group conducts global legal monitoring of legislative changes on the fight against corruption and complies with current legislative and regulatory requirements both in France and in countries abroad in which it operates, such as the Foreign Corrupt Practices Act in the United States, the United Kingdom Bribery Act and Legislative Decree 231 in Italy. This monitoring is carried out in-house and by external firms.

2.8.2.1 GOVERNANCE

Alongside other members of the Executive Committee, Axel Dumas, Executive Chairman, drives compliance with ethics rules, applying a firm policy of zero tolerance of any act of corruption. Thus, the Governing body's commitment can be seen at the Group's highest level.

Corruption risk mapping, driven by the legal compliance department, was validated by all the members of the Executive Committee, thus clearly demonstrating the importance put on analysing and identifying Group-specific risks.

The fight against corruption in all its forms permeates all the Group's policies and procedures.

Governance of anti-corruption is supported by the legal compliance department (§ 2.8.1.1.2 above) and includes the Compliance and Vigilance Committee (§ 2.8.1.1.3 above) and the Ethics Committee (§ 2.8.1.1.1 above) with a local relay thanks to the network of Group compliance ambassadors (§ 2.8.1.1.4).

2.8.2.2 FRAMEWORK AND TOOLS

2.8.2.2.1 Risk mapping

"The update in 2020 of the Group's anti-corruption risk mapping, as well as all the recommendations resulting from the action plans aimed at controlling these risks, demonstrate the Group's unwavering commitment to combatting all forms of corruption and influence peddling.

This exercise is part of the Group's approach to continually improve its anti-corruption and influence peddling plan to make it increasingly robust and effective."

Axel Dumas – Executive Chairman and Olivier Fournier – Executive Vice-President Corporate Development and Social Affairs

A Group corruption risk mapping was produced jointly in 2018 by the legal compliance department and the audit and risk management department and was then approved by the Group's Executive Committee.

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

With the help of numerous contacts covering all the geographical areas in which the Group operates, this Group corruption risk mapping was updated in 2020 and then shared with all Group entities and departments, before implementation of action plans.

The risk mapping, carried out according to a rigorous methodology, covers all the Group's activities and all the geographical areas in which it operates. Each risk scenario identified corresponds to a potentially risky behaviour or situation in terms of corruption and influence peddling and specifies the geographical areas, the métiers mainly concerned and the third parties that may be involved. This is so that the anti-corruption action plans corresponding to each risk scenario can be implemented to respond as a priority, in a proportionate and effective manner to the challenges facing the Group.

The update of the Group's anti-corruption risk mapping is scheduled for 2024.

2.8.2.2.2 Anti-corruption code of conduct

An anti-corruption code of conduct, drafted in 2018 from the results of the Group's corruption risk mapping, is distributed in 18 languages. This code of conduct was validated by the Group's governing bodies and communicated to all Group entities and structures. It has been issued and applies to all Group employees.

"This anti-corruption code of conduct (the "Code of Conduct") is in line with the commitments taken by the Hermès Group in the area of ethics and integrity. It sets forth the personal commitment of the Hermès Group's Senior Executives and forms an integral part of the values and principles that unite all Hermès Group employees."

Axel Dumas – Executive Chairman

The anti-corruption code of conduct is available on the Group's website and is updated at least annually⁽¹⁾.

It describes rules on gifts and invitations, relations with third parties and public officials, the ban on facilitation payments, management of conflicts of interest, patronage and sponsorship, representation of interests, etc.

The opportunity to update the anti-corruption code of conduct is reassessed each year by the Compliance and Vigilance Committee.

2.8.2.3 PREVENTION AND CONTROL MEASURES

2.8.2.3.1 Training system for managers and employees most at risk

The training systems are described in § 2.8.1.3.1 above.

2.8.2.3.2 Whistleblowing system

The Group's H-Alert! internal whistleblowing system, set up for reporting any situation at risk of corruption, is described in § 2.8.1.3.2 above.

