



# HERMÈS

2017 REGISTRATION DOCUMENT

**EXTRACTS FROM THE REGISTRATION DOCUMENT**

The following page numbers are those of the 2017 Registration document

## 3.1 SUPERVISORY BOARD'S REPORT ON CORPORATE GOVERNANCE

This report was drawn up in accordance with Article L. 226-10 of the French Commercial Code and the recommendations issued by the Financial Markets Authority (AMF).

It was jointly prepared by the Chairman of the Supervisory Board, the Compensation, Appointments and Governance (CAG) Committee, the Audit Committee, the Board Secretary and the functional departments concerned. It was approved by the Board at its meeting of 20 March 2018.

### 3.1.1 CORPORATE GOVERNANCE CODE

With each revision of the AFEP-MEDEF Code, the CAG Committee performs an exhaustive comparative analysis of the Company's application of the code's recommendations, and reports to the Supervisory Board.

#### 3.1.1.1 Corporate governance principles applied

The Supervisory Board officially adopted the latest version of the AFEP-MEDEF recommendations on corporate governance in 2009, as it deemed these recommendations to be entirely in keeping with the Group's corporate governance policy. The guidelines include the AFEP-MEDEF Corporate Governance Code for listed companies, revised in November 2016, and the recommendations from the HCGE (Corporate Governance High Committee), that further elaborate this code's recommendations.

#### 3.1.1.2 Provisions of the November 2016 AFEP-MEDEF Corporate Governance Code not applied by virtue of the Company's legal form or other reasons

The table below lists the provisions of the AFEP-MEDEF Code not applied by the Company. In line with the recommendations of the AMF the provisions not applied on account of the Company's legal form are singled out from those not applied for other reasons with the corresponding explanations.

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#### Provisions of the AFEP-MEDEF Code not applied due to the Company's legal form

#### Explanations

**Board meetings and committee meetings (Art. 10.3)**  
It is recommended that a meeting not attended by the executive Officers be organized each year.

In view of the role of the Supervisory Board (described on page 129), this provision does not apply to a société en commandite par actions (SCA – a partnership limited by shares).

**Succession plan for Executive Corporate Officers (Art. 16.2.2.)**  
The nominations committee (or an ad hoc committee) should design a plan for replacement of company Officers. This is one of the committee's most important tasks even though it can be, if necessary, entrusted to an ad hoc committee by the Board. The Chairman may take part or be involved in the committee's work during the conduct of this task.

The CAG Committee (see description starting on page 150) is not in charge of establishing the succession plan for the Executive Chairmen which task does not fall within the remit of the Supervisory Board in an SCA.  
In accordance with its rules of procedure, the CAG Committee has since 2016 had to ensure the existence of a succession plan for the Executive Chairmen which it first did in 2017 with annual reviews thereafter (see page 149). In 2018, the CAG Committee ensured there was a succession plan for the Chairman of the Supervisory Board and added this duty to its rules of procedure.

**Composition of the Compensation Committee (Art. 17.1)**  
It is recommended that the Chairman of the committee be independent and that one of its members be an employee director.

The CAG Committee (see description starting on page 150) is not in charge of setting the compensation paid to the Executive Chairmen which task in an SCA does not fall within the remit of the Supervisory Board. The Supervisory Board therefore decided that it was not relevant for an employee representative to be a member.

#### Provisions of the AFEP-MEDEF Code not applied for other reasons

#### Explanations

**Proportion of independent members on the Supervisory Board (Art. 8.3)**  
Independent directors should account for at least a third of Board members.

On 19 January 2019 Robert Peugeot will reach 12 years as member of the Supervisory Board.  
The Supervisory Board, in agreement with the Active Partner, decided to ask the General Meeting of 5 June 2018 to extend his term by one year to best facilitate his replacement with a new independent member at the 2019 General Meeting. The Supervisory Board deemed it better to have a slightly lower proportion of independent members on the Board (25%) and Audit Committee (40%) than required by the AFEP-MEDEF Code for a few months rather than not apply an independence criterion with regard to Robert Peugeot.

Provisions of the AFEP-MEDEF Code not applied for other reasons	Explanations
<p><b>Proportion of independent members on the Audit Committee (Art. 15.1)</b> The proportion of independent directors on the audit committee should be at least equal to two-thirds, and the committee should not include any executive Officer.</p>	<p>The Supervisory Board determined that slightly less than two-thirds of the Audit Committee members are independent (60%, i.e. three out of five members). This situation was not detrimental to the Audit Committee's operation. In the Audit Committee rules of procedure, which were adopted on 24 March 2010, the Supervisory Board stipulates that at least one-half of the seats on the Audit Committee be held by members who qualified as independent at the time of their appointment and throughout their term of office. In its 2014 report, the HCGE considers that an Audit Committee with, for example, three independent members out of five remains compliant with the spirit of the Code, provided that the Chairman is an independent member, as is the case for this Company. There are no immediate plans to increase the proportion of independent members of the Audit Committee to two-thirds but the Board will review the matter at each annual assessment. As indicated above, the proportion of independent members of the Audit Committee will temporarily fall from 60% to 40% in early 2019.</p>
<p><b>Severance payment (Art. 24.5.1)</b> The performance requirements set out by the Board for these benefits must be assessed over at least two financial years. They must be demanding and may not allow for the indemnification of a director, unless his or her departure is imposed, regardless of the form of this departure.</p>	<p>The Company has agreed to make a severance payment to Axel Dumas under the conditions described in the explanatory statement on page 330. Given the importance of the Active Partner's role in an SCA including the power to appoint and dismiss any Executive Chairman and the fact that it is represented by a legal entity, it was decided that any termination of Axel Dumas duties as Executive Chairman resulting from the replacement of the Executive Chairman of Émile Hermès SARL should be deemed a forced departure. The Supervisory Board accordingly considered that the deferred compensation commitment made for the benefit of Axel Dumas complied with the requirements of the AFEP-MEDEF Corporate Governance Code.</p>
<p><b>Consultation of shareholders on the compensation of the Chairman of the Supervisory Board (Art. 26.2)</b></p>	<p>It did not seem relevant for Executive Management to ask shareholders to vote on the compensation of the Chairman of the Supervisory Board insofar as he:</p> <ul style="list-style-type: none"> <li>◆ 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;</li> <li>◆ receives no other compensation of any kind whatsoever.</li> </ul> <p>Shareholders have previously been made aware of this information.</p>

### Corporate Governance Award

Hermès International continued its long run of good form in the AGEFI Corporate Governance Grand Prix by winning first prize in the "Governance Dynamics" category in 2017.

The purpose of these awards is to:

- ◆ recognize issuers, Boards of Directors and Supervisory Boards, and management bodies that satisfy investors' real expectations;
- ◆ highlight corporate governance initiatives taken in order to consolidate investor confidence which is critical to the smooth functioning of the capital markets;
- ◆ foster the implementation of corporate governance rules and practices.

Prizes are awarded on the basis of the results of a one-round perception survey of financial professionals including governance specialists, institutional investors and analysts.

The jury rewarded Hermès International for ensuring its continual growth by means of a multifaceted governance strategy, above all:

- ◆ a strong commitment in respect of the management succession plan, anchored in the Group's values;
- ◆ a specific training and evaluation programme for the members of its Supervisory Board;
- ◆ innovative tools such as the "Herboard" digital collaborative platform that allows all Board meetings to be held securely.

The jury also commended the dedicated sustainable development strategic framework set up to transmit the Group's know-how via numerous internal schools and its relations with suppliers and partners sharing a concern for protecting the environment.

### 3.1.2 ADMINISTRATIVE AND MANAGEMENT BODIES

#### 3.1.2.1 Changes in 2017

No changes took place in the Executive Management or the Executive Committee in 2017.

#### 3.1.2.2 Succession plan for senior executives

Every two years, a 360° Human Resources review known as the "Talent Review" is performed in each subsidiary to:

- ◆ identify according to demanding and selective criteria talent capable of holding the highest responsibility within the House;
- ◆ support the development of talent through targeted and ambitious initiatives to create conditions fostering their performance, motivation and loyalty;

- ◆ anticipate and manage the moving of staff (between/within subsidiaries) and succession plans to ensure the continuity of the organisation and take Hermès into the future.

This talent review covers the succession of the members of the Executive Committee. A summary of and the action plans stemming from the 2016 Talent Review were presented in 2017 to the CAG Committee.

In addition, a succession plan has been drawn up for Executive Management. It was submitted in 2016 to the CAG Committee, which commended its quality and its appropriateness. In 2017, the CAG Committee carried out an annual review of this plan and noted that no changes had been made to it.

It should be noted that the existence of two Executive Chairmen, one of which is a legal entity, guards against the Executive Management falling vacant unexpectedly.

The CAG Committee has requested that the Talent Review be presented to it every two years and that the Executive Management Succession Plan be presented to it annually.

#### 3.1.2.3 The Group's management (role and composition, list of offices and functions performed)

##### The Active Partner and its Executive Management Board

Role	Composition as at 31/12/2017	
<p>The Active Partner is jointly and severally liable for all the Company's debts, for an indefinite period of time. The Active Partner has the authority to appoint or revoke the powers of the Executive Chairman, after receiving the reasoned opinion of the Supervisory Board. The Active Partner makes all decisions pertaining to the Group's strategic options, consolidated operating and investment budgets, and recommendations to the General Meeting with respect to the distribution of share premiums, reserves and retained earnings, on the recommendation of the Supervisory Board. It may submit recommendations to the Executive Management on any matter of general interest to the Group. It authorises all company loans, sureties, endorsements and guarantees, any pledges of collateral and encumbrances on the Company's property, as well as the creation of any company or acquisition of an interest whenever the investment amounts to more than 10% of the Group's consolidated net worth.</p>	◆ <b>Émile Hermès SARL</b>	Active partner
	represented by its Executive Management Board:	
	◆ <b>Henri-Louis Bauer</b>	Executive Chairman, Chairman and Member of the Executive Management Board
	◆ <b>Philippe Dumas</b>	Vice-Chairman and member of the Executive Management Board
	◆ <b>Pascale Mussard</b>	Vice-Chairwoman and member of the Executive Management Board
	◆ <b>Sandrine Brekke</b> ◆ <b>Frédéric Dumas</b> ◆ <b>Édouard Guerrand</b> ◆ <b>Agnès Harth</b> ◆ <b>Laurent E. Momméja</b> ◆ <b>Jean-Baptiste Puech</b> ◆ <b>Guillaume de Seynes</b>	Other members of the Executive Management Board

## Executive Management

### Role

The Executive Management ensures the management of Hermès International.

The role of the Executive Chairman is to manage the Group and act in its general interest, within the scope of the corporate purpose and subject to those powers expressly granted by law or by the Articles of Association to the Supervisory Board, to the Active Partner and to Shareholders' General Meetings. The Executive Chairmen distributed their roles as follows: Axel Dumas is in charge of strategy and operational management, and Émile Hermès SARL, through its Executive Management Board, is responsible for the vision and strategic areas.

### Composition at 31/12/2017

The Executive Chairmen are appointed by the Active Partner, after consultation with the Supervisory Board. In accordance with the Articles of Association, the Executive Management comprises one or two Executive Chairmen, who are natural persons, either Active Partners or from outside the Company, each having the same powers and duties. The term of office of the Executive Chairmen is open-ended.

◆ <b>Axel Dumas</b> appointed by the Active Partner on 4 June 2013 (effective 5 June 2013).	Executive Chairman
◆ <b>The company Émile Hermès SARL</b> (represented by Henri-Louis Bauer) appointed by the Active Partner on 14 February 2006 (effective 1 April 2006).	Executive Chairman

### Shareholding obligations

At its meeting of 21 March 2017, the Supervisory Board decided that the Executive Chairmen should each be required to hold a minimum of 1 Hermès International shares pursuant to Article 22 of the AFEP-MEDEF Code revised in November 2016.

Both Executive Chairmen comply with this obligation.

## Executive Committee

### Role

The Group management is comprised of the Executive Chairman and the Executive Committee, which consists of managing directors, each of whom has well-defined areas of responsibility.

Its role is to oversee the Group's strategic and operational management.

The Executive Committee meets every two weeks.

Its composition reflects the Group's main areas of expertise.

### Composition at 31/12/2017

◆ <b>Axel Dumas</b>	Executive Chairman
◆ <b>Florian Craen</b>	Executive Vice-President Sales & Distribution
◆ <b>Charlotte David</b>	Executive Vice-President Communication
◆ <b>Pierre-Alexis Dumas</b>	Artistic Executive Vice-President
◆ <b>Olivier Fournier</b>	Executive Vice-President of Governance and Organisational Development
◆ <b>Wilfried Guerrand</b>	Executive Vice-President of Digital Projects and E-commerce
◆ <b>Éric du Halgouët</b>	Executive Vice-President Finance
◆ <b>Guillaume de Seynes</b>	Executive Vice-President Manufacturing division & Equity Investments

## Information on the Executive Chairmen and sitting members of the Executive Committee

### Executive Chairmen

#### AXEL DUMAS

##### Executive Chairman of Hermès International

Direct descendant of Émile-Maurice Hermès.

**Date first appointed:** 5 June 2013

**Term of current office:** Unspecified

**Address:** c/o Hermès International, 24, rue du Faubourg-Saint-Honoré, 75008 Paris

**Born on:** 3 July 1970

**Nationality:** French

**Shares held:** 10,398 wholly-owned registered shares at 31 December 2017

#### Expertise and professional experience

Axel Dumas is a graduate of the Institut d'Etudes Politiques de Paris and Harvard Business School (AMP 179). He also has a bachelor's degree in philosophy and a master's degree in business law. He began his career at BNP Paribas in China from 1995 to 1997 and then in the United States from 1999 to 2003.

Axel Dumas joined the Hermès Group in 2003. He served as Sales Director in France and headed up the Jewellery division from 2006 to 2008 and then the Leather Goods and Saddlery division from 2008 to 2011. He was appointed as Executive Vice-President of Operations and a member of the Executive Committee on 2 May 2011 before being appointed as Executive Chairman of Hermès International at 5 June 2013 for an open-ended term.

#### Co-Offices and positions held during 2017

- ◆ **Hermès International** ▲● (France)  
Co-Executive Manager
- ◆ **Ateliers A.S.** ▲\* (France)  
Permanent Representative of Hermès International, Director
- ◆ **Axam 2** (France)  
Executive Chairman
- ◆ **Boissy Mexico** ▲ (Mexico)  
Acting Director
- ◆ **Compagnie Hermès de Participations** ▲ (France)  
Permanent Representative of Hermès International, Chairman
- ◆ **CHP3** ▲ (France)  
Chairman
- ◆ **Comptoir Nouveau de la Parfumerie** ▲\* (France)  
Permanent Representative of Hermès International, Director
- ◆ **Faubourg Middle East** ▲ (United Arab Emirates)  
Director
- ◆ **Herlee** ▲ (Hong Kong)  
Chairman and Director (until 30/06/2017)
- ◆ **Hermès Asia-Pacific** ▲ (Hong Kong)  
Director
- ◆ **Hermès Canada** ▲ (Canada)  
Chairman and Director
- ◆ **Hermès China** ▲ (China)  
Chairman and Director
- ◆ **Hermès China Trading** ▲ (China)  
Chairman and Director
- ◆ **Hermès de Paris** (Mexico) ▲ (Mexico)  
Acting Director
- ◆ **Hermès do Brasil** ▲ (Brazil)  
Member of the Advisory Board (until 25/09/2017)
- ◆ **Hermès Grèce** ▲ (Greece)  
Director
- ◆ **Hermès Ibérica** ▲ (Spain)  
Director
- ◆ **Hermès India Retail and Distributors** ▲ (India)  
Director
- ◆ **Hermès Japon** ▲ (Japan)  
Director
- ◆ **Hermès Korea** ▲ (South Korea)  
Chairman and Director
- ◆ **Hermès Monte-Carlo** ▲  
(Principality of Monaco)  
Permanent Representative of Hermès International, Vice-Chairman, Permanent Representative of Hermès International, Director
- ◆ **Hermès of Paris** ▲ (USA)  
Chairman and Director
- ◆ **Hermès Retail** (Malaysia) ▲ (Malaysia)  
Chairman and Director
- ◆ **Hermès Sellier** ▲ (France)  
Chairman, Executive Vice-President of the following Hermès divisions: Leather Goods & Saddlery, Commercial, Silk & Textiles, Travel Retail, Jewellery, Men, Services Group and Distribution France
- ◆ **La Montre Hermès** ▲ (Switzerland)  
Director
- ◆ **Maia** (France)  
Executive Chairman
- ◆ **Mathel** (France)  
Executive Chairman
- ◆ **H51** (France)  
Director

▲ Hermès Group entity ● Listed company \* Office taken into account when calculating multiple offices

Other offices and positions held during the previous four financial years and ending before<sup>1</sup> January 2016

- ◆ **Castille Investissement** ▲ (France)  
Permanent Representative of Hermès International,  
Chairman (until 28/06/2016)
- ◆ **Isamyol 28** ▲ (France)  
Permanent Representative of Hermès International,  
Chairman (until 29/06/2016)
- ◆ **Isamyol 30** ▲ (France)  
Permanent Representative of Hermès International,  
Chairman (until 29/06/2016)
- ◆ **Isamyol 31** ▲ (France)  
Permanent Representative of Hermès International,  
Chairman (until 29/06/2016)
- ◆ **Isamyol 32** ▲ (France)  
Permanent Representative of Hermès International,  
Chairman (until 29/06/2016)
- ◆ **Isamyol 33** ▲ (France)  
Permanent Representative of Hermès International,  
Chairman (until 29/06/2016)
- ◆ **Hermès Horizons** ▲ (France)  
Chairman (until 31/05/2016)
- ◆ **Hermès Immobilier Genève** ▲ (Switzerland)  
Director (until 10/05/2016)
- ◆ **Grafton Immobilier** ▲ (France)  
Chairman (until 29/06/2015)
- ◆ **Hermès Australia** ▲ (Australia)  
Chairman of the Board of Directors and Director  
(until 05/02/2015)
- ◆ **Hermès Benelux Nordics** ▲ (Belgium)  
Director (until 15/04/2015)
- ◆ **Hermès GB** ▲ (United Kingdom)  
Chairman and Director (until 15/04/2015)
- ◆ **Hermès Italie** ▲ (France)  
Chairman of the Board of Directors and Director  
(until 20/03/2015)
- ◆ **Hermès Monte-Carlo** ▲ (Principality of Monaco)  
Permanent Representative of Hermès Sellier,  
Director (until 28/04/2015)
- ◆ **Immobilière du 5 rue de Furstemberg** ▲ (France)  
Permanent Representative of Hermès International,  
Chairman (until 29/06/2015)
- ◆ **Isamyol 25** (now Immobilière de la maroquinerie  
de Montbéliard) ▲ (France)  
Permanent Representative of Hermès International,  
Chairman (until 20/10/2014)
- ◆ **Maroquinerie de Normandie** (formerly Isamyol  
27) ▲ (France)  
Permanent Representative of Hermès International,  
Chairman (until 07/09/2015)
- ◆ **Motsch-George V** ▲ (France)  
Permanent Representative of Hermès International,  
Chairman (until 29/06/2015)
- ◆ **SCI Boissy Les Mûriers** ▲ (France)  
Permanent Representative of Hermès International,  
Executive Chairman (until 31/12/2015)
- ◆ **SCI Boissy Nontron** ▲ (France)  
Permanent Representative of Hermès International,  
Executive Chairman (until 21/12/2015)
- ◆ **SCI Édouard VII** ▲ (France)  
Permanent Representative of Hermès International,  
Executive Chairman (until 21/12/2015)
- ◆ **SCI Honossy** ▲ (France)  
Permanent Representative of Hermès International,  
Executive Chairman (until 21/12/2015)
- ◆ **SCI Les Capucines** ▲ (France)  
Permanent Representative of Hermès International,  
Co-Executive Chairman (until 21/12/2015)
- ◆ **SCI Auger-Hoche** ▲ (France)  
Permanent Representative of Hermès International,  
Executive Chairman (until 21/12/2015)
- ◆ **Tannerie de Vivoin** (formerly Isamyol 29) ▲  
(France)  
Permanent Representative of Hermès International,  
Chairman (until 30/06/2015)
- ◆ **Hermès Latin América** ▲ (USA)  
Director (until 21/05/2015)
- ◆ **Créations Métaphores** ▲ (France)  
Permanent Representative of Hermès International,  
member of the Management Board (until  
23/06/2015)
- ◆ **Hermès of Hawaii** ▲ (USA)  
Chairman and Director (until 24/03/2014)
- ◆ **CHP2** ▲ (France)  
Permanent Representative of Hermès International,  
Chairman (until 27/06/2014)

▲ Hermès Group entity ● Listed company \* Office taken into account when calculating multiple offices

## ÉMILE HERMÈS SARL

represented by its Executive Chairman,  
Henri-Louis Bauer

**Active Partner and Executive  
Chairman of Hermès International**

**Date first appointed:** 1 April 2006

**Term of current office:** Unspecified

**Address:** c/o Hermès International,  
**24, rue du Faubourg-Saint-Honoré,  
75008 Paris**

**Shares held:** 33,236 wholly-  
owned registered shares at  
31 December 2017

### Expertise and professional experience

#### Émile Hermès SARL

Émile Hermès SARL is a société à responsabilité limitée à capital variable (private limited company with variable capital) whose partners are the direct descendants of Émile-Maurice Hermès and his wife. Émile Hermès SARL has an Executive Management Board chaired by Henri-Louis Bauer (appointed Executive Chairman on 1 July 2012), himself a direct descendant of Émile-Maurice Hermès. Émile Hermès SARL's main purpose is to be the Active Partner of Hermès International. Its workings are described on pages 292 et seq.

Émile Hermès SARL has been the Active Partner of Hermès International since 27 December 1990. Émile Hermès SARL was appointed an Executive Chairman on that date and held that office until 31 December 1994. On 1 April 2006, it was reappointed as Executive Chairman of Hermès International for an open-ended term.

It does not now hold nor has it in the past held any offices in any other company.

