

# 2023 Universal Registration Document

CSR Extract

Non-Financial Performance Statement (NFPS)





### 2.6.1 SUPPORT AND CONTROL

Committed to providing long-term support for all its partners and maintaining balanced relationships, Hermès ensures, in addition to quality issues, that everyone shares and respects its social, environmental and ethics ambitions. In particular, the Group monitors issues related to human rights and fundamental freedoms, employment conditions (hygiene, health, safety, working hours, wages, etc.), the protection of the environment and biodiversity, as well as animal welfare. This monitoring applies to its Tier 1 suppliers, but also to their own suppliers (Tier 2) and subcontractors, with the aim of always better understanding all the supply chains and aligning their CSR objectives with those of Hermès.

#### POLICY

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

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

This policy was updated to strengthen its CSR component, by adding a CSR brief and a supply chain brief (updated in 2023):

- ◆ the **CSR brief** specifies the House's objectives and its expectations vis-à-vis suppliers on five themes: human and social rights, biodiversity, energy and carbon, water and plastics. Since then, new themes have been included: forestry, traceability, circularity, materials and process innovation, pollution, safety and chemical substances;
- ◆ the **supply chain brief** presents, for each raw material, both the short-term objectives and the trajectory for 2025, the points requiring particular attention, and those that are prohibitive. In particular, this brief includes certification objectives for most materials according to the best existing standards (§ 2.4.2.1).

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

The CSR brief and the supply chain brief, are shared with all partners and analysed during supplier panel meetings. The House's main métiers, having a wide range of suppliers, are the spearheads of

these documents. Thus, all direct suppliers of HTH (Holding Textile Hermès) received the CSR brief (also available in Italian) and the supply chain brief. This is also the case for Tier 1 suppliers in the Shoes métier and for certain Tier 2 suppliers. Meetings were organised by the métiers with their main suppliers to present these documents in person and advise them on the implementation of these objectives.

In 2023, the distribution rate to suppliers was 88% for the supply chain brief and 90% for the CSR brief (as a % of purchasing revenue). Suppliers who so wish are also offered more in-depth training, to which Hermès contributes financially, in particular in the areas of energy and carbon, water and biodiversity, in order to continue to support them in the best possible way using a collaborative approach. Suppliers are also invited to share their carbon data (scopes 1, 2 and 3), which will feed detailed figures into the Group's data. On this subject, a group of buyers was trained in carbon issues in the value chain, with a specific focus on reading carbon data (carbon footprint, GHG protocol, internal grid). A campaign to raise awareness and collect carbon data through sessions of five webinars in French, English and Italian was launched for Tier 1 suppliers. Data collection work with the support of an expert firm has been launched. Lastly, a Carbon Steering Committee meets three times a year to share the objectives and progress of each métier.

#### 2.6.1.1 SOCIAL, ENVIRONMENTAL AND ETHICS REQUIREMENTS

The supplier risk management system, which had already existed in the Hermès Group for many years, has been strengthened since 2018 as part of the rollout of a reasonable vigilance plan with respect to suppliers and subcontractors as required by French law. The future European law on the duty of care (corporate sustainability due diligence directive) is also being watched closely.

**This monitoring is undertaken in the specific context of Hermès, which carries out more than 55% of its production internally:** this not only reduces its exposure to risk, but it often gives it a better understanding of operational issues (being itself an actor on the subject). In this way, through its purchasers by métier, the Group is in most cases close (geographically, on account of an ongoing relationship and thus also technically) to its suppliers. The distribution and understanding of the documents transmitted, particularly those that include a human rights dimension, are facilitated by translations (in English or Italian), and by discussion sessions within the buyer network to explain specific issues related to social and environmental requirements.

In addition to quality issues the EHS audit programmes pay particular attention to human rights and fundamental freedoms (absence of labour that is forced, undeclared or not aligned with ILO standards or local regulations), health and safety of people, and more generally their employment conditions, as well as the protection of the environment and biodiversity. Ethics, specifically the prevention of corruption and influence-peddling, are also closely monitored. The H-Alert! line, open to third parties, allows them to report any identified breaches.

All of this work is carried out systematically across the entire scope of the Group, using a "risk-based" approach that aims to prioritise the issues using successive filters, to focus efforts on the most significant issues.

In accordance with the recommendations of law no. 2017-399 of 27 March 2017 on the duty of care of parent companies and ordering companies, **this vigilance plan** is specifically structured around:

- ♦ risk mappings aimed at identifying and assessing the risks generated by the activities of suppliers and subcontractors, and more generally by all of the supply chains;
- ♦ procedures to regularly assess the situation of suppliers and subcontractors with which the Group has an established trading relationship, but also to assess the situation of Tier 2 suppliers and subcontractors, in order to gain an ever-stronger understanding of the supply chains;
- ♦ appropriate action to mitigate risks identified and prevent serious breaches of human rights, fundamental freedoms and health, safety and environmental regulations;
- ♦ a whistleblowing mechanism and alert monitoring (H-Alert!);
- ♦ a system for monitoring the measures implemented and assessing their effectiveness. This system is described in detail in §2.8.4 below.