2.8.2.3.3 Procedures for assessing the situation of customers, Tier 1 suppliers and intermediaries

The Group's business model consists mainly of purchasing materials from suppliers and manufacturing most of its production in-house, in order to then market it to its end customers via a network of exclusive Hermès stores (most of which are owned by the Group) as well as via selective distribution networks comprising specialised boutiques (perfumes and watches in particular). Upstream, *i.e.* relationships with goods suppliers and service providers, accounts for most of the Group's relationships with third parties.

To a lesser extent, the Group also has downstream relationships, with concessionaires, distributors and business intermediaries in some métiers.

The Group develops long-term relationships with its partners, both upstream and downstream, thereby protecting its sources of supply and business relationships. The average age of the Hermès Group's relations with its suppliers is 19 years and a large majority of these partnerships are European.

The commitments made by the Group and its partners focus on the following points:

- ◆ good labour practices and respect for human rights: prohibition of child labour, prohibition of forced labour, compliance with health and safety rules, respect for freedom of association, non-discrimination, respect of working time, appropriate compensation, prohibition of illegal work;
- ◆ best environmental practices: compliance with environmental regulations, management of natural resources and consumption, effluent and waste, respect for biodiversity;
- ◆ good ethical conduct: the fight against corruption and money laundering and recommendations on best practices in relation to subcontracting.

On an operational level, each métier or entity is responsible for managing its relations with third parties, monitoring the issues identified and the implementation of corrective actions with them. Experience has shown that adopting a métier or entity approach guarantees third party proximity, awareness of the issues ahead and realistic systems set up to comply with the Group's rules. Nevertheless, to ensure that the Group's anti-corruption system is well implemented in the métiers, entities and subsidiaries, coordination is carried out at Group level by the legal compliance department.

To ensure their partners' integrity and compliance with anti-corruption regulations, the métiers and entities have the following tools at their disposal:

- ◆ risk mapping;
- ◆ procedures for entering into business relationships with third parties;
- ◆ procedures for selecting, assessing and managing suppliers and service providers, business intermediaries, agents, distributors and concessionaires;

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

- ◆ an IT tool for assessing the integrity and reputation of third parties, set up with the help of an external service provider and accessible to all Group entities;
- ◆ analysis grids and questionnaires to assess third party risk levels;
- ◆ a list of “sensitive countries”;
- ◆ a procedure to prevent money laundering and corruption;
- ◆ a suppliers’ charter, a business ethics charter for the selling of products and compliance clauses to ensure third parties’ commitment to complying with social, environmental and ethics policies, including anti-corruption regulations;
- ◆ external evaluations/investigations on third-party compliance and integrity risks;
- ◆ rights of access and right to request documentation;
- ◆ the right to conduct internal and external on-site audits and, if necessary, to implement corrective measures.

The métiers and entities manage their relationships with third parties and update their assessments and engagement policies on a regular basis. The distribution in 2023 of the CSR briefs is a step forward in the formalisation and dissemination of our high standards. The Group ensures that métiers and entities comply with these third party assessment policies by means of internal control and internal audits conducted by the audit and risk management department, as well as through controls carried out by the legal compliance department.

2.8.2.3.4 Accounting control procedures

Internal control and risk management procedures relating to the preparation and processing of accounting and financial information, as described in chapter 4 “Risk factors and management AFR”, § 4.3, form an integral part of the Group’s anti-corruption system and, in particular, are aimed at preventing and detecting any acts of corruption. Controls on accounts deemed “more sensitive” in terms of the fight against corruption are regularly strengthened. An accounting control procedure dedicated to the prevention and detection of corruption and influence-peddling was put in place in 2020 and controls are carried out regularly.

Furthermore, annual self-assessment campaigns (§ 4.3.4.1) are an important tool when it comes to the process of applying accounting control procedures across all the Group’s entities.

