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# **SUPERVISORY BOARD RULES OF PROCEDURE**

**Entered into force on March 18th, 2009 Version N°13 – modified on June 4th, 2019**



## PURPOSE

These rules of procedure define the terms and conditions of the structure and functioning 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 100 Hermès International registered shares during the year in which they are appointed. The compensation that members of the Board 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

The independence criteria applicable to Board members are as follows:

- they may not be a partner or 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 June 2018.

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

The qualification of a Board member as independent is discussed each year by the CAG-CSR 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 with regard to the independence criteria.

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 expectations 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 endeavor 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 interests

Members of the Supervisory Board shall endeavor 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 abstain from attending the debate and taking part in voting on the related resolution as well as any 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 métiers and specificities, together with its issues 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 endeavor 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 specialized 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. FUNCTIONING OF THE BOARD**

#### **1.2.1. 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 Liaison 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 for 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 organization and its business lines, and in the areas of accounting, finance or corporate governance.

#### **1.2.4. Supervisory Board assignment not covered by the articles of association in governance matters**

##### 1.2.4.1. Approval of the acceptance by an Executive Chairman of any new office in a listed company

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

##### 1.2.4.2. Others assignments of the Supervisory Board

The Supervisory Board is informed about market developments, the competitive environment and the most important aspects facing the company, including in the area of social and environmental responsibility.



The Supervisory Board regularly reviews, via the Audit and Risk Committee, the opportunities and risks, such as financial, legal, operational, social and environmental risks, as well as the measures taken accordingly.

The Supervisory Board is regularly informed about the financial situation, the cash position as well as the company's commitments.

The Supervisory Board ensures the implementation of a mechanism to prevent and detect corruption and influence peddling. It receives all of the information needed for this purpose.

The Supervisory Board also ensures that the executive officers implement a policy of non-discrimination and diversity, notably with regard to the balanced representation of men and women on the governing bodies.

The Supervisory Board should consider what the desirable balance of its membership and that of the Board committees should be, particularly in terms of diversity (gender representation, nationalities, age, qualifications, professional experience, etc.). It should make public in the report on corporate governance a description of the diversity policy applied to members of the Board of Directors as well as a description of the objectives of this policy, its implementation measures and the results achieved in the past financial year.

#### **1.2.5. Communication with shareholders**

At its meeting of 20 March 2018 the Supervisory Board made its Chairman (without any additional compensation) 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 may naturally consult the internal experts in these fields.

#### **1.3. ASSESSMENT OF THE BOARD BY ITS MEMBERS**

The Board regularly conducts an 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 CAG-CSR 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 special 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, subsequently assigned new duties and responsibilities and renamed the Audit and Risk Committee on 19 March 2019;
- the Compensation Committee on 26 January 2005, subsequently assigned new duties and responsibilities and renamed the Compensation and Appointments Committee on 18 March 2009 then the Compensation, Appointments and Governance (CAG) Committee on 20 January 2010 and CSR on 16 November 2018 or “CAG-CSR Committee”.

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. COMPENSATIONS OF BOARD MEMBERS**

The principles for allotting compensations adopted by the Board are as follows:

- a fixed compensation 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-Chairman 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 Chairmen of the Audit and Risk and CAG-CSR Committees;
- a fixed component of €5,200 and a variable component based on attendance of €7,800 for other members of the Audit and Risk and CAG-CSR 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 do not receive compensation of member of the Supervisory Board;
- employee representatives on the Board do not receive compensation of member of the Supervisory Board.





The fixed and variable components are determined by the Board at its first meeting of the year following the year for which compensations 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 applicable the policy for the reimbursement of expenses which 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 and Risk Committee and of the CAG-CSR 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.



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## APPENDIX: Articles 18, 19, 20 of the articles of association

### 18 – SUPERVISORY BOARD

18.1 - The Company is governed by a Supervisory Board consisting of 3 to 15 members selected among Shareholders (not including the members representing the Group's employees, appointed following the conditions set in article 18.6 hereafter), who are not Active Partners, legal representatives of an Active Partner, or executive Chairmen. 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 Partners by unanimous vote. Supervisory Board members may be natural persons or legal entities. At the time of their appointment, legal entities must designate a permanent representative who is subject to the same terms, conditions and obligations and incurs the same liabilities as if he were a Supervisory Board member in his own name, without prejudice to the joint and several liability of the legal entity he represents.

The permanent representative serves for the same term of office as the legal entity he represents. If the legal entity revokes its representative's appointment, it is required to notify the Company thereof forthwith by registered post, and to state the identity of its new permanent representative.

This requirement also applies in the event the permanent representative should die, resign, or become incapacitated for an extended period of time.

18.2 - Supervisory Board members are appointed or reappointed by the Ordinary General Meeting of Shareholders. The Active Partners may, at any time, propose that one or more new Supervisory Board members be nominated. Board members are appointed for three years. As an exception to this rule, in order to ensure that one-third of the Supervisory Board members will stand for re-election each year, the General Meeting may decide to appoint one or more Board members for one or two years, and who may be designated by drawing lots, as necessary.

18.3 - No person over the age of seventy-five shall be appointed to the Supervisory Board if, as a result of such appointment, more than one-third of the Board members would be over that age.

18.4 - The appointments of Supervisory Board members can be revoked by a resolution adopted by the Ordinary General Meeting only for cause, on the joint recommendation of the Active Partners, acting by unanimous consent, and the Supervisory Board.