The Group ensures that there are no negative impacts on local communities or indigenous communities in its value chain by cross-referencing data from risk mapping and supply chains with data and analyses from Verisk Maplecroft. This company has specialised in the analysis of sector and geographical risks for more than 15 years, and is a benchmark in the market.

As also described in section 2.8 “Ethics and compliance”, §2.8.4.4, in 2022 the Group published a specific vigilance plan, which is being updated for publication in 2024.

A methodology for monitoring supplier risks was formalised in 2018 and is applied by the direct purchasing and indirect purchasing departments at all the House’s métiers.

The diagram below summarises this methodology and the corresponding tools:



The métier purchasers must sort their suppliers by purchase category, then, for each of these categories, map the global risks and then analyse the risks by supplier. For suppliers identified as “at-risk” (notably corruption, politically exposed persons, negative press, breach of human rights, risk to the health and safety of persons, environmental risk) and those identified as strategic or sensitive (volume of business, special savoir-faire, *intuitu personae*, succession, financial health), the purchasers must complete a “supplier information questionnaire” to enable them to investigate the risks further. If the risk is confirmed, an external audit is requested.

## 2.6.1.2 RISK MAPPING

The Group has produced a risk mapping (see chapter 4 “Risks and control”, §4.1), into which the mappings produced by each of the main métiers, retail subsidiaries and support activities are fed. Each one takes risks related to suppliers and subcontractors into account.

In addition, to guarantee the thorough assessment of all suppliers and, more generally, all supply chains, the purchasers in each métier formalise a risk mapping for each of their purchasing categories, assessing in particular the risks with respect to human rights and fundamental freedoms, the health and safety of people, social aspects, the environment, biodiversity, ethics and corruption risks. Since 2019, these risk analyses by purchasing category (manufacturing methods, metal parts, fabrics, etc.) have been supplemented by analyses of the supply chains by raw material (cotton, linen, gold, silver, etc.) (§2.4.2.1).

Since 2018, the emphasis has been on direct production purchases, for which control of the supply chain is a strategic challenge. With its 16 métiers, the Group has around 100 direct purchasing categories and 75 raw materials supply chains in use. At the end of 2023, risk mapping and a risk analysis by supplier had been conducted for 99% of purchasing categories and a comprehensive analysis had been completed for 74 raw materials supply chains.

Among the risks identified, ensuring the sustainability of craftsmanship savoir-faire and maintaining our capacity in France are major challenges for several divisions, as is improving the traceability of raw materials throughout the supply chain. The impact of climate change, water and energy consumption and biodiversity are important issues, systematically taken into account (§2.5). Issues relating to the health and safety of people are also identified, but deemed to be less critical, this point being already controlled thanks to the long-standing monitoring with all Tier 1 and 2 suppliers, notably through audits, with a particularly high level of exigence. Lastly, as the majority of suppliers are located in France, the risk of violation of human rights and fundamental freedoms as well as the risk of corruption are generally assessed as lower; nevertheless, these are closely monitored.

### 2.6.1.3 REGULAR ASSESSMENT PROCEDURES

For each purchasing category previously covered in a risk mapping, the métier purchasers carry out a second-level risk analysis by supplier. This aims to assess the performance (deliveries, quality, etc.) and financial independence of each supplier, but also the risks related to human rights and fundamental freedoms, the health and safety of people, and more generally, employment conditions, as well as environmental risks. Corruption risks are also assessed according to the country in which the supplier is based and its activity. Expert tools, compiling the most up-to-date data, are used in this process.

If a risk is suspected, the purchaser conducts a more detailed analysis to confirm or rule out this risk, supported by a “supplier information questionnaire” setting out the various topics included in the previously completed supplier risk analysis framework.

This “supplier information questionnaire” is more generally used by the direct purchasers as the basis of visits to a Tier 1 or higher supplier with the aim of constantly improving their knowledge of the supply chains. Purchasers also use this questionnaire during pre-accreditation visits before starting to work with a new supplier. These pre-accreditation visits are compulsory within the scope of direct purchasing.

#### CSR self-assessment

In addition, the CSR briefs, created in 2020, and the supply chain briefs, developed in January 2021 and updated annually, specify the House's objectives and its expectations *vis-à-vis* suppliers on these topics. To strengthen supplier engagement, a “CSR self-assessment questionnaire” has been developed, comprising 69 questions relating to CSR. It allows purchasers to retrieve all the information they need from their suppliers in terms of CSR (social policy, commitments to the environment and biodiversity, ethics charter, waste management, commitments to reduce the water footprint, carbon footprint and greenhouse gas emissions, etc.). Tailor-made by the Hermès' teams, it is both comprehensive and corresponds to their typology and needs. The resulting progress plan will be easier to manage, having been jointly constructed. For example, this approach has made it possible to better understand manufacturers' social and energy issues. Likewise, 10 major suppliers in the Women's ready-to-wear métier were supported in the construction of a remediation plan, following analysis of the responses collected by these questionnaires.

The “Hermès Purchasing” digital information system is gradually being improved in order to better match buyer and supplier information and better integrate new parameters, in particular carbon emissions. Since 2023, a supplier portal has also enabled them to submit their various supporting documents independently and to download available resources (supply chain briefs, CSR brief, CSR self-assessment questionnaire, carbon grid). Webinars were organised to present the tool.

