

In accordance with the AFEP/MEDEF Corporate Governance Code HERMES INTERNATIONAL discloses information on all elements of the compensation of its Executive Chairmen, present or deferred.

• **COMPENSATION AND BENEFITS IN KIND**

Principles

Article 17 of the Articles of Association provides for each Executive Chairman to receive certain compensation, together with a possible additional compensation, the maximum amount of which is determined by the Shareholders' Ordinary General Meeting with the unanimous approval of the active partners. The active partner decides each year the effective compensation accorded to the Executive Chairmen within the limits of these ceilings. The active partner relies on the recommendations made by the Compensation, Appointments and Governance Committee and takes notably into account the Group's achievements for the previous financial year, the strategic issues for the its development with a medium to long term perspective and the competitive environment the Group evolves in.

1. **The fixed compensation** - or additional compensation under the Articles of Association - the Ordinary General Meeting of 31 May 2001 decided to allocate additional compensation subject to a ceiling of €457,347.05 at that time. This ceiling, which can only be adjusted upwards, is indexed each year to growth in the Company's consolidated revenue for the previous financial year at constant exchange rates and on the same scope of consolidation, by comparison with revenue for the before to last financial year (which amounts to €2,178,417 for 2017). In compliance with this principle and in order to facilitate the understanding of the additional compensation calculation, before indexation of the Executive Chairmen, the Company has always called the additional compensation a "fixed compensation", by analogy with the market practices.
2. The calculation method of **the variable compensation** – or statutory compensation – under article 17 of the Articles of Association has remained constant since its initial public offering on 3 June 1993. It is capped at 0.20% of the Group's consolidated income before tax in the previous financial year (which amounts to €3,319,259 for 2017). This determination method naturally and transparently leads to a strict variability of the statutory compensation of Executive Chairmen without guarantying any minimum amount. For the sake of clarity, the statutory compensation provided by the Articles is called "variable compensation", by analogy with the market practices.

The evolution of the two components of the Executive Chairmen's compensation is based on objective and intelligible quantitative criteria, unaltered for many years, that are public and by nature predefined.

2017 Compensation and benefits in kind

At its meeting of 20 March 2017, the Management Board of Emile Hermès SARL decided to set the Executive Chairmen's compensation for 2017 as follows:

	<i>Fixed compensation (additional compensation) Gross annual amount</i>	<i>Variable compensation (compensation provided by the Articles) Gross annual amount</i>
Company Emile Hermès SARL	€500,000	€756,409
Mr. Axel DUMAS	€1,354,303	€1,420,353

The Management Board wished to strictly apply to the compensation of the Executive Chairman natural person, the principle of variability contained in the provisions of the Articles presented above.

Therefore, in compliance with these principles, it decided to make changes to the compensation of Axel DUMAS in 2017 by strictly applying the variation seen between 2015 and 2016 on the two objective quantitative

criteria that have served as reference for the Chairmen compensation for many years (under Article 17 of the Articles of Association), namely – the consolidated income before tax and the consolidated revenues of the company.

As for Emile Hermès SARL, Executive Chairman legal person, the Management Board decided to limit its compensation to the above indicated amounts.

It is recalled that the two Executive Chairmen do not receive any multi-year variable compensation.

Mr. Axel DUMAS receives benefits in kind: representation.

At the meeting of the Supervisory Board on 21 March 2017, the Compensation, Appointments and Governance Committee stated that it had ascertained that the Executive Chairmen compensation was compliant with the Company's Articles of Association and with the decisions of the active partner.

• OTHER COMPONENTS OF COMPENSATION

Pension plan

Defined-contribution pension scheme (art 83)

Mr. Axel DUMAS is eligible for the top-up defined-contribution pension scheme set up for the benefit of all employees of the Group's French companies that have joined the scheme (Decision of the Supervisory Board of 4 June 2013, approved by the Ordinary General Meeting of 3 June 2014 – 5th resolution - pursuant to Article L 225-40 of the French Commercial Code).

Defined-benefit pension scheme (art 39)

Mr. Axel DUMAS is also eligible for the top-up pension scheme set up in 1991 for the benefit of the company managers (Decision of the Supervisory Board of 4 June 2013, approved by the Ordinary General Meeting of 3 June 2014 – 5th resolution - pursuant to Article L 225-40 of the French Commercial Code).

This pension scheme requires notably as a mandatory precondition that beneficiaries must have reached the end of their professional career with the company, have at least 10 years seniority and be eligible to draw pension benefits under the basic state compulsory old-age Social Security regime. Assuming all conditions for eligibility are fulfilled, the annual pension of this scheme is calculated on the basis of the average of the final three amounts of annual compensation, and may not exceed an amount of 8 times the annual Social Security ceiling.

Deferred compensation obligations

The Company has agreed to pay Mr. Axel DUMAS an amount equal to 24 months' total compensation (the sum of his statutory and additional compensations provided by the Articles of Association), should his appointment as an Executive Chairman be terminated (Decision of Supervisory Board of 4 June 2013 approved by the Ordinary General Meeting of 3 June 2014 in a specific resolution – the 10th resolution –pursuant to article L 225-42-1 of the French Commercial Code).

Options to subscribe for and to purchase shares - Bonus shares

Neither share options (either over newly issued or existing shares) nor free shares were granted to the Chairmen in 2016.

The Company's corporate governance practices and all components of the Executive Chairmen's compensation in 2016 will be set out in detail in the Company's 2016 *Registration Document*.