

**2018 REGISTRATION DOCUMENT**  
INCLUDING THE ANNUAL FINANCIAL REPORT

<b>MESSAGE FROM THE EXECUTIVE MANAGEMENT</b>	<b>5</b>	<b>5 CONSOLIDATED FINANCIAL STATEMENTS AFR</b>	<b>237</b>
<b>HIGHLIGHTS 2018</b>	<b>6</b>	5.1 Consolidated statement of profit or loss for 2018	238
		5.2 Consolidated statement of comprehensive income for 2018	239
		5.3 Consolidated statement of financial position as at 31 December 2018	240
		5.4 Consolidated statement of changes in equity as at 31 December 2018	242
		5.5 Consolidated statement of cash flows for 2018	244
		5.6 Notes to the consolidated financial statements	246
		5.7 Statutory auditors' report on the consolidated financial statements	289
<b>1 OVERVIEW OF THE GROUP</b>	<b>9</b>		
1.1 Stages of the Group's history	11		
1.2 Group Governance	15		
1.3 Key figures	16		
1.4 Activity by métier <b>AFR</b>	18		
1.5 Activity by geographic area <b>AFR</b>	26		
1.6 Simplified Group organisational chart	32		
1.7 Property	35		
1.8 Fondation d'entreprise <b>NFPS</b>	35		
1.9 Risk factors <b>AFR NFPS</b>	36		
1.10 Internal control and risk management procedures relating to the preparation and processing of accounting and financial information	48		
<b>2 CORPORATE SOCIAL RESPONSIBILITY AFR NFPS</b>	<b>51</b>	<b>6 PARENT COMPANY FINANCIAL STATEMENTS AFR</b>	<b>295</b>
2.1 Business model	53	6.1 Statement of profit or loss for 2018	296
2.2 People: savoir-faire	61	6.2 Statement of financial position as at 31 December 2018	297
2.3 People: teams	69	6.3 Changes in equity in 2018	298
2.4 Planet: raw materials	85	6.4 Statement of cash flows for 2018	299
2.5 Planet: environment	91	6.5 Notes to the financial statements	300
2.6 Communities: suppliers & partners	111	6.6 List of investments in subsidiaries and associates as at 31 December 2018	314
2.7 Communities: stakeholders and local integration	120	6.7 Table of results over the last five financial years	315
2.8 Report by one of the Statutory Auditors, appointed as independent third party, on the consolidated non-financial performance statement in the Management Report	127	6.8 Table of subsidiaries and associates	316
		6.9 Information on due dates	320
		6.10 Statutory auditors' report on the annual financial statements	321
<b>3 CORPORATE GOVERNANCE</b>	<b>133</b>	<b>7 INFORMATION ON THE COMPANY AND ITS SHARE CAPITAL</b>	<b>327</b>
3.1 Supervisory Board's report on corporate governance	135	7.1 Presentation of Hermès International and Émile Hermès SARL	329
3.2 Ethics – Compliance <b>NFPS</b>	214	7.2 Information on share capital and shareholders	340
3.3 Other information from the executive management report	223	7.3 Dividend policy	355
		7.4 Stock market information	356
		7.5 Shareholder information	360
<b>4 COMMENTS ON THE FINANCIAL YEAR AND OUTLOOK</b>	<b>227</b>	<b>8 COMBINED GENERAL MEETING OF 4 JUNE 2019</b>	<b>363</b>
4.1 Comments on the consolidated statement of profit or loss	228	8.1 Agenda	364
4.2 Comments on the summary consolidated statement of cash flows	229	8.2 Purpose and draft resolutions	366
4.3 Creation of value	231	8.3 Supervisory Board report to the Combined General Meeting of 4 June 2019	393
4.4 Exceptional events	231	8.4 Statutory Auditors' reports	395
4.5 Information on the parent company financial statements, on accounts payable due dates, subsidiaries and associates	232		
4.6 Outlook	234	<b>9 ADDITIONAL INFORMATION</b>	<b>407</b>
		9.1 Persons responsible for the Registration Document <b>AFR</b>	408
		9.2 Statutory Auditors <b>AFR</b>	409
		9.3 Regulatory information consultation	409
		9.4 Information incorporated by reference	409
		9.5 Cross-reference tables	410
		9.6 Glossary	417



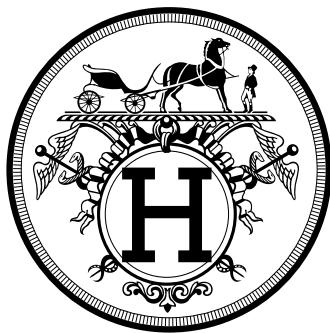
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In application of Article 212-13 of the AMF General Regulation, this Registration Document was filed with the Financial Markets Authority ("AMF") on 10 April 2019. It may be used in support of a financial transaction only if it is supplemented by a transaction note approved by the AMF. This document has been prepared by the issuer and is binding for its signatories.

*This document is a free translation into English of the "Document de Référence", originally prepared in French, and has no other value than an informative one. Should there be any difference between the French and the English version, only the French language version shall be deemed authentic and considered as expressing the exact information published by Hermès".*





2018  
REGISTRATION  
DOCUMENT

Including the Annual Financial Report



*Great game! What a match!*



In 2018, Hermès encouraged us to play, invited us to not take ourselves seriously, to be creative, and to demonstrate agility while remaining ambitious. While the global social, political, economic and financial environment remains uncertain, playing one's cards right is a complex undertaking.

This year's results once again reflect the strength of our growth model: a model of craftsmanship with humanist values, which has at its heart the creativity and inventiveness of each one of us.

Creative freedom combined with exceptional know-how, the constant quest for exceptional materials, as well as the desire to offer outstanding services to our customers are our major assets.

The points scored owe nothing to the luck of the draw. The opening of the Manufacture de l'Allan and the 250 jobs it will ultimately create, the success of the women's and men's ready-to-wear and home collections, the acclaimed launch of *Enchaînements libres*, the new high jewellery line, the confirmation of the *Twilly d'Hermès* success, and the dynamism of silk, leather and footwear are the milestones of a well-executed game, played out on embellished, enlarged and now digital playing fields.

Once we have crossed the finish line, we can congratulate ourselves on these successes which enable us to share the fruits of this growth with those who contribute to it on a daily basis, to strengthen our territorial roots, and to develop employment opportunities.

Thank you for the great game. Now, in 2019, it's time to dream.

Axel Dumas  
EXECUTIVE CHAIRMAN

Émile Hermès SARL Gérant  
REPRESENTED BY ITS EXECUTIVE  
CHAIRMAN, HENRI-LOUIS BAUER

## HIGHLIGHTS 2018

### **Excellent sales performance and results in 2018**

The Group's consolidated revenue amounted to €5,966 million, up +10.4% at constant exchange rates and +7.5% at current exchange rates. Recurring operating income increased 6% to €2,045 million (34.3% of sales). Net profit increased 15% to €1,405 million.

Axel Dumas, Executive Chairman of Hermès, said: "Hermès once again delivered a remarkable performance this year, the fruit of the talent and exceptional commitment of the men and women of Hermès, confirming the robustness of the Group's growth model."

### **In 2018, all geographical areas posted growth**

(at constant exchange rates unless otherwise indicated)

The significant rise in revenues recorded in 2018 in Group stores (+11%) was driven by growth in all geographical areas. Hermès continued to improve the quality of its distribution network, both by opening stores that highlight the profusion of our creations and by completing renovation and extension work on almost twenty stores. Hermès successfully continued the roll-out of its new digital platform in Europe and in China in October.

Asia excluding Japan (+14%) pursued its strong growth in China and in South Asian countries. The Shanghai IFC and Singapore Marina Bay Sands stores were extended and renovated, after opening the Landmark Prince's in Hong Kong at the beginning of the year, Changsha and Xi'an in China, and Chadstone in Australia.

Japan (+8%) recorded a sustained increase with no price or scope effects.

America (+12%) confirmed its momentum throughout the area. The 34th store in the United States opened in May in Palo Alto, in the heart of Silicon Valley, the Cancun store in March, and the Mexico Artz Pedregal in December.

Europe excluding France (+8%) achieved a sound performance, driven in particular by the United Kingdom and Italy. France (+6%) posted growth, despite the negative impact of year-end events. The Parisian store on avenue George V, now covering three floors, re-opened in November after renovation and extension.

### **Sales by métier at the end of December**

(at constant exchange rates unless otherwise indicated)

All métiers recorded growth, with a remarkable performance of the Ready-to-Wear and Accessories division.

Leather Goods and Saddlery (+9%) recorded growth thanks to the increase in production capacity, in order to meet the high demand, both for the re-invented classics and other models such as the *Mosaique* and 24/24 bags. Development projects continued with the Manufacture de l'Allan workshop gaining momentum and the launch of the Guyenne and Montereau workshops, which are expected to be completed by 2020. A new site will be built in Louviers by 2021, with the creation of 250 jobs. Hermès strengthens once again its territorial roots in Normandy, the development of employment and the creation of social value.

The Ready-to-Wear and Accessories division (+14%) confirmed its dynamic activity despite high comparison bases, driven by the success of the ready-to-wear collections, and fashion accessories, particularly shoes.

The Silk and Textiles métier posted an increase (+3%), with collections that combine diversity of materials with creative design.

Perfumes (+9%) performed well, thanks particularly to the success of *Terre d'Hermès* and *Twilly d'Hermès*.

The Watches métier (+10%) recorded good sales performance in group's stores, that reflects the creativity of the collections. The presentation of the Hermès' new women's watch *Galop d'Hermès* and the *Arceau L'heure de la lune* watch at the International Salon of Haute Horlogerie (SIHH) in Geneva last January was very well received.

Other Hermès métiers (+20%), which encompass Jewellery, Art of Living and Hermès Table Arts, were up sharply. The high jewellery collection, *Enchaînements libres*, was presented in September enhancing the creativity of the design with precious metal work.

## Strong growth in net profit and free cash flow

Recurring operating income increased 6% to €2,045 million compared to €1,922 million in 2017. Thanks to particularly healthy growth and good cost control, recurring operating profitability reached 34.3% of sales, close to the outstanding level achieved in 2017<sup>1</sup>.

After including the €53 million net capital gain on the sale of the former Galleria store premises in Hong Kong, operating income increased 9% to €2,098 million, representing 35.2% of sales.

Consolidated net profit (Group share) increased 15% to €1,405 million. Restated with the Galleria disposal capital gain, the increase is 11%.

After adjustment for capital expenditure (€312 million), free cash flow amounted to €1,447 million, up 8%.

Net cash gained €553 million to reach €3,465 million as at 31 December 2018, after payment of the ordinary dividend (€428 million) and an extraordinary dividend (€521 million).

In 2018, Hermès International redeemed 103,237 shares for €59 million, outside transactions completed within the framework of the liquidity contract.

## Growth in workforce

The Hermès Group increased its workforce by almost 800 people, including more than 500 in France, mainly in the production units and sales teams. At the end of 2018, the Group employed 14,284 people, including 8,846 in France.

Hermès has announced payment of an exceptional €1,000 bonus to all employees who earned less than three times the annual minimum wage in 2018. This bonus will be paid on top of the €100 increase in monthly salaries for all staff in France and an additional bonus for employees outside France. These measures confirm the willingness and commitment of Hermès to share the fruit of its growth with all those who contribute to it on a daily basis.

1. In 2017, recurring operating profitability was 34.6%.



# 1

## OVERVIEW OF THE GROUP

<b>1.1</b>	<b>STAGES OF THE GROUP'S HISTORY</b>	<b>11</b>
<b>1.2</b>	<b>GROUP GOVERNANCE</b>	<b>15</b>
<b>1.3</b>	<b>KEY FIGURES</b>	<b>16</b>
1.3.1	Breakdown of revenue by métier 2018 vs. 2017	16
1.3.2	Breakdown of revenue by geographical area 2018 vs. 2017	16
1.3.3	Key consolidated data	16
1.3.4	Change in consolidated revenue	17
1.3.5	Change in recurring operating income	17
1.3.6	Change in the number of exclusive retail stores	17
1.3.7	Operating investments and operating cash flows	17
<b>1.4</b>	<b>ACTIVITY BY MÉTIER</b>	<b>18</b>
1.4.1	Leather Goods & Saddlery	18
1.4.1.1	<i>Bags and luggage</i>	18
1.4.1.2	<i>Diarie s, small leather goods and writing objects</i>	19
1.4.1.3	<i>Raw materials</i>	19
1.4.1.4	<i>Equestrianism</i>	19
1.4.2	Ready-to-wear and Accessories	20
1.4.2.1	<i>Women's ready-to-wear</i>	20
1.4.2.2	<i>Men's ready-to-wear</i>	20
1.4.2.3	<i>Accessories</i>	20
1.4.3	Silk and Textiles	21
1.4.3.1	<i>Women's silk</i>	21
1.4.3.2	<i>Men's silk</i>	21
1.4.4	Other Hermès métiers	21
1.4.4.1	<i>Jewellery</i>	22
1.4.4.2	<i>The Art of living and the Art of Hermès Tableware</i>	22
1.4.5	Perfumes	22
1.4.6	Watches	22
1.4.7	Other products and brands	23
1.4.7.1	<i>Cristallerie Saint-Louis</i>	23
1.4.7.2	<i>Puiforcat</i>	23
1.4.7.3	<i>Bootmaker John Lobb</i>	24
1.4.7.4	<i>Textiles</i>	24
1.4.7.5	<i>Tanning and Precious Leathers</i>	24
1.4.7.6	<i>Hermès Horizons</i>	24
1.4.7.7	<i>Petit h</i>	25
1.4.7.8	<i>Shang Xia</i>	25
1.4.8	Partnerships	25
1.4.8.1	<i>Faubourg Italia</i>	25
1.4.8.2	<i>J3L</i>	25
1.4.8.3	<i>Perrin &amp; Fils</i>	25
1.4.8.4	<i>Vaucher Manufacture Fleurier</i>	25
1.4.8.5	<i>Bettina</i>	25
1.4.8.6	<i>Maison Pierre Hardy</i>	25

<b>1.5</b>	<b>ACTIVITY BY GEOGRAPHIC AREA</b>	<b>26</b>
1.5.1	Europe	26
1.5.2	Americas	27
1.5.3	Asia-Pacific	27
1.5.4	Hermès points of sale worldwide	28
1.5.5	Digital strategy	31
<b>1.6</b>	<b>SIMPLIFIED GROUP ORGANISATIONAL CHART</b>	<b>32</b>
1.6.1	Summary description of the Group as at 31 December 2018	32
1.6.2	Production facilities	33
<b>1.7</b>	<b>PROPERTY</b>	<b>35</b>
<b>1.8</b>	<b>FONDATION D'ENTREPRISE</b>	<b>35</b>
<b>1.9</b>	<b>RISK FACTORS</b>	<b>36</b>
1.9.1	Risks related to strategy and operations	37
1.9.1.1	<i>Limiting industrial and environment risks</i>	37
1.9.1.2	<i>Controlling and securing supplies</i>	37
1.9.1.3	<i>Balancing and safeguarding our distribution</i>	37
1.9.1.4	<i>Minimising risks to property assets</i>	38
1.9.1.5	<i>IT risk monitoring and prevention</i>	38
1.9.1.6	<i>Protecting the health and safety of consumers</i>	38
1.9.1.7	<i>Recruiting and training employees and craftsmen in the standards of excellence required by the Group</i>	38
1.9.2	Legal and regulatory risks	39
1.9.2.1	<i>Compliance with applicable laws and regulations in all areas</i>	39
1.9.2.2	<i>Protecting and defending intellectual property rights and combating counterfeiting</i>	39
1.9.3	Risks bearing on social, societal and environmental responsibility	39
1.9.3.1	<i>Preventing the risk of serious violations of human rights, fundamental freedoms, and the health and safety of people</i>	40
1.9.3.2	<i>Preventing risks associated with our natural materials, supply chain, regulatory compliance on environmental matters and carbon emissions</i>	40
1.9.4	Financial risks	40
1.9.4.1	<i>Conservative cash management</i>	40
1.9.4.2	<i>Control over exchange rate risk</i>	40
1.9.4.3	<i>Control of counterparty risk</i>	41
1.9.4.4	<i>Financial risks related to changes in, complexity and interpretation of tax regulations</i>	41
1.9.4.5	<i>Financial risks related to climate change</i>	41
1.9.5	Insurance policy and risk hedging	42
1.9.6	Internal control and risk management systems established by the Company	42
1.9.6.1	<i>Objectives of risk management at Hermès International</i>	42
1.9.6.2	<i>Control environment</i>	42
1.9.6.3	<i>Scope of the risk management and internal control systems</i>	43
1.9.6.4	<i>Parties responsible for risk management and internal control</i>	43
1.9.6.5	<i>Risk management system</i>	45
1.9.6.6	<i>Internal control system in response to risks</i>	45
<b>1.10</b>	<b>INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION</b>	<b>48</b>
1.10.1	Objectives of risk management and internal control systems at Hermès International	48
1.10.2	Internal control system for accounting and financial information	48

## 1.1 STAGES OF THE GROUP'S HISTORY

Hermès holds a unique position in the luxury market, which was valued at €260 billion in 2018 (source: Bain & Company's Global Luxury Study). The Group is therefore, relatively speaking, less exposed to general changes in the sector.

Today, the Group employs 14,284 people worldwide and has 310 exclusive stores, 219 of which are directly operated. Although it has achieved international stature, Hermès has never lost its human touch and continues its tradition of fine craftsmanship.

The history of *Maison Hermès* began in a harness-making workshop opened in 1837 by Mr Thierry Hermès, in rue Basse-du-Rempart, a stone's throw from a Paris district that was awakening to modern life and its breath-taking pace. Gradually, generation after generation, the House followed this dual thread – the painstaking, patient work of the craftsman in his workshop, and the busy, active lifestyles of its customers.

In 1880, Mr Charles-Émile Hermès, son of the founder, moved the workshops to 24, Faubourg Saint-Honoré, closer still to the economic, cultural and social pulse of Paris, and added a store where private customers could order bespoke harnesses and saddles.

When his son Adolphe, soon joined by his brother Émile, took over in the early 20th century, the House was temporarily renamed Hermès Frères. Émile nurtured a great love for the history of humanity, the arts and craftsmanship, as illustrated by his collection of curiosities, in which objects related to sophistication, travel and transport feature prominently. The Hermès emblem was also born of a piece in his collection: *Duc attelé, groom à l'attente* (Hitched carriage, waiting groom), a drawing by Alfred de Dreux, a minor 19th century master and student of Géricault, depicting a *duc*, or phaeton, a sporty carriage intended mainly for women. The stylised image, registered as a trademark, has identified the House since 1945.

In the interwar years, lifestyles changed and the House innovated, for example retaining exclusive rights to the zip fastener, which was used for luggage and clothing, in 1922. While remaining loyal to the equestrian world, Hermès expanded its activities into other fields, skilfully negotiating the hurdle of diversification through its mastery of raw materials and culture of craftsmanship. These were all passions of Mr Robert Dumas, one of Mr Émile Hermès' sons-in-law. At the helm of the House from 1951, he was a frequent visitor to the workshops and designed objects with mechanisms (buckles, clasps, saddle nails, small chains and anchor chains) of great elegance, which in no way detracted from their practicality and utility.

In 1978, his son Mr Jean-Louis Dumas steered the House towards a more international outlook and opened it up to the spirit that permeated the age of communication. More than ever before, Hermès felt the need to proclaim its inherent attachment to *savoir-faire*. *Le Monde d'Hermès* was introduced in France in 1975 and became biannual in 1992, with increased contributions from designers. With the same ambition for an inspired and inspirational House, in 1987 Mr Jean-Louis Dumas organised a 150th anniversary party that culminated with a firework display

on the Pont Neuf bridge in Paris. Ever since, a new theme has each year illuminated the House's activities with the same celebratory and forward-looking focus. In 2006, Mr Patrick Thomas continued this expansion and provided the transition to the sixth generation of the family: after his cousin Mr Pierre-Alexis Dumas, the son of Mr Jean-Louis Dumas, was appointed Artistic Director in 2009 and had opened up a whole new chapter by founding the Fondation d'entreprise Hermès, Mr Axel Dumas became Executive Chairman in 2013.

Hermès, which for over 150 years has been synonymous with saddlery, has enriched its métiers without deviating from its strict quality standards. The list is long, and includes leather goods, watches, boot making, jewellery, silk, crystal, precious metals and fragrances, as well as men's and women's ready-to-wear, tableware, furnishing fabrics, wallpapers and petit h, one of the most recent enterprises of this family-run House whose industrial expansion takes on its full meaning when it extends the reach of the values of craftsmanship.

### 1837

- ◆ Harnesses

### 1867

- ◆ Saddles

### Around 1900

- ◆ *Haut courroies* bag, designed by Émile Hermès

### 1903

- ◆ Rocabar blanket

### 1922

- ◆ Belts

### 1923

- ◆ Two-handled bag

### 1924

- ◆ Gloves with zipper

### Starting in 1925

- ◆ First sports jacket, followed by the development of women's and men's fashions
- ◆ *Mallette à coins rapportés*

### 1927

- ◆ Wristwatches
- ◆ *Filet de selle* bracelet

**1928**

- ◆ Ermeto watch
- ◆ Sac à dépêches

**1930**

- ◆ Diaries

**1937**

- ◆ 1<sup>st</sup> silk scarves

**1938**

- ◆ Chaîne d'ancre bracelet, designed by Mr Robert Dumas
- ◆ First garments with silk scarf patterns

**1949**

- ◆ Printed silk ties
- ◆ Belt and bracelet
- ◆ Collier de chien

**1951**

- ◆ Eau d'Hermès fragrance

**1954**

- ◆ Beach towels in printed terry towelling

**1956**

- ◆ The bag designed by Mr Robert Dumas in the 1930s is officially named Kelly

**1961**

- ◆ Twillaine: garments in knit and silk twill
- ◆ Calèche fragrance for women

**1967**

- ◆ Constance bag

**1970**

- ◆ Équipage fragrance for men

**1971**

- ◆ Nausicaa bracelet

**1972**

- ◆ 1<sup>st</sup> Hermès shoes for women

**1974**

- ◆ Amazone fragrance for women

**1975**

- ◆ Passe-Guide bag
- ◆ Kelly watch
- ◆ John Lobb shoes

**1978**

- ◆ 1<sup>st</sup> complete men's ready-to-wear collection
- ◆ Highland Ghillie shoes
- ◆ Enamel bracelets

**1979**

- ◆ Eau de Cologne Hermès, renamed Eau d'orange verte in 1997
- ◆ Pleated scarves

**1981**

- ◆ Clipper watch

**1984**

- ◆ Pivoines porcelain tableware
- ◆ Birkin bag, created by Mr Jean-Louis Dumas

**1985**

- ◆ Gavroche scarves in silk twill

**1986**

- ◆ Bel Ami fragrance for men
- ◆ Toucans porcelain tableware
- ◆ Pippa furniture

**1991**

- ◆ Cape Cod watch
- ◆ Nantucket watch

**1993**

- ◆ Oxer saddle
- ◆ Médor watch

**1995**

- ◆ 24 Faubourg fragrance for women
- ◆ Fourre-tout bag

**1996**

- ◆ Harnais watch
- ◆ Heure H watch

**1997**

- ◆ 1<sup>st</sup> Hermès shoes for men
- ◆ Oran sandal

**1998**

- ◆ *Herbag* bag
- ◆ Twice-round leather watchstraps
- ◆ Quick trainers

**1999**

- ◆ *Hiris* fragrance for women

**2000**

- ◆ *Corlandus* dressage saddle
- ◆ *Tandem* watch
- ◆ *Nil* porcelain tableware
- ◆ *Rouge Hermès* fragrance for women

**2002**

- ◆ *Picotin* bag
- ◆ *Plein cuir* deskline, a reissue of a range originally created in the 1930s
- ◆ Quark ring

**2003**

- ◆ *Un Jardin en Méditerranée* fragrance
- ◆ *Twilly* in silk twill
- ◆ Automatic gold watch
- ◆ Dressage
- ◆ *Étrivière* briefcase

**2004**

- ◆ *Eau des Merveilles* fragrance for women
- ◆ *Brasilia* jumping saddle
- ◆ First fragrance collection
- ◆ *Hermessence*

**2005**

- ◆ *Un Jardin sur le Nil* fragrance
- ◆ Porcelain tableware
- ◆ *Balcon du Guadalquivir*

**2006**

- ◆ *Terre d'Hermès* fragrance for men
- ◆ Porcelain tableware
- ◆ *Cheval d'Orient*

**2007**

- ◆ *Lindy* bag
- ◆ 70 scarves in vintage silk
- ◆ *Kelly Calèche* fragrance for women
- ◆ *Fil d'argent* porcelain tableware
- ◆ Jewellery in rose gold and brown diamonds

**2008**

- ◆ *Jypsière* bag
- ◆ *Horizon* diary
- ◆ 1<sup>st</sup> Hermès Éditeur scarf
- ◆ *Un Jardin après la Mousson* fragrance

**2009**

- ◆ *Victoria* saddle
- ◆ Dip-dye scarves
- ◆ *Colognes Hermès*
- ◆ Porcelain tableware
- ◆ *Mosaique au 24*
- ◆ *Cape Cod Tonneau* watch

**2010**

- ◆ 1<sup>st</sup> haute bijouterie collection
- ◆ *Les Maisons enchantées* faience tableware
- ◆ *Talaris* saddle
- ◆ *Voyage d'Hermès* fragrance
- ◆ Occasional furniture
- ◆ Jean-Michel Frank furniture reissued by Hermès
- ◆ *Toolbox* bag

**2011**

- ◆ *Bleus d'Ailleurs* porcelain tableware
- ◆ *Berline* bag
- ◆ *Un Jardin sur le Toit* fragrance
- ◆ *Arceau Le Temps Suspendu* watch
- ◆ 1<sup>st</sup> collection of furnishing fabrics and wallpapers

**2012**

- ◆ *Jour d'Hermès* fragrance for women
- ◆ 8 cm ties in heavy silk twill

**2013**

- ◆ Hermès Cavale saddle
- ◆ Maxibox bag
- ◆ Le Flâneur d'Hermès bicycle
- ◆ Rallye 24 porcelain tableware
- ◆ Occasional furniture
- ◆ Les Nécessaires d'Hermès

**2014**

- ◆ Oxer bag
- ◆ Nautilus pen
- ◆ Faubourg watch
- ◆ Third haute bijouterie collection
- ◆ Le Parfum de la maison
- ◆ H-Déco tea and dessert service
- ◆ Lighting collection

**2015**

- ◆ Octogone bag
- ◆ Cherche-Midi bag
- ◆ Slim d'Hermès watch
- ◆ Le Jardin de Monsieur Li fragrance
- ◆ Porcelain tableware
- ◆ Voyage en Ikat
- ◆ Cityhall briefcase

**2016**

- ◆ Verrou bag
- ◆ Bâton de Craie bag
- ◆ Hermès Arpège dressage saddle
- ◆ Carnets d'Équateur porcelain tableware
- ◆ Galop d'Hermès fragrance for women
- ◆ 4<sup>th</sup> HBIV Continuum haute bijouterie collection

**2017**

- ◆ Hermès Cinhetic bag
- ◆ Twilly d'Hermès fragrance for women
- ◆ Chaîne d'ancre Punk jewellery collection
- ◆ Tie-Set porcelain tableware
- ◆ Liens d'Hermès range of Maison objects

**2018**

- ◆ Endless Road Haut à Courroies bag
- ◆ Surfboard
- ◆ Carré 90 La Serpentine by Pierre Charpin
- ◆ Carré H watch
- ◆ Kelly Chaîne Or necklace with diamonds

## 1.2 GROUP GOVERNANCE

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: Mr 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.

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

The Operations Committee, which reports to the Executive Management, is made up of the Executive Committee and the Senior Executives of the main *métiers* and geographical areas of the Group.

Its duties are:

- ◆ to involve Senior Executives in the Group's major issues and strategic orientations;
- ◆ to promote communication, sharing and reasonable exchanges amongst its members in their area of responsibility;
- ◆ to enable the Executive Committee to make certain decisions.

Detailed information on the administrative and management bodies is provided in Chapter 3, on pages 139 to 148.

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, at the same time. Detailed information on the composition and the work of the Supervisory Board is provided in Chapter 3, on pages 149 to 190.



1

*The members of the Executive Committee, from left to right  
Mr Pierre-Alexis Dumas, Mr Wilfried Guerrand, Mr Olivier Fournier, Ms Charlotte David,  
Mr Axel Dumas, Mr Guillaume de Seynes, Mr Florian Craen and Mr Éric du Halgouët.*

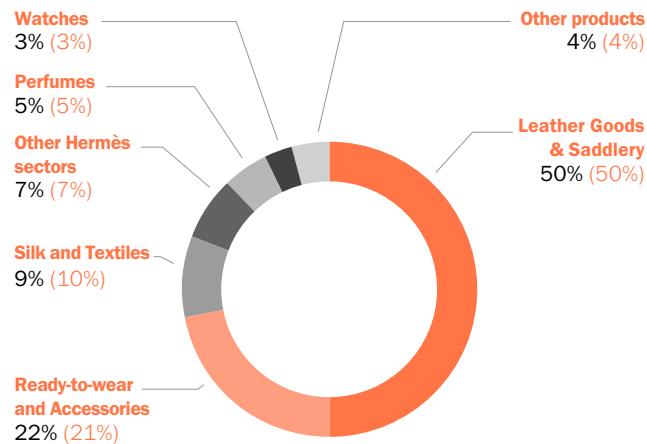


2

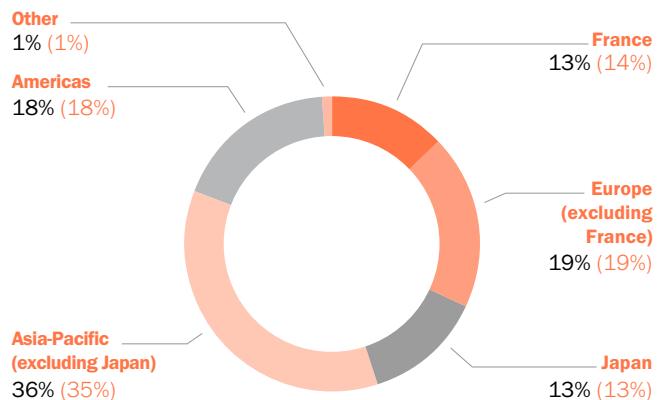
*Eric de Seynes  
Chairman of the Supervisory Board*

## 1.3 KEY FIGURES

### 1.3.1 BREAKDOWN OF REVENUE BY MÉTIER 2018 VS. 2017



### 1.3.2 BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA 2018 VS. 2017



### 1.3.3 KEY CONSOLIDATED DATA

(In millions of euros)	2018	2017	2016	2015	2014
Revenue	5,966	5,549	5,202	4,841	4,119
Growth at current exchange rates vs. n-1	7.5%	6.7%	7.5%	17.5%	9.7%
Growth at constant exchange rates vs. n-1 <sup>1</sup>	10.4%	8.6%	7.4%	8.1%	11.1%
Recurring operating income <sup>2</sup>	2,045	1,922	1,697	1,541	1,299
in % of revenue	34.3%	34.6%	32.6%	31.8%	31.5%
Operating income	2,098	1,922	1,697	1,541	1,299
in % of revenue	35.2%	34.6%	32.6%	31.8%	31.5%
Net income attributable to owners of the parent	1,405	1,221	1,100	973	859
in % of revenue	23.5%	22.0%	21.2%	20.1%	20.9%
Operating cash flows	1,683	1,580	1,427	1,217	1,047
Free cash flow <sup>3</sup>	1,447	1,340	1,212	933	688
Operating investments	312	265	262	252	279
Equity attributable to owners of the parent	5,503	5,039	4,383	3,742	3,449
Net cash position IFRS	3,465	2,912	2,320	1,571	1,422
Restated net cash position <sup>4</sup>	3,615	3,050	2,345	1,614	1,494
Workforce (number of employees)	14,284	13,483	12,834	12,244	11,718

(1) Growth at constant exchange rates is calculated by applying, for each currency, the average exchange rates of the previous period to the revenue for the period.

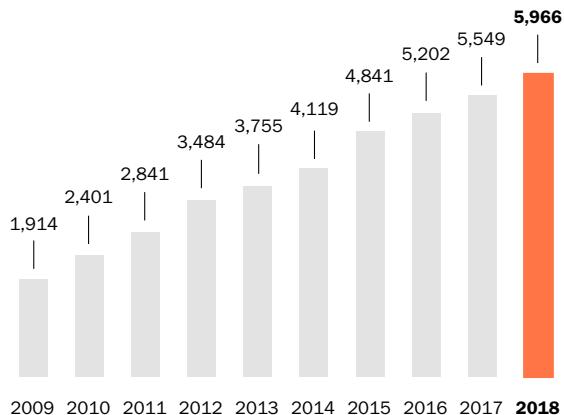
(2) Recurring operating income is one of the main performance indicators followed by the Group's management. It excludes non-recurring items having a significant impact that could affect understanding of the Group's economic performance.

(3) Free cash flow = operating cash flows + change in working capital requirement – operating investments.

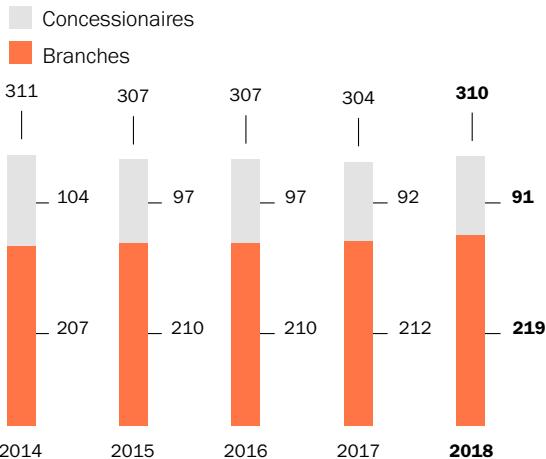
(4) Restated net cash includes cash investments that do not meet IFRS cash equivalent criteria as a result of their original maturity of more than three months.

### 1.3.4 CHANGE IN CONSOLIDATED REVENUE

In millions of euros

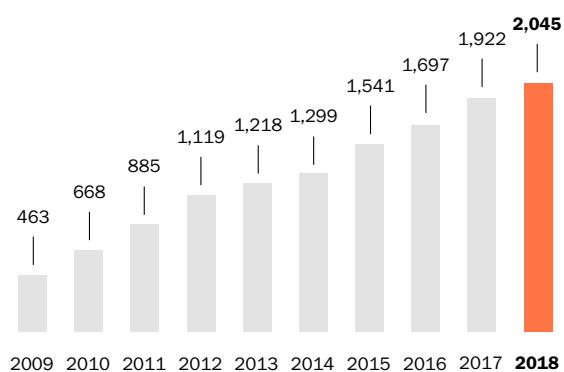


### 1.3.6 CHANGE IN THE NUMBER OF EXCLUSIVE RETAIL STORES

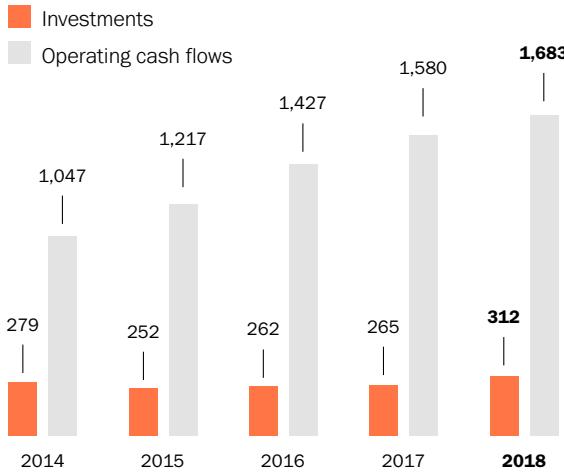


### 1.3.5 CHANGE IN RECURRING OPERATING INCOME

In millions of euros



### 1.3.7 OPERATING INVESTMENTS AND OPERATING CASH FLOWS



## 1.4 ACTIVITY BY MÉTIER

### REVENUE BY MÉTIER

	2018 (revenue in millions of euros)	2018 (mix in %)	2017 (revenue in millions of euros)	2017 (mix in %)	Change	
					at current exchange rates	at constant exchange rates
Leather Goods & Saddlery	2,976	50%	2,800	50%	6.3%	9.4%
Ready-to-wear and Fashion accessories	1,310	22%	1,181	21%	10.9%	14.1%
Silk and Textiles	537	9%	534	10%	0.5%	3.2%
Other Hermès métiers	425	7%	365	7%	16.3%	19.6%
Perfumes	312	5%	287	5%	8.4%	8.9%
Watches	169	3%	158	3%	7.0%	9.9%
Other products	238	4%	223	4%	6.5%	7.9%
<b>CONSOLIDATED REVENUE</b>	<b>5,966</b>	<b>100%</b>	<b>5,549</b>	<b>100%</b>	<b>7.5%</b>	<b>10.4%</b>

### 1.4.1 LEATHER GOODS & SADDLERY

Leather Goods and Saddlery, Hermès' original métier, encompasses bags for men and women, clutches, briefcases, luggage, small leather goods, diaries and writing objects, saddles, bridles and a full range of equestrian products and clothing.

The Leather Goods and Saddlery métier represents 50% of consolidated sales. In 2018, it generated €2,976 million in revenue.

Saddlery and leather goods articles are born of an alchemy of authentic materials, selected according to rigorous standards, and the skilled hands of the saddler-leather workers, who apply traditional know-how passed down from generation to generation. The time spent by the craftsmen each day patiently crafting and fashioning the raw leather gives these unique objects a distinctive additional measure of soul.

Today, they are made by over 3,400 saddler-leather workers in 16 production units and workshops spread over Paris, Pantin and various regions across France. To meet sustained demand, Hermès inaugurated its third leather goods production unit in Franche-Comté in April 2018, and opened three new sites: a training workshop in Isère and two temporary workshops in Gironde and Seine-et-Marne in September 2018, the first step before the construction of new leather goods units in 2020. These openings were prepared in close collaboration with the various local stakeholders and regional administrative and economic development bodies. In this way, Hermès reaffirms its commitment to regions with a strong manufacturing expertise, and its will to provide quality jobs.

The House is also continuing to perfect the craftsmen skills and expertise through a range of training and professional qualification programmes. These programmes are delivered within the dedicated in-house Hermès academy, and through a range of partnerships with training structures in the regions concerned.

#### 1.4.1.1 Bags and luggage

Inspired by the year's "Let's play" theme, the bags and luggage collections took creativity to new heights, showcasing the raw materials, savoir-faire and functionality that are synonymous with the House.

Women's bags collections were fashioned on three main themes. First, the offer of small structured bags with smart clasps, which more than anything express savoir-faire in leathercraft and the skills of the silversmith, continued to grow. The *Mosaïque au 24* bag, for instance, stands out by its novel and striking construction, with two bellows whose junction forms an inside pocket. Its ingenious clasp, inlaid in the flap and easily opened with a single click, is inspired by the mosaics decorating the floor of 24, Faubourg Saint-Honoré. The *Hermès 2002* bag, a revamped reissue from a 1970s creation, embodies quintessentially Hermès elegance. Its clasp combines an ingenious mechanism with the simplest of gestures: simply tilt the central square to open it, and push on the flap to close it. It is treasure from the past, whose contemporary essence has endured nearly 50 years.

New ideas have appeared in the casual world of everyday life. The 24/24 line has made a conspicuous entry into the collections. It seals the union of the structured handbag and the sport-chic universe. Combining flexibility and style, it boasts very meticulous construction: a clasp inspired by a reel, a sheathed and polished flap, a finely worked strap, a juxtaposition of materials and a pocket on the back. It is available in two sizes reflecting two attitudes, a large clutch model and a small model with a shoulder strap. Another accessory for everyday life, the *Licol* line takes its inspiration from the horse-riding halter, with its leather round and shoulder strap decorated with the Rocabar stripe. The line comprises bucket bags with restrained lines and clever construction, combining a square bottom and a round body that showcases the flexibility of the leather to the full. The new *Aline Mini* clutch bag in Milo lamb also reflects this quest for functionality: light and delicate, it hangs close to the body like an extra jacket pocket and leaves your hands free.

Lastly, the métier has drawn on the revival of legacy savoir-faire, combined with innovative processes, to refresh the classics or create exceptional pieces that illustrate the humour and fantasy unique to Hermès. The leather marquetry enhances the *Kelly* bag by tracing letters from a primer of the 1930s on the flap. The *Kellygraphie* story is available in the range of customisable bags. Leather marquetry also surrounds the clasp of the *Verrou* bag with a set of drop shadows. The cladding reappears on the *Hermès Galop* minaudière, a stylised horse's head that opens in two and closes like a treasure box. With the *Clou Médor* minaudière, the oversized leather pyramid is adorned with studs all over. A concentrate of exceptional savoir-faire, it is an exceptional object that can be worn on the shoulder thanks to its sleek leather strap. Unexpected contrasts in the placement of materials, from perforated leathers to precious, smooth and fine-grained skins, take the *Constance* and *Bolide* bags into new worlds by etching out a reinterpretation of Antoine Carbone's "*Au Bout du Monde*" landscape into which an enamelled clasp merges. With the *Wink, Smile & Play* story, several bags have given the year's theme a playful illustration with jewellery compositions that mirror human expressions: the *Bâton de Craie* pochette winks, the *Bolide* bag smiles and the *Mangeoire* bag raise an eyebrow.

The men's collections have also been enriched with new models that rejuvenate the masculine identity by combining elegance, beauty and practicality for everyday use. The *Hermès Flash* leather backpack and clutch are a meeting of formal and contemporary tradition. The *Cabavertige* bag renews the aesthetic of the *cabas* bag, with a construction combining a slender look and a simple line.

The emblematic *Sac à Dépêches*, *Steve* and *Victoria* bags have been revisited in Light versions, with refined proportions and blends that modernise and revitalise them. Lastly, a new travel bag, the *Cavour* bag, has joined the collections. With its distinctive trapezoid silhouette, its light canvas and leather structure and its countless practical features, it stands out as a new must-have bag.

Several novelties peppered the year, using colour and design to astound customers and celebrate the House's savoir-faire. There was fantasy in a sporting spirit with *Playground*, showcasing seams reminiscent of the boundaries of a sports field or the stitching of the ball on the *Cityback* and *Bolide* bags. And an exceptionally bright idea found its way on to the *Haut à courroies* bag with *Endless Road*, an assembly of 46 pieces of bonded and stitched leather and embroidered elements depicting a Californian landscape wrapped around the bag.

#### **1.4.1.2 Diaries, small leather goods and writing objects**

Small leather goods are an ideal playground to explore new ideas and reflect today's uses.

Thus, the *Cartouchière* line, inspired by the pocketed belts worn by military officers, offers a prized hands free aspect. The small *Carré Pocket* bags, in brightly coloured printed leather, can be worn several at a time. The must-have card holders with the *Petits Chevaux* line are a delight, or play it graphic and coloured with *Necto* and *Multiplis*.

A range of fun and functional accessories, such as new cord or leather straps, and the *Lettres au Carré* charm decorated with leather marquetry, respond to customers' desire to personalise their bags. For the big classics, bag covers have been fashioned in the spirit of travel bags of yesteryear. They dress the bags, protect them and show them in a new light.

Lastly, to celebrate the theme "let's play", *Actes Sud* and Hermès published *HERMES POP-UP* in 2018, a light-hearted book exploring 14 emblematic scarves.

#### **1.4.1.3 Raw materials**

2018 marked the return of three exceptional leathers, each in their own way holding out an unparalleled promise of patina. *Volynka* leather celebrates the rebirth of a legendary leather from Russia, a dream for leather goods craftsmen. This leather, which disappeared in the early 20th century, could be brought back to light after seven years of research, thanks to the discovery of miraculously preserved skins in a sunken ship. In addition to its powerful and fabled smell, it has exceptional qualities that are illustrated in a collection of luggage and notebook covers for lovers of exceptional materials. *Natural cowhide* is also making a comeback. Smooth or grained, discernible by its unique colour, its softness and absolute transparency, it is endowed with an ample and opulent feel, at the same time firm and very rounded, which softens over time. Lastly, *pigskin* has returned to collections after 20 years of absence. It is the veritable star of leather goods, boasting a unique grain. It is used for small leather goods articles and on classics of the Men's and Women's universes like the *Birkin* bag and the *Sac à Dépêches*.

The range of leather has also been enriched by new articles with acknowledged characteristics: the firm and refined *Monsieur* calfskin expresses its elegance in two versions, smooth and soberly satin or with a minute grain that gently catches the light. *Chamkila* goatskin, with its strong shine, its finely drawn grain and its subtly contrasting colours, highlights the lines of small structured bags. Lastly, *Boreal* crocodile skin, with its exceptional feel, can take on unique pastel tones.

#### **1.4.1.4 Equestrianism**

The latest generation of Hermès saddles, represented by the *Cavale*, *Allegro* and *Arpège* models, has confirmed its success among a mounting number of riders.

In 2018, the métier focused on the quality of the customer experience: extending the reach of the stores, the House's saddle experts go to the customer's stables for the fitting, achieving the dual personalisation of each saddle to the measurements of both horse and rider. Each saddle is made to measure for each horse-rider pair by a saddler craftsman using information provided by the expert. This approach helps to bring the craftsman and the customer closer, and offers the customer a genuine immersion into the heart of Hermès, its exceptional savoir-faire and its bespoke services.

Equestrian equipment has also been expanded, with new clothes in which elegance is matched only by technicity: rain cape, seamless parka, fully waterproof boots, warm and protective winter cap, ultra-technical new softshell to ensure that riding remains a pleasure in all weather!

The team of Hermès partner riders was pleased to welcome Karen Polle, a young Japanese equestrienne. These men and women representing twelve nationalities and five continents, young talents, Top 10 riders and recognised “masters”, are proud ambassadors for the Hermès saddle in three disciplines (jumping, dressage, eventing), helping to project the house into the future while anchoring it in its long past.

## 1.4.2 READY-TO-WEAR AND ACCESSORIES

The Ready-to-wear and Accessories métier is the Hermès Group's second largest sector, representing consolidated sales of 22%. In 2018, it generated €1,310 million in revenue.

### 1.4.2.1 Women's ready-to-wear

For the 2018 collections, Nadège Vanhée-Cybulski, creator of women's ready-to-wear lines, gleefully broke with the traditional codes of clothing by reinventing tradition and sartorialism in a fun way.

For the summer, essential items of the daily wardrobe were reworked with the notions of wearability and functionality in mind. Capes, diagonal cuts and new volumes are used to help feminise the figure. The timeless classics were given a minimalist reading, with clean cuts emphasising the beauty of the fabric: softness of double-faced cashmere for coats, fluidity of the hang for silk skirts and dresses, asymmetrical closures for items in grained leather. The history of the suit has also been rewritten, through a wardrobe that unites structured and bespoke pieces, sartorial or micro-jackets, double-breasted coats, overcoats with tailored collars, and more, in compact and comfortable fabrics: double cotton wool, wool and stretch cotton. Lastly, the Hermès Sport theme draws generous and enveloping lines in casual shapes: denim cotton jackets, multipocketed striped linen water repellent coats, parkas with print-lined gloss lamb hoods.

For winter, lines are refined and nonchalant. The attitude is casual, the forms are supple and reassuring; comfort is paramount. The classics explore new uses, and take a fresh look at Hermès' equestrian roots. The scarf frees itself from its traditional image by adopting a playful and sensual aspect. Motifs are decontextualised, divided into pieces or expanded and linked with graphic features to create modern and dynamic visuals. Hermès' sporting codes are reflected in technical details and such innovative fabrics as double wool and water-repellent silk.

Nadège Vanhée-Cybulski's creativity also finds a voice in the construction of clothing and the exploration of savoir-faire. The scarf is fashioned in diamond shapes, it is integrated into the garment by the cut, on a soft double-faced cashmere coat. Pieces are structured by a three-pleat detail that emphasises the waist, offering a new take on the silhouette.

### 1.4.2.2 Men's ready-to-wear

To celebrate the year's theme of “Play”, men's ready-to-wear creator Véronique Nichanian has imagined collections that revisit the male wardrobe by playing with lines, the richness of fabrics, the mix of colours and passion for detail.

The spring-summer collection offers sophisticated lines with big volumes, steeped in a sporting spirit. The chromatic scale contrasts base colours and bright tones caught in a game of hide-and-seek with each other. A puzzle collection, invented to reinvent itself and imbued with a sophisticated casual feel embodied by playful drawings, *trompe l'oeil* and *Chaîne d'ancre* links.

The autumn-winter collection looks to the outdoors, with lines offering ample volumes and contrasting plays of natural and technical fabrics. Mineral tones respond to bursts of colour. The play of dots, the colourful contrasts, and the Endless Road and Brazilian Horses designs portray a winter that is as joyous as it is impertinent.

With these two collections, Véronique Nichanian continues the exploration of a menswear wardrobe embodying a sense of relaxation and modernity.

### 1.4.2.3 Accessories

#### 1.4.2.3.1 Jewellery accessories

The family of leather jewellery accessories is expanding with the arrival of new lines. Some are inspired by the codes of the House, such as reversible bracelets whose pyramid stud is transformed into an ingenious clasp, or bracelets with lacquered metal clasps echoing the bag and luggage collections. Others, in studded leather, assembled and sewn by hand, combine the equestrian influence and English eccentricity. Enamel celebrates 40 years of presence in the collections with a new item, the pendant, and a limited edition bracelet printed on both sides.

The men's enamel bracelet borrows the signature toad clasps of travel trunks. Leather bracelets experiment with different formats, created from the miniaturisation of belts.

#### 1.4.2.3.2 Belts

The range of single-size women's belts continues to grow, with the arrival of two new models. One takes its inspiration from jewellery accessories, and bags and luggage. The other is inspired by a bracelet, as a tribute to the House's goldsmith tradition, with its ingenious mechanism that turns the saddle key into a secret clasp.

For men, a new width of 38 mm has joined the collections of unique belts waiting to be created. The buckles are a world in themselves, drawing their inspiration from watches, equestrianism or leather goods.

#### 1.4.2.3.3 Hats

Inspired again this year by enthusiasm for the cap, the collections offer a whole range of essential forms direct from America – baseball cap, flat cap and reversible cap.

Hats come in straw for the summer and felt for the winter, and offer subtle details in pleated silk, piped with leather or printed linings.

#### 1.4.2.3.4 Gloves

Men's and women's gloves offer a wealth of detail: criss-crossed straps, contrasted overstitching, mini perforations, sets of straps, ribbing and stirrup buckles. The customisation offer is still being rolled out and was a great success with customers in its third season.

#### 1.4.2.3.5 The Internet of Things

Partnered with the Apple Watch Series 4 LTE, the Hermès Apple Watch has extended its exclusive watch strap collection with multicoloured bands in soft swift calfskin, colour block, bold colours (indigo, chalk, orange, burgundy, fuchsia, rose pink). It also offers a new bicouleur acid dial whose contrast highlights the time by means of a rotary movement of the two tones, driven by the minute hand. The latest addition to the collection, the *Rallye* band, inspired by Hermès' classic driving gloves, adopts grained and perforated Barénia Faubourg calfskin.

Lastly, in a nod to the year's theme and the notion of "suspended time", a game dedicated to the Apple Watch combines dexterity, memory and logic while helping use all of the watch's features.

#### 1.4.2.3.6 Shoes

In 2018, Pierre Hardy, Creative Director of women's and men's shoes, "played the game" in several ways.

For the summer collection, women's sandals take to the sports fields and are adorned with graphic lines that criss-cross each other and superimpose themselves in natural or multihued colours. Folds of sharply cut leather, joined in large-stitched seams, are a showcase of craftsmanship. The colours themselves are fun, stacked and nested in colour block on sandals and trainers.

For the winter collection, Pierre Hardy shakes up the codes by combining opposing universes like city and sport. Leather is combined with technical materials on rugged rubber soles, and the classic buckled moccasin is turned into a boot. For evening wear, origami shapes sit atop printed silk stilettos and satin sandals.

The men's collection highlights urban models, highlighted by a contrasting sole that gives them a relaxed look. Summer is awakened by brightly coloured features, on sandals with graphic lines or sports models inspired by stacks of building blocks.

For winter, equestrian heritage expresses itself in timeless lines, with a strapped ankle boot and a soft loafer for a chic yet casual look, as a slipper or mule. Several fusion models blur the lines between city and sport.

Meanwhile, trainers assert their sporting roots through models blending technical canvas and leather for a featherlight yet elegant look.

### 1.4.3 SILK AND TEXTILES

Silk and Textiles represent the third largest sector of the Group, accounting for 9% of consolidated sales. In 2018, this métier achieved €537 million in revenue.

#### 1.4.3.1 Women's silk

In 2018, the designers illustrated the theme of play on the emblematic scarf 90 in silk twill. The very first Hermès scarf, *Jeu des omnibus et des dames blanches*, created in 1937 from a watercolour kept in the office of Émile Hermès and representing a historical version of the game of snakes and ladders, was given a new twist by Gianpaolo Pagni. The artist's play

on stamps and turned it into *Jeu des omnibus remix*. Illustrator Pierre Marie takes us *Around the world in 63 squares*, in a game of snakes and ladders whose sinuous path takes us all over the world, each square evoking a place or incident dear to the House. Meanwhile, the drawing *Acte III, scène I, la clairière*, with its lavish, strange and poetic atmosphere, is inspired by Shakespeare's *A Midsummer Night's Dream*. It is the work of Édouard Baribeaud, a young Franco-German designer living in Berlin, in his first scarf for the House.

Women's silk this year welcomed a major novelty: the scarf wash. Washed by the expert hands of Lyon craftsmen, the Hermès scarf is transformed and reinvented. Softened, supple, velvety, as easy to wear as faded jeans, it takes on a patina of singular beauty and becomes the casual little brother of the classic scarf.

A new format has also appeared with the launch of twillons, whose name is a nod to the emblematic twilly. Long colourful silk ribbons made into scarves, that can be knotted in a thousand ways, twillons illustrate both the fantasy and the singular and consistently reinvented style of Hermès silk.

Lastly, the search for exceptional fibres and the mastery of craftsmanship continue. For the winter collections, camel, combined with cashmere and yak, entered the collection of stoles and warm articles with intense colours and a feel that is at once soft and rustic.

#### 1.4.3.2 Men's silk

The idea behind the collections is to remain the benchmark in elegant ties while inventing the future of this timeless accessory. Alongside silk ties printed with classic or fantasy patterns, the 7 cm woven silk tie creates a new language, serious then sassy, but always very fresh. In tartan, hound's-tooth or gingham, in a very British spirit of tailoring, this tie is a real dark horse: turn it over and you'll find patterns instilled with quirky wit – lion scratches, piercings or tattoos.

Men's scarves pay tribute to games of all eras. With the scarf 100 The game in cashmere and silk, Greek designer Elias Kafouros takes us on a return trip between real and virtual, between table games and arcade games, under the arch of the Grand Palais, a nod to the Saut Hermès.

Dimitri Rybaltchenko's cashmere and silk Last Night scarf gives us music, a theme cherished in the world of men's silk, in the form of a mixing table where the designer has had fun replacing the playlist with some of his previous designs.

Lastly, the collection of long scarves is growing, offering unstructured links on a light wool and silk weft for summer, or college cashmere stripes for winter.

#### 1.4.4 OTHER HERMÈS MÉTIERS

The other Hermès métiers include Jewellery, the Art of Living and the Art of Hermès Tableware. In 2018, they achieved revenue of €425 million, representing a 20% rise at constant exchange rates and accounting for 7% of the Group's total revenue.

#### 1.4.4.1 Jewellery

In July 2018, Hermès opened a new chapter in the history of *Haute Bijouterie, Enchaînements libres*, which pursues the telling of a singular jeweller's vision striking the perfect balance between innovation and tradition in a stylistic statement centred on the metal and the shape.

With *Enchaînements libres*, Pierre Hardy challenges and disrupts the chain, a key part of Hermès' history. Reinventing the art of chain-maker for the House, he works the chain in anamorphosis, playing with scale and rendering every detail sublime. Designed to articulate, twist and come to life, links reveal the disturbing sensuality of the metal as it bends to the body. Powerful and precious, the chain becomes an emblem.

The collection was unveiled to the press in a dance performance choreographed by Christian Rizzo, then shown to the general public at the Faubourg Saint-Honoré store in September, through a set of metal and rocks representing the jewel's two raw materials.

#### 1.4.4.2 The Art of living and the Art of Hermès Tableware

The House universe continued to grow in 2018, with an artistic vision built on a balance between strictness and fantasy, associating the wealth of drawings and colours with the purity of lines. The dialogue between form and function, and the prodigious quality of the materials and savoir-faire used characterise this extensive universe combining furniture, lighting, plaids, decorative objects, tableware, birth gifts, beach fabrics, furnishing fabrics and wallpapers.

As it has every year since 2011, the House universe took centre stage during Design Week in Milan in a spectacular staging consisting of several colourful pavilions that presented all of the new collections developed under the auspices of Deputy Artistic Directors Charlotte Macaux-Perelman and Alexis Fabry. Winning particular accolades were the new porcelain service, *A Walk in the Garden*, developed in collaboration with Nigel Peake, one of Hermès' long-standing creative partners, the *Toluca, Orizaba* and *Colima* plaids, transpositions on fabric of drawings by Mexican artist Miguel Castro, and the collections of *Périmètre* porcelain and *Pli'H* flanged leather objects, whose pure lines are a fresh take on historical materials and savoir-faire.

Two major spaces were dedicated to the House in the new stores, Landmark Prince's in Hong Kong and Dubai Mall, opened earlier this year. The Home universe was in the spotlight in the second half of the year, with a series of events for the press and influencers, architects and interior designers, but also the general public, held successively in Taiwan, Dubai and Seoul.

#### 1.4.5 PERFUMES

In 2018, the growth of the Perfumes business was driven by the launch of two striking new products: *Eau de Citron Noir* and *Terre d'Hermès Eau Intense Vétiver*. This métier had revenue of €312 million, up by 9% at constant exchange rates, representing 5% of the Group's revenue.

In the first half, *Eau de Citron Noir* cast fresh light on the Colognes collection, emblematic of Hermès' lifestyle perfume. Inspired by the universality of Hermès' founding Cologne, *Eau d'Orange Verte*, Christine Nagel was eager to revisit the classical theme of Cologne in a contemporary, fiery and elegant style. The black lemon, smoky and racy, has emerged as the summit of its composition, giving *Eau de Citron Noir* a singular stamp, a surprisingly enduring freshness that was an immediate hit.

In the second half, the *Terre d'Hermès* men's fragrance acquired a new variant. With *Terre d'Hermès Eau Intense Vétiver*, Christine Nagel has breathed extraordinary force into *Terre d'Hermès*, revealing a vetiver that had previously been almost hidden. With careful refining, the original balance of Terre, woody and mineral, has found a new accord, woody and plant-based. This other *Terre d'Hermès* was given an international launch at the Observatoire de Paris.

These two new products mirrored the vitality of the women's collections, especially *Twilly d'Hermès*, the key pillar, whose vitality remains infectious. The girls of Hermès were able to seize the first limited edition of *Charming Twilly*, their new lucky charm, and to discover *Le Bain Twilly*, whose bubbles are as impertinent as the perfume.

#### 1.4.6 WATCHES

With consolidated revenue of €169 million in 2018, Watches represents 3% of Group sales.

For the second year in a row, the Hermès store network enjoyed stellar growth in 2018, particularly in Asia. At the same time, Hermès continued to rein in the number of "external" watch retailers, to make its distribution even more selective.

Sales in the network of directly owned stores benefited from the worldwide success of the two maiden lines, *Cape Cod* and *Heure H*, and the new impetus given to the *Arceau* line, which celebrated its 40th anniversary this year.

The *Cape Cod* family, rounded out by its *Nantucket* version, has enjoyed spectacular growth since its relaunch in 2016 and the profound rejuvenation of the line, 25 years after its creation by Henri d'Origny, who saw in it "a square in a rectangle, in the shape of an anchor chain". In 1997, Martin Margiela seized on this emblematic line, giving it the "double turn" strap that has become emblematic of Hermès watches. The models launched in 2018 enabled enthusiasts to discover technically innovative expressions in this line, more precious, more like jewellery, both graphic and dripping with fantasy.

The *Heure H* line once again enjoyed strong growth, driven by the great success of models encrusted with white or black lacquer, which have grown in number.

Hermès made its debut at Geneva's *Salon International de la Haute Horlogerie* (SIHH) in January 2018, after many years of presence at Baselworld. Hermès was able to express forcefully the originality of its voice within the closed circle of *Haute Horlogerie* by affirming its field of expression, namely a singular relationship with time, stamped with fantasy and emotion, time that Hermès invites customers to play with but never seeks to control.