#### Audits

##### Direct purchases

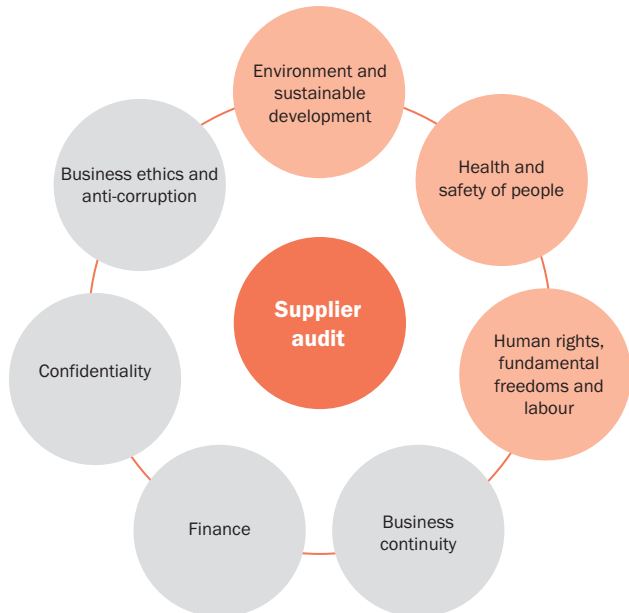
A procedure for conducting and monitoring external audits of Hermès' suppliers, updated in August 2022, governs the overall process of the supplier audit programme. Initiated on a voluntary basis in 2011, the process was strengthened with the implementation of the laws on the duty of care and Sapin II.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

In essence, if the supplier information questionnaire confirms a significant level of risk, the purchaser alerts the direct purchasing department and their line manager, a member of the métier's Management Committee, and an action plan is drawn up to prevent or mitigate the risks. If the risk is related to the environment, the health and safety of people, social issues or human rights and fundamental freedoms, an external body recognised for its expertise in these areas, is asked to conduct an audit. The results of these audits and the quality of action plans are taken into account during any continuation of relationships.

Audits are also requested for strategic or sensitive suppliers (volume of business, specific *savoir-faire*, *intuitu personae*, located in a country far from France, etc.). Specifically, in terms of direct purchases, the Hermès Group's 50 largest suppliers must be audited at least once, and suppliers outside Europe may be audited regularly, depending on the results of audits.

These on-site audits last an average of two days each and are carried out in the presence of a Hermès representative. They make it possible to verify *in situ* the reality of suppliers' social, environmental and ethics commitments, the proper implementation of regulations that concern them, and the reality of the working conditions and well-being of employees. This audit approach favours the quality of the work over the number of suppliers reviewed.

In keeping with the supplier information questionnaire, these audits cover the following seven issues, with a higher level of requirement than that of the SA 8000 standard:



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

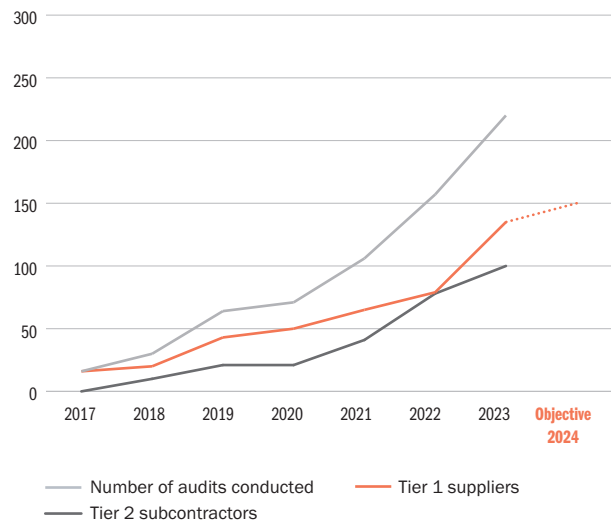
The schedule of this supplier audit programme begins in September of year N-1 with the establishment by the métiers of the list of suppliers to be audited according to the priorities defined above. This list is validated by the direct purchasing department with the associated budget. Preparatory meetings for the audits are held before the end of the year with the métiers and the third-party firm. They make it possible to properly dimension the audits and establish the provisional schedule for year N. The suppliers concerned are then informed of the planning of an audit. Prior to it being undertaken, a financial analysis is conducted using dedicated tools. The audit takes place according to a precise schedule including an in-depth site visit and interviews with employees. A report is published by the third-party firm within 15 days to quickly implement any corrective actions. A Direct Purchasing Audit Committee meets twice a month

and brings together the direct purchasing department, the audit and risk management department, purchasing and internal control of the métier that requested the audit, as well as all métiers that have a commercial relationship with this supplier. During this committee meeting, the main audit findings are presented and the priority actions to be carried out by the supplier are discussed. The urgency of these actions is defined and shared with the supplier. The aim is to have all action plans completed, other than clearly urgent situations, within 12 months of the audit. A site visit may be organised to validate the proper closure of the action plan.