The audit and risk management department monitors the proper application of these procedures during its internal audits.

2.8.2.3.5 Internal control and evaluation system

In order to verify the proper application of its anti-corruption system, Hermès has deployed a control plan based on three levels:

- ◆ the first level of control is implemented directly by operational staff. It involves applying, on a daily basis, the principles and steps relating to ethics and integrity as described in Group procedures and, in particular, those relating to the fight against corruption and influence peddling;
- ◆ the second level of control involves internal control officers in each entity/métier, working in close collaboration with the legal department, in particular, on the proper application of procedures relating to the fight against corruption. To this end, the legal compliance department and the audit and risk management department have drawn up a dedicated anti-corruption work programme for all of the Group’s internal control officers;
- ◆ the third level of control is operated by the audit and risk management department when it audits the métiers and entities. This control assesses the implementation of the anti-corruption and influence peddling policy of the métier or entity in question. The audit and risk management department also conducts audits of the various Group anti-corruption programmes.

In 2023, the audit and risk management department carried out checks on its anti-corruption system and in particular on the system relating to gifts and conflicts of interest and the codes of conduct and anti-corruption charters.

2.8.2.3.6 Disciplinary regime for sanctioning violations of the anti-corruption code of conduct

The sanctions system is described in § 2.8.1.3.4 above.

2.8.3 PROTECTING PERSONAL DATA

Respect for privacy is more than a legal obligation, it is a Maison Hermès value and an essential commitment to maintaining a relationship of trust with our employees, customers and partners.

POLICY

Since 2015, Hermès has adopted a set of rules to protect the personal data of its customers in the form of Binding Corporate Rules (BCR). These BCRs, approved by the European Data Protection Authorities, apply to all Group entities with a distribution activity. These BCRs, still in full force, foreshadowed the Group’s more general data protection system. Since then, the Hermès Group has implemented a more extensive data protection system covering all the personal data it collects (customers, employees, third parties, etc.) and all of its subsidiaries and métiers, regardless of their location. This Group system complies with the European Data Protection Regulation (GDPR) which is one of the highest levels of data protection in the world and also takes into account local regulatory requirements. This system also includes the code of business conduct, which contains a “Personal Data” sheet (see § 2.8.2.1.3).

2.8.3.1 GOVERNANCE

The Group Data Protection Officer is responsible for informing and advising the Company on its legal and regulatory obligations with regard to personal data, and steering and monitoring data processing and ensuring its compliance with these obligations. The Group Data Protection Officer is the point of contact for data subjects and for data protection authorities. This function reports to the Chief Compliance Officer.

The Data Protection Officer relies on a network of people throughout the Group – mainly consisting of the Chief Information Security Officer (CISO), members of the legal department, Internal Control Officers and Regional Data Protection Officer. This network enables him or her to be regularly informed of issues related to the processing of personal data, to ensure that they are dealt with consistently by the subsidiaries and to be alerted to local legal and regulatory changes where applicable. In addition, the Data Protection Officer is supported by a network of specialised lawyers, present in all the countries where the Group operates.

Data protection guidelines have been rolled out to the network of internal control officers since 2020 to support them in their second-level control duties. These guidelines provide in particular a reminder of the elements of governance, the control themes and the tools available for this purpose.

Lastly, as part of the creation of the Group data department in October 2022, a governance has been put in place in which the Data Protection Officer will handle the protection of personal data through the Data Governance Committee. This governance will also address the issues posed by artificial intelligence (AI), in particular in terms of risks and ethics, through the AI Assessment Committee.

2.8.3.2 MAIN ACTIONS IMPLEMENTED

The Group's personal data protection awareness and training programme comprises two levels:

- ◆ an online training module (e-learning) rolled out internationally since 2020 for all Group employees, translated into 11 languages. To date, more than 15,000 people in the most sensitive functions and métiers have taken this module. In 2023, 5,173 employees completed the personal data protection e-learning module;
- ◆ face-to-face training sessions for the most exposed employees, in particular employees in the human resources departments and employees in the stores.

