



HERMÈS

2017 REGISTRATION DOCUMENT

EXTRACTS FROM THE REGISTRATION DOCUMENT

The following page numbers are those of the 2017 Registration document

8.2 PURPOSE AND DRAFT RESOLUTIONS

Resolutions submitted to the Combined General Meeting of 5 June 2018 for approval.

8.2.1 ORDINARY BUSINESS

FIRST, SECOND AND THIRD RESOLUTIONS: APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS (PARENT COMPANY AND CONSOLIDATED) – EXECUTIVE MANAGEMENT DISCHARGE

Purpose

For the first, second and third resolutions, we ask you to approve:

- ◆ the parent company financial statements for financial year 2017, which show net profits of €778,260,902.57, and the expenses and charges mentioned in Article 39-4 of the French General Tax Code (*Code général des impôts*);
- ◆ the consolidated financial statements for financial year 2017;
- ◆ discharge of Executive Management of its management for said financial year.

You will find:

- ◆ the consolidated financial statements pages 191 et seq.;
- ◆ the parent company financial statements pages 247 et seq.;
- ◆ the Statutory Auditors' reports on the parent company financial statements and consolidated financial statements on pages 241 and 275.

First resolution:

Approval of the parent company financial statements

The General Meeting, acting with the quorum and majority requirements for Ordinary General Meetings, having considered the report of the Executive Management regarding the activity and situation of the Company, the report by the Supervisory Board and the Statutory Auditors' report for the financial year ended 31 December 2017, approved as they were presented the parent company financial statements for said financial year, including the statement of financial position, statement of profit or loss, and notes, which show a net profit of €778,260,902.57, as well as the transactions reflected in these accounts or described in these reports.

Pursuant to Article 223 quater of the French General Tax Code (*Code général des impôts*), the meeting approves the expenses and charges mentioned in Article 39-4 of the French General Tax Code (*Code général des impôts*), which amounted in the financial year 2017 to €220,385, which generated an estimated tax expense of €73,388.

Second resolution:

Approval of the consolidated financial statements

The General Meeting, acting with the quorum and majority requirements for Ordinary General Meetings, having considered the report of the Executive Management regarding the activity and situation of the Group, the report by the Supervisory Board and the Statutory Auditors' report for the financial year ended 31 December 2017, approved as they were presented the consolidated financial statements for said financial year, including the statement of financial position, statement of profit or loss, and notes, which show a consolidated net profit of €1,225.8 million, as well as the transactions reflected in these accounts or described in these reports.

Third resolution:

Executive Management Discharge

The General Meeting, acting with the quorum and majority requirements for Ordinary General Meetings, gives discharge to the Executive Management for its management for the financial year beginning 1 January 2017 and ended 31 December 2017.

FOURTH RESOLUTION: ALLOCATION OF NET INCOME – DISTRIBUTION OF AN ORDINARY DIVIDEND

Purpose

In the fourth resolution, we submit for approval the appropriation of net income for the year, in the amount of €778,260,902.57. Of this amount, €239,560 is to be appropriated to the reserve for purchasing original works of art and €5,214,348.05 is to be distributed to the Active Partner, as stipulated in the Articles of Association.

We invite you to allocate additional reserves of €200,000,000. The Supervisory Board recommends that the ordinary dividend be fixed at €4.10 per share. This represents an increase of 9.3% in the ordinary dividend compared with the previous year.

Moreover you are asked to decide on an exceptional dividend of €5.00 per share, to distribute part of the large amount of cash available (more than €3 billion).

For the shareholder beneficiaries who are natural persons fiscally domiciled in France, this entire dividend will be subject to a single standard tax withholding at the overall rate of 30%.

This latter will consist in the application of tax on the income subject to an interim payment (partial standard withholding) withheld at source at a single rate of 12.8% of the gross amount of revenue to which will be added social security withholding of 17.2%.

This standard taxation at the single rate of 12.8% will be automatically applicable except for an overall option for the progressive scale, allowing to benefit from the 40% tax allowance.

Pursuant to Article 119 *bis* of the French General Tax Code (*Code général des impôts*), the dividend distributed to a shareholder who was not a fiscal resident in France is subject to withholding at source at the rate specified in Article 187 of the French General Tax Code (*Code général des impôts*), possibly reducing application of the tax agreement concluded between France and the government of the beneficiary's fiscal residence.

An interim dividend payment of €1.50 per share having been paid on 22 February 2018, the balance of the ordinary dividend, €2.60 per share, to which will be added the exceptional dividend of €5.00, for a total of €7.60 per share to pay, would be detached from the share on 7 June 2018 and payable in cash on 11 June 2018 on based on closing the positions approved on 8 June 2018 at the end of the day. As Hermès International is not entitled to receive dividends for shares held in treasury, the corresponding sums will be transferred to "Retained earnings" on the date the dividend becomes payable.

The gross dividend per share paid in respect of each of the three previous financial years is as follows:

In euros	Exercice		
	2016	2015	2014
Ordinary dividend	3.75	3.35	2.95
Extraordinary dividend	-	-	5.00
Amount eligible for the reduction provided by Article 158-3 of the French General Tax Code (<i>Code général des impôts</i>)	1.50	1.34	3.18

We note that the five-year summary of the Company's financial data required under Article R. 225-102 of the French Commercial Code (*Code de commerce*) is presented on page 274.