**In a context where more than half of the production is in-house, the Group devoted 25,000 hours to auditing its direct suppliers, i.e. the equivalent of 16 full-time employees over the year.** The audit firm spent 11,000 hours working on Hermès' supplier audit programme and the teams devoted 14,000 hours to it. The number of audits increased by 60% between 2022 and 2023:

- ◆ 88% of the top 50 suppliers were audited;
- ◆ more than 80% of manufacturers for Men's ready-to-wear, Women's ready-to-wear and Shoes were audited;
- ◆ 100% of Italian manufacturers of Men's ready-to-wear and Women's ready-to-wear will now be audited every three years;
- ◆ in Shoes, 100% of Italian manufacturers will now be audited every two years;
- ◆ More than 60% of Tier 2 manufacturers in the PAP women métier were audited in 2023 and more than 80% of them for the PAP H.

#### SUPPLIER AUDITS



## BREAKDOWN OF AUDITS PERFORMED ON DIRECT TIER 1 AND 2 SUPPLIERS

Direct purchases	2021	2022	2023	Objective 2024
Audits carried out	106 *	157	220	150 Tier 1 suppliers
Types of suppliers	Tier 1: 65* suppliers at 87 sites Tier 2: 41 suppliers located 93% in Italy	Tier 1: 79 out of 102 sites Tier 2: 78 located mainly in Italy	Tier 1: 122 out of 147 sites Tier 2: 98 mainly located in Italy	
Number of audit days	144 *	204 (7,000 hours for the external firm)	298	More than 300 days
Results	1,364 findings, of which 0.2% considered critical, 18.5% major and 52.5% significant. The remaining 28.8% concern simple points for improvement, with proposals for best practices to encourage suppliers to constantly progress in a spirit of continuous improvement.	1,793 findings, of which 0.7% considered critical. <i>See below for more details</i>	2,612 findings, of which 0.5% considered critical. <i>See below for more details</i>	

\* Method changed in 2021.

Hermès places the safety of people at the heart of its concerns, which is why the level of health and safety audits is particularly high. It is therefore no surprise that, in 2023, 61% of the findings were related to this topic, i.e. 1,596 findings, of which 27% were considered major or critical.

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

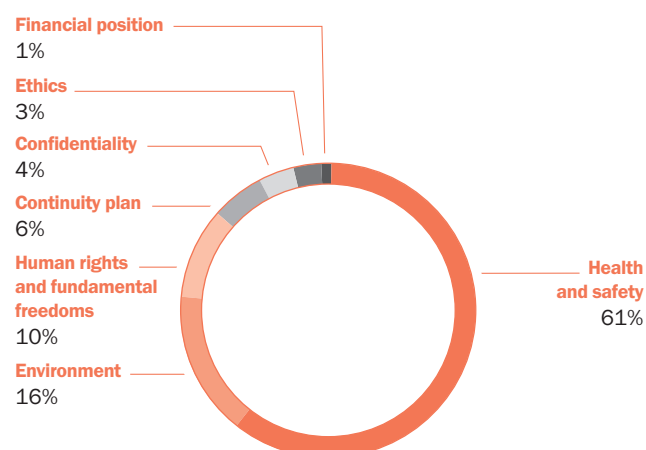
- ◆ fire risk;
- ◆ chemicals risk;
- ◆ risks related to workspaces;
- ◆ compliance with mandatory periodic checks.

In terms of labour, the most frequently occurring observations concern the non-compliance with or exceeding of the overtime quota.

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

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

## BREAKDOWN OF FINDINGS RECORDED IN 2023



In more detail, in 2023, 12 critical findings were identified at nine suppliers. Four findings were related to personal health and safety (fire, absence of protection during work), seven were related to the labour topics (working time, day off) and one was related to the environment (storage of waste and risk of pollution). They all took immediate steps to implement the necessary actions to correct the situation and comply once more.

The audits are a fundamental part of the risk assessment system for suppliers and subcontractors. They also contribute to the quality of the relationship, a key factor in the success of sustainable support towards best practices. This is why the métier purchasers are involved in the auditing of their suppliers, supporting the process upstream, participating in audits alongside the external firm, and in monitoring the progress made in the action plans in a more formal manner. An employee from the direct purchasing department is also involved in most of the audits. It also helps develop the purchasers' CSR expertise, which they can then apply to the identification of risks when visiting their suppliers.

### Direct Purchasing Audit Committee

Since 2019, a Direct Purchasing Audit Committee is tasked with analysing the various audit reports and defining the actions to be implemented as a priority with each of the audited suppliers. This Supplier Audit Committee brings together the direct purchasing department, the audit and risk management department and the purchasers concerned within the métiers. The Supplier Audit Committee meets twice a month to review the findings of new audits and dedicate time to follow up on past audits. The purchaser of the métier in question is responsible for distributing the conclusions of the Supplier Audit Committee to each supplier and monitoring action plans. Audit follow-up visits are planned three months, six months and/or one year after the audit, depending on the type and severity of the findings. If necessary, a member of the Group direct purchasing department can accompany the purchaser on these visits. Lastly, once all the findings have been cleared by the supplier, where necessary, a closing visit is carried out by the purchaser concerned and a member of the Group direct purchasing department to confirm the successful completion of all corrective actions and ensure their sustainability over time.