The principles of protection of privacy by design and by default are ensured by the use of tools for managing data protection impact assessments (DPIA) and managing the record of processing activities. These tools are part of the procedure for integrating security and privacy into projects (ISP), which involves the Group's Chief Information Security Officer (CISO) and Data Protection Officer teams. In 2023 (figures cover November 2022 to November 2023), 357 projects were processed through the ISP procedure.

The management of the rights exercised by the people concerned is ensured through the use of a tool and a procedure for managing customer rights allowing the diligent and harmonised management of requests regardless of their geographical origin and the contact channel used. In 2023 (figures from November 2022 to November 2023), 1,196 requests to exercise rights were processed, of which 5% were requests for modification, 11% requests for access, 67% requests for deletion of data and 17% requests of various types (in particular, for information). These figures do not take into account

requests to change simple contact details or requests to unsubscribe from our promotional communications.

The security of personal data is an essential component of the protection of privacy. In this context, these issues were highlighted through awareness-raising operations ("cybersecurity month") and addressed as part of regular work with the CISO teams. The data breach procedure is part of the regularly tested broader cyber crisis management process (see chapter 4 "Risk factors and management AFR", § 4.1.1.3 "Information systems and cyberattacks").

Checks are carried out in cooperation with the teams of the audit and risk management department and the internal control officers of Group entities to assess compliance with the Group's rules and applicable regulations.

In 2023, the IA Assessment Committee (see § 2.8.3.1 above) held its first meeting in the presence of the Group's Data Protection Officer and representatives of the Group's legal department, in particular. This committee focuses on the implications of the artificial intelligences that are used or could be used in the House's projects, including the issues they may raise in terms of personal data protection.

2.8.4 DUTY OF CARE

In accordance with French law no. 2017-399 of 27 March 2017 relating to the duty of care of parent companies and contractors, the Group has drawn up a vigilance plan to identify risks and prevent serious violations of human rights and fundamental freedoms, and the health and safety of people and the environment, resulting from its activities as well as the activities of its subcontractors and suppliers.

In 2023, the Group published its vigilance plan in a stand-alone document, accessible on its institutional website⁽¹⁾. The measures required by the duty of care are presented in detail there. They are summarised below.

2.8.4.1 GOVERNANCE

The Compliance and Vigilance Committee oversees the vigilance plan. It met three times in 2023 to:

- ◆ define compliance guidelines;
- ◆ recommend preventive actions;
- ◆ manage and roll out employee awareness and training campaigns;
- ◆ monitor the entire vigilance plan.

Hermès also called on several stakeholders – suppliers, employee representatives, associations and universities – as part of the preparation of its vigilance plan, with the support of an independent firm. For its update, stakeholders were again questioned, to follow up on the weak signals identified and integrate the societal issues that had emerged over the period.

1. Available on finance.hermes.com

2.8.4.2 RISK MAPPING AND ASSESSMENT METHODOLOGY

In order to identify and assess risks throughout its value chain and to strengthen its mapping of risks related to the duty of care, Hermès has used the analysis of non-financial risks, the materiality analysis and the risk mapping generated for its activities and supply chains. In addition, the risk mapping was developed in association with internal and external stakeholders.

In particular, the Compliance and Vigilance Committee:

- ♦ defined a universe of risks specific to Hermès;
- ♦ deepened the analysis of risks in certain scopes assessed as priorities;
- ♦ added a source of raw risk data.

The Group's vigilance plan was constructed by analysing its entire value chain as presented below (values and information date from 2022)

HERMÈS VALUE CHAIN



This analysis enabled the Group to draw up the following mapping of risks related to the duty of care.