The advertising campaign “Time, a Hermès Object” illustrates this message, with the innovative digital campaign run in the autumn to share “time differences” between talented artists and Instagrammers.

The collection of “exceptional pieces” developed by Hermès also confirmed its success, particularly with jewellery watches (*Klikti*, *Faubourg*, *Arceau*, *Médor*, etc.), which showcase the House’s savoir-faire in jewellery through original design.

To crown 2018, the *Arceau Robe du Soir* watch won the *Grand Prix d’Horlogerie de Genève* (GPHG) in November, in the “Artistic métiers” category. This exceptional piece reproduces a drawing by Florence Manlik through a very innovative technique of leather mosaic, developed by craftsmen in Hermès workshops in Bienn. Two thousand two hundred minute pieces of different coloured leather are juxtaposed to form the outlines of the drawing.

A genuine watchmaker employing roughly 300 people in its manufacturing workshop in Switzerland, Hermès now makes the vast majority of its watches and components in-house. Its creativity remains French in nature and affirms its unique style, which is invigorated by the other métiers in the House. Its savoir-faire increasingly gives Hermès a singular voice in the watch industry.

## 1.4.7 OTHER PRODUCTS AND BRANDS

### 1.4.7.1 Cristallerie Saint-Louis

The light universe continued to grow in 2018. A special order from the *Comédie-Française* celebrated and demonstrated the cristallerie’s expertise in bespoke items: for the renovation of the *Mount-Sully* salon, Saint-Louis created a magnificent chandelier of 85 lights and 6,000 crystal pieces inspired by an engraving made by Pierre Fontaine in 1830. Its inauguration in January allowed international buyers and the press go backstage in the renowned institution to admire this unique chandelier. They were also able to see new pieces from the *Royal collection*, which is deconstructing the chandelier in a quest for new decorative objects. Bobèches, balls and cups have been taken from chandeliers and transformed into cups, boxes, vases – and even giant candelabra.

Table Arts has appropriated the codes of the cocktail party, extending the freedom to create, compose and taste. The three founders of the Experimental Group, creators of fun cocktail bars, have redesigned the *Manhattan* collection to allow everyone to prepare and experiment with their favourite cocktails at home, with friends. The thirteen objects in the collection, with new accessories including jiggers and shakers, combine the essentials of mixology, from preparation to tasting. Each item was mouth-blown and hand cut with vertical and horizontal bevels, showing off the crystal in all its brilliance. The collection was unveiled to the press and influencers at a private “Music & Cocktail Party” held to coincide with the *Fête de la Musique* in Paris on 21 June. It was shown to customers in September at the *boutique* on *rue Royale* in Paris, during *Maison & Objet* week.

A moment eagerly awaited each year by collectors and enthusiasts since 1953, the new collection of paperweights has two creations dedicated to the Chinese zodiac sign of the pig. The new virtuoso pieces combine the techniques of millefiori, blowtorch, macedonia and gold decoration.

Saint-Louis’ international expansion continued with the opening of two new outlets in Chengdu (China) and Dubai (United Arab Emirates). The House’s presence was intensified for the holiday season in Asia, with the installation within the Elements Mall in Hong Kong of a Crystal Tree, an astounding 6-metre sculpture comprising 24 chandeliers and 456 lights, together with a Saint-Louis pop-up store.

### 1.4.7.2 Puiforcat

In 2018, Puiforcat strengthened its positioning as a silversmith and jeweller of excellence by unveiling several new pieces and exceptional finishes made in its workshop.

The semi-bespoke *Precious* offer, allowing customers to choose onyx, jasper, lapis lazuli or jade for cutlery from the *Cannes* collection, has now been extended to table accessories designed by Jean Puiforcat in this collection, as well as the *Elysée* collection, one of the emblematic models of the classic offer.

The House’s savoir-faire was also illustrated in September with the reissue of a decorative box inspired by a drawing by Jean Puiforcat. This fine volume of solid silver, adorned with 228 cabochons of lapis lazuli, is remarkable both for the perfection of its sharp angles and its system of so-called “hidden” hinges.

Lastly, Jean Puiforcat’s talent as a graphic designer inspired the backdrop to an imposing game of poker. Five hundred steel tokens were made to measure for Puiforcat and placed in a chest of silver and sycamore wood.

On the sidelines of these launches, the Company organised a series of lunches and dinners for its customers in its Parisian store or in collaboration with teams in China and Taiwan, and with its external partners, such as Boat International magazine.

The opening of a new point of sale in Dubai in the United Arab Emirates, together with the cristallerie Saint-Louis, provided the opportunity to unveil collections in a range of local events such as Dubai Design Week.

For its communication, Puiforcat continued to use digital technology as a means of extending its reach by targeting a new audience. The Instagram account saw regular postings of visuals featuring new collections and items showcasing the House’s heritage. The Chinese edition of the *pui-forcat.com* website was launched to introduce China to the many stories that make up the legend of the House.

Lastly, the team continued work to optimise its production division, with various measures impacting industrial facilities and manufacturing and logistics processes, in order to maintain the quality that underpins its reputation.

#### **1.4.7.3 Bootmaker John Lobb**

In 2018, John Lobb unveiled the new interior design of its stores. Inaugurated with the Landmark Prince's branch in Hong Kong to coincide with Chinese New Year, the new layout, which enhances the presentation of the offer, will gradually be extended to other markets, notably Japan in early 2019.

The men's collection has been enriched by two resolutely contemporary dual-buckle models launched during the year, a Goodyear sewn derby and a sneaker.

At the Northampton production unit, the ready-to-wear business continues to be supported by synergies with bespoke products, as evidenced by the creation of a limited edition vintage model.

Showcasing John Lobb's exceptional savoir-faire, the Parisian bespoke workshop released a very innovative moccasin with no visible seams.

The women's collection continued its development by offering new versions of the emblematic three-buckle boot, available in a selection of stores as well as on the [johnlobb.com](http://johnlobb.com) retail website.

#### **1.4.7.4 Textiles**

The textile production activities, led by the Holding Textile Hermès company, combine savoir-faire in creation, colouring, engraving, weaving, printing, dyeing, finishing and production in a single structure.

2018 was marked by dynamic internal orders from the Hermès divisions, thanks notably to the emergence of new activities, including thin silk ribbons to decorate the Twilly perfume bottle. These good results were achieved thanks to the complementary fit between the *métiers* and the perpetuation of a high level of quality.

Several major projects have been launched to support growth, notably an increase in production capacity, the launch of the "Passerelles" construction project to increase the sector's cross-cutting capacity and make flow management more professional, as well as the creation of a flexible and competitive model.

Promotions of apprentices during the year serve to support growth in the sector while ensuring the preservation of savoir-faire and its transmission.

#### **1.4.7.5 Tanning and Precious Leathers**

The tanning division handles the purchase, tanning, finishing and sale of precious hides for high-quality fashion, leather goods and watchmaking brands and creations.

In 2018, exotic hides and calfskin saw the confirmation of trends dating back several years, with continuing strong demand in the high-end market.

More specifically, the calfskin sector intensified its reorganisation and the development of synergies within the division. Moreover, the focus placed on the quality of supply chains and tanning processes has helped restore growth in smooth box calf leather, the House's iconic material. In the product offering, the launch of Togo calfskin in the Puy-en-Velay tanneries offers bright growth prospects for the Group. Proof of this vitality, two new calfskins have entered the leather goods collections: Togo Cosmos (hand-painted leather) and Grain Madame.

New finishes have been successfully introduced, boosting sales in a challenging market environment.

Meanwhile, the exotic skins segment has continued to expand its range of chrome-free leathers for leather goods and watches, and persisted with its efforts to sustain quality and service.

Committed to offering the best guarantees in terms of reliability, in line with Hermès' values in the fields of ethics and sustainable development, the division only markets exotic skins whose origin is perfectly traced and audited, if necessary forsaking the sale of certain species or channels. In calfskin, the division ensures the traceability of individual skins so as to guarantee the compliance of its supplies. It also supports external initiatives and scientific partnerships aimed at improving standards in each channel.

In this way, the Tanneries division is consolidating its actions and investments in line with its objectives: to assert its position of excellence in the precious skins market by securing its supplies, optimising its production capacity, developing savoir-faire, respecting the environment, and by focusing on innovation, creativity and excellence in its sectors.

#### **1.4.7.6 Hermès Horizons**

The creation and manufacture of exclusive bespoke objects has been central to the Hermès story since its very beginnings. Today, this service is performed by Hermès Horizons, which regularly explores new creative visions, exceptional materials and savoir-faire, to bring its customers' dreams to life.

Fantasy, poetry and wonderment are an everyday feature in the Pantin and Faubourg Saint-Honoré workshops, where exclusive stories in leather goods or the interior design of vintage cars are written, but also, on occasion, unexpected objects such as boxing gloves, surfboards, fishing poles or sailboats.

This burgeoning activity, which is available to customers in all Hermès stores, builds on the creative wealth of the House and the virtuosity of our craftsmen's hands. It is also an opportunity to explore new territories in objects, creation, materials and savoir-faire.

#### 1.4.7.7 Petit h

What defines petit h is first and foremost a process of reverse creation: drawing inspiration from a material to imagine new objects.

Petit h offers artists and creators working in the same workshop left over materials and objects from the Hermès Group's manufacturing workshops and brands (Puiforcat, cristallerie Saint-Louis, John Lobb, Le Crin, Verel de Belval, Créations Métaphores, etc.). Thanks to this unprecedented artistic and pluralistic take on exceptional materials, backed up by the complete mastery of savoir-faire in excellence, petit h creates unexpected objects while using resources destined to be excluded from production.

This singular creative approach resonates in original and inventive distribution, off the beaten path, with sales that are experiences in themselves. Thus, petit h took to the road as it does each year to meet Hermès customers all over the world, with two pop-up sales. At the end of August, the Lisbon store invited guests to explore a cabinet of curiosities worthy of a roguish explorer, including a treasure chest. In late November, petit h transformed the first floor of the Landmark Prince's store in Hong Kong to unveil a myriad of offbeat and uplifting objects. The staging had something of a fantasy tree, with cylindrical leaves wedging bamboo structures with silk, fabric or Hermès leather.

A nomad by nature, petit h nevertheless maintains a permanent home in Paris, in the entrance of the Hermès store in the Rue de Sèvres. Six times a year, stories of surprising objects are told.

#### 1.4.7.8 Shang Xia

Other than for its 9th anniversary, 2018 was a key milestone for Shang Xia, a House dedicated to the contemporary Chinese lifestyle, inspired by oriental aesthetics and elegance.

2018 was marked by the development of collections, largely through exceptional pieces. After Shang Xia's master pieces have been collected respectively by Museum des Arts Décoratifs de Paris and by Guimet Museum, Shang Xia "Garden" Xi Pi Lacquer box became a permanent collection of The British Museum. This masterpiece is a round box in "Xi Pi" lacquer with swirling, cloud-like gold inlay. The interior is divided into five removable lacquered compartments arranged on a red and black lacquer tray. The event was not only a milestone for Shang Xia, but also a significant step forward for contemporary design in China. In addition, the "Echo" porcelain eggshell was collected by the Sydney Museum of Applied Arts and Sciences. Lastly, the "Flying Chair" carbon fibre chair from the Da Tian Di collection, inspired by traditional Ming chairs, combining high-tech materials and traditional elegance, has become a new emblematic product.

#### 1.4.8 PARTNERSHIPS

##### 1.4.8.1 Faubourg Italia

In addition to its tableware and art of living collections, Hermès offers a complete range for the home that includes furnishing fabrics and wallpapers. The latter are developed in partnership with the Italian fabric producer Dedar, which also controls international distribution. A joint subsidiary, named Faubourg Italia, was created in 2011. Hermès International holds 60% of its share capital.

##### 1.4.8.2 J3L

Hermès holds 30% of the share capital of J3L, a long-standing French supplier to the Group, specialising in metal parts destined principally for leather goods and fashion accessories.

##### 1.4.8.3 Perrin & Fils

Holding Textile Hermès has a 39.5% stake in the share capital of Perrin & Fils. The Perrin Group specialises in weaving for a range of sectors as diverse as lingerie, furnishing fabrics, ready-to-wear and accessories.

##### 1.4.8.4 Vaucher Manufacture Fleurier

La Montre Hermès holds a 25% share in the capital of Vaucher, the watchmaking production unit. Located in the heart of traditional watchmaking territory, between Neuchâtel in Switzerland and the French border, the Vaucher production unit perpetuates superior know-how and produces high-end and prestige watch movements.

##### 1.4.8.5 Bettina

Hermès holds a 40% share in the capital of Bettina, a long-standing partner of the Group. The company specialises in the production of twillaine, a unique blend of knit and silk, and operates in the ready-to-wear sector, but also in silk, textiles and the art of living.

##### 1.4.8.6 Maison Pierre Hardy

Since 2016, Hermès has had a minority stake in the capital of Maison Pierre Hardy (33%) a French shoe and fashion accessory design house directed by Mr Pierre Hardy, its founder and Artistic Director.

## 1.5 ACTIVITY BY GEOGRAPHIC AREA

	2018 (revenue in millions of euros)	2018 (mix in %)	2017 (revenue in millions of euros)	2017 (mix in %)	Changes	
					at current exchange rates	at constant exchange rates
Europe	1,909	32%	1,799	33%	6.1%	7.0%
◆ France	802	13%	755	14%	6.3%	6.3%
◆ Europe (excl. France)	1,106	19%	1,044	19%	6.0%	7.5%
Asia-Pacific	2,891	49%	2,663	48%	8.6%	12.0%
◆ Japan	748	13%	717	13%	4.4%	7.5%
◆ Asia-Pacific (excluding Japan)	2,142	36%	1,946	35%	10.1%	13.7%
Americas	1,059	18%	996	18%	6.3%	11.5%
Other	108	1%	92	1%	17.7%	17.8%
<b>CONSOLIDATED REVENUE</b>	<b>5,966</b>	<b>100%</b>	<b>5,549</b>	<b>100%</b>	<b>7.5%</b>	<b>10.4%</b>

### 1.5.1 EUROPE

In France, two emblematic stores on the Riviera reopened in June. The façade of the Monaco store, created in 1947, was returned to its original appearance. Its floor space has been increased to 430 m<sup>2</sup> thanks to the creation of an additional space of 150 m<sup>2</sup>, hewn beneath the rocks. A spectacular terrazzo staircase connects the two floors.

The Nice store, located opposite the *Jardin Albert-1er* since 1991, benefited from the modification of its staircase to better show off the depth of its 200 m<sup>2</sup>. In a tribute to the sun-drenched atmosphere of the Riviera, these two stores are in soft and bright tones, combined with light wood furniture.

In November, the reopening of the avenue George V store created a buzz. Extended and brightened after two years of work, it now covers more than 550 m<sup>2</sup> and three levels. The main entrance has been moved to Avenue George V. An area dedicated to millinery has its own independent entrance. The first floor, devoted to ready-to-wear, jewellery and watches, is reminiscent of a Parisian apartment. The second floor houses the men's bespoke area and a private lounge.

Again in Paris, the nave of the *Grand Palais* hosted the ninth edition of the *Saut Hermès* in March. A must-see event in the international equestrian calendar, it saw fifty riders in the CSI 5\*, as well as twenty young talents, compete over three days. The theme was "play", with an enchanting show staged by Bartabas and the special creation of a smartphone application, *H-pitchhh*, inspired by the traditional game of the horseshoe.

In Switzerland, Hermès took part for the first time in the prestigious *Salon International de la Haute Horlogerie* (SIHH), held in Geneva in January. In a welcoming pavilion, the various models presented were accompanied by surprising interactive animations aimed at allowing visitors and journalists to be introduced to Hermès unique approach to time.

In Turkey, Hermès opened a third store in Istanbul, in the Emaar Square shopping centre on the Asian bank of the river, in May. A real house featuring windows, a balcony and two separate entrances, the store offers 340 m<sup>2</sup> in floor space on two levels.

In the United Kingdom, the shop located in Selfridges department store in London has been renovated and enlarged.

In Italy, the Venice store reopened in May. This historic store, located at the corner of Salizada San Moisè near the Piazza San Marco, has almost doubled in size thanks to the addition of a second floor. It now covers three levels and 260 m<sup>2</sup>. Its architecture gives pride of place to typical Venetian materials, colours and techniques.

A number of events marked the year. The Silk Mix pop-up store, which displays men's silk in the style of a record store, continued its world tour with stops in Brussels in May and Munich in June. Continuing its pop-up sales in several premises, petit h for the first time rested its treasure trove in Lisbon, Portugal. Carré Club Hermès, a nomad interactive pop-up store imagined by Ms Bali Barret, Artistic Director of Hermès Women's Silk Collection, made its first European stop in Milan, Italy, in November.

Lastly, the *hermes.com* European e-commerce website took on a fresh look, presenting the creativity of the sixteen métiers of the House through a wide range of products. The new site abounds with editorial content – films, photos, articles – inviting the visitor to explore the many worlds of Hermès.

## 1.5.2 AMERICAS

In Mexico, a new boutique opened in Cancún in April, in the Luxury Avenue shopping centre. Featuring a large shop window and an ingenious sun visor in lacquered metal, it presents all the métiers of the House over more than 150 m<sup>2</sup> on a single level. In December, Hermès opened a new 200 m<sup>2</sup> store in the Artz Pedregal shopping centre in Mexico City, in the heart of the *Jardines del Pedregal* district.

In the United States, Hermès opened a 34th store, located at the Stanford Shopping Center in Palo Alto, California. With its uncluttered façade, contemporary architecture and interior flooded with natural light, this 380 m<sup>2</sup> space echoes the spirit of Silicon Valley and symbolises the meeting of craftsmanship and technology.

The Shops at Crystals store in Las Vegas reopened in July, after a major overhaul. Transfigured by large windows and generous volumes, the store has all but tripled its surface to 710 m<sup>2</sup> on two floors.

Several events made stops in North America over the year. In the spring, the Silk Mix pop-up store, dedicated to men's silk, set up its bins and racks in New York, inspired by the design of a record store. The Beverly Hills store in Los Angeles hosted the *Harnessing the Roots* travelling exhibition, the first chapter of the *Hermès Héritage* world exhibition cycle, which retraces the history of the House. And the Carré Club Hermès surprised and delighted scarf fans in New York City in September and Los Angeles in November, with a stop in Toronto, Canada, between the two.

Lastly, in Argentina, the store opened 20 years ago on Avenue Alvear, Buenos Aires, reopened in July after being renovated and refurbished. In addition to a 110 m<sup>2</sup> ground floor where the various métiers are showcased, it includes a mezzanine with a cosy lounge dedicated to leather goods.

## 1.5.3 ASIA-PACIFIC

China saw two new stores open this year. In May, Hermès opened a store in Hunan Province, in Changsha City, the birthplace of silk work. Covering an area of 280 m<sup>2</sup>, the new store combines the modernity of a towering and fully glazed façade and the warmth of an interior clad in wood.

In September, the city of Xi'an in Shaanxi Province saw the opening of China's 25th Hermès store. Located in the country's northwest, this world famous city was one of the four capitals of the Middle Kingdom and played a major role in the development of Chinese culture. The store, with floor space of 260 m<sup>2</sup> on a single level, features a mineral décor specially designed to resonate with the history of the place.

In December, in Shanghai, the store in the Lujiazui financial district reopened after being renovated and expanded. First opened in 2010, the store reflects the city's dynamic transformation, now offering 360 m<sup>2</sup> of floor space on two levels.

China also benefited from the launch of the new *hermes.cn* e-commerce platform in October, which offers online sales throughout China.

Maison Hermès in Shanghai, which was the point of departure for the *Hermès Héritage* exhibition cycle in 2017, hosted In Motion, the latest part of the programme, in September 2018, with nomadic and travelling objects created by Hermès.

For one night in April, Shanghai also hosted *Fast Forward Men*, a spaceship imagined by Véronique Nichanian, Artistic Director of the Hermès men's universe that offers a retro-futuristic and extraordinary journey through the Ready-to-wear and Accessories collections.

In Australia, Hermès opened its second store in Melbourne in December, at Chadstone Shopping Centre. Located in the Melbourne suburbs, this 220 m<sup>2</sup> space with very contemporary volumes is the perfect counterpoint to the 71 Collins Street store in the city centre.

In Thailand, a new store opened in Bangkok in November, in the huge IconSiam shopping complex. With its spectacular tilted glass facade and 370 m<sup>2</sup> in floor space on two levels, it is the largest Hermès store in the country. Furniture collections are now presented for the first time.

In Hong Kong, Hermès opened a new store early in the year in the Landmark Prince's shopping centre, in the heart of the city. Its architecture is inspired by traditional bamboo structures. Its 850 m<sup>2</sup> spread over three levels allows all métiers to express themselves generously. In November, this store also hosted a petit h pop-up sale.

Singapore was the stage for two major events: the reception of the Carré Club Hermès in October, and the reopening of the Marina Bay Sands store after its renovation.

In Japan, Hermès organised *Avec Elle*, a unique event dedicated to the women's universe, in July. The National Art Centre in Tokyo was transformed into a vast film set, featuring the key pieces of the autumn-winter 2018 collection in a style reminiscent of a film shoot.

Lastly, the Home universe took to the stores of Taipei, Seoul and Dubai with the Hermès Species of Spaces staging. The juxtaposition of geometric volumes in pastel tones, various objects, furniture and lighting, wallpapers and fabrics, allows them to express their full character, revealing the true beauty of their materials and the brilliance of their colours.

In Lebanon, the Beirut store reopened in September after doubling its floor space to 300 m<sup>2</sup>.

The United Arab Emirates saw the birth of the largest Hermès store in the Middle East in the Dubai Mall in March: nearly 1,000 m<sup>2</sup> on three floors. It also proposes the region's first bespoke service.

### 1.5.4 HERMÈS POINTS OF SALE WORLDWIDE

Hermès products are available worldwide through a network of 310 exclusive stores. See page 17.

Hermès watches, perfumes and tableware are also sold through networks of specialised stores.

#### Europe

**Austria:** 2  
2 concessionaires

**Belgium:** 3  
3 branches:  
◆ Anvers  
◆ Brussels  
◆ Knokke-le-Zoute

**Czech Republic:** 1  
1 branch:  
◆ Prague

**Denmark:** 2  
1 branch:  
◆ Copenhagen  
1 concessionaire

**France:** 31  
14 branches:  
◆ Aix-en-Provence  
◆ Biarritz  
◆ Bordeaux  
◆ Cannes  
◆ Deauville  
◆ Lille  
◆ Lyon  
◆ Marseille  
◆ Paris Faubourg Saint-Honoré  
◆ Paris George-V  
◆ Paris Sèvres  
◆ Rennes  
◆ Saint-Tropez  
◆ Strasbourg  
17 concessionaires

**Germany:** 17  
10 branches:  
◆ Baden-Baden  
◆ Berlin KaDeWe  
◆ Berlin West  
◆ Cologne  
◆ Düsseldorf  
◆ Francfort  
◆ Hamburg  
◆ Hanover  
◆ Munich  
◆ Nuremberg  
7 concessionaires

**Greece:** 1  
1 branch:  
◆ Athens

**Ireland:** 1  
1 branch:  
◆ Dublin

**Italy:** 15  
11 branches:  
◆ Bologna  
◆ Capri  
◆ Florence  
◆ Milan  
◆ Naples  
◆ Padova  
◆ Palermo  
◆ Porto Cervo  
◆ Roma  
◆ Turin  
◆ Venice  
4 concessionaires

**Luxembourg:** 1  
1 concessionaire

**Netherlands:** 4  
2 branches:  
◆ Amsterdam De Bijenkorf  
◆ Amsterdam P.C. Hoofstraat  
2 concessionaires

**Norway:** 1  
1 concessionaire

**Portugal:** 1  
1 branch:  
◆ Lisbonne

**Principality of Monaco:** 1  
1 branch:  
◆ Monte Carlo

**Russia:** 2  
2 branches:  
◆ Moscow Gum  
◆ Moscow Stoleshnikov

**Spain:** 5  
5 branches:  
◆ Barcelona Diagonal  
◆ Barcelona Paseo de Gracia  
◆ Madrid Castellana  
◆ Madrid Ortega y Gasset  
◆ Marbella

**Sweden:** 1  
1 concessionaire

**Switzerland:** 11  
9 branches:  
◆ Basel  
◆ Bern  
◆ Crans  
◆ Geneva  
◆ Gstaad  
◆ Lausanne  
◆ Lugano  
◆ St Moritz  
◆ Zurich  
2 concessionaires

**Turkey:** 4  
3 branches:  
◆ Istanbul Nisantasi  
◆ Istanbul Istinye Park  
◆ Istanbul Emaar  
1 concessionaire

**United Kingdom:** 9  
7 branches:  
◆ Glasgow  
◆ London Bond Street  
◆ London Harrods  
◆ London Royal Exchange  
◆ London Selfridges  
◆ London Sloane Street  
◆ Manchester Selfridges  
2 concessionaires

## Americas

### Argentina: 1

1 branch:

- ◆ Buenos Aires

### Brazil: 3

3 branches:

- ◆ Rio de Janeiro
- ◆ Sao Paulo Cidade Jardim
- ◆ Sao Paulo Iguatemi

### Canada: 5

4 branches:

- ◆ Calgary
- ◆ Montreal
- ◆ Toronto
- ◆ Vancouver

1 concessionnaire

### Caribbean: 1

1 branch:

- ◆ Saint-Barthélemy

### Chile: 1

1 concessionnaire

### Mexico: 7

7 branches:

- ◆ Cancún
- ◆ Mexico Guadalajara
- ◆ Mexico City Masaryk
- ◆ Mexico Moliere
- ◆ Mexico Monterrey
- ◆ Mexico Artz
- ◆ Mexico City Santa Fe

### Panama: 1

1 concessionnaire

### USA: 34

27 branches:

- ◆ Atlanta
- ◆ Bergen County
- ◆ Beverly Hills
- ◆ Boston
- ◆ Chicago
- ◆ Dallas
- ◆ Denver
- ◆ Greenwich
- ◆ Hawaii Ala Moana
- ◆ Hawaii Waikiki
- ◆ Houston
- ◆ Las Vegas Bellagio
- ◆ Las Vegas City Center
- ◆ Las Vegas Wynn
- ◆ Miami
- ◆ New York Madison
- ◆ New York Men on Madison
- ◆ New York Wall Street
- ◆ Palm Beach
- ◆ Palo Alto
- ◆ Philadelphia King of Prussia
- ◆ San Diego
- ◆ San Francisco
- ◆ Seattle
- ◆ Short Hills
- ◆ South Coast Plaza
- ◆ Washington

7 concessionnaires

## Asia

### China: 26

25 branches:

- ◆ Beijing China World
  - ◆ Beijing ParkLife
  - ◆ Beijing Peninsula
  - ◆ Beijing Shinkong
  - ◆ Changsha
  - ◆ Chengdu Swire
  - ◆ Chongqing Mixc
  - ◆ Dalian
  - ◆ Guangzhou La Perle
  - ◆ Guangzhou Taikoo Hui
  - ◆ Hangzhou Hubin
  - ◆ Hangzhou Tower
  - ◆ Harbin Mykal
  - ◆ Kunming Ginko
  - ◆ Nanjing Deji
  - ◆ Ningbo Heyi Avenue
  - ◆ Qingdao Hisense Plaza
  - ◆ Shanghai IFC
  - ◆ Shanghai Maison
  - ◆ Shanghai Plaza 66
  - ◆ Shenyang Mixc
  - ◆ Shenzhen City Crossing
  - ◆ Suzhou Matro
  - ◆ Wuhan International Plaza
  - ◆ Xi'An
- 1 concessionaire

### Hong Kong: 7

7 branches:

- ◆ Hong Kong Elements
- ◆ Hong Kong Harbour City
- ◆ Hong Kong International Airport
- ◆ Hong Kong Landmark Prince's
- ◆ Hong Kong Lee Gardens
- ◆ Hong Kong Pacific Place
- ◆ Hong Kong Sogo

### India: 2

2 branches:

- ◆ Mumbai
- ◆ New Delhi

### Indonesia: 2

2 concessionaires

### Japan: 39

31 branches:

- ◆ Chiba Sogo
  - ◆ Fukuoka Hakata Hankyu
  - ◆ Fukuoka Iwataya
  - ◆ Hiroshima Sogo
  - ◆ Kobe Daimaru
  - ◆ Kyoto Takashimaya
  - ◆ Nagoya JR Takashimaya
  - ◆ Nagoya Matsuzakaya
  - ◆ Nagoya Mitsukoshi
  - ◆ Okayama Takashimaya
  - ◆ Osaka Hilton
  - ◆ Osaka Midosuji
  - ◆ Osaka Pisa Royal
  - ◆ Osaka Takashimaya
  - ◆ Osaka Umeda Hankyu
  - ◆ Sapporo Daimaru
  - ◆ Sendai Fujisaki
  - ◆ Tokyo Tachikawa Isetan
  - ◆ Tokyo Ginza
  - ◆ Tokyo Ikebukuro Seibu
  - ◆ Tokyo Marunouchi
  - ◆ Tokyo Nihombashi Mitsukoshi
  - ◆ Tokyo Nihombashi Takashimaya
  - ◆ Tokyo Shibuya Seibu
  - ◆ Tokyo Shibuya Tokyu
  - ◆ Tokyo Shinjuku Isetan
  - ◆ Tokyo Shinjuku Takashimaya
  - ◆ Tokyo Tamagawa Takashimaya
  - ◆ Urawa Isetan
  - ◆ Yokohama Sogo
  - ◆ Yokohama Takashimaya
- 8 concessionaires

### Kazakhstan: 1

1 concessionaire

### Macao: 4

4 branches:

- ◆ Macao Four Seasons
- ◆ Macao One Central
- ◆ Macao Wynn
- ◆ Macao Wynn Palace

### Malaysia: 3

2 branches:

- ◆ Kuala Lumpur Pavilion
  - ◆ Kuala Lumpur The Gardens
- 1 concessionaire

### Philippines: 1

1 concessionaire

### Singapore: 7

7 branches:

- ◆ Singapore Changi Airport T1
- ◆ Singapore Changi Airport T2
- ◆ Singapore Changi Airport T3
- ◆ Singapore Liat Towers
- ◆ Singapore Marina Bay Sands
- ◆ Singapore Scotts Square
- ◆ Singapore Takashimaya

### South Korea: 19

10 branches:

- ◆ Busan Shinsegae
  - ◆ Seoul Dosan Park
  - ◆ Seoul Galleria
  - ◆ Seoul Hyundai Apkujung
  - ◆ Seoul Hyundai Coex
  - ◆ Seoul Hyundai Daegu
  - ◆ Seoul Lotte
  - ◆ Seoul Shilla
  - ◆ Seoul Shinsegae Gangnam
  - ◆ Seoul Shinsegae North
- 9 concessionaires

### Taiwan: 9

6 branches:

- ◆ Kaohsiung Hanshin
  - ◆ Taichung FE21
  - ◆ Tainan Mitsukoshi
  - ◆ Taipei Bellavita
  - ◆ Taipei Regent
  - ◆ Taipei Sogo Fuxing
- 3 concessionaires

### Thailand: 4

3 branches:

- ◆ Bangkok Central Embassy
  - ◆ Bangkok Icon Siam
  - ◆ Bangkok Siam Paragon
- 1 concessionaire

### Vietnam: 2

2 concessionaires

## Middle East

Bahrain: 1 1 concessionaire	Lebanon: 1 1 concessionaire	United Arab Emirates: 5 5 concessionaires
Kuwait: 1 1 concessionaire	Qatar: 2 2 concessionaires	

## Oceania

Australia: 6 5 branches: ◆ Brisbane ◆ Chadstone ◆ Gold Coast Pacific Fair ◆ Melbourne Collins Street ◆ Sydney 1 concessionaire	Guam: 1 1 branch	Saipan: 1 1 branch
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### 1.5.5 DIGITAL STRATEGY

The Group's digital strategy has resulted in a significant geographic surge.

The new platform has been rolled out in 22 new countries. True to its ambition of combining editorial content and products on a single site, Hermès.com first opened in Europe in March. Australia followed in June. In October, the site opened in China, adapting to the specificities of this immense market, including payment features and local customs. The arrival on the Chinese market significantly increased traffic on the site.

The United States, first e-commerce platform of the House's continued its considerable digital growth in terms of sales, traffic and conversion rates.

Mobile usage has also increased significantly. The digital flagship is now one of the Group's foremost stores, leading the field in ties, perfumes and fashion accessories. Its customers include a large majority of first-time buyers.

Our presence on social networks has also been intensified, with particularly strong growth on Instagram, Twitter and WeChat.

## 1.6 SIMPLIFIED GROUP ORGANISATIONAL CHART

### 1.6.1 SUMMARY DESCRIPTION OF THE GROUP AS AT 31 DECEMBER 2018

#### HERMÈS INTERNATIONAL



#### HERMÈS BRAND



RETAIL		WHOLESALE PRODUCTION AND DISTRIBUTION	PRODUCTION
<ul style="list-style-type: none"> <li>• Argentina</li> <li>• Australia</li> <li>• Belgium</li> <li>• Brazil</li> <li>• Canada</li> <li>• China</li> <li>• Czech Republic</li> <li>• Denmark</li> <li>• France</li> <li>• Germany</li> <li>• Greece</li> </ul>	<ul style="list-style-type: none"> <li>• Guam</li> <li>• Hong Kong</li> <li>• India</li> <li>• Italy</li> <li>• Japan</li> <li>• Malaysia</li> <li>• Mexico</li> <li>• Principality of Monaco</li> <li>• Portugal</li> <li>• Russia</li> </ul>	<ul style="list-style-type: none"> <li>• Singapore</li> <li>• South Korea</li> <li>• Spain</li> <li>• Switzerland</li> <li>• Taiwan</li> <li>• Thailand</li> <li>• Turkey</li> <li>• United Kingdom</li> <li>• USA</li> </ul>	<ul style="list-style-type: none"> <li>• Perfumes division</li> <li>• Watches division</li> <li>• Home division</li> </ul>
		∅	BESPOKE DESIGN
		<ul style="list-style-type: none"> <li>• Petit h</li> </ul>	<ul style="list-style-type: none"> <li>• Hermès Horizons</li> </ul>

#### OTHER BRANDS

<ul style="list-style-type: none"> <li>• John Lobb shoes</li> </ul>	<ul style="list-style-type: none"> <li>• Cristalleries Saint-Louis</li> </ul>	<ul style="list-style-type: none"> <li>• Puiforcat</li> </ul>	<ul style="list-style-type: none"> <li>• Shang Xia</li> </ul>
<ul style="list-style-type: none"> <li>• Créations Métaphores<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Verel de Belval<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Bucol<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Le Crin<sup>1</sup></li> </ul>

(1) Furnishing fabrics

The main consolidated companies as at 31 December 2018 (distribution subsidiaries and holding companies of the divisions) are listed in Note 33 of the consolidated financial statements.

## 1.6.2 PRODUCTION FACILITIES

The Hermès Group operates 54 production sites, including 42 in France. The Group also operates production sites in Switzerland, the United States, Australia, Italy and the United Kingdom.

Métiers	Company ( <i>production sites</i> )
Leather Goods	Hermès Sellier (Paris Faubourg-Saint-Honoré, Pantin-Pyramide, Pantin-CIA, Pierre-Bénite) Maroquinerie de Saint-Antoine (Paris) Maroquinerie de Belley (Belley) Maroquinerie des Ardennes (Bogny-sur-Meuse) Maroquinerie de Sayat (Sayat) Manufacture de Franche-Comté (Seloncourt, Héricourt, Allenjoie) Manufacture de Haute Maroquinerie (Aix-les-Bains) Maroquinerie du Sud Ouest (Nontron, Saint Junien, Montbron) Maroquinerie de Normandie (Val de Reuil) Maroquinerie Iséroise (Fitilieu, Les Abrets) Maroquinerie de Guyenne (Ambarès-et-Lagrave) Maroquinerie de Montereau (Montereau)
Tanneries and Precious Leathers	Tannerie de Montereau (Montereau) Tannerie de Vivoin (Vivoin) Tannerie d'Annonay (Annonay) Conceria di Cuneo (Cuneo/Italy) Tanneries du Puy (Le Puy-en-Velay) United States division, including Reptile Tannery of Louisiana (RTL) (Lafayette), Australia division
Perfumes	Comptoir Nouveau de la Parfumerie (CNP) (Le Vaudreuil)
Textiles	Créations Métaphores (Bourgoin-Jallieu) Société d'Impression sur étoffes du Grand-Lemps (SIEGL) (Le Grand-Lemps) Ateliers A.S. (Pierre-Bénite) Holding Textile Hermès (HTH) (Pierre-Bénite, Bourgoin-Jallieu) Établissements Marcel Gandit (Gandit) (Bourgoin-Jallieu) Ateliers de Tissage de Bussières et de Challes (ATBC) (Bucol, Le Crin) (Bussières, Challes) Société Novatrice de Confection (SNC) (Nontron, Bourgoin-Jallieu) Ateliers d'Ennoblement d'Irigny (AEI) (Irigny)
Crystal	Les Cristalleries de Saint-Louis (Saint-Louis-lès-Bitche)
Silversmithing and Jewellery	Puiforcat (Pantin-CIA)
Porcelain and Enamel	Compagnie des Arts de la Table et de l'Émail (CATE) (Nontron) Beyrand (Saint-Just-le-Martel)
Watches	La Montre Hermès (LMH) (Bienne/Switzerland) Les Ateliers Hermès Horloger (Noirmont/Switzerland)
Footwear	John Lobb (Paris Mogador, Northampton/United Kingdom) Atelier HCI (Milan/Italy)
Logistics	Hermès Sellier (Bobigny)



## 1.7 PROPERTY

In Paris, the Group now occupies office space of approximately 30,000 m<sup>2</sup> mainly near its historical registered office of 24, rue du Faubourg-Saint-Honoré and 19-21, rue Boissy-d'Anglas, which it owns. Staff also work in office premises in rue de la Ville-l'Évêque and rue d'Anjou, leased from third parties under commercial leases.

In Bobigny, in 2018 the Group completed the renovation of the logistics site it owns, with a total surface area of approximately 31,000 m<sup>2</sup>.

In Pantin, Hermès occupies nearly 83,000 m<sup>2</sup> in manufacturing premises and office space, most of which is owned by the Group, in the town centre, including the Espace Jean-Louis Dumas, which opened in 2015, and the Cité des Métiers, which won the Prix de l'Équerre d'Argent 2014.

The Group is the owner of 47 of the 54 production units that it operates (please refer to page 33 for a detailed list). A third leather goods workshop located in Allenjoie in the Pays de Montbéliard was opened in 2018.

Hermès products are sold worldwide through 310 exclusive stores (a detailed list is provided on pages 28 to 31). Of the 310 exclusive Hermès retail stores, 219 are operated as branches. Most are occupied under commercial leases intended primarily to ensure the continuity of operations over time. However, the Group also owns the buildings that house certain stores, including those in Paris, Ginza in Tokyo, Dosan Park in Seoul, Beverly Hills and Geneva. The building of its former Hong Kong Central flagship (Galleria), which moved across the street into the Landmark Prince's property complex in January 2018, was sold in April. In London, the Group also owns a commercial and office building purchased in 2009 and leased to an external tenant. The branches are located in the following geographical areas: 72 in Europe (including 14 in France), 43 in the Americas (including 27 in the US), 97 in Asia (including 31 in Japan), and 7 in Oceania.

## 1.8 FONDATION D'ENTREPRISE

In creating the Foundation in 2008, the House's Senior Executives wanted to reinforce the impact of its sponsorship programme while ensuring its durability. Expand it, definitely, but how? The issue was to delineate our areas of intervention and equally the way in which we take action. Promoting savoir-faire, supporting creativity and encouraging the transfer of knowledge therefore became imperatives for us, while we decided to prioritise training in our métiers and the implementation of inventive and innovative projects in each of these areas. We are perpetuating the humanist values of Hermès by offering responses to the needs that we identify and that serve the public interest. Gradually, the shape of the Foundation and its methods of action were clarified, which led us to prepare very focused programmes that we designed and, for some of them too, became the operators on the ground.

For several years we have been giving thought to the actions we could take to promote craftsmanship within the Company and notably among the youngest generations. In 2016, we were therefore able to put in place our *Manufacto* programme, *la fabrique des savoir-faire* for which the agreement of the Paris board of education was decisive. The success of this first edition supported our wish to continue it in years to come. Experiencing the “pleasure of doing” acts as a driver for discovering the *métiers* of craftsmanship while being a school for expression. In parallel, the third edition of the *Skills Academy*, dedicated to metal working, again brought together a large audience around the contemporary challenges related to expertise in the material. By addressing schools and profes-

sional audiences, each of these programmes expresses our belief that craftsmanship represents a *métier* that is both able to thrive and focused on the future. Although it is undeniably handed down as our heritage, savoir-faire is also undergoing constant change and is attentive to innovation: it forms a *de facto* part of the contemporary world.

In a complementary way, the Foundation is involved in the field of artistic creation. The cornerstone of our activity is encouraging freedom of expression by giving artists the time to create the methods that serve their purpose and by giving the public access to a sensitive, critical and political understanding. We have chosen to support contemporary forms – those that will be tomorrow's cultural heritage – by supporting the creation of new works. Whether it be *New Settings*, the Foundation's exhibitions, *Artist's Residencies*, *Artists in the Community*, *Immersion*, a Franco American photographic commission, all programmes engage artists in working in environments that change the places where they are carried out. Taking artistic risks – whether on the stage of a theatre or production unit workshops – contributes to the emergence of original forms. For ten years many creators have ventured successfully into new artistic and geographical territories thanks to the Foundation's support. Many spectators and visitors have been moved, stimulated or even shaken by works of enormous intensity. The Foundation is pleased to contribute not only to the emergence of the most daring creations, but also to making them available to an increasingly large audience.

One of the strengths of a foundation like ours must be that it is firmly rooted within the Company itself. Eliciting the support and involvement of our colleagues has been made possible thanks to our shared culture. In this respect, the H<sup>3</sup>- Heart, Head, Hand programme plays a major role in understanding our public service role and in dialogue with our colleagues. During the two editions of the H<sup>3</sup> programme, these have enabled us to support projects that are remarkable for their relevance and their impact in the fields of the transfer of savoir-faire, access to culture and preservation of biodiversity. In addition, the support we provide to WWF France reinforces our commitment to preserving biodiversity, through the continuing initiatives in this area, in partnership with Iddri (*Institut de Développement Durable et des Relations Internationales*), since the Foundation was created.

Acting to support the common good is an act of altruism which in itself involves respect for otherness, something that, in a complex world, it is all the more important to speak up for. Everyone we deal with, whether craftsmen, artists, volunteers or managers of public service organisations, embodies this responsibility to act for a peaceful and fairworld.

The exemplary nature of their creative acts is the driving force behind our activity. Through its authentic, demanding work, and listening to the world around us, the Fondation nurtures the garden of diversity and explores a large number of areas related to artisanal and creative savoir-faire.

The full report on the activities of the Fondation d'entreprise Hermès is available at: [www.fondationentreprisehermes.org](http://www.fondationentreprisehermes.org), in "The Foundation" section.

## 1.9 RISK FACTORS

The Group has implemented a system to anticipate and control risk. This system is constantly updated to allow for regulatory, legislative, economic, corporate, geopolitical and competitive developments.

The main risk factors to which the Group is exposed, together with a detailed description of the risk management system, are presented in this chapter.

<b>Risks linked to the operational strategy</b>	Limiting industrial and environment risks Control over and protection of supplies Balancing and safeguarding our distribution Minimising risks to property assets IT risk monitoring and prevention Protecting the health and safety of consumers Recruiting and training employees and craftsmen in the standards of excellence required by the Group
<b>Legal and regulatory risks</b>	Compliance with applicable laws and regulations in all areas Protecting and defending intellectual property rights and combating counterfeiting
<b>Risks bearing on social, societal and environmental responsibility</b>	Preventing the risk of serious violations of human rights, fundamental freedoms, and the health and safety of people Preventing risks associated with our natural materials, supply chain, regulatory compliance on environmental matters and carbon emissions
<b>Financial risks</b>	Conservative cash management Control over exchange rate risk Control over counterparty risk Financial risks related to changes in, complexity and interpretation of tax regulations Financial risks related to climate change

## 1.9.1 RISKS RELATED TO STRATEGY AND OPERATIONS

### 1.9.1.1 Limiting industrial and environment risks

#### Description of the risk

The control of industrial and environmental risks is built on a joint approach developed by the sustainable development department and the industrial affairs department. It relies on a specific "HSE" network and the local Sustainable Development Committees as described in chapter 2.1.2.

#### Risk management

Hermès implements initiatives designed to protect our manufacturing assets, our employees and the environment on all of the house's production sites. The Group industrial affairs department relies on the Métiers' industrial departments and Site Managers to make internal diagnostics, audits conducted by external specialists and establish operational improvement plans. The recommendations resulting from these analyses in the areas of organisation, procedures, training or investment are subject to careful follow-up. Safety-related expenditure and investment are considered to be a priority when making budget choices.

Hermès Group manufactures the majority of its products internally, principally in France, and does not adopt a cost optimisation approach, particularly with regards to labour and the location of production units. It is not therefore seeking suppliers established in countries at risk. Finally, Hermès Group has long been committed to a responsible partnership approach with its suppliers. It enters into special partnerships with suppliers and producers based on ADVICE and trust, notably by promoting long-term relationships with them (see section 2.6 The communities: suppliers and partners).

Hermès' actions and achievements in the fields of social, societal and environmental responsibility are described in the sustainable development section (chapter 2) of this report.

### 1.9.1.2 Controlling and securing supplies

#### Description of the risk

Most of Hermès' production is integrated, in line with its strategy of preserving unique savoir-faire and securing supplies. However, the ability of the Hermès Group to grow is also linked to the development of its suppliers, whose exceptional savoir-faire and future successes will contribute to those of the Group. Most of our subcontractors and suppliers have been partners for many years, and these stable relationships mean that we can work closely and sustainably with our partners on a wide range of matters.

#### Risk management

The Group's approach is based upon knowledge of the supply channels. Supplier risk is addressed cross-functionally by the Direct Purchasing Manager on the one hand, and the Indirect Purchasing Manager on the other hand. Their roles notably involve managing the community of purchasers and supporting them on a day-to-day basis in managing supplier risk using a range of complementary tools, as described on pages 113 to 119.

Hermès has developed long-term relationships with its partners and suppliers, thereby better protecting its supplies and critical know-how.

Hermès is committed to providing long-term support for all our partners, and maintaining balanced relationships characterised by goodwill and high standards, and we ensure that our partners share and respect our social, environmental and ethical ambitions. Supplier audits, conducted using internal resources as well as independent external firms, serve notably to ensure that their operations meet the Group's expectations.

Drawing up Métier risk mapping enables action plans to be identified, assessed and prepared in response to the risks identified wherever necessary. Significant work has also been carried out to optimise and secure the supply chain. The Group is strengthening supply protection, implementing a policy of diversification and limitation of supplier dependence, and building up strategic inventories. In some cases, it will buy into carefully selected companies to ensure the stability of these relationships.

### 1.9.1.3 Balancing and safeguarding our distribution

#### Description of the risk

The Group operates 310 points of sale under the Hermès banner, including 219 branches generating over 85% of revenue. A list of stores owned by the Group can be found on page 35. Certain Hermès products are also distributed through a network of multi-brand sales outlets carefully selected on the basis of qualitative and/or quantitative criteria. This is especially so of perfumes and watches, as well as some products from the Home universe. Lastly, the Group also owns other brands that distribute their products under their own name or through their own selective network. The details of these brands are presented on page 32.

#### Risk management

Hermès holds a unique position in the luxury market. Its broad portfolio of products reduces the risk of dependence on any particular range and its distribution is well balanced geographically.

Hermès relies on a distribution structure that significantly reduces client risk.

Sales are also slightly exposed to seasonal trends, with the second half of 2018 accounting for 52% of total sales (51% in 2017).

The balance of the geographical portfolio reduces risks related to geographical areas, with results obtained throughout all the Group's areas and a controlled investment policy.

#### **1.9.1.4 Minimising risks to property assets**

##### **Description of the risk**

The presence of Hermès Group in the best locations for its distribution activities and the construction of quality buildings, living environments and work tools for its craftsmen and employees are a major challenge for the Group.

##### **Risk management**

The management of the Group's real estate operations is centralised within the construction development department which monitors quality, cost and deadlines. This contributes to the judicious control of critical issues:

- ◆ identifying and assessing the viability of locations for distribution and production facilities and administrative offices based on qualitative and technical criteria;
- ◆ securing our key locations through a detailed analysis of our rental commitments and associated risks;
- ◆ project management (direct or by delegation) of key building projects to ensure that the work is properly carried out;
- ◆ supervising inspection plans for the Group's main sites, to ensure they conform to construction, safety and fire safety regulations. These inspections are supplemented by prevention system reviews carried out by the Group's insurers. In addition, the construction development department monitors potential risks, notably by formalising property risk mapping for major projects. It also verifies the proper application of the Group's rules in this area and carries out systematic follow-up of all action plans.

#### **1.9.1.5 IT risk monitoring and prevention**

##### **Description of the risk**

Information systems are of prime importance for the proper performance of the Group's daily operations, whether in relationships with clients, suppliers or employees but also with regards to the processing and storage of Group data.

##### **Risk management**

Hermès' expenditure on IT systems (capital and operational expenditures) is comparable with that of its peers in the sector. The aim is to bring the technology infrastructure and systems in line with the increasing needs of users and the Group's métiers, to guarantee good operational performance, to keep IT-related risks under control and to prepare systems for the future, especially for new digital services.

The Group's IT systems department works under an information technology governance charter and has drawn up a corpus of procedures that apply to all Group companies. Audits of IT security and compliance

with Group procedures are carried out periodically by all subsidiaries, in collaboration with the audit and risk management department and with the help of external service providers independent of the Group ISD, where appropriate.

Work to further enhance the security of IT systems also entailed continuing to harmonise the different systems in use using a standard ERP system and a single Group accounting system.

In the field of IT risk prevention, IT risk mapping is regularly updated and presented to the Audit and Risk Management Committee. The work carried out in 2018 was focused chiefly on reinforcing the security of central systems, the control of workstations for the Group as a whole, the centralisation of access rights to facilitate their management, the security of internal and external accesses and the protection of confidential data, the protection of cloud applications, the physical security of data centres and the improvement of back-up and fault-tolerance mechanisms for critical systems to ensure continued operation in the event of an incident.

Intrusion tests via internal, Wi-Fi and external networks were carried out, as were IT disaster simulations, and action plans were formalised. The continuity of IT operations is also tested regularly.

The Group also ensures compliance with various standards and regulations, for example in the field of payment card data management (PCI-DSS) and the protection of personal data (GDPR).

#### **1.9.1.6 Protecting the health and safety of consumers**

##### **Description of the risk**

Hermès Group is committed to respecting the regulations in the countries where it operates. The quality of products sold and their compliance with high safety standards is one of the Group's priorities.

##### **Risk management**

Hermès products are regularly tested throughout the supply and production chains. Finished product testing is also conducted by independent laboratories in Europe, Asia and the United States to verify compliance with the world's most stringent regulations, and to ensure their safety. Monitoring is carried out to analyse the development of regulations before drawing up product specifications.

#### **1.9.1.7 Recruiting and training employees and craftsmen in the standards of excellence required by the Group**

##### **Description of the risk**

The *savoir-faire* of our craftsmen, and more widely that of our staff form the foundation of our sustainable development. Our uniqueness comes from preserving, enriching and passing on these often exclusive skills in a period of growth for our métiers and our workforce.

## Risk management

The house is continuing to perfect craftsmen's skills and expertise through a range of training and professional qualification programmes. These programmes are delivered within the dedicated in-house Hermès schools, (including the Leather Goods, Tanners and Textiles schools), and as part of numerous collaborations with external training organisations (as described on page 61).

## 1.9.2 LEGAL AND REGULATORY RISKS

### 1.9.2.1 Compliance with applicable laws and regulations in all areas

#### Description of the risk

The Hermès Group is committed to complying with the laws and regulations to which it is subject in France and internationally. These laws and regulations are increasingly numerous and complex.

#### Risk management

The Group keeps abreast of developments in regulations and case law in all relevant areas to ensure that it complies with French and foreign laws and regulations. This monitoring is carried out by in-house and external firms:

- ◆ in view of the increasing complexity of each legal area, the in-house legal department is split into speciality areas, with departments or divisions specialising in a specific field of law (Corporate and Stock Market law, Real Estate law, Merger and Acquisitions law, Anti-Counterfeiting), divisions with general-purpose teams in charge of certain métiers (Métiers and Selective Brands, Métiers Hermès Sellier and Métiers Holding & Support) and regional divisions, with legal teams in China, Japan, Singapore, India and the United States. The compliance department and the department in charge of Personal Data Protection law also report to it. Employment and tax matters are respectively handled by the Group's human resources and finance departments, which work in conjunction with the legal department;
- ◆ externally, in each region where the Group operates, Hermès is advised by leading local independent law firms, renowned and specialised in each of the numerous areas covered. The Group continues to be involved in ongoing litigation, but there are no pending settlements that are expected to have an impact on its business or on its financial results. The Company is not aware of any other pending or potential governmental, legal or arbitration proceedings that may have, or that over the last twelve months have had, a significant impact on its financial condition or profitability and/or on the financial position or profitability of the Group.

### 1.9.2.2 Protecting and defending intellectual property rights and combating counterfeiting

#### Description of the risk

The Group places great importance on the protection and defence of its intellectual property rights. It is very active in the area of combating counterfeiting. All of the Group's métiers are affected by the scourge and, most particularly, the Leather Goods sector.

#### Risk management

The Group has a particularly comprehensive portfolio of brands, models, patents and domain names, which is regularly expanding.

Within each *métier* legal division, teams are specifically dedicated to these issues and ensure that all of the Group's creations are protected effectively.

Finally, the Group ensures that its rights are respected and pursues an active anti-counterfeiting policy involving both preventive measures (training and lobbying) and coercive measures (administrative, civil and criminal proceedings) across the world and particularly on the Internet. These measures are initiated by the anti-counterfeiting department with the support of external advisers and in collaboration with the competent local authorities in the fields of intellectual property and the fight against counterfeiting. They are carried out both in traditional markets and on the Internet (online sales platform, social networks, retail websites, etc.).

These actions enable hundreds of thousands of counterfeit products to be seized and destroyed each year, the source of these products to be identified and the Group's rights to be recognised, and the payment of damages to compensate for the prejudice suffered.

## 1.9.3 RISKS BEARING ON SOCIAL, SOCIETAL AND ENVIRONMENTAL RESPONSIBILITY

The Group's social, societal and environmental responsibility challenges are described in detail in section 2 of this document, and are articulated around the Hermès Group's six strategic sustainable development pillars:

- ◆ savoir-faire;
- ◆ teams;
- ◆ raw materials;
- ◆ environment;
- ◆ suppliers and partners;
- ◆ stakeholders.

### 1.9.3.1 Preventing the risk of serious violations of human rights, fundamental freedoms, and the health and safety of people

#### Description of the risk

The Group is committed to respecting human rights and fundamental freedoms, the health and safety of people and the environment in relation to its activities and the activities of its subcontractors or suppliers. All of the Group's Métiers are vigilant, and more specifically our fabrics and raw materials supply chains.

#### Risk management

In accordance with French law 2017-399 of 27 March 2017 relating to the duty of care of parent companies and contractors, the Hermès Group has drawn up a vigilance plan to identify risks and prevent serious violations of human rights and fundamental freedoms, and the health and safety of people, resulting from its activities as well as the activities of its subcontractors and suppliers. The mitigation and prevention mechanisms for these risks are addressed specifically on pages 69 to 84 as regards employees and pages 117 to 119 as regards suppliers.

### 1.9.3.2 Preventing risks associated with our natural materials, supply chain, regulatory compliance on environmental matters and carbon emissions

#### Description of the risk

The Group seeks to secure quality supplies of renewable materials, obtained with respect for biodiversity and ethics in the treatment of animals. More broadly, it seeks to control the risks associated with its subcontractors and suppliers. Compliance with increasingly stringent environmental regulatory obligations is an ongoing challenge, as is the issue of controlling carbon emissions.

#### Risk management

In accordance with the law on the duty of care, under the coordination and active control of the Directorate of Industrial Affairs, the main métiers of the House that are involved have undertaken efforts to (i) improve their understanding of supply chains and to modify operating practices, and (ii) ensure compliance with environmental regulations. Audits are carried out regularly with specialised service providers, or with the WWF on certain channels (alligator, cashmere, wood). Action plans are then implemented.

In 2018, the Group strengthened its analysis of the carbon impacts of its activities, took measures to reduce its emissions (property, transport, etc.), initiated studies to establish renewable energy supplies, and increased its investment in the Livelihoods fund, which provides carbon credits with high societal value.

Mitigation and prevention mechanisms for these risks are addressed specifically on pages 92 to 110.

## 1.9.4 FINANCIAL RISKS

### 1.9.4.1 Conservative cash management

#### Description of the risk

The Group has put in place an organisational structure which allows financial risks related to its business to be managed centrally. As the Group has a positive cash flow, it is not exposed to liquidity risk and applies a conservative policy in managing interest rate risks.

#### Risk management

Treasury and currency management is centralised by the Group's treasury management department and adheres to strict management and monitoring rules. Administrative management and operational control are ensured by the middle & back office department, notably via the use of integrated cash flow software.

Furthermore, the audit and risk management department (A&RMD) oversees proper compliance with risk monitoring and management procedures.

The Treasury Security Committee regularly checks that these procedures have been applied and that any risks identified have been addressed. The Group follows a conservative investment policy, designed to avoid the risk of capital loss and maintain liquidity in order to be able to implement rapid and independent strategic changes. The Group deals with leading banks and financial institutions only. In addition, counterparty risks on financial transactions are monitored on an ongoing basis by Hermès International's Treasury Management department. Most available cash is invested for the short term, mainly in money-market mutual funds offered by leading financial institutions, in term deposits and in deposit certificates issued by top-rated banks, with very low sensitivity.

Quantitative information on interest rate risk impacts is provided in Note 23.3 to the consolidated financial statements.

The treasury management department constantly monitors changes in legal regulations with regard to investment transactions to ensure that the Group conforms to current regulations. Furthermore, the finance department adjusts its procedures and tools on an ongoing basis to accommodate changes in its environment.

### 1.9.4.2 Control over exchange rate risk

#### Description of the risk

The Group is naturally exposed to foreign exchange risk because the bulk of its production is located in the eurozone, but the majority of its sales revenue is received in currencies other than the euro (American dollars, Japanese yen and other Asian currencies, etc.). It hedges this exposure in order to anticipate and minimise the impact of currency fluctuations on the Group's profits.

### Risk management

The Group's foreign exchange risk exposure management policy is based on the following principles:

- ◆ the manufacturing subsidiaries invoice the distribution subsidiaries in their local currency, applying an annual exchange rate on the scales established in euros. This means that the distribution subsidiaries mainly concentrate most of the foreign exchange risk;
- ◆ the Group's foreign exchange risk is systematically hedged by Hermès International on an annual basis, based on future internal operating cash flows between the companies in the Group;
- ◆ no speculative transactions in the economic meaning of the term are authorised;
- ◆ these hedges are provided through firm foreign exchange transactions and/or optional transactions eligible for hedge accounting;
- ◆ other non-operating transactions are hedged against foreign exchange risk as soon as the commitment is firm and final. It corresponds to financial risks arising from intra-group loans and dividends in foreign currencies.

These management rules have been validated by the Executive Committee and have also been endorsed by the Supervisory Board.

The administrative management and control of these transactions are provided by the Middle & Back Office department, notably by means of an integrated cash software program. In addition, Hermès International's Internal Audit department ascertains compliance with the risk control and management procedures.

Within this set of rules, management's decisions are validated by the Executive Committee, via a Treasury Security Committee that meets on a regular basis.

The Group's foreign exchange risk is hedged annually by Hermès International, based on highly probable future cash flows derived from budget projections. In practical terms, at 31 December, the hedging of internal transactions in currencies for the next following year is close to 100%.

As such, the Group uses purchases and sales of put and call options as well as currency swaps and forward currency agreements.

Quantitative information on foreign exchange risk impacts is provided in Note 23.2 to the consolidated financial statements.

The treasury management department constantly monitors changes in legal regulations with regard to derivative transactions to ensure that the Group conforms to current regulations. Furthermore, the finance department adjusts its procedures and tools on an ongoing basis to accommodate changes in its environment.

### 1.9.4.3 Control of counterparty risk

#### Description of the risk

As the Group has a positive cash flow and because of its other transactions with banks (exchange rate hedging), the Group is exposed to counterparty risk that is mainly banking-related and is appropriately monitored.