### Indirect purchases

Audits of indirect suppliers last between one and two days depending on the type of activity carried out at the suppliers' premises. They often target less specific métiers than direct purchases, which are less complex to monitor. As with direct purchases, a risk-based approach is used. Since 2014, Hermès Sellier's strategic packaging suppliers have all been audited. Each year, this list is extended to strategic suppliers from other departments (logistics, temporary work, transportation, etc.) or to suppliers whose buyers have identified a risk.

In 2023, indirect purchasing thus carried out 22 audits in France and abroad. Several times a year, the audits are reviewed by a dedicated Indirect Purchasing Audit Committee in order to review the audit results and approve the action plans decided upon. This is also an opportunity to study the follow-up audits carried out by buyers in charge of suppliers.

### BREAKDOWN OF AUDITS CARRIED OUT AT INDIRECT PURCHASING SUPPLIERS

Indirect purchases	2020	2021	2022	2023	Objective 2024
Audits carried out	6	10 (+67%)	18 (+80%)	22 (+22%)	+36%
		France 40%	France 65%	France 70%	
		China 30%	Italy 15%	Portugal 15%	
		Portugal 20%	Portugal 10%	Italy 5%	
Geographical locations	France 100%			Spain 5%	
				India 5%	

In 2023, an audit of suppliers outside the European Union (India) was carried out as part of the store renovation project in Mumbai. This audit did not reveal any issues related to the human and social rights of workers.

### EcoVadis

In line with its responsible purchasing strategy, the Indirect Purchasing division selected EcoVadis at the end of 2018, which offers a collaborative platform for assessing the environmental performance and social responsibility (CSR) of its suppliers on four themes: environmental, social and human rights, ethics and

responsible purchasing. Each company is assessed on these fundamental issues according to their size, location and sector of activity. Evidence-based assessments are recorded in assessment sheets enabling the implementation of corrective action plans.

	2020	2021	2022	2023	Objective 2024
Number of national and international suppliers invited to use the EcoVadis platform since 2018	200, i.e. 50% of indirect purchasing expenditure	322, i.e. 60% of indirect purchasing expenditure	736, i.e. 70% of indirect purchasing expenditure	956 invited (900 expected), i.e. 81% of the France indirect purchasing expenditure covered by the responses	Maintain coverage of 80% of indirect purchasing expenditure
Average score	50.8 (18% higher than the overall EcoVadis average of 42.8)	55.4 (29% higher than the overall EcoVadis average of 42.8)	55.2 (23% higher than the overall EcoVadis average of 44.9)	59.1% (27% higher than the overall EcoVadis average of 46.5)	



Number of suppliers assessed in 2023	Average score	Average score Environment	Average score Labour and human rights	Average score Business ethics	Average score Responsible purchasing (for the suppliers concerned)
646	59.1 EcoVadis: 46.5	61.4 EcoVadis: 47.3	61.0 EcoVadis: 49.1	55.0 EcoVadis: 44.1	53.6 EcoVadis: 38.6
Of these 646 suppliers, 41% were reassessed	Average score increase of +3.6 points	Average score increase of +4.3 points	Average score increase of +3.1 points	Average score increase of +3.3 points	Average score increase of +3.9 points

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

#### 2.6.1.4 RISK MANAGEMENT AND MITIGATION OR PREVENTION OF SERIOUS HARM

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

##### Network management and training

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

The Direct Purchasing Coordination Committee, led by its Group department, regularly brings together purchasers from the métiers to review the Group's policy and procedures, regulations, legal rules and tools for monitoring suppliers and subcontractors. These meetings are also an opportunity to share the purchasing risk mapping of the various métiers. This helps purchasers to exercise their duty of care *vis-à-vis* their suppliers and subcontractors, and more generally *vis-à-vis* all supply chains. In particular, in 2021, the enhancement of the CSR component of the Group's purchasing policy was presented to the entire community of purchasers, *i.e.* 120 direct purchasers, during these meetings.

In addition, networks specific to certain supply chains, common to several métiers, have existed since 2019 and meet on average three times a year, and more frequently if necessary. These are the leather, textile, metal and stone purchasing networks. Other networks have been created to address other supply chain categories such as wood and plant-based materials, raw materials in the Perfume & cosmetics métier, and ceramics, enamel, glass and crystal. These meetings provide the opportunity to discuss the risks identified within the chains and steer the action plans to prevent or mitigate these risks.

Since the end of 2018, the development of a training course for purchasers has been ongoing, with the aim of strengthening and structuring the training already existing within the Group. These dedicated sessions are either more general, with detailed CSR components, or more technical on EHS (Environment, Health and Safety), legal compliance and human rights topics:

- ◆ a "Hermès Purchasing Excellence" training course was finalised in early 2021 and is continuing to be rolled out. It lasts three days,

including a full day dedicated to CSR, responsible purchasing and supply chain management;

- ◆ an "Environment, health and safety" training course has also been running since 2020. It addresses purchasers, as a priority, but also everyone who is required to travel to the House's suppliers and subcontractors. In 2023, more than 50 people were trained and the Group now has nearly 260 people trained;
- ◆ a 3.5-hour "GOTS certification" training course was made available to the métiers so that they could understand its inclusion in Hermès' CSR policy and its consequences for partners. This will make it easier to support them and develop their skills in the subject. Some 45 employees who work with textile suppliers were trained in 2023;
- ◆ all buyers other than in the Leather métier were trained in CSR during specific sessions.