Fourth resolution:**Allocation of net income – Distribution of an ordinary dividend and an exceptional dividend**

The General Meeting, acting under the quorum and majority requirements applicable to Ordinary General Meetings, noting that the profit for the year amounted to €778,260,902.57 and that the earlier retained earnings again amount to €1,546,724,085.90, and after noting that the legal reserve is provided in full, approves the allocation of these amounts, representing a distributable profit in the amount of €2,324,984,988.47, as proposed by the Supervisory Board, namely:

- ♦ to the reserve for purchasing original works of art, in the amount of €239,560;
- ♦ to the Active Partner, pursuant to Article 26 of the Company's Articles of Association, in the amount of €5,214,348.05;
- ♦ to shareholders, as an "ordinary" dividend of €4.10 per share, in the amount of €432,834,589.20¹;
- ♦ to shareholders, as an "extraordinary" dividend of €5.00 per share, i.e.: €527,847,060.00¹;

1. The total amount of the distribution referred to above is calculated on the basis of the number of shares outstanding as of 31 December 2017, being 105,569,412 shares, and may vary if the number of shares granting rights to a dividend changes between 1 January 2018 and the ex-dividend date, depending in particular on the changes in the number of treasury shares which are not entitled to the dividend in accordance with the provisions of Article L. 225-210 paragraph 4 of the French Commercial Code (*Code de commerce*) and the final allocations of bonus shares, eligible for the dividend.

- ◆ to other reserves in the amount of €200,000,000;
- ◆ to the “Retained earnings” item the balance, in the amount of €1,158,849,431.22;
- ◆ **all together** totalling €2,324,984,988.47.

The Ordinary General Meeting resolves that the remainder of the ordinary dividend for the year (which amounts to €1.50 per share after payment on 22 February 2018), that is €2.60 per share, to which will be added the exceptional dividend of €5.00 per share, that is a total amount of €7.60 per share, will be detached from the share on 7 June 2018 and payable in cash on 11 June 2018 based on closing positions on 8 June 2018 at the end of the day.

As Hermès International is not entitled to receive dividends for shares held in treasury, the corresponding sums will be transferred to “Retained earnings” on the date the dividend becomes payable.

For the shareholder beneficiaries who are natural persons fiscally domiciled in France, this entire dividend will be subject to a standard tax withholding at the overall rate of 30%.

In accordance with the provisions of Article 47 of law no. 65.566 of 12 July 1965, the General Meeting duly notes that dividends distributed to the shareholders in respect of the three previous financial years were as follows:

<i>In euros</i>	Financial year		
	2016	2015	2014
Ordinary dividend	3.75	3.35	2.95
Extraordinary dividend	-	-	5.00
Amount eligible for the reduction provided by Article 158-3 of the French General Tax Code (<i>Code général des impôts</i>)	1.50	1.34	3.18

This latter will consist in the application of income tax subject to partial payment (called partial standard withholding tax) withheld at source at the flat rate of 12.8% of gross revenue to which will be added the social security withholding of 17.2%.

This standard taxation at the single rate of 12.8% will be automatically applicable except for an overall option for the progressive scale, allowing to benefit from the 40% tax allowance.

Pursuant to Article 119 *bis* of the French General Tax Code (*Code général des impôts*), the dividend distributed to a shareholder who is not a fiscal resident in France is subject to withholding at source at the rate specified in Article 187 of the General Tax Code (*Code général des impôts*), possibly reduced in application of the tax agreement concluded between France and the government of the beneficiary’s fiscal residence.

FIFTH RESOLUTION: APPROVAL OF RELATED-PARTY AGREEMENTS AND COMMITMENTS

Purpose

By the Fifth resolution, we ask you to approve the new agreements and commitments referred to in Articles L. 226-10, L. 225-38 to L. 225-43 of the French Commercial (*Code de commerce*), that alone are submitted to the vote of the meeting:

Agreements and commitments authorised during the year ended – motivations**1) Riders for the renewal of brand-name licensing contracts maturing at 31 December 2016, whose objective is the following:**

- to transform these agreements into agreements of unlimited duration with the possibility for each party to terminate them at any time on condition of a written advance notice of at least one year; and
- to update the list of brand names under that license to include the new brand names that have been registered since the last ones.

The brand name licensing contracts between Hermès International and the interested persons bearing the brand names “HERMES” as well as all other brand names used by these companies expired on 31 December 2016: it was necessary to renew them, and the amendment of these licenses into agreements with unlimited duration did not have financial impacts.

2) Agreement between Hermès International and the company MOCE (brand “EatMe”) for the provision of fast food restaurant services on the website Hermès International located at 12 rue d’Anjou (75008)

As part of a public tender process, Hermès put several fast food service providers into competition. MOCE was selected in view of its commercial offering. This latter did not present any fixed expenses and specified planning the space in harmony with the building.

3) The signing of a new framework agreement with the architectural firm RDAI to define the scope of the RDAI mission for the exclusive application of the architectural Concept in the Hermès projects

The objective of the Concept created by RDAI is to allow a qualitative and easy identification of the stores and sales points distributing Hermès products throughout the world.

This new agreement aims to integrate the changes in the organisation of Hermès (DDI, purchasing policy, digital), to specify the obligations and roles of the parties and adjust the conditions of execution to the realities of the Hermès projects.

Analysis of the renegotiated agreement allows to conclude that the changes made are, essentially, for Hermès International, both concerning the obligations of RDAI as well as its remuneration.