### Risk management

Pursuant to the applicable internal control procedures, the Group only deals with leading banks and financial institutions that have signed FBF and ISDA agreements on trading in forward financial instruments, and it is not exposed to any material counterparty risk. In addition, counterparty risks on financial transactions are monitored on an ongoing basis by Hermès International's Treasury Management department. Finally, the Group breaks down investment transactions, currency risk hedging transactions and transactions involving deposits in selected banks within the defined limits of amount and maturity.

Moreover, the impact of the credit risk as recommended by IFRS 13 in the fair value of derivatives is close to 0 for the Group, given that all of the derivatives have a maturity of less than 12 months.

### 1.9.4.4 Financial risks related to changes in, complexity and interpretation of tax regulations

#### Description of the risk

The Group is exposed to financial risks related to changes in tax regulations or their interpretation in the countries where it operates. Any change in tax regulations involving an increase in existing taxes and duties or the instauration of new taxes in particular in the area of tax rates, transfer pricing, dividends ... could have a negative impact on the Group's results.

#### Risk management

The Group provides regulatory oversight and defines its tax policy by relying on a team of tax experts under the supervision of the Executive Vice President Finance, assisted by external advisers if necessary. The Group is committed to respecting all the laws and regulations in each of the countries where it operates. It relies on transparent and simple organisation. The Group's tax policy is not based on any tax optimisation or evasion scheme and complies with the principles laid down by the OECD. In the case of a dispute or differences in interpretation, the Group may have to challenge reassessments with the tax authorities and to seek redress using the means available to it for its defence.

### 1.9.4.5 Financial risks related to climate change

Hermès believes that the financial risks to its business related to climate change are not currently significant (Article L. 225-100-1 of the French Commercial Code (*Code de commerce*)). The Group is implementing a low carbon strategy and is applying a certain number of measures to reduce its energy consumption and emissions, from supplies, manufacturing sites and its stores. In addition to these in-house efforts, Hermès has been implementing since 2012 a voluntary Group carbon offsetting scheme (Funds Livelihoods).

### 1.9.5 INSURANCE POLICY AND RISK HEDGING

The Hermès Group's policy regarding insurance is to transfer any exposure that is liable to produce a material impact on profits to the insurance market. The Group insurance programmes represent most of the insurance coverage for the subsidiaries. They are placed via the intermediary of brokers who are amongst the ten largest French brokers and with first-rate insurance companies. The main international insurance programmes favour an "all risks except" approach and cover:

- 1) property damage and operating losses that may affect production sites, logistics centres, distribution centres or premises in France and in other countries. The policy underwritten by FM Global was renewed for a one-year term. The upper cover limit is €500 million. The deductibles for direct damage vary from €15,000 to €250,000 and from €70,000 to three days' gross profit for operating losses. In Japan, the Group has had an earthquake insurance policy for several years covering €40 million in direct damage and operating losses. This insurance is accompanied by a prevention/engineering component: 57 production and distribution sites were the subject of a prevention inspection in 2018. The recommendations issued are monitored using a stringent, formally documented system. This policy has been renewed for 2019, with the same levels of coverage;
- 2) civil liability for damages to persons, property and intangibles caused to third parties in the conduct of business operations or by products. These policies were taken out for three years at 1 January 2016 with AIG Europe and Zurich Insurance for cover amounts which take into account the nature of the Group's operations; the maximum cover per event is €70 million, and the deductibles vary from €1,000 to €10,000; This policy was renewed from 1 January 2019 for a period of two years, with the ceiling raised to €100 million;
- 3) the transport of products between the production sites and to the distribution network. A policy has been taken out with Chubb;
- 4) responsibilities in relation to the environment. This policy was taken out with AIG Europe on 1 January 2017 for a period of 24 months. The coverage limit is €10 million per claim and €20 million for the period, and the deductible thresholds are €25,000; This policy was renewed from 1 January 2019 for a period of three years, with the guarantee ceiling raised to €15 million per claim and €25 million for the period;
- 5) cyber risks. Like each year since 1 January 2013, the policy with Zurich Insurance was renewed for a period of one year, covering the reconstruction of data, operating losses following a security incident, civil liability, and costs, notably defence and notification costs.

Other contracts had been subscribed to fulfil specific requirements, particularly in the context of building operations (new work or renovation) carried out as project managers. Moreover, the Hermès Group has for many years subscribed to third-party liability insurance for Corporate Officers with AIG Europe and other prominent insurers, in amounts deemed appropriate for our business.

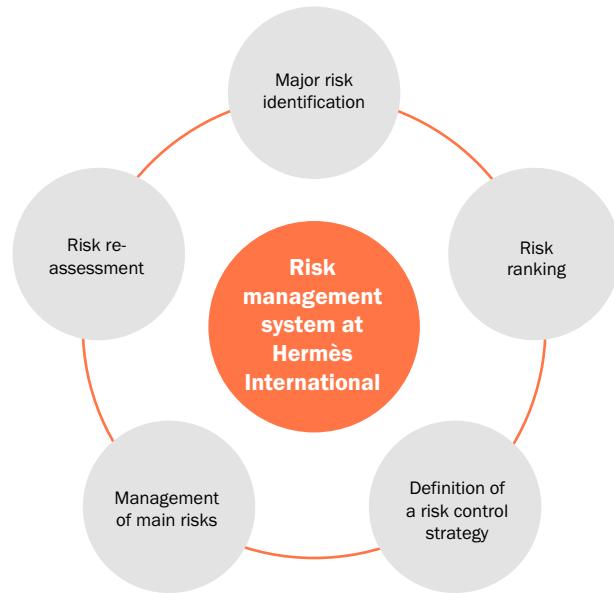
In 2018, these policies were not the subject of significant claims.

### 1.9.6 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS ESTABLISHED BY THE COMPANY

The internal control and risk management systems relating to the preparation and processing of accounting and financial information are described in section 1.10.

#### 1.9.6.1 Objectives of risk management at Hermès International

Risk management systems are designed to frequently examine the major risks. This includes methods for identifying and prioritising risks and for handling the main internal and external risks at the appropriate operating level in order to reduce the Company's exposure.



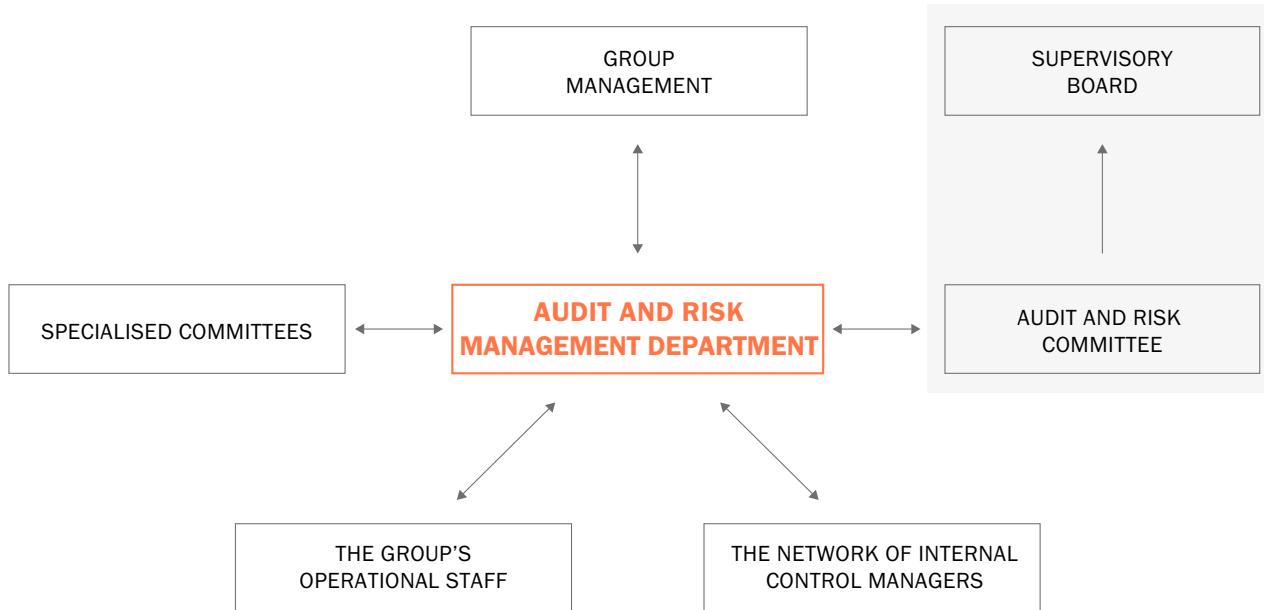
#### 1.9.6.2 Control environment

While Hermès has attained the stature of an international group, it has also retained its human dimension, with family ideals. The Company is dedicated to a culture and spirit of craftsmanship and seeks to cultivate strong values among its employees.

Among these values, quality is paramount - the very essence of Hermès' business. The Group's commitment to quality applies not only to its products and services, but also to its management methods. Hermès attaches great importance to its Senior Executives' Managerial skills. The Hermès culture, which is propagated mainly through integration programmes for new managers and special training, imparts to each individual a thorough understanding of their role in the organisation and the need to abide by the Group's code of conduct and rules of behaviour. The quality-oriented values and mentality shared by all employees serve as a solid foundation to underpin behaviours and observance of stringent internal control policies and procedures. The way in which these values work together and their balance are contingent on the

control environment which forms their common base, and more specifically, on the Company's ingrained risk management and internal control culture, management style and corporate values. With this in mind, to underpin the risk management culture promoted by the Group, a formal ethical charter was adopted and disseminated to its employees in 2009. In 2013, it was completed by the business code of conduct, that sets out the behaviour expected from Group employees. Both documents were updated in 2016. They are available on the Company intranet and have been subject to formal acknowledgement of receipt when given to employees. Additional training sessions on anti-corruption laws have also been organised for operational staff. However, no risk management and internal control system, no matter how well-designed and applied, can provide absolute certainty that the Company will achieve its objectives.

#### 1.9.6.4 Parties responsible for risk management and internal control



##### Group management

The Group management designs risk management and internal control procedures commensurate with the Company's size, business operations, geographical footprint and organisation. In addition to establishing procedures for delegating authority established at different hierarchical levels, Group management has ultimate responsibility for guaranteeing the effectiveness of the risk management system and its adequacy for meeting the Group's strategy objectives. To this end, it is provided with audit reports and the risk mapping of subsidiaries and Métiers and regularly meets with the Audit and Risk Management Department (A&RMD). It therefore oversees the system as a whole to safeguard its integrity and, where applicable, initiate any corrective measures needed to remedy any failures.

##### Audit and Risk Committee

The Audit and Risk Committee was established in 2005 within the Supervisory Board pursuant to Article L.823-19 of the French Commercial Code (Code de commerce), and without prejudice to the powers of the Supervisory Board, which it does not supersede.

#### 1.9.6.3 Scope of the risk management and internal control systems

The Group's risk management and internal control mechanisms are applicable to the parent company and to the controlled subsidiaries, as they are presented in the notes to the consolidated financial statements.

The roles and duties of the Audit and Risk Committee were formally documented in rules of procedure drawn up by the Supervisory Board in 2010 and regularly updated. The latest version appears on pages 212 and 213. In 2017, the rules of procedure were amended, in order to incorporate the procedure for approving services other than the certification of financial statements, and submitted for the approval of Audit and Risk Committee.

Each meeting of the Audit and Risk Committee gives rise to written minutes that must be approved. At each meeting of the Supervisory Board, the Chairman of the Audit and Risk Committee gives the Board a report of the work of the Audit and Risk Committee. A list of the work carried by the Audit and Risk Committee in 2018 is provided on pages 189 to 190.

In 2016, the Audit and Risk Committee also conducted a self-assessment as part of the triennial formal self-assessment of the Supervisory Board.

Since 2017 the updated IT risk mapping is also shared with the Audit and Risk Committee every year. In 2018, the presentation was made during the session of 14 November 2018.

### Audit and risk management department (A&RMD)

The department reports to the Group's Executive Vice-President of Governance and Organisational Development, which guarantees its independence, and has unlimited authority to review any matter at their discretion.

The A&RMD consists of a core team of experienced auditors, and runs a decentralised network of internal controllers. It performs three main roles for the Group:

- ◆ it performs internal audits and monitors the implementation of the recommendations;
- ◆ it identifies and analyses risks;
- ◆ it ensures the deployment of internal controls suited to Group ventures.

The auditors work on the basis of an annual audit plan, validated by the Executive Management and the Audit and Risk Committee, which is adapted every six months, if necessary. The audit plan is powered by comprehensive risk analysis, including financial, operational and compliance, by the proposals of the Executive Committee and by the audit trails. It must allow a regular review of all Group entities and processes, with a frequency appropriate to the magnitude of the risks and the relative weight of the various Group entities. The A&RMD also carries out support assignments for the internal control roll-out within newly acquired entities. In order to conduct specialised audits, A&RMD may call upon outside firms or use appropriate analysis tools which are used notably in the context of preventing accounting fraud. The A&RMD regularly conducts integrated audits with Group experts.

The A&RMD carries out a continuous improvement initiative as regards the internal control and risk management systems. It notably monitors the practices of other companies in such matters.

It works alongside the Group's various departments in order to promote the upstream handling of the main risks, as well as emerging risks, and runs the risk mapping approach of the main businesses, retail subsidiaries and support functions. The methodology for risk mapping is regularly updated in the light of best practice. In 2017, this methodology was entirely revised by a specialist external firm.

The A&RMD coordinates a network of around 60 employees responsible for internal control, in France and abroad, within the métiers, in distribution and in support activities. This coordination includes awareness-raising about best internal control practices. Lastly, it also participates in the Group training sessions in order to promote an awareness of risk management and internal control best practices amongst the management.

An audit charter formalising the duties and responsibilities of the internal auditors and their professional conduct and detailing their audit engagements was released and circulated in 2010. In 2013, the system was completed by a risk charter that formalises the principles and rules implemented with regard to risk management, and by an internal control charter that formalises the roles and responsibilities of the people involved in internal control. These charters are reviewed regularly. The Head of audit and risk management attends Audit and Risk Committee meetings. He meets with the Audit and Risk Committee six times a year, including once without the presence of third parties. He presents a report on the Audit and Risk Committee's activity each year.

### Internal control managers

Internal control managers oversee the implementation of the internal control system within their scope, businesses, distribution subsidiaries or support functions. They report to the CFO of their entity.

They work according to an annual plan, shared with their department and A&RMD, taking into account the Group's internal control priorities and the risks specific to their company. Within their entity, their main tasks are to:

- ◆ review the key risks and the organisation of internal control;
- ◆ verify the implementation of Group procedures in accordance with local regulations;
- ◆ participate in self-assessment of internal control work;
- ◆ spread the culture of internal control to all employees;
- ◆ perform monitoring of the action plans of risk mapping;
- ◆ follow up on the audit recommendations of the A&RMD.

### Specialised committees

Hermès Group has deployed specific processes to monitor certain risks through specialised committees or working groups. These committees meet on a regular basis. For example, committees focusing on real estate risks, safety, IT risks and treasury risks analyse the issues, and study the appropriate corrective measures so that they are deployed in the entities. They also check that existing control systems comply with Group procedures. The main operational contacts involved take part in these committees, as does A&RMD, whose role is to facilitate the identification of risks and of the associated action plans.

Since 2016, the Group Security Committee has been arbitrating on cross-functional topics of security and monitoring the functioning of the specialised committees. In addition, an ad hoc committee on the safety of transport, comprising the Group Safety Department, Transport Department, Insurance Department, Audit and Risk Management Department and the departments of the Métiers concerned is also held on a regular basis to define actions to improve the transportation safety of products at Hermès.

In 2017, Hermès Group introduced the «Compliance and Vigilance Committee», comprising representatives of the Compliance Department, Legal Department, Sustainable Development Department, Industrial Affairs Department, Audit and Risk Management Department, Marketing Department and Human Resources Department, in order to prepare a vigilance plan for all Group subsidiaries. A Director of Legal Compliance and Public Affairs was appointed in 2017. His duties are detailed in paragraph 3.2.2.2.

### The Group's operational staff

The Senior Executives, the major functional and operating departments, and members of the Management Committees of the Group's various entities serve as the main conduits for applying internal control and risk management; they are the main beneficiaries of the system and also key contributors to its proper operation.

Control activities carried out at the level of each entity fall under the joint responsibility of the Executive Vice-President and Financial Executive Vice-President, as established by the signature of a letter of representation relating to the knowledge of the Hermès internal control objectives and of the quality of the controls implemented within the entity. To this end, they rely on the results of an annual self-assessment questionnaire on the implementation of the internal control system.

### 1.9.6.5 Risk management system

The Group's risk management process is based upon the preparation of risk maps as well as a range of complementary tools that facilitate the identification of risks and help to define the actions necessary to best deal with them.

Set up in 2004, the mapping initiative has been rolled out to the main entities under the supervision of the A&RMD.

These maps serve to identify, evaluate and systematically rank the main risks. They represent a lever for performance improvement, as they contribute to the protection of company value and assets. These are effective management tools that provide a comprehensive and shared vision of the risks and define operational action plans and responsibilities of stakeholders. The risk maps are updated periodically by each company under the supervision of the A&RMD.

The internal control managers within the entities are the local relays for the mapping initiative. They participate in the initial risk analysis, while updating and monitoring the action plans.

Group risk mapping is updated annually. The subsidiaries' risk mapping and individual assessments by Executive Committee members feed into it. This risk mapping is shared on a collective basis with them and action plans are circulated. It is also shared with the Audit and Risk Committee. The Group risk mapping is also used as a starting point for A&RMD's audit plan and the internal auditors' work programmes. It also feeds into the internal control priorities of the internal control managers. Prioritisation of risks carried out by Group management is also shared with the entities in order to be included in the mapping carried out locally.

In the areas of fraud and corruption:

- ◆ The A&RMD carried out a specific mapping exercise concerning the risk of fraud, with action plans monitored. Awareness-raising campaigns for functions most at risk are conducted on a regular basis. Awareness-raising, identified as an effective fraud prevention tool, is rolled out and adapted to the types of fraud (risk of systems intrusion, «CEO fraud», etc.). An ad hoc security system has also been introduced and is monitored by the Group Security Department.

- ◆ A corruption risk mapping has been drawn up with the help of a specialist external firm and with the collaboration of the Director of Legal Compliance and Public Affairs, who is responsible for its management, as described in section 3.2.3.1.2.

The A&RMD is also able to modify its work programme and carry out ad hoc assignments in order to deal with new risks, particularly in the event of an alert issued by a Group division. A&RMD may also perform cross-functional audits.

Finally, an IT platform for the sharing of incidents not only enables assessment of the changes of certain risks, but also the apprehension, early on, of any possible signs of weakness. It's a preventive tool that allows for the constant improvement of the control system, to correspond to actual conditions as closely as possible.

### 1.9.6.6 Internal control system in response to risks

#### Organisation

The Company's management is organised into an Executive Committee and several specialised committees, and ensures that strategic directions are followed consistently and that information is disseminated effectively. Detailed organisational charts and memoranda outlining strategic directions give staff members a thorough understanding of their role in the organisation and a way to periodically evaluate their performance by comparing it with stated targets. The Group's organisation is based on an approach designed to foster a high level of accountability among local managers, whose duties and responsibilities are clearly defined.

In its human resources processes, Hermès has established hiring, training and skills development programmes designed to enable each individual to perform their duties effectively, now or in the future. Within Hermès International, the finance department has primary responsibility for preparation and control of financial information (see below).

#### Information systems

Hermès uses effective IT tools tailored to its requirements in preparing and controlling information. Integrated applications are used to centralise data reported to Hermès International by the subsidiaries, for account consolidation and for cash management. Managers have access to data generated by the management systems on a weekly and monthly basis, giving them the information they need to manage business operations effectively, to monitor performance consistently, and to identify any irregularities.

The information systems are designed to ensure that the accounting and financial information produced complies with security, reliability, availability and relevance criteria. Specific rules on the organisation and operation of all IT systems have been defined, applying to system access, validation of processing and year-end closing procedures, data archiving and record verification.

Furthermore, procedures and controls have been set up to ensure the quality and security of operation, maintenance and upgrading of accounting and management systems and all systems that directly or indirectly send data to these systems.

As a supplement to the detailed reviews performed by the information systems department within the main subsidiaries, the A&RMD verifies the implementation of the general IT controls during the audits. In this context, A&RMD may call upon external firms specialising in information systems.

#### Internal control procedures

The internal control processes are described in the Group procedures. They are defined on a Group level, then rolled out and adapted to the specific contexts and local regulations by each division. All Group employees have access to them via a secure intranet site.

The Group procedures cover the Company's main cycles (purchases, sales, treasury, inventory management, fixed assets, human resources, information systems, security and safety, closing of financial statements, etc.). The A&RMD updates them on a regular basis, alongside the various experts in their respective domains.

More specifically, extremely stringent cash management procedures have been put in place. The treasury security rules manual details the following procedures:

- ◆ a treasury management procedure that defines the roles and responsibilities between the Group treasury and the subsidiaries;
- ◆ rules for opening and operating bank accounts, called «prudential rules», for each of the Group's companies, which are constantly updated and include monitoring of the authorised signatories, *inter alia*;
- ◆ a foreign exchange policy approved by the Group's Supervisory Board (this policy describes all authorised financial instruments and sets limits on their use by members of the Hermès International treasury management department);
- ◆ a foreign exchange risk management agreement with each relevant subsidiary, which provides a framework for the relationships between the Hermès Group and its subsidiaries, sets out cash management

policy and rules, and defines the terms and conditions for calculating and applying the annual guaranteed exchange rates;

- ◆ a Group cash investment policy, which is approved by the Supervisory Board of Hermès International and sets out the criteria for investing the Group's cash and limits on its use by members of the Hermès International treasury management department.

A full audit of payment flows was carried out by an external firm in 2017. The implementation of the action plan continued in 2018.

#### Self-assessment of internal control work

Self-assessment of internal control, which began in 2005, is now an established process within the Group, and relies upon questionnaires completed by all controlled subsidiaries. This system helps to disseminate an internal control-oriented culture throughout the Group and serves as a tool for assessing the level of internal control within the subsidiaries and determining how operational and functional risks are handled at the appropriate level. If the control processes assessed are found to be ineffective, the subsidiaries are required to draw up an action plan to remedy the situation.

Subsidiaries perform self-assessment on an annual basis using three questionnaires available on the intranet, in the dedicated IT tool «CHIC» («Check your Hermès Internal Control») run by the A&RMD. The self-assessment focuses on a general internal control questionnaire (CHIC Practices), whose framework is prepared in line with the AMF's «reference framework», a specific questionnaire on treasury management (CHIC Treasury) and a questionnaire on distribution network operating procedures (CHIC Boutique). The industrial safety questionnaire is now completed by the Group security department in its site visits. These questionnaires are updated on an annual basis, in order to include any new risks and controls identified as key on the Group level. The results are reported in a dedicated IT tool where they are centralised and analysed, in order to identify areas for improvement and internal control priorities for the following year.

CHIC Questionnaires	Number of themes *	Examples of themes addressed
Stores	6	Customer relationship management, Cash management, Stocktaking, safety/security, etc.
Practices	10	Finance, Human Resources, Control environment, Information systems, Communication, etc.
Cash	5	Management of bank accounts, processes and payment means, regulatory compliance, etc.

(\*) The themes are then sub-divided into several questions addressing all related procedures in an exhaustive manner.

The internal control managers are involved in the self-assessment, and are in charge of monitoring the action plans. The A&RMD checks and compares the responses given by subsidiaries to the questionnaires with

its own assessment when performing audits. It ensures that the controls have been correctly appropriated, as well as the implementation of the corrective action plans.

### Internal control system monitoring

Regular reviews are carried out by internal control at a local level and are completed by the A&RMD depending on the stakes of each entity. The network of internal control managers is responsible for ensuring that the principal risks related to distribution and production operations, as well as to support functions, are covered by suitable controls, notably regarding the security and traceability of assets. This network has become more dense and now provides fine-meshed internal control within the main entities. As part of its role as coordinator for the network of internal control managers, the A&RMD is involved in their appointment; it reviews the subsidiaries' annual plans, disseminates best practices, notably through a collaborative, company information sharing platform, communicates internal control priorities, and encourages experience sharing between all network members.

The audit assignments represent the third control level. There are several types of audits including:

- ◆ audit of distribution subsidiaries including the audit of stores,
- ◆ audit of production sites,
- ◆ audit of upstream or downstream support departments, etc.
- ◆ special audit conducted with the help of external firms, in particular on information systems

- ◆ support to investments in the setting up of the internal control system

Upon completion of the audits, reports are prepared containing the audit findings, identifying risks and recommending solutions to remedy any problems. Proper implementation of the recommendations is verified during follow-up audits. The audit reports are sent to the managers of the audited subsidiaries or departments and to Group management.

## 1.10 INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

Pursuant to Articles L. 225-100-1, L. 226-1 and L. 823-19 of the French Commercial Code (*Code de commerce*), the report on the principal risk management and internal control procedures instituted within the Company appears below, using the new “Reference Framework” published by the AMF in 2010, AMF position recommendation DOC-2016-05 “Guide to periodic information addressed to all companies listed on regulated markets” and the AFEP-MEDEF Corporate Governance Code revised in November 2016.

This chapter has been prepared by the Executive Management with the assistance of the Audit and Risk Management Committee and the relevant functional departments.

Other internal control and risk management procedures are described in chapter 1.9 “Risk factors”.

### 1.10.1 OBJECTIVES OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS AT HERMÈS INTERNATIONAL

Internal control systems rely on ongoing, recurring actions that are integrated into the Company's operating processes. They apply to all functions and processes, including those associated with the production of financial and accounting information.

The Hermès internal control objectives are to ensure:

- ◆ compliance with laws and regulations;
- ◆ proper observance of the Group management's instructions and strategy directions;
- ◆ operating efficiency of the Company's internal procedures, particularly those that help to protect its assets, as well as the safety and security of property and persons;
- ◆ the reliability of financial information and, in general, the internal control system enables the Company to maintain control over its activities, to enhance the efficiency of its operations and to optimise the use of its resources.

### 1.10.2 INTERNAL CONTROL SYSTEM FOR ACCOUNTING AND FINANCIAL INFORMATION

The internal control system applicable to accounting and financial information is a key component of Hermès International's overall management system. It is designed to ensure stringent financial oversight of the Company's business activities. It encompasses all processes involved in producing and reporting accounting and financial information for the parent company and the companies integrated into the consolidated financial statements. It meets the following objectives:

- ◆ the prevention and identification of any accounting or financial fraud or inconsistencies, as much as possible;

- ◆ the reliability of information circulated and used in-house by Group management;
- ◆ the reliability of the published accounts and of other information reported to investors.

#### Oversight of the accounting and financial organisation

Hermès has set up an organised, documented system to ensure the consistency of reported consolidated accounting and financial data. This system is based on a Group management manual, strict division of responsibilities, and on Hermès International's tight controls on information produced by the subsidiaries.

The internal control process for accounting and financial information involves the following parties:

- ◆ the Group management, which is carried out by the Executive Committee, led by Executive Management. As part of the parent company and consolidated financial statement review and approval process, the Executive Management receives all information that it deems to be useful, such as information on the main options applied for the reporting period, accounting estimates and changes in accounting methods. It analyses the subsidiaries' accounts on a regular basis and meets with their Senior Executives from time to time, particularly during the budget preparation and account closing periods. Lastly, it reviews the findings of the Statutory Auditors;
- ◆ the Supervisory Board, which exercises ongoing control over the Company's management. By consulting Group management, the Board can verify that oversight and control systems are adequate to ensure that the financial information published by the Company is reliable. It has the same powers as the Statutory Auditors and receives the same documents that they do, at the same time;
- ◆ the Executive Vice-President of Governance and Organisational Development, member of the Executive Committee, who ensures the implementation of adequate methods (organisation, skilled resources, tools) and oversees A&RMD responsible for the internal control and risk management initiative;
- ◆ the Executive Vice-President Finance, member of the Executive Committee, who ensures the implementation of an initiative:
  - for the consolidation of financial information in accordance with IFRS accounting standards,
  - for the monitoring and coordination of activity during regular reviews (year-end and half-year accounts closure, estimation updates and budgets),
  - for the external communication of financial information in accordance with regulations.

They are supported by consolidation, management control and investor relations departments;

- ◆ the Managing Directors and Finance Directors of the subsidiaries, who have primary responsibility for the quality of the financial information preparation processes applied by the entities they oversee. They are also responsible for circulating procedures drawn up and issued by Hermès International and for ensuring that these are properly applied.
- ◆ the traceability of closing accounting entries within the information systems;

### Procedures for preparing published accounting and financial information

The procedures that Hermès has implemented in drawing up the financial statements aim to ensure the following:

- ◆ that published accounting and financial information is impartial, objective and relevant in the light of user requirements, that it meets reporting deadlines (*via* a timetable for closing the accounts), and that the information is understandable;
- ◆ that year-end consolidated account closing procedures that meet these criteria are drawn up and circulated to all consolidated entities, namely *via* the Group management manuals, and instructions sent to the subsidiaries;

- ◆ that individual accounts are controlled to ascertain that they comply with Group accounting standards and practices and to verify their consistency prior to integration of the consolidation packages, *inter alia*;
- ◆ that systems are in place for analysing the accounts, such as reviews conducted by the auditors, verification of consolidation transactions, ascertaining that IFRS have been properly applied, analysis of internal transactions, etc. The reporting and consolidation procedures call for the controls required to ensure the reliability of financial information.

Finally, in the context of these audits, A&RMD coordinates its work with the Statutory Auditors in order to ensure the consistency and effectiveness of their joint involvement.



# 2

## CORPORATE SOCIAL RESPONSIBILITY

<b>2.1</b>	<b>BUSINESS MODEL</b>	<b>53</b>
2.1.1	A set of shared values since 1837	53
2.1.2	A strategy of controlled growth	54
2.1.3	Impassioned women and men	54
2.1.4	Main resources	55
2.1.5	Main activities	56
2.1.6	Main achievements	57
2.1.7	Main CSR challenges	58
2.1.8	Governance and CRS policy	58
<b>2.2</b>	<b>PEOPLE: SAVOIR-FAIRE</b>	<b>61</b>
2.2.1	Challenge: preserving and developing <i>savoir-faire</i>	61
2.2.1.1	<i>Policy</i>	61
2.2.1.2	<i>Measures implemented</i>	61
2.2.1.3	<i>Results</i>	63
2.2.2	Challenge: passing on a culture	65
2.2.2.1	<i>Policy</i>	65
2.2.2.2	<i>Measures implemented and results</i>	65
2.2.3	Challenge: recruiting talents	65
2.2.3.1	<i>Policy</i>	65
2.2.3.2	<i>Measures implemented</i>	65
2.2.3.3	<i>Results</i>	67
2.2.4	Challenge: integrating sustainable development in our <i>savoir-faire</i>	67
2.2.4.1	<i>Policy</i>	67
2.2.4.2	<i>Measures implemented and results</i>	67
2.2.5	Contribution to the UN's Sustainable Development Goals (SDGs)	68
<b>2.3</b>	<b>PEOPLE: TEAMS</b>	<b>69</b>
2.3.1	Challenge: the well-being and fulfilment of employees	69
2.3.1.1	<i>Policy</i>	69
2.3.1.2	<i>Measure implemented and results</i>	69
2.3.1.3	<i>Results</i>	77
2.3.2	Challenge: maintaining diversity	78
2.3.2.1	<i>Policy</i>	78
2.3.2.2	<i>Measures implemented and results</i>	79
2.3.3	Challenge: ethics and sharing values	81
2.3.3.1	<i>Policy</i>	81
2.3.3.2	<i>Measures implemented and results</i>	81
2.3.4	Contribution to the UN's Sustainable Development Goals (SDGs)	84

<b>2.4</b>	<b>PLANET: RAW MATERIALS</b>	<b>85</b>
2.4.1	Challenge: securing high-quality supplies	85
2.4.1.1	Policy	85
2.4.1.2	Measures implemented and results	85
2.4.2	Challenge: managing materials sparingly	88
2.4.2.1	Policy	88
2.4.2.2	Measures implemented and results	88
2.4.3	Contribution to the UN's Sustainable Development Goals (SDGs)	90
<b>2.5</b>	<b>PLANET: ENVIRONMENT</b>	<b>91</b>
2.5.1	Challenge: complying with regulations	92
2.5.1.1	Policy	92
2.5.1.2	Measures implemented	92
2.5.1.3	Results	93
2.5.2	Challenge: limiting consumption of natural resources (water, energies)	93
2.5.2.1	Policy	93
2.5.2.2	Measures implemented and results	93
2.5.3	Challenge: managing our greenhouse gas emissions	101
2.5.3.1	Policy	101
2.5.3.2	Measures implemented and results	101
2.5.4	Challenge: managing waste	103
2.5.4.1	Policy	103
2.5.4.2	Measures implemented and results	103
2.5.5	Challenge: respecting and preserving biodiversity	106
2.5.5.1	Policy	106
2.5.5.2	Measures implemented	106
2.5.5.3	Results	107
2.5.6	Contribution to the UN's Sustainable Development Goals (SDGs)	109
<b>2.6</b>	<b>COMMUNITIES: SUPPLIERS &amp; PARTNERS</b>	<b>111</b>
2.6.1	Challenge: long-term partnerships and work with socially supported organisations	111
2.6.1.1	Policy	111
2.6.1.2	Measures implemented and results	112
2.6.2	Challenge: supporting suppliers	113
2.6.2.1	Policy	113
2.6.2.2	Measures implemented and results	114
2.6.2.3	Risk mapping	115
2.6.2.4	Alert Mechanism	117
2.6.2.5	System for monitoring major issues	117
2.6.2.6	Evaluation and control	118
2.6.3	Contribution to the UN's Sustainable Development Goals (SDGs)	119
<b>2.7</b>	<b>COMMUNITIES: STAKEHOLDERS AND LOCAL INTEGRATION</b>	<b>120</b>
2.7.1	Challenge: territorial responsibility in France	120
2.7.1.1	Policy	120
2.7.1.2	Measures implemented and results	120
2.7.2	Challenge: a socially responsible company	122
2.7.2.1	Policy	122
2.7.2.2	Measures implemented and results	122
2.7.3	Contribution to the UN's Sustainable Development Goals (SDGs)	125
<b>2.8</b>	<b>REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL PERFORMANCE STATEMENT IN THE MANAGEMENT REPORT</b>	<b>127</b>

## 2.1 BUSINESS MODEL

For more than six generations, the values inherent in craftsmanship have flowed through Hermès. Since the Company's founding, they have shaped its development and, in parallel, its relationship with the wider world. These values, embodied and conveyed by the Company's Senior Executives, as well as all its employees, are constantly being enriched by the lessons learned from craftsmen. Hermès is a genuine "land of hands", employing over 5,180 craftsmen in production activities. It has fostered in everyone the spirit of craftsmanship that makes the House so unique in many respects, not least in terms of sustainable development. Through daily proximity and internal networking, this living concept inspires all employees, suppliers and partners. This model is mainly rooted in the *savoir-faire* of men and women in France. It is based on geographic and cultural proximity between our designers and the craftsmen and women in our production units. It is backed by our French regional industrial know-how, which we enhance and develop through in-house training for the acquisition of all our métiers, in the aim of passing on our exceptional *savoir-faire*.

The Hermès Group's Statement of Non-Financial Performance covers all of its subsidiaries and sites (scope detailed in sections 1.5 and 1.6). Hermès operates 54 production sites (of which 42 are in France), spread over 47 geographical locations, (including 35 in France, five in Australia, two in Italy, two in Switzerland, two in the United States and one in the United Kingdom). Hermès goods are available worldwide through a network of 310 exclusive stores.

**Hermès is an integrated company whose activities (its "métiers") are described in section 1.4 and can be summarised as follows:**

- ◆ **Leather Goods and Saddlery** (50% of Group sales and more than 3,400 craftsmen and women), with collections of bags and luggage, diaries, small leather goods, writing objects, and saddlery products;
- ◆ **Ready-to-wear and Accessories** (22% of Group sales): ready-to-wear clothing for men and women, and fashion accessories (accessories, jewellery, belts, hats, gloves, shoes, and the Internet of Things);
- ◆ **Silk and Textiles** (9% of Group sales): Women's silk (scarves including the Hermès 90 scarf in silk twill, long scarves, shawls and cashmere items) and Men's silk (ties, scarves, etc.);
- ◆ **Other Métiers:** Perfumes, Watches, Jewellery, Art of Living and Tableware;
- ◆ **Other products and brands:** cristallerie Saint-Louis, Puiforcat (jewelry), John Lobb (footwear), tanneries (Hermès *Cuir précieux*), Hermès Horizons (bespoke objects), petit h, Shang Xia (Chinese craftsmanship house).

### 2.1.1 A SET OF SHARED VALUES SINCE 1837

Sustainable development at Hermès is based on a constant determination "to do things well". The characteristics of craftsmanship enable a better understanding of this state of mind and the meaning of Hermès's actions in this area:

- ◆ **responsibility:** handmade leather objects are the work of a single person who masters all the steps necessary for their fabrication and is responsible for their final quality. This sense of responsibility also extends to the materials used, which must not only be the most beautiful but also of indisputable origin: they must be worthy of serving to create objects of exception. This accountability remains throughout the product's future life: each craftsman or woman takes a view that extends well beyond the production process. The keen awareness of the consequences of our actions accordingly begins upstream and reaches far into the future. This value of responsibility, which stems from the crafting of products by hand, is one of the catalysts of the Company's approach to sustainable development. Responsibility is an internal requirement that is even more important since the House controls a large number of the parameters of its activity;
- ◆ **authenticity:** craftsmen and women take pleasure in highlighting the "authenticity" of beautiful raw materials, those that show themselves as they are, hiding nothing from the hand or eye. They eschew the use of less than perfect materials, even when the end result may seem acceptable. This attitude to quality, this demanding outlook, is reflected in the attention paid to all the aspects that comprise an artisanal object and its craftsmanship. Linings are given the same attention as exteriors, pieces that are hidden from view have the same importance as those that are on view. Just as they are scrupulous with their materials and their work, the Hermès craftsman or woman – like all employees who work for the House – has a clear-eyed, engaged view of their relationship with their economic, social and ecological environment. They are aware of their limitations and imperfections, but also of the need to constantly question the status quo in order to continue to achieve the House's values of excellence. Sustainable development is pursued in this spirit of sincerity, excellence and continuous improvement. It is built on achievements more than on abstract commitments. It pursues long-term effectiveness rather than self-promotion;
- ◆ **time to work well, together:** Hermès craftsmen and women, and the entire House, have come to take the same view over the years – seeing time as an ally, something that allows them to work well, to absorb a subject's internal or external perspectives and to cultivate the qualities of each and every one. Ultimately, time enables things to be put into perspective. When learning the *savoir-faire* needed

to craft an object, it is unthinkable to skip a step to save time. Each step is part of a continuum; they are all essential. This approach also serves to learn to complete what we have begun. This way of working has guided us and encourages us to implement responsible policies and practices in a collaborative approach, focusing on the quality of the end result, happily taking the necessary time, while taking account of the pace needed for sustainable change for employees, our partners and the natural ecosystems.

This is how sustainable development echoes the House's founding values. These values constitute a powerful engine for a family group that produces more than 70% of its goods in-house and therefore controls most of its value chain. Hermès' corporate social responsibility (CSR) is the way in which the Group integrates social, environmental and economic concerns into its activities and its interactions with its stakeholders on a voluntary basis.

### 2.1.2 A STRATEGY OF CONTROLLED GROWTH

The Group's craftsmanship model is one of measured growth, in line with sustainable development requirements. Hermès crafts high-quality objects in limited quantities. It's a human-size company with 14,284 employees worldwide, including 8,846 in France.

The attention paid to **people** is at the heart of the House's business model, both those at its sites as well as partners and suppliers. Hermès is attentive to working conditions, respecting a balance in terms of diversity and stringently applying the fundamental principles of the United Nations and OECD. With the bulk of its operations in France, it contributes to regional development through the creation of long-term, high-quality jobs.

Our **supplies** mainly consist of renewable natural raw materials, obtained in ways that have a low impact on biodiversity. For example, since cattle hide is a by-product of livestock breeding for human consumption, the production of leather goods consists in the recycling and transformation of something that could otherwise be considered as waste.

Our **manufacturing activity**, being manual, emits little pollution, and our craftsmen parsimoniously manage the raw materials they render sublime through their *savoir-faire*. Leather Goods and Saddlery account for half of the Group's sales, while the silk, textile (clothing) and accessories métiers generate one-third of the total. A dozen other métiers round off our revenue. **Outsourcing** is limited: more than 70% of Hermès objects are made in-house, a proportion which is particularly high for the luxury sector. Relations with most of our subcontractors – mainly based in France or other European countries – consist of long-term partnerships which are highly controlled in terms of quality, ethics, labour aspects and the environment.

While our products are made in France, they are **distributed** worldwide. Our distinctive approach in this area is the freedom given to store managers to compose their own offerings as they see fit, during the four annual meetings held for the presentation of the new Hermès métiers' collections. This method makes it possible to meet local demand closely and reduce waste.

Crafted from the best available materials using the best *savoir-faire*, the objects that meet Hermès' high standards are, by nature, objects made to last. Most of them improve over time, as the patina and signs of use that mark their passage through time give them a unique character. Hermès objects are often passed on from one generation to the next, and can be repaired.

Hermès, which is currently managed by the sixth generation of family shareholders, is aware of its **social responsibility** and strives to give back to the world part of what it gives to the Company. The development of production activities in France, where we have 42 sites, contributes to creating sustainable value in the country's numerous rural areas. Developing in France (62% of our workforce) is a strategic choice, underpinned by the conviction that there can be no creation of economic value without the creation of value for employees and society. Each site gives us the opportunity to fulfil our responsibility through local initiatives to improve our social and economic environment. Hermès also shows its generosity through the initiatives of its *Fondation d'entreprise*, founded in 2008 and provided with a five-year budget of €35.8 million (excluding skills sponsorship) (2018-2023, see section 1.8).

### 2.1.3 IMPASSIONED WOMEN AND MEN

Since 1837, Hermès has based its long-term project on the quality of the men and women who join the Company, often for a lengthy period of time (more than 60% of the employees working for the Company 10 years ago are still there). Participating in the collective adventure, they make a successful contribution to Hermès' activities through their sense of belonging, their commitment and the ability they are given to develop every day thanks to the diversity of their responsibilities and the quality of management.

With 14,284 employees worldwide, of whom 62% are in France, Hermès is continuing to develop its creativity, craftsmanship and trade projects around diversified teams, comprising 68% women. Almost half of its employees work in the French production sector.

With a presence in more than 50 countries, our Group provides close support to its managers so they can embody, on a daily basis, a responsible management style, capable of conveying the House's values and culture and a dynamic vision of continuous renewal. Relationships with its people are as important as economic success. Exercising enlightened leadership is not a matter for improvisation. Management is a demanding job, which can be learned through in-house training and by forging ties with other managers. It needs to be cultivated over a whole lifetime, through confrontation and experimentation.

Communicating our corporate culture to all employees, throughout their careers, is combined with a raft of development and leadership initiatives. These measures help to increase employee commitment and their pride in contributing to the Group's growth. They underpin our labour relations and ensure the success of our initiatives in the areas of diversity and disability.

In this context, scrupulous attention is paid to everyone's health and safety, with an uncompromising and pragmatic approach, site by site and métier by métier.

The attention given to nurturing a positive and inclusive environment at all workplaces, and to investing in acquiring *savoir-faire* and developing skills, enables each individual to find his or her place, to be committed, and to develop and flourish throughout the course of their missions and positions. We are convinced that our customers are only happy when our employees are happy.

Numerous internal communication initiatives enable the corporate project and the Group's values to be shared and this attitude, which is so characteristic of the House, to be nurtured.

## 2.1.4 MAIN RESOURCES

Hermès manufactures high-quality products, mainly from renewable raw materials. The House's most emblematic raw materials are leather, silk and cashmere.

### Leather Goods

All leathers used for manufacturing are directly purchased from tanneries, with no intermediaries. The vast majority of the needs are covered by the House's own tanneries, and by French, Italian, German and Spanish tanneries, all of which must adhere to European standards, which are some of the highest in the world for the industry.

Being of animal origin, leather reflects the animal's life. You will only get a good hide from an animal that has been well-treated. Hence, the Group's demand for high quality helps to improve the industry by encouraging livestock farming methods that respect the animals' welfare.

Hermès uses more than 30 different types of leather to make its goods. Most of the leather comes from calves raised in France (including our flagship "Box" leather, made using an English tanning technique), but also natural cowhide (in our saddlery leather products line) and "exotic" leathers. Other than these exotic leathers, the hides used by Hermès come almost exclusively from small, sustainable farms in Europe, particularly in France. As a by-product of meat production, the calfskin is collected from abattoirs in the European Union, in practice almost exclusively in France. The farming activities help to preserve essential vitality in these rural areas, creating local revenues, and contributing to the management of the territories and preservation of our regions' landscapes and ecosystems.

Before it becomes leather, the hide is specially tanned and made imputrescible, either in a "mégisserie" for lamb, sheep, and goatskin or in traditional tanneries for hides from cattle or reptiles. Hermès uses only full-grain leather, the top part of the skin, without altering it in order to improve its appearance. To maintain consistency in the finished product it also only uses entire hides. Hermès works together with its tannery partners, with a view to long-term cooperation, and has a dedicated annual budget to organise programmes to improve the quality of the industry, working together with farmers, their cooperatives and their professional associations.

These exotic leathers include the skins of crocodiles, alligators, lizards and ostriches. Exotic tanneries essentially use the skins of crocodilians. The vast majority of the skins come from farms located in the United States, Africa, and Australia. All Hermès partner farms must comply scrupulously with the rules drawn up under the aegis of the UN for the Washington Convention, which defines protection for endangered species and very stringent conditions (see section 2.4.1). In addition, Hermès requires that its partners meet the highest standards for the ethical treatment of alligators and crocodiles following recommendations by expert veterinarians and local authorities such as the United States Fish and Wildlife Service, the federal nature protection agency.

### Silk and cashmere

The Silk division essentially uses two materials — silk and cashmere. Long-standing partnerships have been developed with a small number of suppliers for these two precious fabrics.

A supply chain for high-quality silk thread has thus been developed for more than 20 years in Brazil. The use of Japanese *savoir-faire* enabled cultivation of the mulberry tree, whose leaves are used to feed silkworms, to be sustainably established in the state of Paraná. This industry preserves low-chemical hardwood biotopes (silkworms eat only non-polluted mulberry leaves). It preserves soil fertility through a circular economy mechanism (silkworms produce several kilos of natural fertilizer per kilo of raw silk). It also generates income for small local farms and thousands of families, as silkworm farming is labour-intensive.

The cashmere used by our textile departments mainly comes from Inner Mongolia (People's Republic of China). It is supplied to us via a specialised European partner with whom Hermès has had a relationship of trust for nearly 20 years. The farms from which we source most of our supplies apply extremely stringent standards, overseen by local authorities, in terms of treatment of the herds and preservation of plant biodiversity.

## Other materials

Hermès essentially uses renewable natural raw materials, often in small quantities. It seeks the best characteristics and high-quality supply sources that meet its environmental and social standards. The Group thus uses only small quantities of cotton, wood, precious metals and gemstones (for which we have a certification from the Responsible Jewellery Council – RJC).

There is a dedicated annual budget to develop the knowledge, techniques and sustainability of our partners' supply chains. Programmes to improve the quality of their products are also carried out and we maintain high levels of discussion and sharing.

Since 2016, with the backing of an international NGO (WWF France), Hermès has been auditing supply chains (alligator in the United States, cashmere in China, and wood in Asia and Africa) in order to assess their environmental and social footprints. In addition, in 2017, the House conducted a full review of the ostrich farming industry. The review, which was led by a specialised veterinarian, placed emphasis on the ethical treatment of the animals, like in other audits.

## 2.1.5 MAIN ACTIVITIES

Hermès' distinctive feature is a highly integrated form of production, which is based in France. Indeed, most of our products (80%) are made in France, essentially in our own production units (over 70%). By nature, the House's craftsmanship model implies operational sobriety: control of supplies of noble and expensive materials, optimisation of the use of these resources by craftsmen who are aware of the value of objects, opting for decentralised target-specific distribution where store managers buy according to their respective markets.

### A company focused on creation

A Hermès object expresses the House's creativity. Working within an artistic department headed by Mr Pierre-Alexis Dumas – a sixth-generation member of the Hermès family – our creative talents are either Hermès employees or engaged in a long-term commitment with the Company. They feed on Hermès' values, its rich past, its present, and the diverse artistic trends that inspire the style, in order to uphold shared aesthetic values. Their mission is to create, innovate, put forward new concepts and collections whose forms, materials and colours will astound our customers and be enhanced by our craftsmen. Creative freedom of production, is asserted while respecting the harmony and consistency of the collections, evinced by an annual theme. It is counterbalanced by the stores' free choice of purchases.

### Hand-crafted in France

In all our métiers, Hermès' craftsmanship model is based on the exceptional savoir-faire of men and women established in France. To ensure their growth and development in our production units and territories, we provide them with in-house training aimed at passing on skills.

Practically all of our production takes place in France, where we have 42 production sites in 8 of France's 13 regions, and grouped to create regional clusters. All of these production sites are human-size. For example, our leather workshops employ a little over 250 people. A simulation-based recruitment method, developed with the Job Centre (National Employment Agency) enables us to recruit people locally on the basis of their aptitudes rather than formal qualifications, irrespective of age or experience. We invest significant amounts in in-house training (65 trainers and some 200 tutors in our Leather Goods division).

This production approach is consistent with the craftsmen's need to manage resources parsimoniously, while managing the teams in a benevolent and conscientious way.

This craftsmanship model holds part of the solution to the challenges of sustainable development in social and environmental matters.

### Limited subcontracting

The Group's use of suppliers and partners is limited. It establishes long-term relationships with them, in a spirit of cooperation and excellence. With our top 50 tier one industrial suppliers, the average length of our trading relationship is 21 years. Some of them even date back to the 1950s. This outsourcing has limited risks (70% of our objects are produced in-house). In absolute value terms, outsourcing only represents a fraction of our cost of sales, but with the same high standards and level of control as for in-house production. An analysis of the top 50 tier one leading industrial suppliers shows that 56% of purchases come from France, 30% from elsewhere in Europe, and only 14% from the rest of the world (where they mainly consist of raw materials, for which our operational involvement and vigilance are extremely high, given the implications).

### Centralised logistics

Since its production is based in France, Hermès' logistics is centralised in the Paris region, thus rationalising its distribution (85% of which is outside France). Its main logistics centre in Bobigny covers almost 30,000 m<sup>2</sup>. A limited number of intermediary logistics centres optimise flows across the Group's main markets (Japan, China, United States). This centralisation reduces the supply chain's environmental footprint.

### "Multi-local" distribution

Present worldwide, Hermès is committed to the principle of giving purchasing freedom to its distribution subsidiaries and stores. Market managers and store managers thus meet several times a year in France to select a local product assortment specifically suited to their clientele, thereby reducing waste. This purchasing freedom is a strong value at Hermès. This model ensures variety in the offering, makes every player accountable and allows specific targeting, thus reducing the Group's ecological footprint. Out of our 310 exclusive points of sale, 219 are operated as branches in rented premises (except for certain stores in Paris, Tokyo-Ginza, Seoul, Beverly Hills and Geneva). Hermès stores are designed as showcases for our products. During their construction, reno-

vation and operation, close attention is paid to their architectural quality, their social footprint (quality of life of our sales teams) and their ecological footprint. For day-to-day operation, we opt for low-energy solutions, such as led lighting.

## 2.1.6 MAIN ACHIEVEMENTS

- ◆ **Solid economic growth.** Through Hermès' creativity, craftsmanship model and selective distribution, along with its prudent management, the Company's revenue has grown by a factor of 3.4 over the past 10 years, with a 4.4-fold increase in recurring operating income over the same period. The workforce has grown by a factor of 1.8 over that period.
- ◆ **Preservation and development of savoir-faire.** To support its growth policy, which is mainly focused on organic growth, Hermès has developed skills for the in-house recruitment and training of its craftsmen and women, whose *savoir-faire* is often exclusive. Over 4,800 craftsmen in France share this *savoir-faire* and pass it on to the next generations as the House develops. This *savoir-faire* is also that of our designers, traders and managers, who gradually integrate sustainable development in their ways of working.
- ◆ **Stable, meaningful jobs.** Hermès develops its activities with a view to creating permanent jobs and employment security. The Group has never closed down sites and wants its human investments to be long-term and enable its employees to fulfil their potential through long careers. The House's values and its corporate project give meaning to the jobs, as each employee can proudly grasp the implications of their missions within the broader organisation. According to an employee survey conducted by Glassdoor in December 2018, Hermès was ranked No. 1 employer in France on a number of criteria: pride in belonging to the Company, smooth employee relations, tight-knit teams, training provided, attractive compensation.
- ◆ **Contributing to ecosystem management.** The search for excellence in the choice of our raw materials (a well-treated animal will have a more beautiful hide) and our ethics promote the development of local farming (in France and nearby European countries), thereby contributing to the perpetuation of an essential activity for the preservation of our rural landscapes. In the case of precious hides – as recently reiterated by the IUCN – the sustainable, controlled farming of alligators and crocodiles has made it possible to save these species from extinction, contribute to their development, and strengthen biodiversity in wetlands, while providing income to local populations.
- ◆ **Objects made to last.** As Mr Robert Dumas used to say, “a luxury product is one that can be repaired”. Hermès objects are made to last, to be passed on, and to be repaired if needed. This long lifespan is to be put in perspective with the Group's limited impact on its ecological environment. It runs counter to the excesses of consumerism and rapid obsolescence.
- ◆ **Firm regional roots.** Our French *savoir-faire* is strengthened by the geographic and cultural proximity between our designers and the craftsmen and women in our production units. It capitalises on the rich production capabilities in our regions, which we enhance and develop through the provision of in-house training for the acquisition of all our métiers, with the aim of passing on our exceptional *savoir-faire*. On average, over the past six years, we opened one production site per year, creating a total of 2,000 direct jobs.
- ◆ **A company with a strong contribution to society.** Hermès is a responsible player and is committed to the development of the communities within which it operates. For the development of our sites in France, our recent experiences have prompted us to seek partnerships with local public and administrative authorities, who have a strong interest in economic development and are keen to find solutions. Employment is the main challenge for these regions. As a rural mayor told us, “Employment is what enables us to focus on social, cultural, and solidarity-based initiatives”. We have been able to assess that one direct job created in a rural area indirectly leads to at least 1.5 other jobs. Our sites make it possible to support local shops as well as real estate, and to keep classes open in schools. In addition, they often serve as bridgeheads, helping to create skill clusters and attract other economic players. Furthermore, we strive to contribute to social and cultural development and enhance the biodiversity around our sites. This social responsibility approach, at the level of our activities, is pragmatic but systematic.
- ◆ **Sharing the value we create.** The Group's profits are divided as follows: one-third goes to investments, one-third goes to shareholders, and one-third is put in reserve. The effective income tax rate of the consolidated Hermès' Group is 32.5%. The Group's successes thus contribute to the State's budget. Employees share in the Group's growth through recurring shareholding plans, targeting over 11,300 employees across the Group. Since 2007, they involved a total of 806,060 shares. The *Fondation d'entreprise Hermès*, which has a five-year budget of €35.8 million (excluding skills sponsorship), was recognised in 2017 as France's most generous foundation on the basis of its budget/revenue ratio.

## 2.1.7 MAIN CSR CHALLENGES

In 2018, the Group updated its analysis of its main risks and CSR challenges.

A materiality analysis, conducted in 2015 (on the impact for the Group and impact for stakeholders), was updated. The Group's risk maps, produced in-house by the audit and risk management department, were analysed and specific risk mappings (including supplier risks, and ethics/compliance risks) were taken into account. During the summer, the data was compared with that of major CAC 40 groups. The distribution subsidiaries' CSR Officers were consulted in order to take into account our customers' perceptions. In addition, a study on major societal trends (in particular the relationships between living things) was included in the analysis.

On these bases, in September 2018, the Sustainable Development Committee, in the presence of two Executive Committee members, validated a list of the main risks and challenges for Hermès. This list is used as a framework for the Statement of Non-Financial Performance. To take account of the fact that the identified risks also provide opportunities, the term "challenge" was chosen for this report.

Given the subjectivity inherent in the rating of these challenges, the Group has decided not to prioritize them in a specific way.

These challenges are summarised hereunder. They are described in more detail in the next sections of the document.

- ◆ **Savoir-faire:** the challenge is to ensure the perpetuation of the craftsmanship model, which rests on exceptional *savoir-faire*. This goal entails exacting recruitment, the sharing of the House's culture, training, and the development of the creative *savoir-faire*, craftsmanship and trading know-how. It involves the integration of sustainable development challenges in our operations, and our capacity to communicate more extensively on our achievements.
- ◆ **Teams:** people have been at the heart of our approach since 1837. The challenge is to maintain favourable conditions for the well-being and fulfilment of our employees over the long term and in their daily activities, through meaningful high-quality jobs and by sharing the fruits of our growth. Increasing diversity in all its forms (gender balance, generations, profiles, origins, and people with disabilities) is an asset and necessary to ensure vitality. Gender balance is a priority. We will also achieve this by sharing our values and our ethical principles with our employees.
- ◆ **Raw Materials:** the challenge is to safeguard high-quality renewable supplies that respect biodiversity and the ethical treatment of animals, and to manage these materials parsimoniously throughout their life cycle (reducing waste, and recycling).
- ◆ **Environment:** the challenge is to comply scrupulously with regulatory requirements and do better whenever possible (practically all of the Group's production is based in highly regulated countries). It involves the controlled use of natural resources (water and energy) and improvement of our processes. The key points are use of the cleanest technologies and the most environmentally-friendly substances; control of the carbon footprint of our activities (and implementation of carbon

offset initiatives) control of waste (by reducing waste production and by recovery); and preservation of biodiversity.

- ◆ **Suppliers and partners:** the challenge is to maintain the existing *savoir-faire* through close long-term partnerships with our suppliers. It also involves increasing diversity in our collaborations, for example by placing work with socially supported organisations in France, while exercising our duty of care over our supply chain. These relationships are governed by a suppliers' policy drawn up in line with our duty of care over our supply chain.
- ◆ **Stakeholders:** the challenge is to assume our territorial responsibility and fulfil our ambition of being a socially responsible company. This is reflected in the development of our sites in France, by being a committed player within local communities around the world, and by pursuing initiatives through the *Fondation d'entreprise* and the Livelihoods Fund.

These challenges are the foundations of the six pillars of the Group's CSR strategy.

## 2.1.8 GOVERNANCE AND CRS POLICY

Since 2007, the House's sustainable development actions have been overseen by a Sustainable Development Committee, in which two members of the Executive Committee play an active role alongside the heads of the human resources, industrial affairs and distribution departments, as well as the heads of two métiers (Leather Goods and Silk) and the management of the *Fondation d'entreprise Hermès*. The Committee, which is organised by the sustainable development department, met five times during the year, with each meeting providing an opportunity to take stock of strategic challenges, to decide on the implementation of operational projects and to hear reports by managers on the progress of their sustainable development initiatives. The minutes of the committees are submitted to the Executive Committee. The Committee reports to the Supervisory Board's CAG-CSR Committee twice a year. The Supervisory Board (see chapter 3) approved the implementation of a variable compensation component for the Executive Chairman of Hermès based on three CSR criteria (environmental, social and societal) that will be applicable starting in 2019.

The **Group sustainable development department**, which reports to a member of the Executive Committee, implements strategy, oversees the approach taken by all operating departments and Group subsidiaries, both in France and internationally. It monitors accomplishments, coordinates the operation of various committees (the Sustainable Development Committee and a Group Operations Committee), assists local committees and manages cross-functional projects. In 2018, it hosted 15 in-house seminars in France and internationally. It ensures the cohesion of the entire system, manages internal communications, takes part in external communication and helps share best practices.

The **Group Operations** Committee meets every two months; it comprises the heads of the House's main corporate functions (approximately 15 people). It analyses and validates projects' technical and functional aspects, facilitates information sharing and serves as a collective decision-making body providing a pragmatic perspective on sustainable

development challenges. The involvement of its members is essential to projects' concrete implementation. It met four times in 2018 and organised a learning expedition in a pioneering company in this field in France.

Each of the House's main métiers and key subsidiaries has its own **local Sustainable Development Committee**. These committees, formed to launch and monitor initiatives, share their achievements at regional meetings and through the best practice observatory on the Group intranet. As specified in the "environment" chapter, initiatives in this area are driven more specifically by an "**HSE network**" run by the industrial department. These committees carry out operational initiatives, and play a role in internal management and communication with teams.