As part of the management of its strategic partners, Hermès Horloger has increased the number of suppliers involved in the "supplier relationship management" cycle: bimonthly meetings are organised to strengthen ties with a view to jointly building lasting relationships. Within this framework, the central topics of the purchasing policy are addressed, such as the vision of CSR, financial health and recent investments, as well as the short-, medium- and long-term needs of Hermès Horloger, in order to be able to systematically give its partners a clear vision and thus secure supplies.

As an extension of the Group's supply chain management programmes, Hermès Horloger continued its work on the precise mapping of its value chains: work carried out jointly by the métier's purchasing and CSR teams also served as a basis for identifying environmental and social risks coupled with supply risks in the value chain, in order to define the priority supply chains on which to focus actions and efforts in 2023 and the following years.

In its risk analysis, out of a panel of 145 suppliers and subcontractors, Hermès Horloger analysed 45 suppliers and identified 15 suppliers likely to be monitored more closely over the long term, but no alerts according to the OECD's due diligence principles were identified. Following this analysis, eight audits were carried out (including four diamond cutting plants, Tier 2 suppliers) and a strategic and operational action plan was put in place for 2023.

Furthermore, Hermès continues to conduct buyer training on carbon footprints, with 55 people trained. The objective of these training courses is to better understand the methodology, but above all to be able to explain it to the Group's suppliers in order to help them in their own carbon footprint analyses. In 2023, this training was enriched by a module to help analyse and explain the results and propose action levers to suppliers.



A “Social Issues and Human Rights” training course was rolled out in 2023 and 72 people were trained.

In addition, a “Legal and Compliance” training course is being finalised with the legal department.

### Supplier commitments

From a legal standpoint, Hermès systematically requests a formal commitment from its suppliers to comply with their social, regulatory and environmental obligations through two contractual undertaking handbooks, signed by both parties. These handbooks, which define the contractual relationships, are regularly updated (publication of the new Supplier Code in 2024):

- ♦ handbook 1: defining undertakings with respect to non-disclosure and fair trading;
- ♦ handbook 2: defining undertakings with respect to social, environmental and ethics policies.

These two handbooks are public and available online. They were updated in 2020 to include an email address facilitating the reporting by suppliers of any breaches they witness in terms of ethics.

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

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

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

Purchasers regularly remind their suppliers and subcontractors of the undertakings they have made by signing handbooks 1 and 2. Furthermore, any new supplier is required to sign handbooks 1 and 2 before any partnership can be undertaken, and in particular prior to participating in any call for tenders or listing. In other words, CSR criteria are systematically taken into account in the supplier selection process and their performance in this area is monitored during the contractual period. Similarly, the termination of the supplier relationship could be considered by the Group in the event of a proven breach of Hermès’ CSR requirements. In 2023, 85% of direct purchasing suppliers signed commitment handbooks 1 and 2.

In 2024, handbooks 1 and 2 will be combined in a single document called the “Supplier Code of Conduct” <sup>(1)</sup>.

### Examples of the application of the approach by the métiers

The Cashmere working group finalised the identification of its supply chain issues and rolled out a specific questionnaire to shearers. The first métier audits of the division’s upstream chain were launched in 2023.

The Leather division organised a day for its suppliers in 2023, to share CSR issues and engage them on these topics. On this occasion, 106 people were trained in the Climate Fresco. Similar days dedicated to suppliers on the theme of CSR were organised for buyers in the Women’s ready-to-wear métier, and the Hermès Manufactures de Métaux subsidiary.

Within the Fashion jewellery métier, suppliers are supported in implementing a zero plastics supply chain approach. They are thus made aware of the importance of not including intermediate plastic packaging when sending articles. The Home métier has drawn up a roadmap with its suppliers for all of its textile supply chains in order to manage a transition to 100% certified materials by 2030.

### 2.6.1.5 ALERT MECHANISM AND MONITORING SYSTEM FOR MAJOR ISSUES

The close relationships between Hermès and its suppliers are key to identifying suspicious conduct. On-site visits by purchasers and frequent assessments are important aspects that make it possible to detect any breaches and to alert the Group.

Each métier is responsible for monitoring the issues identified and the proper implementation of corrective actions with suppliers. Similarly, the legal framework of relations with suppliers and subcontractors is regularly updated in light of actual experience. In particular, the conclusions of the audits, which bring together the purchasers and the Group direct purchasing department, offer deep insights solidly anchored in the real circumstances of suppliers and subcontractors.

In accordance with the code of business conduct, any employee who identifies suspicious behaviour in the supply chain is invited to report it internally thanks to the H-Alert! mechanism. Furthermore, in accordance with the French Sapin II law, in the event of a breach or situation contrary to the ethics, social and environmental principles, the Hermès Group has provided its suppliers and subcontractors with a whistleblowing mechanism using a dedicated digital platform.

French law no. 2022-401 of 21 March 2022, which fundamentally amended the Sapin II law, broadens the scope of whistleblowing as well as those people benefitting from whistleblower status.