#### Offices and positions held during 2017

- ◆ **Hermès International** ▲● (France)  
Active Partner and Executive Co-Chairman

#### Other offices and positions held during the previous four financial years and ending before 1 January 2017

- ◆ None

#### Henri-Louis Bauer

Direct descendant of Émile-Maurice Hermès

#### Offices and positions held during 2017

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>◆ <b>Émile Hermès SARL</b> (France)<br/>Executive Chairman and Chairman of the Executive Management Board</li> <li>◆ <b>Aucleris 2</b> (France)<br/>Executive Chairman</li> <li>◆ <b>Fondation d'entreprise Hermès</b> (France)<br/>Director</li> <li>◆ <b>H2</b> (France)<br/>Director</li> </ul> | <ul style="list-style-type: none"> <li>◆ <b>H51</b> (France)<br/>Director</li> <li>◆ <b>Sabarots</b> (France)<br/>Executive Chairman</li> <li>◆ <b>Samain B2</b> (France)<br/>Executive Chairman</li> </ul> |
|---|---|

#### Other offices and positions held during the previous four financial years and ending before 1 January 2017

- ◆ **Aucleris** (France)  
Executive Chairman (until 27/12/2015)

▲ Hermès Group entity ● Listed company \* Office taken into account when calculating multiple offices

### Active partner

#### Émile Hermès SARL

(Refer to the paragraph above)

## Executive Committee

Name Personal details: Age in 2018 Date of birth Nationality	Date appointed to the Executive Committee	Training	Positions held in the Hermès Group (date appointed)	Other positions
♦ <b>Axel Dumas</b> 48 years 03/07/1970 French	02/05/2011	See page 121		
♦ <b>Florian Craen</b> 48 years 31/10/1970 French	01/09/2013	École Supérieure du Commerce Extérieur de Paris (1992) Harvard Business School (AMP 184)	Executive Vice-President Sales & Distribution of Hermès International (since 1 September 2013) Executive Vice-President Hermès North Asia (2009) Executive Vice-President Hermès Great Britain (2006) Director Hermès International Travel Retail (2001)	
♦ <b>Charlotte David</b> 43 years 28/03/1975 French	12/10/2015	ESSEC (1997)	Executive Vice-President Communication (since 12 October 2015)	
♦ <b>Pierre-Alexis Dumas</b> 52 years 04/06/1966 French	01/10/2005	Graduate in visual arts from Brown University (1991)	Artistic Executive Vice-President (since 1 October 2005)	Chairman of the Fondation d'entreprise d'Hermès (from 2008 to 2016) Chairman of Arts Décoratifs (since 1 January 2016)
♦ <b>Olivier Fournier</b> 56 years 10/07/1961 French	01/06/2015	EM Lyon (1983) Graduate degree in accounting and finance	Executive Vice-President of Governance and Organisational Development, Hermès International (2015) Executive Vice-President of Hermès Sellier craftsmanship division (2008) Executive Vice-President Holding Textile Hermès (2001) Executive Vice-President of Bucol (1998) Executive Vice-President of Sport Soie (1994) Executive Vice-President of Internal Audit and Taxation of Hermès International (1991)	Chairman of the Fondation d'entreprise d'Hermès (since 8 February 2016)

Name Personal details: Age in 2018 Date of birth Nationality	Date appointed to the Executive Committee	Training	Positions held in the Hermès Group (date appointed)	Other positions
<p>♦ <b>Wilfried Guerrand</b> 47 years 01/02/1971 French</p>	01/07/2014	<p>Neoma Business School (1993, Rouen)</p> <p>MBA from London School of Economics, NYU Stern and HEC (2011, TRIUM)</p>	<p>Executive Vice-President Digital Projects and e-Commerce Hermès International (since 1 July 2014)</p> <p>Executive Vice-President Hermès Women (since 2 April 2012)</p> <p>Executive Vice-President Europe Hermès International (2009)</p> <p>Group Director of Sales Hermès International (2007)</p> <p>Executive Vice-President Hermès France for Hermès Sellier (2004)</p> <p>Director of Industrial Development Hermès International (2002)</p> <p>Advisor to the Executive Vice-President Hermès Sellier (1999)</p> <p>Financial Controller for Hermès Sellier (1995)</p>	
<p>♦ <b>Éric du Halgouët</b> 55 years 14/03/1963 French</p>	01/06/2015	<p>Neoma Business School (1986, Rouen)</p> <p>Graduate degree in accounting and finance</p>	<p>Executive Vice-President Finance of Hermès International (2015)</p> <p>Group Financial Director (2007)</p> <p>Director of consolidation and financial control (2006)</p>	
<p>♦ <b>Guillaume de Seynes</b> 61 years 14/10/1957 French</p>	01/01/2005	<p>Graduate in law and political science Paris (1978) and an ESSEC graduate (1982)</p>	<p>Executive Vice-President Hermès International, Manufacturing &amp; Equity Investments (since 2 May 2011)</p> <p>Director of John Lobb (2007)</p> <p>Deputy Managing Director Hermès International (2006)</p> <p>Executive Vice-President Hermès Sellier business lines (2004)</p> <p>Executive Vice-President of La Montre Hermès (1999)</p> <p>Director of Sales and Marketing of La Montre Hermès (1997)</p>	<p>Chairman of Comité Colbert (since 10 June 2016)</p> <p>Chairman of the European Cultural and Creative Industries Alliance (2016-2017)</p> <p>Chairman of the Chambre syndicale du prêt-à-porter des couturiers et des créateurs de mode (2008-2012)</p>

### 3.1.3 SUPERVISORY BOARD: COMPOSITION AND CONDITIONS GOVERNING THE PREPARATION AND ORGANISATION OF WORK

#### 3.1.3.1 Table of changes in the composition of the Supervisory Board over the year

The General Meeting of 6 June 2017:

- reappointed Monique Cohen, Renaud Momméja and Éric de Seynes to the Supervisory Board for a period of three years expiring at the end of the Annual Ordinary General Meeting called to approve the financial statements for the year ending 31 December 2019;

- appointed Dorothée Altmayer and Olympia Guerrand as new members to the Supervisory Board for a period of three years and one year respectively. In accordance with the principle of periodically replacing one-third of the Supervisory Board set out in Article 18.2 of the Articles of Association, the members of the Supervisory Board drew lots to determine the length of their respective terms.

The meeting of the Supervisory Board on 6 June 2017 renewed the mandate of the Chairman of the Supervisory Board, Mr Éric de Seynes, for the period of his mandate as member of the Supervisory Board.

Date	Departures	Appointments	Reappointments	Changes in terms of diversification (gender parity, other nationalities or experience) or corporate governance
06/06/2017			Monique Cohen Renaud Momméja Éric de Seynes	
06/06/2017		Dorothée Altmayer  Olympia Guerrand		Gender parity, experience (human interest background and human resources skills) Gender parity, dual nationality, experience (international culture and knowledge of art)

#### 3.1.3.2 Succession plan for the Chairman of the Supervisory Board

Early in 2018, the CAG Committee conducted its review of the succession plan for the Chairman of the Supervisory Board and deemed it of good quality and suitable for the needs of the company.

#### 3.1.3.3 Brief presentation of the members of the Supervisory Board

Average seniority:	6½ years
Average age:	52½ years
Percentage of women:	50%
Proportion of independent members:	one-third

Name	Age in 2018	Date of birth	Nationality	Sex	Independent	Date appointed	Date term ends	Length of service
Éric de Seynes (Chairman)	58 years	09/06/1960	French	M		07/06/2010 03/03/2011 (Chairman)	2020 GM	7 years
Monique Cohen (Vice-Chairwoman)	62 years	28/01/1956	French	F	√	03/06/2014	2020 GM	4 years
Dominique Senequier (Vice-Chairwoman)	65 years	21/08/1953	French	F	√	04/06/2013	2019 GM	5 years
Frédéric Afriat (employee representative)	48 years	10/09/1970	French	M		08/11/2016	08/11/2019	1 year
Dorothee Altmayer	57 years	01/03/1961	French	F		06/06/2017	2020 GM	1 year
Charles-Éric Bauer	54 years	09/01/1964	French	M		03/06/2008	2019 GM	10 years
Matthieu Dumas	46 years	06/12/1972	French	M		03/06/2008	2018 GM	10 years
Blaise Guerrand	35 years	04/06/1983	French	M		29/05/2012	2018 GM	6 years
Julie Guerrand	43 years	26/02/1975	French	F		02/06/2005	2019 GM	13 years
Olympia Guerrand	41 years	07/10/1977	French/ Portuguese	F		06/06/2017	2018 GM	1 year
Sharon MacBeath	49 years	30/03/1969	British	F	√	31/05/2016	2019 GM	2 years
Renaud Momméja	56 years	20/03/1962	French	M		02/06/2005	2020 GM	13 years
Robert Peugeot	68 years	25/04/1950	French	M	√	24/01/2007	2018 GM	11 years

Name	Main position outside the Company	Main areas of expertise and experience	Offices in listed companies	Number of shares	Member of the Audit Committee	Member of the CAG Committee
Éric de Seynes (Chairman)	COO of Yamaha Motor Europe	See page 130		203		
Monique Cohen (Vice-Chairwoman)	Partner at Apax Partners	See page 131	BNP Paribas JC Decaux (until 11/05/2017) Safran	250	√	
Dominique Senequier (Vice-Chairwoman)	Chairwoman of Ardian	See page 132		200		√
Frédéric Afriat (employee representative)	Chief Accountant of Hermes Parfums	See page 133		70		
Dorothee Altmayer	Psychologist	See page 133		200		
Charles-Éric Bauer	Associate Director of Hem-Fi Conseil	See page 134		73,648	√	
Matthieu Dumas	Manager of EAQUE	See page 135		213		√
Blaise Guerrand	Managing Partner in corporate takeovers	See page 135		200		
Julie Guerrand	Chairwoman of H51	See page 136		5,825		
Olympia Guerrand	Property administrator	See page 137		306,312		
Sharon MacBeath	Executive Vice-President Human Resources at Tarkett	See page 137	Coface	200	√	√
Renaud Momméja	Manager of Tolazi	See page 138		178,144 (o/w 12 in bare ownership)	√	
Robert Peugeot <sup>1</sup>	Chairman and CEO of FFP	See page 139	DKSH Faurecia FFP PSA Peugeot Citroën Sofina	200	√	√

(1) Robert Peugeot holds five other offices in listed companies but four of them are held pursuant to his position as Chairman and CEO of FFP whose chief business is the acquisition and management of such equity investments.

The composition of the Supervisory Board's specialised committees is shown on pages 150 and 153.

### 3.1.3.4 Composition of the Supervisory Board

#### Applicable principles

The Supervisory Board comprises three to fifteen members (not including employee representatives) selected from among shareholders who are neither an Active Partner nor the legal representative of an Active Partner nor an Executive Chairman (Article 18.1 of the Articles of Association). They are appointed by the Ordinary General Meeting (Article L. 226-4 of the French Commercial Code).

When appointments to the Supervisory Board come up for renewal, the number of Supervisory Board members is fixed by a decision adopted by the Active Partner.

A member of the Supervisory Board representing the Group's employees (or two if the Supervisory Board has more than 13 members) is designated by the Group Committee (Article 18.6 of the Articles of Association).

The term of office of the members of the Supervisory Board is three years (Article 18.2 of the Articles of Association).

This duration may be less:

- ◆ At the time of first appointment this period may be shorter on account of the principle of replacing one-third of the Supervisory Board set out in Article 18.2 of the Articles of Association.
- ◆ If there is a renewal in application of the rules relative to the duration of the mandate for independent members or at the age limit.

After the General Meeting of 2 June 2009, the Company instituted the practice of replacing one-third of Supervisory Board members each year.

No person over the age of 75 may be appointed to the Supervisory Board if their appointment has the effect of bringing more than one-third of Board members over that age (Article 18.3 of the Articles of Association).

The Supervisory Board elects a Chairman (a natural person) and two Vice Chairs from among its members (Article 19.2 of the Articles of Association).

#### Role and composition of the Supervisory Board at 31 December 2017

The Supervisory Board currently comprises 13 members: Eric de Seynes, (Chairman), Dominique Senequier, (Vice-Chairwoman), Monique Cohen (Vice-Chairwoman), Frédéric Afriat (employee representative), Dorothee Altmayer, Charles-Éric Bauer, Matthieu Dumas, Blaise Guerrand, Julie Guerrand, Olympia Guerrand, Sharon MacBeath, Renaud Momméja and Robert Peugeot. All the Supervisory Board members are French except Sharon MacBeath who is British. Olympia Guerrand is of French and Portuguese nationalities.

Nathalie Besombes, director of company law and stock markets and compliance officer, is the Board Secretary.

**Role**

The Supervisory Board exercises ongoing control over the Company's management. For this purpose, it has the same powers as the Statutory Auditors and receives the same documents that they do, at the same time. In addition, the Executive Management must submit a detailed report to the Supervisory Board on the Company's operations at least once a year.

The Supervisory Board submits to the Active Partners for their consideration its reasoned opinion:

- ◆ on the nomination and dismissal of any Executive Chairman of the Company; and
- ◆ in case of the Executive Chairman's resignation, on reducing the notice period.

The Supervisory Board:

- ◆ determines the allocation of earnings to be put to the General Meeting each year;
- ◆ approves or rejects any proposed new wording of certain clauses of the Articles of Association of Émile Hermès SARL.

The Active Partner must consult the Supervisory Board prior to making any decisions on the following:

- ◆ strategic options;
- ◆ consolidated operating and investment budgets; and
- ◆ proposals to the General Meeting regarding the allocation of share premiums, reserves or retained earnings.

Every year the Supervisory Board presents to the Annual Ordinary General Meeting a report (see page 338) in which it comments on the Company's management and draws attention to any inconsistencies or inaccuracies identified in the financial statements for the year.

The functions exercised by the Supervisory Board do not entail any interference with the Executive Management, or any liability arising from the management's actions or from the results of such actions.

(1) *This duration may be less: at the time of first appointment on account of the principle of replacing one-third of the Supervisory Board set out in Article 18.2 of the Articles of Association; if there is a renewal in application of the rules relative to the duration of the mandate for independent members or at the age limit.*

**Composition at 31/12/2017**

**Supervisory Board**

The Company is governed by a Supervisory Board currently comprising thirteen members appointed for a term of three years 1 selected from among shareholders who are neither an Active Partner nor the legal representative of an Active Partner nor an Executive Chairman. In accordance with Article L. 225-79-2 of the French Commercial Code, the Group Committee has since 19 November 2014 appointed an employee representative to the Supervisory Board.

◆ <b>Éric de Seynes</b>	Chairman and member of the Supervisory Board
◆ <b>Monique Cohen</b>	Vice-Chairwoman and member of the Supervisory Board
◆ <b>Dominique Senequier</b>	Vice-Chairwoman and member of the Supervisory Board
◆ <b>Frédéric Afriat</b> (employee representative)	Other members of the Supervisory Board
◆ <b>Dorothee Altmayer</b>	
◆ <b>Charles-Éric Bauer</b>	
◆ <b>Matthieu Dumas</b>	
◆ <b>Blaise Guerrand</b>	
◆ <b>Julie Guerrand</b>	
◆ <b>Olympia Guerrand</b>	
◆ <b>Sharon MacBeath</b>	
◆ <b>Renaud Momméja</b>	
◆ <b>Robert Peugeot</b>	

**Audit Committee**

◆ <b>Monique Cohen</b>	Chairwoman of the Audit Committee
◆ <b>Charles-Éric Bauer</b>	Audit Committee members
◆ <b>Sharon MacBeath</b>	
◆ <b>Renaud Momméja</b>	
◆ <b>Robert Peugeot</b>	

**Compensation, Appointments and Governance Committee**

◆ <b>Dominique Senequier</b>	Chairwoman of the Compensation, Appointments and Governance Committee
◆ <b>Matthieu Dumas</b>	Members of the Compensation, Appointments and Governance Committee
◆ <b>Sharon MacBeath</b>	
◆ <b>Robert Peugeot</b>	

## Information on sitting members of the Supervisory Board

**ÉRIC DE SEYNES****Executive Vice-President and member of the Supervisory Board of Hermès International**

Direct descendant of Émile-Maurice Hermès.

**Date appointed:** 7 June 2010

**Term of current office:** 2020 GM

**Address:** c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris

**Born on:** 9 June 1960

**Nationality:** French

**Shares held:** 203 wholly-owned shares of which at least 200 are registered at 31 December 2017

**Expertise and professional experience**

Éric de Seynes is a graduate of École Supérieure Libre des Sciences Commerciales Appliquées (ESLSCA) with a specialisation in marketing. Until 2017 he was successively Head of Marketing for Mobil Oil Française, Director of Sponsoring for Seita, Marketing Director for Sonauto-Yamaha, Director of Marketing and Sales for Yamaha Motor France, Chairman of Groupe Option, Chairman and CEO of Yamaha Motor France, Operational Director of Yamaha Motor Europe, and Chief Operating Officer of Yamaha Motor Europe. He has been Chief Executive Officer of Yamaha Motor Europe since 1 January 2018, Executive Officer of Yamaha Motor Co. Ltd (Japan) since 2016 and a member of the Executive Committee of the European Association of Motorcycle Manufacturers since 2014.

Eric de Seynes has been a member of the Supervisory Board since 7 June 2010. He previously held this office from 2005 until 2008. He was also a member of the Audit Committee from 2005 to 2008 and of the Executive Management Board of Émile Hermès SARL from 2008 to 2010. On 3 March 2011 he was appointed Chairman of the Supervisory Board.

**Offices and positions held during 2017**

- |   |  |
|---|--|
| ◆ <b>Hermès International ▲● (France)</b><br>Chairman and member of the Supervisory Board | ◆ <b>Les Producteurs * (France)</b><br>Director                |
| ◆ <b>Hermès Sellier ▲ (France)</b><br>Member of the Management Board                      | ◆ <b>MBK (France)</b><br>Director                              |
| ◆ <b>H51 (France)</b><br>Director   | ◆ <b>Motori Minarelli (Italy)</b><br>Director                  |
| ◆ <b>Groupe option SAS (France)</b><br>Chairman   | ◆ <b>Sféric SAS (France)</b><br>Chairman                       |
| ◆ <b>Inha Works Limited (Finland)</b><br>Director   | ◆ <b>C.S.I.A.M. (France)</b><br>Co-Chairman (until 16/11/2017) |

**Other offices and positions held during the previous four financial years and ending before 1 January 2017**

- |  |  |
|--|--|
| ◆ <b>Brame et Lorenceau * (France)</b><br>Director (until 31/12/2015)                      | ◆ <b>Yamaha Motor France * (France)</b><br>Director, and Chairman and Chief Executive Officer (until 01/02/2015) |
| ◆ <b>Naturéo Finance SAS (France)</b><br>Member of the Management Board (until 31/12/2015) | ◆ <b>Yamaha Motor Turkey (Turkey)</b><br>Director (until 31/12/2015)   |

▲ Hermès Group entity ● Listed company \* Office taken into account when calculating multiple offices

## MONIQUE COHEN

### Vice-Chairwoman and member of the Supervisory Board, Chair of the Audit Committee of Hermès International

Not related to the Hermès family; independent according to the criteria applied by the Company.

**Date appointed:** 3 June 2014

**Term of current office:** 2020 GM

**Address:** c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris

**Born on:** 28/06/1956

**Nationality:** French

**Shares held:** 250 wholly-owned shares of which at least 200 are registered at 31 December 2017

### Expertise and professional experience

Monique Cohen is a graduate of the École Polytechnique (X76), with a Master's degree in mathematics and a degree in business law.

She began her career in 1979 at Paribas as a senior banker then as the worldwide manager for equity-related business lines. Since 2000 she has been a partner at Apax Partners in charge of investments in business services, financial services and healthcare.

Monique Cohen is a director of the Safran group and Supervisory Board member of JCDecaux. She was appointed to the Board of Directors of BNP Paribas on 12 February 2014. Until September 2014 she sat on the Board of the Autorité des marchés financiers (AMF – French financial markets regulator).

### Offices and positions held during 2017

- ◆ **Hermès International** ▲● (France)  
Vice-Chairwoman and member of the Supervisory Board, Chair of the Audit Committee
- ◆ **Apax Partners MidMarket** (France)  
Director
- ◆ **BNP Paribas** ●\* (France)  
Director
- ◆ **Global Project SAS** (France)  
Member of the Supervisory Committee (until 15/09/2017)
- ◆ **JC Decaux** ●\* (France)  
Member of the Supervisory Committee (until 11/05/2017)
- ◆ **Proxima Investissement** (Luxembourg)  
Chairwoman of the Board of Directors and Director
- ◆ **Safran** ●\* (France)  
Director
- ◆ **SC Fabadari** (France)  
Assistant manager
- ◆ **Trocadéro Participations** (France)  
Chairwoman and Supervisory Board member

### Other offices and positions held during the previous four financial years and ending before 1 January 2017

- ◆ **Trocadéro Participations II** (France)  
Chairwoman (until 26/07/2016)
- ◆ **Altamir Gérance** (France)  
Deputy Chief Executive Officer (until 04/05/2015)
- ◆ **Financière MidMarket** (France)  
Director (until 12/12/2014)
- ◆ **Société de Financement Local** (France)  
Director (until 04/06/2014)
- ◆ **Buy Way Personal Finance Belgium** (Belgium)  
Director (until 03/04/2014)
- ◆ **Buy Way Tech** (Belgium)  
Director (until 03/04/2014)
- ◆ **Wallet Investment I** (Belgium)  
Chairwoman of the Board of Directors and Director (until 03/04/2014)
- ◆ **Wallet Investment II** (Belgium)  
Chairwoman of the Board of Directors and Director (until 03/04/2014)
- ◆ **Altran Technologies** (France)  
Director (until 12/03/2014)
- ◆ **B Capital** (France)  
Director (until 24/03/2013)

▲ Hermès Group entity ● Listed company \* Office taken into account when calculating multiple offices

**DOMINIQUE SENEQUIER****Vice-Chairwoman and member of the Supervisory Board and Chair of the Compensation, Appointments and Governance Committee of Hermès International**

Not related to the Hermès family; independent according to the criteria applied by the Company.

**Date appointed:** 4 June 2013

**Term of current office:** 2019 GM

**Address:** c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris

**Born on:** 21 August 1953

**Nationality:** French

**Shares held:** 200 wholly-owned registered shares at 31 December 2017

**Expertise and professional experience**

Dominique Senequier is a graduate of the École Polytechnique (X72) and holds a postgraduate diploma (DEA) in Currency Banking Finance from the University of the Sorbonne. She began her career at Gan where she started up and developed the subsidiary Gan Participations from 1987 to 1995 after being Acquisitions Manager for the Group and spending five years in the insurance inspectorate. In 1996, she joined the Axa group and founded Axa Private Equity. At the end of 2013, Axa Private Equity became the Ardian Group of which she is currently Chairwoman.

**Offices and positions held during 2017**

- ◆ **Hermès International** ▲● (France)  
Vice-Chairwoman and member of the Supervisory Board, Chair of the Compensation, Appointments and Governance Committee
- ◆ **Ardian Holding** (France)  
Permanent Representative of Senus SAS, Chairwoman
- ◆ **Ardian Investment Singapore Pte Ltd** (Singapore)  
Member of the Board of Directors
- ◆ **Ardian Investment Switzerland AG** (Switzerland)  
Chairwoman of the Board of Directors
- ◆ **Ardian Investment Switzerland Holding AG** (Switzerland)  
Chairwoman of the Board of Directors
- ◆ **Ardian Investment UK Ltd** (United Kingdom)
- ◆ **Member of the Board of Directors, member of the ASF V, AESF V and ASF VI committees**  
Ardian US LLC (USA)
- ◆ **Chairwoman of the Supervisory Committee, member of the Investment Committees ASF III-2, AESF III-2 and AESF IV**
- ◆ **Ardian Beijing Consulting Limited Company LLC** (China)  
Member of the Board of Directors
- ◆ **Escouf Properties Corp.** (USA)  
Chairwoman
- ◆ **Fondation Polycarpe** (Belgium)  
Director
- ◆ **Fondation Uroplus** (France)  
Supervisory Board member
- ◆ **Fondation Valentin Haüy** (France)  
Member of the Board of Directors
- ◆ **SCI 30 rue Jacob SCI** (France)  
Executive Chairwoman
- ◆ **Seneq SA** (Belgium)  
Director and Managing Director
- ◆ **Senus SAS** (France)  
Chairwoman
- ◆ **Théâtre des Champs-Élysées SA \*** (France)  
Director
- ◆ **Ydra SAS** (France)  
Chairwoman
- ◆ **Fondation Polycarpe** (Belgium)  
Director
- ◆ **Fondation Uroplus** (France)  
Supervisory Board member

**Other offices and positions held during the previous four financial years and ending before 1 January 2017**

- ◆ **Ardian SA** (France)  
Chairwoman of the Management Board (until 24/06/2014)
- ◆ **Ardian France SA \*** (France)  
Chairwoman of the Supervisory Board (until 07/07/2015)
- ◆ **Chairwoman of the Management Board** (until 08/04/2014)  
Ardian Germany GmbH (Germany)
- ◆ **Chairwoman of the Supervisory Board** (until 07/07/2015)  
Ardian Italy Srl
- ◆ **Chairwoman of the Board of Directors** (until 02/06/2014)  
Ardian Holding (France)
- ◆ **Chairwoman** (until 10/09/2013)  
AXA Infrastructure Investissement SAS (France)
- ◆ **Chairwoman, member of the Management Board and of the Coordination Committee** (until 27/05/2014)
- ◆ **AXA Private Equity Eastern Europe Gmbh** (Austria)  
Chairwoman of the Supervisory Board (until 05/12/2013)
- ◆ **Ardian Holding** (France)  
Chairwoman (until 10/09/2013)
- ◆ **Compagnie Industriale Reunite SpA** (Italy)  
Member of the Board of Directors (until 30/06/2014)
- ◆ **Groupe Bourbon** (France)  
Nonvoting Director (until 29/05/2013)
- ◆ **United Nations** (USA)  
Member of the Investment Committee (until 30/08/2013)
- ◆ **Schneider Electric SA** (France)  
Member of the Supervisory Board and nonvoting member of the Supervisory Board (until 25/06/2013)

▲ Hermès Group entity ● Listed company \* Office taken into account when calculating multiple offices

## FRÉDÉRIC AFRIAT

### Employee Representative Member of the Supervisory Board

Unrelated to the Hermès family.