Agreements and commitments authorised in prior years

The agreements and commitments established and authorised during previous financial years whose performance continued during the last financial year are described in the Statutory Auditors’ special report on the agreements and commitments referred to in Articles L. 226-10, L. 225-38 and L. 225-43 of the French Commercial Code (*Code de commerce*). Because they were already approved by the General Meeting, they are not being resubmitted to you for a vote.

This report is shown on pages 341 to 344.

Fifth resolution:**Approval of related-party agreements and commitments**

The General Meeting, acting under the quorum and majority requirements applicable to Ordinary General Meetings, having reviewed the Statutory Auditors’ special report on the agreements and commitments pertaining to the combined provisions of Articles L. 226-10, L. 225-38

to L. 225-43 of the French Commercial Code (*Code de commerce*), approves the aforementioned report in all its provisions as well as the agreements, commitments and transactions set out, entered into and performed during financial year 2017.

SIXTH RESOLUTION: AUTHORISATION OF COMPANY BUYBACK OF TREASURY SHARES

Purpose

For the sixth resolution, we ask you to renew the authorisation granted to the Executive Management to trade in the Company's shares.

Objectives

The shares may be repurchased to be allocated to the objectives permitted by regulation (EU) 596/2014 of 16 April 2014 on market abuse (MAR):

- ♦ objectives provided for in Article 5 of MAR: capital decrease, hedging of debt securities exchangeable for shares and coverage of employee shareholding plans;
- ♦ objectives provided for in Article 13 of MAR and under the sole market practice now accepted by the Financial Markets Authority (AMF): the implementation of a liquidity contract by an investment service provider acting independently;
- ♦ other objectives: acquisitions, hedging of equity securities exchangeable for shares and more generally to allocate them for the completion of any transactions in accordance with the regulations in force.

Limits of the authorisation:

- ♦ purchases and sales of shares representing up to 10% of the share capital would be authorised, i.e. for indicative purposes as of 31 December 2017: 10,556,941;
- ♦ the maximum purchase price (excluding costs) would be set at €650 per share;
- ♦ the maximum amount of funds to be committed would be set at €1,500 million. On the day of the General Meeting, treasury shares are not taken into account in this maximum amount;
- ♦ pursuant to the law, the total number of shares held at a given date may not exceed 10% of the share capital as of that date.

Duration of the authorisation

This authorisation would be valid for 18 months from the date of the General Meeting.

Sixth resolution:

Authorisation granted to the Executive Management to trade in the Company's shares

The General Meeting, acting under the quorum and majority requirements applicable to Ordinary General Meetings, having reviewed the Executive Management's report:

1) authorises the Executive Management, with the option to sub-delegate, under the terms and conditions set by the law, in accordance with the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code (*Code de commerce*) and regulation (EU) 596/2014 of 16 April 2014 on market abuse (MAR), to buy Company shares or have Company shares bought within the limits stipulated by legal and regulatory provisions, provided that:

- the number of shares purchased by the Company during the term of the buyback programme shall not exceed 10% of the total number of shares in the Company, at any time; this percentage shall apply to share capital adjusted as a function of transactions that will affect it subsequent to this General Meeting; in accordance with the provisions of Article L. 225-209 of the French Commercial Code (*Code de commerce*), the number of shares used as a basis for calculating the 10% limit is the number of shares bought, less the number of shares sold during the term of the authorisation if these shares were purchased to provide liquidity under the conditions defined by the AMF General Regulation, and

- the Company will not at any time own more than 10% of its capital on the date in question;

2) resolves that the shares may be acquired with a view to:

- objectives provided for in Article 5 of MAR:
- cancelling all or part of the shares bought back in order to increase the return on equity and earnings per share, and/or to neutralise the dilutive impact of capital increases for shareholders, wherein such purpose is contingent upon adoption of a special resolution by the Extraordinary General Meeting,
- reusing during the exercise of rights associated with debt securities giving entitlement by conversion, exercise, redemption, exchange, presentation of a warrant or in any other way, for the allocation of Company shares,
- allotting or selling the shares to employees and Corporate Officers of the Company or a Group company, under the terms and conditions stipulated by law, as part of stock option plans (in accordance with Articles L. 225-179 *et seq.* of the French Commercial Code (*Code de commerce*)), or bonus share distributions (in accordance with Articles L. 225-197-1 *et seq.* of the French Commercial Code (*Code de commerce*)), or with respect to their participation in the Company's profit-sharing or through a share ownership plan or a company or group savings plan (or similar plan) under conditions provided by law, in particular Articles L. 3332-1 *et seq.* of the French Labour Code (*Code du travail*),

- objectives provided for in Article 13 of MAR and under the sole market practice now accepted by the Financial Markets Authority (AMF):
 - ensuring the promotion of a secondary market or the liquidity of the shares through an investment service provider acting independently under a liquidity contract in accordance with an ethics charter recognised by the Financial Markets Authority (AMF),
- other objectives:
 - retaining the shares, in order subsequently to transfer the shares in payment, in exchange or as other consideration for a takeover bid initiated by the Company, it being specified that the number of shares purchased by the Company in view of retaining them and subsequently delivering them in payment or exchange under the terms of a merger, demerger or contribution shall not exceed 5% of the share capital,
 - reusing during the exercise of rights associated with equity securities giving entitlement by conversion, exercise, redemption, exchange, presentation of a warrant or in any other way, for the allocation of Company shares,
 - and more generally to allocate them to the completion of any transactions in accordance with the applicable regulations.