As a result, the global H-Alert! whistleblowing system was supplemented in 2022, in order to:

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

1. [https://assets-finance.hermes.com/s3fs-public/node/pdf\\_file/2024-02/1706808629/24-01-30-supplier-code-of-conduct-en-final.pdf](https://assets-finance.hermes.com/s3fs-public/node/pdf_file/2024-02/1706808629/24-01-30-supplier-code-of-conduct-en-final.pdf).

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

These alerts are analysed by the legal compliance department and the Group purchasing department. § 2.8.1.3.2 describes in more detail the implementation of this alert system.

### 2.6.1.6 HUMAN RIGHTS IN THE SUPPLY CHAIN

The Hermès craftsmanship model, in which 55% of objects are made in Hermès' exclusive in-house workshops, and 74% in France, relies on a network of suppliers based mainly in Europe, where labour practices are stricter than in other environments. Hermès' exposure to supplier risk is therefore reduced, all the more so as 58% of the top 50 direct suppliers are in France and 40% in other European countries. Just 2% of purchases are made in more distant countries, mainly raw materials (e.g. exotic leathers), and control and monitoring there are extremely strong. The House's practice is to have a close relationship with its suppliers, historically for reasons relating to quality, however this historical mode of operation is now also very useful when it comes to ensuring the quality of ethics, social and environmental practices.

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

- ◆ Hermès' internal and external ethics approach is based on the universal framework established by major international principles. The ethics charter, signed by the Executive Chairman, established in 2009 and updated in 2022, is communicated to all employees. It is available on the intranet and can be accessed by the public on the financial website <sup>(1)</sup>.

As stated in § 2.8, the ethics charter specifies that these principles apply to both Group companies and suppliers. In particular, explicit reference is made to the Universal Declaration of Human Rights, the charter of fundamental rights of the European Union, the charter of fundamental principles of the International Labour Organization, which covers freedom of association, the fight against forced labour, child labour and the fight against discrimination, and the OECD Guidelines. It is also a member of the United Nations Global Compact, which invites companies to adopt, support and implement in their sphere of influence a set of 10 core values (relating to issues involving human rights, labour standards, environment, the fight against corruption), and the UN Guiding Principles on Business and Human Rights, which commit companies to respect human rights and address the negative impacts of their activities;

- ◆ this approach is regularly shared with the teams and through the work of the legal compliance department. It is shared with suppliers during operational exchanges with purchasers, and was formalised in the signing of handbook 2 (§ 2.6.1.4), which is also available to the public online <sup>(2)</sup>.

Monitoring of practices is primarily the responsibility of the métiers and their purchasers, who are in direct contact with suppliers. The topics that are monitored closely include working conditions (hours, health and safety, compensation, right to organise and representation, disciplinary practices), risks of discrimination, forced labour, child labour, and, more broadly, acceptable living conditions (considering the local environment). Industry (for the packaging sector, for example) and geographical discussions are held to help identify the issues more precisely. When a subject is identified, it is discussed with the partner to help it understand why the topic is important to Hermès, examine possible improvement solutions and put in place an action plan as part of a long-term relationship. If this process cannot be put in place, the subject is discussed by the Management Committee of the appropriate métier, the industrial affairs department and the Sustainable Development Committee. the relationship is suspended.

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

### 2.6.2 DEVELOPMENT OF PURCHASES WITH A SOCIAL CONTRIBUTION OR RESPONSIBLE SOCIAL IMPACT

Aware of its societal responsibility and driven by the development of purchases from socially supported organisations both for its direct and indirect purchases, Hermès implements a strategy of developing its responsible purchasing, wishing to extend its societal commitment beyond the strict definition of socially supported organisations.

#### POLICY

The Group is very sensitive to the subject of disability, with an employment rate in excess of 6.8% within its teams in France (see § 2.2.4.5). Moreover, Hermès has long pursued an external policy in favour of people with a disability through partnerships with organisations helping people with disabilities into work (EA <sup>(3)</sup>, ESAT <sup>(4)</sup>) in France. This ambitious purchasing policy with socially supported organisations is based on enabling EA and ESAT workers to exercise a professional activity in an adapted framework that provides a meaningful environment. The legislation changes of the Disability Reform, which set a ceiling for the tax reductions generated by purchases from socially supported organisations, will not threaten this policy, which has been reaffirmed to all players and decision makers.

1. <https://finance.hermes.com/en/>.

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

3. EA – Adapted company.

4. ESAT – Sheltered work establishment.

The ambitious target set in 2017 to increase the use of the socially supported and sheltered organisation sector in France by 20% per year was widely exceeded in 2023, with purchases made growing from €0.7 million at the end of 2017 to €6.7 million at the end of 2023 (vs. €5.2 million in 2022), *i.e.* an increase of nearly 30% compared with last year and a 10-fold increase in six years. Driven by a proactive policy, these purchases are mainly made at the initiative of Hermès Leather Goods & Saddlery and Hermès Group Services.