**Date appointed:** 8 November 2016

**Term of current office:**  
8 November 2019

**Address:** c/o Hermès International,  
24, rue du Faubourg-Saint-Honoré  
75008 Paris

**Born on:** 10/09/1970

**Nationality:** French

**Shares held:** 70 wholly-owned shares  
at 31 December 2017

### Expertise and professional experience

Frédéric Afriat was appointed by the Group Committee to the Supervisory Board as an employee representative on and with effect from 8 November 2016. He holds an accounting certificate (BTS) as well as an accounting degree (DECF) and has 25 years' experience in the accounting profession with various firms such as Roche Bobois, McDonald's France and Bouygues. Chief accountant for eight years at Comptoir Nouveau de la Parfumerie (Hermès Parfums), he deals with the company's accounting, tax, social and budgetary aspects on a day-to-day basis. Prior to his appointment to the Supervisory Board, he occupied two posts as employee representative: member of the works council, staff representative at Comptoir Nouveau de la Parfumerie (Hermès Parfums) and staff representative on the Group Committee.

### Offices and positions held during 2017

- ◆ **Hermès International** ▲● (France)  
Employee Representative on the Supervisory Board
- ◆ **Comptoir Nouveau de la Parfumerie** ▲ (France)  
Chief accountant

### Other offices and positions held during the previous four financial years and ending before 1 January 2017

None

## DOROTHÉE ALTMAYER

Direct descendant of Émile-Maurice Hermès.

**Date appointed:** 6 June 2017

**Term of current office:** 2020 GM

**Adresse:** c/o Hermès International,  
24, rue du Faubourg-Saint-Honoré  
75008 Paris

**Born on:** 0<sup>1</sup> March 1961

**Nationality:** French

**Shares held:** 200 wholly-owned shares  
at 31 December 2017 all registered at  
11/01/2018

### Expertise and professional experience

Dorothee Altmayer holds a degree in clinical psychology from the École de psychologues praticiens (EPP/ Psychoprat) (1984), a postgraduate diploma in graphology from the Société française de graphologie (1987) and a diploma in plastic arts mediation psychotherapy (2006).

She first worked as a recruitment and outplacement consultant at International Business Drive (ALGOE EXECUTIVE Group). Since 2000 she has been a practising clinical psychologist.

She has held temporary positions at the Hôpital Necker, the Main dans la main association, the Institut Mutualiste Montsouris (day hospital for adolescents) and the Centre Recherches et Rencontres.

Since 2007 she has been in private practice, specialising in parent-child interviews, psychological assessments and individual art therapy sessions for children.

### Offices and positions held during 2017

- ◆ **Hermès International** ▲● (France)  
Member of the Supervisory Board
- ◆ **H2 (France)**  
Director
- ◆ **Comptoir Nouveau de la Parfumerie** ▲\* (France)  
Director
- ◆ **Alvila (France)**  
Executive Chairwoman
- ◆ **Hermès Sellier** ▲ (France)  
Member of the Management Board  
(until 12/09/2017)
- ◆ **Alvila Immobilier**  
Executive Chairwoman

### Other offices and positions held during the previous four financial years and ending before 1 January 2017

None

▲ Hermès Group entity ● Listed company \* Office taken into account when calculating multiple offices

**CHARLES-ÉRIC BAUER****Member of the Supervisory Board  
and the Audit Committee of Hermès  
International**

Direct descendant of Émile-Maurice  
Hermès.

**Date appointed:** 3 June 2008

**Term of current office:** 2019 GM

**Address:** c/o Hermès International,  
24, rue du Faubourg-Saint-Honoré  
75008 Paris

**Born on:** 9 January 1964

**Nationality:** French

**Shares held:** 73,648 wholly-owned  
shares at 31 December 2017 of which  
at least 200 are registered

**Expertise and professional experience**

Charles-Éric Bauer holds a degree in technical analysis from Institut des Techniques de Marchés. He is also a graduate of École d'Administration et Direction des Affaires (EAD) business school, option: finance. He served as Co-Managing Director of and Head of Mutual Fund Management at CaixaGestion from 2000 to 2005, and as director, Corporate and Institutional Clients, CaixaBank France, from 2005 to 2007. Since March 2007 he has been the Managing Partner of Hem-Fi Conseil, a private equity firm.

Charles-Éric Bauer has been a member of the Supervisory Board since 3 June 2008. He has also been a member of the Audit Committee since its inception on 26 January 2005.

**Offices and positions held during 2017**

- ◆ **Hermès International** ▲● (France)  
Member of the Supervisory Board and Audit  
Committee
- ◆ **Almareen 2** (France)  
Executive Chairman
- ◆ **H51** (France)  
Director
- ◆ **Hem-Fi Conseil** (France)  
Associate director
- ◆ **Sabarots** (France)  
Executive Chairman
- ◆ **Samain B2** (France)  
Executive Chairman
- ◆ **Yundal** (France)  
Executive Chairman
- ◆ **Zumsee** (France)  
Executive Chairman

**Other offices and positions held during the previous four financial years and ending before 1 January 2017**

- ◆ **Almareen** (France)  
Manager (until 27/12/2015)

## MATTHIEU DUMAS

### Member of the Supervisory Board and the Compensation, Appointments and Governance Committee of Hermès International

Direct descendant of Émile-Maurice Hermès.

**Date appointed:** 3 June 2008

**Term of current office:** 2018 GM

**Address:** c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris

**Born on:** 6 December 1972

**Nationality:** French

**Shares held:** 213 wholly-owned shares at 31 December 2017 of which at least 200 are registered

### Expertise and professional experience

Matthieu Dumas holds a Masters in Law from Université Paris II-Assas and a Masters in Management majoring in strategic marketing, development and corporate communication from the Institut Supérieur de Gestion. From 2001 to 2003 he was Head of Promotion and Partnerships at Cuisine TV (Canal+ Group) and then Marketing and Business Development Director from 2003 to 2006. In 2008 he became Brand Manager of 13e Rue, NBC Universal Group, then Deputy Managing Director of all PureScreens brands in 2010 before being appointed Marketing and Communication Manager of the Discovery Channel in France in 2011.

Since 2013 he has been the manager of EAQUE.

Matthieu Dumas has been a member of the Supervisory Board and the Compensation, Appointments and Governance Committee since 3 June 2008. He has been certified as a Company Director (ASC France) by the IFA and Sciences Po since 2015.

### Offices and positions held during 2017

- ◆ **Hermès International** ▲● (France)  
Member of the Supervisory Board and of the Compensation, Appointments and Governance Committee
- ◆ **Comptoir Nouveau de la Parfumerie** ▲\* (France)  
Director
- ◆ **Asope** (France)  
Executive Chairman
- ◆ **Axam 2** (France)  
Executive Chairman
- ◆ **BOVES** (France)  
Executive Chairman
- ◆ **Yundal** (France)  
Executive Chairman
- ◆ **Eaque** (France)  
Executive Chairman
- ◆ **H2** (France)  
Chairman and Director
- ◆ **HECATE** (France)  
Executive Chairman
- ◆ **Krefeld** (France)  
Chairman and Director
- ◆ **Krefeld Immo** (France)  
Chairman and Director
- ◆ **LDMD** (France)  
Executive Chairman
- ◆ **Mathel** (France)  
Executive Chairman

### Other offices and positions held during the previous four financial years and ending before 1 January 2017

- ◆ **Discovery Networks** (France)  
Marketing and Communication Manager (until 01/02/2013)

## BLAISE GUERRAND

### Member of the Hermès International Supervisory Board

Direct descendant of Émile-Maurice Hermès.

**Date appointed:** 29 May 2012

**Term of current office:** 2018 GM

**Address:** c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris

**Born on:** 4 June 1983

**Nationality:** French

**Shares held:** 200 wholly-owned registered shares at 31 December 2017

### Expertise and professional experience

Blaise Guerrand is a graduate of HEC Paris. He began his career as an Analyst in the equity capital markets department of NM Rothschild & Sons in London between 2005 and 2006. From 2007 to 2010 he was an Associate then Director of Equity Investments for the Indian subsidiary of Ashmore Investment Management, one of the world's leading investors in emerging countries, with more than 75 billion dollars under management and listed on the London Stock Exchange. Since 2011 he has been a Managing Partner in corporate takeovers. Moreover since 2007 he has been Director of the ACCESS Health International foundation which works in partnership with the Rockefeller Foundation to improve access to health care for the underprivileged in certain developing countries.

### Offices and positions held during 2017

- ◆ **Hermès International** ▲● (France)  
Supervisory Board member
- ◆ **Hermès Sellier** ▲ (France)  
Member of the Management Board
- ◆ **ACCESS Health International** (USA)  
Director
- ◆ **Jakyval** (Luxembourg)  
Director
- ◆ **SCI Sèvres SCIFAH** (France)  
Executive Chairman

### Other offices and positions held during the previous four financial years and ending before 1 January 2017

- ◆ **Avest Capital** (Ile-Maurice)  
Director (until 29/12/2015)

**JULIE GUERRAND****Member of the Hermès International Supervisory Board**

Direct descendant of Émile-Maurice Hermès.

**Date appointed:** 2 June 2005

**Term of current office:** 2018 GM

**Address:** c/o Hermès International,  
24, rue du Faubourg-Saint-Honoré  
75008 Paris

**Born on:** 26 February 1975

**Nationality:** French

**Shares held:** 5,825 wholly-owned shares at 31 December 2017 of which at least 200 are registered

**Expertise and professional experience**

Julie Guerrand holds a DEUG advanced degree in applied mathematics and social sciences and a Master of Economics and Industrial Strategy from Université Paris IX-Dauphine. Between 1998 and 2006 she worked in the financial affairs department (mergers & acquisitions) of investment bank Rothschild & Cie. From 2007 to 2011 she was Director of Equity Investments at Paris Orléans, a holding company listed on Euronext controlled by the Rothschild family. She joined the Hermès Group from 2011 to 2017 as Corporate Development Director of Hermès International before becoming Deputy Managing Director – Finance and Organisation of the Hermès Cuirs Précieux division. She has been certified as a Company Director (ASC France) by the IFA and Sciences Po since 2014.

Julie Guerrand has been a member of the Supervisory Board since 2 June 2005. She was also a member of the Audit Committee from its inception on 26 January 2005 until 2 March 2011.

**Offices and positions held during 2017**

- ◆ **Hermès International** ▲●  
Supervisory Board member
- ◆ **Hermès Cuirs Précieux** ▲ (France)  
Member of the Management Board
- ◆ **Antonino** (France)  
Executive Chairwoman
- ◆ **Compagnie des Cuirs Précieux** ▲ (France)  
Deputy Managing Director – Finance and Organisation
- ◆ **Fondation d'entreprise Hermès** (France)  
Director
- ◆ **H51** (France)  
Chairwoman
- ◆ **Idi** (France)  
Supervisory Board member
- ◆ **Jakyval** (Luxembourg)  
Director
- ◆ **Jerocar** (France)  
Executive Chairwoman
- ◆ **La mazarine-SCIFAH** (France)  
Executive Chairwoman
- ◆ **Les domaines Barons de Rothschild (Lafite)** (France)  
Supervisory Board member
- ◆ **SCI Apremont** (France)  
Executive Chairwoman
- ◆ **SCI Briand Villiers I** (France)  
Executive Chairwoman
- ◆ **SCI Briand Villiers II** (France)  
Executive Chairwoman
- ◆ **SCI 8 Drouot** (France)  
Executive Chairwoman
- ◆ **SIFAH** (France)  
Director
- ◆ **Société Immobilière du Dragon** (France)  
Executive Chairwoman
- ◆ **Val d'Isère Carojero** (France)  
Executive Chairwoman
- ◆ **Vie et Veranda Groupe** (France)  
Director

**Other offices and positions held during the previous four financial years and ending before 1 January 2017**

- ◆ **28-30-32 Faubourg Saint-Honoré** (France)  
Director (until 15/07/2015)

▲ Hermès Group entity ● Listed company \* Office taken into account when calculating multiple offices

## OLYMPIA GUERRAND

Direct descendant of Émile-Maurice Hermès.

**Date appointed:** 6 June 2017

**Term of current office:** 2018 GM

**Address:** c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris

**Born on:** 7 October 1977

**Nationality:** Franco-Portuguese

**Shares held:** 306,312 wholly-owned shares at 31 December 2017 of which at least 200 are registered

### Expertise and professional experience

Olympia Guerrand worked for nearly one year in 2005-2006 in the Communications department of the subsidiary Hermès of Paris in New York, performing assignments in the area of advertising, public relations and event management. She then joined Hermès International until 2007 carrying out assignments within various Hermès Group departments (finance, legal, business lines, production units and stores). She has been a real estate administrator since 2008.

### Offices and positions held during 2017

- ◆ **Hermès International** ▲● (France)  
Supervisory Board member
- ◆ **Hermès Sellier** ▲ (France)  
Member of the Management Board

### Other offices and positions held during the previous four financial years and ending before 1 January 2017

- ◆ None

## SHARON MACBEATH

### Member of the Supervisory Board and the Audit Committee of Hermès International

Not related to the Hermès family; independent according to the criteria applied by the Company.

**Date appointed:** 31 May 2016

**Term of current office:** 2019 GM

**Address:** c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris

**Born on:** 30 March 1969

**Nationality:** British

**Shares held:** 200 wholly-owned registered shares at 31 December 2017

### Expertise and professional experience

Sharon MacBeath is a graduate of Glasgow University, the Panthéon-Sorbonne University and INSEAD. Her development has been enriched by her diversity of experiences, both in the business community as well as mass distribution, and now business to business.

She has served successively as Director of Human Resources at McDonald's, Managing Director at EMDS Consulting, Human Resources Group Director at Rexam, where she was primarily in charge of risk management topics, and Senior Vice-Chairwoman of Human Resources and Communications at Redcats. From 2013 to 2016 she served as Senior Human Resources Vice-Chairwoman at Rexel. Since 3 January 2017 she has been Director of Human Resources and Communications of the Tarkett Group and a member of its Executive Committee and Management Board.

Sharon MacBeath has been a member of the Supervisory Board since 31 May 2016. She has also been a member of the Audit Committee since 31 May 2016.

### Offices and positions held during 2017

- ◆ **Hermès International** ▲● (France)  
Member of the Supervisory Board and Audit Committee
- ◆ **Tarkett** (France)  
Human Resources and Communication Director, member of the Executive Committee and the Management Board
- ◆ **Coface** ●\* (France)  
Independent director

### Other offices and positions held during the previous four financial years and ending before 1 January 2017

- ◆ **Rexel** ● (France)  
Senior Vice-President, Human Resources, member of the Executive Committee (until 31/10/2016)
- ◆ **Redcats** (France)  
Senior Vice-President, Human Resources and Communications, member of the Executive Committee (until 31/10/2013)

▲ Hermès Group entity ● Listed company \* Office taken into account when calculating multiple offices

**RENAUD MOMMÉJA****Member of the Supervisory Board and the Audit Committee of Hermès International**

Direct descendant of Émile-Maurice Hermès.

**Date appointed:** 2 June 2005

**Term of current office:** 2020 GM

**Address:** c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris

**Born on:** 20/03/1962

**Nationality:** French

**Shares held:** 178,132 wholly-owned shares and 12 shares in bare ownership at 31 December 2017 of which at least 200 are registered

**Expertise and professional experience**

Renaud Momméja is a graduate of École Supérieure Libre des Sciences Commerciales Appliquées (ESLSCA). He has been Executive Manager of SARL Tolazi since 2004, a corporate property management, organisation and strategy consulting firm. Since 2006 he has been the Representative of SC Lor on the Executive Management of SC du Château Fourcas Hosten.

Renaud Momméja has been a member of the Supervisory Board since 2 June 2005. He has also been a member of the Audit Committee since 3 June 2008.

**Offices and positions held during 2017**

- ◆ **Hermès International** ▲● (France)  
Member of the Supervisory Board and Audit Committee
- ◆ **Altizo** (France)  
Executive Chairman
- ◆ **Binc** (France)  
Executive Chairman
- ◆ **Comptoir Nouveau de la Parfumerie** ▲\* (France)  
Director
- ◆ **GFA Château Fourcas Hosten** (France)  
Co-Executive Manager
- ◆ **H2** (France)  
Director
- ◆ **HUSO** \* (France)  
Director
- ◆ **J.L. & Co** ▲ (United Kingdom)  
Director
- ◆ **Lor** (France)  
Co-Executive Manager
- ◆ **Rose Investissement** (France)  
Executive Chairman
- ◆ **SARL Tolazi** (France)  
Executive Chairman
- ◆ **SCI AJimmo** (France)  
Co-Executive Manager
- ◆ **SCI Auguste Hollande** (France)  
Co-Executive Manager
- ◆ **SCI Briand Villiers I** (France)  
Executive Chairman
- ◆ **SCI Briand Villiers II** (France)  
Executive Chairman
- ◆ **SCI de l'Univers** (France)  
Executive Chairman
- ◆ **SCI du 74 rue du Faubourg-Saint-Antoine** (France)  
Co-Executive Manager
- ◆ **Société civile du Château Fourcas Hosten** (France)  
Permanent Representative of Lor, Executive Manager
- ◆ **SIFAH** (France)  
Chairman
- ◆ **SCI Tibemo** (France)  
Co-Executive Manager
- ◆ **SCI Zotila Vaugirard** (France)  
Chairman

**Other offices and positions held during the previous four financial years and ending before 1 January 2017**

- ◆ **28-30-32 Faubourg Saint-Honoré** (France)  
Chairman (until 02/07/2015)
- ◆ **H2** (France)  
Chairman (until 18/05/2016)
- ◆ **Société Immobilière du Faubourg Saint-Honoré "SIFAH"** (France)  
Manager (until 02/07/2015)

▲ Hermès Group entity ● Listed company \* Office taken into account when calculating multiple offices

## ROBERT PEUGEOT

### Member of the Supervisory Board, the Audit Committee and the Compensation, Appointments and Governance Committee of Hermès International

Not related to the Hermès family; independent according to the criteria applied by the Company.

**Date appointed:** 24 January 2007

**Term of current office:** 2018 GM

**Address:** c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris

**Born on:** 25/04/1950

**Nationality:** French

**Shares held:** 200 wholly-owned registered shares at 31 December 2017

### Expertise and professional experience

After his studies at the École Centrale de Paris and INSEAD, Robert Peugeot occupied various managerial posts within the PSA Peugeot Citroën Group and was a member of the Executive Committee of the Group between 1998 and 2007 in charge of innovation and quality. He is a Permanent Representative of FFP to the Supervisory Board of Peugeot SA, a member of the Financial and Audit Committee and he chairs the Strategic Committee. He has managed the development of FFP since the end of 2002.

Robert Peugeot has been a member of the Supervisory Board of Hermès International since 24 January 2007. Since 3 June 2008 he has also served on the Audit Committee and the Compensation, Appointments and Governance Committee.

### Offices and positions held during 2017

- ◆ **Hermès International** ▲● (France)  
Member of the Supervisory Board, the Audit Committee and the Compensation, Appointments and Governance Committee
- ◆ **CHP Gestion** (France)  
Executive Chairman
- ◆ **DKSH** ● (Switzerland)  
Director, member of the Compensation and Appointments Committee
- ◆ **Établissements Peugeot Frères-EPF** \* (France)  
Director, Chairman of the Accounts Committee
- ◆ **Faurecia** ● (France)  
Director, member of the Management Committee
- ◆ **FFP** ●\* (France)  
Chairman and CEO, Chairman of the Equity Investments Committee
- ◆ **FFP Invest** (France)  
Permanent Representative of FFP Invest, Chairman
- ◆ **Financière Guiraud SAS** (France)  
Permanent representative of FFP Invest, Chairman and member of the Supervisory Board
- ◆ **PSA Peugeot Citroën (Peugeot SA)** ● (France)  
Permanent representative of FFP, member of the Supervisory Board, Chairman of the Strategy Committee and member of the Finance and Audit Committee
- ◆ **SCAV Armene** (France)  
Permanent representative of Maillot I on the Board of Directors
- ◆ **SCI Rodom** (France)  
Executive Chairman
- ◆ **Sofina** ● (Belgium)  
Director, Chairman of the Compensation Committee and Chairman of the Appointments Committee
- ◆ **Tikehau Capital Advisors** (France)  
Member of the Board of Directors and member of the Compensation Committee

Robert Peugeot holds five other appointments in listed companies, but four of these appointments are held pursuant to his functions as Chairman and CEO of FFP, the main business of which is the acquisition and management of such equity investments.

### Other offices and positions held during the previous four financial years and ending before 1 January 2017

- ◆ **SANEF** \* (France)  
Permanent representative of FFP Invest on the Board of Directors, member of the Appointments Committee (until 28/04/2017)  
Director, Chairman of the Compensation and Appointments Committee (until 17/06/2014)
- ◆ **Imerys** ●\* (France)  
Director, member of the Strategic Committee, member of the Appointments and Compensation Committee (until 04/05/2016)
- ◆ **Holding Reinier** (France)  
Director, member of the Compensation Committee, member of the Strategic Committee (until 03/09/2016)
- ◆ **IDI Emerging Markets** (Luxembourg)  
Permanent representative of FFP Invest on the Supervisory Board (until 15/06/2015)  
Member of the Supervisory Board (until 13/05/2014)
- ◆ **Peugeot SA** ● (France)  
Chairman of the Strategic Committee, member of the Finance and Audit Committee (until 25/04/2014)  
Member of the Supervisory Board (until 25/04/2014)
- ◆ **Zodiac Aerospace** (France)  
Permanent representative of FFP Invest on the Supervisory Board, member of the Accounts Committee (until 16/07/2014)

▲ Hermès Group entity ● Listed company \* Office taken into account when calculating multiple offices

### 3.1.3.5 Diversity policy

#### Changes in the composition of the Board since 2011

Since 2011 the CAG Committee has been assigned to advise the Supervisory Board of its recommendations as to the changes in the Board's composition.

In order to make these recommendations to the Supervisory Board, the CAG Committee has organised its assignment in three stages:

1. determine the "Supervisory Board's target makeup";
2. draw up a shortlist with the help of an external expert of potential candidates meeting identified requirements;
3. set up a schedule of changes in the Supervisory Board's composition.

The work carried out is in each subsequent registration document as follows:

Work carried out	Registration document
from 2011 to 2013	2013 (part 2, pages 21 and 22)
in 2014 and 2015	2014 (part 2, page 19)
in 2016	2015 (part 2, page 19)
in 2017	2016 (page 113)

The Supervisory Board's target makeup covers a range of objectives or principles regarding the optimal size of the Board, age limits, the number of independent members and diversity (e.g. *gender parity, variety of nationalities, international experience, expertise*).