Throughout the year, the Group's subsidiaries and entities initiate and monitor numerous sustainable development projects overseen by their Management Committees or by *ad hoc* committees. Cross-functional committees, led by Hermès' head office departments, manage issues that are of common interest and often of a medium-term nature. They focus in particular on issues relating to recycling, materials innovation, sustainable construction and logistics.

For example, since 2017, Hermès China has taken a proactive approach, with the creation of a strategic Sustainable Development Committee (which includes three Management Committee members), a Sustainable Development Committee (with 11 members in Shanghai) and a network of 23 ambassadors in stores. Again in Asia, for the fifth consecutive year, members of the Sustainable Development Committees in Japan, Korea, China, Taiwan, Singapore and Hong Kong met for three days in 2018 to share their operational practices. They are thus gradually becoming a regional repository of skills in this area.

## CSR Strategy

The "all artisans of our sustainable development" **strategic framework**, signed by the Group's Executive Chairman, has been distributed to all employees since 2015 and serves as a basis for the work of each individual. It focuses on the most significant issues in terms of the values of the House, the Company's durability, and its responsibility towards its social and ecological environments and towards its stakeholders. It sets priorities in accordance with a materiality principle. It ensures that objectives are consistent and provides a framework for decentralised initiatives. The métiers and subsidiaries are invited to report on their initiatives and their ambitions annually on the basis of this document, during the half-year budgetary exercise, and are interviewed by the Sustainable Development Committee about their major challenges.

This strategic framework is organised around six pillars which signpost the footprint that Hermès wishes to leave on the world. They concern People, the Planet, and the Communities in which we operate.

### People:

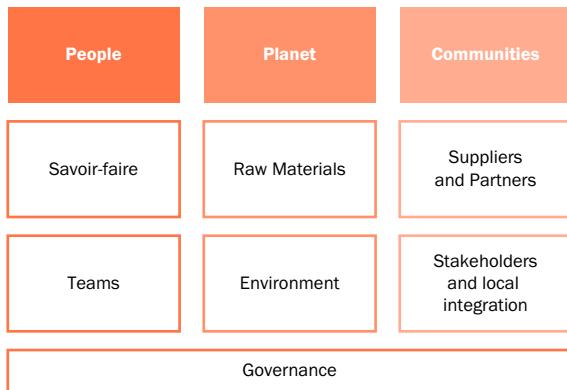
- ◆ Hermès oversees the development and transmission of the **savoir-faire** of its craftsmen and women, and more widely, that of its teams, who form the foundation of its sustainable development approach. The framework sets out in particular the priorities in the areas of training, skills development, and the sharing of savoir-faire within teams and between generations. The development of production methods that are respectful of craftsmen and women and of the environment is one of the major focuses of work;
- ◆ special attention is given to the satisfaction and professional fulfilment of **employees**, and to promoting their diverse talents, which are drivers of sustainable growth. The framework has highly ambitious goals in the areas of working conditions, human relationships, the scrupulous attention to be paid to the health and safety of our employees, harmonious labour relations, employee well-being and work-life balance. It asserts a strong commitment to diversity and solidarity, particularly towards those who are experiencing difficulties or have a disability.

### Planet:

- ◆ the durability of the Group's business depends primarily on the future availability of the high quality **raw materials** that are key to Hermès' unique character. Hermès protects and respects the exceptional natural resources that are used to produce its objects. The framework sets out major ambitions for our supply chains, particularly for natural materials, and their environmental and social footprints. It emphasises our ambition to improve the way we use these materials, all of which are precious, in order to avoid waste. Significant attention is paid to managing waste from the point of manufacture to the product end-of-life;
- ◆ Hermès is constantly seeking long-term and ambitious but pragmatic solutions to better preserve the **environment**. The framework confirms our ambition to control our impacts throughout the value chain, from the upstream agricultural sector, to manufacturing, to distribution. This section sets out our challenges in the areas of controlling industrial consumption (water, energy, etc.), managing waste emissions and industrial waste, reducing the environmental footprint of sites, reducing the carbon footprint and the carbon offset policy.

### Communities:

- ◆ the Group's ability to grow is linked to the development and durability of its **suppliers and partners**, who are leading players in the field of high quality products and services, but also in social and environmental endeavours. The framework specifies the concepts developed in the ethical charter (see 3.2.1.2), with ambitious objectives to improve our knowledge of and continue to support our partners in confronting quality issues as well as ethical, social and environmental challenges that they may encounter, with the required level of vigilance;
- ◆ Hermès ensures dialogue and the development of harmonious relations with its **stakeholders** and is determined to play a role as a responsible company wherever it operates. The Group reaffirms this objective for our corporate regional responsibility. In particular, it involves its stakeholders, skills sponsorship activities, support for local and disadvantaged communities, for example, through the Livelihoods project.



Hermès supports the UN's commitment to sustainable development. The Group is a signatory to the Global Compact, at the "Advanced" level. This agenda of actions hinges on 10 universally recognised principles to build stable and inclusive societies. These principles cover topics including human rights, international labour standards, environmental protection and the fight against corruption. Since 2015, the UN's sustainable development programme, featuring 17 Sustainable Development Goals (SDGs) for 2030, serves as a common reference for governments, civil society and private organisations. Hermès' ambitions are aligned with these 17 goals, which are summarised in the six parts of this report. The Group's actions, while not covering all the areas included in the SDGs, are accordingly part of a broader objective. The Group's goal is to make a tangible contribution in these important areas, on the scale of our activities.

## Tools

The Group develops and regularly updates a number of tools to support and implement its sustainable development approach. Committee work and operational decentralisation are facilitated by the dissemination of these tools, all constructed using a participatory approach that facilitates their adoption.

The House's ethics are enshrined in a forty-page **ethical charter** published in 10 languages and distributed to all employees. It aims to promote the corporate project and reaffirm the Group's commitment to certain fundamental principles in Hermès' relations with its stakeholders and wider society. It is given to all new employees when they join the House. The Director of Legal Compliance and Public Affairs oversees this area. A **code of business conduct**, available in ten languages and updated in 2018, sets out the House's guiding principles on a range of operational matters. It lays out an external matrix alert system. The content and

operating modes in relation to these two documents are set out in section 3.2.1 of this document.

The teams are also provided with other tools, such as:

- ◆ specific technical guidelines, whether in terms of construction, supplier relations, guidance on applying the ethical charter in specific contexts, or eco-actions;
- ◆ a dedicated page, launched in 2018 in the new "HermèsSphère" intranet, to inform employees and share best practices. It also includes all useful documents for local teams;
- ◆ a collaborative platform called "Agora", launched in 2017, to share day-to-day initiatives. Over 250 sustainable development ambassadors have subscribed to the platform;
- ◆ a "sustainable development" section created on the new hermes.com site at the beginning of 2018. It shares our initiatives with our employees, customers and various stakeholders, through media such as a series of illustrated articles and films on our "Footsteps across the World".

## Facilitation of initiatives

The sustainable development department coordinates the activities conducted by the Paris sites and manages a schedule of internal activities in France that involves regular events held throughout the year, such as donation drives for clothing and toys, participation in sporting events and Earth Hour (a worldwide movement for the planet organized by WWF), a honey harvest, social support baskets, and so on.

In 2018, the Group strengthened its commitments in the area of local charitable initiatives through a memorandum circulated to the distribution subsidiaries abroad, which sets out the operating and financial methods that they must follow.

During the European Sustainable Development Week, all French sites and subsidiaries organise operations with their employees. This is an opportunity to share the challenges in this area more widely with employees, along with the Group's strategy and achievements, and to open up to the wider world. In 2018, the Ile-de-France sites participated in events focused on disabilities, eco-actions and the circular economy. Moreover, around 100 employees and their children had an opportunity to attend a private screening of the film "On a 20 ans pour changer le monde" (we have 20 years to change the world), which was also attended by its director. The discussion that followed gave the audience a better understanding of the challenges posed by environmentally-friendly agriculture.

In recent years, the distribution subsidiaries outside France have also embraced Sustainable Development Week, which has become a special event throughout the House.

## 2.2 PEOPLE: SAVOIR-FAIRE

Hermès corporate culture, which helps Group employees to bond together, is widely shared through onboarding sessions for new employees in Paris and worldwide. The corporate culture is also passed on through various *ad hoc* programmes that enable employees to put it into practice through their actions and attitudes. It ensures the consistency of all training initiatives.

Throughout the year, team-building initiatives take place to bring the teams together so they can soak in Hermès' craftsmanship spirit and develop a spirit of curiosity through shared discovery. The programmes rolled out – Tandem, Tilbury, Parcours d'Adresse and Prix de l'Adresse – are all opportunities for employees to come together, to discover one another's métier and universe, and to bring them together around a strong human culture in which exchanges are beneficial for everyone.

Training programmes are tailor-made for our production and distribution activities. They are either deployed locally (regional centres or subsidiaries) or provided in Paris (Ex-Libris University). This employee training commitment is reflected in the acquisition of *savoir-faire* in an employee's first job as a leather worker, in an engineering incubator within the School of Tanners and the School of Silk, or the recognition of the qualifications gained through on-the-job training, experience validation and diplomas (CAP, etc.). Retail Academies help sales associates, store managers and product selection teams to develop their product expertise as well as their customer relations skills. The in-house training of those who pass on our culture, *savoir-faire* and expertise has taken on an important place, turning this endeavour into a long human chain. In Leather Goods, a network of specialised métier trainers has been created. It holds regular meetings in which trainers exchange new techniques on the transmission of knowledge. In all French regions where Hermès has leather workshops, partnerships are immediately forged with local schools so that training in the *savoir-faire* linked to our métier can be combined with hands-on practice. Training programmes are also available to stimulate the advancement of managers identified as future management committees members. The Service Academy offers programmes mainly dedicated to acquiring the right behaviours in public speaking, leading meetings and managing projects, with the priority objective of creating collective harmony and good relations among individuals.

Through this steady investment in training, aimed at the acquisition and development skills, the Group intends to perpetuate its economic and cultural model and facilitate the implementation of its ambitions.

The Group organises awareness-raising and training sessions on sustainable development within the central departments (sales, construction, manufacturing, and human resources), as well as within the métiers and distribution subsidiaries.

### 2.2.1 CHALLENGE: PRESERVING AND DEVELOPING SAVOIR-FAIRE

Preserving and developing *savoir-faire*, its acquisition and ensuring it is passed on to all our employees whatever their occupation (craftsmen and women, sales people, etc.) is essential for our long-term development on sustainable foundations.

#### 2.2.1.1 Policy

Our ambition is to ensure that this often exclusive *savoir-faire* is preserved, enriched and passed on in a context of strong growth for our activities and our workforce.

The priority is to consolidate and develop individual expertise, increase versatility, establish knowledge-sharing within teams and ensure that this is passed on from generation to generation, and preserve our talents. The excellence of all this *savoir-faire* is expressed not only through the quality of the objects but also through our ability to craft them in a way that respects both the craftsmen and women (see section 2.3.1.2.1 "Improving the conditions for well-being in the workplace") and the environment.

The human resources department conducts a systematic training policy for new hires, with a dedicated training programme. This policy is mainly carried out via internal training but also has recourse to external training when appropriate.

Hermès is **developing training schools internally** for its major craftsmanship métiers - leather goods, textiles, tannery - enabling this *savoir-faire* to be perpetuated and handed on. The House works upstream in **promoting the art and craftsmanship métiers to young generations**, through local actions (open days, links with schools) or with the support of the *Fondation d'entreprise Hermès* (for example, the Manufacto programme). Allowing young people to discover and become involved in a manual métier is essential; these métiers are often misunderstood and yet offer excellent prospects. Hermès contributes to **maintaining, or even developing craftsmanship and manufacturing savoir-faire**, in a context where this *savoir-faire* is being lost (and not only that of craftsmen in the arts area). For example, Holding Textile Hermès has one of the largest textile divisions in France in the Rhône-Alpes region (nearly 750 people); the division is the home of many unique forms of weaving and silk printing *savoir-faire*, which we are working hard to maintain.

#### 2.2.1.2 Measures implemented

##### Bringing new employees on board

Mosaïque – the onboarding programme for new employees in France – has enabled 335 people to feel warmly welcomed in 2018 and become immersed in the corporate culture through visits, testimonials and presentations giving a broad picture of Hermès. In the distribution subsidiaries, the *H Immersion* onboarding programme, lasting one to four days, was delivered in a local version to over 1,100 participants through 91 sessions.

The 3-day programme *Au fil d'HTH* integrated 60 new employees in the Silk métier.

Within their first six months at Hermès Parfums, new employees are brought on board through the *Premier pas* programme with 4-day sessions involving sales training and an experience in the Vaudreuil production line.

#### Developing Talents to build tomorrow's Hermès

The Group HR department is in charge of identifying and developing Talents in order to lay the groundwork for the next generation of senior managers. The management of Talents, which is at the heart of the corporate project, is based on personalised career paths at every level, according to individual needs. Executive MBA programmes, as well as short programmes (programmes from Danone, Colbert Labo, Insead, London Business School, etc.), and in-house events offer a wide range of opportunities to develop the skills of those who are building the Hermès of tomorrow. Moreover, some employees are sent from France to a foreign subsidiary, or vice versa, for a 6-month assignment to enhance their cultural awareness and see their métier from another cultural standpoint.

#### Developing skills and helping people flourish

Training, along with internal mobility, is one of the major levers to support employees throughout their careers in the House. Hermès has the strong conviction that each person's potential must be stimulated through the constant development of their skills, all the more so in this era of major changes and upheavals. Training promotes the onboarding of new employees, manager development, the acquisition of skills and expertise in changing métiers, adaptation to the changes brought about by major transformation projects, the dissemination of the corporate culture, and personal development.

#### The activities of the Ex-Libris University

The in-house university activities managed by the Group HR department – were numerous in 2018. Over 1,250 people (vs. over 1,000 in 2017) benefited from the programmes, which were mainly focused on the dissemination of the corporate culture and the development of managerial skills.

A variety of sessions were organised, based on the managers' levels within the organisation and their experience. They enabled 538 managers to get a better grasp of their responsibilities by adopting behaviours and practices in keeping with the Company's values and their key role in guiding employees and developing our activities. Moreover, the culture dissemination programmes for new employees, Senior Executives, and the entire workforce were rolled out with over 570 employees.

In addition, the Ex-Libris University manages the community of métier and market trainers, in charge of product training for sales associates. Twice a year, Train the Trainer sessions bring together some fifteen trainers.

#### Savoir-faire schools

Through the School of Silk, the **Silk Division** continued to roll out the "Management in Practice" programme targeting all managers since 2017. Managers of all levels were provided with four days of training on

"how to unite people". HR officers were trained in new digital applications, in particular to improve in-house communication. A certification programme called "via Technè" was defined for expert profiles in order to offer them advancement prospects and alternative careers to management. Some ten employees improved their supply chain expertise through an Apics external training programme awarding certifications.

At Société Novatrice de Confection, two seamstresses obtained professional qualification certificates (CQP Point Main). AEI created a customised training session with Cepitra concerning chemical and mechanical finishing for ten people. Ateliers AS welcomed the 13<sup>th</sup> cohort of 12 printing apprentices on 2-year work/study programmes leading to an inter-division professional qualification in printing (CQPI). Through this programme, they acquire general and textile skills.

In the Silk métier, senior employees were paired up with young people to facilitate the passing-on of savoir-faire and the transmission of the high-quality experience gained over many years.

In the **Tanneries division**, a major innovation programme was rolled out to foster a culture of innovation that stimulates inventiveness, agile thinking and curiosity. Since innovation is based on a specific methodology, eight coaches were trained in innovation and creativity techniques. The supervisory teams were introduced to new digital tools. The initiative was reinforced by a 2-day session on innovation with multi-métier, multi-site teams. It fostered the emergence of numerous sustainable ideas, subsequently short-listed by the Innovation Governance team. A savoir-faire training programme called *Demain le savoir-faire* was rolled out for local managers in Europe in the Hermès Cuir précieux tanneries. A training session on leather and tanning called "La peau et le tannage" was introduced.

Hermès recruits craftsmen and women for its **Leather Goods Division**, few of whom have received initial training in leather goods. Its responsibility is to train them in their new métiers, for which it has 65 trainers and 200 tutors.

In 2018, 1,104 people were trained using 10 programmes delivered by the Leather School as part of the continuous training of craftsmen and women in Hermès' Leather Goods & Saddlery division.

The Leather School pursues an active policy of training leading to a certified qualification, aimed both at employees in post and new arrivals, in order to recognise the value of their expertise and to maintain their employability.

Moreover, as initial training, the Leather School's activities have supported the awarding of 253 CAP vocational qualifications in leather working, 74 people received the saddler and leather worker *Sellier Maroquiniers d'Art* diploma, six people the *Brevet des Métiers d'Art du Cuir & de la Maroquinerie* diploma, and, as part of the Assessment of Vocational Experience (VAE) scheme, 25 people received CAP vocational qualifications in leather working and six received the saddler and leather worker *Sellier Maroquiniers d'Art* diploma. As a result, more than 370 certified qualifications were obtained by our employees this year. A total of 278 employees were awarded a CAP diploma as part of a strategy to recognise professional skills and maintain artisanal savoir-faire.

The various Leather Goods divisions (Franche-Comté, Val de Seine, Savoie-Dauphiné, Sud-Ouest, Maroquinerie de Sayat; Maroquinerie de Guyenne) are piloting a number of projects aimed at supporting the strengthening of *savoir-faire* in the leather métiers. This can be seen in partnerships with the École Boudard and the Fongecif de Bourgogne, where a new training programme for cutters is being launched; co-development workshops to enable managers to share and solve delicate managerial situations: the creation of a booklet of best sewing practices; a preservation plan covering glove *savoir-faire* (sewing, hand-stitching and shaping of gloves).

**Hermès Maison** created a training programme on materials and finishes for a wide audience (Collections Development personnel, Technical personnel, Sales personnel) in order to disseminate general knowledge in this field. Beyrand focused on the development of employee versatility to give flexibility to the organisation. The printer's "Entreprise du Patrimoine Vivant" certification was renewed, confirming its status as a living heritage company.

La Cristallerie de Saint-Louis made significant efforts to boost managerial skills through co-development workshops, training for annual evaluation interviews, and local manager training.

At Puiforcat, the transmission of *savoir-faire* is accompanied by a more detailed and progressive follow-up. This process was set up in 2018 to improve the passing-on of knowledge between masters and apprentices. It currently covers the métiers of Planisher, Silversmith, Polisher and Engraver. This year, one of the young craftsmen was awarded a Silversmithing diploma (CAP d'Orfèvre), marking a new step in his development. External training continued through the renewal of the Engraving course at Ecole Boulle.

**Hermès Commercial** introduced operators to all aspects of the supply chain through a programme called "La logistique de A à Z" in which three sessions were offered to all those working in the preparation of orders on a daily basis. The division also set up the Switch programme, dedicated to developing the logistics operators' versatility so they can broaden their range of skills in order to meet the logistics department's needs and diversify their activities.

### Retail Academies

Providing our customers in each of our stores with service that matches the quality of our products is a constant goal. The sales associates are trained via the Sales & Service Ambassadors programme created by the Group HR department and rolled out locally. In 2018, 59 sessions enabled 706 employees to improve their customer welcoming skills and adopt elegant and positive attitudes towards all people entering the stores.

The Sales & Service Leader programme, launched in 2017 by the Group HR department, continued to be rolled out in Europe and Latin America. Through a set of two sessions focused on team management and the manager's relationship with each employee, the programme gives store managers the means to become the real bosses and entrepreneurs of their local projects. This is a way of reasserting the importance of their role and the commercial strategy.

This programme was also provided to the Travel Retail teams of the Boissy Retail Korea branch in Korea and in the rest of Asia. The Sales & Service Leader programme was also rolled out in the Japan Academy for the 60 store managers.

In Latin America, all store managers were able to improve their managerial skills through Sales & Service Leader training sessions. In the United States, HOP organised six training sessions, following the first wave of rollouts in 2018.

The Hermès Greater China Academy organised six sessions of the Sales & Service Leader programme in various cities in Greater China. The H Change programme enabled 15 sales associates to spend two weeks in a store on another market to learn from another team and a different context. Such exchanges of viewpoints are beneficial for both the host store and the visiting sales associate. Some 100 managers of Hermès Greater China met in Shanghai at a seminar on the topic of "emotion".

Through ten sessions of the Retail Developer métier programme – which is linked to the Sales & Service Leader programme, also initiated by the Group HR department in 2017 – 266 store managers and assistant store managers from most of our regions were able to improve their specific technical skills: coordination of customer relations and customer services, management of the product offering, key performance indicators, etc.

In 2018, Hermès Parfums created the Perfume & Beauty Academy to support the métier's growth strategy and to use training as a real employee development lever. A 2-day seminar brought together 90 Hermès Parfums managers to raise their awareness of its values, the métier's ambition, and their role as active players in its transformation.

John Lobb placed special emphasis on the way customers are welcomed in the stores by making mystery visits to assess the quality of the service. In addition, a 4-module customised training programme was provided to sales associates.

In Asia, the teams in charge of Visual Merchandising shared their practices and were stimulated with new ideas at a seminar.

### 2.2.1.3 Results

In 2018, Hermès Group devoted 243,781 hours to training, including 108,256 in France (excluding apprenticeships and apprentice contracts). Some 36,550 training activities took place (this figure corresponds to the total number of trainings followed; any one employee may have followed several training activities during the year), i.e. an average of 6.7 hours per training activity. Training costs in France (invoicing in 2018 of external and intra-group training) amounted to €3,264 thousand. This number does not reflect the entire training effort, since it does not include métier training directly at the workspace.

Hermès is continuing to develop its growth model based on a culture of continuous progress. In particular, this involves supporting employee development in order both to nurture excellence and efficiency in terms of *savoir-faire* and operations, and to preserve employability, ensure a solid understanding of the Company's culture and provide a consistent managerial culture that is a source of value.

Every year, the Executive Vice Presidents of the subsidiaries and their HR directors oversee the annual performance reviews, which are based on annual interviews that provide an opportunity to take stock of the past year and build the objectives for the coming year, especially in terms of training. The HR teams collect all of the roadmaps, on which the major points of the reviews are transcribed, and use them to put the training plan in place.

In France (62% of employees), this update on employee skills and professional development takes place in the form of a professional interview, which by law must take place every two years. Hermès has chosen to conduct this every year and to discuss the subjects reviewed during the professional interview at the annual interview.

In our subsidiaries outside France, the annual interviews are conducted according to a process overseen by each subsidiary's HR Department, based on the guidelines given every year by the Group HR Department via a guide and other support materials for the annual interview of employees, managers and leaders. All interviews involve a moment of discussion and the joint completion of the document reporting on the discussion and covering the following aspects: the achievement of the targets, performance, the managerial relationship, work/life balance, ethics and compliance, training requirements, and the targets set for the upcoming year. Certain subsidiaries adapt the Group formats in keeping with cultural requirements (e.g. HOP, Hermès Japan).

The support given to employees throughout their career is informed by these annual interviews. Once a year, the subsidiaries also organise a Careers Committee, in which the Management Committees share individual situations and stimulate internal mobility, which is the first lever for personal development. The biannual Talent Reviews are also a way of learning more about employees and following their trajectories closely. In 2018, the Talent Review was conducted in all subsidiaries and consolidated by the Group HR department. This enables Executive development to be followed closely through the adoption of individualised approaches.

#### Internal mobility

Internal mobility is a way of developing employees' skills by offering them the possibility to learn something new in another job, and a way of encouraging their loyalty.

In 2018, the Intranet site "My way in Hermès" published 695 offers. It promotes internal mobility and makes it possible to share in-house job opportunities in a transparent way. The site records an average of 43,606 visits per month.

Hermès Women recorded seven incoming transfers and seven outgoing transfers.

At HTH, 30 permanent jobs were filled through internal mobility in 2018.

At Hermès Leather Goods & Saddlery, 17 incoming transfers and ten outgoing transfers were recorded.

In the Franche-Comté Leather Goods division, the opening of Manufacture de l'Allan resulted in 58 transfers. In the Paris Val-de-Seine Leather Goods division, 18 craftsmen moved from Pantin to other sites in France. For the new site of Montereau, ten employee transfers helped

to launch operations. 100% of the site's managerial positions were filled through internal mobility. At Maroquinerie de Sayat, four incoming transfers and five internal transfers attest to the Company's resolve to provide opportunities to our talents so they can grow.

Maroquinerie des Ardennes recorded seven outgoing transfers and one promotion.

The Savoie-Dauphiné Leather Goods division recorded seven outgoing transfers and eight incoming transfers, as well as five leather craftsmen expatriations.

At Maroquinerie du Sud-Ouest, five outgoing transfers and five incoming transfers took place, including a reskilling from the métier of porcelain to leather work. A total of nine employees were given an internal promotion to another job.

At the Hermès Of Paris subsidiary in the United States, 66 people benefited from internal mobility.

#### Prix de l'Adresse

This in-house prize for excellence is awarded every three years, with the aim of motivating people to push back their limits while boosting team spirit. A competition for the 4th Prix de l'Adresse took place in 2018. Over 100 craftsmen and women, divided into 19 teams, put all their skills into their projects. Seven lines of savoir-faire were represented: leather goods, silk, crystal, watches, footwear, men's ready-to-wear and silversmithing. Volunteer craftsmen and women get together to form a team and choose to produce either an object stemming from the Conservatoire des Créations Hermès or an object of their own creation. They then have several months to produce the object. A jury composed of members of the Hermès family and House personalities deliberated in November. The technical dossier and aesthetic qualities of the object are taken into account in the final appraisal. After nine months of work and an exceptional human adventure, one team received the jury's special prize, while nine teams were awarded the highly coveted Pièce de Maîtrise Hermès prize at the end-of-year event held in Paris.

#### Entreprise du Patrimoine Vivant (Living Heritage Company) - EPV

The Group is proud to have 12 EPVs amongst its ranks: the following Group companies were certified "Entreprises du Patrimoine Vivant" in 2018: Hermès Sellier, Holding Textile Hermès, Établissements Marcel Gandit, Ateliers A.S., Siegl, Ateliers de Tissage de Bussières et de Challes, Beyrand, cristallerie Saint-Louis, Puijorcat, John Lobb and Les Tanneries du Puy.

#### Meilleurs Ouvriers de France (MOF)

This prestigious title is solely awarded in France, by métier category, following a professional competition which takes place every three years. The goal is to reward excellence and savoir-faire, which are the required criteria for the awarding of the title.

In 2018, the House had four employees in the cristal, saddlery and leather goods métiers who were named *Meilleur Ouvrier de France*, rewarding France's best craftsmen and women.

## 2.2.2 CHALLENGE: PASSING ON A CULTURE

The Company's craftsmanship model rests on the transmission of Hermès' corporate culture, which underpins the development of skills and *savoir-faire*, based on a mentoring approach: «what we receive, we give back».

Sharing the House's values ensures the consistency of its business model in a context of decentralisation and strong growth. Our culture makes it possible to understand expectations in terms of *savoir-faire*. It also allows the creation of bridges between the various métiers and activities by reinforcing the capacity for dialogue among all employees.

### 2.2.2.1 Policy

All new employees undergo training, part of which is dedicated to the House's history and to the various aspects of its corporate culture (see Training section above). In addition, Hermès organises programmes to broaden knowledge of its corporate culture through the discovery of the Group's diversity.

### 2.2.2.2 Measures implemented and results

Creating fruitful exchanges and bringing people together are the principles behind the programmes offered.

#### Tandem programme

Since 2008, Hermès has continued to offer craftsmen and sales associates an original exchange experience through a one-week immersion in the craftsman's workshop, shortly followed by one week in the sales associate's store, or vice versa. The goal of the Tandem programme is to bring together two worlds connected by their shared purpose, which involves serving our customers with beautiful objects and high-quality service. The programme involves travel in France or abroad to discover one of our 50 production units and the surrounding area, and travel to one of our stores to discover the local market and culture. In 2018, 56 people benefited from the Tandem programme through 28 two-person teams, who returned to their sites with a broader vision and enriching, lasting ties. Since its launch, the programme has benefited 496 employees.

The experience gained from the Tandem programme, launched in 2008, continues to demonstrate, year after year, that exchanges, sharing and encounters between the complementary worlds of craftsmanship and sales are virtuous, enriching and stimulating.

#### Tilbury

The Tilbury programme was launched this year, in the footsteps of the Tandem programme. A production site Manager and a store manager share their expertise and experience through one week in a production site, followed by one week in a store. Through human encounters, this programme promotes a strong, engaging and solid learning experience that can foster the development of new managerial practices and expertise through exchanges of such practices. Participants will be able to expand their knowledge of the House's craftsmanship and trade culture by finding out about their respective challenges and levers, and looking

at other management and leadership methods in a context of increasing complexity of the roles of Site Manager and store manager (growth constraints, regulations, managerial expectations, increased professional requirements within Hermès). In 2018, two Site Managers and two store managers benefitted from the Tilbury experience.

#### Parcours d'Adresse

Since 2011 – the year of celebration of “Hermès, contemporary craftsmanship since 1837” – groups of 10 people composed of seven craftsmen and women and three production site employees have been chosen at random to take part in discovery experiences called “Parcours d'Adresse”. Their purpose is to discover a métier, from the raw material to the production of the finished object and its final quality control. Over a one-week period, participants are invited to learn about the different production stages of a particular division's product, while getting hands-on experience through a one or 2-day initiation to the *savoir-faire*. This period of intense discovery is enhanced by discussions among participants with the same mindset, namely a passion for their métier made up of numerous gestures, techniques and details, and the drive to achieve the same high level of excellence in their craftsmanship. In 2018, 84 people took part in one of the nine “Parcours d'Adresse” programmes, organised with care and hospitality by the host production sites, thus reinforcing their pride in sharing the same spirit of craftsmanship.. Since 2011, 821 people have benefited from 85 Parcours d'Adresse events.

## 2.2.3 CHALLENGE: RECRUITING TALENTS

The House's sustainable development rests on its ability to recruit talents that will be expressed throughout their careers. In a context of business growth, the development of these talents is of major importance, which implies exacting recruitment.

### 2.2.3.1 Policy

Recruitment is managed by each métier and subsidiary to ensure the perfect match with the environment. The policy for recruitment and relations with partners is defined by the holding company. In France, it also manages relationships with schools, communication and pooling of recruitments. In this way, the Group hopes to make our candidates more aware of the métiers and the uniqueness of the House, attract candidates who believe in our business model and select the best profiles.

### 2.2.3.2 Measures implemented

#### Relations with schools

Hermès has long maintained close, high-quality relations with the world of education, in line with our métiers and our development and recruitment requirements. This involves acting as a socially responsible company wishing to contribute to the initial training of young people, as well as raising awareness of the company and its métiers, supporting the development of the métiers, and fulfilling needs in terms of interns, work/study trainees and jobs.

Schools offering applied arts métier programmes and those offering programmes focused on craftsmanship métiers are the two main targets of our school initiatives. The institutions involved represent the métiers in which our recruitment needs are the strongest.

For leatherwork, special relations exist with Ecole Boudard and Lycée des Huisselets in Franche-Comté, Ecole de l'Abbé Grégoire in Paris, Lycée Professionnel Casanova in Savoie-Dauphiné, Lycée Jean Monnet in Montereau, and Lycée Jean Rostand in Angoulême.

Specific subjects – sometimes *via* competitions – are submitted to art college students for the construction of window displays in our Distribution subsidiaries. Our involvement in these schools also includes participation in examination panels. In 2018, case studies were entrusted to ECAL students in Switzerland.

In parallel, every year we open our doors to cohorts of school pupils, in response to requests, in a spirit of hospitality and to provide a glimpse of our operations, some of which are little-known. Such visits give us the opportunity to present Hermès.

In 2018, we entered into a novel type of partnership with the Web School Factory – a digital métiers management school. For one academic year, four Hermès employees are taking part in a part-time apprenticeship experience, as part of a group composed of students from the school, students from Paris Sciences et Lettres, and professionals. This 10-month programme is aimed at training them in areas such as project management, design thinking, collaborative approaches, etc. All the better to get them involved in our digital transformations.

In 2018, Hermès also entered into agreements with HEC and Sciences Po Paris, two of France's most prestigious higher education institutions. These agreements entail Hermès' presence in certain forums to recruit interns, the involvement of students in case studies, and support for Sciences Po's "Accessible" programme, which provides special assistance to students with disabilities.

### Recruitment

Hermès dedicates special attention to recruitment. It must enable new recruits to harmoniously fit into the Company's long-term project and contribute effectively to its activities.

The Hermès employer website ([www.hermesemployeur.com](http://www.hermesemployeur.com): «l'esprit artisan») presents the House's unique character and enables candidates to apply online. Hermès published 6,650 jobs offers on its site in 2018, of which 1,650 were permanent positions, 1,057 intern positions and 250 work-study positions for students following courses that combine practical work in a company with theory at college or university. It attracted over 610,530 visitors in 2018, who applied for positions speculatively or in response to job offers. New visitors accounted for 18.8% of the total, while 81.2% were regular visitors. In 2018, the number of visits recorded on the recruitment site exceeded 1 million. In 2018, the recruitment site evolved, allowing users to apply from a tablet or a smartphone.

On LinkedIn – a major social media network for employer communications and recruitment – Hermès had over 287,000 followers in 2018, i.e. 100,000 more than in 2017, a great achievement in our industry. The average number of visits per month stands at 17,497.

In 2018, numerous recruitments took place in the **Silk sector**: 100 positions were filled (permanent employment contracts, fixed-term contracts, work/study contracts and internships). This dynamic recruitment activity was boosted by the Company's participation in various recruitment fairs in the Lyon area, Forum Emploi and Handiagora (a day dedicated to employment and disability). Close ties were established with ITECH through the Company's participation in the Jobdating event for young graduates, the apprenticeship and traineeship forum, examination panels, etc.

**Hermès Parfums** held two collective recruitment sessions aimed at attracting the top candidates through a collective event highlighting our Company's distinctive character embodied by its players, and presenting its diverse métiers. Moreover, a new method for recruiting packaging operators was tested in the Vaudreuil production unit: interviews were supplemented with technical tryouts to assess technical aptitudes.

The Franche-Comté division of **Hermès Leather Goods & Saddlery** métier has experienced intense recruitment activity. Indeed, every six months, 40 leather craftsmen have been recruited for Table work, while another ten have been recruited under a professional qualification programme for Leather Cutting (CQP Coupe).

In 2018, the Paris Val de Seine division took in 137 professional training contracts under 9-month vocational training contracts, as well as 96 people under the APFR programme (a pre-recruitment training programme operated by the Job Centre). A total of 233 people thus joined one of the division's six sites on initial training programmes. To raise awareness of its leather métiers, Hermès participated in the Recruitment Forum of Montereau (where a new site was set up in 2018), the Recruitment Forum of Val de Reuil, and the Forum of craftsmanship métiers, in collaboration with the Paris job centres.

In the Savoie-Dauphiné division, 100 people were recruited and trained for five and a half months. Those who successfully completed all of the savoir-faire validation stages were hired under permanent contracts by one of the division's four sites.

Operations were launched at the new leather goods Maroquinerie de Guyenne thanks to 18 internal transfers, including 11 employees from Hermès Leather Goods & Saddlery. In 2018, 28 new people were recruited to train in the leather crafts métier.

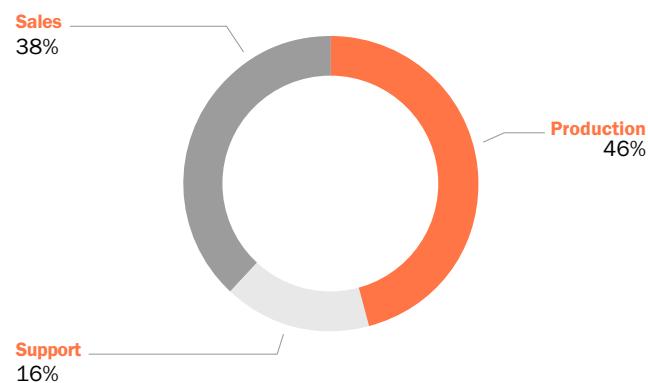
The Maroquinerie du Sud-Ouest Leather Goods division continued to recruit its future leather craftsmen and women, *inter alia* through the Job Centre's AFPR pre-recruitment training programme involving 400 hours of training and using a simulation-based recruitment method. Following this AFPR programme, 40 people were taken in under vocational training contracts for a period of nine months. Likewise, future multi-skilled Mechanics and Cutters were recruited in a similar way. Following the AFPR programme, four people were taken in under vocational training contracts for a period of six months. In March 2018, the division took part in the Charente Recruitment Forum to focus attention on leather métiers.

Our subsidiary in the United States – **Hermès Of Paris** – recruited 106 employees under permanent contracts in 2018.

### 2.2.3.3 Results

In December 2018, Hermès was awarded the title of **Glassdoor Best Place to Work 2019**, a strong recognition of our status as an employer that is attentive to the fulfilment of its teams. Glassdoor is a recruitment platform that is considered to be the “Google of recruitment”. It aggregates the job offers of certain job boards and companies’ career sites. Created to share authentic employee experience, Glassdoor collects the opinions of current and former employees on companies, and the opinions of candidates on job interviews. Delighted with this rating, Hermès proudly intends to continue to encourage its employees to cultivate their passion for their métier and their common interest in a fervent team spirit.

RECRUITMENT BY SECTOR



**The Group's human resources department oversees talent development programmes based on the specific nature of our activities (artisans, merchants, managers, etc.). Be they for recruitment, training, or personal development (see below), action plans are put in place to enable employees to flourish within the group and give the best of themselves.**

**Each employee is evaluated every year. In France, for example, the HR department oversees the conducting of two interviews: annual reviews (which include assessments of performance and the work environment, skills analysis, objectives for the following year, and a discussion of compensation) and career interviews, to discuss medium-term prospects with employees (professional assessment, professional project, skills development plan, training).**

**In addition to a culture that is open to discussions between employees and their line management, in 2018, Hermès established more systematic feedback initiatives for «pilot» métiers, with the assistance of a consultant who is an expert on the subject and with the use of survey tools in web mode. These experiences had high levels of participation and will be gradually extended to other Group entities. The (confidential) results of these analyses led to targeted consultations and the launch of improvement projects among the teams.**

### 2.2.4 CHALLENGE: INTEGRATING SUSTAINABLE DEVELOPMENT IN OUR SAVOIR-FAIRE

Integrating sustainable development in our *savoir-faire* in all our métiers and all our subsidiaries by raising awareness and involving our employees.

#### 2.2.4.1 Policy

Our sustainable development strategy rests on raising the awareness of our employees. The adoption of the best practices within their area of responsibility involves the dissemination of a sustainable development culture, best practices, and specific training.

#### 2.2.4.2 Measures implemented and results

##### Transmission of the Group's sustainable development strategy

The sustainable development strategy is set by the sustainable development department and relayed by a network of over 200 ambassadors worldwide: the EHS network, dedicated committees, ambassadors in stores, etc.

In 2018, this network was still being structured. The Sustainable Development Committee was strengthened this year by the participation of the senior management of Hermès Commercial and Hermès Soie & Textiles. The (expanded) Operations Committee took part in a 1-day learning expedition in a BCorp based in the Niort area. This stimulating immersion was a source of inspiration for participants and opened new avenues for discussions in their respective activities.

Moreover, the métiers and subsidiaries continued to play an active role, with the creation of specific Sustainable Development Committees at Hermès Leather Goods & Saddlery, in the construction department, and at HSG (General Services, France).

The Group's strategy is explained in each of the general modules of the Ex-Libris University's in-house training courses (Mosaïque, IFH, Happy culture). In 2018, 2,500 employees discovered the House's sustainable development ambitions through Forum H. Numerous events in France and abroad provided the opportunity to share the Group's ambitions and news: the store Windows seminar (150 people in Europe, the Americas and Asia), the Internal Control seminar (70 people), the Hermès Women seminar in Thailand and the United States (30 participants and the 5<sup>th</sup> Asia seminar in Tokyo (70 people)). This annual meeting in Asia is a special moment in which the participating countries (China, Hong Kong, Taiwan, Korea, Singapore, Japan, United States, and Europe) share their achievements and their roadmap for the year ahead. These roadmaps include projects throughout the year relating to commitments for employee well-being (warm-up exercises, food, etc.) and training (including sustainable development issues), saving energy (lighting, etc.), consumables (paper, cups, bottles, etc.), sponsorships (support to local associations) and biodiversity (participation in local actions for the preservation of the environment). In France, the métiers, such as leather, also share their action plans, which include, among other things, optimised use of materials and energy consumption.

In addition, the sustainable development department produced a series of four educational films accessible to all employees via the Intranet, focused on sustainable development at Hermès.

### Facilitation of initiatives

The sustainable development department coordinates the activities conducted by the Paris sites and manages a schedule of internal activities in France that involves regular events held throughout the year, such as donation drives for clothing and toys, participation in sporting events and Earth Hour (a worldwide movement for the planet organized by WWF and other NGOs), a honey harvest, social support baskets, and so on.

Since 2017, the Group has strengthened its commitments in the area of local charitable initiatives through a memorandum circulated to the distribution subsidiaries abroad, setting out the operating and financial methods that they must follow.

During the European Sustainable Development Week, all French sites and subsidiaries organise operations with their employees. This symbolic week provides an opportunity to share the challenges in this area more widely with employees, along with the Group's strategy and achievements, and to open up to the wider world. In 2018, the Ile-de-France sites participated in events focused on disabilities and eco-actions. Moreover, around 100 employees and their children had an opportunity to attend a private screening of the film "On a 20 ans pour changer le monde", which was also attended by its director. The discussion that followed gave viewers a better understanding of the challenges posed by the agricultural transition.

In recent years, the distribution subsidiaries outside France have also embraced Sustainable Development Week, which has become a special event throughout the House.

### Communication

Since October 2018, the new HermèsSphère Intranet, accessible to all employees, includes a section dedicated to sustainable development, with information on the Group's strategy and news from the entities. It also allows employees to submit questions, share information on local initiatives, set up projects and share feedback (see page 123).

In March 2018, the retail website Hermès.com was redesigned. It now includes a page dedicated to sustainable development. On that occasion, a series of ten films was produced by an external reporter, focusing on the footprint that Hermès wants to leave on the world. This series of films called "Empreintes sur le Monde" (Footsteps across the World) was shown to the teams during special screenings organised in cinemas located near each production unit. Thus, more than 1,160 employees from the sites of Paris, Pantin, Val de Reuil, Ardennes, the Franche-Comté and Sud-Ouest divisions, and Manufacture de Haute Maroquinerie were able to attend the screenings, along with their family members, to get a better grasp of the House's sustainable development challenges.

### Laurent Goblet – saddle-making expertise for the 21<sup>st</sup> century

Hermès has been making saddles continually since its initial creation in 1837. In his fifth-floor workshop above the Hermès store at 24 Faubourg in Paris, Laurent Goblet enhances this savoir-faire which has been one of the House's hallmarks for some forty years. While attentive exchanges with riders are at the root of the saddler's métier, the use of the most modern materials and technologies puts it at the cutting-edge. With his state-of-the-art technical expertise, the saddler can thus closely meet the requirements of the rider, and those of the

horse. The creation of the Arpège saddle with German dressage champion Jessica Von Bredow-Werndl illustrates this work process: drawing, prototype, followed by trials prior to the production of the rider's dream saddle, which she wanted thin and lightweight to suit her way of riding. On average, a saddle requires 25 to 40 hours of work and, above all, extensive saddle-making experience.



## 2.2.5 CONTRIBUTION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The Group's accomplishments in relation to "savoir-faire" are in line with the following SDGs. (The numbers refer to the UN's official typology):

### No. 4: Quality Education

- ◆ 4.3: "Ensure equal access for all women and men to quality vocational education".

Access to vocational training for women and men within the House is encouraged by the internal Ex-Libris University and internal schools for the métiers, as well as by more specialised external training.

- ◆ 4.4: "Increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment".

Know-how is enhanced through training plans during the entire professional life, and are reinforced by specific initiatives. Employees participate in both external contests (Meilleurs Ouvriers de France (Best Workers in France)), and internal challenges, in order to achieve qualifications, so as to sustain existing savoir-faire and revive any

knowledge that is declining. Hermès also provides support to schools through the apprenticeship tax, and by offering apprenticeships.

- ◆ 4.7: "Education to promote sustainable development".

Raising employees' awareness of sustainable development takes place throughout the year, through the efforts of the sustainable development department (see 2.1.2), and locally by the Sustainable Development Ambassadors' network (EHS, Sustainable Development Committees, local committees, etc.).

### No. 11: Sustainable cities and communities:

- ◆ 11.4: "Strengthen efforts to protect and safeguard the world's cultural and natural heritage".

Hermès is a house of creation, that collaborates with many artists, thereby promoting the development of our creative heritage. Each collection involves the Artistic Director and the House's métiers, resulting in a profusion of creativity. These actions, recognised by the Entreprise du Patrimoine Vivant (Living heritage enterprise), for example, contribute to the Group's efforts to protect and maintain artisanal savoir-faire. Moreover, the Fondation d'entreprise is committed to supporting live performances and contemporary photography.

## 2.3 PEOPLE: TEAMS

### Introduction

The family business model that has been driving Hermès for six generations places people at the heart of its work.

The Group strives to create the right conditions for responsible management and to foster the fulfilment of employees. Management is trained in best practices for team development and aimed at increasingly promoting accountability, providing meaning and autonomy.

To create beautiful objects, Hermès is convinced that a beautiful working environment is essential. In order to adapt the workplace to changes in cooperation patterns, which have become more horizontal and rely on proximity, the Group prefers production units and workshops on a human scale. Special attention is paid to their architecture and ergonomics. The same care is given to the stores and offices.

Health and safety at work are a priority. In addition to long-standing initiatives in this area, specific actions are implemented to foster well-being at work. In an effort to protect the physical and mental health of its employees, the Group has launched a structuring and empowering approach in these areas and aims to strengthen the quality of working life.

Harmonious social relationships are strengthened by the Group's agreement on social dialogue and the exercise of union rights, which is regularly coordinated at the local level and centrally. New agreements aimed at improving the quality of working life and taking diversity into consideration (disabilities, senior citizens, etc.) are regularly signed and/or renewed.

Sharing the company's strategy, involving employees in the life of Hermès across all its dimensions and living environments, and communicating results bring a unique tone to our Internal Communication, reflecting the House's creativity and vitality. In 2018, a new global intranet – Hermèsphère – was rolled out. A digital workplace provides information several times a day, together with access for everyone to its collaborative tools.

Hermès' economic success is regularly shared in various forms. The aim is to acknowledge the contribution made by employees to the House's development, regardless of their role, in order to share the benefits of our growth and involve them in our projects over the long term.

Hermès pursues a strategy with integrity, where ethical compliance and proper business conduct ensure responsible and sustainable performance. The ethical charter, code of business conduct (available at <https://finance.hermes.com>) and anti-corruption code of conduct, together with its alert system, set out the framework that employees must comply with. In addition, an Ethics Committee has been set up to receive and process alerts, and to provide advice and recommendations on the Group's ethics culture. These ambitions are presented in section 3.2 Ethics and compliance.

### 2.3.1 CHALLENGE: THE WELL-BEING AND FULFILMENT OF EMPLOYEES

Creating conditions that foster the well-being and fulfilment of employees in their daily activities, at work and over the long term.

#### 2.3.1.1 Policy

The Group's policy is to integrate health, safety and well-being challenges in its operational strategy as a priority, in particular for its manufacturing activities. Social dialogue is a priority and is organised in each country according to local laws and regulations. In addition, faithful to its family tradition, the House involves all employees in the Group's long-term growth through generous programmes.

#### 2.3.1.2 Measure implemented and results

##### 2.3.1.2.1 Improving conditions for well-being at the workplace: health, safety and working environment

The Group Human Resources Department has launched a Health and Well-Being initiative that relies on a review and internal survey conducted amongst all employees on a multi-year basis. In 2018, eight sites were involved in this approach, representing over 2,900 employees, who participated actively with a response rate of 82%. Following this diagnostic phase, the sites were invited to create an Observatory on health and well-being in the workplace in order to implement corrective actions in response to the improvements identified and expected by employees.

The Group's diverse métiers require the integration of health, safety and working environment challenges in various ways.

**The Group is highly demanding concerning the working conditions of its employees. The policy applied by the management of the Group's métiers and subsidiaries aims to enable each person to work in an environment that not only preserves their health and safety, but is pleasant to work in, whether in the production sites, stores or offices. At leather production sites, for example, especially close attention is paid to lighting, noise, the seats that the craftsmen and women use (chairs and adjustable workbenches) and areas for common use. In stores, rest areas for employee use (rest areas, locker rooms, etc.) are given special treatment, including where there are building constraints. Certain distribution subsidiaries lease flats next to stores to give employees dedicated rest areas for use while at work.**

## Industrial activity

Since 2003, the industrial affairs department has been leading an Environmental, Health and Safety (EHS) network comprising EHS managers from the House's different *métiers*. With around 20 members, it meets several times a year to set targets, share results and learn about best practices in each of the *métiers*.

The main actions of the House's various *métiers* are described below. In most cases, they go beyond simple regulatory compliance to achieve true well-being at work. Each *métier* has its specific needs as regards working conditions, so it is logical for each one to create its own arrangements.

### Leather goods

The Leather Goods division aims to make its production units safe places, supporting tradition, excellence in *savoir-faire* and innovation. The resources enabling employees to work safely, perform their duties over the long term, and protect their health are a priority within each establishment.

In order to structure the approach, a Health and Safety at the Workplace roadmap was developed by Group management and is organised around six strategic areas for 2018 to 2020:

- ◆ eliminate any risk of serious injury;
- ◆ comply with regulations;
- ◆ protect our employees' health in the long term;
- ◆ aim for zero accidents;
- ◆ take care of our employees' well-being;
- ◆ make workplace health and safety culture a permanent consideration.

Based on this roadmap, 27 action plans were coordinated across all leather goods sites in 2018, resulting in remarkable improvements in this area, which is vital to achieve excellence in the craft industry.

One of the priorities of this roadmap is the fight against musculo-skeletal disorders. Among the 2018 initiatives, we can mention in particular the roll-out across all leather goods sites of an ergo-motricity module provided to more than 1,800 craftsmen and women. These sessions aim to better prepare the body and address the stress inherent in saddlery and leather goods activities.

The division's senior management meets each quarter to discuss issues of health and safety at work. It guides strategy on priority topics, encourages local initiatives and validates the actions of central coordination. An external body evaluates the degree to which the production units have adopted a strong health and safety culture in accordance with Maison Hermès' own guidelines.

An HSE manager is appointed at every Leather Goods division production unit. He/she is responsible for monitoring progress plans agreed with his/her management in accordance with the Group's HSE policy. The HSE manager deals with everyday hygiene, health and safety matters, working closely with the cross-functional maintenance and occupational health departments.

Central coordination ensures the consistency of the improvement plans carried out by each production unit and establishes priorities. It provides

material support to the actions carried out on site, selects experts when their participation is needed, and monitors changes in regulations and technical innovations. It develops and distributes shared training, reporting and regulatory compliance tools.

Multiple actions and considerable resources are implemented to protect the health of our employees and the employees of external companies operating at our sites. These include individual training from a network of partner physiotherapists, offered to craftsmen and women with the aim of preventing problems, or correcting problems for those experiencing pain or discomfort affecting their professional or personal lives. Since 2013, 1,050 craftspeople have followed these individual programmes with convincing results from the measures taken, both objective (i.e. physiological), and more subjective (such as the level of pain felt by the craftsmen and women before and after the programme). As an example of an objective measure: on average, all craftsmen and women having followed this programme gained 16% in the field of motion of the shoulder.

Local events are an opportunity to involve our employees in health & safety matters. In 2018, a "health & well-being" week was, for example, coordinated at the three production units of the Franche-Comté division, focusing on three areas: Prevention, Nutrition & Physical Well-being with 10 different workshops (yoga for eyes, SOS hands, vitamin boost, nutrition, etc.) presented to all employees. Another example is the Maroquinerie de Sayat, where a health day included a shiatsu workshop, a conference on sleep, screening for visual impairment issues, and a round table on diet.

Lastly, at the Maroquinerie Iséroise, an awareness-raising film on workplace health and safety culture was produced jointly by an artisan cutter and the site's HSE manager. The video was broadcast to all employees during an event dedicated to workplace safety in April 2018.

In addition to these *ad hoc* events, the leather goods sites provide financial support and offer daily initiatives to encourage employees to exercise and to foster their well-being:

- ◆ access to exercise classes, for example at the Maroquinerie des Ardennes, which offers stretching and muscle strengthening classes. They are taught by a specially trained craftsperson. Since June 2018, the Maroquinerie de Belley has also been organising two weekly sports sessions enabling employees to exercise at the workplace at the end of their day. The Maroquinerie de Normandie offers its employees a weekly pilates session;
- ◆ each Leather Goods site offers muscular awakening sessions or compensation exercises at the start of and during work;
- ◆ the forming of teams to participate in local sports and charity events is encouraged, such as at the Sayat production unit, which participated in an event supporting an association fighting breast cancer in Clermont-Ferrand, and the Leather Goods division in the South-West, which participated in the Foulées d'Angoulême race and the Marche Rose walk;
- ◆ the Maroquinerie Nontronnaise, which provided a masseur, with the company making a 50% financial contribution.

These initiatives aim to establish a workplace health and safety culture, and more generally, they encourage everyone to take a proactive approach to their health.

As part of the workplace health & safety roadmap, actions commenced in 2014 to improve the fleet of machines are ongoing. Noise reduction is a major objective of this work. Working closely with manufacturers or suppliers of equipment, the central teams are revising the systems for noise reduction at source to ensure greater acoustic comfort in the workshops. Workbench lighting (helping to reduce the visual fatigue of craftsmen and women) and thermal comfort management in workshops are also two issues central to the concerns of leather goods sites and benefit from substantial investments.

In 2018, a soundproofing system for digital cutting equipment was implemented at the Pierre-Bénite production unit to reduce the ambient noise level for artisan cutters by 7 dBA.

#### *Results*

Within the Leather Goods division, the frequency index for workplace accidents with stoppage improved by 17% between 2017 and 2018, and by 27% over the last three years. The severity index improved by 54% between 2017 and 2018. No irreversible injury or injury causing permanent disability as a result of a workplace accident was recorded.

Each workplace accident and near-accident with a high severity risk is subject to an investigation analysing the causes, whose findings are systematically shared with the other production units in the Leather Goods division. Thus, a sharing of experiences and best practices is in place, allowing health and safety at work departments to exchange their opinions and think about common solutions to the risks identified.

#### **Tanneries**

For several years, the sites have been working to improve health and safety conditions, and many initiatives have already been undertaken, in line with workplace risk assessments. Dedicated Health, Safety and Environment (HSE) managers are responsible for health, safety and working conditions at each production site. They are supported in this by the Site Directors, who are directly involved in these subjects. All of the data is shared within the division, and joint improvements are implemented at the instigation of the industrial department.

To coordinate cross-division duties, quarterly meetings among the HSE managers of the tanneries are held at the division's sites or at other Hermès sites. These meetings are a chance to discuss regulatory updates and share best tanneries practice.

Lastly, since 2017, French sites have been appointing advisers in the safe transport of hazardous goods. They are responsible for helping prevent risks to people, property or the environment.

In order to strengthen the safety culture within the tanneries, a training module on operational safety had been rolled out for craftsmen and women and managers in 2017, and shared during an inter-tanneries seminar. The roll-out of local action plans continued in 2018.

Many annual risk-prevention training sessions were delivered across the sites, to complement regulatory training: chemicals handling, movement and posture, workplace first aiders, fire drills and emergency evacuation exercises with the fire services, and improved inductions for new employees.

Numerous actions were implemented in the tanneries to make work stations more ergonomic. By way of example, the "A Body for Life" MSD (Musculo-Skeletal Disorders) prevention training rolled out for the leather goods métiers was also adapted to the tannery activity in 2018, and the Montereau tannery volunteered to be the pilot site. This training module has been devised to disseminate a better knowledge of one's body. This is a long-term workplace health approach that is based on a national network of experts. It has been provided to all craftsmen and women of the production units, and to employees in the support functions. It constitutes the first step in a commitment to healthy living every day.

The Montereau tannery also continued the ergonomic study of its work stations this year, with the "shaving" workshop. The RTL tannery conducted a collaborative project in the raw alligator skin inspection workshop. Lastly, the Annonay and Vivoin tanneries continued the "MSD Pros" initiative in partnership with the Carsats (health and pension insurance providers) Rhône Alpes and Pays de la Loire.

With respect to regulations aimed at preventing and taking into account the effects of exposure to certain occupational risk factors, the French tanneries have declared which employees were exposed to these factors for the year 2018.

#### *Working environment*

All tanneries continued work to optimise the management of chemical products and replace certain substances in order to comply with current regulations and anticipate future changes (REACH and POP [persistent organic pollutants] regulations, biocides, etc.). The programme for measuring employee exposure to certain chemical agents continued at all sites.

The following examples illustrate this:

- ◆ improved machine fleet safety;
- ◆ improved air collection, extraction and renewal mechanisms in the workshops;
- ◆ reduced noise pollution at the workstations;
- ◆ monthly communication campaigns and on-site safety training carried out;
- ◆ improved safety on sites when renovating buildings.

### Results

Frequency and severity rates were stable between 2017 and 2018 (for new baseline periods running from 1 November to 31 October) within the tannery division, and far below industry rates. Each workplace accident has its causes analysed. An information note is then distributed to all tanneries so that preventive actions can be implemented.

### Silk

In the HTH Silk sector, the ParentHèses programme offers personal and professional development workshops open to all employees during their lunch break, and focuses on non-professional topics related to culture, art, well-being, personal development, managing emotions, philosophy, etc. These opportunities for discussion and sharing coordinated by external service providers are recreational and intellectual moments, very popular for the fun and enriching qualities.

For the HTH Silk sector, 2018 was the year to further implement the changes initiated in 2017. The new organizational structure puts the office manager and local coordinator at the core of HSE projects, thus gradually allowing everyone to be an actor and driver of progress at their own level and take on HSE topics and champion them with confidence.

HSE Silk network half-days are organized every six months to bring together HSE coordinators and Site Managers to discuss progress and difficulties and share any new strategic directions.

The HSE charter for the HTH Silk sector enables sites to have a clear vision for the main priority work areas and in that context to define local action plans for each establishment. As a result, significant progress has been noted for each priority point in the sector.

Each site conducts internal security audits at least once a month. These audits are carried out by the members of the management committees and/or HSE Officers. The results of these audits are communicated and enrich local action plans as part of an ongoing process of continuous improvement; at SIEGL and AEI, the results of these audits are an explicit part of the incentive scheme criteria.

In the Silk sector, we have strong partnerships with physiotherapists and ergonomists. This year, they contributed to changes in workstations, as can be seen at Gandit, where armrests have been developed for graphic designers, as well as at SNC and HTHe, where sit/stand chairs and saddle stools have been proposed. These health professionals have also supported us throughout the roll out of warm-up exercises for each sector site and in "A Body for Life" training at SNC and Gandit.

With MSDs being the major risk, many other actions have been taken to reduce employee exposure. As a result, handling devices and trucks have been developed to reduce handling by HTHe and SIEGL teams. High-risk operations are identified and if possible eliminated. This was the case at Gandit, where the external garage and the associated handling of frames have been discontinued. Finally, the development of versatility (especially for quality control, manufacturing and weaving) is always encouraged to divide up working time and reduce requests.

As regards communication, best practices/behaviours are displayed in the Gandit, HTH and Ateliers AS workshops and health and safety rules were defined at SNC. These rules are displayed, shared and explained by tutors to all new arrivals.

Equipment and machine compliance and verification is the priority area of improvement for the HTHe sector for 2018/2019. In September 2018, all Site Managers and maintenance managers gathered together to implement a joint action plan for the supervision of such equipment. The major stages of the project are an exhaustive shared inventory of our machines, assurance that inspection reports have been prepared for all equipment by an external organization and the identification and gradual correction of any non-compliance. This project will enable each item of equipment to have its own tracking document and a more detailed discussion of their compliance.

The implementation of new management software for accidents and occupational illnesses offers all sites a single system for sharing this data, allowing accurate and agile monitoring of accident data.

The number of lost-time accidents was down 38% in the Silk segment compared with 2017. The number and nature of accidents are shared and are the subject of discussion and careful consideration on each site in the segment. Each significant incident is thoroughly investigated, leading to corrective actions.

### Hermès Maison

At CATE, the "guaranteeing daily safety" prevention topic has made it possible to remind employees of emergency procedures and to check important safety equipment, such as suction systems and fire detection and fighting systems. In order to ensure everyone knows the risks and related procedures, additional fire notices were created and presented to the craftsmen and women concerned to be put into action with the support of the CHSCT (Health, Safety and Working Conditions Committee). 35 HSE visits were carried out under the supervision of the Health, Safety and Working Conditions Committee members in order to make practical improvements to risk management within the workshops and encourage the reporting of near-accidents. Some of the teams were able to follow training on actual fires using a fire tray and handling fire extinguishers.