The Group regularly uses the Hors les Murs initiative, in which EA and/or ESAT workers come and carry out tasks in the workshops. In many métiers (Hermès International, Hermès Group Services, Hermès Leather Goods & Saddlery, Hermès Perfume and Beauty, Hermès Distribution France, etc.), these workers, made available on a daily basis by EAs and ESATs, contribute to various activities (cutting, preparation of orders or meeting rooms, logistics, security, concierge, mail dispatching, etc.). These collaborations provide long-term employment opportunities. For example, at Puiforcat, a partnership with APF Entreprise enabled this structure to provide a person with a disability to assist in the workshops as a controller and assembler,

meeting a need for reinforcements due to growth in the activity. After becoming multi-skilled and having increased her skills, she is now a full-time member of the teams. In addition, specific systems can also enable the structures of the adapted sector to benefit from the organisations set up at Hermès, in the form of a transfer of experience.

Building on this inclusive base, the Group now measures the impact of its purchases in the regions in France, and the results represent a significant impact in terms of social responsibility.

Indirect purchases thus contribute to the development of priority regions. In 2023, these purchases were made from 1,261 SMEs in France (<250 people, revenue <€50 thousand) spread across 236 ESS – social and solidarity enterprises, 367 suppliers located in ZRR (rural revitalisation zones), 628 suppliers located in QPV (priority city neighbourhoods) and 30 ESATs/EAs. In summary, 44% of the amount of value-added social purchases (contributing to the revitalisation of regions as well as organisations helping people with disabilities into work) are made from SMEs.

In total, in France in 2023, 1,856 partners enabled the Group to make purchases with social and environmental added value in the amount of €293 million:

Purchases made from EAs/ESATs	Purchases made from companies in the social and solidarity economy (SSE) sector	Purchases made from suppliers in rural revitalisation areas (ZRR)	Purchases from suppliers located in a priority or revitalised neighbourhood (QPR)
€6.7 million (+30% vs. 2022)	€15 million	€144 million	€127 million

## MEASURES IMPLEMENTED AND RESULTS IN ORGANISATIONS HELPING PEOPLE WITH DISABILITIES INTO WORK

Hermès Maroquinerie-Sellerie's objective is for each internal regional division to develop a partnership with one or more EAs/ESATs in its region. Each partnership is first and foremost a human journey, providing an opportunity to integrate people with disabilities into the teams, drawing on the experience and skills of these structures.

The first step is to have the EA/ESAT partners work locally on the skills they already offer: green spaces, company canteens, renovation of workbenches, small equipment, etc. Once this potential is tapped, a ramp-up of skills is envisaged in the techniques necessary for the manufacture of objects. The ultimate goal is to enable certain EA/ESAT partners to become contract manufacturers to whom the sites could entrust the manufacture of certain small, finished products. These supported long-term partnerships in short make it possible to free up internal production capacity within the leather goods workshops, while allowing the EAs/ESATs to improve their skills and develop their activity.

Undertaken since 1999, the Hermès Leather Goods & Saddlery collaboration with EAs/ESATs on the core métier expanded further in 2023, now representing 133 FTEs spread across nine EA/ESAT partners. In addition, the development of "off-site" secondment missions continued this year by integrating more operations such as the slitting of stiffeners at five partners and trimming operations at two of them. All partners benefit from the growth in activity and machines can also be sold to them for a symbolic €1. For 2024, two partners should be listed, in Montereau and in Normandy. Manufacturers are also supported in starting a stiffener cutting activity with an EA or ESAT near their premises. Lastly, HMS will organise the third Handispensable day in July 2024, an internal event that brings together the various entities of the Group and their partners in organisations helping people with disabilities into work, to share their skills and experience and encourage the use of responsible purchasing.



The other major player in the collaboration with EAs/ESATs is Hermès Group Services, which for the third consecutive year exceeded the threshold of €1 million in purchases from EAs/ESATs. By structurally integrating into each call for tenders an inclusive clause on purchases from socially supported organisations and the sheltered sector, and regularly setting up tripartite co-contracting contracts, they have developed numerous opportunities for collaboration with socially supported organisations: cleaning of premises, waste management, concierge service at the Faubourg premises, in-store packaging management, reception at the switchboard, management of meeting rooms, maintenance of green spaces, postage, inter-site shuttles, premises maintenance, etc. The growth in partnerships is aligned with that of the Group. In addition, the teams of Café Joyeux, a company that employs people with disabilities, work in the tea rooms and cafeterias.

Hermès Perfume and Beauty continued its partnership with an ESAT in addition to the packaging partnership that had been in place for several years, with support from Hermès for the implementation of an “RAE” (Recognition of skills Acquired through Experience) system, the provision by Hermès Parfum of a conveyor belt within their establishment so that ESAT employees can learn to adapt to working at a steady pace and finally welcoming a small team from the ESAT within the premises of Hermès Perfumes directly on our packaging lines.

Lastly, Hermès Commercial has developed a collaboration with three EAs/EATs/ ESATs over several years. At the logistics department in Bobigny, three workers are currently seconded to the site by APF (Association des Paralysés de France) to work as logistics operators and an administrative assistant. Building on this successful experience, a team of two people was also recently deployed within the exceptional sales department to prepare products for donations to associations or recycling (§ 2.4.1.2.4). Some of these collaborations have resulted in hires.