This programme is also intended to enable the Company to operate toward any other purpose that may be decided, by law or regulations, including any market practice that may be approved by the Financial Markets Authority (AMF) subsequent to this General Meeting.

In such case, the Company would inform its shareholders by publishing a special notice:

- 3) resolves that, except for shares acquired under share purchase plans for the company's employees or Corporate Officers, the purchase price per share shall be no higher than six hundred and fifty euros (€650), excluding expenses;
- 4) resolves, however, that the Executive Management may adjust the aforementioned purchase price in the event of a change in the par value per share; a capital increase by capitalisation of reserves; a bonus share distribution; a stock split or reverse split; a write-off or reduction of the share capital; distribution of reserves or other assets; and any other transactions applying to equity, to take into account the effect of such transactions on the value of the shares;

- 5) resolves that the maximum amount of funds that may be committed to this share purchase programme cannot exceed 1 billion five hundred million euros (€1,500 million);
- 6) resolves that the shares may be purchased by any means, including all or part of interventions on regulated markets, multilateral trading systems, with systematic internalisers or OTC, including block purchases of securities (without limiting the portion of the buyback programme carried out by this means), by public offering to purchase or exchange or the use of options or derivatives (in compliance with legal and regulatory requirements while applicable), excluding the sale of put options, and at the time that the Executive Management deems appropriate, including during a public offering for the shares of the Company, in accordance with stock market regulations, either directly or indirectly via an investment services provider. The shares acquired pursuant to this authorisation may be retained, sold, or, more generally, transferred by any means, including by block sales and during times of public offerings;
- 7) grants full authority to Executive Management to implement this delegation, and in particular:
 - to decide and carry out the actual transactions enumerated by this authorisation; to determine the terms, conditions and procedures applicable thereto,
 - to place all orders, either on or off market,
 - to adjust the purchase price of the shares to take into account the effect of the aforementioned transactions on the value of the share,
 - to allocate or re-assign the acquired shares to the various objectives pursued under the applicable legal and regulatory conditions,
 - to enter into all agreements, in particular for purposes of maintaining the stock transfer ledgers,
 - to file all necessary reports with the Financial Markets Authority (AMF) and any other relevant authority,
 - to undertake all necessary formalities, and
 - to generally carry out all necessary measures;
- 8) resolves that this authorisation is granted for a period of 18 months as of this meeting.

For the remaining period and not exceeding the unused portion, this authorisation supersedes the authorisation granted by the Combined General Meeting of 31 May 2016 in its twelfth resolution (authorisation of Company buyback of treasury shares).

SEVENTH AND EIGHTH RESOLUTIONS: NOTICE OF COMPENSATION ELEMENTS DUE OR AWARDED TO THE EXECUTIVE CHAIRMEN FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Purpose

The provisions of law no. 2016-1691 on transparency, anti-corruption and modernisation of the economy, of 9 December 2016 (the “Sapin II law”), including Articles L. 225-37-2 and L. 225-82-2 of the French Commercial Code, concerning the approval at the General Meeting of Shareholders of the principles and criteria for determining, distribution and allocation of fixed, variable and exceptional portions of compensation for Executive Corporate Officers (*ex-ante* vote), and subsequent approval of the amounts of compensation paid or allocated under these principles (*ex-post* vote) to executive and non-Executive Corporate Officers, do not apply to *sociétés en commandite par actions* (partnerships limited by shares) under Article L. 226-1 of the same Code which explicitly rules them out.

However, we will continue to comply with the AFEP-MEDEF corporate governance code (revised in November 2016) by submitting managers' compensation to an *ex-post* vote.

We remind you that the principles for setting the Executive Chairmen's compensation are outlined and capped in Article 17 of the Articles of Association as follows: each Executive Chairman is entitled to statutory compensation and, potentially, additional compensation, the maximum amount of which is set by the Ordinary General Meeting with the unanimous approval of the Active Partners. Within the limits of these ceilings, and taking notably into consideration the Group's performance for the past financial year, the Group's medium- and long-term strategic development challenges and the competitive environment in which it operates, on the recommendation of the CAG, the Active Partner decides each year on the actual compensation of each Executive Chairman:

1. fixed compensation (or additional compensation) was initially set by a decision of the Ordinary General Meeting of 31 May 2001, which limited it to €457,347.05 and specified indexing, upwards only, on the increase in the consolidated revenue for the previous financial year at constant exchange rates and on the same scope of consolidation, by comparison with revenue for the next to last financial year. In accordance with the principle thus determined and to facilitate understanding of the procedures for calculating the additional compensation of Executive Chairmen before indexing, the Company has always called it “fixed compensation”, by analogy with market practices;
2. the method for calculating variable compensation (or statutory compensation) stipulated in Article 17 of the Articles of Association has remained unchanged since it was introduced. It is capped at 0.20% of the Group's consolidated income before tax in the previous financial year. This calculation method naturally results in variability in this component of compensation of Executive Chairmen, and is transparent and does not guarantee a minimum amount. With an objective of clarity, the statutory compensation of Executive Chairmen is known as “variable compensation”, by analogy with market practices.

Changes to the two components of the compensation of Executive Chairmen depend upon objective and comprehensible quantitative criteria that have not changed for many years and that are public and predefined by nature. As per Article 26 of the Articles of Association, the Company pays Émile Hermès SARL, in its capacity as Active Partner, an amount equal to 0.67% of the distributable profit (being in 2017 – under the 2016 financial year – €7,311,168.66). However, this is not an executive compensation.