The work carried out in 2017 on the prevention of musculo-skeletal disorders was continued in 2018 with:

- ◆ the establishment of an ergonomic assessment within the Enamel and Finishing workshops and the creation of a related action plan;
- ◆ staff training on mobility of the pelvis and recovery exercises;
- ◆ the development of work stations with the addition of removable armrests at decoration workstations.

At Beyrand, since the end of January 2018, an HSE Coordinator reporting to the Head of Human Resources has joined the team and covers all issues related to Health, Safety and the Environment in collaboration with the various departments. Following a Group audit conducted in February, the implementation of an overall action plan made it possible in 2018 to update the main regulatory dossiers (ICPE, ATEX, insurance, asbestos, machine compliance, prevention plans, suction and air sys-

tem checks). Accordingly, safety was strengthened by way of various actions, in particular regarding fire protection, compliance of the fleet of machines, improvements to individual and collective protection equipment, and the signposting of risks.

At the same time, a strong HSE guidance initiative was conducted as part of the renovation of our air conditioning units. Likewise, in order to take HSE considerations into account at the earliest possible stage, a support system was structured for all of the site's investments.

Training provided to employees exposed to MSD risks continued in 2018, in particular with training focused on movement and posture in the office. Workplace first aiders annually renew their knowledge in order to be able to act effectively in case of accident. Awareness-raising actions focusing on chemical risks were conducted among all employees at the beginning of the year, and more comprehensive training will be provided by an external body in December for the relevant employees.

Actions to improve individual protection equipment (choice of new masks) and collective protection equipment (protective grills for shredders and new extractor hoods) implemented in 2018 were led in close collaboration with Operators, Workshop Supervisors and the Head of Production, in order to take all requirements into account.

At Puiforcat, employees were invited to participate in eight workshop sessions this year to discover and learn well-being and preventive techniques and habits based on self-massage and breathing. The goal is to learn how to adjust our movements and/or release muscular tension to prevent MSD.

A multi-disciplinary group bringing together the main workshop métiers (Silversmithing, Polishing, Metal Turning, Head of Planning) worked on a project to relocate the workshop and offices.

Puiforcat offers mindfulness sessions (awareness of the body and its biorhythms) to help employees find the inner resources they need to protect their balance.

#### **Working environment**

At the CATE site, the prevention of exposure to chemicals remained a key theme of the risk prevention approach in 2018. A new air quality measurement campaign was conducted in the workshops. All craftsmen and women handling chemicals are trained by a training body.

At Beyrand, the prevention of exposure to chemicals was also one of the priority themes of the HSE approach in 2018. A series of three air quality measurement campaigns was launched in the workshops in 2018. In order to continue the improvements seen, work station suction systems were improved or added to the colour manufacturing workshop (weighing, mixing, shredding), and to the Covercoat deposit stations at the Laboratory and Printing facility.

Furthermore, the renovation of our Air-Conditioning Units enabled us to improve the overall level of air extraction.

At Puiforcat, in the Forging area, a system was installed for the automatic triggering of air extraction where an accumulation of gas is identified (reduced ATEX risk).

The change in the clothing care contract made it possible to use the services of a sheltered work establishment (ESAT) and to renew professional clothing to obtain more resistant clothing better suited to our needs.

#### **Results**

#### **Cate and Beyrand**

Over the last four years, commuting accidents have shown a positive trend, with two consecutive accident-free years. Cuts are still the main source of first-aid measures, and the employees' hands are still the main area of injury.

#### **Puiforcat**

The number of accidents in the period from November 2017 to October 2018 was stable compared with the previous period. Accidents affected the hand (nicks and cuts). Work is carried out constantly to raise awareness of general risk prevention through appropriate behaviour based on systematic self-analysis of working situations and the consideration of risks.

#### **Cristallerie**

In 2018, HSE topics at the cristallerie Saint-Louis were coordinated by a safety facilitator, an environmental engineer and a technical Health, Safety and Environment manager.

Several initiatives to improve working conditions were implemented in 2018. The most significant ones were the renovation of the neutralisation workshop for effluents from the chemical polishing workshops, the renovation of the chemical etching workshop with the integration of new, secure workstations, the optimised storage of finished products, the set-up of ergonomic workstations to prepare client orders, and the reduction of exposure to lead.

The appropriation and facilitation of the safety at work theme by the various workshop managers was strengthened in 2018. This project, which relies on a diagnostic made with the help of an external adviser, will continue for several years.

Alongside this approach, working groups dedicated to reducing heat exposure (in particular during specific operations) and lead exposure were created.

In addition, a "lead commission" was created, comprising workshop managers, CHSCT members, the HSE department, and the company's Management, in order to continuously improve employees' level of exposure to lead.

In view of the regulations relating to arduous work, the area of "shift work" factor is still a concern in the production unit (the small number of employees concerned are still those in the melting workshop and cutting workshop).

In order to improve working conditions in "harvesting" stations, a study was conducted in partnership with a specialised company. The means of assistance identified will allow the craftsman or woman to concentrate on the crafting gestures that produce these exceptional pieces.

A budget of €800k has been invested in various projects aimed at improving the performance of production units in terms of health, ergonomics, safety, working and environmental conditions, such as the renovation of the neutralisation workshop for effluents from chemical polishing workshops, the renovation of the chemical etching workshop, the securing of acid disposal areas, the set-up of ergonomic work stations for order preparation, the optimised storage of finished products, the set-up in the hot-part workshop of a system to capture fumes at source, optimised air renewal, and the acquisition of a more efficient burner opening.

The production unit's chemical risk assessment, conducted in 2012, was updated again in 2018. This update, taking into account the results of previous campaigns, has clarified the level of exposure to certain homogeneous exposure groups (HEG). These were sampled during the measurement campaign that was carried out in June and November 2018. Actions aimed at reducing the exposure thresholds observed during these analyses were implemented. Among the most important of these are: suction at the source on burner openings in the "hot-part" workshop, optimisation of process settings, several awareness-raising operations on the use of collective protection in the "hot-part" workshop, improvement of collective protection in the composition workshop.

Comparative measurements taken after these developments confirm the usefulness of these improvements.

Moreover, in order to anticipate future regulatory changes with respect to employees' exposure to chemical risks, the industry, represented by the *Fédération des Cristalleries Verreries à la Main et Mixtes* (Federation of hand-made and mixed glassworks), conducted a study in partnership with a specialised firm to identify optimisation possibilities to be implemented at each site concerned.

#### **Results**

The accident situation at the site, which had improved in 2017, deteriorated in 2018, mainly with respect to the frequency rate. The severity rate remains low, despite a slight increase compared with 2017.

The number of reported incidents or risk situations also increased, reflecting the emergence of an approach where the safety aspect within workshops is taken into account.

The diagnostic conducted with the assistance of a specialised firm made it possible to highlight the production unit's strengths and areas for improvement in terms of safety.

A project aimed at involving all those involved in managing safety within their workshop will launch in 2019.

#### **Perfumes**

At Hermès Parfums, an HSE-General Services team comprising 11 people is responsible for the site's regulatory watch and compliance, and conducts preventive actions to maintain and improve working conditions, in particular with respect to safety (ATEX, fire safety, safety of works and maintenance teams) and workstation ergonomics.

CNP also recently committed to an approach involving the establishment of an Integrated Management System (IMS) based on the various ISO Quality, Safety and Environment standards. The aim is to implement a robust and reliable risk assessment and control system across all parts of the organisation. It will be useful in developing the foundations of sustainable development and the HSE culture. The IMS is driven by CNP's industrial department and brings together all employees around a shared corporate strategy aimed at meeting its customers' needs, improving its environmental performance, and protecting its employees and external service providers.

In addition to the training sessions provided every year on handling fire extinguishers workplace first aid, certifications (electrical, operating equipment) and evacuation exercises, CNP employees have been made aware of noise-related risks.

Some of the employees have also followed training on ATEX risk, in collaboration with an internal ATEX advisor having also following certified training in this area.

Following the transfer of some of the logistic activities (storage of finished products and order preparation) to a specialised external partner, Hermès Parfums decided to internalise some of the production processes for perfume-related products (bath products). The works for this new workshop began at the end of 2017, with the aim of creating premises to manufacture and package cosmetic products. These works continued until September 2018. The production equipment was installed and is currently being qualified. The cosmetic production activity is due to start in early 2019. It is worth noting that the transferred logistics activity employed 14 people at the Vaudreuil site. Those people have all been transferred to other positions in the company (quality, customer service, physical flows, etc.).

Furthermore, CNP continued its actions aimed at improving existing facilities with respect to ATEX risk (ventilation of the manufacturing premises), improving the sprinkler installations, and changing the Fire Alarm System. A specific ventilation system (laminar flow) has been set up near the manufacturing premises to secure the intake of raw materials and thus protect the operator during handling. The building's first floor offices were rearranged to draw the team closer together. A section of the floor in the packaging workshop was also changed.

#### **Results**

The number of workplace accidents with stoppage increased in 2018. This was mainly due to same-level falls. Each accident was investigated using a root cause methodology. However, the frequency and severity rates are still lower than those for the chemical industry.

A new campaign was recently conducted to monitor employees' exposure to chemical agents.

#### **Distribution**

Convinced that the Retail activity's development relies on the fulfilment of all employees, the Hermès Of Paris subsidiary in the United States and the Europe region approached their respective teams in parallel to carry out a commitment survey. They were questioned about their involvement at the workplace, their sources of difficulty and those of satisfaction. This resulted in an action plan and the close monitoring of the actions decided on.

In France, the Health, Safety and Security action plan drawn up since 2017 enables all stores to be aligned in terms of Health, Safety and Security practices and implementation.

Every store now has one or two Safety Officers, who are clearly identified. These staff members assist with the implementation of recurring actions and guidance on topics that change on an annual basis.

Annual training is provided for Safety Officers during the administrative staff seminar.

This involves taking stock of specific identified risks or working together on a new topic to be introduced.

The distribution subsidiaries increased their actions to improve comfort in the break rooms for offices and stores. For example, in China and Hong Kong, among other places, break rooms were completely renovated. They are more spacious and were in some cases moved into separate premises, to provide sales associates with an actual space that allows them to take a break, get changed and rest.

Based on the conviction that happy employees make happy customers, the Human Resources Director of Hermès Greater China developed a “Happy@Hermès” programme designed to improve employees’ Hermès experience. Four modules are broken down into varied activities, events and training sessions on the themes: “Care for Happiness”, “Learn for happiness”, “Work for happiness”, and “Relationships shape your happiness”.

In Shanghai, Hermès China offered an “H Family day” for the first time. 150 people representing the families of 60 employees were proud enough to show off their office, the magic of the Shanghai House, and to reveal the Hermès culture and values.

#### Other functions

To give young parents peace of mind, various subsidiaries in France (Paris and Lyon regions) have reserved nursery places. The number increased in 2018, which enabled more employees to benefit from this service. This system is in addition to the nursery established in our Pantin offices.

Hermès Femme offered all employees in its division Friday Free Times during the second half of 2018. The day is structured around conference activities, a yoga workshop and relaxation activities to enable employees to relax and get to know each other better in a friendly team atmosphere.

Living in beauty to make beauty. With this intention, Hermès strives to create conditions conducive to high-quality work. To that end, new spaces have been designed to foster collaborative work, moments of relaxation, and a friendly atmosphere. The quality of work station ergonomics and respect for the environment are taken into account in a spirit of sustainable and responsible development.

As such, Hermès International has set up a portion of the teams, about 170 employees, in a fully renovated building in Paris with 3,800 m<sup>2</sup> of spaces designed to improve the comfort and work of everyone in a spirit of collaboration. This new, impeccable space in line with sustainable development principles offers collaborative offices equipped with the best digital tools. It meets the need for more horizontal management, as well as a flexible working organisation in terms of mobility, on account of

increasingly blurred boundaries between our working and private lives, and digital technology. As such, everyone can benefit from both a sweet office and a sweet home.

Hermès International also fully renovated its restaurant facilities in collaboration with a new partner selected for its strong commitment to sustainable development, the use of fresh and seasonal ingredients, local food supplies, and a commitment to the fight against food waste.

After four years of work aimed at developing the site dedicated to Logistics and to the Customer Service teams, Hermès Commercial inaugurated new living spaces. As such, they demonstrate their determination to provide employees with areas conducive to discussions, breaks and collective cooperation.

**The Group's health and safety policy is to scrupulously obey the rules applicable in this area and exceed them whenever possible for the well-being of employees. The Group's manufacturing and logistics operations are mainly in France, where regulations for these matters are very strict. The métier and activity Executive Vice Presidents monitor the appropriate indicators (which are collected and audited by industrial managers and more broadly by HR). They are responsible for these indicators.**

**The goal is zero accidents. For example, in each production unit, a work accident tracking chart is posted and discussed with workshop managers. Specific training is organised for métier risks, as well as meetings with professionals on the subject (physiotherapists, doctors, firefighters). These meetings also make it possible to be more reactive if there is an accident, so that the proper measures can be adopted very quickly and the most appropriate experts and institutions can be determined rapidly. Contingency plans are in place for each site.**

#### 2.3.1.2.2 Social dialogue

It is Hermès's policy to create the best conditions for high-quality social dialogue and employee freedom of expression wherever possible. In France (62% of our employees), it is enshrined by law and organised, company by company, through representative bodies and agreements signed each year. In other countries, dialogue takes various forms, according to local practices. The Hermès Group's ethical charter confirms its commitment to the conventions of the International Labour Organisation (ILO), especially with regard to the freedom of association.

Social dialogue is a priority for *Maison Hermès*. This involves both collective bargaining and daily participation by employee representatives in various projects and is essential to the functioning of the Group's various companies. It is organised in each country in accordance with the applicable laws and regulations. In all of these countries, Hermès ensures that each employee can freely decide whether or not to join the union of his or her choice in accordance with local regulations and trade union pluralism, where it exists.

In France, social dialogue is organised at both the Group level and the company level.

At Group level, social dialogue is expressed first and foremost through the annual meeting of the Group Works Council, which fosters discussion with employee representatives and representatives of the five national trade unions present in the Group. This meeting enables dialogue and the sharing of results from the previous year and the outlook for the coming years. Furthermore, a Social Dialogue Monitoring Committee (France) was set up in 2008 pursuant to the agreement on social dialogue and the exercise of union rights within Hermès Group companies, signed in 2008 by all of the representative trade unions. In 2018, in addition to its annual meeting, this Committee had a second exceptional meeting to provide its members with answers regarding the establishment of the Social and Economic Committee, the new employee representative body created by French law that combines the three former representative bodies (Employee Delegates, Works Council, Health and Safety Committee). Social dialogue at the Group level also involves the annual meeting of the Health Expense Reflection and Discussion Group, which is a forum for dialogue organised around the healthcare plan applicable in most of the Group's companies.

In the various companies, social dialogue also involves the day-to-day functioning of employee representative bodies and a robust and active collective bargaining process. Collective agreements have been signed in all companies that have trade union delegates. As a result, in France in 2018, more than 65 agreements and amendments were signed (including a Group agreement on additional profit-sharing) on topics as varied as salary enhancement, incentive schemes, flat day rates and the right to disconnect, gender equality, and the establishment and functioning of Social and Economic Committees. All of these topics reflect the significant involvement of employee representatives and the relevant management in a constructive and respectful social dialogue. Internationally, labour relations in the distribution operations are supervised by the Human Resources Directors for each area (or country, depending on the size of the local markets), who ensure compliance with local regulations and application of the Group's ethical charter.

### 2.3.1.2.3 Sharing economic values

The Group's policy is to give employees a share in long-term growth through various measures such as incentive and profit-sharing schemes and a share ownership plan.

#### Compensation

<i>In millions of euros</i>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Total payroll	609	639	695

The Group's payroll was €695 million in 2018, compared with €639 million in 2017, plus €228 million in social security charges. In France, €88.8 million was distributed in incentive and profit-sharing schemes, and €3.5 million in employee support activities, compared with €70.7 million and €3.3 million in 2017 respectively.

Payroll costs (excluding exchange rate impact) reflect increases in both workforce and salaries in all geographical areas.

Hermès is committed to rewarding employee performance at both the collective and individual levels, and the development of variable compensation at both levels in recent years reflects this commitment.

Compensation mainly reflects skills, levels of responsibility and local conditions.

Every year, the Group provides its subsidiaries with budgetary guidelines for compensation growth that take into account inflation and local markets. Particular vigilance is required concerning gender equality and market differences (internal and external). Additional budgets may be granted if adjustments are necessary. The compensation paid to Corporate Officers is shown in Note 22 of chapter 6 of this document. Hermès, the vast majority of whose employees work in OECD countries, strictly applies working time and minimum wage regulations in compliance with UN conventions and seeks to exceed such regulations wherever possible. In France the minimum wage is defined by law.

The Group's employees are eligible for short-term benefits (paid leave, sick leave, profit-sharing), long-term benefits (long-service awards) and post-employment benefits under defined contribution/defined benefit plans (mainly retirement benefits and supplemental pension plans). As detailed in Note 26 to the consolidated financial statements, the Group's total commitment to pensions and similar items is €196 million.

#### Profit-sharing and incentive schemes (France)

Since 2012, a special profit-sharing agreement signed with all of the representative unions has enabled all employees of the companies in France to be associated with the profits of the Group in a harmonised manner.

Incentive agreements are also in place at each French company. These agreements have a duration of three years and aim to involve employees with the development of locally-determined indicators that are relevant with regard to the activity and environment of each of these entities, notably quality, safety and productivity.

Employees of foreign entities (38% of all Group employees in 2018) also benefit from a range of regular additional compensation initiatives in line with performance and local customs.

In millions of euros	Incentive schemes	Profit-sharing	Total
2016	26.9	41.9	68.8
2017	26.1	44.6	70.7
2018	33.4 <sup>1</sup>	55.4	88.8

(1) Including the signing of new agreements.

### Free share plan

Faithful to its family tradition and wanting to involve all employees worldwide in the Group's growth, Hermès has historically implemented several employee shareholding plans, notably free share plans in 2007, 2010, 2012 and 2016.

All of these plans send a single message to eligible employees worldwide and their objective is three-fold:

- ◆ to show the confidence of the House in the long-term commitment of its employees and unite them around the Group strategy;
- ◆ to acknowledge the contribution made by employees at all levels to the development of the House, by providing a single compensation component to share the benefits of our growth, enabling employees to identify more closely with the long-term Hermès growth decisions;
- ◆ to consolidate the strong links between the employees and the House at every opportunity.

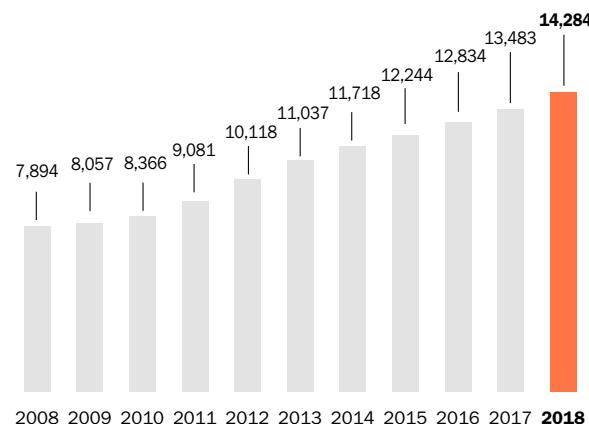
The total rights granted under these free share plans represented 2.1% of the share capital of Hermès International.

Consequently, the last free share allocation plans (introduced in 2016) were allocated to over 11,300 Group employees worldwide and involved a total of 806,060 shares. To promote employee loyalty over the medium and long term, and to boost collective performance, these plans are subject to a vesting period of at least four years, presence conditions and, for some shares, performance conditions.

The Group's ambition is to continue to involve its employees worldwide in its corporate project by increasing the level of employee shareholding.

### 2.3.1.3 Results

The workforce within the Hermès Group includes active permanent staff members and people on fixed-term contracts of more than nine months, including apprenticeship contracts. The permanent active staff represents 95% of the total workforce. Increasing by roughly 81% over the last 10 years, the Group workforce (page 278) totalled 14,284 people as at 31 December 2018.



### Employment

The Group created 801 jobs in 2018. As has been mentioned, the Production sector saw the most growth (with the creation of 323 additional jobs) in order to increase production capacity and to protect savoir-faire and sources of supply, closely followed by the Sales sector (with 310 additional jobs created).

Employment creation was significant in existing production units, particularly in the South-West, Savoie Dauphiné and Franche-Comté divisions, where two new leather goods facilities were opened.

The last 10 years have not required the Group to undertake any restructuring efforts for economic reasons that had any consequences with regard to jobs. During development operations (site construction), any transfers were on a voluntary basis. In France, individual redundancies involved 91 people in 2018 (72 in 2017).

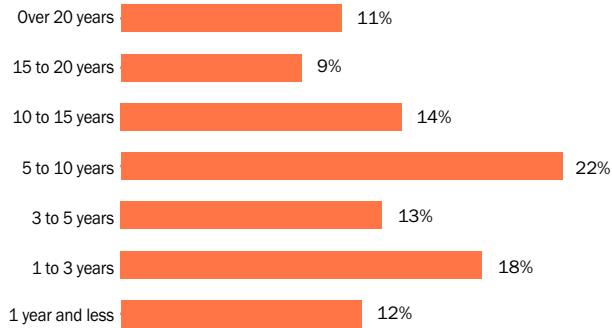
The new stores of Palo Alto (USA), Cancun (Mexico), Chadstone (Australia), Bangkok Icon Siam (Thailand), Changha, Xian (China), Emaar Square Mall (Turkey) and Incheon Shinsegae Airport (Korea) contributed to the growth of the workforce.

Hermès ambition is to ensure jobs security recruiting as much as possible permanent contracts.

Concerning employee turnover, the total number of dismissals represented 1.7% of the Group's average global headcount.

### Seniority pyramid

Average seniority is nine years and 43% of the Group's total employees have been with the Group for less than five years, resulting from fast growth in recent years. The Group encourages the development of skills and long careers. More than one-third of the staff have been with the Group for more than 10 years.



### Absenteeism (France)

In France, the absenteeism rate was 4.1%, is stable compared to last year. Absenteeism is calculated using the accumulated hours of absence for the following reasons over a period less than or equal to 90 consecutive days: illness and occupational illness; absence as a result of a workplace or commuting accidents; and unjustified or unauthorised absences. Changes in absenteeism are systematically monitored and analysed by entity in order to identify causes and propose action plans. Return-to-work interviews are one of the tools that HR departments use for improvement. This type of measure helps to encourage dialogue and to better understanding of the causes of the absence while respecting medical confidentiality. Managers are also trained in managing returns to work based on the type of absence, which is a key element for limiting their frequency. Moreover, this monitoring system has led certain companies to establish short- and medium-term objectives with regard to absenteeism. These objectives are accompanied by initiatives focusing on an improvement of working conditions, development of versatility or manager training regarding the management of absenteeism. As such, the adopted measures include communication, awareness-raising and prevention actions (vaccinations, presence of a doctor on the sites, etc.), but also control, in order to increase the accountability of the employees and managers. Moreover, based on the demographics of certain sites, specific actions have been implemented in order to support maternity under the best possible conditions. For example, these specific action plans may involve adapting the work station, or implementing prevention measures intended to allow pregnant women to remain at work, if they so desire, until the start of their maternity leave.

### Workplace accidents

The diversity of the Group's métiers (as it is both a manufacturing and trading company), and its geographic locations (France and overseas) make it difficult to provide overall analyses and comparisons of workplace accident statistics. Health and safety is of course a key priority for all of the House's managers.

In 2018, the frequency rate of workplace accidents with stoppage for the Group as a whole stood at 8.4 for a severity rate of 0.46. This calculation is based on the total number of actual hours worked. It is difficult to interpret because of the variety of métiers in the Group.

In France, the frequency rate was 12.37 with a severity rate of 0.55, compared to 14.8 and 0.75 last year. Our industrial workforce represents 69% of our workforce in France, and therefore impacts these rates. The rates for the main métiers concerned (leather and crystal) are below the rates for their industries.

Looking at figures for International alone, the frequency rate was 3.2 and the severity rate was 0.3.

### Organisation of working time

Each entity manages its working time in compliance with the regulations in force and on the basis of the particularities of its own activity, in an effort to balance private/professional life, in particular by implementing variable working times for French entities. Ninety-five percent of employees work full-time ; there are 704 part-time employees.

Various working time flexibility schemes have been established. For example, for leather goods, (47% of the workforce in France), craftsmen and women organise themselves at each workshop according to flexible schedules.

Given that 80% of employees are either craftsmen and women or work in the stores, teleworking is less significant than in other industries. It is examined on a case-by-case basis, according to the needs of the departments.

## 2.3.2 CHALLENGE: MAINTAINING DIVERSITY

Maintaining diversity of talents is the foundation of the House's wealth and creativity.

The diversity policy is overseen by a member of the Executive Committee in charge of organisational governance. It is based on the values and ethics of the House and on the actions overseen by the Group's human resources department.

### 2.3.2.1 Policy

The Hermès Responsible Employer policy implemented in the Group aims to develop actions to enhance its employees' development while boosting the House's economic performance. Attaining these two inter-linked and complementary objectives involves a range of initiatives to promote responsible integration and responsible management.

Drawing on the conviction that diverse talent is a source of wealth, creativity and innovation, Hermès strives to facilitate the integration of diverse talent by developing practical actions in favour of vulnerable people, in particular those with disabilities or the long-term unemployed, senior citizens, and people from visible minorities or disadvantaged areas.

### 2.3.2.2 Measures implemented and results

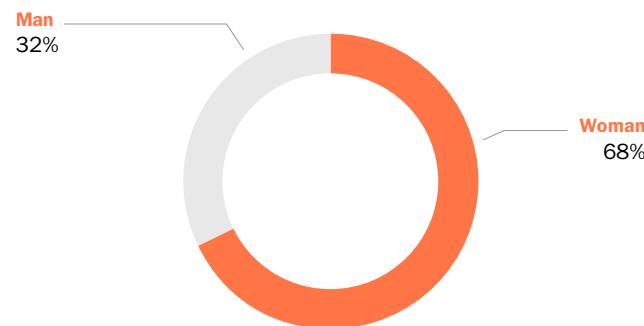
The Group is committed to the principles of recognition and respect, irrespective of one's origin, gender, family situation or *métier*. This respect for differences is presented to the employees in the ethical charter that serves as the guarantor of the objectivity, equal opportunity and promotion of diversity without discrimination in recruitment, career development and daily management. There is also a specific training segment on managing diversity for all managers.

Employee recruitment respects profile diversity wherever Hermès operates.

The Group is very committed to the principle of equality between women and men. Training sessions on the subject are given to management and the subject is specifically discussed in Human Resources meetings.

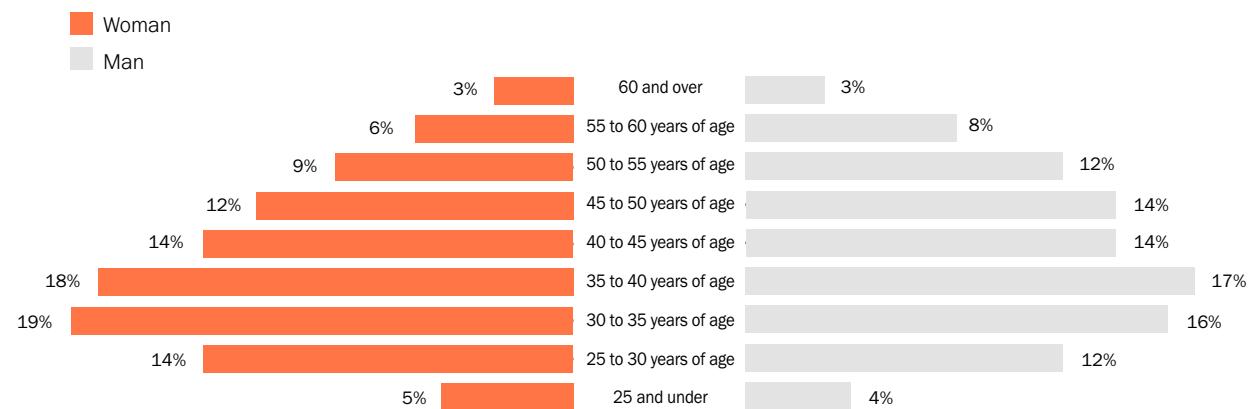
The Group is largely made up of woman (68%), who are represented at all hierarchical levels and in all business activities. The Group's policy is to guarantee total non-discrimination in the treatment of its employees.

BREAKDOWN BY GENDER



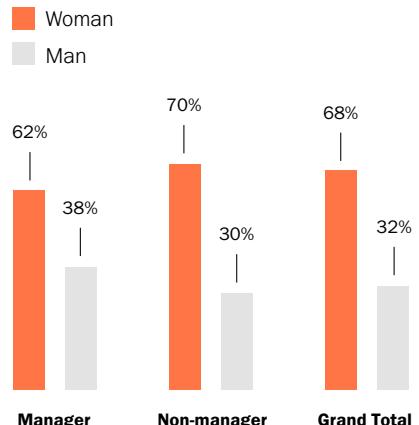
AGE PYRAMID BY GENDER

The age pyramid of Group employees can be broken down as follows:



### GENDER BREAKDOWN BY CATEGORY (MANAGERS/NON-MANAGERS)

Women are in the majority in the different categories, including within management. One of the members of the Group's Executive Committee is a woman.



## Diversity management

In order to develop responsible management, the “Alteredo” training programme was rolled out in an ambitious way to express the wealth of difference for the company and thereby strengthen equitable management in terms of access to employment and career management, by equipping managers to respond to everyday situations. Started in 2017, this programme continued in 2018 with 35 one-day sessions for 379 divisional and local managers from all entities in France. The objective is to engage them in our responsible employer culture by prompting several discussions about disability, religion, gender equality and inter-generational management.

## Disability

Hermès has long been committed to integrating people with disabilities into its different métiers.

Following the signature in 2017 of the first Group Disability Agreement with all representative trade unions within the Group, the Group's Disability Working Group acted in coordination with a network of 12 Disability Advisors across all métiers (Silk, Leather, Crystal, Perfumes, Hermès Maison, Women, Hermès Services Group, Hermès International, Hermès Commercial, Hermès Distribution France) to help all sites to make progress in integrating and retaining people with a disability, whether temporary or permanent, in employment.

Through this agreement, Hermès confirms its desire to act to support recruitment and integration, keeping people in employment, developing procurement from the socially supported and sheltered sector, and also in the area of communications, awareness and training in these issues.

2018 was the first year of the Group Disability Agreement, representing a decisive step forward.

Significant progress was made, including the establishment of partnerships for hiring, various communication initiatives on disability within teams, and the forum for purchases from socially supported organisations.

At the end of 2018, the employment rate of people with disabilities was 4.93%, up from 3.99% in 2017. It reflects a direct employment rate of 4.21%, up from 3.51% in 2017.

The three-year agreement (2018-2019-2020) involves voluntary targets with respect to recruitment and is already bearing fruit, in particular with the recruitment in 2018 of nine people with disabilities on permanent contracts, three of whom were previously employed by a sheltered work establishment (ESAT), thus complying with the framework commitment of 20 permanent contracts over three years.

In 2018, 59 employees completed their initial disability recognition process, bringing the total number of employees with disabilities to 362 full-time equivalents, up from 283 in 2017. Initiatives of this nature testify to the confidence these employees have in Hermès. The people concerned will benefit from dedicated support in their position and for job retention.

Several divisions have an employment rate above the French target of 6% employees with a disability before the reduction coefficient: HMS, HTH, St Louis, John Lobb.

A total of 21 companies, given their good outcomes, are now completely exempt from the OETH tax<sup>1</sup> (only nine companies are still subject to it).

Working Groups were formed within each division and each with a Disability Advisor to enable the roll-out of the Disability Agreement as closely as possible to the teams.

Disability Week is an opportunity to conduct various awareness-raising actions among employees, with conferences by autistic people, plays addressing disability, sensory workshops, events around themes like Diabetes or MSD, relaxation massages by visually impaired individuals, etc.

A three-year partnership agreement was signed with Sciences Po Paris including two aspects: supporting access to the Sciences Po Accessible programme dedicated to Sciences Po students with disabilities, and the Sciences Po School of Management and Innovation-EMI to develop exchanges of métiers between Hermès and students completing their Master's degrees, in particular.

The Group Disability Agreement organised a Market Place in Pantin inviting more than 80 purchasers and directors to share best practices and foster purchasers' use of socially supported organisations, in particular working with 15 Adapted Companies (EAs) and sheltered work establishments (ESATs), which were there to propose their services.

The Group's overall purchases from socially supported organisations almost doubled compared with last year, while the Group Disability Agreement had set a target increase of more than 20% per year.

Within the Hermès Leather Goods & Saddlery division, management is showing great ambition with its Disability policy and has for several years been supporting the development of partnerships with ESATs and EAs to perform certain support tasks. This division's purchases from socially supported organisations more than doubled compared with last year, reaching €1,119k in 2018.

In the Maroquinerie Savoie Dauphiné division, which has a training school in Fitolieu, a special ambition is driven by the organisation of collective information sessions dedicated to people with disabilities. In 2018, 2 sessions have been organized with more than 40 participants each. This allowed the integration of people with disabilities into each training session.

Hermès Parfums has developed various partnerships with the local ADAPEI (organisation of friends and parents of disabled children) for packaging or laundry services.

Hermès Commercial has established several partnerships with EAs or ESATs for the secondment of employees to logistics workshops. As such, four “external” employees are constantly present, and one of them was recently hired on a permanent contract.

Within HCP, collaboration with socially supported organisations is dynamic, with various tasks focused on sampling, brochure packaging, maintenance of landscaping, and catering.

(1) *Obligation to Employ Disabled Workers.*

John Lobb provided an ESAT with several hundred wooden lasts, initially carved for creating bespoke shoes, to give them a second life.

**It is Hermès's policy is to recognise and respect everyone's talents, regardless of race, colour, age, religion, origin, gender, disability status, marital status, pregnancy, sexual identity or métier.**

**This respect for differences is shared with all employees in the ethical charter distributed to each employee and in the code of business conduct. This policy guarantees objectivity, equal opportunities and the promotion of diversity without discrimination in recruitment, career development and day-to-day management.**

**It is communicated through specific training sessions for all managers (Alterego training). An alert mechanism (H-Alert!) is being deployed to report any breaches of this policy.**

### 2.3.3 CHALLENGE: ETHICS AND SHARING VALUES

Maintaining a corporate culture based on ethics and shared values.

#### 2.3.3.1 Policy

The Company's ethics policy is put forward by the Executive Committee and its main founding documents are signed by the Executive Management (Ethics Charter, code of business conduct and anti-corruption code of conduct).

The Group is very committed to the principles of acknowledging and respecting differences, presented to the employees in the ethical charter that safeguards objectivity, equal opportunity and the promotion of diversity without discrimination in recruitment, career development and daily management. The charter also includes a specific training segment on managing diversity for all managers. The Group shares its values and business project in different ways: the intranet, dedicated meetings and team initiatives.

#### 2.3.3.2 Measures implemented and results

The House's ethics are enshrined in a forty-page **ethical charter**, published in 10 languages and distributed to all employees. It aims to promote the corporate project and reaffirm the Group's commitment to certain fundamental principles in Hermès' relations with its stakeholders and wider society. It is given to all new employees when they join the House. The Director of Legal Compliance and Public Affairs oversees this area. A **code of business conduct**, available in 10 languages, sets out the House's guiding principles on a range of operational matters. It lays out a matrix alert system by geography and by function. The content and operating modes in relation to these two documents are set out in sections 3.2.1.2 and 3.2.1.3. These documents are published online on <https://finance.hermes.com>.

In 2018, 1,775 copies of the ethical charter were distributed to subsidiaries. At the same time, the Group is continuing its efforts to dematerialise these documents and has distributed electronic versions to all subsidiaries.

#### Respect for human rights and the fight against corruption (see section 3.2.1.1)

As detailed in section 3.2.1.1, the Hermès Group's ethics policy aligns with the universal framework set down by the major principles, standards and international agreements, and it notably adheres to the Universal Declaration of Human Rights, the Charter of Fundamental Rights of the European Union and the ILO, the OECD Guidelines and the OECD Convention on Combating Bribery of Foreign Public Officials.

The Hermès Group policy is to comply with applicable laws and regulations in all the countries in which they are active as regards the respect of human rights and the fight against corruption. As a reminder, most of the Group's activities are carried out in OECD countries.

#### The tools

- ◆ Ethical Charter and code of business conduct

The Group's ethical charter, as well as the code of business conduct, described in sections 3.2.1.2 and 3.2.1.3, provide a clear framework for all employees. In 2018, training continued on these subjects.

Training sessions are also organised by and for the House's network of buyers. The training pertains to the Group's purchasing policy, legal rules, and tools, but also relates to raising awareness of risk and how to evaluate it.

- ◆ Supplier undertaking handbooks

On the legal front, Hermès asks suppliers for their formal undertaking that they will comply with their responsibilities, through handbooks on undertakings, which are updated on a regular basis (covering non-disclosure, fair trading and corporate social, environmental and ethical policies). In particular they include the following sections:

- Good labour practices

This section deals mainly with the following subjects: child labour, forced labour, compliance with health and safety rules, respect for freedom of association, non-discrimination, working time, compensation, illegal work.

- Good environmental practices

This section states our expectations in terms of compliance with environmental regulations, management of natural resources and consumption, effluent and waste materials, respect for biodiversity.

- Good ethical conduct

This section covers subjects that include corruption and money laundering, as well as specific requirements for certain sensitive sectors, and recommendations on best practices in relation to subcontracting.

## Harassment

Hermès does not tolerate any conduct that manifests itself in particular through behaviour, words, acts, gestures or writings that may infringe on a person's personality, dignity or physical or psychological integrity, thereby jeopardising their personal balance, employment or the social climate.

In France, harassment is a form of behaviour penalised by the Labour Code. If intentional, it may constitute a criminal offence, which exposes the perpetrator to criminal conviction. Many countries have similar regulations on the subject.

The Group's policy is that any employee who feels harassed, or witnesses a situation of that nature must disclose it as soon as possible to his or her superiors and/or a Human Resources Manager and/or report it through the whistleblower representative appointed by Hermès, which guarantees that the conversation will remain confidential (whistleblower protection "H-Alert"). Group rules provide for investigations tailored to the situation so that each case can be examined and dealt with.

The Group attaches great importance to everyone's professional development and compliance with the rules of ethics. It will therefore be uncompromising in the punishment of both abusive behaviour and bad-faith, unjustified denunciations.

The fight against harassment, whether psychological or sexual, is one of the House's priorities. To achieve this, psychosocial risk prevention training has been in place for managers since 2017. It is led annually by the Group Labour Relations Director. This training makes managers aware of the existence of psychosocial risks (stress, harassment, violence at work, burnout, etc.). It also teaches them how to detect the situations that can lead to these risks and to identify the warning signals. The objective is to be able to detect a difficult situation as soon as possible and provide a rapid and appropriate answer. This training is also an opportunity to raise manager awareness of workplace health and well-being measures, which are collective prevention measures to improve physical and psychological health and well-being at work. Roll-out of these measures began in France, and they will also be implemented internationally.

## Social responsibility

Hermès has laid out its social responsibility ambition and policy in a procedure entitled "Hermès – a responsible employer", which was approved by Group management and distributed to the Management Committees.

Through its social responsibility commitments, Hermès implements strategies to develop its employees while boosting its economic performance. Attaining these two interlinked and complementary objectives involves a range of initiatives to promote responsible integration and responsible management.

Responsible integration is the result of a conviction and desire. The conviction that talent diversity is a source of wealth, creativity and innovation for Hermès. Accordingly, Hermès is convinced of the crucial need

to constantly strive towards this diversity of talents and facilitate its integration. To this end, in 2017, the Group finalised and launched a diversity management and anti-discrimination training programme for local managers, which is delivered internally.

Hermès is also affirming its dedication to helping vulnerable people, particularly the long-term unemployed, by implementing social inclusion initiatives. With this in mind, in 2017 Hermès developed and introduced a social responsibility clause in its calls for tenders for general services, leading to the first co-contracting agreements with socially supported and sheltered organisations.

The aim of responsible management is to enable each employee to develop and realise their full potential in a positive, inclusive setting. This involves:

- ◆ increasing efforts in terms of health and safety at work;
- ◆ making employees aware of their responsibilities and supporting them in their work;
- ◆ improving well-being at work (workplace flexibility) and enabling employees to improve their work-life balance;
- ◆ giving a different meaning to commitment by encouraging those who wish to become involved in community projects.

## United around a corporate strategy

The Group's internal communication department launched a new internal platform in autumn 2018, following on from Toile H, the previous intranet site on which the life of the House was shared in all its aspects from 2006 to 2018. Significant developments in digital technology, together with the Group's expansion, have created the desire to fundamentally transform employees' digital habits. HermèsSphère is a new digital workplace. With a single point of entry, employees can access all their daily working tools, read the Group and its subsidiaries' latest updates in real time, and contact each other via the social network. New entrants can quickly learn more about the company, its organisation, the diversity of the métiers, and its values and culture. By virtue of a mobile app, it will gradually be extended to all employees without access to a computer at work. A real source of inspiration on a daily basis, it widely spreads useful information both through news items and less topical pieces. It aims to generate both collaboration and creativity. Thanks to the contribution of all Group entities, there is abundant information.

Forum H 2018 was held in Paris, bringing together 2,500 employees in order to involve them in the corporate strategy. The main topics covered included sharing the 2017 results, addressing the projects for 2018, and promoting the innovations and major initiatives of the production divisions, métiers and Retail division. This major annual event boosts the sense of belonging to a dynamic project and brings recognition for all players involved.

In Vienna, Austria, the Executive Committee convened all members of the Group's Management Committees for a 3-day seminar. Nearly 300 people were gathered to commit to the fundamentals of the corporate strategy implemented in each of the major areas and consider the decisions to be made regarding the major challenges of the future.

In Vienna, through the Arts & Crafts movement, Hermès discovered a kinship with its idea of designing useful, beautifully made and aesthetic objects. A breath of fresh air for all participants, who particularly appreciated this international event, with a wealth of opportunities and discussions in beautiful, free-spirited and non-conformist Vienna, which is constantly reinventing itself by drawing on its past and adapting to the future.

#### Celebrating site openings and anniversaries

In 2018, the Allan production unit was inaugurated in the presence of the members of the Executive Committee and all employees of the Franche-Comté division, which has a total of 593 employees together with the Seloncourt and Héricourt production units. In addition, the Haute Maroquinerie production site celebrated its 20th anniversary.

#### Special events in the teams' working lives

Every month, Hermès Femme, a division of Hermès Sellier, gathers together all employees to share the métier's activity through its results and by focusing on its expertise and certain flagship projects. This is also an opportunity to introduce new employees. During a monthly lunch, new employees are invited to talk with the Executive Vice President and the Director of Human Resources.

Every first Tuesday of the month, Hermès Commercial gathers together all players to involve them in an activity within the division and promote employee moves. This is a way of confirming their commitment to this

area, in line with the Group's mobility policy. Likewise, once every quarter, the Executive Vice President of Hermès Commercial convenes the entire division in a plenary session to report the activity's results and highlight successful initiatives through the testimonials of employees working on dynamic projects; this is a way of recognising the actions accomplished and of promoting an intrapreneurial spirit.

The HTH silk division organised a unifying event, "Carrément nous", bringing together all the division's employees. As part of the traditional annual printers' festival, Ateliers AS employees could enjoy a day focused on the theme of 'play' at the Stade des Lumières, yet another opportunity to promote a strong spirit of belonging and a strong team.

Three times a year, Hermès Parfums organises an information meeting for all employees and held its Garden Barbecue Party in the company of all employees.

The Paris Val de Seine Leather Goods division has set up a quarterly newspaper to communicate on the division's dynamic life, with its employees working in Pantin, Paris and Normandy.

In order to bring management closer to employees, Hermès Russia offers a monthly lunch, which is an opportunity for store and head office employees to ask questions without any taboos and feel more involved in the corporate strategy.

Hermès Greater China continued to publish Hermès Sync and Hermès Echo China as a mouthpiece for staff, exploring the region's many activities and sharing information on projects, life in the stores, and anecdotes told by employees.

Café Orange box is the Hermès Japon intranet site that shares stories and photos of team activities.

#### **The Prudhomme brothers – master craftsmen and instructors**

Promoting the emergence of craftsmen and women and stimulating their growth: this is the approach adopted by Hermès in its leather métiers. Indeed, the House does not hesitate to recruit talents from all backgrounds as they will diversify and enhance its sixth generation of leather craftsmen and women. In-house, the task of training, guiding and nurturing these future holders of leather savoir-faire is assumed by experienced master craftsmen like the Prudhomme brothers, who are foremen at the Pantin leather goods site. Lionel and André, who are easily recognised through their white coats, tirelessly pass on the

use of the tools and working methods they master to perfection, after some forty years with the Company. They thus teach the teams all the secrets of a precious and capricious material, as each hide is unique and reacts in its own way. This method of transmission, down to the finest detail, enables Hermès to increase its leather working savoir-faire over the years.



### 2.3.4 CONTRIBUTION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS (SDGs)

People are critical to our sustainability project and the initiatives conducted by the Group. They help to publicise the following SDGs (the numbers refer to the UN's official typology):

#### No. 3: Good health and well-being

- ◆ 3.8: “Achieve universal health coverage”.

The House's employees have access to health coverage and social protection based on each country's regulations and practices.

- ◆ 3.9: “Reduce the number of deaths and occupational illnesses”.

In addition to our HSE activities (as a reminder, all industrial sites are in OECD zones subject to strict regulations), the management of indicators relating to health, safety and absenteeism led to the introduction of training programmes on well-being and health, or the prevention of MSDs (musculo-skeletal disorders), in order to prevent and reduce the impact of occupational illnesses.

#### No. 4: Quality Education

- ◆ 4.5: “Eliminate gender disparities in education and ensure equal access, including for persons with disabilities”.

Helping people with disabilities access and retain employment is a major issue. The signing of a Group disability agreement in France in 2017 includes ambitious objectives in this regard.

#### No. 5: Gender Equality

- ◆ 5.1: “End all forms of discrimination against women”.

Women have an important place within the Group (68% of employees). They play a proven leadership role, with almost 62% of women holding management positions. At Group level, women managers represent 15.6% of staff, compared to 9.6% for men.

#### No. 8: Decent work and economic growth

- ◆ 8.5: “Achieve full and productive employment and guarantee equal pay for work of equal value”.

Hermès contributes to job creation, especially in France. Hermès strives to guarantee equal pay by taking into consideration each person's positioning in relation to their peers (level of responsibility, male/female). They are also linked to the Group's growth, by means of the allocation of free share plans. The rate of full-time employment is 95%.

- ◆ 8.6: “Promoting the employment of young people”.

One-fifth of the Group's employees are younger than 25 years old, consistent with the internal training effort, in particular in the manufacturing métiers.

- ◆ 8.7: “Ethics and fundamental commitments to human rights and labour organisation”.

The Group has defined and monitors the implementation of uncompromising standards and practices on these subjects.

- ◆ 8.8: “Health and safety at the workplace”.

Hermès is very vigilant on these subjects, and implements a health and safety policy overseen by the EHS network. The production facilities, in the OECD area, are very demanding on these topics.

## 2.4 PLANET: RAW MATERIALS

The durability of Hermès' business depends on the availability of the high-quality raw materials that are at the heart of the objects and are key to the House's unique character. Hermès makes a conscious effort to respect, protect and work to achieve the sustainability of the natural resources that it needs, and of the environments in which these materials are developed and enhanced. Our materials - leather, silk, cashmere, wood, and more - are all natural and renewable. They undergo a thorough selection process detailed in specifications and complying with regulations and best practices, in a constant quest for the best quality and ethical integrity.

For decades, the House's approach has been to learn more about its supply chains, to share our requirements with our suppliers (often long-standing partners), and to develop them to achieve the highest quality and thus prepare for future growth. Over time, the search for new materials, the rediscovery of *savoir-faire*, the emergence of new standards and regulations, the development of new products, and growth in volumes were all opportunities to enhance dialogue and improve practices.

The model and values of craftsmanship guiding the House have always promoted the careful and respectful use of these rare and precious materials. Minimising offcuts is already a way of ensuring the most appropriate use of materials, but additionally, with leather, for example, smaller and larger leather goods can also be coordinated to maximise their use. In all métiers, the best channels are also identified to recover and recycle manufacturing offcuts.

### 2.4.1 CHALLENGE: SECURING HIGH-QUALITY SUPPLIES

Securing high-quality supplies and responsible sourcing: the durability of Hermès' business depends on the availability of the high quality raw materials that are at the heart of the products and are key to the House's unique character.

#### 2.4.1.1 Policy

The Group's policy, which has remained constant for decades, involves getting to know our supply chains better, strengthening them to ensure the highest level of quality and ethical compliance, and developing them to prepare for future growth. The main challenges in materials concern the métiers of leather, silk and jewellery.

#### 2.4.1.2 Measures implemented and results

Hermès attaches great importance to knowing its supply chains and the applicable regulations:

The attention paid to raw materials begins with compliance with the regulations pertaining to them. This notably means legislative provisions:

respecting the Washington Convention (CITES), an agreement between states for the worldwide protection of species of flora and fauna threatened with extinction, and which can have an impact on the materials used in the Leather Goods division, tanneries, or some ingredients in perfumes.

Each métier works to constantly improve the use of these rare and precious materials, consuming only what is necessary and optimising use of the material

#### Leather

Leather is an animal product, specially tanned and made impervious, either in a mégisserie for lamb, sheep, and goatskin or in traditional tanneries for hides from cattle or reptiles. Hides used in leather goods are by-products of livestock farming. People sometimes refer to hides as the "5th quarter", which suggests we can consider tanning to be the oldest recycling industry in the world. Hermès uses only full-grain leather, the top part of the skin, without altering it in order to improve its appearance. To maintain consistency in the finished product it also only uses entire hides. Leather reflects the animal's life. It may bear traces of injuries, health issues, like parasites, and other factors. You will only get a good hide from an animal that has been treated well. Hence, the Group's demand for high quality helps to improve the industry by encouraging livestock farming methods that respect the animals' welfare.

All leathers used for manufacturing are directly purchased from tanneries, with no intermediaries. The vast majority of the needs are covered by the House's own tanneries, and by French, Italian, German and Spanish tanneries, all of which must adhere to European standards, which are some of the highest in the world for the industry.

Hermès uses more than 35 different types of leather to make its goods, most of which come from calves raised in France (including our flagship "Box" leather, made using an English tanning technique), but also natural cowhide (in our saddlery leather products line) and "exotic" leathers. These exotic leathers include the skins of crocodiles, alligators, lizards and ostriches.

Raw hides from cattle and members of the sheep family, the raw materials for tanneries, come exclusively from animals that were raised for their meat. Calfskin comes from abattoirs within the European Union, in practice almost exclusively in France. Hermès works together with its tannery and "mégisserie" partners (France mainly, and Europe), with a view to long-term cooperation. It has a dedicated annual budget to organise programmes to improve the quality of the industry, working together with farmers, their cooperatives and their professional associations. These partnerships with suppliers enable the Group to secure supplies of high quality raw hides, while managing growth in demand.

### **Exotic skins**

The exotic tanneries essentially use the skins of crocodilians. The vast majority of the skins come from farms located in the United States, Africa, and Australia. All Hermès partner farms must comply scrupulously with the rules drawn up under the aegis of the UN for the Washington Convention, which defines protection for endangered species. Hermès requires that its partners meet the highest standards for the ethical treatment of alligators and crocodiles following recommendations by expert veterinarians and local authorities such as the United States Fish and Wildlife Service, the federal nature protection agency. In addition to strict compliance with the Washington Convention, Hermès initiated a study in 2016, with the help of an external partner (WWF France), to evaluate the social and environmental footprint of the supply chain for alligator skins in the United States. Work continued in 2018 and a progress plan was established with this partner.

The House also initiated a working group with experts, veterinarians, researchers, regulators, animal well-being consultants and animal protection groups to write the strictest animal well-being conditions into new guidelines (covering the entire supply chain) and to approve the best evaluation methods. It has committed to an approach targeting the systematic certification of the supply chain (see ICFA below).

The Tanneries division regularly develops new partnerships and 100% of its subcontractors have been audited over the last five years.

All of the farming sites with which the division maintains commercial relations have signed a best practices charter and have been audited during the past two years. Progress plans that have been established with suppliers are regularly monitored.

The best farming practices charter, which was established in consultation with veterinary experts, encompasses CITES regulations, the best animal welfare practices, environmental management, employee labour conditions, safety at work and safety of infrastructures.

Regular inspections are also carried out on livestock sites. In addition to these inspections, an audit programme was set up for all crocodilian skin providers, based on the charter of best livestock raising practices.

The "Lizard" (*Varanus salvator* in Malaysia) and "Python" sectors (*Python molurus* and *Python reticulatus* respectively, in Vietnam and Malaysia) were also inspected over the last two years by expert veterinarians in collaboration with our partner. These inspections conducted by our partner, the purchasing department and scientists are designed to ensure compliance with current regulations, traceability of the supply chain and that best practices are in place in the facilities.

In 2017, the House conducted a complete audit of the ostrich breeding sector (an animal raised mainly for its meat and feathers), which is used

in the production of its leather goods. The work continued in 2018 with progress plans developed with its partners.

### **Animal welfare ethics**

The Group's policy is to scrupulously comply with the laws and regulations in this area and ensure that the same is true for its suppliers and partners. The subject is taken into account in discussions with tanners, megisserie, suppliers of animal hides and, more broadly, the industry's professional bodies. Within both its direct sphere of responsibility (reptile farms) and for its external suppliers, the Group has implemented a very strict policy, based on an ethics charter and a demanding guide of best practices, drawn up with the help of scientific experts and veterinarians and covering an extensive range of aspects relating to animal welfare, farming and slaughtering practices, transportation, employee working conditions, the environmental performance of farms and their safety. This policy is monitored through regular internal audits, and was also reviewed by WWF France in 2016.

In addition to these efforts, which have been ongoing for over nearly 15 years, the Group contributes to the improvement of professional standards. Since 2016, Hermès has participated in the ICFA (International Crocodilian Farmers Association) alongside the main players in the industry (farmers, tanners, manufacturers, brands). This multi-stakeholder association brings together the experience of its members and a scientific community specialised in crocodiles, which has gathered together all practices and existing scientific studies. Its purpose is to develop and improve crocodilian breeding practices. In 2018 the ICFA accordingly defined a standard aligned with international best practices in the field. A panel of scientists, veterinarians, farmers, brands and specialists in the area of regulations or in ISO compliance thus participated in the approval of this standard. This was then reviewed and amended by the CSG (Crocodile Specialist Group), an NGO member of the IUCN's Species Survival Commission. The practices defined therein are based on scientific studies and the ICFA has declared its goal of under taking new research in areas that are not covered, which it will fund. Its founding principle is to verify the welfare of animals in a scientific and quantifiable way throughout their entire life span. These standards are applicable to different species and in different countries and will evolve over the years in line with the results of new scientific research. A certification process for the livestock of its founding members will be put in place in 2019 with the help of external certifying bodies. All farms that join the ICFA will adopt the standard and will therefore be audited. In addition to animal welfare, these audits cover environmental and societal aspects of livestock farming.

In addition, Hermès does not perform animal testing for its products.

Hermès' actions in favour of biodiversity are presented in detail in section 2.5.5.

## Textile

The Textile division's business essentially uses two materials, silk and cashmere. Long-standing partnerships have been developed with a small number of suppliers for these two precious fabrics.

### Silk

A supply chain for high-quality silk thread was developed more than twenty years ago in Brazil. The use of Japanese *savoir-faire* enabled cultivation of the mulberry tree, whose leaves are used to feed silkworms, to be sustainably established in the state of Paraná. This industry preserves low-chemical hardwood biotopes (*Bombyx Mori* silkworms eat only non-polluted mulberry leaves). Silk has the particular characteristic of being a renewable product with a positive impact on the ecosystems, in particular through the planting of trees (mulberry trees), which contribute to soil regeneration. In the cultivation of mulberry trees, our partner does not irrigate because rain is sufficient. The farmers only use natural fertilizers for their crops and regularly analyse the soil to optimise any changes required to grow mulberry trees. Its production helps to generate income for small local farms and thousands of families.

There is a dedicated annual budget to develop the knowledge, techniques and sustainability of the businesses and supply chains of these partners. Programmes to improve the quality of their products are also carried out and we maintain high levels of discussion and sharing.

### Cashmere

Cashmere is derived from the "down" developed by the *Capra hircus laniga* goats from High Asia, in reaction to the severely cold winters experienced in these regions with a continental climate. This incredibly delicate hair is "harvested" by manually brushing the animal between April and May, when the temperature rises. The hair does not exceed an average thickness of 15 to 16 microns. We select the most beautiful fibres for our weaving: they are both fine and long to ensure unrivalled softness.

Silk raw materials used in the division are sourced from our long-standing suppliers; the following processing tasks are then mastered and monitored: weaving, printing, finishing and fabrication. This integrated process makes it possible to use exactly the right amount of raw materials, to streamline containers and packaging used to transport products, and to ensure bulk transport. Work on sustainable development in the sector has been initiated with the support of NGOs present on the breeding areas concerned by our sourcing (including WWF France).

The objective is ultimately to monitor and support agro-pastoral practices aimed at preserving the resource and the biotope.

## Jewellery

The precious materials used by Hermès are mainly gold, silver and diamonds. All of the diamonds in our creations are natural and chosen with the greatest care for their exceptional purity and brilliance.

Hermès travels the world to identify best practices for its precious materials and make them more sustainable. The House uses recycled gold for part of its production. In addition, Hermès has been certified since 2013 by the Responsible Jewellery Council (RJC), the international reference body for the profession, and is committed to disseminating responsible principles to its partners.

From extraction in the mines to the sale of jewellery in Hermès boutiques, the House's diamond sector abides by the international Kimberley process. At the time of purchase, a certificate attesting to adherence to this ethics guarantee is issued to the customer.

Extraction of the rough diamond, the cutting of its 57 facets, trading and sorting with a magnifying glass, crimping and verification of the quality of the finished jewels and finally their delivery and sale in stores: each of these links constitutes a control point for the Hermès diamond sector. This is how it earns its Kimberley Process Certification (KPCS).

This traceability system for diamonds used in jewellery and watchmaking has been adopted by 81 countries, including France, and it defines the conditions for controlling stone production and trade.

It entered into force in 2003 and has made it possible to impede the arrival on the legal market of "conflict diamonds", the sale of which funded guerrillas in unstable and fragile countries.

This KPCS certification is in turn required to obtain certification (also held by the Hermès diamond sector) from the Responsible Jewellery Council (RJC), another global certification as regards best social, ethical and environmental practices in the jewellery industry.

## Office supplies

Internally, since 2016, the General Services Department in France has implemented a «green» purchasing policy with a selection of recommended products (office supplies, etc.). In the USA, Japan, China and Hong Kong, similar policies have been put in place. For paper consumables in particular, considerable work has been done with our suppliers to set up a PEFC-sourced supply and make an internal collection and recycling system more reliable). As a result, in 2018, more than 43,1 tonnes of paper/cardboard were recycled at all of our Paris sites versus 34.2 tonnes in 2017.

## 2.4.2 CHALLENGE: MANAGING MATERIALS SPARINGLY

Using materials wisely throughout their life cycle, reducing waste and promoting recycling.

### 2.4.2.1 Policy

In addition to initiatives aimed at limiting the consumption of materials, the House's artisanal model has always included the optimisation of use of materials and the fight against waste in its activities.

The Group's policy evolves around using raw materials wisely. In order to limit its use of all materials, the Group has launched several initiatives to reuse its materials as part of an internal and external circular economy strategy. Hermès regularly examines different ways to reduce the waste generated by its activities.

### 2.4.2.2 Measures implemented and results

The raw materials used in the manufacture of Hermès products undergo a rigorous selection process to identify those which meet the House's stringent quality and sustainability requirements. This policy helps to ensure that the quantities purchased are appropriate and thereby to reduce waste. Each sector works to constantly improve the use of these rare and precious materials, consuming only what is necessary and optimising use of the material.

As detailed below, the Group has also launched a number of initiatives to reuse its materials on the basis of an internal circular economy for the most representative métiers in terms of material consumption, namely within the Leather Goods division, in the construction department, or externally (Silk, Leather Goods, Perfume Divisions).

#### Leather Goods

Improving the quality of raw hides is one of the priority drivers helping to reduce the requirements for materials. For our supply chain of calfskin, like the one of reptile skin products, the division is spearheading a number of quality improvement projects. Some of these initiatives happen directly on the farms, and others are partnerships with farmers and cooperatives, professional organisations and independent laboratories.