In accordance with Article L. 225-37-4 of the French Commercial Code, the objectives defined in 2012, their means of implementation and the results achieved at the end of 2017 are as follows:

Criteria used	Objectives set in 2012	Means of implementation and results at 31 December 2017
<p><b>Optimal size (number of Board members)</b></p> <p>The Board comprised 10 members within a range of 3 to 15 members set out by the Articles of Association (the decision is made by the Active Partner).</p>	<p><u>Objective:</u> maintain the number of members insofar as the Board's size is consistent with market recommendations and works satisfactorily. This can be reconsidered later if other constraints (proportion of women and independent members on the Board and the Committees) require an increase in the size of the Board.</p>	<p>The number of members gradually rose to 11 in 2012 (with the addition of a member representing employees) and then to 13 in 2017 (with the appointment of two new women).</p>
<p><b>Age limit</b></p>	<p>Article 18.3 of the Articles of Association states that the number of members aged over 75 cannot exceed one-third of the total.</p> <p><u>Objective:</u> make no changes as the current rule under the Articles of Association is satisfactory.</p>	<p>Unchanged.</p>
<p><b>Gender parity</b></p>	<p>End of 2011: 20% women and 80% men.</p> <p><u>Objective:</u> reach at least 40% of each gender by 2017 in accordance with Article L. 226-4-1 of the French Commercial Code.</p>	<p>Appointments of Dominique Senequier in 2013 and Monique Cohen in 2014.</p> <p>End of 2014: 40% women and 60% men.</p> <p>Appointment of Sharon MacBeath in 2016 and Dorothee Altmayer and Olympia Guerrand in 2017.</p> <p>End of 2017: 50% women and 50% men.</p>
<p><b>Number of independent members</b></p>	<p>The Board's rules of procedure state that at least one-third of its members must be independent. Proportion in 2011: more than one-third (40% or four independents out of 10 members).</p> <p><u>Objectives:</u></p> <ul style="list-style-type: none"> <li>♦ replace the two independent members (Ernest-Antoine Sellière and Maurice de Kervennoaël) who would be over 75 at the end of their respective terms in 2013 and 2014;</li> <li>♦ find a suitable female candidate to be an independent member of the Audit Committee in 2014.</li> </ul>	<p>Appointment of Dominique Senequier to the Board in 2013.</p> <p>Appointment of Monique Cohen to the Board and the Audit Committee in 2014.</p> <p>Appointment of Sharon MacBeath to the Board and the Audit Committee in 2016.</p> <p>End-2017: 1/3 of independent members.</p>

Criteria used	Objectives set in 2012	Means of implementation and results at 31 December 2017
Nationalities, international experience, expertise (highlighting the missing talents/typical profiles needed to improve the running of the Board).	<p>Objectives:</p> <ul style="list-style-type: none"> <li>♦ the House's culture being quintessentially French, maintain a French-speaking Board;</li> <li>♦ international experience is important;</li> <li>♦ experience in the luxury sector is not necessarily desirable given the specific nature of Hermès and potential conflicts of interest;</li> <li>♦ experience or membership of a family group should be decisive (collective and not individual ambition);</li> <li>♦ the absence of a conflict of interest is difficult to define and will be examined on a case-by-case basis;</li> <li>♦ financial expertise is desirable;</li> <li>♦ integrity and compatibility with the Hermès values is a prerequisite;</li> <li>♦ simultaneously holding offices in other listed companies is not in itself a handicap but must be taken into account for good governance.</li> </ul>	<p>Appointment of Dominique Senequier to the Board in 2013 (financial profile).</p> <p>Appointment of Monique Cohen in 2014 (financial profile, Audit Committee experience).</p> <p>Appointment in 2015 of Sharon MacBeath in 2016 (experience in human resources and British nationality).</p> <p>Appointment of Dorothée Altmayer (experience in human resources and psychology) and Olympia Guerrand (international experience and dual nationality) in 2017.</p>
Possibility of appointing a nonvoting member	Objective: unfavourable because this role can be entrusted to a Board member without the need to appoint a nonvoting member.	Unchanged.
Criteria used	Objectives set in 2014	Achievements and situation at 31 December 2017
Employee Representative member	Amend Article 18 of the Articles of Association to determine the terms and conditions for appointing members of the Supervisory Board representing the Group's employees in accordance with law 2013-504 of 14 June 2013 on employment security. The member(s) representing employees will be appointed by the Group Committee, taking into account the role of this employee representation body, which is the primary point of contact for management and whose members hail from the various works councils or single staff delegations of the companies comprising the Group.	<p>Amendment of the Articles of Association at the 2014 General Meeting.</p> <p>Appointment of an employee representative to the Board at the end of 2014.</p>

At its meetings of 13 September 2017 and of 20 March 2018, the Supervisory Board deemed the composition of the Board satisfactory and as such did not set a new short-term diversity target.

The General Meeting of 5 June 2018 will be asked to:

- ◆ reappoint Matthieu Dumas, Blaise Guerrand and Olympia Guerrand for a period of three years as set out in the Articles of Association;
- ◆ reappoint Robert Peugeot for a period of one year so as to replace him in the best possible conditions with a new independent member at

the 2019 General Meeting. The Supervisory Board deemed it better to have a slightly lower proportion of independent members on the Board (25%) and Audit Committee (40%) than required by the AFEP-MEDEF Code for a few months rather than not apply an independence criterion with regard to Robert Peugeot.

Information regarding them is provided on pages 135, 137 and 139.

#### Number of Supervisory Board members and gender parity (excluding the employee representative)

31/12	2011	2012	2013	2014	2015	2016	2017	2018 <sup>1</sup>
Number	10	11	11	10	10	10	12	12
Employee rep.	n/a	n/a	n/a	1	1	1	1	1
F	20%	18%	27%	40%	40%	40%	50%	50%
M	80%	82%	73%	60%	60%	60%	50%	50%

n/a: not applicable.

(1) Subject to approval by the Combined General Meeting of 5 June 2018.

### 3.1.3.6 Independence of the members of the Supervisory Board

#### Independence criteria

In 2009 the Supervisory Board formally adopted the following criteria for its members to be deemed independent:

- ◆ meet the criteria set out in the AFEP-MEDEF Corporate Governance Code including the length of service criterion which has been respected since 2013 (Article 8.5 of the November 2016 version of the Code):

<b>Criterion 1</b>	Not to be and not to have been during the course of the previous five years: <ul style="list-style-type: none"> <li>◆ an employee or executive Officer of the corporation;</li> <li>◆ an employee, executive Officer of a company or a director of a company consolidated within the corporation;</li> <li>◆ an employee, executive Officer or a director of the company's parent company or a company consolidated within this parent.</li> </ul>
<b>Criterion 2</b>	Not to be an executive Officer of a company in which the corporation holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive Officer of the corporation (currently in office or having held such office during the last five years) is a director.
<b>Criterion 3</b>	Not to be a customer, supplier, commercial banker or investment banker: <ul style="list-style-type: none"> <li>◆ that is material to the corporation or its group;</li> <li>◆ or for a significant part of whose business the corporation or its group accounts. The evaluation of the significant or non-significant relationship with the company or its group must be debated by the Board and the quantitative criteria that lead to the evaluation (continuity, economic dependence, exclusivity, etc.) Must be explicitly stated in the annual report.</li> </ul>
<b>Criterion 4</b>	Not to be related by close family ties to a company Officer.
<b>Criterion 5</b>	Not to have been an auditor of the corporation within the previous five years.
<b>Criterion 6</b>	Not to have been a director of the corporation for more than twelve years. Loss of the status of independent director occurs on the date at which this period of twelve years is reached.
<b>Criterion 7</b>	Not to hold a significant percentage (over 10%) of the Company's capital or voting rights.
◆ meet an additional criterion specific to Hermès International:	
<b>Criterion 8</b>	Not to be a partner or member of the Executive Management Board of Émile Hermès SARL, Active Partner.

### Situation of each member of the Supervisory Board in view of the above -criteria

On 31 December 2017 the Board examined the situation of each of its members in the light of the above criteria on a case-by-case basis and deemed four of them to be independent: Monique Cohen, Dominique

Senequier, Sharon MacBeath and Robert Peugeot. In particular the Board identified no significant business relationships between its members and the Company. This analysis is performed each year on the basis of a questionnaire sent to all Supervisory Board members (see page 144 below).

Criteria	1	2	3	4	5	6	7	8	Independent
Éric de Seynes (Chairman)		√	√		√	√	√		
Monique Cohen (Vice-Chairwoman)	√	√	√	√	√	√	√	√	√
Dominique Senequier (Vice-Chairwoman)	√	√	√	√	√	√	√	√	√
Frédéric Afriat (Employee representative)		√	√	√	√	√	√	√	
Dorothee Altmayer		√	√		√	√	√		
Charles-Éric Bauer		√	√		√	√	√		
Matthieu Dumas		√	√		√	√	√		
Blaise Guerrand		√	√		√	√	√		
Julie Guerrand		√	√		√		√		
Olympia Guerrand		√	√		√	√	√		
Sharon MacBeath	√	√	√	√	√	√	√	√	√
Renaud Momméja		√	√		√		√		
Robert Peugeot	√	√	√	√	√	√	√	√	√

In accordance with Article 8.3 of the November 2016 AFEP-MEDEF Code, independent members must make up at least one-third of the Supervisory Board in controlled companies as defined by Article L. 233-3 of the French Commercial Code.

Article 1.1.2.3 of the Supervisory Board's rules of procedure states that at least one-third of Board members must be independent.

Employee Representative Board members are not included in the calculation of this percentage.

The Supervisory Board has complied with this proportion since it was introduced in 2009.

### 3.1.3.7 Business ethics of the Supervisory Board

#### Rules of procedure – Code of market ethics

At its meeting of 18 March 2009 the Supervisory Board adopted its rules of procedure which set out the terms governing the structure and workings of Hermès International's Supervisory Board and its committees in addition to legal and statutory provisions. Their purpose is to enhance the quality of the Board's work by promoting the application of good corporate governance principles and best practices, in the interests of ethics and greater effectiveness. It has been revised several times, notably to comply with legislative and regulatory developments and to take into account the recommendations of the AMF as well as revisions to the AFEP-MEDEF Code.

The ninth version of the rules of procedure dated 26 January 2018 is provided on page 169 and each update is made available online at <http://finance.hermes.com/en/Corporate-Governance/Management-Bodies/The-Supervisory-Board>.

On 21 March 2017 the Supervisory Board's rules of procedure were updated as follows:

- ◆ the reference to the AFEP-MEDEF code revised in November 2016 was updated (§ 1.1.21.);
- ◆ the proportion of independent members was clarified (§ 1.1.2.3.);
- ◆ the provisions contained in the Supervisory Board's ethics charter were included (§ 1.1.3);
- ◆ the wording was made clearer overall.

On 26 January 2018 the Supervisory Board's rules of procedure were updated as follows:

- ◆ the procedure for declaring business relationships was clarified (§ 1.1.3.6.);
- ◆ the new terms of distributing directors' fees adopted in June 2017 were included (§ 3.1.).

On 26 January 2011 the Supervisory Board adopted an ethics charter with the aim of contributing to the quality of the work of Supervisory Board members by promoting the application of corporate governance principles and best practices in terms of ethics and effectiveness.

In early 2017 the Supervisory Board's ethics charter was replaced:

- ◆ by the **Hermès Group Code of Market Ethics** which lays out strict guidelines on *Preventing Insider Misfeasance, Market Ethics, Closed Period Obligations, and Disclosure Obligations*. The Code received the endorsement of the AMF and came into force on 1 February 2017 as part of the update of the market abuse prevention system within the Hermès Group;

- ◆ by the **Supervisory Board's rules of procedure** which absorbed the rest of the old ethics charter.

A summary of the Hermès Group Code of Market Ethics is provided on page 308 and each update is made available online at <http://finance.hermes.com/en/Corporate-Governance/Management-Bodies/The-Supervisory-Board>.

The Code of Market Ethics was updated on 25 July 2017 and 1 January 2018 mainly to incorporate regulatory changes (ESMA clarifications, CNIL exemption, amendment of the AMF General Regulation).

In 2017 the Supervisory Board met seven times with an almost 100% rate of attendance as shown in the table below:

	Attendance at Supervisory Board meetings	Attendance at Compensation, Appointments and Governance Committee meetings	Attendance at Audit Committee meetings
<b>Average attendance</b>	<b>96.70%</b>	<b>100.00%</b>	<b>86.67%</b>
Éric de Seynes (Chairman)	100.00%	n/a	n/a
Monique Cohen (Vice-Chairwoman)	100.00%	n/a	100.00%
Dominique Senequier (Vice-Chairwoman)	100.00%	100.00%	n/a
Frédéric Afriat (Employee representative)	100.00%	n/a	n/a
Dorothee Altmayer (from 06/06/2017)	100.00%	n/a	n/a
Charles-Éric Bauer	100.00%	n/a	100.00%
Matthieu Dumas	100.00%	100.00%	n/a
Blaise Guerrand	100.00%	n/a	n/a
Julie Guerrand	100.00%	n/a	n/a
Olympia Guerrand (from 06/06/2017)	100.00%	n/a	n/a
Sharon MacBeath	100.00%	100.00%	83.33%
Renaud Momméja	85.71%	n/a	83.33%
Robert Peugeot	71.43%	100.00%	66.67%

n/a: not applicable.

### Conflicts of interest – Business relationships – Service contracts with benefits

Article 1.1.3.6 of the Supervisory Board's rules of procedure states that:

“Members of the Supervisory Board shall endeavour to avoid any possible conflict between their moral and material interests and those of the Company. They shall inform the Supervisory Board of any conflicts of interest in which they might be involved. In cases where a conflict of interest cannot be avoided, they shall refrain from taking part in any discussions or decisions related to the matters concerned.

*Each member of the Supervisory Board must also draw up a statutory declaration stating whether or not there is a conflict of interest, even a potential one:*

- ◆ *at the time of his or her appointment;*
- ◆ *every year when the registration document is prepared.”*

The declaration describes all possible situations, with precise examples, inviting the members of the Board to declare all situations that could represent a potential conflict of interest.

### Attendance

The Supervisory Board's rules of procedure (Article 1.1.3.8.) note that the members of the Supervisory Board shall regularly and diligently take part in meetings of the Board and its Committees to which they belong.

The principles governing the distribution of directors' fees and compensation adopted by the Board include a variable component in proportion to attendance at meetings currently equal to 64.53% for the Supervisory Board and 60% for the Committees.

The declaration serves as a basis to assess the material nature of business relationships that could affect the independence of a Board member as required by recommendation 8.5.3 of the AFEP-MEDEF Code. The assessment criteria are quantitative (amount of sales or revenue generated during the financial year and the percentage represented by those amounts in relation to the counterparty's total sales or revenue) and qualitative (nature of existing business relationships).

As regards the quantitative criteria, the Supervisory Board did not consider it appropriate, given the diversity of possible situations, to set a threshold below which a business relationship would be deemed immaterial. The assessment is made on a case-by-case basis.

Monique Cohen, Sharon MacBeath and Robert Peugeot declared no business relationships with the company.

Dominique Senequier declared a non-significant business relationship described on page 235 under related party transactions.

After examining each of these situations in early 2018, the CAG Committee concluded that none of them were of such a nature to constitute a conflict of interest for the persons concerned and that none of the independent members of the Board had, directly or indirectly, significant business relationships with the Company or its Group.

No service contract exists between the Supervisory Board members and the Company, or any of its subsidiaries, that would result in benefits being granted pursuant to such a contract.

### Plurality of offices

The offices of members of the Supervisory Board are not taken into account when calculating the plurality of offices, Articles L. 225-21 and L. 225-77 of the French Commercial Code being expressly excluded from the provisions applicable to partnerships limited by shares.

The examination of the individual situation of each Supervisory Board member and the Executive Chairmen in view of the rules on the plurality of offices indicated that no Supervisory Board member or Executive Chairman held multiple offices with regard to both legal rules and the principles set out in Article 18.4 of the November 2016 AFEP-MEDEF Corporate Governance Code (not holding more than four other offices in companies outside the Group except for entities whose chief activity is the acquisition and management of equity interests).

### Number of shares to be held by members of the Supervisory Board

The rules of procedure require Supervisory Board members except for the Employee Representative to own a relatively significant number (200) of registered shares. The value of these shares based on the Hermès International share price at 29 December 2017 (€446.25) is equal to more than three years of directors' fees.

At its meeting of 26 January 2018 the Supervisory Board noted that all members of the Supervisory Board complied with this obligation.

## 3.1.3.8 Workings of the Supervisory Board

### Role of the Supervisory Board

The primary role of the Supervisory Board of a *société en commandite par actions* (partnership limited by shares) is to maintain ongoing control over the Company's management in accordance with the law and with the Articles of Association. In this respect, the Supervisory Board is responsible for assessing the advisability of strategic choices; monitoring the correctness of Executive Management's actions; ensuring equal treatment of all shareholders; and verifying the procedures implemented by the Company to ensure the fairness and accuracy of the parent company and consolidated financial statements. To fulfil these obligations, every year, the Supervisory Board presents any comments it may have on the parent-company and consolidated financial statements, decides on the proposed allocation of net income, and provides all recommendations and authorisations.

The Supervisory Board describes the due diligence procedures it carried out during the year ended 31 December 2017 in a report presented to the General Meeting called to approve the financial statements (page 338). The functions exercised by the Supervisory Board do not entail any inter-

ference with the Executive Management, or any liability arising from the management's actions or from the results of such actions.

In accordance with Article L. 226-10-1 of the French Commercial Code amended by Ordinance No. 2017-1162 of 12 July 2017, the Supervisory Board also presents this report on corporate governance.

As an extra-statutory mission, the rules of procedure call for the Board to approve or refuse an Executive Chairman's acceptance of any new appointment within a listed company.

At its meeting of 26 January 2018 the Supervisory Board approved the acceptance by Axel Dumas of a directorship at L'Oréal.

### Duties of the Chairman of the Supervisory Board and activity report – Communication with shareholders

In 2017 the Supervisory Board gave its Chairman no duties other than those conferred by law.

At its meeting of 20 March 2018 the Supervisory Board made its Chairman responsible for communicating with shareholders on behalf of the Board with a view to:

- ◆ explaining the positions taken by the Supervisory Board in its areas of competence (particularly with regard to governance and executive compensation) which were previously the subject of a presentation;
- ◆ ensuring that shareholders receive the information they expect from the Company.

The Chairman must report annually to the Supervisory Board on the execution of his duties.

No additional compensation is allocated to the Chairman for executing these duties.

### Supervisory Board's master file

Since 2011 a "master file" has been provided to the Supervisory Board. It has been available since 2016 on the Board's collaborative platform name "Herboard" (see below).

It currently contains the following sections:

- ◆ a list with contact details of the members of the Executive Committee, Supervisory Board and Board Committees and the Board Secretary;
- ◆ a table of the dates of terms of office;
- ◆ the Supervisory Board rules of procedure;
- ◆ the Audit Committee rules of procedure;
- ◆ the CAG Committee rules of procedure;
- ◆ the Hermès Group Code of Market Ethics;
- ◆ a calendar of closed periods applicable to Permanent Insiders;
- ◆ the AMF guide on ongoing information and managing inside information;
- ◆ regulations regarding the declaration and direct registration obligations of senior executives;
- ◆ principles governing the distribution of directors' fees;
- ◆ rules on the reimbursement of expenses;

- ◆ a certificate and insurance summary of Corporate Officers' civil liability;
- ◆ the three most recent registration documents;
- ◆ the convening notice for the last General Meeting;
- ◆ a summary of the results of the last formal three-year evaluation of the Supervisory Board;
- ◆ presentations made during site visits since 2011;
- ◆ the Hermès Group Code of Business Conduct (Hermès Group guidelines);
- ◆ ethics charter of the Hermès Group;
- ◆ presentations of Hermès International and Émile Hermès SARL;
- ◆ the annotated Articles of Association.

This master file is updated on a regular basis.

#### Supervisory Board meetings – “Herboard” collaborative platform

The procedures for calling meetings and the rules governing quorums and majorities are described in the Articles of Association (Article 19) and in the Supervisory Board's rules of procedure.

The Supervisory Board meets at least twice per year in accordance with the Articles of Association. The Supervisory Board met seven times in 2017.

The Statutory Auditors and the Works Council representatives are systematically invited to attend all Supervisory Board meetings.

Furthermore, as in previous years, the Chairman of the Supervisory Board was invited to attend all meetings of the Executive Management Board of Émile Hermès SARL.

To ensure that Supervisory Board meetings are held in due and proper form, a file containing background documents related to issues on the agenda is sent to each Board member before every meeting (since 2011 at least 48 hours beforehand whenever possible). Persons who are not Board members, in particular members of the Executive Committee and of the Management Committee, may be invited to attend Board meetings at the Chairman's discretion to provide any information that members of the Board might require to reach a full understanding of matters on the agenda and that are technical in nature or require special expertise.

Minutes are drawn up at the end of each meeting and sent to all Board members, who are invited to comment.

Any comments are discussed at the next Supervisory Board meeting, which approves the final text of the minutes of the previous meeting.

Since 2016 the Supervisory Board has made use of a secure cloud-based collaborative Board management platform hosted in France by Oodrive and customised for Hermès.

Dubbed “Herboard” at Hermès, the platform is accessible from a web browser or via a tablet application and can be used to:

- ◆ organise meetings (plan meetings, send invitations, track attendance);
- ◆ provide highly secure and paperless Board documents relating to Board and Committee meetings and to the Supervisory Board's master file in real time (via a username, password and confirmation code sent via SMS);
- ◆ manage document permissions and track document use;
- ◆ circulate minutes and reports.

Following the implementation of Herboard, an iPad® is given to Board members who request one.

#### Training for Supervisory Board members – Integration programme

Supervisory Board members can make use of the Company's group membership of IFA, and thereby take advantage of all of its services. Julie Guerrand became a certified company Board member (receiving the ASC France Certificate issued by the IFA) in 2013 and Matthieu Dumas in 2015. Other Board members will likely be taking part in this company governance certification programme carried out by IFA in partnership with Sciences-Po.

In 2014 the CAG Committee set up an integration and training programme for new Board members which entails:

- ◆ receiving a new member integration kit of legal and governance documents containing:
  - the Supervisory Board's master file (see page 145 et 146),
  - the “20 years in the stock market” booklet (2013),
  - the Supervisory Board's dashboard for the current year,
  - the schedule of Supervisory Board meetings for the next three years,
  - the IFA Director handbook (2014);
- ◆ joining the three-day in-house “Mosaic” training session with employees;
- ◆ being briefed on the Company's ownership structure and Active Partner (Émile Hermès SARL);
- ◆ “Catching up” on site visits (see page 148) since 2011 (if necessary);
- ◆ taking part in IFA governance training (if necessary);
- ◆ being briefed on new Hermès collections.

### Expense reimbursements

Supervisory Board members are reimbursed for travel, accommodation and restaurant expenses incurred thereby to attend the Supervisory Board meetings, upon presentation of substantiating documents or receipts. These reimbursements are capped (see rules of procedure, page 172) and based on the rules applicable to Group employees.

### Directors' fees and compensation

Information relating to directors' fees and compensation of the Supervisory Board is presented in § 3.1.4.3 on page 156.

## 3.1.3.9 Work of the Supervisory Board

### Group activity and finance

In 2017 the Supervisory Board was informed of the Group's activities at each of its meetings and in particular:

- ◆ was given a presentation by the Executive Management on the parent company and consolidated financial statements;
- ◆ examined the 2017 budget;
- ◆ reviewed documents on forecasting and planning;
- ◆ determined the allocation of earnings to be put to the General Meeting of 6 June 2017;
- ◆ reviewed the situation of certain equity investments;
- ◆ formally noted proposals for acquisitions, disposals and equity investments;
- ◆ formally noted investment proposals;
- ◆ examined the reports and work of the Audit Committee described on page 154.

### Recommendations, authorisations and other items

In 2017, the Supervisory Board:

- ◆ authorised and reclassified related-party agreements and reviewed those for which the effects are ongoing (see the Supervisory Board's report to the General Meeting on page 338);
- ◆ approved the resolutions put to the Combined General Meeting of 6 June 2017 and acquainted itself with the reports drawn up by Executive Management;
- ◆ formally noted the summary statement of services provided by Hermès International to Émile Hermès SARL in 2016 and projections for 2017;
- ◆ discussed the Company's policy with regard to gender equality and equal pay for equal work;
- ◆ approved the wording of the prudential rules applicable by subsidiaries together with updated lists of the authorised signatories and banks of Hermès International;
- ◆ approved the new system of market abuse prevention within the Group, in particular the Code of Market Ethics and the new list of Permanent Insiders which includes the members of the Supervisory Board;
- ◆ noted the responsibility inherent to inside information;

- ◆ conducted the annual review of anticorruption procedures within the Group;
- ◆ renewed (overall limit given to Management in favour of subsidiaries) or authorised (special authorisations) the sureties, endorsements or guarantees granted by Hermès International;
- ◆ conducted the first annual review of all sureties, endorsements and guarantees still in force;
- ◆ approved the updated rules of procedure of the Supervisory Board and the Audit Committee;
- ◆ approved the renewal of the Hermès Corporate Foundation;
- ◆ drew up responses where applicable to the opinion of the works council on the Company's strategic orientations;
- ◆ approved the updated Code of Market Ethics.