For the seventh and eighth resolutions, we propose issuing a favourable opinion on the elements of compensation due or awarded to the Executive Chairmen for the 2017 financial year presented in the two tables below. These resolutions, which constitute an *ex-post* vote, are proposed in accordance with Article 26.2 of the AFEP-MEDEF Corporate Governance Code (revised in November 2016).

It did not seem relevant for us to propose to you a vote on the compensation of the Chairman of the Supervisory Board insofar as he:

- ◆ receives fixed compensation of €140,000 as set out in the Supervisory Board's rules of procedure, deducted from the total amount of directors' fees approved by the General Meeting;
- ◆ receives no other compensation of any kind whatsoever.

You have previously been made aware of this information.

Elements of compensation	Amount or value accounted for in euros	Presentation
Seventh resolution: Mr Axel Dumas		
In accordance with Article 17 of the Articles of Association, each Executive Chairman is entitled to statutory compensation and, potentially, additional compensation, of which the maximum amount is set by the Ordinary General Meeting, with the unanimous approval of the Active Partners. Changes to the two components of the compensation of Executive Chairmen depend upon objective and comprehensible quantitative criteria that have not changed for several years and that are public and predefined by nature.		
Gross annual fixed compensation (or "additional" compensation according to the Articles of Association)	From 1 January to 31 December 2017: €1,354,303 ♦ Of which fixed component: €1,261,019 ♦ Of which the portion indexed on the increase in revenue: €93,284	The General Meeting of 31 May 2001 decided to allocate to each Executive Chairman gross annual compensation in addition to their statutory compensation, subject to a limit of €457,347.05. This limit is indexed each year, but it can only be adjusted upwards. Since 1 January 2002, this amount has been indexed 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 next to last financial year (€2,178,417 for 2017). Within the limits defined above, the Executive Management Board of Émile Hermès SARL, Active Partner, sets the effective amount of the annual additional compensation payable to each Executive Chairman. The additional compensation of Mr Axel Dumas paid in 2017 was set by the Executive Management Board on 20 March 2017.
Gross annual variable compensation (or "statutory" compensation according to the Articles of Association)	From 1 January to 31 December 2017: €1,420,353	The gross annual compensation of each Executive Chairman for a given year, as authorised by the Articles of Association, shall not be more than 0.20% of the Company's consolidated income before tax (€3,319,259 for 2017) for the previous financial year. Within the maximum amounts set forth herein, the Executive Management Board of the Active Partner Émile Hermès SARL shall determine the effective amount of the annual compensation of each Executive Chairman. Thus, no minimum statutory compensation is guaranteed for Executive Chairmen. The statutory compensation for Mr Axel Dumas paid in 2017 was set by the Executive Management Board on 20 March 2017.
Deferred variable compensation	Not applicable	The principle of the allocation of a deferred variable compensation is not provided.
Multi-year variable compensation	Not applicable	No multi-year compensation arrangement was implemented in 2017.
Exceptional compensation	Not applicable	The principle of such compensation is not provided.
Stock options, options on performance shares or any other type of long-term compensation (IFRS valuation at the date of allocation)	Stock options: n/a Performance-based shares: n/a Other items: n/a	No plan for stock options or performance-based shares benefiting the Executive Chairmen has been implemented during the 2017 financial year.
Compensation for assumption of duties	Not applicable	No such commitment exists.
Severance payment	€0	The Company has pledged to pay Mr Axel Dumas compensation in an amount equal to 24 months of total compensation (statutory compensation and additional compensation) in case of termination of his Executive Chairman functions (decision taken by the Supervisory Board on 4 June 2013 and approved by the General Meeting of 3 June 2014 – tenth resolution "approval of the commitments due to Mr Axel Dumas on termination of his appointment as Executive Chairman" – pursuant to Article L. 225-42-1 of the French Commercial Code (Code de commerce). The payment of a severance payment is subject to the subsequent termination of duties as Executive Chairman resulting: ♦ either from a decision taken by Mr Axel Dumas by reason of a change of control over the Company, a change in the Executive Chairman of Émile Hermès SARL, which is an Executive Chairman of the Company, or a change in the Company's strategy; or ♦ from a decision taken by the Company. Moreover, the payment of such compensation is also subject to the following performance conditions, so that the conditions of his departure are in equilibrium with the situation of the Company: achieving budget targets in at least four out of the five previous years (with revenue and operating income growth measured at constant rates), without deterioration in the Hermès brand and corporate image. The Supervisory Board has considered that the deferred compensation commitment to Mr Axel Dumas meets the requirements of the AFEP-MEDEF Corporate Governance Code.