18.5 - In the event of a vacancy or vacancies caused by the death or resignation of one or more Supervisory Board members, the Supervisory Board may appoint an interim replacement member within three months as from the effective date of the vacancy.

However, if no more than two Supervisory Board members remain in office, the member or members in office, or, in his or their absence, the executive Chairman, or in his absence, the Statutory Auditor or Auditors, shall immediately call an Ordinary General Meeting of Shareholders for the purpose of filling the vacancies to bring the number of Board members up to the required minimum.

18.6 – When the provisions of article L 225-79-2 of the Commercial code are applicable to the Company, a natural person member representing the Group's employees must be assigned. When the Supervisory Board is composed of 13 members and more (not including the employees' representatives), a second natural person member, representative the Group's employees must be appointed.



The number of Supervisory Board members taken into account when determining the number of Supervisory Board members representing the employees is assessed on the date of the appointment of the employees' representatives to the Board. Neither the Supervisory Board members elected by the employees under article L. 225-27 of the Commercial code nor the employee shareholder Supervisory Board members appointed in accordance with article L. 225-23 of the Commercial Code are therefore taken into account. The term of the Supervisory Board members representing the employees will be as indicated in article 18.2 of the present articles of association. A reduction to twelve or fewer than twelve Supervisory Board members will have no effect on the term of all Supervisory Board members representing the employees that will come to an end upon its normal expiry.

The Supervisory Board members representing the employees are appointed by the company's group committee. The Supervisory Board members representing the employees must, at least two years beforehand, have signed an employment contract with the company or one of its direct or indirect subsidiaries having its registered office in France or abroad. Notwithstanding the rule contained in article 18.1 of the present articles of association, the Supervisory Board members representing the Group's employees are not required to be shareholders.

18.7 – Every Supervisory Board member must comply with the Supervisory Board rules of procedure.

## **19 - DELIBERATIONS OF THE SUPERVISORY BOARD**

19.1 - The Supervisory Board elects a Chairman, who is a natural person, and two Vice-Chairmen, from among its members. It appoints a secretary who may be but is not required to be a Supervisory Board member.

If the Chairman is absent, the older of the two Vice-Chairman acts as Chairman.

19.2 - The Supervisory Board meets when convened by its Chairman or by the executive Management, whenever required for the Company's best interest but no less than twice per year, at the Company's registered office or at any other place specified in the notice of meeting.

Notices are served by any means providing legally valid proof in business matters, at least 7 business days before the meeting. This period of time may be shortened by unanimous consent of the Chairman or a Vice-Chairman of the Supervisory Board, the Active Partners and the executive Management.

Any member of the Supervisory Board may give a proxy to one of his colleagues to represent him at a Board meeting, by any means providing legally valid proof in business matters. Each member may hold only one proxy during a given meeting. These provisions are applicable to the permanent representative of a legal entity that is a member of the Supervisory Board.

The Supervisory Board is duly convened only if a quorum consisting of at least half of its members is present or represented.

Resolutions are adopted by a majority of the votes of members present or represented. However, the Supervisory Board must approve or reject any proposed new wording of certain clauses of the articles of association of Émile Hermès SARL by a three-quarters majority of members present or represented, in accordance with the stipulations of the article entitled "Responsibilities and Powers of the Active Partners".



Supervisory Board members who participate in the meeting by videoconferencing or telecommunications means that enable them to be identified and effectively to participate in the meeting through the use of technology providing for continuous and simultaneous transmission of discussions are deemed to be present for purposes of calculating the quorum and majority, except at Supervisory Board meetings convened for the review and verification of the Annual Report and consolidated and parent company financial statements.

The Supervisory Board defines the conditions and procedures for using videoconferencing or other telecommunications means when applicable.

The executive Management must be convened to Supervisory Board meetings and may attend such meetings, but it does not have the right to participate in the discussion and to vote.

19.3 - The deliberations of the Supervisory Board are recorded in minutes, which are entered in a special initialed register and signed by the Chairman and the secretary.

## **20 – POWERS OF THE SUPERVISORY BOARD**

20.1 - The Supervisory Board exercises on-going control over the Company's management.

For this purpose, it has the same powers as the Statutory Auditors and receives the same documents as the Statutory Auditors, at the same time as the Statutory Auditors. In addition, the executive Management must submit a detailed report to the Supervisory Board on the Company's operations at least once a year.

20.2 - The Supervisory Board submits to the Active Partners for their consideration its considered recommendation:

- 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.

20.3 - Each year, the Supervisory Board determines the proposed appropriation of net income to be submitted to the General Meeting.

20.4 - The Supervisory Board approves or rejects any proposed new wording of certain clauses of the articles of association of Émile Hermès SARL in accordance with the stipulations of the article entitled "Responsibilities and Powers of the Active Partners".

20.5 - The Active Partners must consult the Supervisory Board prior to taking any decisions concerning:

- strategic options;
- consolidated operating and investment budgets; and
- any proposal submitted to the General Meeting pertaining to the appropriation of share premiums, reserves or retained earnings.

20.6 - Each year, the Supervisory Board presents a report to the Annual Ordinary General Meeting of Shareholders 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.

This report, together with the Company's balance sheet and a list of its assets and liabilities, is made available to the Shareholders and may be consulted at the Company's registered office as from the date of the notice of the General Meeting.

The Supervisory Board may convene a General Meeting of Shareholders whenever it deems this appropriate.

The duties of the Supervisory Board do not interfere with the Management, or any other responsibility regarding acts of management or results.