### Governance – Appointments – Compensation

In 2017 the Supervisory Board:

- ◆ reviewed and/or approved the reports and work of the CAG Committee described on pages 151 and 152;
- ◆ set the minimum number of Hermès International shares (1,000) that Executive Chairmen must hold pursuant to Article 22 of the November 2016 AFEP-MEDEF Code;
- ◆ set the allocation and payment of compensation and directors' fees for 2016 to Board and Committee members;
- ◆ decided on a new method of distributing directors' fees and compensation to the members of the Supervisory Board for 2017;
- ◆ kept itself informed at each meeting of all transactions carried out by the Executive Chairmen pursuant to the AMF's position-recommendation set out in DOC-2016-08 "Guide to permanent information and managing inside information";
- ◆ reappointed the Chairman of the Supervisory Board and decided on the composition of the Audit Committee and CAG Committee after the General Meeting;
- ◆ set out the training programme to be followed from 2017 to 2019 by the Employee Representative on the Supervisory Board;
- ◆ acquainted itself with new obligations arising from law 2017-399 of 27 March 2017 on the duty of care of parent companies and contractors.

At each meeting the CAG Committee informed the Supervisory Board of current events relating to governance (e.g. AMF reports, AFEP-MEDEF reports, HCGE implementation guides, IFA studies).

### Corporate Social Responsibility – CSR

A presentation of CSR challenges has regularly been made to the Board since 2015.

#### Major annual topics – Site visits

Every year, at least one detailed presentation on a specific or general topic regarding the Group's activities is provided by the relevant management team. Since 2011 the Board has devoted one of its meetings to a site visit to improve its understanding of one of the Group's subsidiaries.

In 2017 the Board:

- ◆ attended a presentation on the strategy of La Montre Hermès;
- ◆ attended a presentation on the Company's property strategy;
- ◆ visited JL & Co in Northampton where it was given a presentation of the subsidiary's business and results and made a factory inspection.

#### 3.1.3.10 Assessment of the Supervisory Board

Given the progress made by the Company in recent years in terms of governance, the Supervisory Board decided in 2011 to carry out a questionnaire-based self-assessment only once every three years while maintaining an annual discussion on the workings of the Board to be included in the Board meeting agenda.

To avoid making the CAG Committee's three-year self-assessment process repetitive and tedious, it was decided in 2016 to change it by giving the full questionnaire to new Board members and an abridged version to existing Board members.

An anonymous and overall presentation of the analysis of the responses to questionnaires is given by the Chairman of the RNG Committee to the Supervisory Board.

The conditions, detailed procedures and areas for improvement identified during the last formal three-year self-assessment in 2016 are described in the 2016 registration document (pages 118 and 119). During this formal assessment the Supervisory Board deemed its workings to be very satisfactory overall.

The CAG Committee considered it undesirable to call on an outside firm to conduct a formal assessment of the Board for the following reasons:

- ◆ privacy concerns raised by giving information on the Board to a third party;
- ◆ the relative absence of weak signals raised in response to previous assessments;
- ◆ progress in terms of governance over the last six years;
- ◆ the relatively low value added expected from an outside firm.

At the end of 2017 the CAG Committee reviewed the workings of the Supervisory Board at one of its meetings and examined the areas of improvement identified by the Board in 2016.

All areas of improvements – which mainly consisted of refining the text for the “Corporate Governance” section of the registration document to include the latest recommendations in matters of governance – were implemented (see table below).

**Areas of improvement implemented in 2017 and early 2018**

**Text justifying improvement**

The expectations of Board members (international dimension of the Group and nationality) on the composition of the Board must be taken into account when new members are next appointed.

- ♦ Appointment in 2017 of new Board members including one of dual French-Portuguese nationality.

*Formal 2016 evaluation of the Board*

Reflect on the conditions governing the distribution of directors' fees.

- ♦ Amounts revalued by the Supervisory Board at its meeting of 6 June 2017.

*Formal 2016 evaluation of the Board*

The quantitative and qualitative criteria informing the assessment of the material nature of business relationships maintained by Board members must be described clearly and precisely.

- ♦ These items are addressed in this registration document (see page 144).

*Recommendation 8.5.3 of the AFEP-MEDEF Code  
 AMF letter dated 11 July 2017*

The diversity policy applied to Board members with regard to criteria such as age, gender or qualifications and professional experience as well as the objectives of this policy, the terms of its implementation and the results obtained should be described.

- ♦ These items are addressed in this registration document (see page 140).

*Decree 2017-1265 of 9 August 2017  
 AMF letter dated 11 July 2017*

The report of the Chairman of the Board on corporate governance and internal control should be replaced with a report on corporate governance prepared by the Board itself.

- ♦ The corporate governance report is on page 117. Information on internal control and risk management procedures included in the Chairman's report is now restricted to the preparation and processing of accounting and financial information and is included in the management report (page 45). The same goes for information on financial risks related to the effects of climate change.

*Order 2017-1162 of 12 July 2017*

Information on ethics should be expanded to include:

- a dedicated ethics/compliance facet;
- an ethical alert line;
- an internal audit plan dedicated to ethics/compliance.

- ♦ These items are addressed in this registration document (see page 176).

*2017 EY Labrador rating*

**3.1.3.11 Specialised committees**

Two specialised committees were created in 2005:

- ◆ the Audit Committee on 26 January 2005;
- ◆ the Compensation Committee on 26 January 2005, subsequently assigned new duties and responsibilities and renamed the Compensation and Appointments Committee on 18 March 2009 and then the Compensation, Appointments and Governance (CAG) Committee on 20 January 2010.

These committees act under the collective and exclusive responsibility of the Supervisory Board. Their role is to research and to prepare for certain deliberations of the Board, to which they submit their opinions, proposals or recommendations.

	Date	Departures	Appointments	Renewals
Audit Committee	06/06/2017			Monique Cohen Charles-Éric Bauer Sharon MacBeath Renaud Momméja Robert Peugeot
CAG Committee	06/06/2017		Sharon MacBeath	Dominique Senequier Matthieu Dumas Robert Peugeot

**Composition and workings of the CAG Committee at 31 December 2017**

The CAG Committee comprises the following members:

- ◆ Dominique Senequier, Chairwoman;
- ◆ Matthieu Dumas, member;
- ◆ Sharon MacBeath, member;
- ◆ Robert Peugeot, member.

The composition rules, duties and operating provisions of the CAG Committee are described in detail in the rules of procedure approved by the Supervisory Board and have existed since 24 March 2010.

The sixth version of the rules of procedure dated 20 March 2018 is provided on page 172 and each update is made available online at

**Table of changes in the composition of the Committees over the year**

At its meeting of 6 June 2017 the Supervisory Board:

- ◆ reappointed Monique Cohen (Chairwoman), Charles-Éric Bauer, Sharon MacBeath, Renaud Momméja and Robert Peugeot to the Audit Committee;
- ◆ reappointed Dominique Senequier (Chairwoman), Matthieu Dumas and Robert Peugeot to the CAG Committee;
- ◆ appointed Sharon MacBeath to the CAG Committee.

<http://finance.hermes.com/en/Corporate-Governance/Management-Bodies/The-Specialized-Committees-of-the-Supervisory-Board>.

The CAG Committee's rules of procedure were updated on 20 March 2018 as follows:

- ◆ a new and clearer format was adopted;
- ◆ a new governance duty was added, namely to ensure the existence of a succession plan for the Chairman of the Supervisory Board.

The Chairman of the Supervisory Board can be invited to certain CAG Committee meetings in order to provide their opinion in matters of appointments or governance, which was not the case in 2017.

The Executive Chairmen are only invited for that part of the meetings relating to the compensation of Executive Committee members (excluding the Executive Chairmen).

**Summary presentation of the members of the CAG Committee**

Name	Independent	Date of appointment	Term of office on the Board	Length of service on the Committee
Dominique Senequier (Chairwoman)	√	04/06/2013	2019 GM	5 years
Matthieu Dumas		03/06/2008	2018 GM	10 years
Sharon MacBeath	√	06/06/2017	2019 GM	1 year
Robert Peugeot	√	03/06/2008	2018 GM	10 years

### Duties and work of the CAG Committee in 2017

In 2017 the CAG Committee met six times (as opposed to five times in 2016).

Individual and average rates of attendance are indicated in the table on page 144.

#### Duties of the CAG Committee

The Compensation, Appointments and Governance Committee studies and prepares certain proceedings of the Supervisory Board and submits its opinions, proposals and recommendations to the Board. Without prejudice to the powers of the Supervisory Board, which it does not replace, the duties of the CAG Committee are to:

#### With respect to compensation

- ♦ be consulted and draw up recommendations from the Supervisory Board to Executive Management on the terms governing the compensation paid to Executive Committee members;
- ♦ be consulted and draw up recommendations from the Board to Executive Management on the terms and conditions of granting any stock options and free shares to Executive Committee members;
- ♦ draw up proposals and opinions on the total amount and distribution, particularly on the basis of attendance of directors' fees and other compensation and benefits awarded to members of the Supervisory Board and its Committees;
- ♦ review proposals for stock options and free share awards to senior executives to enable the Supervisory Board to determine the aggregate or individual number of options or shares allotted and the terms and conditions of allotment;
- ♦ review proposals for stock options and free share awards to employees and draw up recommendations thereon to Executive Management;
- ♦ assist the Supervisory Board in determining the conditions and performance criteria to be applied to awarding stock options, performance-based shares and/or additional pensions to Executive Chairmen;
- ♦ ascertain that the compensation of the Executive Chairmen complies with the Articles of Association and the decisions made by the Active Partner;
- ♦ acquaint itself with and make recommendations to the management or supervisory bodies of the main French subsidiaries within the Hermès Group on the compensation of Executive Corporate Officers;
- ♦ acquaint itself with and make recommendations to the management or supervisory bodies of the main French subsidiaries within the Hermès Group on the terms and conditions of awarding stock options to Executive Corporate Officers;
- ♦ carry out specific assignments entrusted to it by the management or supervisory bodies of the main French subsidiaries within the Hermès Group.

#### Work of the CAG Committee in 2017

In 2017, as in the previous year, the CAG Committee used a dashboard to plan and prepare its work in a balanced way over the year. In 2017 the CAG Committee was required to examine and/or make recommendations on many subjects and in particular to:

#### With respect to compensation

- ♦ review the chapters of the 2016 registration document on corporate governance and compensation of senior executives (management report) and the description of the proposed resolutions relative to the advisory opinion ("Say on Pay") regarding the compensation of senior executives;
  - ♦ propose the distribution of directors' fees and compensation payable to Board and Committee members for 2016;
  - ♦ present company policy regarding gender equality and equal pay for equal work;
  - ♦ review compensation for 2017 of the Hermès International Executive Chairmen and the press release to be put up on the financial website;
  - ♦ review compensation for 2017, bonuses paid for 2016 and bonuses to be paid for 2017 to Executive Committee members;
  - ♦ confirm compensation for 2017, bonuses paid for 2016 and bonuses to be paid in 2017 to the Corporate Officers of French subsidiaries;
  - ♦ review the performance in 2016 and the impact on the number of free shares awarded to beneficiaries subject to performance conditions under the 2016 selective free share plan;
  - ♦ ratify new principles governing the distribution of directors' fees.
- The CAG Committee reviewed current events in matters of compensation: law 2016-1691 on transparency and anticorruption, known as the loi Sapin II (with provisions relating to Say on Pay);
- ♦ accuracy article: Comment rémunérer les dirigeants pour le long terme ?
  - ♦ LES ECHOS article: Salaires des patrons: ce que veulent les grands gérants (2 February 2017) ;
  - ♦ IFA document: Guide for Remuneration Committees (May 2017);
  - ♦ AFEP-MEDEF study on Hermès International's application of the code with regard to compensation;
  - ♦ AFEP study on the performance criteria of compensation to senior executives (June 2017);
  - ♦ AFEP summary of studies on Say on Pay and the reappointment of Executive Corporate Officers to Boards of Directors (July 2017);
  - ♦ 2017 "Governance in action" study of CAC 40 companies;
  - ♦ AMF Recommendation "General Meetings of Listed Companies" (24 October 2017).

**With respect to appointments**

- ◆ prepare the Board's proposals to the Active Partner after examining all the elements which it must take into account in its deliberation: balance to be sought in the composition of the Board in light of the composition of, and changes in, the Company's shareholders, search for and appraisal of possible candidates and advisability of reappointments;
- ◆ organise a selection procedure in conjunction with the Executive Chairmen for future independent members of the Board and carry out its own research on potential candidates;
- ◆ ensure a succession plan for Executive Corporate Officers (the Executive Chairmen) drawn up by the Active Partner;
- ◆ ensure the existence of a succession plan for the Chairman of the Supervisory Board (new mission since 20/03/2018).

**With respect to corporate governance**

- ◆ recommend revisions to corporate governance rules as needed;
- ◆ periodically ascertain that independent Supervisory Board members meet the independence and objectivity criteria set out in the Supervisory Board's rules of procedure;
- ◆ review the composition of the specialised committees;
- ◆ oversee the annual evaluation of Supervisory Board practices;
- ◆ as certain that the management bodies apply the Supervisory Board's rules of procedure and the recommendations of the current AFEP-MEDEF Corporate Governance Code in their operations.

**With respect to appointments**

- ◆ assess changes in the composition of the Board and examine the candidatures of members of the Supervisory Board;
- ◆ set diversity targets in the composition of the Board.

The CAG Committee reviewed the literature on appointments:

- ◆ IFA document: Succession du dirigeant: Quel rôle pour le conseil d'administration et le comité des nominations ? (January 2017).

**With respect to corporate governance**

- ◆ examine the individual situation of Supervisory Board members (independence, conflicts of interest, plurality of offices, number of shares) and Committee members (specific skills with regard to finance or accounting);
- ◆ update and circulate Supervisory Board documents (master file, rules of procedure, 2017 calendar of blackout periods);
- ◆ review the report from the Chairman of the Supervisory Board on corporate governance principles applied by the Company disclosing the composition of the Board and the application of the principle of gender parity on the Board, the conditions for the preparation and organisation of the Board's work and the internal control and risk management procedures set up by the Company;
- ◆ point out the role of the CAG Committee in respect of regulated agreements;
- ◆ verify the compliance of the procedure followed to approve regulated agreements and the absence of calls to tender;
- ◆ update the comparative study conducted in 2015 on the material nature of business relationships;
- ◆ take note of a letter from the AMF dated 19 July 2017 relating to the criteria used to assess the different relationships presented in the corporate Governance report;
- ◆ take note of the first prize in the AGEFI Corporate Governance Grand Prix in the "Governance Dynamics" category awarded to Hermès International;
- ◆ conduct an annual review of the Executive Management succession plan (in the presence of CAG Committee members only);
- ◆ work on the succession plan for the Chairman of the Supervisory Board (in 2018 only);
- ◆ propose amendments to the rules of procedure of the Audit Committee (to include a description of the procedure implemented by the Audit Committee taking into account the requirements of the H3C);
- ◆ conduct an informal annual assessment of the work of the Board (areas of improvement identified at the end of 2016, state of play at the end of 2017, changes in governing texts to be monitored);
- ◆ specify the relationship with RDAI;
- ◆ conduct a self-assessment of its work (areas for improvement).

The CAG Committee reviewed the literature on governance:

- ◆ Palmarès 2016 de la Féminisation des Instances Dirigeantes des Grandes Entreprises (SBF 120);
- ◆ AMF - 2016 report on corporate governance and executive compensation of listed companies (updated 17 November 2016);
- ◆ AMF report on social societal and environmental responsibility (November 2016);
- ◆ AFEP-MEDEF Corporate Governance Code revised in November 2016;
- ◆ Guide for the application of the AFEP-MEDEF Corporate Governance Code for listed companies of November 2016, published by the HCGE (Corporate Governance High Committee);
- ◆ AFG Recommendations on Corporate Governance (January 2017);

- ♦ IFA: RSE & durabilité du projet d'entreprise, mission stratégique du Conseil (new IFA recommendations) (January 2017);
- ♦ AMF: Rapport du groupe de travail de la commission consultative épargnants (January 2017);
- ♦ IFA: Le conseil d'administration et le reporting intégré (June 2017) ;
- ♦ AFEP-MEDEF study on Hermès International's application of the code (governance);
- ♦ AFEP study on directors' fees (July 2017);
- ♦ 2017 AFEP-MEDEF HCGE annual report on Hermès International's practices (analysis and follow-up);
- ♦ France Board Index 2017 – SpencerStuart;
- ♦ 2017 EY LABRADOR governance overview: Hermès International's rating;
- ♦ AMF Recommendation on the AGMs of listed companies (24 October 2017).

In early 2018 the CAG Committee conducted a self-assessment of its work and workings and deemed them very satisfactory overall.

### Composition and workings of the Audit Committee at 31 December 2017

The Audit Committee comprises the following members:

- ♦ Monique Cohen, Chairwoman;
- ♦ Charles-Éric Bauer, member;
- ♦ Sharon MacBeath, member;
- ♦ Renaud Momméja, member;
- ♦ Robert Peugeot, member.

The composition rules, duties and operating provisions of the Audit Committee are described in detail in the rules of procedure approved by the Supervisory Board and have existed since 24 March 2010.

The third version of the rules of procedure dated 17 November 2017 is provided on page 174 and each update is made available online at <http://finance.hermes.com/en/Corporate-Governance/Management-Bodies/The-Specialized-Committees-of-the-Supervisory-Board>.

The Audit Committee's rules of procedure were updated on 17 November 2017 as follows:

- ♦ the new approval procedure for services other than certification of financial statements (Article 2.2) was amended to include a description of the procedure implemented by the Audit Committee taking into account the requirements of the H3C;
- ♦ a new and clearer format was adopted.

These rules provide that at least half of the members of the Audit Committee must, at the time of their appointment and for the term their office, be qualified as independent under the Supervisory Board's rules of procedure. This is currently the case.

Before each Audit Committee meeting, Audit Committee members are sent, in good time, with reasonable lead time and subject to confidentiality requirements, a file containing documentation on items on the agenda requiring prior analysis and review.

In 2017 the Audit Committee met six times (as in 2016).

Individual and average rates of attendance are indicated in the table on page 144.

### Summary presentation of the members of the Audit Committee

Name	Independent	Specific expertise in finance or accounting	Date of appointment	Term of office on the Board	Length of service on the Committee
Monique Cohen (Chairwoman)	√	√	03/06/2014	2020 GM	4 years
Charles-Éric Bauer		√	26/01/2005	2019 GM	13 years <sup>1</sup>
Sharon MacBeath	√	√	31/05/2016	2019 GM	2 years
Renaud Momméja		√	03/06/2008	2020 GM	10 years
Robert Peugeot	√	√	03/06/2008	2018 GM	10 years

(1) Charles-Éric Bauer was appointed to the Audit Committee before joining the Supervisory Board (before Ordinance 2008-1278 of 8 December 2008 there was no law requiring Board membership).

## Duties and work of the Audit Committee in 2017

**Duties of the Audit Committee**

The Audit Committee studies and prepares certain proceedings of the Supervisory Board and submits to the Board its opinions, proposals and recommendations.

In accordance with Article L. 823-19 of the French Commercial Code and without prejudice to the powers of the Board, which it does not replace, the duties of the Audit Committee are to:

1. With regard to preparing accounting and financial information:
  - ♦ review and comment on the individual and consolidated financial statements before they are approved by Executive Management and presented to the Board;
  - ♦ ascertain that the accounting methods applied are relevant and consistent;
  - ♦ verify that internal data collection and control procedures guarantee the quality of the information provided;
  - ♦ review the work programme and results of internal and external audit assignments;
  - ♦ monitor the process of preparing financial information and, where appropriate, make recommendations to ensure its integrity;
  - ♦ monitor the effectiveness of internal control and risk management systems and internal audits regarding the procedures for preparing and processing accounting and financial information without jeopardising its independence.
2. With regard to auditing accounting and financial information and the Statutory Auditors:
  - ♦ make a recommendation to the Board, prepared in accordance with Article 16 of Regulation (EU) no. 537/2014, on the (re)appointment of the Statutory Auditors put to the General Meeting;
  - ♦ monitor the Statutory Auditors' performance of their duties in light of the High Commission on Statutory Audit's remarks and conclusions following audits conducted in accordance with Articles L. 821-9 et seq. of the French Commercial Code;
  - ♦ ensure the Statutory Auditors' compliance with the independence requirements set out in Articles L. 821-9 et seq. of the French Commercial Code, take the necessary measures to apply Article 4 par. 3 of Regulation (EU) no. 537/2014 cited above, and ensure compliance with the conditions mentioned in Article 6 of said Regulation;
  - ♦ approve on a case-by-case basis the provision of the services mentioned in Article L. 822-11-2 of the French Commercial Code in accordance with the following rules:
    - the following services need not be approved beforehand:
      - audit of Group reporting by subsidiaries,
      - audit of local financial statements of subsidiaries,
      - mandatory services (such as equity transactions),
    - individual services worth less than €100,000 up to a combined ceiling of €800,000 a year are delegated to the Group finance department,
    - the approval of the Audit Committee is required for services beyond the above thresholds,
    - the Statutory Auditors must disclose all fees for the financial year to the Audit Committee, including those relating to services provided within the context of the procedure;
  - ♦ report on the results of the engagement regarding the certification of the financial statements, on the way the engagement contributed to the integrity of financial reporting and the role it has played in this process.
3. Other duties:
  - ♦ report regularly to the Board on the performance of its duties;
  - ♦ promptly inform the Board of any difficulties encountered;
  - ♦ carry out special tasks assigned to it by the Board.

In carrying out its duties the Audit Committee may conduct site visits to appraise the overall consistency of the internal control and risk management system.

**Work of the Audit Committee in 2017**

In 2017 the Audit Committee reviewed the following matters:

- ♦ presentation of the 2017 budget;
- ♦ presentation of the new system for preventing market abuse within the Group;
- ♦ prior approval by the Audit Committee of services other than the certification of financial statements provided by the Statutory Auditors;
- ♦ feedback on incidents in 2016;
- ♦ presentation of the internal control and risk management system;
- ♦ review of activities related to risk management, audit and internal control in 2016;
- ♦ proposed audit plan for 2017;
- ♦ individual and consolidated financial statements for the year ended 31 December 2016;
- ♦ update on tax issues;
- ♦ three-year plan main messages and financial data;
- ♦ hedging strategy and handling of foreign exchange positions;
- ♦ sustainable development strategy;
- ♦ update of the rules of procedure of the Audit Committee;
- ♦ presentation of the consensus of financial analysts;
- ♦ review of the press releases on 2016 revenue, 2016 results and interim 2017 results;
- ♦ Statutory Auditors' report on the consolidated financial statements;
- ♦ in camera meeting with the Statutory Auditors;
- ♦ risk mapping;
- ♦ challenges facing the Leather Goods and Saddlery purchasing department;
- ♦ IT security - monitoring of IT risk mapping action plans.

As part of its mission, the Audit Committee heard from the Group Finance Director, both with regard to the accounting data and the treasury data, the Consolidation Director, the Audit and Risk Director, and the Statutory Auditors.

The work and workings of the Audit Committee were assessed in 2016 as part of the three-year formal self-assessment of the Supervisory Board and were deemed very satisfactory overall.

### 3.1.4 COMPENSATION AND BENEFITS PAID TO CORPORATE OFFICERS

#### Principles and rules for determining compensation and benefits in kind granted to Corporate Officers

Article L. 226-10-1 of the French Commercial Code amended by Order No. 2017-1162 of 12 July 2017 requires SCAs to disclose the principles and rules adopted to determine the compensation and benefits in kind granted to Corporate Officers, something the Company had already done on a voluntary basis for several years.