Elements of compensation	Amount or value accounted for in euros	Presentation
Non-competition payment	Not applicable	Mr Axel Dumas is not subject to any non-competition agreement, therefore no compensation is made in this category.
Supplementary pension plan	<p><i>With respect to Article 83:</i> No payment</p> <p><i>With respect to Article 39:</i> No payment</p>	<p><i>Defined-contribution pension plan (Article 83 of the French General Tax Code)</i> Mr Axel Dumas is eligible for the supplementary defined-contribution pension plan established for all employees of Hermès' French companies that have joined it (June 2013 decision by the Supervisory Board approved by the General Meeting of 3 June 2014 – fifth resolution “approval of related-party agreements and commitments” – in accordance with Article L. 225-40 of the French Commercial Code (Code de commerce).</p> <p>As with all employees of the Group:</p> <ul style="list-style-type: none"> ♦ the defined-contribution pension plan is financed as follows: 1.1% for the reference compensation for an amount of 1x the annual social security ceiling (PASS), 3.3% for the reference compensation between 1x and 2x PASS inclusive, and 5.5% on the reference compensation between 2x and 6x PASS inclusive. Reference compensation means the gross annual compensation in accordance with Article L. 242-1 of the French Social Security Code (Code de la sécurité sociale); ♦ these premiums are shared between the company (90.91%) and the beneficiary (9.09%); ♦ the employer premiums are deductible from the taxable basis of the companies, subject to the Social Security payment at the rate of 20% and excluding the basis of the Social Security premiums within the higher of the two following values: 5% of the PASS or 5% of the compensation applied within the limit of 5 PASS. <p>For information, if Mr Axel Dumas had been able to liquidate his retirement entitlements on 31 December 2017, the estimated maximum gross amount of annual pension under the defined-contribution pension plan would be €3,164.</p> <p><i>Defined-benefit pension plan (Art. 39 of the French General Tax Code (Code général des impôts) – Article L. 137-11 of the French Social Security Code (Code de la sécurité sociale))</i> Mr Axel Dumas is also eligible for the supplementary pension plan established in 1991 for Company Senior Executives (4 June 2013 decision by the Supervisory Board, approved by the General Meeting of 3 June 2014 – fifth resolution “approval of related-party agreements and commitments” – in accordance with Article L. 225-40 of the French Commercial Code (Code de commerce)).</p> <p>This pension plan is not closed. It is financed by the Company through a contract with an outside insurance company, and premiums paid to this company are deductible from the corporate tax base. They are also subject to the employer's contribution to premiums at the rate of 24%. In addition, if applicable, provisions are included in the financial statements.</p> <p>As a fundamental condition of the pension regulations, in order to be eligible for the scheme, beneficiaries must have reached the end of their professional career with the Company, have at least ten years of seniority, and be eligible to draw pension benefits under the basic French social security regime.</p> <p>If all eligibility requirements are met, the annual pension under this plan, in accordance with the rules of the plan, would depend on:</p> <ul style="list-style-type: none"> ♦ the average yearly compensation for the last three years; ♦ a percentage depending on seniority and, in all cases, less than 3%. <p>Finally, the pension thus determined shall in no case exceed the amount of 8x the annual social security ceiling.</p> <p>For information, if Mr Axel Dumas had been able to liquidate his entitlements on 31 December 2017, the estimated maximum gross amount of the annual pension under the defined-benefit pension plans would be €41,853.</p>
Directors' fees	Not applicable	Executive Chairmen do not receive directors' fees, neither from the Company nor from its subsidiaries.
Valuation of benefits of any kind	€125	Mr Axel Dumas is eligible for a representation policy constituting his only benefit in kind. Mr Axel Dumas benefits from the collective and obligatory medical expenses plan, implemented by the Group for the benefit of all staff of entities in France who have adhered to this plan (decision made by the Supervisory Board on 19 March 2014).

Elements of compensation	Amount or value accounted for in euros	Presentation
Death and disability plan		<p>Mr Axel Dumas is eligible for the death and disability plan established by the Group for the benefit of all staff (AGIRC affiliated) of the entities in France that have joined this plan (decision taken by the Supervisory Board on 19 March 2014).</p> <p>It provides, as is the case for all employees, the following gross lifetime benefits:</p> <ul style="list-style-type: none"> (i) a disability pension at 51% of base compensation in case of Category 1 disability and 85% of base compensation in case of Category 2 or 3 disabilities. The base compensation (gross annual compensation) is limited to 8x the annual social security ceiling. The payment of the disability pension is discontinued when the recipient in question is no longer categorised as having a disability or permanent impairment and, at the latest, the day of the normal or early liquidation of the old age insurance pension from a compulsory retirement plan, for any reason whatsoever; (ii) a death benefit equal to a maximum of 380% of the reference compensation, capped at 8x PASS, depending on the family situation; (iii) contributions to the insurance funds are distributed between the Company (1.54% for tranche A, and 1.64% for tranches B and C) and the recipient (1.06% for tranche A and 1.16% for tranches B and C); (iv) these contributions are deductible from the tax base of companies, subject to the forfait social (corporate social contribution) at the rate of 8%, and excluded from the base of social security contributions, within the limit of an amount equal to the sum of 6% of PASS and 1.5% of earnings retained in the limit of 12x PASS.

n/a: not applicable.