The leathers used by Hermès are rare and of exceptional quality. Our desire to create sustainable products is guided by very strict parameters when choosing these materials: as Mr Robert Dumas used to say, "a luxury product is one that can be repaired". Hermès leather goods are made to last and be passed on. The cleaning and repair service offering is being developed. As such, a second cleaning and repair workshop was opened at our Pierre Bénite site to meet the growing demand for solutions to prolong the life of leather goods.

The very sparing use of leather is one of the main concerns for production units. As soon as artisan cutters join the House, they are trained to cut exactly the right amount of leather. After taking their first steps, they are supported every day by their foremen to nurture this culture of the material and its optimisation, in particular by matching different models cut from the same skin. Coordination between the production

units is managed on a daily basis to optimise the use of off-cuts. A best practices guideline is assessed every year at each leather goods site. This guideline is gradually supplemented with new best practices tried by artisan cutters with positive results. In addition, the diversity and wealth of our collections represent an unrivalled opportunity for optimal use of our exceptional leathers.

Between 2015 and 2018, these optimisation actions made it possible to make much better use of the leather hides that the tanners put at our disposal. The consumption ratio improved by almost 11% in three years.

In addition, some métiers (leather goods, fashion accessories), like petit h (section 1.4.7.7), have designed products that can be made with the aim of improving the utilisation rate of available hides, and reduce waste. In 2018, several thousand products were made in this way.

All leather offcuts from production units are resold to special processors and recycled, to then become new raw material for non-leather goods articles.

Thanks to better sorting quality and increased work upstream to identify the most appropriate sectors in a more relevant way:

- ◆ the fraction of recycled waste rose from 22% to 28% between 2017 and 2018;
- ◆ the overall tonnage of hazardous industrial waste decreased slightly (3%) over the same period, despite growth in activity.

Each type of waste is directed to an appropriate treatment or sorting chain.

Waste generated in the Leather Goods division to 832 tonnes in 2018, an increase of 12% compared with 2017 (see further information on page 104).

#### Silk

Once the raw materials have been provided (essentially silk and cashmere), the division takes over all processing tasks: weaving, printing, finishing, fabrication. This unique integrated process makes it possible for us to control the use of materials down to the last thread. Programmes minimising waste and spoilage, which make up part of a quality process encompassing the entire product line, are particularly active and involve every manufacturing unit. With the aim of reducing waste, the Textile division has established a production organisation geared towards dealing with "exactly enough" as opposed to "surplus" supplies. As a result, from the autumn/winter 2018 collection the rate of surplus volume production has been cut by 40%.

A detailed analysis of products initially rejected has also resulted in the reuse of silk products for limited series marketed during specific events, adopting a practice implemented by petit h.

The division is working with a number of different service providers to recycle a portion of the silk waste and production offcuts. Twenty-seven percent of our waste is sorted and recycled (excluding exceptional waste collection). A multidisciplinary working group has launched R&D work to make silk and cashmere recycling methodologies operational, together with partners in France and abroad. Several tonnes of materials were used in tests for the recreation of new materials.

In our production models, we always try to maximise the use of materials. For example, that is the case with certain silk accessories for men and women, produced from wide swathes of silk to reduce the amount of silk waste and limit the energy and water required throughout the process. In the same way, the lengthening of printing tables at Ateliers AS enabled substantial savings in dye and silk (offcuts).

In addition to these major areas coordinated by the division, each site also suggests initiatives for the responsible use of its materials and consumables.

The fixing and rinsing workshop has equipped its washing machines with an automatic dosage system. In addition to reducing the teams' exposure, this system helps to optimise the consumption of soap and related products.

For its packaging, the HTH logistics centre uses only boxes derived from recycling facilities that are then reused or recycled by our PAPREC service provider.

#### Porcelain

Each "blank" or piece of porcelain before decoration has been applied and fired, is different. A process has gradually been implemented via which the blanks are positioned based on their own characteristics, so that they receive the decoration that is best adapted to them. Using this method to position the blanks has enabled us to prevent a significant number of pieces from being rejected each year.

#### Cristallerie

Thanks to the technology adopted for the new gas melting furnace, which came into operation in the last quarter of 2016, more cullet can be recycled compared with the previous facility, thereby reducing the consumption of raw materials, the waste transportation flows and also the energy required for operation of this furnace.

Waste reduction is a major economic and ecological challenge for the Cristallerie, which monitors this very closely in its operations. Cullet recycling was kept at 65% in 2018 (compared with 2017) despite the difficult-

ties encountered in using the new gas melting furnace. This recycling rate is an area for work and improvement in the coming months.

#### Petit h (see section 1.4.7.7) and internal reuse of materials

In addition, petit h's and the artistic department efforts have made it possible to create exceptional products and temporary collections from unused materials from the House's various métiers (leather, silk, porcelain, textiles, etc.).

Petit h offers a unique creation process by providing creators and craftsmen and women, working together in the same workshop with materials and objects discarded by the production workshops of the Hermès Group and its brands. These materials are offered a new life.

Drawing inspiration from petit h, the métiers departments (leather goods, fashion accessories) have also designed products that can be made with the aim of improving the utilisation rate of available leathers, reducing waste and reusing offcuts of materials from production. Collections of accessories have been on offer for several seasons to stores around the world, made from stocks of discarded materials or offcuts. In 2018, several thousand products were made in this way.

**The sustainability of Hermès products has been at the heart of its success since 1837. Our objects are created and manufactured to last and often to be passed on from generation to generation. The use of the finest natural materials and artisanal craftsmanship also make it possible to repair them. A luxury product is one that can be repaired. This durability is an important point in the assessment of the ecological impact of our manufacturing at every stage, from design to production.**

**By its nature, a Hermès object is made to be passed on.**

**Hermès after-sales service mobilises in-house workshops in our main distribution markets in France. Outside France, leather craftsmen from France supervise local teams to ensure quality and fidelity to the House's manufacturing methods.**

#### Silk marbling by Kyoto Marble craftsmen

Silk is one of Hermès' speciality materials, and its silk scarves are world renowned. Hermès thus constantly strives to find new techniques worldwide to sublimate this noble material. Over a period of ten years, Hermès has tracked down a traditional silk marbling technique all the way to Japan from cloth samples kept in a library of textile techniques in Lyon. In Kyoto, it found the Nose family, whose small business called Kyoto Marble still masters this process based on rolls of solid starch which are through-coloured then compressed. This gives fine, glowing

motifs, each of which is unique. After three years of collaboration between Hermès and the family business, some 200 silk scarves have been produced, breathing new life into a craft that we thought had been lost.



## 2.4.3 CONTRIBUTION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS (SDGs)

"Materials" constitute one of the main challenges of sustainability strategies, and measures taken by the Group are consistent with the following SDGs (the numbers refer to the UN's official typology):

### No. 8: Decent work and economic growth

- ◆ 8.4: "Improve global resource efficiency and endeavour to decouple economic growth from environmental degradation".

The focus on the use of materials is reflected in particular in efforts to optimize leather cutting processes (reduced material requirements for equivalent production), but also in active management of the by-products generated.

### No. 12: Responsible consumption and production

- ◆ 12.2: "Sustainable management and efficient use of natural resources".

Optimising the use of exceptional materials is one of the daily concerns of the Group's métiers. In a context of rare resources, ethics, security of provisioning and a healthy economic vision contribute to parsimonious management of materials. A dedicated innovation unit is constantly exploring new avenues to maximise the use of materials.

- ◆ 12.5: "Reduce waste generation".

Waste generation is reduced in particular by concrete actions to economise as part of the production and prevention processes, such as promoting eco-actions. The group carefully monitors all waste and ensures, for example, the implementation of selective waste sorting and recycling systems at all of its facilities.

### No. 13: Climate action

- ◆ 13.1: "*Strengthen resilience in response to climate change*".

The various Group entities work to reduce energy consumption and carbon emissions. The craftsmanship mode of production consumes little energy, and the location of industrial sites in France enables upstream reduction of logistical flows. Hermès has been contributing to the Livelihoods Fund since 2012 which offsets part of its carbon emissions.

### No. 15: Life on land

- ◆ 15.1: "*Respect for ecosystems*".

The Group utilises its raw materials in strict compliance with regulations governing the protection of species, such as CITES. Moreover, by supporting certain agricultural sectors, it contributes to their sustainability.

- ◆ 15.2: "*Promote the sustainable management of forests*".

Hermès monitors its consumption of paper (for services and packaging) and mainly uses certified suppliers. The Livelihoods project supports massive reforestation programmes (over 130 million trees have been replanted);

- ◆ 15.4: "*Ensure the conservation of ecosystems*".

In view of its procurement of exceptional natural materials, the preservation of ecosystems is an important issue for the Group. The preservation of wetlands in Louisiana, where certain exotic skins originate from, is an example of this.

## 2.5 PLANET: ENVIRONMENT

### Introduction

The respect for nature, the source of its exceptional materials and the living environment of its sites, is one of Hermès's strong and abiding values. Pragmatic but ambitious solutions to preserve the environment in the long-term are systematically sought, trying to go further than required by regulations wherever possible. Our priority is to control our impacts across our entire value chain, from upstream agricultural production to distribution, and from purchasing to internal operations. This commitment is a mindset that requires the involvement of everyone, from everyday eco-actions to a robust Environmental, Health and Safety (EHS) culture on all sites.

Since the Group launched its environmental programme in 2002, and despite the four-fold increase in its industrial output:

- ◆ water consumption by industrial sites increased by only (26%), reflecting the efficiency of the programme and of water-saving actions, in particular within the Tanneries and the Silk division, where water is a precious resource;
- ◆ energy consumption by industrial sites only doubled, testifying to the improved control of consumption, since Les Tanneries and La Cristallerie use half of the energy consumed by the industrial sites.

Work has also been undertaken on low-carbon logistics solutions. The French logistics centres, for example, use hybrid or electric vehicles for deliveries to the Paris sites.

Since 2013, the Group has acquired tools to carry out an annual update of the overall assessment of greenhouse gas emissions from its production and distribution sites. It has also gradually implemented practical initiatives to reduce its water and energy consumption, along with its extended carbon footprint.

In June 2012, Hermès joined the Livelihoods fund, a group of companies financing carbon offset projects with a high social and environmental value enabling the Group to offset 85% of scope 1 and 2 carbon emissions.

### Description of risks and challenges

Working with all métiers and all players involved in our production entities, the House's industrial affairs and construction departments have implemented programmes to address the House's environmental challenges.

The industrial affairs department, together with the métiers and all players in the production entities, is pursuing an environmental policy formally approved by the Executive Committee, whose goals remain unchanged since 2002:

- ◆ to comply with workplace Environmental, Health and Safety (EHS) regulations and to prepare for changes in these regulations whenever possible. The industrial department coordinates a network of Environmental, Health and Safety (EHS) operatives at the manufacturing sites;
- ◆ to respect natural resources, particularly water, and control energy consumption;
- ◆ to enhance production processes by choosing the cleanest, most energy-efficient technologies and the most environmentally-friendly materials available;

- ◆ to minimise waste production and to recover waste whenever possible;
- ◆ to limit the "carbon" impact of activities.

The industrial department, with the support of the sales and construction departments, manages the House's energy programmes (construction, transport). In addition, the House's environmental policy includes the following elements:

- ◆ a commitment in principle for the respect and protection of nature, the source of our raw materials and the conditions at our sites. The Group's commitment to the "Act4Nature" initiative in 2018 has added a focus on biodiversity to this commitment. Our commitment alongside WWF (see page 35) reinforces this policy;
- ◆ the implementation of a *métier*-based environmental management system, coordinated by the industrial affairs department that operates in a network (see EHS network below);
- ◆ a desire to use natural resources sparingly, particularly with regard to energy, water, and, more broadly, all natural materials needed to manufacture our products;
- ◆ the goal of reducing our footprint, especially in terms of discharges, emissions and waste management, which includes seeking to optimise the resources that we use. Since 2012, our policy has incorporated the concept of voluntary carbon offsetting (see "Livelihoods" below);
- ◆ internal monitoring of the results of these policies, through operational dashboards and reporting that is controlled by the Industrial Affairs Department and serves as a basis for external audits;
- ◆ a practice of sharing and discussion with external stakeholders. Since production is mainly in France, a large part of these discussions is carried out in the legal framework of discussions with Dreaf, but there are also frequent discussions with the municipalities where our sites are located. In addition, our natural material supply policy (for exotic leathers, for example) includes a discussion with the relevant professional and regulatory associations (such as the crocodile specialists group, CSG or IUCN).

### Methodological note

The published figures do not include data from Precious Leathers division entities in Australia and the United States (HCP). Moreover, consumption figures for certain leased sites, for which no data are available, are not taken into account as they are not significant. Since 2012, Hermès has monitored environmental data from its industrial sites using reporting software accessible as a web resource to collect data about consumption at each site. The software also provides access to documentation explaining how the performance indicators are organised and defined. A consistency check is carried out automatically when the figures are entered, and again when the global consolidation is performed by the Industrial Affairs Department. From this year, all industrial environmental indicators have been reported over a period from November to October. For methodological reasons, some of the business data used in the Scope 3 calculation cover a calendar year.

Since 2008, the Group's environmental construction policy, coordinated by the construction development department, has been based on the following principles:

- ◆ the systematic adoption of an environmental stance during building work;
- ◆ helping to protect the environment by ensuring that building projects are properly suited to their setting and the local architecture, while simultaneously preserving ecosystems;
- ◆ the use of renewable energy sources whenever that is possible;
- ◆ employing energy-saving methods;
- ◆ focusing on building quality: design, functionality and sustainability, in a constant effort to ensure the well-being of users, employees and clients;
- ◆ striving for flexible, adaptable construction projects that integrate future developments and running costs from the outset;
- ◆ anticipating regulatory and technical developments whenever possible, to take them into consideration in our projects;
- ◆ monitoring changes in regulations, in close collaboration with stakeholders (architects, engineers and suppliers).

Since 2016, in order to improve coordination and control of environmental activities involving internal staff and external service providers, the Group's construction development department has drawn up a sustainable construction framework based on three main ambitions:

- ◆ reduce the ecological footprint;
- ◆ promote the well-being of users;
- ◆ conserve vital resources.

These sustainable construction policy, which was designed to be adapted to the specific features and functions of the Group's buildings, is more demanding than the main external guidelines on the market (LEED, BREEAM, HQE) and cover around 30% more criteria.

The performance levels required by the Hermès policies are for the most part superior and are flexible and scalable according to the geographical, regulatory and economic environment of the real estate project.

Some themes are specific to it, namely the consideration of non-conventional consumption (processes, kitchen equipment, outdoor lighting, etc.), user comfort through specific internal and external adjustments and the consideration of the environmental impact from the transport of people and building materials.

The Hermès policy apply to all new construction or renovation projects relating to office, production and distribution sites in France and internationally, in collaboration with the Group's project managers and external partners (architects, technical design offices, builders and suppliers) selected by the construction development department.

The Framework serves to:

- ◆ improve the environmental quality for users of construction projects from conception to completion;
- ◆ transcribe the values and characteristics of the Hermès Group internally and among our partners;
- ◆ harmonise and oversee sustainable building practices aimed at achieving ambitious goals;
- ◆ set out scalable and comprehensible goals for all players in the construction process.

**Environmental topics are supervised by a member of the Executive Committee in charge of the upstream division and investments, who is supported by his or her Deputy Managing Director, who is in charge of the House's Industrial Affairs Department and the Construction Development Department.**

**As part of the Group's CSR strategy, an annual analysis is conducted by the main métiers of the House when the strategic plans are being prepared to identify issues in terms of environmental protection. For these various issues, pragmatic objectives are shared with the Group's Executive Committee.**

## 2.5.1 CHALLENGE: COMPLYING WITH REGULATIONS

Strict compliance with regulations in a stringent European environment and exceed regulations whenever possible.

### 2.5.1.1 Policy

The Group's policy is to put action plans in place that are adapted to the various métiers for better knowledge of and compliance with regulations primarily in a very rigorous European environment. Each métier is responsible for monitoring and implementing the applicable regulations. The Industrial Affairs and Construction Departments are responsible for alerts and control in this area.

### 2.5.1.2 Measures implemented

**Experts within each métier form a network.**

Everyone's efforts are needed at every site if we are to achieve these goals. Since 2003, there has been an Environmental, Health and Safety network (called the "EHS network") that brings together the EHS managers from the House's different entities and comprises around 20 members. It meets several times a year to set targets, share results and best practices. Training network members on EHS issues represents almost half the meeting time. Training of this nature has subsequently been delivered more widely within the various units.

#### External controls

Since 2002, EHS audit cycles at our various units have been conducted by a specialist external consultancy, spread over three years. The fifth cycle started in 2018. These audits check the regulatory compliance and assess the safety culture of each site. Audits are also conducted

at the time of construction or acquisitions, enabling full coverage of Hermès' industrial assets over the three-year period. The information system deployed on the sites for the Group's environmental reporting can also be used to coordinate the follow-ups to these audits and monitor changes in environment, health and safety regulations.

### 2.5.1.3 Results

Several times a year, the Purchasing Committee reviews the results presented by the Industrial Affairs Department. It monitors the number of audits conducted per year as well as the quality of the results. The industrial affairs department (IAD), under the control of the audit and risk management department (A&RMD), crafts action plans with the relevant métiers and monitors their progress.

In 2018, no fines or formal notices were handed out to the Group's industrial sites.

**Oversight of environmental actions occurs in different ways. The Industrial Affairs Department and its EHS Officers exert a first level of control within the context of a "water, energy, carbon, waste" plan that is updated each year. In the context of this effort, the audit and risk management department conducts audits on the critical topics included in the Group's risk map (see section 2.6.2.3). Finally, external controls are performed to ensure coverage of all entities. The Industrial Affairs Department consolidates the results of these audits as part of an ongoing process of improvement.**

#### Environmental liabilities

The amount of the provisions for environmental liabilities is made up of provisions for the cost of asbestos removal work on the roofs of the buildings at the Tanneries du Puy. This amount is of €3.9 million.

## 2.5.2 CHALLENGE: LIMITING CONSUMPTION OF NATURAL RESOURCES (WATER, ENERGIES)

Controlled consumption of natural resources is a goal shared by all the House's métiers.

The artisanal production model of Maison Hermès is reflected in a low energy and water footprint in absolute terms.

Water is mainly used for industrial consumption in our tanneries and silk units (719,725 m<sup>3</sup>/year at global level).

Energy consumption (electricity, gas) is 208,682 MWh/year at Group level. The energy is almost entirely consumed by manufacturing activities (the cristallerie, the tanneries, silk, leather) and represents nearly 77% i.e. 161 MWh/year (stores and offices represent 23% of the total).

### 2.5.2.1 Policy

The House's Industrial Affairs Department runs an environmental programme whose objectives have remained unchanged since 2002 (presented in the description of risks and challenges above). Everyone's efforts are needed at every site if we are to achieve these goals.

The House's policy is based on the following pillars:

- ◆ improve the measurement of consumption and put in place reduction solutions;
- ◆ improve production processes by encouraging the use of the most economical technologies;
- ◆ innovate by using environmentally-friendly solutions (in energy, for example).

The House has a policy of using renewable energies, notably thanks to Construction Development Department in its projects (photovoltaic panels), the supply of green electricity for sites in France, and the use of wood-fired boilers on some sites.

### 2.5.2.2 Measures implemented and results

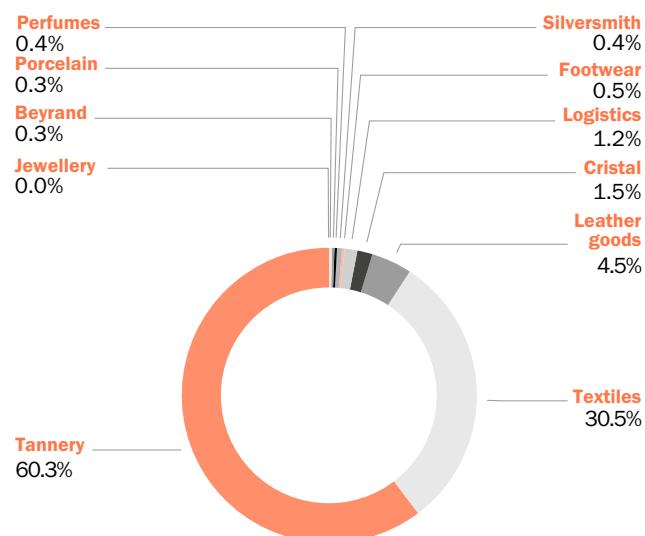
#### 2.5.2.2.1 Water

Over the last decade, the Group has maintained its aim of decoupling consumption from growth, with industrial water consumption doubled compared to an increase of 2 times in business volumes.

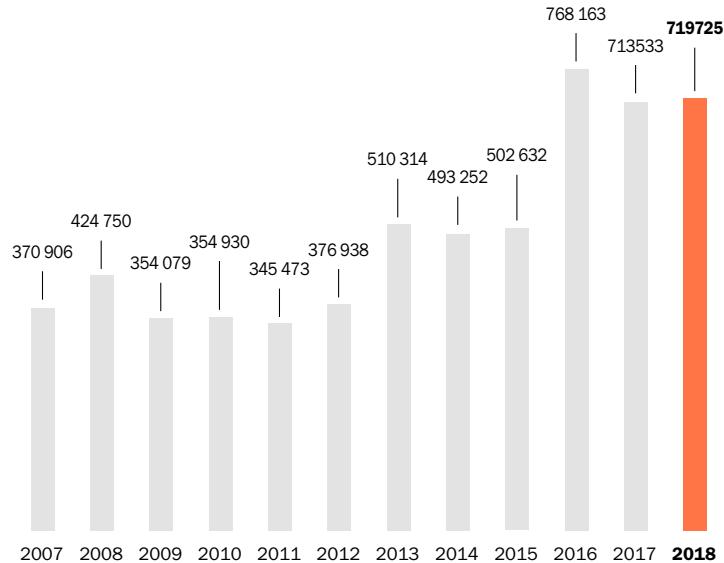
In 2018, total water consumption increased slightly (+0.9%) compared to 2017.

The efforts of the tanneries and silk teams resulted in the reduced use of water in the process, relative to the high output. This was reflected in the stabilised water consumption of these divisions.

WATER CONSUMPTION BY MÉTIER IN 2018



#### CHANGE IN WATER CONSUMPTION (IN M<sup>3</sup>)



	2016	2017	2018
Intensity m <sup>3</sup> /Revenue €M	148	129	121

#### Tanneries

Hermès operates six tanneries, four of which are in France (Annonay, Tanneries du Puy, Vivoin and Montereau), one in Italy and one in Louisiana.

Water consumption and effluent treatment are major challenges for the Group's tanneries. Historically located close to rivers, they use this water for the purposes of tanning, dyeing and finishing hides. The water of the division's six tanneries comes mainly from rivers or boreholes (68% of the total water consumed in the division). The rest comes from municipal sources.

These water consumption issues are addressed through monthly monitoring of the tanneries' water consumption, preventive maintenance programmes for facilities, regular verification and calibration of meters,

installation of new individual meters, and programmes to raise employee awareness. Significant discrepancies unrelated to production differences are also analysed. The necessary verifications are immediately carried out by the maintenance teams in order to locate and repair any possible leaks. The quality of the effluents discharged is also a central environmental concern for our sites. As a result, each tannery is equipped with an effluent treatment station and verifies that its industrial emissions comply with the applicable standards. Regulatory inspection reports are submitted to the local authorities on a regular basis. To date, almost all tannery effluents (93%) are discharged into the municipal network before further treatment by municipalities. Only the Vivoin tannery discharges its effluents directly into the river, however it is subject to much stricter discharge thresholds.

	2014	2015	2016 <sup>1</sup>	2017	2018 <sup>2</sup>
Water in m <sup>3</sup>	155,455	184,956	501,775	436,997	433,895

(1) The reporting scope includes Les Tanneries du Puy, acquired in November 2015.

(2) The reference period is the 12-month period from 1 November 2017 to 31 October 2018.

Note: The farms in the United States and Australia are excluded from the reporting scope.

#### Silk

Water is an essential element in silk ennoblement and a precious resource. We are thus working on a daily basis to minimise our water needs, find innovative solutions to increase the percentage of recycled waste, and control the impact of our actions in quantitative terms.

The following examples illustrate some of the measures implemented within the division to promote water recycling:

- ITH: the Gandit facilities engraving line, the main water consumer at the site, was configured this year to operate at 57% in a closed circuit.

Since May 2017, the landscaping of the site has been watered using a rainwater harvesting system;

- ateliers AS installed a much more effective water recycling system on the printing lines than previously. The technical results are being analysed to see how to extend this initiative;
- at SIEGL, a technical study has been launched (Companies' Consultation Document provided on 25/10/18) to change the existing treatment plant. The specifications include clear targets for reusing our water effluents generated by the processes, with a 5% recy-

pling target for 2020 (year in which the facility will be started up and developed), 20% for 2021 and 30% for 2022;

- ◆ awareness initiatives focused on water consumption at the SIEGL site are also very dynamic: daily water consumption indicators are shared and a maximum target never to be exceeded has been set. The 2018 daily target in m<sup>3</sup> consumed per day was achieved and sometimes even exceeded. These indicators and targets have also been rolled out throughout the workshop on a weekly basis, thereby increasing the accountability of each team and managers;
- ◆ at the AEI site, in order to mobilise each employee to achieve our targets, the quantity of water used per kilogram of silk produced is used in the calculation of incentive schemes, alongside production, safety and quality.

	2014	2015	2016	2017	2018
Water in m <sup>3</sup>	275,995	256,534	210,577	219,968	219,458

Over a period of five years, the Group has managed to reduce its water consumption by 20.5% in its production of silk scarves and other textile products, despite an increase in business activities.

#### Stores

Water usage data by stores are not published owing to the insignificant proportion of the Group's overall water use it represents, being mainly water used in washrooms.

#### 2.5.2.2 Energy (electricity, gas)

The Group's consumption is distributed as follows, in a context in which the Group manufactures 70% of its objects internally.

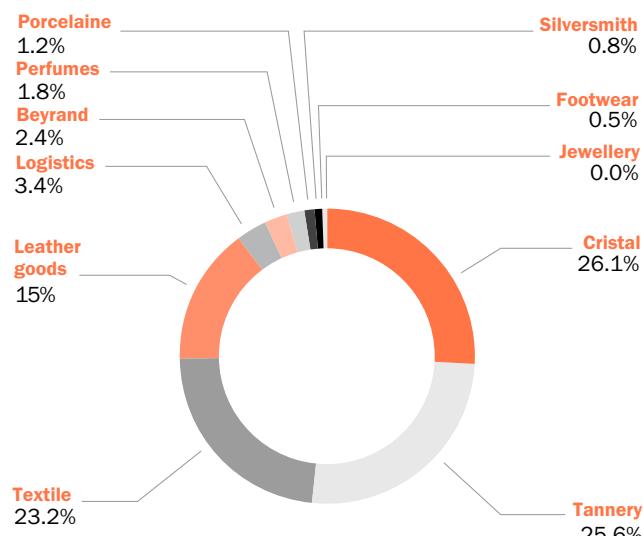
MWh	Industry	Stores	Services	Total	Intensity GWh/Revenue €M
2016	154,094	32,318	15,713	202,125	0.039
2017	160,662	31,234	16,510	208,406	0.037
2018	161,531	31,305	15,846	208,682	0.035
2018 in %	77%	15%	8%	100%	

Over the last decade, the Group has maintained its ambition of decoupling consumption from growth with an increase of 1.45 times in industrial energy consumption compared with an increase of 3.4 in business volumes. This result testifies to the improved management of consumption. In 2018, overall energy consumption was stable compared with 2017.

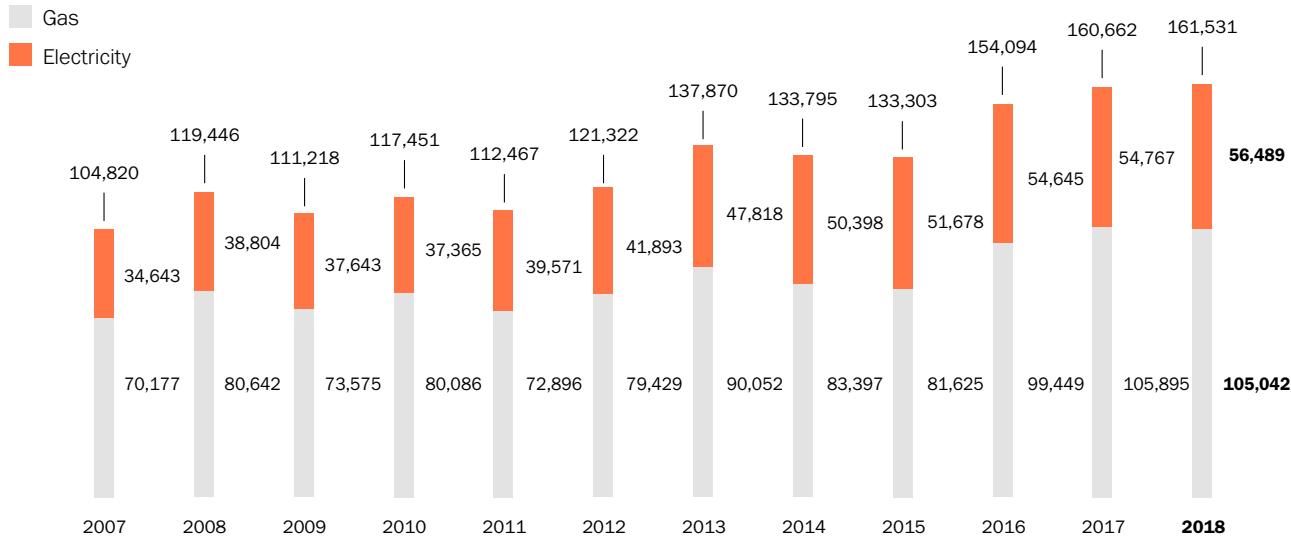
Overall, energy consumption in *La Cristallerie* and the Silk, Leather, Tannery and Construction divisions was stable compared with 2017, despite increased activity, marking the efforts made in this area.

In addition, several local actions have been maintained or launched. These actions have delivered practical results, since the division's overall consumption has been down for several years in relation to its output. Product washing processes were also revised and optimised; these processes aim to remove excess colour from products and account for 40 to 50% of the printing units' water consumption.

ENERGY CONSUMPTION (ELECTRICITY AND GAS) BY MÉTIER IN 2018



**CHANGE IN INDUSTRIAL ENERGY CONSUMPTION 2018 (ELECTRICITY, GAS)/MWH**



Since 1 November 2015, Hermès has decided to participate actively in the energy transition process. All the French sites (production, services, stores) are now supplied with green electricity, mainly hydro, produced in France. This means that at Group level, 80% of the electricity consumption is supplied from green sources.

#### Cristallerie

The processes using the most energy at the production unit are melting the material and working with it while hot. During each investment project, research is carried out to ascertain the best available technology in terms of energy efficiency and production volumes, which is then implemented. The last two furnaces renovated (pot furnace and continuous casting furnace) as well as the reorganisation of the hot workshop are good examples of this.

The initiatives implemented in 2018, particularly the optimisation of the operating settings for multipot furnaces and the gradual replacement of high-consumption equipment, notably identified in the energy audit carried out in 2016 (e.g. openings in the hot workshops and multipot units) are helping to improve the production unit's energy efficiency.

In 2018, the production unit's level of activity was up in terms of value and volume, despite major difficulties encountered in the melting process of the new gas melting furnace.

The replacement of the main multipot furnace at the end of 2016 made it possible to change overall energy consumption. The various adjustments made during 2018 to stabilise this new facility have had an impact on the energy consumption profile. The 12-month use of the electric heating equipment installed in the summer of 2017 on the new gas melting furnace led to a slight increase in electricity consumption. Natural gas consumption remained stable compared with last year.

Rationalisation and the gradual replacement of the "openings" of the hot workshops will help reduce the workshop's natural gas consumption. The replacement at end-2018 of a natural gas-fired cellular furnace by an electric energy facility is part of this strategy to optimise the site's energy efficiency.

The site's fuel oil consumption corresponds to that of the generators. The replacement of the generators in 2016 and 2018, combined with the removal of the fuel oil-fired boilers (the latter was removed in 2017) led to a 60% reduction compared with last year.

	2014	2015	2016	2017	2018 <sup>1</sup>
Electricity in MWh	8,584	8,578	7,534	6,599	6,927
Gas in MWh	31,296	27,020	27,303	35,193	35,243
Fuel oil in MWh	142	189.5	95.6	70.9	27.4

(1) The reference period is the 12-month period from 1 November 2017 to 31 October 2018.

## Tanneries

The Tanneries are continuously working to improve the energy efficiency of existing facilities and during renovations or the introduction of new premises. By way of example, the following points are receiving special attention: supervision of equipment by GTC<sup>1</sup>, thermal insulation of buildings, insulation of pipes, and the replacement of conventional lamps by LED lights.

The division's power consumption remained stable between 2017 and 2018 (-1.20%). This led to a decline in the average energy consumption to activity ratios within the scope of the calf leather and exotic leather tanneries.

At Cuneo, electricity production from 296 photovoltaic panels installed on the roof of the tannery provided 54 MWh of electricity, representing 6.5% of the site's total electricity consumption in 2018. The production, down slightly compared with 2017, is used entirely for tanning processes during the week and injected into the electric grid on weekends. Gas cogeneration, also installed at the Cuneo site and used to simultaneously produce hot water and electricity, unfortunately did not work throughout the year, due to a system failure.

2

	2014	2015	2016 <sup>1</sup>	2017	2018 <sup>2</sup>
Electricity in megawatt hours	6,143	6,572	10,627	11,031	11,269
Gas in megawatt hours	11,788	15,019	30,085	29,731	30,010
Fuel oil in megawatt hours	35	52	48	59	42

*The reporting scope has included the Annonay tannery since 2013 (acquired in December 2012).*

(1) *The reporting scope includes Les Tanneries du Puy, acquired in November 2015.*

(2) *The reference period is the 12-month period from<sup>1</sup> November 2017 to 31 October 2018.*

*Note: The United States and Australia operations are excluded from the reporting scope.*

## Silk

Energy consumption (gas and electricity) can be attributed mainly to equipment, which requires high-temperature steam, heating and lighting (workshops and offices). As such, each site has continued the efforts already started in previous years to optimise consumption time and move towards more energy-efficient equipment.

The entire division is continuing its conversion to "all-LED" energy-efficient lighting: the ITH site in Bourgoin Jallieu is taking advantage of works in specific areas to replace the former systems, as are the new offices of *Créations Métaphores* and the workshops of the Gandit graphic designers; at SIEGL, the tables workshop was converted, at Ateliers AS the quality department, at Établissements HTH the offices section, and at ATBC the entire site.

In early 2018, the AEI site set up a local dashboard to monitor the ratio of gas and electricity consumption with respect to the amount of silk produced. This new indicator demonstrates a consistently downward trend over the last three years and is used to produce targeted communications for the teams. The purchase of a new boiler equipped with an exchanger and high-output burner aims to achieve significant energy savings. The boiler was commissioned at end-2018 and represents an investment of €350 thousands. It will enable the use of only one boiler instead of the two currently in operation and will use more energy-efficient equipment. The new boiler has an exchanger positioned in front of the chimney flue, making it possible to heat the boiler feedwater. In addition, it has an O<sub>2</sub> sensor (also placed in the flue) to better regulate the gas/air mixture and thus increase the output of the burner, while optimising the amount of gas used. More generally, the arrival of this new boiler will enable an overhaul of the entire heating plant: asbestos removal, change of the feedwater tank to improve insulation, thereby limiting heat loss in the facility.

At the ITH site in Bourgoin Jallieu, the replacement of old-generation rooftop equipment (single air-conditioning unit placed on the roof) is ongoing. This replacement by modern air-conditioning equipment with optimised settings to offer both comfort and energy-efficiency provides a better output and substantial electricity consumption savings: 6% reduction in KWH consumption. Electricity production via the photovoltaic panels also enables the site to generate energy savings with an annual output of about 16MWH. Lastly, since October 2017, rounds are made through the site every evening to check that all lights have been switched off and to adjust the air-conditioning equipment if necessary.

SIEGL is continuing its efforts to limit its consumption to the strict minimum. Accordingly, the heating of facilities in the winter is optimised to save gas, and programmable electric heating facilities have been positioned in workshops with few or no occupants for energy efficiency while managing frost protection.

At Ateliers AS, seven air-conditioning units were equipped with speed drives (production lines 7 and 8). The air-conditioning units inject "new" air to be heated or cooled depending on the season; accordingly, their operation requires significant energy consumption. The positioning of the speed drives makes it possible to adjust the supply and return air flow, and therefore to maintain an overpressure in the workshops depending on their occupancy.

At ATBC, changes were also made to control gas and electricity consumption. For example, this was the case with the guidelines on air-conditioning, which was limited during the summer to prevent excessive consumption. Roof insulation and cladding replacements also made it possible to lower energy losses over the year.

(1) Centralised Technical Management

	2014	2015	2016	2017	2018 <sup>1</sup>
Electricity in megawatt hours	14,050	13,034	12,856	12,081	12,058
Gas in megawatt hours	27,175	25,407	26,016	25,702	25,389

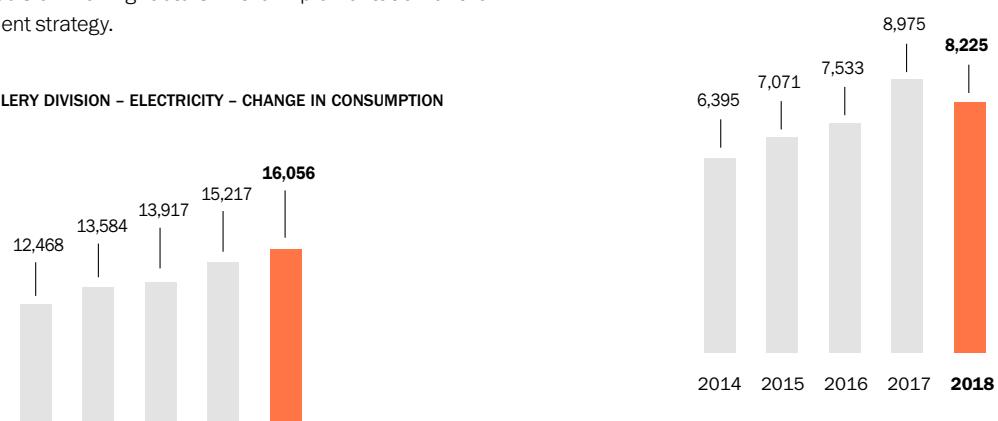
(1) The reference period is the 12-month period from 1 November 2017 to 31 October 2018.

### Leather Goods

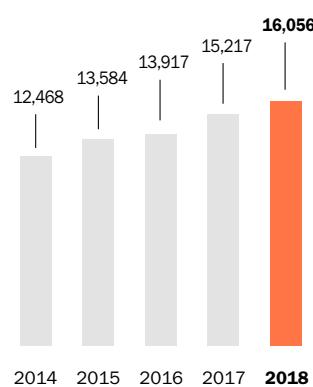
Electricity: electricity is the main power source for tools in the production units, as well as air conditioning equipment in buildings. The ratio, at constant productivity, was stable between 2017 and 2018. This decrease illustrates the focus on energy management in the context of equipment renewal: the criterion of electricity consumption was chosen as one of the decision-making factors in the implementation of the machine investment strategy.

Gas is only used to heat the sites. With a consumption of 8,225 MWh in 2017, the gas ratio decreased compared to 2018. This mainly reflects the implementation of more efficient heating management tools for buildings and greater use of wood for heating the Leather Goods workshops.

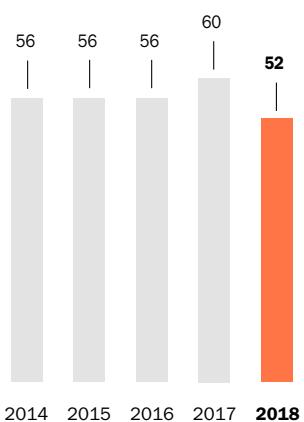
#### LEATHER AND SADDLERY DIVISION – GAS – CHANGE IN CONSUMPTION (IN MWH)



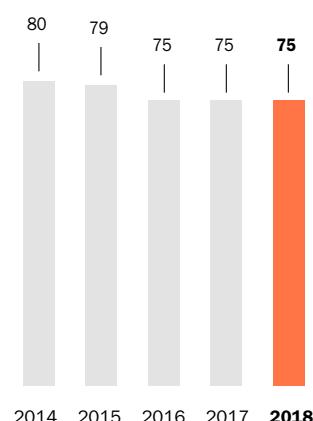
#### LEATHER AND SADDLERY DIVISION – ELECTRICITY – CHANGE IN CONSUMPTION (IN MWH)



#### LEATHER AND SADDLERY DIVISION – GAS – CONSUMPTION AS A PROPORTION OF ACTIVITY



#### LEATHER AND SADDLERY DIVISION – ELECTRICITY – CONSUMPTION AS A PROPORTION OF ACTIVITY – (BASE 100 IN 2007)



## Renewable energies

The two renewable energies used by the Leather Goods division are:

- ◆ wood: it is used to heat the production units of Belley, Les Abrets and Nontron. For the Leather Goods division as a whole, wood represented 14.1 % of energy consumption for the heating of buildings;
- ◆ solar energy: the recently built production unit of L'Allan has solar panels which provide 11% of the electricity used by the site.

For the Hermès Leather Goods & Saddlery division, the renewable energy generated by the production units accounted for 4% of the total energy consumed in 2018.

Moreover, in designing new leather goods, special attention is paid to environmental impacts and, more particularly, to controlling energy consumption in four areas:

- ◆ energy consumption: this parameter is one of the main challenges of the technical programmes for new leather goods. As soon as a project is launched, various solutions are envisaged and thermal simulations are carried out by specialists from design firms commissioned for the project. Based on the results, the solution most suited to the construction project is selected. For example, the building housing the most recent leather goods production unit, commissioned at the end of 2017 (*Maroquinerie de L'Allan* production unit), was constructed to

meet the highly demanding standards of the HQE label, meaning it exceeds the objectives of the 2012 Thermal Regulation standard by 30% (regulation laid down at the Grenelle Environment Forum, which aims to limit the primary energy consumption of new buildings). To do so, reinforced thermal insulation and sealing, solar installations for the production of hot water and optimum output equipment (heat pump, etc.) were installed;

- ◆ energy management tools: as soon as a new leather goods production unit is put into operation, meters are positioned and dedicated software is set up to control energy consumption and the identification of possible drifts as accurately as possible;
- ◆ employing renewable energy production solutions: the most recent leather goods production unit put into operation (*Maroquinerie de L'Allan* production unit) has a park of photovoltaic panels for generating electricity of up to 152 kWc for own use;
- ◆ lowering machinery consumption: the energy impact of machinery was introduced as one of the decision-making criteria in the context of the machinery investment strategy for the leather métier. As such, new equipment introduced in new leather goods production units, but also in existing ones, is more energy-efficient. This approach can be implemented through a partnership with suppliers.

2

	2014	2015	2016	2017	2018 <sup>1</sup>
Electricity in megawatt hours	12,468	13,581	14,317	15,217	16,056
Gas in megawatt hours	6,395	7,071	7,533	8,975	8,225
Renewable energies in megawatt hours	446	546	495	444	1,247

(1) The reference period is the 12-month period from 1 November 2017 to 31 October 20

## Construction

### Reporting by stores

Our environmental reporting primarily measures the energy consumption of stores and the offices of distribution subsidiaries around the world. Since 2015, this "reporting" has been further strengthened by the gradual deployment of an automated system to consolidate energy consumption data from all new construction sites.

The energy consumption of exclusive concession stores not operated by the Group is not included, and neither is the consumption of certain branches in shopping centres, for which it is complicated (and in some cases impossible) to obtain information.

- ◆ energy consumption data is only available when it is possible to install individual meters;
- ◆ new sites are included in the reporting from the date of opening, or when they joined the Group;

- ◆ sites that closed or left the Group during the year covered by the reporting are also taken into account on a pro rata basis;
- ◆ primary data are collected from contributors at each distribution subsidiary (through a network of more than 30 contributors worldwide) and are centralised within the construction development department, which runs various checks and analyses - These data are reconciled with the previous year's figures (comparisons with similar sites) and then consolidated;
- ◆ for energy consumption, only the electricity consumption indicator is published;
- ◆ the consumption of other forms of energy, which are very marginal, is excluded from this publication.

Electricity consumption data covers nearly 71% of Hermès branches across the world, as well as the John Lobb, Saint-Louis and Puiforcat branches.

In France, data for 100% of stores are included in the reporting. The same applies to all French branches of John Lobb, Saint-Louis and Puiforcat.

For Faubourg Saint-Honoré, the store accounts for 39% of total consumption in a building that also houses offices and workshops.

In Europe (excluding France) almost 90% of stores are covered. In Asia, over 95% of stores in Greater China (mainland China, Hong Kong and Macao) and 100% of stores in Thailand, Malaysia and Australia are covered. In Japan, the four main stores are also included. For the Americas, 95% of stores are covered, including 90% of stores in the United States.

#### *Optimisation of consumption*

Improving energy efficiency in our stores means optimising the main areas of energy consumption, which are lighting and air conditioning.

##### **Lighting – 80% of stores are fitted with LED lighting**

Since 2013, an “all-LED” lighting solution for all window displays, shelving and ceiling lights has been extended to all new store projects.

In 2014, the store projects department introduced a range of LED bulbs specially developed for Hermès and suitable for all existing installations and equipment.

In 2018, in addition to the new stores, LED “relamping” operations continued across the global network of existing stores.

These three actions brought the total proportion of Group stores equipped with LED lighting systems to 80% at the end of 2018, with an average reduction in energy consumption of about 20%.

In addition, window and store lighting schedules are controlled across the entire Hermès distribution network in order to reduce energy consumption.

##### **Air conditioning**

Lower electricity consumption, coupled with the fact that LED lighting generates far less heat than traditional lighting, has enabled us to consider downsizing in-store air conditioning units.

This programme continued for all new store and renovation projects throughout 2018.

##### **Thermal insulation**

Special attention is paid to insulating store façades and industrial buildings by improved external insulation.

Other initiatives (installation of individual electricity consumption meters and motion detector systems in fitting rooms, washrooms and back offices) were taken on all new store projects in 2018. These automated energy consumption consolidation systems offer constant visibility allowing rigorous management of energy use. Increasingly efficient new technical solutions are constantly being evaluated for gradual incorporation into existing stores.

In 2018, thermal diagnostic tests were conducted on structures on two former production sites. These diagnostic tests make it possible to define a multi-annual programme aimed at renovating buildings and technical equipment to improve the sites’ energy efficiency.

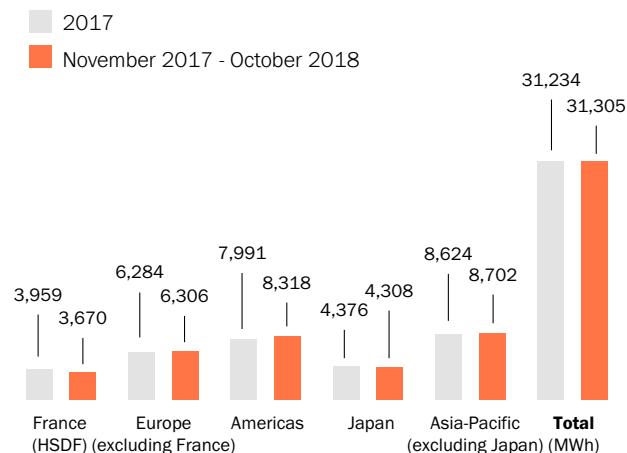
#### *Consumption of stores*

Stores consumed 31,305 MWh of electricity in 2018, an increase of approximately 0.20% on 2017. These figures are correlated to a large extent by a balance between sales surface areas, mainly in Asia and the United States, from store closures and openings.

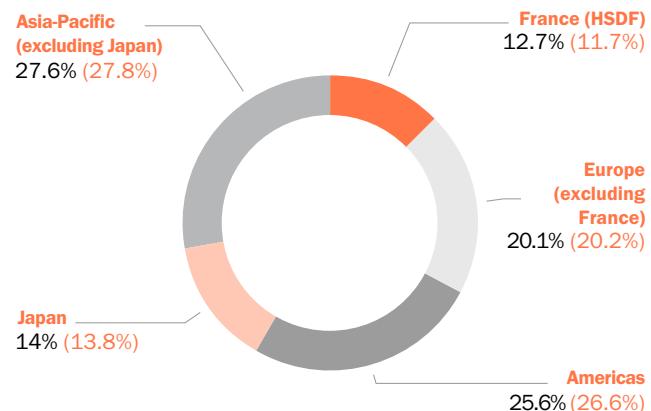
The downward trend in the ratio of energy consumption to sales surfaces (KWh/m<sup>2</sup>), especially in France, the United States and China, is attributable chiefly to the increase in LED lighting, together with improved management of energy consumption, which continued in 2018.

Offices and ancillary premises consumed 15,846 MWh in 2018, 14,053 MWh of which at the Paris and Pantin sites.

BREAKDOWN OF ELECTRICITY CONSUMPTION OF STORES BY GEOGRAPHICAL AREA IN 2018



ELECTRICITY CONSUMPTION OF STORES BY GEOGRAPHICAL AREA (IN MWH)



### Programme for renewable energies

Hermès aims to use energy from renewable sources whenever possible. In France, through supply contracts with its supplier, the electricity that Hermès uses is certified as coming 100% from renewable sources. This means that 80% of the Group's electricity consumption is of renewable origin (in a context where 70% of production is carried out internally).

In addition, the Group is developing "pilot" initiatives that it aims to expand alongside new investment projects, available technologies and the regulations in force:

- ◆ in Pantin (*Cité des Métiers*, 27,000 m<sup>2</sup> site), heating is provided using geothermal energy, in ITH, solar panels are in place;
- ◆ in three production sites (Belley, les Abrets and Nontron production units), wood-fired boilers provide heating for the building;
- ◆ in 2018, the new *Maroquinerie de l'Allan* in the municipality of Allenjoie (Montbelliard) produced 11% of its electricity needs using photovoltaic panels installed on the roofs of the building;
- ◆ in the USA, the Dayton logistics centre in New Jersey has been equipped with photovoltaic panels on the roof since 2017, allowing production of the electrical energy required by the site. This Centre received LEED Gold Certification in 2018.

In Italy, HCI's premises are equipped with solar panels (which will be gradually extended in the next few years) for the production of electricity to cover consumption on the site.

### 2.5.3 CHALLENGE: MANAGING OUR GREENHOUSE GAS EMISSIONS

Control our greenhouse gas emissions through direct reduction actions across the entire value chain and through a voluntary offset of our emissions.

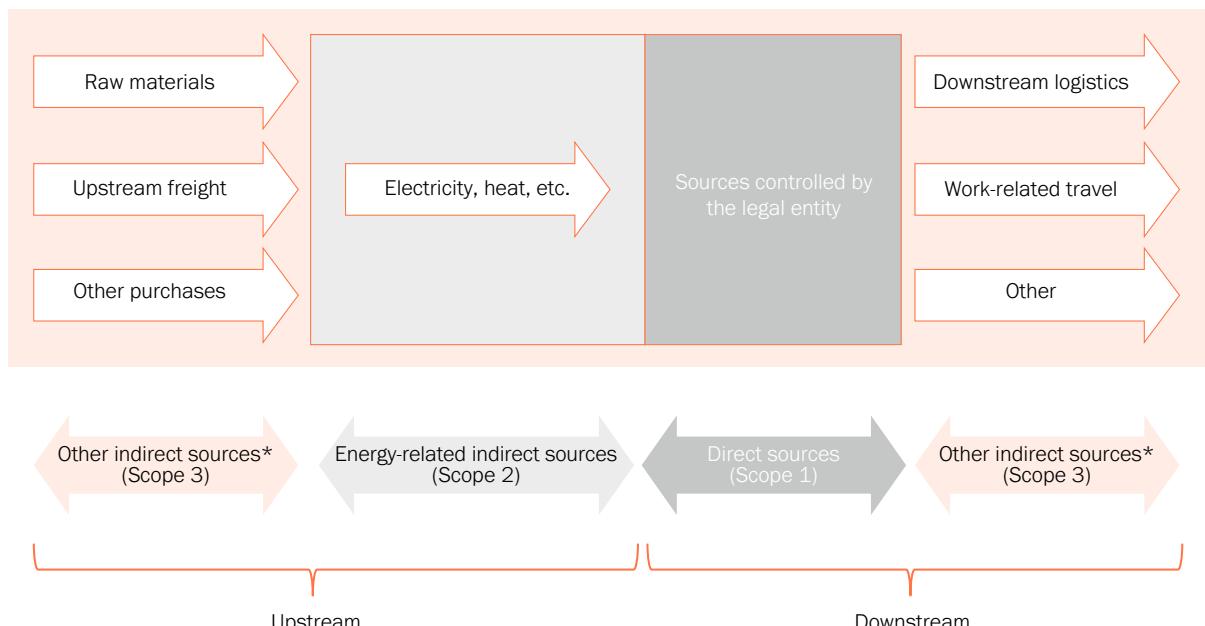
#### 2.5.3.1 Policy

As mentioned above, Hermès is gradually taking practical measures to reduce its energy consumption and carbon footprint from scopes 1 and 2. Group policy is to assess the impact of our activities across all scopes (1, 2 and 3), to launch emission reduction actions in priority on various categories where the Group can take action, and to implement initiatives to offset our Scope 1 and 2 emissions. The Group's approach is aligned with the COP 21 Paris Agreement.

The GHG policy is overseen by the Sustainable Development Committee, on which two members of the Executive Committee sit, as well as the Executive Vice President in charge of Industrial Affairs and the Executive Vice Presidents directly in charge of the Group's major emitters (*métiers*, logistics and real estate). The Group's carbon strategy was approved by the Executive Committee.

#### 2.5.3.2 Measures implemented and results

Since 2013, the Group has been equipped with the tools needed to carry out an annual update of the overall assessment of greenhouse gas emissions from its production and distribution sites. This work is carried out with the help of an independent external specialist, using the Bilan Carbone® method. In compliance with the requirements of the applicable regulations (Article 75 of law 2010-788 of 12 July 2010), in December 2015 Hermès published its Bilan Carbone®, as per the method and scope indicated by the legislation (direct emissions generated by fixed and mobile sources, and indirect emissions associated with the consumption of electricity, heat or steam).



\* Sources of emissions unaffected by regulatory requirements  
Source: Ministry of the Environment

At the end of 2018, the Carbon Assessment was estimated at 42.2 k tonnes equivalent of CO<sub>2</sub> for scopes 1 and 2, and at 542.2 k tonnes equivalent of CO<sub>2</sub> for scope 3.

**Hermès details its Scope 1 & 2 greenhouse gas emissions in this report and on its Hermès Finance website for the scope required by law (Article L. 229-25 of the French Environmental Code).**

**Scope 1 & 2 emissions are as follows:**

kTeq CO <sub>2</sub>	2016	2017	2017 adjusted <sup>1</sup>	2018
Scopes 1 & 2	32.0	32.6	42.3	42.2
Amount of Livelihoods offsets	(21.4)	(21.5)	(21.5)	(35.7)
Carbon intensity Scope 1 & 2 (Teq. CO <sub>2</sub> €M revenue) not taking into account offset	6.2		7.6	7.1
Change in intensity (%)				(6.6)

(1) Change in scope (scope 1,2 and 3).

Regarding scopes 1 and 2, because the Group's activities are very diverse and the areas responsible for the highest emissions vary widely from one activity to another, each *métier* has drawn up a plan addressing its own challenges. The energy consumption figures published above provide a picture of the main contributing metiers. Special attention is paid to the energy consumption of stores, which account for 15%. Consumption reduction measures are presented above.

Since 1 November 2015, Hermès has decided to participate actively in the energy transition process. All the French sites (production, services, stores) are now supplied with green electricity, mainly hydro, produced in France. This means that at Group level, 80% of the electricity consumption is supplied from green sources.

The GreenHouse Gas Protocol (GHG Protocol) proposes to determine the greenhouse gas emissions of scope 3 from 15 categories. Using the significant categories of the group's activity as described in Chapter 2.1, the calculation of the emissions of scope 3 was carried out with the help of a specialised consultant. It takes into account the most recent emission factors and technical definitions that are best adapted to our specific needs. This approach will be refined as progress is made in this area.

For Hermès, these categories are as follows:

- ◆ raw materials used: all leathers, silk, cashmere, other textiles, metals and precious stones, perfume ingredients (category[1]);
- ◆ packaging: logistics and products (category[1]);
- ◆ transport of goods and products upstream of factories, inter-site transport and downstream transport of products to the stores (categories[4] and[9]);
- ◆ employee travel: commuting to and from work for artisans, national and international business travel (categories[6] and[7]).

In 2018, the total emissions of scope 3 thus defined is estimated at 542.2 kTeq CO<sub>2</sub>. On the basis of this perimeter (Scope 1, 2 and 3), the carbon intensity of the group (excluding compensation) is 98 tonnes equivalent CO<sub>2</sub> per euro million of turnover.

### Construction

The sustainable construction framework addresses carbon challenges related to new construction, renovation and dismantling projects.

In 2017, a full Bilan Carbone® (Carbon Assessment) was conducted on the project to develop a Hermès store in Asia. This assessment made it possible, on the one hand, to assess the environmental impact of the construction of a store and, on the other hand, to establish a standard layout benchmark to guide our ambition to reduce CO<sub>2</sub> emissions on future projects through a Hermès sustainable construction framework.

In order to improve the Bilan Carbone® assessment of new stores and new buildings, special attention must be paid to the choice of building materials, the reduction of their weight, efforts to source supplies locally, and modes of transport with low carbon emissions.

### Transportation

The commercial department is working on projects to improve our logistics footprint. The main projects concern local transport services, favouring electric or hybrid vehicles, for example: where longer-distance transport is necessary, sea or rail are made to replace air transport. Furthermore, optimised deliveries are a recurring subject.

The House's various *métiers* are aware of the role they have to play in reducing greenhouse gas emissions. As a result, the biennial magazine Le Monde d'Hermès is sent by sea to far-flung destinations (Asia, United States). The communications department sends items related to events by sea whenever possible. Transport providers are also involved in the process and deliveries in city centres are made, where possible, using electric vehicles.

The Group is developing the corporate vehicle policy and no longer includes any diesel vehicles in its fleet, preferring to foster the development of electric vehicles in France. The Group operates mainly 'human-scale' sites; only two sites have more than 500 employees, where Company Travel Plans are being studied (under French PDE legislation).

### Purchasing

The indirect purchasing department and logistics are working to optimise the carbon footprint of packaging and parcels in order to reduce transported volumes.

Actions to reduce the carbon impact of raw materials concern, on the one hand, the optimisation of purchased volumes and, on the other hand, procedures for transporting these materials (for example, the maritime transport of exotic leather).

The indirect purchasing department prompts the Group's suppliers to integrate the carbon component into our contractual relations as early as possible.

#### Tanneries

The Bilan Carbone® (Carbon Assessment) for the Tanneries and Precious Leathers division was updated for 2018. Scopes 1, 2 and 3 emissions in the division increased slightly between 2017 and 2018 (+1%). This rise in emissions is mainly due to an increase in emissions related to the supply of raw exotic hides. This source of emissions, together with energy consumption and chemical products, accounts for close to 95% of emissions from production sites, with the energy consumed (gas and electricity) alone accounting for half of these emissions.

In 2010, following repeated tests, a maritime transport system was set up for Alligator mississippiensis from the southern United States, Crocodylus niloticus from Africa and, since 2013, Crocodylus porosus, from Australia. Whereas more than half of the raw crocodilian skins from the United States and Africa received in the tanneries were shipped by sea in 2017, we were unable to maintain that trend this year on account of more stringent supply and production restrictions. Nevertheless, one-quarter of raw crocodilian skins from the United States and Africa were shipped by sea in 2018.

#### Silk

The division's Bilan Carbone® assessment is revised every year to analyse the impact of our actions on greenhouse gas reductions. The activities producing the most emissions are energy, purchasing (fabrics, chemical products and packaging), inter-site freight, upstream freight and business travel.

The division's efforts to reduce energy consumption, the pooling of transport and purchasing, the reduction of inventories, along with communications setting out travel rules and encouraging remote meetings are all factors that helped reduce our emissions.

#### Livelihoods

The Group decided to establish a voluntary carbon offset system in order to reduce its overall impact. In June 2012, Hermès joined the Livelihoods Fund, a group of companies financing carbon offset projects with high social and environmental value. Livelihoods' initiatives are described in chapter 2.7.2 concerning relations with stakeholders, notably explaining that more than 130 million trees have already been planted. The fund, whose carbon credits will expand as the trees grow (the projects concerned span periods of 20 years), delivered carbon credits to its shareholders for the fourth time in 2017, after verification from specialised auditors (using the Gold Standard and VCS standard). In 2018, they served to offset 85% of Hermès' scopes 1 and 2 carbon emissions.