The tables cited and presented on pages 157 to 162 are numbered in reference to AMF Recommendation No. 2009-2016 amended on 13 April 2015 on the disclosure of information on the compensation of Corporate Officers in registration documents, except tables 11 and 12 which are numbered by the Company.

The Executive Chairmen, the Active Partner and the members of the Supervisory Board are shareholders and in this regard received an ordinary dividend of €3.75 in 2017.

#### 3.1.4.1 The Executive Chairmen

#### Principles and criteria for determining, allocating and distributing the compensation of Executive Chairmen

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.

The Company will continue to comply with the recommendations of the November 2016 AFEP-MEDEF Corporate Governance Code by asking the General Meeting vote *ex post* on the compensation of its Executive Chairmen (see statement of reasons page 329).

#### Elements of compensation

A detailed presentation of the principles and the amount (or valuation) of the elements of the compensation of each Executive Chairman is shown in the description of the resolutions on pages 330 to 333.

It covers the following elements:

- ◆ gross annual fixed compensation (referred to as "fixed" in the Articles of Association);
- ◆ gross annual variable compensation (referred to as "statutory" in the Articles of Association);
- ◆ deferred variable compensation;
- ◆ multiyear variable compensation;
- ◆ exceptional compensation;
- ◆ stock options, performance-based shares or any other element of long-term compensation;

- ◆ compensation for taking office;
- ◆ severance payment;
- ◆ noncompetition payment;
- ◆ supplementary pension plan;
- ◆ directors' fees;
- ◆ valuation of benefits in kind.

All compensation elements that are potential or acquired by Executive Chairmen are made public immediately after the meeting of the Executive Management Board that decided them by a press release published on the Company's financial website <http://finance.hermes.com>.

The table below summarises the press releases relative to the elements of compensation of Executive Chairmen published over the last two financial years:

Date of publication	Releases
<b>2017</b>	
24 March 2017	Potential or actual elements of Executive Chairman compensation
<b>2016</b>	
25 March 2016	Potential or actual elements of Executive Chairman compensation

In accordance with Article 17 of the Articles of Association, Executive Chairmen are entitled to a fixed compensation (referred to as "additional" in the Articles of Association) and, potentially, variable compensation (referred to as "statutory" in the Articles of Association) whose maximum amount is determined by the Ordinary General Meeting with the unanimous approval of the Active Partners. Within these ceilings, the Active Partner decides on the effective compensation of each of the Executive Chairmen each year. It uses the recommendations of the CAG Committee and takes into account in its decision the performance achieved by the Group in respect of the previous financial year, the strategic challenges in respect of the Group's medium- and long-term development and the competitive environment in which it operates:

1. fixed compensation (referred to as "additional compensation" in the Articles of Association) was approved by the Ordinary General Meeting of 31 May 2001 and limited at €457,347.05 at that time. This ceiling, which can only be adjusted upwards, is indexed each year to the growth in the consolidated revenue for the previous financial year at constant scope and exchange rates and on the same scope of consolidation, by comparison with revenue for the before to last financial year. In accordance with this principle and to facilitate understanding of how the additional compensation of Executive Chairmen is calculated before indexing, it is referred to as "fixed" (i.e. invariable) by analogy with market practices (thus in addition to variable compensation);
2. the calculation of the variable (statutory) compensation set by Article 17 of the Articles of Association has remained constant since the IPO on 3 June 1993. It is capped at 0.20% of the Group's consolidated income before tax in the previous financial year. This mode of determination naturally leads to a strict variability of the statutory compensation of Executive Chairmen, transparently and without any guarantee of a minimum amount. For the sake of clarity the statutory compensation of Executive Chairmen is called "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 which are public and predefined by nature, as described in paragraphs 1 and 2 on page 155. Henri-Louis Bauer, the Legal Representative of Émile Hermès SARL (Executive Chairman), does not personally receive any compensation from Hermès International. He receives compensation from Émile Hermès SARL for his functions as Executive Chairman of this Company, which are unrelated to the appointment as Executive Chairman of Émile Hermès SARL in Hermès International.

The Executive Chairmen do not receive any compensation or benefits of any kind from the subsidiaries of Hermès International.

The Executive Management wished the principle of variability contained in the aforementioned provisions of the Articles of Association to be applied strictly to the compensation of the natural person serving as Executive Chairman.

As such, in accordance with these principles, it was decided to modify the compensation of Axel Dumas in 2017 by strictly applying the variation observed between 2015 and 2016 on the two objective quantitative criteria used as a reference for managerial compensation for many years (article 17 of the Articles of Association), namely consolidated pre-tax profit and consolidated revenue.

As regards the remuneration of Émile Hermès SARL, the legal entity serving as Executive Chairman, the Executive Management Board has decided to limit its compensation to the amounts indicated.

A breakdown of effective compensation paid to the Executive Chairmen set by the Executive Management Board of Émile Hermès SARL for the last two financial years is provided in table 2 on page 158. Each year, the Compensation, Appointments and Governance Committee of the Supervisory Board of Hermès International is responsible for ascertaining that compensation paid to the Executive Chairmen complies with the provisions of the Articles of Association and the decisions made by the Active Partner.

In order to comply with the AFEP-MEDEF Corporate Governance Code, Axel Dumas decided on 5 June 2013 to end his employment contract when he was appointed Executive Chairman of Hermès International.

### Service agreements

No Executive Chairman directly or indirectly invoices services to the Company.

Under a services contract dated 1 September 2005, amended several times since, Émile Hermès SARL makes use of the services of Hermès International to fulfil routine or exceptional legal, financial or secretarial duties. Any modification of the tasks assigned or re-invoicing specified (other than annual indexing) must be the subject of an amendment. This contract and its existing or future amendments are subject to the procedure on regulated agreements, as indicated in the special report from the Statutory Auditors on pages 341 to 344.

### Directors' fees in the Company and in the subsidiaries of the Group

The Executive Chairmen do not receive any directors' fees paid by the Company or by the subsidiaries of the Group.

Note that the rules for the distribution of directors' fees within the Group specify that the members of the Executive Committee of Hermès International who are Directors in subsidiaries do not receive directors' fees in this regard.

#### 3.1.4.2 The Active Partner

Under the terms of Article 26 of the Articles of Association the Company pays an amount equal to 0.67% of distributable profits to the Active Partner which was as follows for the last two financial years:

	2017	2016
Émile Hermès SARL	€5,214,348.05	€7,311,168.66

#### 3.1.4.3 The Supervisory Board, Audit Committee and Compensation, Appointments and Governance Committee

##### Directors' fees and compensation

Supervisory Board members receive directors' fees and compensation in a total amount that is approved by the shareholders at the General Meeting and that is apportioned by the Supervisory Board.

Compensation paid to members of the Audit Committee and of the Compensation, Appointments and Governance Committee is deducted from the total amount of directors' fees.

The General Meeting of 6 June 2017 raised the total amount of directors' fees and compensation for the Supervisory Board to €600 k to take into account the appointment of new members of the Board.

The previous distribution rules dating from 2010 and the increase in the average annual number of meetings to seven in recent years justify, according to the CAG Committee, increasing the maximum individual amount paid to the members of the Supervisory Board.

On the proposal of the CAG Committee, the Supervisory Board at its meeting of 7 July 2017 decided to modify the terms governing the distribution of directors' fees so as to:

- ◆ take into account market practices (€58,000 in attendance fees of average for the SBF 120);
- ◆ make allowance for days devoted to site visits;
- ◆ make allowance for new responsibilities;
- ◆ acknowledge the work of the Board and Committee chairs;
- ◆ reflect the results obtained over the last 10 years.

The following changes were made:

- ◆ the annual fixed amount of directors' fees and compensation paid to the Chairman of the Board was increased from €100,000 to €140,000;
- ◆ the annual fixed amount of directors' fees and compensation paid to the chairs of the Audit and CAG Committees was increased from €20,000 to €28,000;
- ◆ the annual fixed amount of directors' fees paid to members and the deputy chairs of the Board was increased from €8,000 to 10,000;

- ◆ the annual variable component proportional to attendance paid to members and the deputy chairs of the Board was increased from €14,000 to €18,000;
- ◆ the annual fixed amount of directors' fees paid to members of the Audit and CAG Committees was increased from €4,000 to €5,200;
- ◆ the annual variable component of directors' fees proportional to attendance paid to members of the Audit and CAG Committees was increased from €6,000 to €7,800.

Together the changes amount to a maximum increase in total annual directors' fees as follows:

- ◆ €40,000 for the Chairman of the Board;
- ◆ €8,000 for the Committee chairs;
- ◆ €6,200 for Board members;
- ◆ €3,000 for Committee members.

The new principles governing the distribution of directors' fees are set out in the Supervisory Board's rules of procedure (page 171). They include a fixed component (35.47% for the Board and 40% for the Committees) and a variable component (64.53% for the Board and 60% for the Committees) proportional to attendance at meetings.

In keeping with these principles the Supervisory Board at its meeting of 26 January 2018 distributed €557,300 out of the €600,000 allocated to directors' fees and compensation by the General Meeting.

#### 3.1.4.4 Tabular information on the compensation of Corporate Officers for disclosure in registration documents in accordance with AMF Recommendation 2009-16 amended on 13 April 2015

**TABLE 1**

**Table summarising compensation and options and shares allocated to each Executive Chairman**

	<b>2017</b>	<b>2016</b>
	From 1 January to 31 December 2017	From 1 January to 31 December 2016
<b>Axel Dumas</b>		
Compensation due for the financial year (detailed in Table 2)	€2,774,656	€2,555,753
Valuation of options granted during the financial year (detailed in Table 4)	n/a	n/a
Valuation of multi-year variable compensation assigned during the financial year	n/a	n/a
Valuation of performance shares granted during the financial year (detailed in Table 6)	n/a	n/a
<b>TOTAL</b>	<b>€2,774,656</b>	<b>€2,555,753</b>
<b>Total natural persons as Executive Chairmen</b>	<b>€2,774,656</b>	<b>€2,555,753</b>
	From 1 January to 31 December 2017	From 1 January to 31 December 2016
<b>Émile Hermès SARL</b>		
Compensation due for the financial year (detailed in Table 2)	€1,256,409	€1,256,409
Valuation of options granted during the financial year (detailed in Table 4)	n/a	n/a
Valuation of multi-year variable compensation assigned during the financial year	n/a	n/a
Value of performance-based shares granted during the financial year (detailed in table 6)	n/a	n/a
<b>TOTAL</b>	<b>€1,256,409</b>	<b>€1,256,409</b>
<b>Total legal entities as Executive Chairmen</b>	<b>€1,256,409</b>	<b>€1,256,409</b>

n/a: not applicable.

Table three on pages 158 to 160 details the directors' fees and other compensation paid to members of the Supervisory Board in the last two financial years by Hermès International and the entities it controls as defined by Article L. 233-16 of the French Commercial Code.

The members of the Supervisory Board of a *société en commandite par actions* (partnership limited by shares) may be bound to the Company by an employment contract with no condition other than that resulting from the existence of a relationship of subordination with the Company and the recognition of effective employment.

Frederic Afriat, the Employee Representative on the Supervisory Board, has a work contract with the Hermès Group (chief accountant of Comptoir Nouveau de la Parfumerie, Hermès Parfums) and as such receives a salary unrelated to his position on the Board. Consequently, and for reasons of confidentiality, his salary is not disclosed.

#### Stock subscription and purchase options

No stock options were granted to Supervisory Board members in 2017 nor were any such options exercised by them.

#### Allocation of free shares

No free shares were granted to members of the Supervisory Board in 2017.

TABLE 2

Gross annual compensation of Executive Chairmen	2017			2016		
	Limits granted by the Articles of Association or the General Meeting	Amounts due (or allocated) by the Executive Management Board 1	Amounts paid	Limits granted by the Articles of Association or the General Meeting	Amounts due (or allocated) by the Executive Management Board	Amounts paid
<b>Axel Dumas</b>	Decision of the Executive Management Board dated 20 March 2017			Decision of the Executive Management Board dated 22 March 2016		
Fixed compensation <sup>2</sup> (referred to as "additional" in the Articles of Association)	€2,178,417	€1,354,303	€1,354,303	€2,028,368	€1,260,991	€1,260,991
Of which fixed component	€2,028,368	€1,261,019	€1,261,019	€1,876,455	€1,166,550	€1,166,550
Of which part indexed on increase in revenue	€150,049	€93,284	€93,284	€151,913	€94,441	€94,441
Variable compensation <sup>2</sup> (referred to as "statutory" in the Articles of Association)	€3,319,259	€1,420,353	€1,420,353	€3,025,636	€1,294,762	€1,294,762
Exceptional compensation	-	-	-	-	-	-
<b>Total compensation</b>	<b>€5,497,676</b>	<b>€2,774,656</b>	<b>€2,774,656</b>	<b>€5,054,004</b>	<b>€2,555,753</b>	<b>€2,555,753</b>
Directors' fees	n/a	n/a	n/a	n/a	n/a	n/a
Benefits in kind	n/a	n/a	representation	n/a	n/a	representation
<b>Émile Hermès SARL</b>	Decision of the Executive Management Board dated 20 March 2017			Decision of the Executive Management Board dated 22 March 2016		
Fixed compensation <sup>2</sup> (referred to as "additional" in the Articles of Association)	€2,178,417	€500,000	€500,000	€2,028,368	€500,000	€500,000
Of which fixed component	€2,028,368	n/a	n/a	€1,876,455	€462,553	€462,553
Of which part indexed on increase in revenue	€150,049	n/a	n/a	€151,913	€37,447	€37,447
Variable compensation <sup>2</sup> (referred to as "statutory" in the Articles of Association)	€3,319,259	€756,409	€756,409	€3,025,636	€756,409	€756,409
Exceptional compensation	-	-	-	-	-	-
<b>Total compensation</b>	<b>€5,497,676</b>	<b>€1,256,409</b>	<b>€1,256,409</b>	<b>€5,054,004</b>	<b>€1,256,409</b>	<b>€1,256,409</b>
Directors' fees	n/a	n/a	n/a	n/a	n/a	n/a
Benefits in kind	n/a	n/a	n/a	n/a	n/a	n/a

n/a: not applicable.

(1) A detailed presentation of the principles and the amount (or valuation) of the elements of the compensation of each Executive Chairman is shown in the description of the resolutions on pages 330 to 333.

(2) These amounts take into account the limits set on an individual and collective basis by the Articles of Association and the General Meeting.

TABLE 3

Directors' fees and other compensation received by members of the Supervisory Board in Hermès International Directors' fees received by non-Executive Corporate Officers in the companies controlled by Hermès International	Amounts paid in 2018 for 2017	Amounts paid in 2017 for 2016
Total amount of directors' fees and compensation allocated by the General Meeting of Hermès International	€600,000	€500,000
Total amount of directors' fees and compensation actually assigned by Hermès International	€557,300	€385,000
<b>Éric de Seynes</b>		
Compensation of the Chairman of the Supervisory Board	€140,000	€100,000
Directors' fees for Hermès International	n/a	n/a
♦ fixed component	-	-
♦ variable component based on attendance	-	-
Directors' fees for Hermès Sellier	€3,000	€3,000
<b>Monique Cohen</b>		
Compensation of the Chairwoman of the Audit Committee	€28,000	€20,000
Directors' fees for Hermès International	€28,200	€22,000
♦ fixed component	€10,000	€8,000
♦ variable component based on attendance	€18,200	€14,000

Directors' fees and other compensation received by members of the Supervisory Board in Hermès International Directors' fees received by non-Executive Corporate Officers in the companies controlled by Hermès International	Amounts paid in 2018 for 2017	Amounts paid in 2017 for 2016
<b>Dominique Senequier</b>		
Compensation of the Chairwoman of the Compensation, Appointments and Governance Committee	€28,000	€20,000
Directors' fees for Hermès International	€28,200	€22,000
♦ <i>fixed component</i>	€10,000	€8,000
♦ <i>variable component based on attendance</i>	€18,200	€14,000
<b>Frédéric Afriat</b> (employee representative)		
Directors' fees for Hermès International	n/a	n/a
<b>Dorothee Altmayer</b> (appointed on 6 June 2017)		
Directors' fees for Hermès International	€18,000	n/a
♦ <i>fixed component</i>	€5,000	n/a
♦ <i>variable component based on attendance</i>	€13,000	n/a
Directors' fees for Hermès Sellier	€3,000	n/a
Directors' fees Comptoir Nouveau de la Parfumerie	€3,000	n/a
<b>Charles-Éric Bauer</b>		
Compensation of the Audit Committee members	€13,000	€9,000
♦ <i>fixed component</i>	€5,200	€4,000
♦ <i>variable component based on attendance</i>	€7,800	€5,000
Directors' fees for Hermès International	€28,200	€20,000
♦ <i>fixed component</i>	€10,000	€8,000
♦ <i>variable component based on attendance</i>	€18,200	€12,000
<b>Matthieu Dumas</b>		
Compensation of the Compensation, Appointments and Governance Committee members	€13,000	€10,000
♦ <i>fixed component</i>	€5,200	€4,000
♦ <i>variable component based on attendance</i>	€7,800	€6,000
Directors' fees for Hermès International	€28,200	€22,000
♦ <i>fixed component</i>	€10,000	€8,000
♦ <i>variable component based on attendance</i>	€18,200	€14,000
Directors' fees Comptoir Nouveau de la Parfumerie	€3,000	€3,000
<b>Blaise Guerrand</b>		
Directors' fees for Hermès International	€28,200	€22,000
♦ <i>fixed component</i>	€10,000	€8,000
♦ <i>variable component based on attendance</i>	€18,200	€14,000
Directors' fees for Hermès Sellier	€3,000	€3,000
<b>Julie Guerrand</b>		
Directors' fees for Hermès International	€28,200	€20,000
♦ <i>fixed component</i>	€10,000	€8,000
♦ <i>variable component based on attendance</i>	€18,200	€12,000
<b>Olympia Guerrand</b> (appointed on 6 June 2017)		
Directors' fees for Hermès International	€18,000	n/a
♦ <i>fixed component</i>	€5,000	n/a
♦ <i>variable component based on attendance</i>	€13,000	n/a
Directors' fees for Hermès Sellier	€3,000	n/a

Directors' fees and other compensation received by members of the Supervisory Board in Hermès International Directors' fees received by non-Executive Corporate Officers in the companies controlled by Hermès International	Amounts paid in 2018 for 2017	Amounts paid in 2017 for 2016
<b>Sharon MacBeath</b>		
Compensation of the Audit Committee members	€11,700	€5,000
♦ fixed component	€5,200	€2,000
♦ variable component based on attendance	€6,500	€3,000
Compensation of the CAG Committee members (appointed on 6 June 2017)	€6,500	n/a
♦ fixed component	€2,600	n/a
♦ variable component based on attendance	€3,900	n/a
Directors' fees for Hermès International	€28,200	€14,000
♦ fixed component	€10,000	€4,000
♦ variable component based on attendance	€18,200	€10,000
<b>Renaud Momméja</b>		
Compensation of the Audit Committee members	€11,700	€10,000
♦ fixed component	€5,200	€4,000
♦ variable component based on attendance	€6,500	€6,000
Directors' fees for Hermès International	€25,600	€18,000
♦ fixed component	€10,000	€8,000
♦ variable component based on attendance	€15,600	€10,000
Directors' fees Comptoir Nouveau de la Parfumerie	€3,000	€3,000
<b>Robert Peugeot</b>		
Compensation of the Audit Committee members	€10,400	€8,000
♦ fixed component	€5,200	€4,000
♦ variable component based on attendance	€5,200	€4,000
Compensation of the Compensation, Appointments and Governance Committee members	€13,000	€10,000
♦ fixed component	€5,200	€4,000
♦ variable component based on attendance	€7,800	€6,000
Directors' fees for Hermès International	€23,000	€20,000
♦ fixed component	€10,000	€8,000
♦ variable component based on attendance	€13,000	€12,000

n/a: not applicable.

**TABLE 4**

**Stock options allocated during the financial year to Executive Chairmen by Hermès International and by all companies of the Group**

Name of the Executive Corporate Officer	Number and date of plan	Nature of options	Valuation of options according to the method used for the consolidated financial statements	Number of options allocated during the financial year	Exercise price	Exercise period
Axel Dumas	n/a	n/a	n/a	-	n/a	n/a
<b>TOTAL</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>-</b>	<b>N/A</b>	<b>N/A</b>

n/a: not applicable.

**TABLE 5**

**Stock options exercised during the financial year by the Executive Chairmen of Hermès International**

Name of the Executive Corporate Officer	Number and date of plan	Number of options exercised during the financial year	Exercise price
Axel Dumas	n/a	n/a	n/a
<b>TOTAL</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

n/a: not applicable.

**TABLE 6**

**Performance-based shares allocated to each Corporate Officer**

Performance-based share distributions allocated by the Shareholders' General Meeting during the financial year to each Corporate Officer by the issuer and by all companies of the Group (nominative list)	Number and date of plan	Number of shares allocated during the financial year	Valuation of shares according to the method used for the consolidated financial statements	Acquisition date	Availability date	Performance conditions
Axel Dumas	n/a	n/a	n/a	n/a	n/a	n/a
<b>TOTAL</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

*n/a: not applicable.*

**TABLE 7**

**Performance-based share distributions made available to each Corporate Officer**

Name of Corporate Officer	Number and date of plan	Number of shares acquired during the financial year	Conditions of acquisition
Axel Dumas	Plan "d" of 15/05/2012	20	n/a
<b>TOTAL</b>		<b>20</b>	<b>N/A</b>

*n/a: not applicable, the shares having been awarded in his capacity as an employee before being appointed as Executive Chairman.*

**TABLE 8**

**History of allocation of stock subscription or purchase options Information on the stock subscription or purchase options**

General Meeting of 25/05/1998 (6 <sup>th</sup> resolution)	Plans n° 1 to 4 expired
Meeting of 03/06/2003 (15 <sup>th</sup> resolution)	Plans n° 5 and 6 expired
Meeting of 06/06/2006 (9 <sup>th</sup> resolution)	Plan no. 7 expired
Meeting of 02/06/2009 (14 <sup>th</sup> resolution)	No plan put in place in 2009, 2010 or 2011
Meeting of 30/05/2011 (21 <sup>st</sup> resolution)	No plan implemented in 2011 or 2012
Meeting of 29/05/2012 (13 <sup>th</sup> resolution)	No plan implemented in 2012 or 2013
Meeting of 04/06/2013 (18 <sup>th</sup> resolution)	No plan implemented in 2013 or 2014
Meeting of 03/06/2014 (16 <sup>th</sup> resolution)	No plan implemented in 2014 or 2015
Meeting of 02/06/2015 (14 <sup>th</sup> resolution)	No plan implemented in 2015 or 2016
Meeting of 31/05/2016 (14 <sup>th</sup> resolution)	No plan implemented in 2016 or 2017

**TABLE 9**

Stock options granted to the first ten employees (not Corporate Officers) and exercised by them	Total number of shares allocated/shares subscribed or purchased	Weighted average price	Plans n° 1 to 7
Options granted during the year by the issuer and any entity within the option allocation scope to the ten employees of the issuer and any entity within this scope for whom the number of options thus granted is the highest (overall information)	n/a	n/a	Plans expired
Options held on the issuer and said entities exercised during the year by the ten employees of the issuer and said entities for whom the number of options thus purchased is the highest (overall information)	n/a	n/a	

*n/a: not applicable.*

TABLE 10

Senior executives (natural persons)	Employment contract	Supplementary pension plan	Compensation or benefits due or liable to be due because of cessation or change of duties <sup>1</sup>	Compensation relative to a noncompete clause
Axel Dumas, Executive Chairman Date of start of term of office: 05/06/2013 Date of end of term of office: open-ended	no <sup>2</sup>	yes	yes	no

(1) The details of these commitments are shown on pages 330 to 331.

(2) Since 05/06/2013.