Elements of compensation	Amount or value accounted for in euros	Presentation
Eighth resolution: Émile Hermès SARL		
		<p>In accordance with Article 17 of the Articles of Association, each Executive Chairman is entitled to statutory compensation and, potentially, additional compensation, of which the maximum amount is set by the Ordinary General Meeting, with the unanimous approval of the Active Partners.</p> <p>Changes to the two components of the compensation of Executive Chairmen depend upon objective and comprehensible quantitative criteria that have not changed for several years and that are public and predefined by nature.</p>
Gross annual fixed compensation (or "additional" compensation according to the Articles of Association)	From 1 January to 31 December 2017: €500,000	<p>The General Meeting of 31 May 2001 decided to allocate to each Executive Chairman gross annual compensation in addition to their statutory compensation, subject to a limit of €457,347.05. This limit is indexed each year, but it can only be adjusted upwards. Since 1 January 2002, this amount has been indexed 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 next to last financial year (€2,178,417 for 2017). Within the limits defined above, the Executive Management Board of Émile Hermès SARL, Active Partner, sets the effective amount of the annual additional compensation payable to each Executive Chairman.</p> <p>The additional compensation paid to Émile Hermès SARL in 2017 was set by the Executive Management Board on 20 March 2017.</p>
Gross annual variable compensation (or "statutory" compensation according to the Articles of Association)	From 1 January to 31 December 2017: €756,409	<p>The gross annual compensation of each Executive Chairman for a given year, as authorised by the Articles of Association, shall not be more than 0.20% of the Company's consolidated income before tax (€3,319,259 for 2017) for the previous financial year.</p> <p>Within the maximum amounts set forth herein, the Executive Management Board of the Active Partner Émile Hermès SARL shall determine the effective amount of the annual compensation of each Executive Chairman. Thus, no minimum statutory compensation is guaranteed for Executive Chairmen.</p> <p>Salary compensation paid to Émile Hermès SARL was set by the Executive Management Board on 20 March 2017.</p>
Deferred variable compensation	Not applicable	The principle of the allocation of a deferred variable compensation is not provided.
Multi-year variable compensation	Not applicable	No multi-year compensation arrangement was implemented in 2017.
Exceptional compensation	Not applicable	The principle of such compensation is not provided.

Elements of compensation	Amount or value accounted for in euros	Presentation
Share options, performance-based shares or any other element of long-term compensation (IFRS accounting valuation at the date of allocation)	Stock options: n/a Performance shares: n/a Other elements: n/a	No plan for stock options or performance-based shares benefiting the Executive Chairmen has been implemented during the 2017 financial year. Émile Hermès SARL, a legal entity, is not eligible for the stock option or performance-based share plans.
Compensation for assumption of duties	Not applicable	No such commitment exists.
Severance payment	Not applicable	No such commitment exists.
Non-competition payment	Not applicable	No such commitment exists.
Supplementary pension plan	Not applicable	Émile Hermès SARL, a legal entity, is not eligible for a supplementary pension plan.
Directors' fees	Not applicable	Executive Chairmen do not receive directors' fees, neither from the Company nor from its subsidiaries.
Valuation of benefits of any kind	Not applicable	Émile Hermès SARL does not receive benefits of any kind.

n/a: not applicable.

Seventh resolution:

Notice regarding elements of compensation due or awarded for the financial year ended 31 December 2017 to Mr Axel Dumas, Executive Chairman

The General Meeting, consulted in application of the recommendation of § 26.2 of the AFEP-MEDEF Corporate Governance Code of November 2017, which constitutes the reference code used by the Company pursuant to Article L. 225-37 of the French Commercial Code (*Code de commerce*), having fulfilled the quorum and majority requirements for Ordinary General Meetings, gives a favourable opinion on elements of compensation due or awarded for the financial year ended 31 December 2017 to Mr Axel Dumas under his mandate as Executive Chairman, as presented in the statement of proposed resolutions.

Eighth resolution:

Notice regarding elements of compensation due or awarded for the financial year ended 31 December 2017 to Émile Hermès SARL, Executive Chairman

The General Meeting, consulted in application of the recommendation of § 26.2 of the AFEP-MEDEF Corporate Governance Code of November 2017, which constitutes the reference code used by the Company pursuant to Article L. 225-37 of the French Commercial Code (*Code de commerce*), having fulfilled the quorum and majority requirements for Ordinary General Meetings, gives a favourable opinion on elements of compensation due or awarded for the financial year ended 31 December 2017 to Émile Hermès SARL under its mandate as Executive Chairman, as presented in the statement of proposed resolutions.

NINTH, TENTH, ELEVENTH AND TWELFTH RESOLUTIONS: RE-ELECTION OF SUPERVISORY BOARD MEMBERS

Purpose

The terms of three members of the Supervisory Board (Ms Monique Cohen, Mr Renaud Momméja and Mr Éric de Seynes) expire at the end of this meeting.

Given the upcoming expiry of their mandates, in the ninth, tenth and eleventh resolutions, the Active Partner proposes that you renew, for the statutory period of three years, the mandates of the following members of the Supervisory Board:

- ◆ Mr Matthieu Dumas;
- ◆ Mr Blaise Guerrand;
- ◆ Mrs Olympia Guerrand.

These three mandates will thus expire at the end of the General Meeting called in 2021 to approve the financial statements for the financial year ended 31 December 2020.

In the twelfth resolution, the Active Partner proposes that you re-elect, for the statutory period of one year, the following member of the Supervisory Board:

- ◆ Mr Robert Peugeot.

This mandate will thus expire at the end of the General Meeting called in 2019 to approve the financial statements for the financial year ended 31 December 2018.

On 19 January 2019 Robert Peugeot will reach 12 years as member of the Supervisory Board.

To replace him in soon as possible and in the best conditions by a new member of the Supervisory Board with independent status at the General Meeting of Shareholders in 2019, the Supervisory Board considered that it was preferable that the proportions of independent members on the Board (25%) and on the Audit Committee (40%) should be slightly lower than the requirements of the AFEP-MEDEF Code for a short period of several months rather than eliminating one of the criteria of independence concerning Mr Robert Peugeot.

Information on the persons whose re-election is submitted for your approval is provided on pages 135, 137 and 139.