2

## 2.5.4 CHALLENGE: MANAGING WASTE

Waste management : reduce the production of waste in the House's different métiers, recover or treat it.

### 2.5.4.1 Policy

The wide range of métiers prevents a single overall waste policy other than the general principle of avoiding the production of waste and working to improve its reuse and recovery. Each manufacturing division works with a specific dual policy of waste reduction and recycling wherever possible. The main contributors are the tanneries, silk, leather, perfumes, crystal and construction.

<i>In tonnes/2018</i>	OIW <sup>1</sup>	HIW <sup>2</sup>
Tanneries	3,570	3,831
Silk	1,254	843
Leather Goods	774	58
Perfumes	578	214
Crystal	89	1,157
Porcelain/Enamel	93	32
Logistics	109	4
Watches	11	33

(1) OIW: Ordinary Industrial Waste.

(2) HIW: Hazardous Industrial Waste.

### 2.5.4.2 Measures implemented and results

As part of its waste and end-of-life product management policy for its objects, the Group is engaged with partners in France and abroad to find them a second life wherever possible. The House's main métiers (leather, silk) have ongoing programs in this area. For example, all the leather offcuts manufactured by production sites is sold to specialised

sectors for reuse. In silk, offcuts are shredded and, whenever technically possible, sent to material recycling sectors. In the Perfumes activity, undistributed inventories are reprocessed in specialised sectors that separate and reprocess liquids and packaging; soaps are reprocessed and donated to charitable associations.

## Tanneries

The raw material used in the tanneries is whole hides, referred to as "raw" hides, which are organic putrescible products. Tanning involves processing the hide into finished leather, which is a durable product. The reduction of tannery waste naturally starts with the continuous improvement of the quality of the raw hides. Tanning generates unavoidable waste, associated with trimming the edges of the skins ("trimming") or preparing the internal surface of the hide ("fleshing"). Processing skins in successive baths also generates waste (in the form of sludge). The tanneries are constantly seeking new reuse channels for this waste and are active participants in the think tanks that we bring together at Hermès to discuss leather waste, and in the work done by the Centre Technique du Cuir (CTC), the French expertise center on leather.

The production of non-hazardous waste in the division was stable in 2018 (+1.7%). However, the amount of hazardous waste produced decreased significantly (-27%). This decrease is due to cleaning effluent treatment sludge accumulated in old, unused reed beds at the Vivoin tannery. This cleaning was carried out in 2017 and generated considerable amounts of sludge.

Generally speaking, the production of hazardous and non-hazardous waste within exotic leather tanneries, on the one hand, and calf leather tanneries, on the other hand, is relatively constant from one year to the next. 100% of the waste produced was evacuated to approved channels and the at-source sorting of paper/cardboard, metal, plastic and glass waste streams was set up at the French and Italian sites. Similar sorting solutions are currently being sought out by the RTL tannery in the United States.

On-site waste storage is optimised to prevent any pollution (sheltered storage areas, retention basins, etc.) and regular awareness-raising initiatives focusing on sorting and the layout of work areas are carried out among employees.

## Silk

The division maintains a close relationship with its non-hazardous waste management service provider, PAPREC. Through monthly meetings involving the division's sites and the main stakeholders of our service provider's local branch, waste recovery and recycling solutions are always prioritised and the most relevant and responsible solutions for each of our waste streams are approved.

Waste management requires a great deal of flexibility and adaptation on the part of the various stakeholders. Developments in global waste markets, for example China's changes in this area, or local restrictions (saturation of landfills in Rhône-Alpes), necessitate careful management of these topics.

The service provider visits our production sites to raise employee awareness of sorting and stress the essential gestures and present the various channels of our waste treatment process. These awareness-raising operations were rolled out in 2018 at Établissements HTH, AEI and Ateliers AS.

Despite a situation that is tense at the ends of the hazardous waste treatment channels, the dye waste (accounting for 50% of our waste (all streams included) is still 100% used for the manufacture of alternative fuel.

## Leather Goods

The Leather Goods and Saddlery division, with 19 production sites in France, has made a strong commitment in this area. It has, for instance, been using a recycling programme for all leather offcuts for several years.

As explained above, all leather offcuts from the production units are resold to special processors to be reused. Waste generated in the Leather Goods division amounted to 832 tonnes in 2018, an increase of 12% compared with 2017. This rise reflects waste generated during improvement works and the number of events on the Paris sites (sites that are shared but managed by the métier).

Despite this increase in activity, hazardous industrial waste decreased by five tonnes between 2017 and 2018. This was due to better sorting quality and to increased work upstream with our service providers, who helped us identify the most appropriate channels in a more relevant way. Each type of waste is directed to an appropriate treatment or sorting chain.

## Perfumes

CNP continues to sort and recover waste. The volume of waste decreased in 2018 (6%) despite a 4% increase in the volume of bottles packaged. The share of recycling/recovery remains stable with 66% recycling and 30% energy recovery. Among this waste, packaged alcoholic products, cosmetics, point-of-sale advertising and packaging items destined for destruction are reused by a specialist external partner.

A new unsold soap recycling operation was conducted during the year with external partners to unpackage, crush and recreate bars of soap that were donated to charitable associations (7 tonnes). A similar operation for 12 tonnes of soap took place in 2017.

## Crystal

For the Cristallerie, waste reduction is a major economic and ecological issue, which is closely tracked. In 2018, cullet recycling was maintained at 65% (compared to 2017) despite the difficulties encountered in the operation of the new continuous recuperative furnace. This recycling rate will remain a focus of attention and improvement over the coming months.

The significant increase in the amount of OIW, compared to the previous year, was due to the scrapping of certain wooden elements and pallets stored in the dispatch warehouse. The OIW management system in place since 2015 has made it possible to recycle this waste. The amount of HIW (Hazardous Industrial Waste) and SIW (Special Industrial Waste) also increased compared to the previous year following the recovery of refractory bricks and the renovation of the neutralisation workshop (demolition of a building and outsourced treatment of effluents during the renovation work).

## Construction

In partnership with suppliers, architect-designer consultants and local architects, the specification and local sourcing of building materials is systematically sought and recommended whenever possible.

For several years, a thorough analysis has been conducted of the materials used in new or renovated stores and production sites, making it possible to progressively refine their selection and recycling, resulting in a significant reduction in the environmental impact.

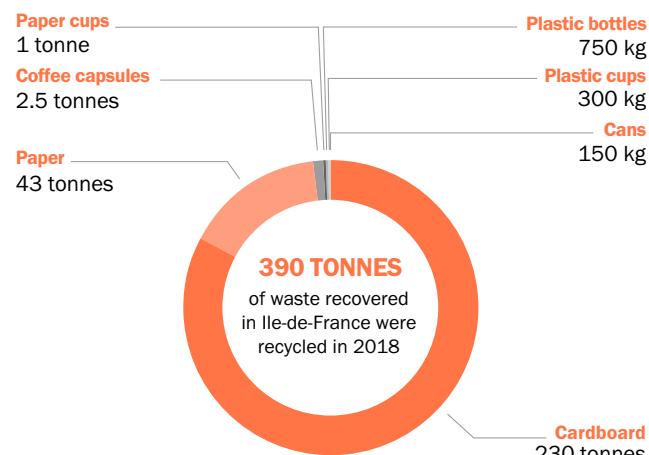
In 2018, renovation of the Bobigny logistics centre included the demolition of a former storage building, of which the entire metal structure and shelving, amounting to 173 tonnes of steel, was recovered through a recycling channel.

In 2018, the renovation of the Hermès store on avenue George V in Paris received special attention: the existing building was demolished in a “clean” way through the selective sorting and recycling using recycling channels of all materials and electrical components (in anticipation of the WEEE regulations applicable from 15 August 2018) with a total volume of 525 m<sup>3</sup> and weight of 64 tonnes.

67% of demolition materials were recycled.

#### Paris sites

For three years, the Paris sites have had a selective waste collection, sorting and recycling policy in place:



#### Effective solutions for waste management

The manufacturing units, with their very different technical processes, generate a wide variety of emissions: each industrial division is focused on the dual objective of reducing emissions and improving treatment to minimise its environmental footprint. This demands continuous monitoring as new processes or new technologies in this field are invented every year.

#### Tanneries

Each tannery is equipped with an effluent treatment station and verifies that its industrial emissions comply with the applicable standards. Regulatory inspection reports are submitted to the local authorities on a regular basis.

The division's tanneries continually work on improving the performance of effluent treatment. Accordingly, the Montereau site continued the research on the sources of pollution started in 2017 and conducted a

second pilot test on complementary treatment. The Vivoïn site meanwhile continued its work to develop and secure the treatment of its effluents. After the installation of a new press filter and a new effluent homogenisation tank over the past two years based on the recommendations of the technical and economic study for the treatment plant, an additional pilot treatment trial began in 2018 for a period of nine months. A similar study was conducted at the Tanneries du Puy site in 2017. After the first modernisation work last year, a pilot filter press treatment trial was launched in 2018. Major additional work was also done to the Tannerie d'Annonay treatment plant to make its operation more reliable. This resulted in the installation of additional treatment facilities and improvements to gas collection and treatment systems.

The division's tanneries' air emissions primarily result from the operation of the boilers, the dry degreasing activity and the finishing booths. The verifications of such equipment, as identified in the prefectoral orders or site permits, are performed in accordance with the applicable regulations. Finally, in keeping with regulations, the French sites prepared a solvent management plan.

#### Silk

Water emissions at the AEI, Ateliers AS and SIEGL sites are self-monitored on a daily basis. All deviations are analysed and a corrective action plan is launched. To ensure the reliability of these fundamental monitoring data, audit and calibration plans are regularly launched. This was the case this year with the audit of the self-monitoring systems at the AEI sites and AS workshops and the calibration of the internal laboratory at SIEGL, in which our results were compared with results from two external laboratories.

At the SIEGL site, teams have resumed the operation of STEP, which was previously outsourced. An in-depth pilot study resulted in the creation of an additional facility for the activated charcoal treatment of effluents following the membrane microfiltration process. This facility helps to improve the depollution results (COD mostly, but also heavy metals) and has been used as a test to model the future purification plant, on which construction will begin in September 2019.

Ateliers AS have continued their efforts to reduce pollution at source. As a result, stripping products, a source of hydrocarbons, have been recovered more thoroughly. This was accomplished by first setting up pits for the recovery of stripping products from the frames in the printing workshop washing booths, then by the recovery of the products used to wash the Atelier PEPS printing tables.

#### Cristallerie

Industrial wastewater, pre-separated in the respective workshops and collected at a single point, has been purified by a new phytotreatment facility since 2015. An awareness programme for users of water resources is ongoing with the aim in particular of sustaining performance at treatment facilities.

To further improve the quality of water emissions and anticipate possible changes in regulations, considerable research and optimisation at source (with regard to effluent behaviour and renovation of the workshop for the neutralisation of effluents from the polishing workshops) have significantly reduced the flows emitted.

Regular campaigns to measure water discharges confirm the good performance of purification plants (in particular the compliance of the new neutralisation workshop), enabling discharges to be well below regulatory thresholds.

Moreover, measurements of air emissions were carried out in the third and fourth quarters of 2018. The results obtained confirm the proper functioning of the facilities with regard to atmospheric emissions.

### Porcelain

At CATE, wastewater from enamel activity is pre-treated directly onsite following a physical and chemical treatment process. The dehydration sludge is sent to a suitable treatment company, and pre-treated water is discharged into the mains network. An external laboratory carries out monthly analyses.

At Beyrand, the site has a water treatment station at the exit of the washer/scouring sluice. It uses a physical-chemical treatment process. Silver recovery units have been installed at the exit of the film developers. Analysis of the compliance of the wastewater discharge into the public network is carried out every year.

## 2.5.5 CHALLENGE: RESPECTING AND PRESERVING BIODIVERSITY

Maintaining an environmental setting conducive to the development of activities requires respect for and the protection of biodiversity.

### 2.5.5.1 Policy

Hermès is working to protect biodiversity in its direct sphere of responsibility, in its extended sphere of influence, and through voluntary commitments reaching beyond its economic spheres of influence.

"Nature has been inspiring us for 181 years. Protecting biodiversity is a wonderful opportunity. We must pass on this wealth to future generations. It's a challenge we must win today." Mr Axel Dumas, Executive Chairman of Hermès.

### 2.5.5.2 Measures implemented

Hermès is committed to integrating biodiversity into its development strategy. The commitments undertaken by Hermès, according to its ability to influence, are presented below:

#### Commitments in the direct sphere of responsibility of Hermès:

We are developing our actions to foster biodiversity in our French sites by focusing on the following topics:

New constructions: Hermès is determined to develop its French industrial sites in rural environments or urban brownfields to be renovated (Héricourt and Saint Junien, for example). From the outset, it will include a commitment to avoid any threat to existing biodiversity and to respect and develop such biodiversity. All our new projects are based on internal "sustainable construction" guidelines, drawing on best international practices, which set out in particular the requirements we apply:

- ◆ the landscaped portion of the site after works (target: > 70%);
- ◆ the proportion of wastewater treated by phytotreatment or equivalent (target, if applicable: > 80%);
- ◆ the green portion of the building's roof (> 60%). Currently, for example, we have roof gardens at our three sites in Pantin and at one of our leather goods production units (Nontron, Périgord);
- ◆ the number of local actions: selection of indigenous species, installation of wildlife shelters (nesting boxes, beehives, etc.), configuration of exterior lighting, etc.) promoting biodiversity (target: more than 2);
- ◆ the portion of outdoor areas in shade on the winter solstice (target <30%).

Projects to which these criteria apply were launched in 2017 and are currently being rolled out. The first results are expected from 2019.

Planting initiatives: depending on land availability, our sites have planted fruit trees: conservation orchard in Héricourt (Doubs), apple trees in Sayat (Puy-de-Dôme) and a partnership with a local chestnut conservation group (Puy-de-Dôme), in Nontron (Périgord) and in Tardoire (Charente), planting of protected species in Allan (Doubs). The roof of our historic store at rue du Faubourg St Honoré in Paris also boasts gardens with fruit trees. We aim to continue to develop the planting of trees around our production sites and office buildings.

Bees: We have an internal apiary club, with seven sites in France having beehives: Faubourg St Honoré, Sayat (Puy-de-Dôme), Nontron (Périgord), Le Vaudreuil (Seine / Maritime), La Tardoire (Charente), Belley (Ain) and Annonay (Ardèche). Our goal is to ensure the long-term sustainability of these beehives, to welcome wild hives at these sites, where possible, and to extend this approach to our other sites.

In addition, our local sustainable development committees coordinate local biodiversity-friendly initiatives (promoting organic farming, using sheep for pasture management, carrying out works to maintain communal forest areas, etc.) in coordination with their stakeholders; this provides an opportunity to raise awareness and involve all employees.

Outside of France, our distribution subsidiaries contribute in their own way, for example with rooftop vegetable gardens in Hong Kong and trees planted by the Shanghai teams on the Chongming peninsula, a protected nature reserve. Broadly speaking, biodiversity actions are regularly promoted among employees. During the Sustainable Development Weeks in France and abroad, the films "Demain" (Tomorrow, 2016), "L'Empereur" (The Emperor, 2017) and "On a vingt ans pour changer le monde" (We have 20 years to change the world, 2018) were shown to employees.

Hermès will continue its awareness-raising efforts among employees.

#### Commitment in the extended sphere of influence of Hermès

Together with the partners supplying us with natural materials, we are continuing constructive efforts incorporating biodiversity protection. We are working with international NGOs in this area, as appropriate, in order to better assess the various biodiversity components that concern us

and to assess our impact on our supply chain. The contribution we wish to pursue covers two aspects in particular:

Alligators in Louisiana: Hermès sources its alligator skins directly and indirectly from farmers in Louisiana. The alligator industry, considerably reorganised in line with the Washington Convention, has contributed (1) to protecting the species and its unprecedented development in the areas in question and, as a result, (2) to protecting and maintaining the marshlands where these animals live and reproduce. According to the US Fish & Wildlife Service, this corresponds to 3 million acres of marshlands that are thus better maintained. Our goal is to continue to support farmers in their development, thereby ensuring the long-term sustainability of effects (1) and (2) above, fostering the protection of flora and fauna biodiversity.

Silkworms in Brazil: For more than 20 years, Hermès has helped to develop a supply chain for high-quality silk thread in Brazil. Located in the state of Paraná and drawing on Japanese expertise, the cultivation of mulberry trees has made it possible to sustainably establish this division. This industry preserves low-chemical hardwood biotopes (silkworms eat only non-polluted mulberry leaves) and generates income for small local farms and, accordingly, thousands of families.

Our goal is to continue to support the division, making it possible to protect these regions' plant biodiversity while also ensuring long-term income for farmers.

#### **Voluntary commitments reaching beyond the economic sphere of influence of Hermès**

As a responsible company, Hermès voluntarily undertakes biodiversity-related efforts reaching beyond its business activities. The Fondation d'entreprise Hermès contributes to various biodiversity-related projects and aims to continue its efforts in this area. It also supports a wide-scale project in Africa in partnership with the WWF: Traffic/AfricaTwix. This project aims to improve the fight against the poaching, trafficking and illegal trade of protected species in Africa, through the establishment of IT tools fostering dialogue between the different authorities of the countries in question. The Foundation will continue to support this project.

Livelihoods: since 2012, Hermès has been a shareholder of the Livelihoods Fund, which aims to improve the living conditions of disadvantaged communities in a sustainable manner by developing large-scale projects with real impact against climate change ([www.livelihoods.eu](http://www.livelihoods.eu)).

Investments are made in three types of projects (ecosystems, agroforestry and energy) in Africa, Asia and Latin America. The fund has 10 partners (1) working on these projects over a 20-year period. Overall, the Livelihoods fund will contribute to the replanting of 130 million trees, including 18,000 hectares of mangroves (Casamance, Ganges Delta and Sumatra) and 34,000 hectares of agroforestry (Andhra Pradesh, Guatemala and Kenya). Hermès will continue its commitment to the Livelihoods fund by contributing to current projects, but also with the creation of a new, ever more ambitious fund launched in December 2017, which will have a considerable effect on biodiversity.

#### **Act4Nature**

Hermès joined the French project Act4Nature on 10 July 2018 alongside 64 players in the French economy, and confirmed its commitment to integrating biodiversity in its overall development strategy thereby contributing to the biodiversity targets set by the international community. Act4Nature is an initiative launched by EpE (the French association Entreprises pour l'Environnement) and several partners with a view to mobilising companies to protect, promote and restore biodiversity through shared commitments fixed by scientific institutions and associations, and through individual commitments specific to our House:

- ◆ a shared commitment (ten commitments in total) that aims to integrate biodiversity considerations into all activities, from governance and strategy to the most practical operations, to legitimise those considerations among the Company's employees and stakeholders in order to elicit and encourage spontaneous and widespread actions;
- ◆ an individual commitment defined by each company and specific to its activities. This commitment must be adapted regularly, as Act4Nature strives to follow a continuous progress approach.

Measured and reassessed every year, these initiatives must help to set an ambitious course for major forthcoming events in global biodiversity. In 2020, the World Congress of the International Union for Conservation of Nature will be held in Marseille, and COP15 of the Convention on Biological Diversity will be held in Beijing.

#### **2.5.5.3 Results**

Through their location in rural areas, the sites are involved in various biodiversity initiatives.

#### **Leather Goods**

The Leather Goods division is committed to Biodiversity programmes.

Available land around Leather Goods buildings is always examined with a view to developing such areas with local partners.

The Sayat production unit helped to finance the creation of a conservation chestnut orchard in collaboration with the Conservatoire des Espaces Naturels in Riom Limagne. The programme aims to identify remarkable trees, harvest grafts, use them and have 17 varieties of identified chestnut trees cultivated by a nursery for one year. These chestnut trees will then be planted at the leather goods sites. Chestnut trees are emblematic to the Limagne fault line (where the Sayat site is located) and are very widespread locally as they are well suited to the geology of the soil (granite rock). This orchard will perpetuate these tree varieties, carefully selected more than 200 years ago.

The Maroquinerie Iséroise uses sheep to maintain the pastures around the site. This original eco-grazing formula is helping to protect an endangered breed and to practise environment-friendly maintenance. Leather goods craftsmen and women help to guard the flock.

(1) Danone, Crédit Agricole, Caisse des Dépôts et Consignations, Schneider Electric, La Poste, Hermès International, Voyageurs du Monde, SAP, Firmenich and Michelin.

An agreement was signed in November 2018 between the French League for Bird Protection (LPO) and the production unit at l'Allan, with a view to establishing structures to accommodate and protect local bird species.

The Aix-les-Bains leather goods site provides its employees with part of its available green spaces for vegetable gardens.

Lastly, several leather goods sites have planted fruit trees, favouring traditional and local varieties, and have planted green spaces as beautiful flower meadows. Five of them also have beehives.

#### Silk

The division lends maximum protection to existing biodiversity in and around its production facilities. At the ITH site, for example, the surrounding flora and fauna are left untouched, with very little human involvement. Moreover, it is not uncommon to find moorhens, mallard ducks, herons, coypus and frogs. Amphibians also thrive in the ATBC site's fire extinction pool.

#### Hermès Maison

At CATE, the 2018 Sustainable Development Week was yet another opportunity to raise the teams' awareness of the site's biodiversity. The activities offered enabled participants to observe the CATE flora and fauna, in particular around the site's pond. Some of the employees participated in a discovery workshop focusing on local plant varieties. The teams benefited from these interactive sessions to develop their knowledge of the biodiversity found at and around the production unit.

Year after year, the flower meadows and insect hotel continue to bring new pollinating insects to the site and to offer shelter for secondary fauna. No plant protection products are used in maintaining the green space, and most plots are maintained using mulching techniques, which protect soil from drought and serve as a natural fertiliser.

#### Noise and olfactory emissions

A large amount of equipment is replaced each year to improve systems used for the treatment of waste discharged into water and into the atmosphere in order to meet all applicable regulations. Similarly, noise measurements are regularly taken around a small number of sites that may be affected to check that they comply with the standards applicable to them.

#### Tanneries

In connection with the current production activities, as well as any one-off operations (such as maintenance or civil engineering operations), the sites seek to avoid and/or reduce noise and olfactory pollution as much as possible. Major investments and construction continued in 2018 to improve the odour capturing and treatment system. The installation, which has been in operation since July 2018, has eliminated the malfunctions that caused the odours.

At the Tanneries du Puy, in order to reduce odours, pilot tests began in 2018 to verify the new sludge treatment system. The final investments and construction will be completed in 2019.

In both cases, the search for the causes and the compensatory measures planned were communicated to the French State, the municipal government and the DREAL, and to local residents as well.

Lastly, when required by the regulations, the tanneries may carry out noise measurements at property boundaries. The latest measurements did not bring to light any excessive noise.

#### Silk

Actions to reduce noise and olfactory emissions are quite specific to the activities and environment of the sites.

The topic of noise was the main theme of the year for the ITH site. During a week dedicated to the subject, employees were invited to report all noise that could be a nuisance on the site and its periphery. The week resulted in many improvements, some of which have considerable impact: firstly, all of the blowguns on the site were replaced with blowguns with noiseless nozzles. The blowguns are calibrated for maximum flow at the lowest setting. This change was implemented in June 2018 and resulted in noise reduction of 14dB or 15% for the operations affected. Several pieces of production equipment (iron press motors at SNC, fans for the engraving line at Gandit) were also converted to reduce ambient noise (August 2018). Finally, several smaller actions were performed by the teams, such as the placing of foam on picking carts, lowering the volume of the reversing alarm on trucks, adjusting the door closers and modifying the compressed air system for the packing machine.

At SIEGL, the air conditioner for the Inkjet workshop was insulated to reduce noise emissions for local residents

Similarly, at the ATBC site, obsolete compressors were replaced and sound filters were added to the compressors already in place to minimise our noise footprint.

#### Cristallerie

An environmental monitoring programme around the production unit was set up jointly with local authorities and put in place in 2018. The results obtained during these measurement campaigns reflect those observed at the various water and atmospheric emission points and thus underscored the compliance of the production unit's activity with respect to its direct environment.

#### Beyrand

At Beyrand, during the renovation of our air treatment plants, the relocation of one of our extractions led to an increase in noise pollution. The installation of a soundproofing chamber solved the problem.

#### Perfumes

The noise and olfactory pollution of the activity on the Vaudreuil site is very limited. Noise measurements are regularly carried out at the property boundaries.

During various site projects, new ventilation equipment was installed on the roof. Compliance with the noise standards in force was one of the criteria for selecting the equipment. The noise impact on the environment was measured again after installation.

### Land use

The Group's industrial activities do not contribute to the building-up of land, given the small surface area occupied by its sites and the negligible rate of change in land use for cattle and sheep farms in Europe, from where its supply of raw hides is sourced. An impact study incorporating issues relating to animal and plant life and the preservation of natural environments is carried out prior to establishing any new industrial site.

2

### A long-term commitment to the Livelihoods Carbon Fund

Hermès has extended by 20 years its commitment to the Livelihoods Carbon Fund, with which it has been partnering since 2012, with the aim of reducing carbon emissions through practical initiatives to improve the daily lives of rural communities in India, Guatemala, Indonesia, Peru, Kenya, Senegal and Burkina Faso. In Burkina Faso, the construction of three-stone stoves illustrates the way in which simple and replicable large-scale solutions can be implemented, with immediately measurable effects on the quality of life of local populations and on CO<sub>2</sub> emissions. In the village of Kongoussi, local NGO Tiipaalga is teaching women how to build these ecological stoves, which use little wood and cause little pollution, using straw and donkey

manure to obtain the refractory material. In return for such projects, the contributing companies, including Hermès, receive carbon credits with high social value, partly offsetting their own emissions. In six years, the nine Livelihoods projects have benefited 1 million people in Africa, Asia and Latin America, and 130 million trees have been planted. Through Livelihoods, Hermès aims to have a positive impact on the quality of life of communities and carbon emissions over time.



## 2.5.6 CONTRIBUTION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS (SDGs)

Hermès's environmental commitments are reflected in a significant number of SDGs, including the following (the numbers refer to the UN's official typology):

### No. 3: Good health and well-being

- ◆ 3.9: "Reduce the health impacts of activities and pollution".

Hermès operates in countries in which regulations are very stringent on this subject. The Group continues to improve its production processes in order to enhance the management of health risks, including those that may be generated by its products.

### No. 6: Clean water and sanitation

- ◆ 6.3: "Improve water quality".

The Group and all of the métiers (tanneries, crystal, silk, and so on) have been actively working on controlling the important issues of water consumption and effluent management since 2002. Hermès is achieving significant results. (section 2.5.2.2.1), having gradually uncoupled growth from consumption, and through the implementation of improved technical systems now available.

- ◆ 6.4: "Water stress".

The main métiers that are concerned (silk, tanneries, crystal) are located in areas with low water stress. Improving discharge levels is a subject to which we pay careful attention, and which is governed by very stringent European or US regulations (section 2.5.4.2).

- ◆ 6.6: "Protecting wetlands".

The Group is participating in the Livelihoods project, which is contributing to the restoration of coastal wetlands totalling nearly 18,000 hectares (Casamance, Sundarbans, Sumatra). In addition, the growth of the alligator farming industry in the United States over the last 20 years, to which the Group contributes, encourages the preservation of the natural habitat of these animals and consequently the protection of wetlands in Louisiana and Florida.

### No. 7: Affordable and Clean Energy

- ◆ 7.2: "Increase the share of renewable energy".

In France, 100% of electricity consumed is "green", which represents 4/5 of the Group's electricity consumption. In addition, the Group has installed renewable energy devices (wood-fired boilers at production sites, photovoltaic energy at sites and for the US logistics centre in New Jersey ((section 2.5.2.2.2).

- ◆ 7.3: "Improve energy efficiency".

Our property management guidelines incorporate this concept into all new projects. We have seen a reduction in energy consumption in stores following the replacement of lighting with LED lighting. At the end of 2018, 80% of stores were fitted with this. In the industrial area, the decoupling of consumption and growth has become a reality.

**No. 8: Decent work and economic growth**

- ◆ 8.4: “Decouple consumption and growth”.

As a result of the work carried out, we have been able to decouple growth and energy and water consumption.

**No. 12: Responsible consumption and production**

The Group strives to manage waste and chemical products throughout their life cycle. A major player in France in several métiers (tanneries, silk, crystal, etc.), the Group strives to implement the best available, reliable and sustainable operating solutions. It endeavours to control its emissions into the air, water and soil, in a context in which its sites are subject to the strictest regulations in this area (OECD).

**No. 13: Climate action**

- ◆ 13.2: “Integrate climate change measures”.

Initiatives have been taken by various departments (Industrial, Construction, Logistics) to contribute to reducing energy consumption and greenhouse gas emissions (see section 2.5.3). In addition, Hermès contributes to the Livelihoods initiative (130 million trees planted), which partly offsets the Group's carbon emissions.

- ◆ 13.3: “Improve awareness-raising among employees on climate change issues”.

Internal activities conducted throughout the year are an opportunity to raise teams' awareness about environmental topics and explain our actions (including with Livelihoods, for example during an event held in December 2017 that welcomed over 800 people at Hermès);

**No. 14: Life Below Water**

- ◆ 14.2: “Manage marine and coastal ecosystems”.

Crocodile farming requires the implementation of wetland protection measures, to which the Group and its partners make indirect contributions (see section 2.5.5);

**No. 15: Life on land**

- ◆ 15.1: “Protecting biodiversity”.

The Group strives to preserve ecosystems insofar as it is concerned (sourcing of natural materials). It is studying its impacts to prevent adverse effects.

- ◆ 15.2: “Forest Management”.

Hermès supports the sustainable management of forests through a sustainable purchasing policy on paper, cardboard and wood (bags, boxes, and packaging, etc.). The Group complies with regulations governing wood sourcing. Hides of European origin that are used by the Group for leather goods do not come from farms that contribute to deforestation. The Livelihoods project has also contributed to the replanting of over 130 million trees.

## 2.6 COMMUNITIES: SUPPLIERS & PARTNERS

Most of Hermès' production is integrated, in line with its strategy of preserving unique *savoir-faire* and securing supplies. Accordingly, 70% of our objects are made in-house. Our ability to grow is, however, also linked to the development of our suppliers, whose exceptional *savoir-faire* and future success will contribute to that of the Group.

The House's subcontractors and suppliers are mainly long-term partners. As such, for direct purchasing (production purchases), the average length of trading relationships with the Group's top 50 largest direct suppliers in 2018 was 21 years within the scope of x These suppliers operate mainly in the Leather Goods division (tanneries, suppliers of metal parts and manufacturers). This stability is especially true for small suppliers, with which our partnership may go back more than 50 years.

For direct purchasing, relations with our suppliers are also based on proximity, facilitated by the fact that they are mainly based in France, or at least in Europe, which makes regular visits possible. For reasons of *savoir-faire*, in the quest for excellence, the Group also works with a few distant suppliers. For example, we can mention lacquer in Vietnam, cashmere spinning in Nepal, and woodwork in Indonesia. These suppliers produce small volumes, but are subject to special monitoring, in particular through audits conducted by an external third party every three years, action plan monitoring by senior purchasers, and regular visits by Hermès (at least once a year).

This stability and proximity of relations with our partners enable us to establish long-term, close collaboration with them in several areas as part of the continuous improvement of our supply chains. Hermès is committed to providing long-term support for all our partners, and maintaining balanced relationships characterised by goodwill and high standards; we ensure that all our partners share and respect our social, environmental and ethics ambitions. We pay special attention to human rights and fundamental freedoms, working conditions (health, safety, working hours, wages, etc.) and the environment - whether at our suppliers' premises or at their own suppliers' and subcontractors' premises, with a view to better understanding all of our supply chains.

Aware of its social responsibility, the Group has also been working with socially supported organisations in France for many years for its direct and indirect purchases, and this practice is growing steadily every year. Accordingly, as part of the first Disability Agreement signed for 2018-2020, Hermès has set itself the ambitious goal of increasing its use of socially supported organisations by 20% every year, and this target was achieved in 2018.

### 2.6.1 CHALLENGE: LONG-TERM PARTNERSHIPS AND WORK WITH SOCIALLY SUPPORTED ORGANISATIONS

Maintaining *savoir-faire* through long-term partnerships with local suppliers (France, EU) as well as more distant suppliers, and supporting socially supported organisations in France.

#### 2.6.1.1 Policy

Hermès' policy is to cultivate this *savoir-faire* by supporting its suppliers in the long term.

Hermès seeks excellence among various French craftsmen and women with traditional, scarce and precious *savoir-faire*. In so doing, it aims to safeguard and perpetuate our national artisanal heritage. Some creations also rely on *savoir-faire* that is scarce worldwide.

This policy is based on two departments at the headquarters (direct purchasing and indirect purchasing) and decentralised purchasing managers by *métier*.

The Group has had a policy of developing partnerships with socially supported companies (EA<sup>1</sup>, ESAT<sup>2</sup>) in France for many years. Through this policy for the disabled, the Group strives to strengthen these partnerships whenever possible, with a target of increasing them by 20% per year by the end of 2020. This is an opportunity for the House to support companies to improve their skills.

In addition, the Group develops long-term partnerships with goodwill and high standards, in particular regarding quality, respect for the environment, and social and ethics commitment.

**The management of the Group's suppliers (in an environment where 70% of production is performed internally) is the responsibility of the *métiers*, which use a pragmatic, long-term approach. It is supervised by two Executive Vice Presidents for direct and indirect purchases, respectively.**

**It is based on the House's supplier policy (see above), which is explained externally by the "undertaking handbooks", put into operational practice by the buyers (who were specifically trained in the subject in 2018 at an ad hoc seminar) and verified by internal and external audits.**

**Internally and externally, compliance with ethics, environmental and social regulations is mandatory.**

(1) EA: Adapted company providing work to people with disabilities.

(2) ESAT: Sheltered work establishments whose purpose is the social and professional integration of adults with disabilities.

### 2.6.1.2 Measures implemented and results

The definition of the main strategic principles, policies, tools and control systems is the responsibility of two central departments (the Direct Purchasing and Indirect Purchasing Departments), which reports to two Group Executive Vice Presidents. Secondly, each métier has a purchasing manager who is a member of the Executive Committee of the métier and reports to the Executive Vice President of the métier. These functional and operational departments work with shared objectives to strengthen the quality of relationships with our partners and suppliers, both in terms of quality and compliance with major CSR issues.

#### Our suppliers are partners

The Group's ability to grow is linked to the development of its suppliers and subcontractors, most of which have been our partners for many years. The Group's achievements with respect to these main challenges are driven by the métiers.

For the Company's 50 largest direct suppliers, the average length of trading relationships break down as follows: 17% go back more than 30 years (over 40 years for two suppliers and over 60 years for one of them); 27% go back 20 to 30 years; 29% go back 10 to 20 years and 27% go back less than 10 years.

#### Leather Goods

The Leather Goods division carries out most of its production in-house. It nurtures a very close relationship with its supplier partners: hides, metal parts, etc. Most of them have been supporting Hermès for a long time - relationships are built over time. The teams visit them frequently to initiate and then follow improvement measures, which may relate to the development of new products, or the quality or optimisation of raw materials. Regular audits consolidate these approaches.

#### Hermès Maison

In its wide range of activities, Hermès Maison collaborates with suppliers with unique *savoir-faire*. The métier has set itself the objective of bringing together and facilitating a "whole family of savoirs-faire excellence".

We therefore work to find the best artisans, then encourage and develop excellence in savoirs-faire wherever they are in the world, and in France if they exist.

When a unique *savoir-faire* is discovered and identified, a partnership is created and the relationship is developed and established over the years. The creative teams of Hermès work directly with the artisans. This relationship reveals these savoirs-faire and encourages the artisans towards increased excellence, quality, and uniqueness.

These partnerships are created in ways such as the following:

- ◆ cashmere spun and hand-woven in Nepal: Hermès's "quasi-exclusive" partner for almost 20 years. Its work is present in the collections of blankets in particular. The exploration of the *savoir-faire* of hand dyeing is continuing, with successive dyeing baths, as found in the "Tangram" blanket, for example;
- ◆ lacquer workshop in Vietnam: this collaboration has existed for over 15 years. This hand-painting *savoir-faire* is featured in collections of boxes, for example. Boxes and tea boxes have been designed to revisit drawings that are emblematic of the House (Tangram and Bleus

*d'ailleurs* respectively). Exploration of the virtuoso *savoir-faire* of hand-painting is continuing;

- ◆ high-end woodworking: a partnership of almost 20 years. This workshop, located in Indonesia, is the home of rare *savoir-faire* in the crafting of solid wood. An exceptional piece in the collection, a straight-grain stained wooden sewing box, was also made by these artisans;
- ◆ wicker: this *savoir-faire* was developed as part of a partnership in France. Wickerwork objects in the collection include trays and vases.

These collections consist of small volumes, however they are monitored particularly closely and a third-party audit is carried out regularly (at least every three years).

#### Silk

For over 10 years, the métier has been collaborating with an India-based supplier that uses ancient techniques such as embroidery, indigo dying, and regional handcrafted woven fabrics.

Hermès supervises these relations carefully with the dual purpose of creating conditions to perpetuate this *savoir-faire* and ensuring these suppliers apply best practices (protecting the environment, social and ethics rules, etc.).

Hermès carries out regular visits (at least once a year) and organises the monitoring of key points by senior purchasers when necessary.

#### Societal responsibility and using socially supported organisations

#### Leather Goods

The Group's overall purchases from socially supported organisations almost doubled year on year, compared with the target increase of more than 20% per year in the Group Disability Agreement.

For 10 years, the Leather Goods division has been partnering with Adapted Companies (EAs) and Sheltered Work Establishments (ESATs): in particular, it has established close relationships with seven of them.

Working, health and safety conditions are formally assessed in these partner institutions to ensure the continuous improvement of these aspects. A personal contact person provides these EAs and ESATs with technical and quality support on a day-to-day basis, but also over the long term, as part of development projects. These projects may involve the development of future premises, the acquisition of new equipment, or *savoir-faire* training to entrust them with tasks with greater added value.

The Leather Goods division thus aims to build a local network of partner EAs or ESATs for each of its regional clusters as they are established.

Integration in our own workshops remains a priority, and Hermès is working in this direction with EAs and ESATs. Accordingly, the Vesoul ADAPEI (organisation of friends and parents of disabled children) proposed the integration of a young, disabled person. Through a three-way agreement with the ESAT and the labour department, this person was seconded to the cutting workshop of the Héricourt production unit on 1 March 2018. In light of their successful integration within an independent team in the workshop, and after this person successfully completed training, a permanent contract was offered (which started on 1 December).

Within the *Maroquinerie de Fitilieu*, an approach was also implemented to integrate people with disabilities in the Leather Goods craftsman métier. This began with the class of January 2018, followed by that of August 2018, when two and then three people respectively were accommodated by way of the “Recognition of the Status of Disabled Worker” (RQTH) system.

The main principles governing this approach are based on:

- ◆ respect for others: “Diversity, a key factor in success, requires a respectful ear”;
- ◆ specific and individualised support;
- ◆ maintaining the high standards expected, “see the skill of the disabled worker”.

Each situation is naturally subject to a unique approach to provide the assistance necessary for successful training.

#### Tanneries

The Tanneries du Puy, Montereau and Vivoin, use their partnerships with sheltered work establishments (ESATs) to undertake maintenance of green spaces. Until 2017, the Montereau site hired two people from the same ESAT to perform in-house production operations. One of those people was taken on by the tannery at the beginning of the year. The Tannerie d'Annonay also works with an ESAT on an occasional basis for commercial brochure packaging and leather sampling assignments. The *Compagnie des Cuir Précieux* continued the partnership it entered into in 2017 for catering and meal tray services at seminars and meetings in their head office in 2018.

#### Perfumes

Several actions were undertaken by CNP with respect to the Group's policy for the disabled:

- ◆ provision of the Handeco platform with awareness-raising and communication initiatives targeting all employees;
- ◆ systematic consulting with a local ESAT (ADAPEI 27) for 100% manual packaging/packaging removal work;
- ◆ work entrusted to the Val de Reuil ESAT in 2018: Travel kits, Fragrance stone kits, 2 ml kits, Discovery kits and soap packaging removal;
- ◆ services such as breakfast and meal trays provided in Pantin.

#### Cristallerie

The maintenance of landscaped areas has been entrusted to the association APAEIE Ingwiller for several years.

A partnership was concluded with the Goetzenbrück branch of this ESAT to manage the secondment of an employee from the sheltered sector to the Cristallerie's shipping department. Within this partnership, a service was also set up for storage and the preparation of finished product packaging.

As part of Disability Week and the “1 jour, 1 métier®” (1 day, 1 métier) project, a disabled employee was hosted to discover one of the production unit's métiers.

Through internal awareness-raising campaigns and using socially supported organisations, Saint-Louis exceeds its requirement to employ disabled workers with a rate of 9.41% in 2018.

#### Silk

The various entities of the silk industry collaborate with socially supported organisations for various types of operations:

- ◆ purchases from sheltered work establishments (ESATs) for mechanical, carpentry and packaging items, cleaning services and maintenance of green spaces (ATBC). Purchases from the Artisanerie ESAT for small cleaning supplies (rubbish bags, brooms, etc.);
- ◆ uniform cleaning service (AEI and AS);
- ◆ partnership established for more than 10 years for the maintenance of all green spaces around and outside SIEGL;
- ◆ pastry caterer (SIEGL and ITH);
- ◆ sample assembly (HTH Bucol, Créations Métaphores), partnership for over 10 years;
- ◆ recycling of printing frames (Gandit).

#### Hermès Maison

At Beyrand, we conduct awareness-raising actions every year during the European week for the employment of people with disabilities. We work with an ESAT for catering services.

### 2.6.2 CHALLENGE: SUPPORTING SUPPLIERS

Accompanying and supporting, métier by métier, suppliers while exercising our duty of care (responsible sourcing).

#### 2.6.2.1 Policy

The Group policy on supplier guidance and support is based on four fundamental axes:

- ◆ Ensure long-term relationships with suppliers by preserving key skills, securing supplies and services, and establishing balanced and sustainable relationships.
- ◆ Seek the best quality and enrich Hermès' creation with concrete propositions resulting from our partners' innovation.
- ◆ Guarantee ethics throughout our supply chains (including labour rights).
- ◆ Contribute to the economic performance of the House by controlling costs, as a whole, and by providing value to customers.

Operationally, each métier is responsible for the management of its suppliers and subcontractors. The métier-based approach guarantees proximity, understanding of issues and pragmatism of its mechanisms, while complying with the House's rules.

The Group coordinates and monitors the policies, tools and achievements with respect to two departments: direct and indirect purchasing. The current purchasing policy was formally issued in May 2013. It is regularly updated and shared with all employees via the intranet.

### 2.6.2.2 Measures implemented and results

Since 2017, this coordination of Group purchasing has been reorganised into two divisions: that of direct purchasing, on the one hand, and that of indirect purchasing, on the other hand. The main duties of these two divisions are coordinating the network of purchases, raising their awareness and training them in CSR issues in the supply chain, structuring and strengthening the supplier support and guidance system, and accelerating its implementation in all the House's métiers and subsidiaries. The Group's direct and indirect purchasing departments also coordinate the supplier audit programme conducted with an external firm.

#### Duty of care

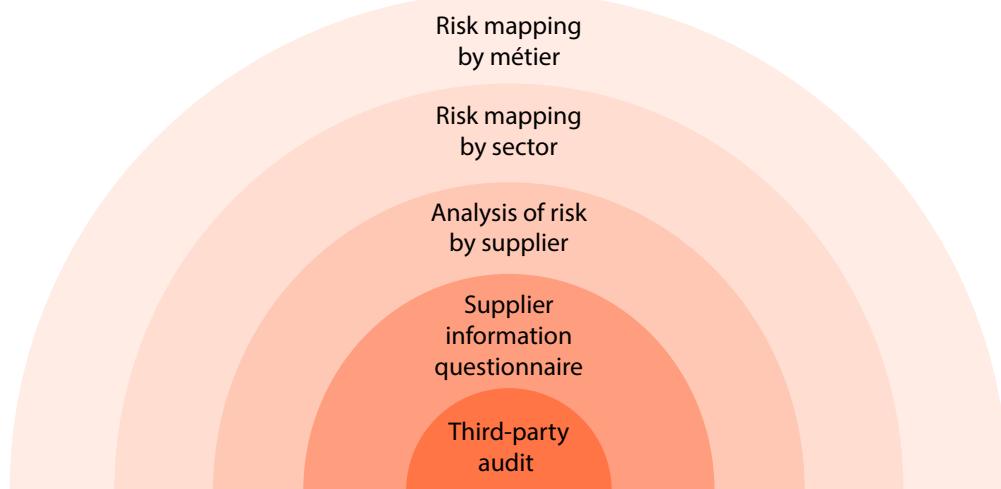
The supplier risk management system, which had already existed in the Hermès Group for many years, was strengthened and accelerated in 2018 as part of the implementation of a reasonable duty of care plan with respect to suppliers. Special attention was given to human rights and fundamental freedoms, the health and safety of people, and more generally their employment conditions, as well as the protection of the environment. The risk of corruption and influence peddling is also carefully monitored.

In accordance with the recommendations of the French law 2017-399 of 27 March 2017 concerning the duty of care of parent companies and contractors, this duty of care plan includes:

- ◆ risk mappings aimed at identifying and assessing the risks generated by the activities of our suppliers and subcontractors, and more generally by all of our divisions;
- ◆ procedures to regularly assess the situation of our suppliers and subcontractors with which we have a trading relationship, but also increasingly to assess the situation of second-level suppliers and subcontractors, in order to gain an ever-stronger understanding of our supply chains;
- ◆ appropriate measures to mitigate the risks identified or prevent serious violations;
- ◆ an alert and reporting mechanism that is consistent with the House's other internal alert mechanisms;
- ◆ a system for monitoring the measures implemented and assessing their effectiveness.

The system was presented to all the Group's purchasers (over 100 people) and internal controllers during a Purchasing day organised on 10 April 2018 on the theme of supplier risk management. After discussing the regulatory environment, the methodology and tools offered for supplier risk management were presented. In particular, a methodology to carry out risk mapping by purchase category, a supplier management analysis framework and a "know-your-supplier questionnaire" were presented, and purchasers were requested to implement them.

This supplier risk management methodology is shown in the following diagram:



During this day, a member of the Executive Committee and the Group's Industrial Affairs Director officially requested purchasers to continue to strengthen their understanding of their supply chains and to better structure and formalise the measures taken. Following this day, several workshops and meetings were organised with direct purchasers on the topic of supplier risk management.

A web market solution has been put in place and will be ramped up over the next few years to allow suppliers to share their successes and substantiating documents on the subject with Hermès.

### 2.6.2.3 Risk mapping

The Group has produced a risk mapping, into which the mappings produced by each of the main métiers, distribution subsidiaries and support activities are fed. Each of these mappings takes risks related to suppliers and subcontractors into account.

In addition, to guarantee the thorough assessment of each supply chain, the purchasers within each métier formalise a risk mapping for each of their purchasing categories, assessing in particular the risks of the entire supply chain with respect to human rights and fundamental freedoms, the health and safety of people, social aspects, the environment, and corruption risks. These risks are prioritised based on their criticality, on the one hand, calculated as the product of the impact on the Group or its stakeholders by probability of occurrence, and on the level of control, on the other hand.

In 2018, the focus was turned to direct purchasing. With its 13 métiers, the Group recognises about 100 different direct purchasing categories, of which one-third were covered by a mapping formalised in 2018. The target for 2019 is to map 50% of the purchasing categories.

Ensuring the durability of artisanal savoir-faire and maintaining our capacity in France are major challenges for several divisions, just like strengthening the traceability of raw materials throughout the supply chain. Conversely, since most suppliers are based in France, the risk of violating human rights and fundamental freedoms is considered very low.

#### Procedures to regularly assess the situation of suppliers and subcontractors

For each purchasing category previously covered in a risk mapping, the purchasers within each métier carry out a second-level risk analysis of suppliers. It aims to assess the performance (deliveries, quality, etc.) and financial independence of each supplier, but also the risks related to human rights and fundamental freedoms, the health and safety of people, and more generally employment conditions, as well as the protection of the environment. Corruption risks are also assessed depending on the country in which the supplier is based, and on its activity.

If a risk is identified, an audit is organised to confirm or deny this risk, supported by a “know your supplier questionnaire” setting out the various topics included in the previously completed supplier risk analysis framework. This “know your supplier questionnaire” was revised and expanded in 2018 to better assess respect for human rights and fundamental freedoms, employment conditions, in particular the health and safety of people, compliance with environmental regulations, and the risk of corruption and personal data protection.

This “know your supplier questionnaire” is more generally used by purchasers as a supporting document when visiting a supplier, with a view to constantly increasing our understanding of our supply chains. Purchasers also use this questionnaire during pre-accreditation visits before starting to work with a new supplier. These pre-accreditation visits are compulsory within the scope of direct purchasing.

If the risk is confirmed, an audit will be carried out with the support of an external firm recognised for its expertise in environmental, health and safety issues. Audits are also required for strategic suppliers and for suppliers located outside Europe, which are all audited once every three years on average.

These audits make it possible to perform an on-site check of supplier commitments, ensuring that relevant regulations are being complied with, and verifying the actual working conditions and well-being of employees. A feedback meeting is held at the end of these audits to share all findings with the supplier and define the corrective action plan to be implemented to prevent or mitigate the risks identified during the audit. The métiers’ purchasers are responsible for monitoring each supplier’s progress in implementing these action plans.

In keeping with the “know your supplier questionnaire”, these audits cover the following issues in particular:



For direct purchasing, the number of audits conducted in 2018 doubled compared with 2017 and will double again in 2019.

For direct purchases, about 2,300 hours were spent on audits. The three major topics covered, which meet our obligations under the duty of care law, are:

- ◆ Environment (regulatory compliance, emissions/discharge management, wastewater management, waste management, chemical storage, SD policy)
- ◆ Personal health and safety (fire prevention, risk analysis, PPE, training, medical checks, etc.)
- ◆ Social and ethical (child labour, forced labour, labour rights, discrimination, gender equality, undeclared work, employment contracts, wages, working hours, overtime, etc.)

Moreover, purchasers are requested to be involved in the auditing of their suppliers by supporting the process upstream, participating in audits alongside the external firm, and monitoring the progress made in the action plans alongside their suppliers in a more formal manner. This will

ensure that the audits constitute a genuine continuous improvement tool for our partners. It will also help develop the purchasers' CSR expertise, as they are more capable of identifying risks when visiting suppliers.

### Risk management and mitigation, or preventing serious violations

The two purchasing divisions, direct and indirect, coordinate the House's network of purchasers and conduct common training initiatives within this network. As such, in 2018, they started developing a training course for purchasers, aimed at strengthening and structuring the training already offered within the Group. In particular, a "Legal and Compliance" course and an "Environment, Health and Safety" course were developed in 2018 to be rolled out in the second half of 2019. These courses, which target purchasers as a priority, but also all people working with the House's suppliers and subcontractors, will enable everyone to gain sufficient expertise to identify any breaches by the supplier or subcontractor, and help them to implement corrective actions as part of a partnership and continuous improvement strategy.

On the other hand, a direct purchasing network is coordinated by the Group direct purchasing department and meets once every three months. These meetings are an opportunity to review the following issues with the *métiers'* purchasers: the Group's purchasing policy and procedures, regulations, legislation, and the resources available to monitor suppliers and subcontractors. They provide the means to exercise their duty of care with respect to their suppliers and subcontractors, and more generally with respect to all divisions. As opportunities to discuss the risks identified, they make it possible to share the action plans to be rolled out to prevent or mitigate these risks. As detailed in a few operational examples (see section 2.4 Materials), these actions are necessarily specified.

From a legal standpoint, as part of its policy to support and monitor suppliers, Hermès seeks the formal undertaking of each of its suppliers to comply with its social, regulatory and environmental obligations through two undertaking handbooks, signed by both parties, which define the contractual relationships. These are regularly updated, with:

- ◆ Handbook 1 defining undertakings with respect to non-disclosure and fair trading; and
- ◆ Handbook 2 defining undertakings in respect of:
  - social policies (human rights and fundamental freedoms, prohibition of child labour, prohibition of forced labour, respect for health and safety, respect for freedom of association and the right to collective bargaining, non-discrimination, respect for appropriate disciplinary measures, respect for regulated working time, respect for the provisions of mandatory labour laws, respect for adequate compensation),
  - environmental policies (compliance with regulations, control and reduction in water and energy consumption, intensity of resources consumed, respect for the declaration on honour relating to the fight against illegal labour, reuse and recycling rates, low-carbon logistics choices, and emissions, effluent and waste management), and

- ethics policies.

These two handbooks were further developed in 2018, and an extensive campaign is under way to present them to the Group's strategic and sensitive suppliers and encourage them to sign these new enhanced versions.

### Contents of the supplier undertaking handbook 2

#### ◆ Good labour practices

This section deals mainly with the following subjects: human rights and fundamental freedom, child labour, forced labour, compliance with health and safety rules, respect for freedom of association, non-discrimination, working time, compensation, and illegal work.

Regarding the fight against illegal work in particular, Hermès collects the following three legal documents for its French suppliers and subcontractors every six months: a company registration certificate, a certificate of coverage issued by URSSAF (a French social taxes body), and a list of the names of all foreign workers, as required by law.

#### ◆ Good environmental practices

This section states our expectations in terms of compliance with environmental regulations, the controlled use of raw materials, energy and natural resources, the proper management of emissions, effluents and waste materials, and the protection of protected species and biodiversity.

#### ◆ Good ethical conduct

This section covers subjects that include corruption and money laundering, as well as specific requirements for certain sensitive sectors, and recommendations on best practices in relation to subcontracting.

#### ◆ Personal data

This section covers personal data protection principles.

By signing handbook 2, suppliers and subcontractors formally undertake to carry out their own duty of care with respect to all suppliers and subcontractors. Moreover, they are responsible for reporting all their subcontractors to Hermès and may not subcontract any production for the Group to a new subcontractor without Hermès' written agreement. This agreement is often tied to a pre-accreditation visit based on the "know your supplier questionnaire", or to an audit by an external firm.

Purchasers must take care to regularly remind their suppliers and subcontractors of the undertakings they have made by signing handbooks 1 and 2. The new, expanded versions published in 2018 were presented to the Group's strategic and sensitive suppliers and discussed with them to check that their undertakings are genuine.

Furthermore, any new supplier is required to sign handbooks 1 and 2 before any partnership can be undertaken, and in particular prior to participating in any call for tenders.

In 2018, of the House's some 1,800 suppliers within the direct purchasing scope, 59% signed handbook 1 and 57% handbook 2. The target for 2019 is to achieve a 65% coverage rate.

#### 2.6.2.4 Alert Mechanism

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

Each *métier* is responsible for monitoring the challenges identified and the proper implementation of corrective actions with suppliers. Similarly, the legal framework of relations with our subcontractors is regularly updated in light of actual experience. In particular, the conclusions of the audits, which bring together the auditors, the *métiers*, the buyers and the industrial department, offer deep insights solidly rooted in the real circumstances of our subcontractors.

In accordance with the code of business conduct, any employee identifying suspicious conduct within the supply chain is encouraged to report it internally through the “H-Alert!” mechanism implemented, as described in section 3.2.4.1.

#### 2.6.2.5 System for monitoring major issues

In addition to monitoring by métiers and subsidiaries, the audit department provides a summary of major risks to Group management, and monitors major issues, including by way of audits. In 2018 it continued to audit purchasing functions. These audits enable the correct implementation of the system described above to be verified. First introduced in 2005, self-assessment of internal control by the subsidiaries contributes to the dissemination of an internal control culture in the Group. This system makes it possible to assess the level of internal control and to understand to what extent operational and functional risks are properly addressed, as described in section 1.9.1 Internal control system in response to risks.

In order to fulfil the requirements of law 2017-399 of 27 March 2017, the Hermès Group established a Compliance Committee comprising representatives of the sustainable development department, the audit and risk management department, the industrial affairs department, the human resources department, the sales department, the finance department and the legal department, in order to prepare a vigilance plan applicable to Group companies. A Director of Legal Compliance and Public Affairs was appointed during 2017.

*With the application of the Sapin 2 law, we have increased our monitoring of suppliers, particularly the monitoring of their regulatory compliance with respect to corruption prevention (see section 3.2.3.1).*

#### Human rights in the supply chain

◆ Hermès's internal and external ethics approach is based on the universal framework established by major international principles. The ethics charter, drawn up in 2009, was signed by the Executive Chairman. It is communicated to all employees and available on the website <https://finance.hermes.com>. It states that these principles

apply to Group companies as well as to our suppliers. In particular, explicit reference is made to the Universal Declaration of Human Rights, the Charter of Fundamental Rights of the European Union, the Charter of Fundamental Rights of the International Labour Organisation, which covers freedom of association, the fight against forced labour, child labour and the fight against discrimination, the OECD Guidelines, the United Nations Global Compact (“Advanced” level), which invites companies to adopt, support and implement in their sphere of influence a set of ten core values (human rights, labour standards, environment, the fight against corruption), and the UN Guiding Principles on Business and Human Rights, which commit companies to respect human rights and address the negative impacts of their activities.

- ◆ This approach is regularly shared with the teams and was strengthened in 2018 by the direct and indirect purchasing departments (Paris buyer seminar, implementation of supplier practices monitoring software) and by the work of the legal compliance and public affairs department. It is shared with our suppliers during operational exchanges with buyers, and was formalised in the signing of the C2 undertaking handbook (chapter 1 “Good corporate behaviour”). As described below, a comprehensive control system covers this aspect of Hermès's relationship with its suppliers.
- ◆ The Hermès artisanal craftsmanship model, in which 70% of objects are manufactured in-house and 80% in France, relies on a network of suppliers based mainly in Europe, where labour practices are stricter than in other environments. Hermès's exposure to supplier risk is therefore reduced. An analysis of the top 50 direct suppliers shows that 56% of them are in France and 30% in Europe. Just 14% of purchases are made in more distant countries, mainly raw materials (e.g. exotic leathers), where our control and monitoring is extremely strong.
- ◆ Monitoring of practices is primarily the responsibility of the métiers and their purchasers, who are in direct contact with our suppliers. The topics that are monitored closely include working conditions (hours, health and safety, compensation, right to organise and representation, disciplinary practices), risks of discrimination, forced labour, child labour, and, more broadly, living conditions (considering the local environment). Industry (for the packaging sector, for example) and geographical discussions are held to help identify the issues more precisely. When a subject is identified, it is discussed with our partner to help it understand why the topic is important to us, examine possible improvement solutions and put in place an action plan. Hermès maintains long-term relationships with its partners (the average relationship among the top 50 industrial suppliers is 21 years old). If this process cannot be put in place, the subject is discussed by the Management Committee of the appropriate métier, the industrial affairs department and the sustainable development committee and the relationship is suspended.

### 2.6.2.6 Evaluation and control

The Hermès Group has put in place an internal control and risk management system to better prevent and control the risks it has to face. As part of this system, the audit and risk management department conducted supply chain audits in 2018 and these will continue into 2019. These audits enable the correct implementation of the system described above to be verified. First introduced in 2005, self-assessment of internal control by the subsidiaries contributes to the dissemination of an internal control culture in the Group. This system makes it possible to assess the level of internal control and to understand to what extent operational and functional risks are properly addressed, as described in section 1.9.1 Internal control system in response to risks.

#### Operational examples of risk management and mitigation procedures

The following examples concern the supply chain challenges of the main métiers. The supply of raw materials is detailed in section 2.4.1.2 (tanneries, etc.)

##### RTW

For example, in 2018, the use of two subcontractors working with a men's ready-to-wear manufacturer was refused following an audit that highlighted significant discrepancies between these subcontractors' practices and the House's social and ethical values.

##### Perfumes

A study on securing the supply of packaging materials and articles was presented to the Group in the first half of 2018, which classified all supply chains based on their level of risk. Following this study, an action plan was drawn up and the related investments made. For example, these actions concern the duplication of certain suppliers of sensitive products (duplication of bottle moulds) or securing the supply chains for certain sensitive materials (double sourcing).

##### Silk

Following the closing of various Chinese units, which were not environmentally compliant, a watch unit was established in house to monitor the supply of several chemical products and sensitive dyes.

This unit comprises the purchasing, processes and production departments. The first corporate action was the establishment of a risk assessment document targeting sensitive products in terms of production and their shortage risks. This document enabled the establishment of an action plan suited to each site to minimise the risk: use of an alternative product, change in stock management, discontinuing the product, etc.