TABLE 11

## Details of free share allocation plans still in force on 1 January 2017

Date of authorisation by the Extraordinary General Meeting	02/06/2009 (15 <sup>th</sup> resolution)	02/06/2009 (15 <sup>th</sup> resolution)	30/05/2011 (29 <sup>th</sup> resolution)	30/05/2011 (29 <sup>th</sup> resolution)	31/05/2016 (15 <sup>th</sup> resolution)	31/05/2016 (15 <sup>th</sup> resolution)	31/05/2016 (15 <sup>th</sup> resolution)
Date of the decision by the Executive Management	31/05/2010 (plan b)	31/05/2010 (plan c)	15/05/2012 (plan d)	15/05/2012 (plan e)	31/05/2016 (plan f)	31/05/2016 (plan g.1)	01/03/2017 (plan g.2)
Total number of shares allocated	188,500 <sup>3</sup>	229,860	515,280	302,000	452,960	353,100	1,400
Shares allocated to senior executives <sup>1</sup>	24,000	180	420	70,000	320	29,000	0
Number of senior executives <sup>1</sup> concerned	6	6	7	7	8	8	0
Share related to capital of allocations of shares to senior executives	0.02%	n.m.	n.m.	0.06%	n.m.	0.028%	0.00%
French tax residents on the grant date:			3 tranches of 20 shares		2 tranches of 20 shares		
♦ vesting period	4 years	4 years	4/5/6 years	4 years	4/5 years	4 years	3 years and 3 months
♦ date of transfer of ownership of shares	01/06/2014	01/06/2014	16/05/2016 16/05/2017 16/05/2018	16/05/2016	01/06/2020 01/06/2021	01/06/2020	01/06/2020
♦ end of the holding period	02/06/2016	02/06/2016	17/05/2018 17/05/2019 17/05/2020	17/05/2018	n/a	n/a	n/a
Tax residents outside France on the grant date:			3 tranches of 20 shares		2 tranches of 20 shares		
♦ vesting period	6 years	6 years	6/7/8 years	6 years	4/5 years	4 years	3 years and 3 months
♦ date of transfer of ownership of shares	01/06/2016	01/06/2016	16/05/2018 16/05/2019 16/05/2020	16/05/2018	01/06/2020 01/06/2021	01/06/2020	01/06/2020
♦ end of the holding period	n/a						
Performance conditions	yes	no	no	yes	no	yes	yes
Number of shares acquired <sup>2</sup> at 31/12/2017	175,500	187,200	193,560	221,500	160	400	0
Number of shares lost as at 31/12/2017	13,000	42,660	103,940	11,000	33,760	4,000	0

n.m.: not meaningful; n/a: not applicable.

(1) The following are considered senior executives: Executive Chairmen, members of the Supervisory Board and members of the Executive Committee of the issuer on the grant date.

(2) Including by early release in accordance with the regulations of the plan (death, invalidity).

(3) Maximum.

**TABLE 12**

<b>Free shares awards granted to the first ten employees (not Corporate Officers)</b>	<b>Total number of shares allocated</b>	<b>Date of plans</b>
Shares granted during the year to the ten employees of the issuer and any entity included in this scope for whom the number of shares thus granted is the highest (overall information)	1,400	01/03/2017 (plan g.2)

*n/a: not applicable.*

Tables 1 – 10 above are numbered in reference to AMF Recommendation 2009-16 amended on 13 April 2015 on the disclosure of information on the compensation of Corporate Officers in registration documents. Tables 11 and 12 are numbered by Hermès International.

### 3.1.5 RELATED-PARTY AGREEMENTS AND COMMITMENTS

Information on regulated agreements and commitments is presented in the report of the Supervisory Board to the General Meeting page 338.

### 3.1.6 SUMMARY TABLE OF THE USE OF FINANCIAL DELEGATIONS OF AUTHORITY

In accordance with Article L. 225-100 par 7 of the French Commercial Code, the table below shows all the delegations of competence and powers granted by the General Meeting to Executive Management in financial matters: delegations that remain valid, delegations used during the 2017 financial year where applicable, and new delegations put to the General Meeting of 5 June 2018.

	<b>Resolution number</b>	<b>Duration of the authorisation (expires)</b>	<b>Characteristics</b>	<b>Use in 2017</b>
<b>GENERAL MEETING OF 2 JUNE 2015</b>				
In accordance with Article L. 233-32 of the French Commercial Code, the following delegations of authority granted under the 16 <sup>th</sup> (incorporation of reserves), 17 <sup>th</sup> (issue with preferential subscription rights), 18 <sup>th</sup> (issue with cancellation of subscription rights), 19 <sup>th</sup> (capital increase reserved for members of a company or group savings plan), 20 <sup>th</sup> (issue by private placement) and 21 <sup>st</sup> (issue in consideration for contributions in kind) resolutions may be implemented during a public offering.				
Capital increase by capitalisation of reserves, earnings and/or premiums and/or free allocation of shares and/or increase in the par value of existing shares	16 <sup>th</sup>	26 months (2 August 2017) <sup>1</sup>	The nominal amount of capital increases that may be carried out immediately and/or in the future under this delegation may not be greater than 40% of the share capital on the date of the General Meeting with any capital increases carried out in accordance with this delegation not offset against the ceiling common to the delegations granted under the 17 <sup>th</sup> , 18 <sup>th</sup> , 19 <sup>th</sup> , 20 <sup>th</sup> and 21 <sup>st</sup> resolutions.	None

(1) This authorisation was cancelled, for the remaining duration and for the unused fraction, by new delegations of the same nature authorised by the General Meeting of 6 June 2017.

	Resolution number	Duration of the authorisation (expires)	Characteristics		Use in 2017
Issues of shares and/or any securities giving access to capital with maintenance of preferential subscription rights	17 <sup>th</sup>	26 months (2 August 2017) <sup>1</sup>	The nominal amount of capital increases that may be carried out immediately and/or in future under this delegation may not exceed 40% of the share capital on the date of the General Meeting with any capital increases carried out in accordance with this delegation offset against the 40% ceiling common to the delegations granted in the 17 <sup>th</sup> , 18 <sup>th</sup> , 19 <sup>th</sup> , 20 <sup>th</sup> and 21 <sup>st</sup> resolutions. Discount fixed at 20% of the average of the prices quoted for the Company's share during the twenty trading days preceding the day of the decision setting the date of opening of subscriptions.	The nominal amount of debt securities that may be issued immediately and/or in future under this delegation may not be greater than one billion euros, this limit being common to the 17 <sup>th</sup> , 18 <sup>th</sup> , 20 <sup>th</sup> and 21 <sup>st</sup> resolutions.	None
Issue of shares and/or any other securities giving access to capital, with elimination of preferential subscription rights, but with the right to introduce a priority period through a public offer	18 <sup>th</sup>	26 months (2 August 2017) <sup>1</sup>	The nominal amount of capital increases that may be carried out immediately and/or in future under this delegation may not exceed 40% of the share capital on the date of the General Meeting with any capital increases carried out in accordance with this delegation offset against the 40% ceiling common to the delegations granted in the 17 <sup>th</sup> , 18 <sup>th</sup> , 19 <sup>th</sup> , 20 <sup>th</sup> and 21 <sup>st</sup> resolutions. Discount fixed at 20% of the average of the prices quoted for the Company's share during the twenty trading days preceding the day of the decision setting the date of opening of subscriptions.	The nominal amount of debt securities that may be issued immediately and/or in future under this delegation may not be greater than one billion euros, this limit being common to the 17 <sup>th</sup> , 18 <sup>th</sup> , 20 <sup>th</sup> and 21 <sup>st</sup> resolutions.	None
Capital increase without preferential subscription rights in favour of members of a savings plan	19 <sup>th</sup>	26 months (2 August 2017) <sup>1</sup>	The nominal amount of capital increases that may be carried out immediately and/or in future under the 19th resolution (capital increase reserved for members of a Company or Group savings plan) may not exceed 1% of the share capital, this limit being offset against the 40% ceiling common to the delegations granted under the 17 <sup>th</sup> , 18 <sup>th</sup> , 19 <sup>th</sup> , 20 <sup>th</sup> and 21 <sup>st</sup> resolutions. Discount fixed at 20% of the average of the prices quoted for the Company's share during the twenty trading days preceding the day of the decision setting the date of opening of subscriptions.		None

(1) This authorisation was cancelled, for the remaining duration and for the unused fraction, by new delegations of the same nature authorised by the General Meeting of 6 June 2017.

	Resolution number	Duration of the authorisation (expires)	Characteristics		Use in 2017
Issue of shares and/or any other securities giving access to capital without preferential rights by private placement covered by Article L. 411-2, II of the French Monetary and Financial Code.	20 <sup>th</sup>	26 months (2 August 2017) <sup>1</sup>	The nominal amount of capital increases that may be carried out immediately and/or in future under this delegation may not exceed 20% per year of the share capital on the date of the General Meeting with any capital increases carried out in accordance with this delegation offset against the 40% ceiling common to the delegations granted under the 17 <sup>th</sup> , 18 <sup>th</sup> , 19 <sup>th</sup> , 20 <sup>th</sup> and 21 <sup>st</sup> resolutions. Discount fixed at 20% of the average of the prices quoted for the Company's share during the twenty trading days preceding the day of the decision setting the date of opening of subscriptions.	The nominal amount of debt securities that may be issued immediately and/or in future under this delegation may not be greater than one billion euros, this limit being common to the 17 <sup>th</sup> , 18 <sup>th</sup> , 20 <sup>th</sup> and 21 <sup>st</sup> resolutions.	None
Issue of shares and/or securities giving access to capital, without preferential rights, in order to pay for contributions in kind granted to the Company relating to equity securities or securities giving access to capital.	21 <sup>st</sup>	26 months (2 August 2017) <sup>1</sup>	The nominal amount of capital increases that may be carried out immediately and/or in future under this delegation may not exceed 10% of the share capital on the date of the General Meeting with any capital increases carried out in accordance with this delegation offset against the 40% ceiling common to the delegations granted under the 17 <sup>th</sup> , 18 <sup>th</sup> , 19 <sup>th</sup> , 20 <sup>th</sup> and 21 <sup>st</sup> resolutions. Discount fixed at 20% of the average of the prices quoted for the Company's share during the twenty trading days preceding the day of the decision setting the date of opening of subscriptions.	The nominal amount of debt securities that may be issued immediately and/or in future under this delegation may not be greater than one billion euros, this limit being common to the 17 <sup>th</sup> , 18 <sup>th</sup> , 20 <sup>th</sup> and 21 <sup>st</sup> resolutions.	None

#### GENERAL MEETING OF 31 MAY 2016

In accordance with Article L. 233-32 of the French Commercial Code, the delegations of authority granted below under the 14<sup>th</sup> (purchase options) and 15<sup>th</sup> (free shares) resolutions may be implemented during a public offering.

Purchase of shares	12 <sup>th</sup>	18 months (30 November 2017) <sup>1</sup>	Ceiling of 10% of the share capital Maximum purchase price €500 Maximum funds committed €1,000 million		See pages 299 to 301
Cancellation of treasury shares (general cancellation programme)	13 <sup>th</sup>	24 months (31 May 2018) <sup>1</sup>	Limit of 10% of the capital		

(1) This authorisation was cancelled, for the remaining duration and for the unused fraction, by new delegations of the same nature authorised by the General Meeting of 6 June 2017.

	<b>Resolution number</b>	<b>Duration of the authorisation (expires)</b>	<b>Characteristics</b>	<b>Use in 2017</b>	
Granting stock options	14 <sup>th</sup>	38 months (31 July 2019)	<p>The number of stock options granted under the 14<sup>th</sup> resolution and the number of free shares granted under the 15<sup>th</sup> resolution may not represent a number of shares greater than 2% of the total number of existing shares at the time of the grant without taking into account those already granted under previous authorisations.</p>	<p>The purchase price of the shares shall be set by Executive Management within the limits and according to the procedures specified in Article L. 225-177 par 4 of the French Commercial Code and shall be at least equal to the average of the prices quoted on the regulated Euronext Paris market during the twenty trading days preceding the granting of the options without being less than 80% of the average purchase price of the shares held. In the event one or more Executive Chairmen are granted stock options: the Company must meet one or more of the conditions specified in Article L. 225-186-1 of the French Commercial Code; the stock options may not be exercised before the Executive Chairmen cease their duties unless a number of shares resulting from the exercise of options has been set which must be kept registered until the cessation of their duties; the exercise price of the options includes no discount; the options granted are subject to strict and demanding performance conditions to be met over several years and defined at the time of issuance; the maximum percentage of shares to which Executive Chairmen may subscribe by virtue of their options under this resolution is 0.05% of the share capital at the date on which Executive Management decides to grant them, this sublimit being offset against the 2% ceiling common to the delegations under the 14<sup>th</sup> and 15<sup>th</sup> resolutions.</p>	None

	Resolution number	Duration of the authorisation (expires)	Characteristics	Use in 2017	
Free allocations of the Company's existing ordinary shares	15 <sup>th</sup>	38 months (31 July 2019)	The number of stock options granted under the 14 <sup>th</sup> resolution and the number of free shares granted under the 15 <sup>th</sup> resolution may not represent a number of shares greater than 2% of the total number of existing shares at the time of the grants without taking into account those already granted under previous authorisations.	In the event one or more Executive Chairmen are granted free shares: <ul style="list-style-type: none"> <li>♦ the Company must fulfil one or more of the conditions specified in Article L. 225-197-6 of the French Commercial Code;</li> <li>♦ the shares granted may not be sold before the Executive Chairmen cease their duties unless a number of these shares has been set which must be kept registered until the cessation of their duties;</li> <li>♦ the free shares granted are subject to strict and demanding performance conditions to be met over several years and defined at the time of issuance;</li> <li>♦ the maximum percentage of free shares that may be granted is 0.05%, this sublimit being offset against the 2% ceiling common to the delegations under the 14<sup>th</sup> and 15<sup>th</sup> resolutions.</li> </ul>	See page 181

### GENERAL MEETING OF 6 JUNE 2017

In accordance with Article L. 233-32 of the French Commercial Code, the following delegations of authority granted under the 18<sup>th</sup> (incorporation of reserves), 19<sup>th</sup> (issue with preferential rights), 20<sup>th</sup> (issue without preferential rights), 21<sup>st</sup> (capital increase reserved for members of a company or group savings plan), 22<sup>nd</sup> (issue by private placement) and 23<sup>rd</sup> (issue in consideration for contributions in kind) resolutions may be implemented during a public offering.

Purchase of shares	6 <sup>th</sup>	18 months (6 December 2018) <sup>2</sup>	Limit of 10% of the capital Maximum purchase price €600 Maximum funds committed €1,500 million	See pages 299 to 301	
Cancellation of treasury shares (general cancellation programme)	17 <sup>th</sup>	24 months (6 June 2019) <sup>2</sup>	Limit of 10% of the capital	None	
Capital increase by capitalisation of reserves, earnings and/or premiums and/or free allocation of shares and/or increase in the par value of existing shares	18 <sup>th</sup>	26 months (6 August 2019)	The nominal amount of capital increases that may be carried out immediately and/or in future under this delegation may not exceed 40% of the share capital on the date of the General Meeting with any capital increases carried out in accordance with this delegation not offset against the ceiling common to the delegations granted under the 19 <sup>th</sup> , 20 <sup>th</sup> , 21 <sup>st</sup> , 22 <sup>nd</sup> and 23 <sup>rd</sup> resolutions.	None	
Issues of shares and/or any securities giving access to capital with preferential rights	19 <sup>th</sup>	26 months (6 August 2019)	The nominal amount of capital increases that may be carried out immediately and/or in future under this delegation may not exceed 40% of the share capital on the date of the General Meeting with any capital increases carried out in accordance with this delegation offset against the 40% ceiling common to the delegations granted under the 19 <sup>th</sup> , 20 <sup>th</sup> , 21 <sup>st</sup> , 22 <sup>nd</sup> and 23 <sup>rd</sup> resolutions.	The nominal amount of debt securities that may be issued immediately and/or in future under this delegation may not be greater than one billion euros, this limit being common to the 19 <sup>th</sup> , 20 <sup>th</sup> , 21 <sup>st</sup> , 22 <sup>nd</sup> and 23 <sup>rd</sup> resolutions.	None

(2) These delegations are intended to be cancelled, for the remaining duration and for the unused fraction, in case of the adoption of new resolutions concerning new delegations of the same nature by the General Meeting of 5 June 2018.

	Resolution number	Duration of the authorisation (expires)	Characteristics		Use in 2017
Issue of shares and/or any other securities giving access to capital without preferential rights but with the right to introduce a priority period through a public offer	20 <sup>th</sup>	26 months (6 August 2019)	The nominal amount of capital increases that may be carried out immediately and/or in future under this delegation may not exceed 40% of the share capital on the date of the General Meeting with any capital increases carried out in accordance with this delegation offset against the 40% ceiling common to the delegations granted under the 19 <sup>th</sup> , 20 <sup>th</sup> , 21 <sup>st</sup> , 22 <sup>nd</sup> and 23 <sup>rd</sup> resolutions.	The nominal amount of debt securities that may be issued immediately and/or in future under this delegation may not be greater than one billion euros, this limit being common to the 19 <sup>th</sup> , 20 <sup>th</sup> , 21 <sup>st</sup> , 22 <sup>nd</sup> and 23 <sup>rd</sup> resolutions.	None
Capital increase by way of the issue of shares and/or securities giving access to capital reserved for members of a company or group savings plan without preferential rights.	21 <sup>st</sup>	26 months (6 August 2019)	The nominal amount of capital increases that may be carried out under this resolution may not exceed 1% of the share capital on the date of the General Meeting, this ceiling being offset against the 40% ceiling common to the delegations granted under the 19 <sup>th</sup> , 20 <sup>th</sup> , 21 <sup>st</sup> , 22 <sup>nd</sup> and 23 <sup>rd</sup> resolutions. Discount fixed at 20% of the average of the prices quoted for the Company's share on the regulated Euronext Paris market during the twenty trading days preceding the day of the decision setting the date of opening of subscriptions. Possibility of substituting all or part of the discount by granting free shares giving access to the Company's share capital, to reduce or not agree to a discount, within the legal or regulatory limits.		None
Issue of shares and/or any other securities giving access to capital without preferential rights by private placement covered by Article L. 411-2, II of the French Monetary and Financial Code.	22 <sup>st</sup>	26 months (6 August 2019)	The nominal amount of capital increases that may be carried out immediately and/or in future under this delegation may not exceed the limit provided for by the regulations applicable on the day of the issue (20% of the capital per year at the date of the General Meeting) with the capital increases carried out in accordance with this delegation offset against the 40% ceiling common to the delegations granted under the 19 <sup>th</sup> , 20 <sup>th</sup> , 21 <sup>st</sup> , 22 <sup>nd</sup> and 23 <sup>rd</sup> resolutions.	The nominal amount of debt securities that may be issued immediately and/or in future under this delegation may not be greater than one billion euros, this limit being common to the 17 <sup>th</sup> , 18 <sup>th</sup> , 20 <sup>th</sup> and 21 <sup>st</sup> resolutions.	None
Issue of shares and/or securities giving access to capital without preferential rights in order to pay for contributions in kind granted to the Company relating to equity securities or securities giving access to capital.	23 <sup>rd</sup>	26 months (6 August 2019)	The nominal amount of capital increases that may be carried out immediately and/or in future under this delegation may not exceed 10% of the share capital on the date of the General Meeting with any capital increases carried out in accordance with this delegation offset against the 40% ceiling common to the delegations granted under the 19 <sup>th</sup> , 20 <sup>th</sup> , 21 <sup>st</sup> , 22 <sup>nd</sup> and 23 <sup>rd</sup> resolutions.	The nominal amount of debt securities that may be issued immediately and/or in future under this delegation may not be greater than one billion euros, this limit being common to the 19 <sup>th</sup> , 20 <sup>th</sup> , 21 <sup>st</sup> , 22 <sup>nd</sup> and 23 <sup>rd</sup> resolutions.	None

### 3.1.7 CAPITAL STRUCTURE AND FACTORS LIABLE TO AFFECT THE OUTCOME OF A PUBLIC OFFERING

Information on equity and shareholding is presented on page 294.

As a *société en commandite par action* Hermès International is governed by certain provisions specific to its legal form, stipulated by law or the Articles of Association, which are liable to have an effect in case of a public offering, namely:

- ♦ the Executive Chairmen may only be appointed or dismissed by the Active Partner;
- ♦ Émile Hermès SARL, the Active Partner, must retain in its Articles of Association certain provisions concerning its legal form, corporate purpose and the conditions to be met to qualify as a partner (see Article 14.3 of the Articles of Association of Hermès International on page 287);
- ♦ Hermès International may be converted into a *société anonyme* (public limited company) only with the consent of the Active Partner;
- ♦ except for decisions falling within their exclusive remit, no decision taken by the Limited Partners (shareholders) at General Meetings is legitimate unless approved by the Active Partner no later than the end of the meeting. Hermès International's Articles of Association also contain stipulations that are liable to have an impact on the outcome of a public offering, namely:
  - voting rights are exercised by the bare owners at all General Meetings except for decisions regarding the allocation of earnings in which case the usufructuary shall exercise the voting rights,
  - double voting rights are allocated to each registered share for a period of four consecutive years,
  - any shareholder who comes to hold 0.5% of the share capital and/or voting rights, or any multiple of that percentage, must disclose this fact (Article 11 of the Articles of Association).

Furthermore, a priority right to acquire Hermès International shares, granted by the members of the Hermès family group and descendants of these members to H51, is explained on page 309.

Lastly, the Executive Management has a grant of authority to carry out capital increases.

### 3.1.8 SPECIAL TERMS AND CONDITIONS FOR ATTENDING GENERAL MEETINGS

General Meetings are convened as provided for by law and Article 24 of the Articles of Association (see page 391).

Double voting rights are allocated under the conditions set out in Article 12 of the Articles of Association (see page 286).

In the event that a legal or internal threshold is crossed (Article L. 233-7 of the French Commercial Code and Article L. 433-3 et seq. of the French Monetary and Financial Code – Article 11 of the Articles of Association, see page 286) with regard to equity or voting rights, a declaration under the conditions set out above must be made accordingly, failing which the shareholder will be deprived of the right to vote at General Meetings.

### 3.1.9 APPENDICES

#### 3.1.9.1 Rules of procedure of the Supervisory Board

**In force since 18 March 2009 – Version n° 9 amended 26 January 2018**

##### Purpose

These rules of procedure define the terms and conditions of the structure and workings of the Supervisory Board of Hermès International (hereinafter the “Board”) and its Committees and supplement the provisions set out in applicable laws and the Articles of Association (an extract of the Articles of Association is attached to this report).

Their purpose is to enhance the quality of the Board's work by promoting the application of good corporate governance principles and best practices, in the interests of ethics and greater effectiveness.

#### 1. Supervisory Board

##### 1.1 Composition of the Board

##### 1.1.1 Ownership of a minimum number of the Company's shares by members of the Board

All Board members must own 200 Hermès International registered shares during the year in which they are appointed. The directors' fees they receive may assist in this acquisition. This obligation does not apply to the Employee Representative Board members.

##### 1.1.2 Independence of Board members

Members of the Board are independent if they have no relationship of any kind whatsoever with the Company, its group or its management that is liable to compromise the exercise of their freedom of judgement in any way.

##### 1.1.2.1 Independence criteria

Independence criteria applicable to Board members are as follows:

- ♦ they may not be a partner or a member of the Executive Management Board of Émile Hermès SARL (Active Partner);
- ♦ they must comply with the criteria set out in Article 8.5 of the AFEP-MEDEF Corporate Governance Code of November 2016.

##### 1.1.2.2 Procedure for qualifying members as independent

The qualification of a Board member as independent is discussed each year by the Compensation, Appointments and Governance Committee, which draws up a report on this matter and submits it to the Board.

Each year, in the light of this report, the Board reviews the situation of each member to determine whether they qualify as an “independent director”.

The Board is required to report the findings of its review to the shareholders in the annual report.