Ninth resolution:**Re-election of Mr Matthieu Dumas as Supervisory Board member for a term of three years**

On a proposal from the Active Partner, the General Meeting, acting under the quorum and majority requirements applicable to Ordinary General Meetings, renews, as a member of the Supervisory Board the term of

Mr Matthieu Dumas

Pursuant to Article 18.2 of the Articles of Association, his mandate for a period of three years, will expire at the end of the Annual Ordinary General Meeting called in 2021 to approve the financial statements for the financial year ended 31 December 2020.

Mr Matthieu Dumas has indicated that he is prepared to accept the renewal of his term, and that he is not legally prohibited from doing so in any manner whatsoever.

Tenth resolution:**Re-election of Mr Blaise Guerrand as Supervisory Board member for a term of three years**

On a proposal from the Active Partner, the General Meeting, acting under the quorum and majority requirements applicable to Ordinary General Meetings, renews, as a member of the Supervisory Board the term of

Mr Blaise Guerrand

Pursuant to Article 18.2 of the Articles of Association, his mandate for a period of three years, will expire at the end of the Annual Ordinary General Meeting called in 2021 to approve the financial statements for the financial year ended 31 December 2020.

Mr Blaise Guerrand has indicated that he is prepared to accept the renewal of his term, and that he is not legally prohibited from doing so in any manner whatsoever.

Eleventh resolution:

Re-election of Mrs Olympia Guerrand as Supervisory Board member for a term of three years

On a proposal from the Active Partner, the General Meeting, acting under the quorum and majority requirements applicable to Ordinary General Meetings, renews, as a member of the Supervisory Board the term of Mrs Olympia Guerrand

Pursuant to Article 18.2 of the Articles of Association, his mandate for a period of three years, will expire at the end of the Annual Ordinary General Meeting called in 2021 to approve the financial statements for the financial year ended 31 December 2020.

Mrs Olympia Guerrand has indicated that she is prepared to accept the renewal of her term, and that she is not legally prohibited from doing so in any manner whatsoever.

Twelfth resolution:

Re-election of Mr Robert Peugeot as Supervisory Board member for a term of one year.

On a proposal from the Active Partner, the General Meeting, acting under the quorum and majority requirements applicable to Ordinary General Meetings, renews, as a member of the Supervisory Board the term of Mr Robert Peugeot

Following the recommendation of the Supervisory Board, his mandate for a period of one year, will expire at the end of the Annual Ordinary General Meeting called in 2019 to approve the financial statements for the financial year ended 31 December 2018.

Mr Robert Peugeot has indicated that he is prepared to accept the renewal of his term, and that he is not legally prohibited from doing so in any manner whatsoever.

8.2.2 EXTRAORDINARY BUSINESS

THIRTEENTH RESOLUTION: AUTHORISATION TO REDUCE SHARE CAPITAL BY CANCELLATION OF SHARES

Purpose

For the thirteenth resolution, we ask you to renew the authorisation granted to the Executive Management to, on one or more occasions, in the amounts and at the times it so decides, cancel all or part of the shares purchased by the Company under the programme to purchase its own shares. This authorisation would enable the Company to cancel shares issued to cover stock options that are no longer exercisable or that have expired.

Limit

Up to a maximum of 10% of the share capital per 24-month period.

Duration of the authorisation

This authorisation would be valid for 24 months from the date of the General Meeting.

On page 345, you will find the Statutory Auditors' report on the thirteenth resolution.

Thirteenth resolution:

Authorisation granted to Executive Management to reduce the share capital by cancellation of all or part of the treasury shares held by the Company (Article L. 225-209 of the French Commercial Code (*Code de commerce*)) – general cancellation programme

The General Meeting, acting under the quorum and majority requirements applicable to Extraordinary General Meetings, having reviewed the Executive Management's report, the Supervisory Board's report and the Statutory Auditors' special report, and in accordance with Article L. 225-209 of the French Commercial Code (*Code de commerce*), hereby authorises the Executive Management to reduce the share capital on one or more occasions, in the amounts and at the times it so decides, by cancelling some or all of the shares acquired by the Company in connection with the share buyback programme referred to in the sixth resolution (authorisation of the Company to buy back its treasury shares) submitted to this General Meeting and/or pursuant to any authorisation

granted by a past or future General Meeting, up to a maximum of 10% of the share capital per 24 month period. The General Meeting delegates to the Executive Management full powers for purposes of this delegation, and in particular:

- ◆ to allocate the difference between the purchase price and the par value of the cancelled shares to whichever reserve account it sees fit, and to record the reductions in share capital resulting from the cancellations authorised by the present resolution;
- ◆ to amend the Company's Articles of Association accordingly, and to undertake all necessary formalities.

This delegation is granted to the Executive Management for a period of 24 months.

For the remaining period and not exceeding the unused portion, it supersedes the authorisation granted by the Combined General Meeting of 6 June 2017 in its seventeenth resolution (authorisation to reduce share capital by cancellation of shares).

FOURTEENTH RESOLUTION: AUTHORITY

Purpose

The fourteenth resolution is a common resolution making it possible to undertake all the legal formalities of filing and disclosure required by law after the General Meeting.

Fourteenth resolution:

Delegation of authority to carry out the formalities related to the General Meeting

Acting under the quorum and majority requirements applicable to Extraordinary General Meetings, the General Meeting confers full

powers on any bearer of an extract or copy of these minutes recording its deliberations to carry out all legal publication or other formalities.