2022 RISK MAPPING RELATED TO THE DUTY OF CARE

GLOBAL RISK MAPPING

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

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

2.8.4.3 WITHIN HERMÈS

Human rights and fundamental freedoms

The level of risk of serious human rights violations is relatively low in Hermès' activities, on its sites. The Group's 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 contributes to respect for human rights through its proactive actions in terms of ethics, diversity, employee equality, consideration of disability and, in general, respect for human rights.

Health & safety

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 sites, in stores or offices. Thus, for example, any investment in health and safety within a manufacturing site is a priority.

Environmental protection

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.

2.8.4.4 ON THE VALUE CHAIN

Human rights related to affected communities

The House is concerned with the protection and promotion of human rights within its value chain wherever it operates. The level of risk of serious human rights violations is relatively low in Hermès' activities, including given the geography of its production operations (mainly Europe). Its commitments to comply with the OECD principles, the United Nations Global Compact, the United Nations Guiding Principles on Business and Human Rights and its two conventions, and the United Nations Declaration on the Rights of Indigenous Peoples are the documents underpinning the human rights policy set out in the vigilance plan updated annually.

Direct purchases

The Hermès craftsmanship model, with 74% of objects made in France, relies on a network of suppliers based mainly in Europe, where labour practices are some of the strictest and are monitored frequently due to the close operating proximity. In addition, Hermès builds balanced partnerships with its direct suppliers, according to its principle of transparency, high standards and fairness.

The risk exposure to its direct suppliers is therefore reduced for Hermès. In order to secure the use of its exceptional raw materials, Hermès is also committed, as part of the sustainable development of its supply chains, to exceeding compliance with regulations in social, environmental and ethics areas, as well as animal welfare.

Indirect purchases

The indirect purchasing department 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, supported by a community of buyers in France and international contacts, implements a procedure to control the risks of its various partners. This includes a mapping of CSR risks by purchasing family and, if necessary, by supplier, including social issues, triggering the assessment via a third-party tool and an audit.

Concessionaire partners

Hermès works with concessionaire partners in France and abroad for its distribution.

Hermès' relationships with them are long-standing relationships based on the trust acquired over the years.

The few 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.

Summary of the application of the law on the Duty of Care in the value chain – references are to the vigilance plan

	Suppliers and subcontractors	Human rights and fundamental freedoms	Health & safety	Environment
Risk mapping	Risk mapping and assessment methodology (chapter 2 – Vigilance plan framework) <i>Mapping by theme in the chapters in question</i>			
Regular assessment procedures	Chapter 6 – Direct purchases and Chapter 7 – Indirect purchases	Chapter 3 – Human rights and fundamental freedoms Chapter 6 – Direct purchases and Chapter 7 – Indirect purchases	Chapters 4 – Health and safety, Chapter 6 – Direct purchases and Chapter 7 – Indirect purchases	Chapter 5 – Environmental protection
Mitigation and prevention measures	Transversal actions, chapters 3 to 8			
Measuring and monitoring system	Transversal actions, chapters 3 to 8			
Alert mechanism	Chapter 9 – Alert collection and processing system			

2.8.4.5 WHISTLEBLOWING SYSTEM

In 2019, the Group set up a platform as part of its H-Alert! global whistleblowing system (terms and conditions described in § 2.8.1.3.2), intended for its employees worldwide and for external and occasional employees.

2.8.4.6 SUMMARY & OUTLOOK

In 2024, Hermès will continue to strengthen the vigilance programme through the following actions:

- ◆ rollout of the Supplier code of conduct;
- ◆ update of the Group ethics charter for all employees and stakeholders;

- ◆ continued rollout of human rights training for buyers (see § 2.6);
- ◆ raising awareness among suppliers and partners of ethics and social issues;
- ◆ strengthening of the vigilance system in anticipation of the future European Directive on the duty of care (Corporate Sustainability Due Diligence Directive);
- ◆ continuing communication and training on the update of the whistleblowing system;
- ◆ active monitoring of new European and international regulations.