##### 1.1.2.3 Proportion of independent members on the Board

At least one-third of the Board members must be independent members. Employee Representative Board members are not included in the calculation of this proportion.

### 1.1.3 Professional conduct of members of the Board and their permanent representatives

#### 1.1.3.1 Office and corporate interest

Members of the Supervisory Board must, under all circumstances, act in the Company's corporate interest. They must, whatever their mode of appointment, consider themselves Representatives of all the shareholders, and must also take into account the requirements of the other stakeholders.

#### 1.1.3.2 Compliance with laws and the Articles of Association

Members of the Supervisory Board must fully understand their rights and obligations. They must in particular be familiar and comply with the legal and regulatory provisions binding to their position, the applicable governance codes and best practices, and the rules specific to the Company resulting from its Articles of Association and the Supervisory Board rules of procedure.

#### 1.1.3.3 Prevention of insider trading – Stock market ethics – Closed periods – Disclosure obligations

The members of the Board are on the Company's list of permanent insiders and so must comply with the Hermès Group Stock Market Ethics Code in effect since 1 February 2017 which describes the measures in place within the Hermès Group to prevent market abuse on Hermès International shares.

#### 1.1.3.4 Duties: guiding principles

Members of the Supervisory Board perform their duties with independence, integrity, loyalty and professionalism.

#### 1.1.3.5 Independence, courage and duty of notification

Members of the Supervisory Board must strive to maintain under all circumstances their independence of judgement, decision and action. They shall not be influenced by any factor that is not in keeping with the corporate interests that they are responsible for defending.

They shall alert the Supervisory Board to any information known to them which they deem liable to affect the Company's interests. They have a duty to clearly express their queries and opinions. They shall endeavour to convince the Supervisory Board of the relevance of their positions. In the event of disagreement, they shall be careful to ensure that these reservations are explicitly recorded in the minutes of the proceedings.

#### 1.1.3.6 Independence, business relationships and conflicts of interest

Members of the Supervisory Board shall endeavour to avoid any possible conflict between their moral and material interests and those of the Company. They shall inform the Supervisory Board of any conflicts of interest in which they might be involved. In cases where a conflict of interest cannot be avoided, they shall refrain from taking part in any discussions or decisions related to the matters concerned.

Each member of the Supervisory Board must also draw up a statutory declaration on their business relationships with the Group stating whether or not there is a conflict of interest, even a potential one:

- ◆ at the time of his or her appointment;
- ◆ every year when the registration document is prepared.

#### 1.1.3.7 Integrity and loyalty

Members of the Supervisory Board act in good faith at all times and do not take any initiative which could be detrimental to the Company's interests.

They make a personal commitment to maintain complete confidentiality concerning the information they receive, the discussions in which they are involved and the decisions made.

They undertake not to use the inside information to which they have access for their personal benefit or for the benefit of any other person. In particular, when they hold information on the Company which has not been made public, they undertake not to use it to carry out transactions on the Company's shares, or to have such transactions carried out by a third party.

#### 1.1.3.8 Professionalism and commitment

Members of the Supervisory Board undertake to devote the necessary time and attention to their duties.

They shall make sure that the number and workload of their mandates as a director or as a member of the Supervisory Board leave them sufficiently available, particularly if they also perform executive duties.

They shall obtain information on the Company's lines of business and specificities, together with its aims and values, including by consulting its principal Senior Executives.

They shall regularly and diligently take part in the meetings of the Supervisory Board and the specialised committees of which they are members.

They shall attend Shareholders' General Meetings.

They shall make efforts to obtain in due time any information that they deem necessary in order to participate in Board meetings in full possession of the facts.

They shall endeavour to stay abreast of the knowledge they require and ask the Company to provide them with the training necessary for the correct fulfilment of their duties.

#### 1.1.3.9 Professionalism and effectiveness

Members of the Supervisory Board shall contribute to the collegiality and effectiveness of the work of the Supervisory Board and of any specialised committees constituted within it. They shall make any recommendation which they believe may improve the operational methods of the Board, particularly at the time of its periodic assessment. They agree to be assessed on their own activity within the Supervisory Board.

They shall endeavour, with the other members of the Supervisory Board, to ensure that the missions of guidance and control are accomplished effectively and without hindrance. In particular, they shall make sure that procedures are set up within the Company to monitor that the letter and spirit of laws and regulations are adhered to. They shall make sure that the positions adopted by the Supervisory Board demonstrate, without exception, duly justified, formal decisions recorded in the minutes of its meetings.

## 1.2 Workings of the Board

### 1.2.1 Supervisory Board meetings

#### 1.2.1.1 Calendar

The Board meets at least four times per year and whenever required by the Company's best interests or operations.

The duration of each meeting shall be sufficient to properly review all business on the agenda.

The procedures for calling a meeting and participating therein and the quorum and majority requirements are those stipulated by law and by the Articles of Association.

The schedule of Board meetings other than special meetings is drawn up from one year to the next.

**1.2.1.2 Attendance by persons who are not Board members**

The Main Statutory Auditors and the Works Council representatives are invited to attend all Supervisory Board meetings.

Persons who are not Board members, and members of the Executive Committee and the Management Committee, inter alia, may be invited to attend Board meetings at the Chairman's discretion, to provide any information that members of the Board might require to reach a full understanding of matters on the agenda that are technical in nature or require special expertise.

**1.2.1.3 Minutes**

Minutes are drawn up following each meeting and sent to all Board members, who are invited to comment. Any comments are discussed during the following Board meeting. The final draft of the minutes from the previous meeting is submitted to the Board for approval.

**1.2.2 Information of Board members**

Board members are entitled to receive all information required to fulfil their duties and responsibilities and may request any documents that they deem to be useful.

Before each Board meeting, members are sent in good time, with reasonable lead time and subject to confidentiality requirements, a file containing documentation on items on the agenda requiring prior analysis and review.

Between scheduled Board meetings, members receive all important information pertaining to the Company on a regular basis and are notified of any event or change with a material impact on transactions or information previously disclosed to the Board.

Board members shall send requests for additional information to the Chairman of the Board, who is responsible for assessing the usefulness of the documents requested.

Board members have a duty to request any information that they deem to be useful and essential to carry out their duties.

**1.2.3 Training of Board members**

Each Board member may receive additional education on the special attributes of the Group, its organisation and its business lines, and in the areas of accounting, finance or corporate governance.

**1.2.4 Board duty not covered by the Articles of Association**

The Supervisory Board approves or rejects the acceptance of any new office in a listed company by an Executive Chairman.

**1.3 Assessment of the Board by its members**

The Board regularly conducts self-assessment of its performance, covering the various points of its mission and commitments. This self-assessment is carried out every three years using an evaluation matrix proposed by the Compensation, Appointments and Governance Committee. In interim years, a review of the Board's works is included in the agenda of a Board meeting.

As part of this process the different areas of responsibility and commitment of the Board and its members are reviewed and assessed and any applicable recommendations for improving performance are made.

**2. Specialised committees of the Board**

The Board may create specialised Board committees, to which it appoints members and the Chairman. These committees act under the collective and exclusive responsibility of the Supervisory Board. Their role is to research and to prepare for certain deliberations of the Board, to which they submit their opinions, proposals or recommendations.

Two committees have been created to date:

- ◆ the Audit Committee on 26 January 2005;
- ◆ the Compensation Committee on 26 January 2005, subsequently assigned new duties and responsibilities and renamed the Compensation and Appointments Committee on 18 March 2009 and then the Compensation, Appointments and Governance (CAG) Committee on 20 January 2010.

The rules applying to the composition, duties and responsibilities and operating procedures for each specialised committee are set out in rules of procedure proposed by that committee and approved by the Supervisory Board.

**3. Common provisions**

**3.1 Compensation of Board members and directors' fees**

The principles for distributing directors' fees and other compensation adopted by the Board are as follows:

The principles for allotting directors' fees and other compensation adopted by the Board are as follows:

- ◆ a fixed component of €140,000 for the Chairman of the Board with no variable component as the Chairman attends all meetings;
- ◆ a fixed component of €10,000 and a variable component based on attendance of €18,200 for each Vice Chair of the Board;
- ◆ a fixed component of €10,000 and a variable component based on attendance of €18,200 for other Board members;
- ◆ a fixed component of €28,000 and no variable component for the Chairs of the Audit and CAG Committees;
- ◆ a fixed component of €5,200 and a variable component based on attendance of €7,800 for other members of the Audit and CAG Committees;
- ◆ if a member is appointed during the year, the outgoing member and his or her replacement share the fixed component and the variable component is allotted based on attendance at meetings;
- ◆ members of Hermès International's Executive Committee receive no directors' fees;
- ◆ employee representatives on the Supervisory Board receive no directors' fees.

The fixed and variable components are determined by the Board at its first meeting of the year following the year for which compensation and directors' fees are paid.

### 3.2 Rules governing reimbursement of accommodation and travel expenses

Supervisory Board members are reimbursed for travel (from their principal residence), accommodation and restaurant expenses incurred to attend the Supervisory Board and Committee meetings, upon presentation of substantiating documents or receipts.

The Board determines the policy applicable for the reimbursement of expenses that should be based upon the rules applicable to Group employees. This policy lists the eligible transportation classes and the limits for expenses incurred for each meeting of the Supervisory Board, of the Audit Committee and of the Compensation, Appointments and Governance Committee.

These reimbursements apply only to meetings of the Board and of the Committees, and do not in any case apply to General Meetings.

### 3.3 Participation in General Meetings

Members of the Supervisory Board, and particularly those who are also a member of a specialised committee, are strongly encouraged to participate in General Meetings.

### 3.4 Application of the rules of procedure

If a member of the Supervisory Board ceases to be in a position to perform their duties in accordance with the rules of procedure, either for reasons attributable to them or for any other reason, including reasons pertaining to the rules specific to the Company, they must inform the Chairman of the Supervisory Board, seek solutions to remedy this situation and, if unable to do so, accept the resulting personal consequences regarding the fulfilment of their mandate.

Appendix: Articles 18, 19 & 20 of the Articles of Association (see pages 289 to 290)

#### 3.1.9.2 Rules of procedure of the Compensation, Appointments and Governance Committee

In force since 24 March 2010 – Version n° 6 amended 20 March 2018

##### Purpose

These rules of procedure define the composition, missions and methods of organisation and operation of the Compensation, Appointments and Governance Committee of Hermès International, which acts under the collective and exclusive responsibility of the Supervisory Board.

Their purpose is to enhance the quality of the Compensation, Appointments and Governance Committee's work by promoting the application of good corporate governance principles and best practices, in the interests of ethics and greater effectiveness.

#### 1. Composition of the Compensation, Appointments and Governance Committee

##### 1.1 Chairmanship – Number of members

The Chairman of the Compensation, Appointments and Governance Committee is appointed by the Supervisory Board.

The Compensation and Governance Committee comprises at least three members of the Supervisory Board.

##### 1.2 Proportion of independent members

At least half of the members of the Compensation, Appointments and Governance Committee must, at the time of their appointment and for the duration of their office, be qualified as independent as defined in the Supervisory Board rules of procedure.

##### 1.3 Term of appointment to the Compensation, Appointments and Governance Committee

The members of the Compensation, Appointments and Governance Committee are appointed by the Supervisory Board for the duration of their term of office as a member of the Supervisory Board or for any other period defined by the Supervisory Board. They may be reappointed indefinitely.

#### 2. Missions of the Compensation, Appointments and Governance Committee

The Compensation, Appointments and Governance Committee studies and prepares certain proceedings of the Supervisory Board and submits its opinions, proposals and recommendations to the Board.

Without prejudice to the powers of the Supervisory Board, which it does not replace, the duties of the Compensation, Appointments and Governance Committee are to:

*With respect to compensation:*

- ◆ be consulted and draw up recommendations from the Board to Executive Management on the terms governing the compensation paid to Executive Committee members;
- ◆ be consulted and draw up recommendations from the Board to Executive Management on the terms and conditions of granting any stock options and free shares to Executive Committee members;
- ◆ draw up proposals and opinions on the total amount and distribution, particularly on the basis of attendance of directors' fees and other compensation and benefits awarded to members of the Board and its Committees;
- ◆ review proposals for stock options and free share awards to senior executives to enable the Board to determine the aggregate or individual number of options or shares allotted and the terms and conditions of allotment;
- ◆ review proposals for stock options and free share awards to employees and draw up recommendations thereon to Executive Management;
- ◆ assist the Board in determining the conditions and performance criteria to be applied to awarding stock options, performance-based shares and/or additional pensions to Executive Chairmen;
- ◆ ascertain that the compensation of the Executive Chairmen complies with the Articles of Association and the decisions made by the Active Partner;
- ◆ acquaint itself with and make recommendations to the management or supervisory bodies of the main French subsidiaries within the Hermès Group on the compensation of Executive Corporate Officers;

- ◆ acquaint itself with and make recommendations to the management or supervisory bodies of the main French subsidiaries within the Hermès Group on the terms and conditions of awarding stock options to Executive Corporate Officers;
- ◆ carry out specific assignments entrusted to it by the management or supervisory bodies of the main French subsidiaries within the Hermès Group.

*With respect to appointments:*

- ◆ prepare the Board's proposals to the Active Partner after examining all the elements which it must take into account in its deliberation: balance to be sought in the composition of the Board in light of the composition of, and changes in, the Company's shareholders, search for and appraisal of possible candidates and advisability of reappointments;
- ◆ organise a selection procedure in conjunction with the Executive Chairmen for future independent members of the Board and carry out its own research on potential candidates;
- ◆ ensure a succession plan for Executive Corporate Officers (the Executive Chairmen) drawn up by the Active Partner;
- ◆ ensure the existence of a succession plan for the Chairman of the Supervisory Board.

*With respect to corporate governance:*

- ◆ recommend revisions to corporate governance rules as needed;
- ◆ periodically ascertain that independent Supervisory Board members meet the independence and objectivity criteria set out in the Supervisory Board's rules of procedure;
- ◆ review the composition of the specialised committees;
- ◆ oversee the annual evaluation of Supervisory Board practices;
- ◆ ascertain that the management bodies apply the Supervisory Board's rules of procedure and the recommendations of the current AFEP-MEDEF Corporate Governance Code in their operations.

### **3. Workings of the Compensation, Appointments and Governance Committee**

The Compensation, Appointments and Governance Committee meets as many times as necessary and at least once a year, before the compensation of the Executive Chairmen is defined by the Active Partner.

The Compensation, Appointments and Governance Committee meets when convened by its Chairman, who sets the agenda of the meeting in writing or verbally, wherever indicated in the notice of meeting. Before each meeting of the Compensation, Appointments and Governance Committee, members receive, in due time, with reasonable prior notice and subject to confidentiality requirements, documentation concerning points of the agenda which require prior analysis and reflection.

The role of secretary for the Compensation, Appointments and Governance Committee meetings is performed, if they are present, by the Group's Human Resources Director, or by a member of the Compensation, Appointments and Governance Committee designated as reporter by the Chairman. The proceedings are noted in minutes which are entered in a special register and signed by the Chairman or a member

of the Compensation, Appointments and Governance Committee and the secretary of the meeting.

Certain persons who are not members of the Compensation, Appointments and Governance Committee – in particular the Compensation and Benefits Director and the Executive Management – may be invited to meetings of the Compensation, Appointments and Governance Committee.

Meetings of the Compensation, Appointments and Governance Committee are validly held when at least half of its members participate, it being specified that members who participate in a Compensation, Appointments and Governance Committee meeting by way of video-conferencing or telecommunication, under the conditions stipulated for Supervisory Board meetings, are deemed to be present.

Decisions of the Compensation, Appointments and Governance Committee are made by majority vote of those members present.

### **4. Reports to the Supervisory Board**

The Compensation, Appointments and Governance Committee reports regularly in writing on its activities and the performance of its work to the Supervisory Board, and informs it without delay of any difficulties encountered.

The Compensation, Appointments and Governance Committee reports must fully inform the Supervisory Board as to the Compensation, Appointments and Governance Committee's performance of its assignments.

### **5. Information handled by the Compensation, Appointments and Governance Committee**

The Compensation, Appointments and Governance Committee is entitled to all the documents it needs to carry out its duties from employees of Hermès International among other sources and must in particular be informed about the compensation policy for senior managers who are not Executive Corporate Officers (especially members of the Executive Committee).

The Compensation, Appointments and Governance Committee may contact the Group's main senior executives as part of its remit, once the Chairman of the Supervisory Board has informed the Executive Management.

It may, if necessary, request the intervention of an external expert to carry out additional studies.

### **6. Compensation of the Compensation, Appointments and Governance Committee**

The compensation for members of the Compensation, Appointments and Governance Committee is defined by the Supervisory Board and deducted from the total amount of directors' fees.

### **7. Self-assessment of the Compensation, Appointments and Governance Committee**

The Compensation, Appointments and Governance Committee regularly assesses its performance, covering the points of its assignments and its commitment by means of an assessment table.

As part of this process the different areas of responsibility and commitment of the Compensation, Appointments and Governance Committee and its members are reviewed and assessed and any applicable recommendations for improving performance are made.

### 3.1.9.3 Rules of procedure of the Audit Committee

**In force since 24 March 2010 – Version n° 3 amended  
17 November 2017**

#### Purpose

These rules of procedure define the composition, duties and terms and conditions of the structure and workings of the Audit Committee of Hermès International which acts under the collective and exclusive responsibility of the Supervisory Board.

Its purpose is to enhance the quality of the Audit Committee's work by promoting the application of good corporate governance principles and best practices, in the interests of ethics and greater effectiveness.

#### 1. Composition of the Audit Committee

##### 1.1. Chairmanship – Number of members

The Chair of the Audit Committee is appointed by the Supervisory Board. The Audit Committee comprises at least four members of the Supervisory Board.

##### 1.2. Proportion of independent members – Specific expertise in finance, accounting or statutory auditing

At least half of the members of the Audit Committee must, at the time of their appointment and for the term their office, be qualified as independent under the Supervisory Board's rules of procedure.

At least one member of the Audit Committee must be appointed from among the independent members of the Board and have specific expertise in finance, accounting or statutory auditing.

##### 1.3. Term of appointment to the Audit Committee

The members of the Audit Committee are appointed by the Supervisory Board for the duration of their term of office as a member of the Supervisory Board or for any other term defined by the Supervisory Board. They may be reappointed indefinitely.

#### 2. Missions of the Audit Committee

The Audit Committee studies and prepares certain proceedings of the Supervisory Board and submits to the Supervisory Board its opinions, proposals and recommendations.

In accordance with Article L. 823-19 of the French Commercial Code and without prejudice to the powers of the Board, which it does not replace, the duties of the Audit Committee are to:

##### 2.1. With regard to preparing accounting and financial information:

- ◆ review and comment on the individual and consolidated financial statements before they are approved by Executive Management and presented to the Supervisory Board;

- ◆ ascertain that the accounting methods applied are relevant and consistent;
- ◆ verify that internal data collection and control procedures guarantee the quality of the information provided;
- ◆ review the work programme and results of internal and external audit assignments;
- ◆ monitor the process of preparing financial information and, where appropriate, make recommendations to ensure its integrity;
- ◆ monitor the effectiveness of internal control and risk management systems and internal audits regarding the procedures for preparing and processing accounting and financial information without jeopardising its independence.

##### 2.2. With regard to auditing accounting and financial information and the Statutory Auditors:

- ◆ make a recommendation to the Supervisory Board, prepared in accordance with Article 16 of Regulation (EU) no. 537/2014, on the (re) appointment of the Statutory Auditors put to the General Meeting;
- ◆ monitor the Statutory Auditors' performance of their duties in light of the High Commission on Statutory Audit's remarks and conclusions following audits conducted in accordance with Articles L. 821-9 et seq. of the French Commercial Code;
- ◆ ensure the Statutory Auditors' compliance with the independence requirements set out in Articles L. 821-9 et seq. of the French Commercial Code, take the necessary measures to apply Article 4 par. 3 of Regulation (EU) no. 537/2014 cited above, and ensure compliance with the conditions mentioned in Article 6 of said Regulation;
- ◆ approve on a case-by-case basis the provision of the services mentioned in Article L. 822-11-2 of the French Commercial Code in accordance with the following rules:
  - the following services need not be approved beforehand:
    - audit of Group reporting by subsidiaries,
    - audit of local financial statements of subsidiaries,
    - mandatory services (such as equity transactions),
  - individual services worth less than €100,000 up to a combined ceiling of €800,000 a year are delegated to the Group finance department,
  - the approval of the Audit Committee is required for services beyond the above thresholds,
  - the Statutory Auditors must disclose all fees for the financial year to the Audit Committee, including those relating to services provided within the context of the procedure;
- ◆ report on the results of the engagement regarding the certification of the financial statements, on the way the engagement contributed to the integrity of financial reporting and the role it has played in this process.

##### 2.3. Other duties:

- ◆ report regularly to the Supervisory Board on the performance of its duties;

- ◆ promptly inform the Supervisory Board of any difficulties encountered;
- ◆ carry out special tasks assigned to it by the Supervisory Board.

In carrying out its duties the Audit Committee may conduct site visits to appraise the overall consistency of the internal control and risk management system.

### **3. Workings of the Audit Committee**

#### **3.1. Meetings of the Audit Committee**

The Audit Committee meets as many times as necessary and at least twice a year, before annual account closure by the Executive Management and before the half-year accounts examination by the Supervisory Board.

The Audit Committee meets when convened by its Chair, who sets the agenda of the meeting in writing or verbally, wherever indicated in the notice of meeting.

Before each Audit Committee meeting, Audit Committee members are sent, in good time, with reasonable lead time and subject to confidentiality requirements, a file containing documentation on items on the agenda requiring prior analysis and review.

The role of secretary of the Audit Committee meetings is performed, if they are present, by the audit and risk management Director, otherwise by a member of the Audit Committee appointed as reporter by the Chair.

The proceedings are noted in minutes which are recorded in a special register and signed by the Chair of the Audit Committee and one of the Committee members.

Certain non-members of the Audit Committee – in particular the Statutory Auditors, the audit and risk management Director, the Financial Director and Executive Management – are regularly invited to Audit Committee meetings. The Audit Committee may invite senior executives from departments such as Security, Legal and Information Systems for specific discussions to gather whatever additional information it may need.

Meetings of the Audit Committee are reasonably held when at least half of its members participate, it being specified that members who participate in an Audit Committee meeting by way of video-conferencing or telecommunication, under the conditions stipulated for Supervisory Board meetings are deemed to be present.

Decisions of the Audit Committee are made by a majority vote of the members present.

#### **3.2. Reports to the Supervisory Board**

The Audit Committee regularly reports in writing on its work and the performance of its duties to the Supervisory Board and informs it without delay of any difficulties encountered.

The reports of the Audit Committee must enable the Supervisory Board to be fully informed on the Audit Committee's performance of its assignments.

#### **3.3. Information handled by the Audit Committee**

The Audit Committee is entitled to all the documents it needs to carry out its duties from employees of Hermès International and the Statutory Auditors among other sources. In particular it must receive a regular summary of the work of the audit and risk management department.

The Audit Committee's examination of the financial statements must be prepared in accordance with (and accompanied by) a presentation by the Statutory Auditors underlining the essential points relating not only to results but also to the chosen accounting options together with a presentation by the Financial Director describing the Company's exposure to risks and its significant off-balance sheet commitments.

The Audit Committee examines the Group's budgets in a final summary before presentation to the Supervisory Board in order to understand and validate the strategy underlying them.

It may, if necessary, request the intervention of an external expert to carry out additional studies.

#### **4. Compensation of the Audit Committee**

Compensation of Audit Committee members is defined by the Supervisory Board and deducted from the total amount of directors' fees.

#### **5. Self-assessment of the Audit Committee**

The Audit Committee regularly assesses its performance in conjunction with the self-assessment of the Board. The members of the Audit Committee are specifically called on anonymously through a self-assessment questionnaire.

As part of this process the different areas of responsibility and commitment of the Audit Committee and its members are reviewed and assessed and any applicable recommendations for improving performance are made.