##### Hermès Maison

At CATE, the handbooks on undertakings with respect to non-disclosure and fair trading (C1) and for social, environmental and ethics policy (C2) were signed by 98% of suppliers. For our French suppliers, we also implement the obligations pursuant to the 2014 law on undeclared work aimed at combating unfair business competition. In addition, we conduct extensive inspections to ensure that suppliers and/or customs declarations indicating that the components purchased have been "Made in France" are accurate.

At Beyrand, the purchasing and supply department takes care on a daily basis to ensure a good relationship is maintained with all suppliers. Since January 2018, the implementation of a Supply Chain coordination function has been strengthening the management of the supplier relationship. The purchasing and supply department implements sustainability and security action plans with the various suppliers. Furthermore, the system of having strategic and/or sensitive suppliers sign the C1 and C2 handbooks has continued. Today, they have been signed by 60% of suppliers.

In 2018, Puiforcat strengthened its investment in the duty of care by including components such as human rights and fundamental freedoms, health, social aspects and security, and the environment into its supplier risk analysis. At the same time, the collection of legal documents within the scope of the law on undeclared work was entrusted to an external partner for greater effectiveness. The full inventory of our equipment at one of our key suppliers was taken, and a risk audit conducted. The results of this audit were shared with the supplier. Puiforcat continues to have its C1 and C2 handbooks signed before starting any new trading relationship, and has obtained the signatures of more than 85% of suppliers.

##### Construction

Since 2017, the purchasing policy with our construction partners was gradually rolled out to subsidiaries. With each new relationship, suppliers are asked to make an undertaking to comply with local regulations and accept the fair trading charters and social and environmental responsibility policies prior to working with the Hermès Group.

The contractor's social responsibility forces it to reach beyond legal obligations and to implement all approaches that would benefit society. An internal methodology for analysing and managing supplier risks in construction has been defined. We would like our partners to also drive this ambition. As such, our suppliers are invited to determine their "CSR" profile.

Based on the importance of the risks identified, specialised third-party firms are requested to conduct an on-site audit. They will be responsible for determining action plans that will be shared with the suppliers for actions to be monitored internally by the Hermès Group.

### ESAT les Micocouliers, the exclusive supplier of Hermès riding crops

Since 1991, Hermès has been entrusting its entire production of riding crops, dressage sticks and whips to ESAT les Micocouliers, in Sorède (Pyrénées Orientales). In this establishment, which provides employment to people with mental disabilities, some thirty craftsmen perpetuate the tradition involving the braiding of hackberry – a strong and supple wood. At the foot of the Albères mountains, they work with the same dedication as the hundreds of villagers who carried out that work decades before them. With the advent of the motor car, Sorède's famous riding crops and whips became focused on the equestrian

world and the circus universe. Production had almost disappeared when a regional non-profit organisation had the idea of reviving it in the late 1970s through a centre dedicated to providing work to disabled people. The savoir-faire and the objects it generates have thus survived the passage of time and are sold worldwide. Hermès' initial trade relations with ESAT les Micocouliers date back to the 1980s. The House is now one of its main clients.



2

## 2.6.3 CONTRIBUTION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The relations that Hermès maintains with its suppliers and partners are governed by the following SDGs (the numbers refer to the UN's official typology):

### No. 1: No Poverty

Hermès is committed to the financial equilibrium of business relations with its suppliers. By developing local employment, in particular in France, the Group contributes to the business development of its partners. Hermès is also committed to ensuring long-term development and a minimum level of compensation of its partners abroad.

### No. 5: Gender Equality

#### ◆ 5.1 “End all forms of discrimination against women”

Maintaining the continuity of internal policy on equal opportunity, especially with regard to women (chapter 2.3.2), Hermès strives to apply this principle with respect to its suppliers.

### No. 8: Decent work and economic growth

#### ◆ 8.5 “Achieve full employment”

By expanding its activities, the Group contributes to the economic development of its supplier network. It extends its activities as a responsible employer and supports its suppliers and partners wherever they operate.

#### ◆ 8.5 “Decent work for persons with disabilities”

Hermès places a certain amount of work with socially supported organisations in France.

#### ◆ 8.7 “Ethics and vigilance with respect to working conditions, including child labour and forced labour”

The Group has specific demanding requirements in relation to ethics and social and environmental responsibility. They apply in the context of relations that bind the Group to its suppliers, and regardless of their nature, through undertakings with respect to confidentiality, fair trading and social, environmental and ethical policies. These undertakings cover the exercise of vigilance with respect to forced labour and child labour.

#### ◆ 8.8 “Health and safety at the workplace”

By continuous monitoring as part of its vigilance plan, Hermès is attentive to whether its suppliers adhere to the best practices in regards to workplace health and safety.

### No. 16: Peace, justice and strong institutions

#### ◆ 16.5 “Reduce corruption and bribery”

Hermès' policy on ethics and business conduct condemns and prohibits any illicit conduct in this regard, resulting in formalisation efforts and more stringent controls since 2017 in accordance with French law.

## 2.7 COMMUNITIES: STAKEHOLDERS AND LOCAL INTEGRATION

Aware of its responsibility in terms of contribution to regional development, Hermès develops its production activities in France.

With more than 400 human-scale sites (production units, stores, logistics sites, offices worldwide), Hermès contributes to regional sustainable development by providing employment (3,247 jobs created over the past five years) and promotes the creation of sustainable value (local recruitment, training of employees, etc.).

Wherever it operates, Hermès acts as a socially responsible company with a long-term outlook through local economic, social, cultural or other initiatives. Such initiatives enable the Group to express its uniqueness, as well as extend its outreach into numerous regions, and create constructive ties with local economic players.

Harmonious relationships with our stakeholders contribute to Hermès' positive impact and strengthen employee pride in belonging to the Company.

The House's subsidiaries and sites organise local charitable operations. The sustainable development training and awareness-raising initiatives conducted by the Group's general management and various entities provide better understanding of the challenges. They encourage employees to become more involved in the various issues, each in their own ways. Giving time, giving of one's self, opening oneself up to others, receiving, and so on. Throughout the world, Hermès is breathing life into a multitude of projects for local populations.

Hermès' founding values are also expressed through the Fondation d'entreprise Hermès, founded in 2008, which supports sponsorship projects that seek to enhance and pass on *savoir-faire*, and promote biodiversity. The budget of the third mandate of the Hermès Fondation d'entreprise (April 2018 – April 2023) is €35.8 million (excluding skills sponsorships).

The Livelihoods project, of which Hermès is a shareholder (see section 2.5.3), has also been contributing to the economic development of communities, i.e. more than one million people since 2011.

### 2.7.1 CHALLENGE: TERRITORIAL RESPONSIBILITY IN FRANCE

Territorial responsibility in France that mobilizes the resources from the regions in which we are located, enhancing their value, regenerating them, transforming and revealing them.

#### 2.7.1.1 Policy

Hermès chooses to locate its manufacturing sites mainly in France. This is the case for its Leather Goods and Saddlery activity, where the industrial development approach is that of spin-offs: organic development that creates human-scale production sites (approximately 250 people), which start with a core group of experienced workers, who train newcomers.

The ambition of Maison Hermès is to contribute to the development of the regions by creating direct and indirect jobs, as well as by local initiatives.

#### 2.7.1.2 Measures implemented and results

##### A site location strategy that includes labour-related, societal and environmental aspects

Hermès operates in 12 of the 13 regions of France with close to 80 sites (production units, stores, logistics sites, offices) where 8,846 Group employees work. The craftsmanship model that it employs in France brings with it a regional corporate responsibility. We have never closed a site, and we establish ourselves for the long-term.

Since the launch of the first site in 1837, the choice of the locations for production units has been driven by regional expertise. The Silk division, based in the Lyon region (746 jobs), concentrates Hermès' *savoir-faire* in this domain. The complementary lines of *savoir-faire* – such as weaving, engraving, printing, dyeing, finishing and sewing – are grouped together under the holding company Holding Textile Hermès. The CATE porcelain production site is based in the Limousin region (203 jobs), the cradle of porcelain production, with Beyrand, a colour printer since 1926, and which joined the Group in 2013. Finally, the Cristallerie Saint-Louis, based in the heart of the Lorraine forest that has been the source of all its raw materials since the beginning. In addition, leather goods sites are set up in various regions, depending on local opportunities: the pool of manual workers, existing sites refurbished for a change of activity, or establishment of new sites. The sites are voluntarily set up near schools offering leatherwork training programmes.

62% of the Group's jobs are located in France, bearing witness to our pro-active policy of promoting internal production and management of our upstream sector.

The geographical locations of the sites are distributed throughout France, organised by regional divisions, in particular for leather (see Map of sites in section 1.6.2). This division-based organisation promotes synergies in the recruitment of expertise and upskilling. It also offers internal mobility opportunities, ensuring the sustainability of the model.

Our site locations are chosen in cooperation with the local authorities in order to integrate societal, environmental and human aspects. The establishment of our sites goes hand-in-hand with growth. Out of the 16 Leather manufacturing sites, all in France, six have opened since 2015 (Maroquineries Iséroise, Tardoire, Héricourt, Normandie, Saint-Junien, Allan).

Projects for new sites undergo an environmental study, submitted to the authorities at the same time as the building permit application. This process covers aspects such as soil surveys and respect for biodiversity. The history of the local architecture and the emblematic materials of the region are also integrated in the thinking and design of new production units.

In addition, the Group ensures compliance with its sustainable construction guidelines, put in place by its Construction Development Department, through collaboration with local economic players (architects, entrepreneurs, etc.).

Moreover, a clause in the calls for tenders requires partners to promote occupational integration and work in collaboration with the local job centre.

In order to contribute to the development of the host regions, site construction projects are prepared in cooperation with the local association of municipalities. This makes it possible to examine impacts on aspects such as mobility (mobility plans, impacts on transport), as well as the industrial risk, in keeping with HSE regulations.

Other criteria are also taken into account in establishing new sites, such as the availability of local labour for the recruitment of our future craftsmen and women. Our projects form part of the history of the region, together with local authorities starting from the exploration phase by analysing the potential for creating connections in the region, developing partnerships, integrating with schools, etc.. The availability of housing for future craftsmen is taken into consideration, so these people can be accommodated properly.

The search for brownfield sites is favoured, with the objective of contributing to revitalising the region's economy. For example, Bordeaux has been chosen as the new region to develop a new Aquitaine division that will ultimately comprise three production sites.

In every project, a temporary workshop is set up 18 to 24 months before the opening of the site, in existing buildings that have been renovated in accordance with our internal standards. Recruitment is carried out locally. Such temporary workshops are attached to a reference site. In-house trainers are tasked with passing on the *savoir-faire*. The first cohort of some 30 craftsmen and women was recruited on the basis of manual skills using a simulation-based method, devised in collaboration with the Job Centre. Every six months, a new group is brought on board and trained by in-house trainers. The craftsmen and women are then provided with continuous training from tutors. Upon opening, a leather goods production unit comprises some 100 operational workers, growing to 250 employees within an average of three years following the opening date. In order to preserve the craftsmanship approach and maintain close relations between employees and their managers, the sites' workforce will average 250 craftsmen and women (a maximum of 300 people).

The temporary workshops of the two latest leather goods production sites – located in Montereau (Paris region) and Guyenne (Bordeaux region) – opened in 2018. They are now focusing on training new leather craftsmen and women, selected following information campaigns conducted with the Job Centre. In Montereau, Hermès took part in a Recruitment Forum organised by the municipality and is working on the creation of a diploma programme in leatherwork at the local vocational college.

The Maroquinerie de Guyenne will be located in Saint Vincent de Paul. Here too, we look forward to working with the municipality in order to fit into its project and drive certain initiatives such as helping employees settle in the area (helping them find accommodation, nurseries, etc.), seeking to supply our company restaurant with produce from local farmers.

### Close relations with local authorities to promote employment

The sites all maintain close relations with local Job Centres and schools. The goal is to help train the new generations of craftsmen and women, as well as showcase our offers and métiers, allow hands-on practice, and explain leatherwork métiers to the young generations. Regardless of the site's activity (leather, silk, or other métier) or its geographical location, this approach consists in:

- ◆ organising information forums with the Job Centre;
- ◆ student visits to the workshops to discover the leather métiers; and
- ◆ talks in secondary schools to present the métiers prior to the pupils' choice of a career path.

This year, we created 527 jobs in France. In addition to this direct impact, our establishments, which are often in rural areas, provide a major local boost to the communities concerned: stimulation of local consumption, real estate support, impact on community needs (maintenance of classes in schools, public transport support, etc.) and municipal resources via taxation.

Our regional development also promotes the development of schools and local training schemes.

In addition, the following operations were conducted in 2018:

#### Leather Goods

The *Val de Seine Division* maintains several types of long-term partnerships:

- ◆ with partner secondary schools and GRETA (national education establishments that organise courses for adults in most métiers) within the framework of dedicated courses;
- ◆ with the Job Centre of Seine et Marne, which actively supports recruitment for dedicated courses, including outside the department;
- ◆ these partnerships are reinforced by a strong determination to increase local integration by creating a diploma course in leatherwork at a Montereau vocational college;
- ◆ information provided to the Maroquinerie de Normandie concerning urban community initiatives (housing, leisure, nutrition, etc.).

Along the same lines, in Franche-Comté, the leather goods workshops organise regular visits to three production units – Maroquinerie de Seloncourt, Héricourt and l'Allan – in partnership with employment agencies and associations, as well as school and college visits.

The Leather Goods workshops of the *Savoie Dauphiné division* have thus developed a partnership with Maison Familiale Rurale (Saint-André le Gaz), which involves exchanges to introduce junior secondary school pupils to the leatherwork métier through the creation of an object, and providing funding for two shared classrooms. These rooms serve as classrooms for Maison Familiale Rurale, as well as for some of our diploma training modules, as they are fitted with workbenches and sewing machines.

Furthermore, the division participates in the job/training commission of the Bugey Développement association and the local school/enterprise committee (Comité Local Ecoles Entreprises).

The Pôle Sud-Ouest maintains close relations with the municipalities of Montbron, Nontron and Saint Junien, as well as the local Job Centres, Cap Emploi, the occupational health authority, Action Logement and several local training organisations that we regularly support.

Maroquinerie de Sayat helps to provide collective information to secondary schools for the recruitment of the new cohort of leather craftsmen and women. This also involves visits to secondary schools to promote the House's métiers with new leatherwork diploma students.

Maroquinerie des Ardennes also organises experience-sharing events with local businesses and regularly plays host to sponsors of the Local Mission (young people's job and training organisation).

Within the framework of projects to set up new sites, we work in close collaboration with local stakeholders to facilitate our integration in the area and recruit employees, and also to increase awareness of Hermès in an area where there is no production site.

#### Silk

HTH maintains close relations with the textile apprentice training centre (CFA Textile) and Unitex (France's leading regional professional textile organisation). The division participates in the *Alliances et Territoires* community, which meets quarterly to examine current topics and issues relating to recruitment, training and skill development. Alliances et Territoires is a network of 16 Lyon-based companies that are committed to developing employee skills and improving their employability through a GPEC-T (forward-looking regional jobs and skills management planning) approach aimed at promoting the development of individual and collective skills throughout the Lyon region. In 2018, collaborative work was organised in partnership with Open Emploi (a socially-oriented temporary employment agency that promotes the employment of people from diverse backgrounds), leading to three recruitments (temporary assignments and fixed-term contracts). People with disabilities were thus hired as Textile Quality Controllers.

At the Bourgoin site in Isère, the forum Initiative Emploi enabled increased visibility (for Gandit, SNC, Créations Métaphores), to work on the employer brand and receive CVs from potential candidates.

#### Other métiers

The Women's ready-to-wear métier opens its doors to people undergoing reskilling in the warp and weft workshop for some fifteen days each year.

In Perfumes, numerous local employment initiatives are supported through actions such as: participation in the new programme orchestrated by CAP EMPLOI 27 ("30 days to find a job") and the programme conducted by the town of Val de Reuil (participation in a work/study forum scheduled for March 2019), as well as participation in the

Handisup forum that brought together 90 students with disabilities looking for internships, work/study contracts, summer jobs, etc.

Hermès Commercial in Bobigny is supporting a partnership plan for local integration through employment (Plan Local d'Insertion par l'Emploi - PLIE), which helps job seekers find employment. When approached, the stakeholders show great openness and a drive to move forward in a mutually beneficial way during the recruitments conducted.

## 2.7.2 CHALLENGE: A SOCIALLY RESPONSIBLE COMPANY

A socially responsible company actively involved in the life of local communities with which it builds and develops strong ties.

Hermès seeks to fit harmoniously into the local economic fabric. Its craftsmanship model gives it a territorial corporate responsibility in France, which goes beyond the direct creation of jobs. Giving time, giving of one's self, opening oneself up to others, receiving, and so on: employees. Many different plans are in place at Hermès in its various locations worldwide.

### 2.7.2.1 Policy

The Group's policy is to ensure that each of the House's production and distribution units maintains a dialogue with local authorities and stakeholders. Through the craftsmanship model that it deploys in France, it bears a regional corporate responsibility, which goes beyond the direct creation of jobs, with the goal of healthy integration in the local community, as a good, trustworthy, civic-minded neighbour.

### 2.7.2.2 Measures implemented and results

#### Corporate responsibility

Hermès creates value in France by directly providing 8,846 jobs (62% of the Group's employees), and by recruiting 527 individuals in 2018 to steady jobs. The Group's income tax expense amounted to €670 million (see section 4.1), i.e. an effective tax rate of 32.5% (compared to France's current tax rate of 34.4%). The Group's sales are 87% outside France, thus contributing to the French trade balance.

Hermès moreover acts as a socially responsible company wherever it operates. Its actions take place with a view to the long term, by developing harmonious relationships with stakeholders (municipal authorities, associations of municipalities, associations supporting employment, the Local Mission (young people's job and training organisation), schools, housing associations, etc.), and thereby contributing to Hermès' outreach.

### Tangible and generous commitments: financial donations, contributions in-kind and volunteer actions

In 2018, in addition to existing initiatives, and following the call for additional commitments made by the Group's senior management, the international distribution subsidiaries strengthened their actions in the area of charitable activities. Partnerships are developed locally in order to maintain consistency and consolidate our contributions in the areas where Hermès operates. The House's subsidiaries and sites supplement the initiatives taken by the Fondation d'entreprise Hermès by organising these charitable operations.

“*Carrés Solidaires*” operations continue. Silk scarves or neckties are specially printed and sold in support of local associations, thereby helping promote their projects. The subsidiaries in Hong Kong, China, Taiwan, United Kingdom, Luxembourg, Lebanon, Argentina and Mexico took part in 2018, and ten local associations benefited from this programme.

In France, 12 operations involving financial donations were carried out, providing assistance to associations helping disabled young people and people in situations of economic hardship, helping provide social and professional reinsertion, and assisting students with educational support. These donations also helped safeguard our *savoir-faire*, in particular in the area of silk. In 2018 HTH supported the restoration of textiles for the Bourgoin-Jallieu Museum and a general public initiative for the discovery of weaving techniques. These donations also helped finance the purchase of digital tablets, treatment chairs, and even food for solidarity grocery stores.

In addition, four times per year since 2015, Hermès International has organised operations called “*Paniers Solidaires*” (Solidarity Baskets) for its employees. These baskets regularly help promote and provide financial support to four locally or nationally associations in the area of sustainable agriculture. The baskets received by employees comprise local products, thereby promoting the local economy.

The involvement of our employees in causes such as breast cancer enabled funds to be raised to support medical research, through their participation in solidarity races. These in-kind donations helped provide school uniforms to primary school students. For several years, a number of sites have supported the local branches of Restaurants du Cœur: the donation of blank porcelain dishes by Hermès Maison's CATE, and a toy drive organised at Maroquinerie de Pierre Bénite and the ITH silk site in Bourgoin-Jallieu. The partnership initially set up by Fondation d'entreprise Hermès with the *Sport dans la Ville* association – which promotes the inclusion of young people from disadvantaged communities in the Lyon area – was taken over by Holding Textile Hermès, the Company's silk production division. Over 7 tonnes of Hermès Parfums soap were repackaged by an ESAT (sheltered work establishment) and distributed via a partner to a network of associations working with disadvantaged beneficiaries (homeless people, families in poverty, elderly persons, students, etc.). In 2018, the petit h team entered into a partnership with a supplier (located in Rhône-Alpes) by helping its teams to develop new skills, enabling diversification and economic development.

Many donation projects involving clothing, shoes, and miscellaneous supplies were carried out in Europe, particularly in the United Kingdom. Six major financial support actions were carried out including support for abused children, assistance for homeless people, two educational programs including an active partnership for five years, and a support programme to encourage the well-being of employees through the practice of sports. Local teams also took part in the Dragon Boat Race to support abused children. The Iberian subsidiary participated in charity donations of silk to support disabled people.

In the USA, in 2018 the subsidiary and stores continued their initiatives in favour of local communities. In addition to the long-term partnerships, major financial support was provided to associations such as Habitat for Humanity in New York, which helps improve housing for people in difficulty and Project Sunshine, which supports sick children through recreational activities. A seminar for the support and promotion of American craftsmanship was initiated, organized and financed solely by the subsidiary.

Throughout America, our employees are very involved in many local and national solidarity actions, such as the preparation and distribution of meals for homeless people or needy families, donations of clothing or health products to isolated women in Los Angeles and Philadelphia, and many solidarity walks and races for medical research. Finally, a number of environmental projects were carried out and made tangible improvements to green spaces, the cleanliness of beaches in Hawaii and Orange County and support to animal sanctuaries.

In total, more than 30 solidarity operations were carried out at the initiative of the subsidiary and/or its employees.

In Asia, China made a multi-year commitment with a substantial financial donation to the China Soong Chong Ling Foundation in support of the Miao village embroiderers, helping to maintain this ancestral art. At the same time, various donation projects were carried out for underprivileged young people. A tree planting project was renewed in 2018, following the first initiative in 2017 at Dongtan Wetland Park.

In Hong Kong and Macau, a number of long-term partnerships have been established, through the extensive involvement of employee volunteers and General management, who give their time to elderly people, plant trees, and distribute meal baskets to the most disadvantaged. A solidarity race allowed to provide financial support to an NGO working to protect biodiversity and build awareness of sustainable food. Employees also collected baby toys and clothing for economically vulnerable migrant women. Charity sales also helped support Benji's centre, which provides assistance to children in families with low resources.

Korea made an annual commitment to make a financial donation to support and safeguard local craftsmanship and thus the cultural heritage of the entire region.

In Japan, three dedicated programmes enabled students from underprivileged environments or with disabilities to be given a work placement. Employees were again made aware of the need to protect coral reefs.

In 2018, 40 solidarity actions were carried out by the local teams in each region of Asia, with very active employee involvement and a determination to make a long-term commitment.

John Lobb and Co employees based at the Northampton production unit work with associations for various types of voluntary actions. In addition, donations of footwear unsuitable for sale were made to a partner association in the United Kingdom. Footwear from this House has also been gifted to several charity events in the United States.

### Skills sponsorship

Hermès wishes to develop the commitment of its employees to the social and solidarity economy by promoting local integration. The Group therefore allows employees, during their working hours, to provide support to these organisations' employees in various areas.

A group-wide "Skills Sponsorship" methodology was developed and has been shared since 2017 within the French subsidiaries to promote testing of the scheme.

In 2018, Hermès has in particular helped workers in partner associations. These skills partnerships focused on varied subjects such as human resources, knowledge of IT tools, reporting, communications or management.

Hermès wishes to continue developing its openness and role as a citizen through other upcoming operations.

### Foundation (chapter 1.8)

Hermès' founding values are also expressed through the Fondation d'entreprise Hermès, founded in 2008, which supports the women and men who learn, master, transmit and explore the creative actions to build the world of today and invent that of tomorrow.

It has also developed nine major programmes focusing on key areas such as know-how, creation, and transmission. All the diverse actions of the Foundation are guided by a single conviction: we are created by our actions.

### Communication

To communicate more about sustainable development actions and its craftsmanship spirit, Hermès opened a dedicated page on the website in March 2018 at [www.hermes.com](http://www.hermes.com) (<https://www.hermes.com/us/en/story/134986-sustainable-development/>) to demonstrate our positive imprint on the world, men and women, and the communities to which we belong. Social networks (Facebook and YouTube) present the special collection of films made in the "Footsteps across the World" collection to show the Group's concrete actions in favour of sustainable development..

In October 2018, Hermès of Paris, a subsidiary with a strong commitment to sustainable development, organised three events to share our vision and our accomplishments in this area with friends of the House, customers, influencers and journalists.

More than 200 invitees from Los Angeles to San Francisco, and New York, discovered the films "Empreintes sur le Monde" (Footsteps across the world), in showings attended by their director Frédéric Laffont, and Olivier Fournier, member of the Executive Committee, who then answered questions from the audience.

Emphasising the richness of our craftsmanship model, the essential role of the men and women who shape our objects, our contribution to the economic and social development of the territories in which we are located, these meetings enabled us to affirm our uniqueness, including our commitment to sustainable development.

### Livelihoods

Since 2012, Hermès has been a partner of the Livelihoods Fund, which aims to improve the living conditions of disadvantaged communities in a sustainable manner by developing large-scale projects with real impact against climate change ([www.livelihoods.eu](http://www.livelihoods.eu)).

Livelihoods aim to be a start-up investor (with an entrepreneurial approach and investment risk) in three types of projects (ecosystems, agroforestry and energy) in Africa, Asia and Latin America. The fund has 10 partners: Danone, Crédit Agricole, Caisse des Dépôts et Consignations, Schneider Electric, La Poste, Hermès International, Voyageurs du Monde, SAP, Firmenich and Michelin. The initial term of the fund is 24 years, and the projects run for between 10 and 20 years. On 31 December 2017, the investors together had pledged to invest a total of approximately €38 million in the Livelihoods fund.

The projects generate profits for local communities and ecosystems, as well as for the partners in the fund, which earn carbon credits with a significant environmental and social impact in proportion to their investment over the project development period. These projects, one of the features of which is to expand their coverage to a very large scale and over periods ranging from 10 to 20 years, include:

- ◆ restoration and preservation of natural **ecosystems** such as **man-groves**. Nearly 8,000 hectares were thus replanted in Casamance ("Océanium" project); 4,500 hectares in the Ganges delta ("News" project); 5,000 hectares in Indonesia ("Yagasu" project). These projects secure populations (protection against cyclones or the invasion of salt water) and provide food sources through ecosystem regeneration;
- ◆ **agroforestry** and soil remediation through sustainable agricultural practices. With the support of the Naandi Foundation, tribal Adivasi communities in the Araku valley have planted six million trees (fruit, firewood, construction, etc.), including three million coffee trees, on agroforestry models. In Guatemala, 4,000 hectares of trees and food crops are to be planted in the Cerro San Gil mountain area ("Fundaeo" project), allowing rural families to increase their food security and incomes, while protecting biodiversity. In Kenya (project "VI Agroforestry"), on the slopes of Mount Elgon near Lake Victoria, the livelihoods of 30,000 small farms will improve through the intensification of agriculture respectful of natural resources (Sustainable Agricultural Landscape Management – SALM) and the development of dairy production. The project also contributes to the protection of water resources and generates positive social impacts for women's jobs;

- ◆ **access to rural energy** to reduce deforestation. In Kenya, the “Hifadhi” project equipped 60,000 households with improved wood-burning cooking stoves that significantly reduce wood consumption, thereby reducing pressure on forests, firewood collection time for families, and exposure to the toxic fumes generated by old stoves. In Burkina Faso, with the support of the Tiipaalga NGO, 30,000 improved stoves were installed by inhabitants in their villages, in an effort to secure their use over time in a Sahelian zone. With financial support of the AFD, an agroforestry component has been added to this project. In Peru, the ITYF project (taken from the name of the *Instituto Trabaja y Familia* NGO) has installed 30,000 improved wood-burning cooking stoves and hygiene kits to families in extreme poverty in the Peruvian Andes. At the same time, the project brings training and awareness on health (reduction of toxic fumes, importance of boiling water, basic hygiene gestures, etc.), and will naturally have a significant impact against deforestation.

In 2018, the above nine projects impacted the lives of more than one million people, and helped replant more than 130 million trees, an area equivalent to five times the size of Paris. They also equipped 120,000

families with improved cooking stoves, which reduces deforestation and preserves women's health, for a total of 10 million tons of CO<sub>2</sub> equivalent captured or avoided (projects last between 10 to 20 years). Thus, they help to offset Hermès' carbon emissions, on a voluntary basis.

In December 2017, during an event bringing together more than 800 people at Hermès in the Jean Louis Dumas building (Pantin), shareholders, NGO partners and friends of Livelihoods celebrated the 6<sup>th</sup> anniversary of the fund, praising the quality of the model and the results for the beneficiary communities. The investment model developed by Livelihoods has shown that it is possible to succeed in large-scale projects that link large corporations committed to climate change actions and communities facing the consequences of this change.

The results obtained prompted Livelihoods' shareholders to launch a second carbon fund in 2018, operating on principles similar to the first fund, with an investment target of €100 million to improve the lives of more than 2 million people and avoid or capture more than 25 million tonnes of CO<sub>2</sub> over the next 20 years. Hermès is participating in this second fund, which is an ambitious long-term project linked to its artisanal roots.

#### **Maroquinerie de la Tardoire, a breath of fresh air for Montbron**

In 2015, Hermès chose this Charente municipality of 2,200 inhabitants, located near Angoulême, to set up its new Tardoire leather goods production unit. For Montbron, the opening of the site has resulted in the creation of 300 direct jobs over the past three years. In this former cradle of manufacturing for Charente slippers, the unemployment rate had climbed to 15% in the late 1990s, following the difficulties encountered by the local textile and felt industries. Even though the problems have not all been solved, the jobs created

by Hermès have provided a breath of fresh air, as confirmed by Mayor Gwenhaël François. Indeed, after two decades of business closures and the loss of one class in the local school every four years, positive effects are being felt. Families are returning, a new preschool class has been opened, and local shops and associations are flourishing once again.



### **2.7.3 CONTRIBUTION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS (SDGs)**

The actions that were taken in relation to our “stakeholders” and in terms of “local integration” refer to the following SDGs (the numbers refer to the UN's official typology):

#### **No. 1: No Poverty**

The Hermès distribution subsidiaries, as part of a Group policy, take part, at their level, in many local actions in favour of disadvantaged communities. Through its contribution to the Livelihoods Fund, Hermès also helps to reduce poverty and hunger in countries where it does not operate. The various projects supported by the Fund improve the living conditions of communities in Africa, Asia and South America, with an impact on almost one million people.

#### **No. 4: Quality Education**

- ◆ 4.4 “Increase vocational skills”

Through its local relations with schools and training centres, and via the payment of the apprenticeship tax, Hermès contributes to skills development. For its part, the Fondation d'Entreprise Hermès (Hermès Foundation), contributes through its programmes to the training of artisans.

#### **No. 8: Decent work and economic growth**

- ◆ 8.1 “Sustain economic growth”

Our business development, and that of the new facilities helps to create local value. Over the last four years, the Group has opened five new production sites and created more than 3,240 jobs.

◆ 8.3 “Development of employment and local purchasing”

The work carried out in partnership with French job centres made it possible to hire people, especially at the leather goods workshops, who did not have experience as craftsmen and women. Today, 90% of craftsmen and women that join the House have not received related training. Simulation exercises during the recruitment process give everyone a chance. The Construction division purchases materials locally whenever possible for all new buildings.

**No. 12: Responsible consumption and production**

◆ 12.8 a “More sustainable consumption patterns”

Hermès's objects are designed to last, and are handed down from generation to generation: they can be repaired. After-Sales services covers all métiers of the House (including exceptional, single or customised products).

**No. 15: Life on land**

◆ 15.5 “Restore endangered natural habitats”

The projects undertaken by the Livelihoods Fund contribute to the restoration of wetlands and also help to limit the impact of climate change. The replanting of mangroves in India or Indonesia, for example, helps to shore up areas that are exposed to monsoon activity or tropical tornadoes.

**No. 16: Peace, justice and strong institutions**

◆ 16.5 “Reduce corruption and bribery”

Hermès' policy on ethics and business conduct condemns and prohibits any illicit conduct in this regard, resulting in formalisation efforts and more stringent controls since 2017 in accordance with French law.

**No. 17: Partnerships for the goals**

◆ 17.1 “Contribute to the development of certain countries, in particular through the payment of tax”

The Group does not have a significant presence in developing countries. Distribution subsidiaries abroad comply with taxes and specific local charges associated with development.

## 2.8 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL PERFORMANCE STATEMENT IN THE MANAGEMENT REPORT

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

For the year ended 31 December 2018

To the Shareholders' General Meeting of Hermès International,

In our capacity as Statutory Auditor of Hermès International (hereinafter the "entity"), appointed as an independent third party and accredited by COFRAC under number 3-1060 rév.2 (whose scope is available at [www.cofrac.fr](http://www.cofrac.fr)), we hereby report to you on the consolidated non-financial statement for the year ended December 31st, 2018 (hereinafter the "Statement"), included in the management report pursuant to the legal and regulatory provisions of articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

### THE ENTITY'S RESPONSIBILITY

Pursuant to legal and regulatory requirements, the Management is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement and available on request from the company's head office.

### INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by the provisions of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional guidance and applicable legal and regulatory requirements.

### RESPONSIBILITY OF THE STATUTORY AUDITOR, APPOINTED AS AN INDEPENDENT THIRD PARTY

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- ◆ the compliance of the Statement with the provisions of article R. 225-105 of the French Commercial Code;
- ◆ the fairness of the information provided in accordance with article R. 225 105 I, 3 and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on:

- ◆ the entity's compliance with other applicable legal and regulatory provisions, in particular the French duty of care law, tax legislation and anti-corruption legislation;
- ◆ the compliance of products and services with the applicable regulations.

## NATURE AND SCOPE OF OUR WORK

The work described below was performed in accordance with the provisions of articles A. 225-1 et seq. of the French Commercial Code determining the conditions in which the independent third party performs its engagement and with the professional guidance of the French Institute of Statutory Auditors (“CNCC”) applicable to such engagements, as well as with ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

Our procedures allowed us to assess the compliance of the Statement with regulatory provisions and the fairness of the Information:

- ◆ we obtained an understanding of all the consolidated entities' activities, the description of the social and environmental risks associated with their activities and the impact of these activities on compliance with human rights and anti corruption and tax evasion legislation, as well as the resulting policies and their outcomes;
- ◆ we assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, objectivity and understandability, with due consideration of industry best practices, where appropriate;
- ◆ we verified that the Statement includes each category of social and environmental information set out in article L. 225 102 1 III, as well as information regarding compliance with human rights and anti corruption and tax evasion legislation;
- ◆ we verified that the Statement presents the business model and the principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships and products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators;
- ◆ we verified, where relevant with respect to the principal risks or the policies presented, that the Statement provides the information required under article R. 225-105 II;
- ◆ we assessed the process used to identify and confirm the principal risks;
- ◆ we asked what internal control and risk management procedures the entity has put in place;
- ◆ we assessed the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented;
- ◆ we verified that the Statement covers the scope of consolidation, i.e., all the companies included in the scope of consolidation in accordance with article L. 233-16 within the limitations set out in the Statement;
- ◆ we assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;
- ◆ for the key performance indicators and other quantitative outcomes that we considered to be the most important, and whose list is given in the appendix, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
  - substantive tests, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities <sup>1</sup> and covers between 23% and 58% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- ◆ we referred to documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that we considered to be the most important, and whose list is given in the appendix;
- ◆ we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

1 Sample of entities selected: for the Construction Development Department: Brussels store (Belgium), Deauville store, Paris rue de Sèvres (France), Mumbai First Floor store (India), Hamburg store (Germany), Bond Street store (United Kingdom), 755 Burrard Street BC Vancouver BC SL5 store (Canada), Midosuji store, Ginza store (Japan), Seoul Dosan Park store (Korea), East Coast Corporate Office, NY Madison 691 store, Wall Street, Beverly Hills store (USA), Siam Paragon store (Thailand). For the Industrial Department: Cristallerie Saint-Louis (Crystal), Pyramide (Leather), Logistique Bobigny (Logistics), Comptoir Nouveau de la Parfumerie (Perfumes), Atelier AS, AEI (Silk and Textile), Tannerie du Puy, Tannerie d'Annonay (Tannery). For the Human Resources Department: Cristallerie Saint-Louis (France), Hermès International (France), Hermès Service Groupe (France), Hermès Maroquinerie Sellerie (France), Hermès Italie (Italy), Hermès China (China)

## MEANS AND RESSOURCES

Our work was carried out by a team of 6 people between November 2018 and April 2019 and took a total of 12 weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted about 15 interviews with the people responsible for preparing the Statement, representing the Industrial Affairs Department, the Construction Development Department, the Group Human Resources Department and the Sustainable Development Department.

## CONCLUSION

2

Based on our work, nothing has come to our attention that causes us to believe that the consolidated non-financial statement is not in accordance with the applicable regulatory provisions and that the information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, 9 April 2019

One of the Statutory Auditors  
PricewaterhouseCoopers Audit

Olivier Auberty  
Partner

Sylvain Lambert  
Sustainable Development Partner

## APPENDIX: CSR INFORMATION THAT WE CONSIDERED TO BE THE MOST IMPORTANT<sup>1</sup>

Selection of qualitative and quantitative information, associated to the policies, actions and results relating to the eighteen main risks identified for entity's activities, presented in the following sections of the management report

Main risks or opportunities identified	Sections of the management report presenting the associated policies, actions and results reviewed in the context of our work
Savoir-faire	<ul style="list-style-type: none"> <li>◆ Chapter 2.2.1</li> <li>◆ Chapter 2.2.2</li> <li>◆ Chapter 2.2.3</li> <li>◆ Chapter 2.2.4</li> </ul> <p><i>Including the results and KPIs:</i></p> <ul style="list-style-type: none"> <li>◆ Number of training hours</li> <li>◆ Number of employees taking part in the Parcours d'Adresse programme</li> <li>◆ Breakdown of additional jobs by sector</li> <li>◆ Number of employees attending Forum H</li> </ul>
Teams	<ul style="list-style-type: none"> <li>◆ Chapter 2.3.1</li> <li>◆ Chapter 2.3.2</li> <li>◆ Chapter 2.3.3</li> </ul> <p><i>Including the results and KPIs:</i></p> <ul style="list-style-type: none"> <li>◆ Total workforce and breakdown</li> <li>◆ Number of dismissals</li> <li>◆ Workplace accidents, Frequency rate, Severity rate</li> <li>◆ Theoretical number of hours worked</li> <li>◆ Number of days of absence</li> <li>◆ Proportion of subsidiaries that received the Ethics Charter in electronic version</li> </ul>
Materials	<ul style="list-style-type: none"> <li>◆ Chapter 2.4.1</li> <li>◆ Chapter 2.4.2</li> </ul> <p><i>Including the results and KPIs:</i></p> <ul style="list-style-type: none"> <li>◆ Leather consumption ratio</li> <li>◆ Evolution of the overall tonnage of industrial waste*</li> <li>◆ RJC certification</li> <li>◆ Audit of the ostrich breeding sector</li> </ul>
Environment	<ul style="list-style-type: none"> <li>◆ Chapter 2.5.1</li> <li>◆ Chapter 2.5.2</li> <li>◆ Chapter 2.5.3</li> <li>◆ Chapter 2.5.4</li> <li>◆ Chapter 2.5.5</li> </ul> <p><i>Including the results and KPIs:</i></p> <ul style="list-style-type: none"> <li>◆ Provisions for environmental liabilities</li> <li>◆ Total water consumption of industrial sites*</li> <li>◆ Total gas consumption of industrial sites*</li> <li>◆ Electricity consumption for industrial sites* and for stores and offices</li> <li>◆ Fuel consumption for industrial sites*</li> <li>◆ Renewable energy consumption for industrial sites*</li> <li>◆ Total energy consumption for industrial sites*</li> <li>◆ Weight of Ordinary Industrial Waste (OIW)*</li> <li>◆ Weight of Hazardous Industrial Waste (HIW)*</li> <li>◆ Scope 1 and scope 2 carbon emissions for industrial site*</li> <li>◆ Scope 3 carbon emissions</li> <li>◆ List of sites involved in actions to preserve biodiversity</li> </ul>
Suppliers and partners	<ul style="list-style-type: none"> <li>◆ Chapter 2.6.1</li> <li>◆ Chapter 2.6.2</li> </ul> <p><i>Including the results and KPIs:</i></p> <ul style="list-style-type: none"> <li>◆ Average length of our trading relationship with some suppliers</li> <li>◆ Share of overall Group purchases from socially supported organisations</li> <li>◆ Share of direct purchase categories on which have been performed formalised risk mapping</li> <li>◆ Time spent on supplier audits</li> </ul>
Stakeholders and local integration	<ul style="list-style-type: none"> <li>◆ Chapter 2.7.1</li> <li>◆ Chapter 2.7.2</li> </ul> <p><i>Including the results and KPIs:</i></p> <ul style="list-style-type: none"> <li>◆ Percentage of employment in France and number of jobs created</li> <li>◆ Number of hires in France, of which permanent jobs</li> <li>◆ Effective tax rate</li> <li>◆ Number of Livelihoods projects</li> </ul>

(1) At the request of the company Hermès International we performed more extensive procedures enabling us to express a conclusion of reasonable assurance on a selection of results and key performance indicators presented with the sign “\*\*” in this table. Our reasonable assurance report is available on request from the company's head office





# 3

## CORPORATE GOVERNANCE

<b>3.1 SUPERVISORY BOARD'S REPORT ON CORPORATE GOVERNANCE</b>	<b>135</b>
3.1.1 The Company's corporate Governance code	135
3.1.1.1 <i>Corporate governance principles applied</i>	135
3.1.1.2 <i>Provisions of the AFEP-MEDEF Corporate Governance Code, revised in June 2018, not applied by virtue of the Company's legal form or other reasons - newly complied with</i>	135
3.1.2 Organisational structure of Hermès International	138
3.1.3 Administrative and management bodies	139
3.1.3.1 <i>Changes in 2018</i>	139
3.1.3.2 <i>Succession plan for Senior Executives</i>	139
3.1.3.3 <i>The Group's management (role and composition, list of offices and functions performed)</i>	139
3.1.4 Supervisory Board: composition and conditions governing the preparation and organisation of work	149
3.1.4.1 <i>Changes in the composition of the Supervisory Board over the year</i>	149
3.1.4.2 <i>Succession plan for the Chairman of the Supervisory Board</i>	149
3.1.4.3 <i>Summary presentation of the members of the Supervisory Board as of 31 December 2018</i>	150
3.1.4.4 <i>Composition of the Supervisory Board</i>	152
3.1.4.5 <i>Diversity policy applied within the Supervisory Board</i>	170
3.1.4.6 <i>Independence of the members of the Supervisory Board</i>	174
3.1.4.7 <i>Business ethics of the Supervisory Board</i>	176
3.1.4.8 <i>Functioning of the Supervisory Board</i>	178
3.1.4.9 <i>Activities of the Supervisory Board</i>	179
3.1.4.10 <i>Evaluation of the Supervisory Board and Committees</i>	181
3.1.4.11 <i>Specialised committees</i>	183
3.1.5 Compensation and benefits paid to Corporate Officers	191
3.1.5.1 <i>Compensation policy guidelines for Executive Chairmen (Executive Corporate Officers)</i>	191
3.1.5.2 <i>Compensation policy guidelines for the Chairman of the Supervisory Board (non-Executive Corporate Officer)</i>	194
3.1.5.3 <i>2018 compensation (not subject to the General Meetings's ex-ante vote since inapplicable)</i>	194
3.1.5.4 <i>Compensation paid in 2018 (subject to the General Meetings's ex-post vote)</i>	194
3.1.5.5 <i>Tables required by the AFEP-MEDEF Code for the presentation of certain elements of compensation</i>	195
3.1.5.6 <i>2019 Compensation policy (not subject to the General Meetings's ex-ante vote since inapplicable)</i>	201
3.1.5.7 <i>Compensation for the Active Partner</i>	202
3.1.5.8 <i>Compensation of the Supervisory Board, Audit and Risk committee and CAG-CSR Committee</i>	202
3.1.6 Related-party agreements and commitments	203
3.1.7 Summary table of the use of financial delegations of authority	203
3.1.8 Capital structure and factors liable to affect the outcome of a public offering	206
3.1.9 Special terms and conditions for attending General Meetings	206
3.1.10 Appendices	207
3.1.10.1 <i>Supervisory Board rules of procedure</i>	207
3.1.10.2 <i>CAG-CSR committee rules of procedure</i>	210
3.1.10.3 <i>Audit and Risk Committee rules of procedure</i>	212

<b>3.2</b>	<b>ETHICS – COMPLIANCE</b>	<b>214</b>
3.2.1	Commitments	214
3.2.1.1	<i>Promotion of and compliance with conventions on human rights and fundamental rights</i>	214
3.2.1.2	<i>Ethical charter</i>	214
3.2.1.3	<i>Code of business conduct</i>	215
3.2.1.4	<i>Personal data protection and respect for privacy</i>	216
3.2.2	Organisation	217
3.2.2.1	<i>Ethics Committee</i>	217
3.2.2.2	<i>General Counsel Compliance and Public Affairs</i>	217
3.2.2.2	<i>Compliance and Vigilance Committee</i>	217
3.2.2.4	<i>Group Data Protection Officer</i>	217
3.2.2.5	<i>Personal data protection governance</i>	217
3.2.3	Implementation	218
3.2.3.1	<i>Corruption</i>	218
3.2.3.2	<i>Vigilance</i>	220
3.2.3.3	<i>Personal data protection and respect for privacy</i>	220
3.2.4	Control	221
3.2.4.1	<i>Professional alert line</i>	221
3.2.4.2	<i>Sanctions system</i>	221
3.2.4.3	<i>Audit of the application of ethical values</i>	221
3.2.4.4	<i>Training on ethical issues</i>	221
3.2.4.5	<i>Network of compliance liaison officers within the Group</i>	222
<b>3.3</b>	<b>OTHER INFORMATION FROM THE EXECUTIVE</b>	
	<b>MANAGEMENT'S REPORT</b>	<b>223</b>
3.3.1	Interests of Corporate Officers and Executive Committee members in the share capital	223
3.3.2	Statements by Corporate Officers	224
3.3.3	Allocation of free shares and stock options	224
3.3.3.1	<i>General free share and stock option allocation policies</i>	224
3.3.3.2	<i>Free share allocation plans in effect</i>	224
3.3.3.3	<i>Stock purchase options</i>	224
3.3.3.4	<i>Stock subscription options</i>	224

## 3.1 SUPERVISORY BOARD'S REPORT ON CORPORATE GOVERNANCE

This report was drawn up in accordance with Article L. 226-10-1 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 CAG-CSR Committee, the Board Secretary and the functional departments concerned. It was approved by the Supervisory Board at its meeting of 19 March 2019.

### 3.1.1 THE COMPANY'S CORPORATE GOVERNANCE CODE

#### 3.1.1.1 Corporate governance principles applied

The Supervisory Board officially adopted 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 June 2018, and the recommendations from the HCGE (Corporate Governance High Committee), which further elaborate this code's recommendations.

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

#### 3.1.1.2 Provisions of the AFEP-MEDEF Corporate Governance Code, revised in June 2018, not applied by virtue of the Company's legal form or other reasons - newly complied with

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. We have also listed the changes made since the last revision of the AFEP-MEDEF Code in June 2018 to ensure compliance therewith.

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

#### Explanations

##### Board meetings and committee meetings (Article 10.3)

It is recommended that at least one meeting not attended by the Executive Corporate Officers be organized each year.

In view of the role of the Supervisory Board (described on page 153) in a *société en commandite par actions* (SCA – a partnership limited by shares), this provision of the AFEP-MEDEF Code does not apply.

##### Succession plan for Executive Corporate Officers (Article 16.2.2)

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

The Company's CAG-CSR Committee (see description starting on page 183) is not in charge of establishing the succession plan for the Executive Chairmen, a task that does not fall within the remit of the Supervisory Board in an SCA. In accordance with its rules of procedure, since 2016 the CAG-CSR Committee has been tasked with ensuring the existence of a succession plan for the Executive Chairmen, which it first did in 2017 with annual reviews thereafter (see page 139). In 2018, the CAG-CSR Committee also ensured there was a succession plan for the Chairman of the Supervisory Board and added this duty to its rules of procedure (see page 149).

##### Composition of the Compensation Committee (Article 17.1)

It is recommended that the Chairman of the Committee be independent and that one of its members be an employee director.

The Company's CAG-CSR Committee (see description starting on page 183) is not tasked with setting the compensation of the Executive Chairmen, a task which falls within the remit of the Active Partner and not 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
<b>Proportion of independent members on the Supervisory Board (Article 8.3)</b> Independent directors should account for at least one-third of Supervisory Board members.	Mr Robert Peugeot had served for 12 years of office on 24 January 2019. He has therefore lost his status as independent Board member of the Supervisory Board according to the criteria set out in Article 8.5 of the AFEP-MEDEF Code. He was reappointed at the General Meeting of 5 June 2018 for a period of one year so as to replace him under the best possible conditions with a new independent member of the Supervisory Board at the General Meeting to be held in 2019. In 2018, the Supervisory Board deemed it better to have a slightly lower proportion of independent members on the Board and Audit and Risk committee than required by the AFEP-MEDEF Code for a few months rather than to waive one of the independence criteria with regard to Robert Peugeot. Ms Sharon MacBeath resigned from her post as a member of the Supervisory Board as of 20 March 2019 for personal reasons. With Mr Robert Peugeot losing his independent member status and Ms Sharon MacBeath resigning, the proportion of independent members on the CAG-CSR Committee falls below the levels required by the AFEP-MEDEF Code. On the publication date of this Registration Document, the Board, in conjunction with the CAG-CSR Committee, is continuing its selection process that will enable it to propose, at the General Meeting to be held on 4 June 2019, the appointment of two new independent members to replace Mr Robert Peugeot and Ms Sharon MacBeath, and thereby restore the proportion of independent members on the Board to one-third.
<b>Proportion of independent members on the Audit Committee (Article 15.1)</b> Independent directors should account for at least two-thirds of Audit Committee members and the Committee should not include any Executive Corporate Officers.	The Supervisory Board determined that in 2018 slightly less than two-thirds of the Audit and Risk committee members are independent (60%, i.e. three out of five members). This situation enables the Audit and Risk committee to carry out its duties in an appropriate manner. In the Audit and Risk 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 and Risk 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 and Risk committee to two-thirds, however the Board will review the matter at each annual assessment. As set out above, the proportion of independent members on the Audit and Risk committee had been reduced temporarily, since the beginning of 2019, to 25%, owing to the loss of the independent member status of Mr Robert Peugeot and by the resignation of Ms Sharon MacBeath from the Supervisory Board. The ongoing selection of two new independent members should result in the proportion of independent members on the Audit and Risk committee being restored to 60%.
<b>Proportion of independent members on the Compensation Committee (Article 17.1)</b> It must not include any Executive Corporate Officers and must be formed by a majority of independent directors.	As set out above, the proportion of independent members on the CAG-CSR Committee had been reduced temporarily, since the beginning of 2019, to one-third, owing to the loss of the independent member status of Mr Robert Peugeot and by the resignation of Ms Sharon MacBeath from the Supervisory Board. The ongoing selection of two new independent members should result in the proportion of independent members on the CAG-CSR Committee being restored to 50%.
<b>Severance payment (Article 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 forced, regardless of the form of this departure.	The Company has undertaken to make a severance payment to Mr Axel Dumas under the conditions described in the explanatory statement on page 372 et seq. Given the importance of the Active Partner's role in an SCA including the power to appoint and dismiss any Executive Chairman and, in the case of a legal entity, its legal representative, it was decided that any termination of Mr Axel Dumas' duties as Executive Chairman resulting from the replacement of the Executive Chairman of Hermès SARL should be deemed a forced departure. The Supervisory Board accordingly considered that the deferred compensation undertaking made for the benefit of Mr Axel Dumas complied with the requirements of the AFEP-MEDEF Corporate Governance Code. In its November 2018 report on corporate governance and senior executive officer compensation, the AMF recommends that the Board carry out a regular review of the components of compensation that may be due at the time of or subsequent to the departure of an officer and that it question the possibility and desirability of compliance with new code provisions. At the beginning of 2019, the CAG-CSR Committee reviewed this undertaking. It concluded that alignment with the new provisions of the AFEP-MEDEF Code was not necessary.

<b>Provisions of the AFEP-MEDEF Code not applied for other reasons</b>	<b>Explanations</b>
<b>Consultation of shareholders on the compensation of the Chairman of the Supervisory Board (Article 26.2)</b>	<p>It did not seem relevant for the 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>
<b>Changes made since the revision of the AFEP-MEDEF Code in June 2018 to ensure compliance therewith</b>	<b>Explanations</b>
<b>Duties of the Board (Article 1.1 to 1.6)</b>	On 11 September 2018 the Supervisory Board's rules of procedure (see page 207 for the full text) were updated in order to:
<b>Commitments of companies to non-discrimination and diversity (Article 1.7)</b>	<ul style="list-style-type: none"> <li>◆ update the date of revision of the AFEP-MEDEF Code (§ 1.1.21.);</li> <li>◆ include the new provisions of Articles 1.4 to 1.7, 6.2 and 4.4 of the AFEP-MEDEF Code (§ 1.2.4.);</li> <li>◆ include the new provisions of Article 19 of the AFEP-MEDEF Code (§ 1.1.3.6.).</li> </ul>
<b>Communication between shareholders and the Board (Article 4.4)</b>	The CAG-CSR Committee's rules of procedure were updated on 16 November 2018 to:
<b>The Board's diversity policy (Article 6.2)</b>	<ul style="list-style-type: none"> <li>◆ rename it "Compensation, Appointments, Governance and CSR Committee" or "CAG-CSR Committee";</li> <li>◆ assign new duties to it relating to social and environmental responsibility:           <ul style="list-style-type: none"> <li>• assist the Supervisory Board in monitoring issues relating to CSR so that the Hermès Group can better foresee and tackle opportunities, challenges and the related risks,</li> <li>• assist the Supervisory Board in monitoring the Hermès Group's social policy and the non-discrimination and diversity policy.</li> </ul> </li> </ul>
<b>Duties of the Audit Committee (Article 15.2)</b>	The Audit Committee's rules of procedure were updated on 16 November 2018 and 19 March 2019, in order to:
<b>Business ethics of directors (Article 19)</b>	<ul style="list-style-type: none"> <li>◆ rename it "Audit and Risk committee";</li> <li>◆ two new duties relating to risk exposure and the prevention of corruption:           <ul style="list-style-type: none"> <li>• regularly review opportunities and exposure to risks such as financial, legal, operational, social and environmental risks, as well as the measures taken in the light of these,</li> <li>• ensure the implementation of a system for the prevention and detection of corruption and influence-peddling;</li> </ul> </li> <li>◆ include the new provisions of Articles 1 and 15.2 of the AFEP-MEDEF Code (§ 2.1)</li> </ul>
	At its meeting of 20 March 2018, the Supervisory Board had already assigned to the Chairman the responsibility for communicating with shareholders on behalf of the Board (see page 178).
	The policy on diversity in the composition of the Board already featured in the Registration Document (see page 170).
<b>Independence criteria (Article 8.5.3)</b>	A new review of the independence of members of the Supervisory Board was carried out by the CAG-CSR Committee in early 2019, by checking that independent members did not act in an «advisory» capacity for the Hermès Group.
<b>Individual participation of Directors (Article 10.1)</b>	No alignment necessary as the individual attendance of members of the Supervisory Board already featured in the Registration Document (see page 177).
<b>Reason for which the appointment or reappointment of a member of the Board is proposed to the General Meeting (Article 13.4)</b>	The presentation of resolutions proposing the reappointment or appointment of members of the Supervisory Board was supplemented (see page 378 et seq.) by the reasons for which they are proposed.
<b>Inclusion of a CSR-related criterion in Senior Executive compensation (Article 24.1.1)</b>	On the proposal of the CAG-CSR Committee, the Executive Management Board of Émile Hermès SARL of 19 March 2019 decided to subject part of the variable compensation of the two Executive Chairmen to a new CSR criterion, representing the Group's stated and constant commitments to sustainable development, as set out on page 202.
<b>Standardised presentation of information on the Board and Committees</b>	The brief presentation of the Board and committees, the presentation sheets of the Executive Chairman and members of the Supervisory Board, the table of changes made in the composition of the Board and the presentation of the independence of members have been fine-tuned.

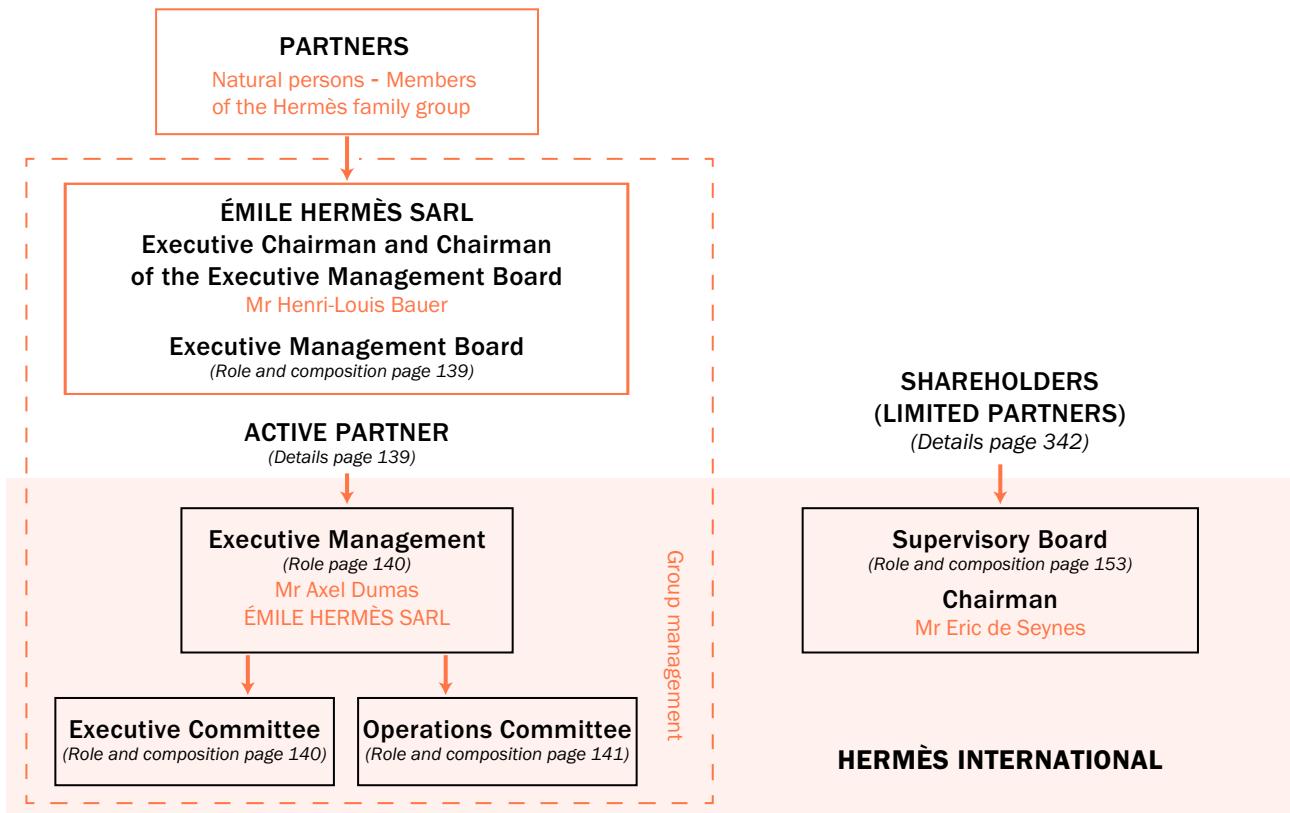
#### Corporate Governance Award

Since 2009, the *Grands Prix de la Transparence* (Transparency Awards) reward the quality of regulated information of French SBF 120 companies. The aim of these *Grands Prix* is to allow issuers to measure their performance every year in terms of transparency and to identify best practices among listed companies. Every year the level of requirements increases (from 40 criteria in 2009 to over 165 criteria in 2018).

At the 9th Edition of the *Grands Prix de la Transparence* on 3 October 2018, Hermès International received the *Grand prix de la Meilleure Progression* (special award for the best improvement). This award is based on the following criteria: accessibility, precision, comparability and availability of four key materials (registration document, ethical charter, financial website and notice of meeting).

This award is a recognition of the work of all our teams who work together to prepare our regulated information documents.

### 3.1.2 ORGANISATIONAL STRUCTURE OF HERMÈS INTERNATIONAL



### 3.1.3 ADMINISTRATIVE AND MANAGEMENT BODIES

#### 3.1.3.1 Changes in 2018

No changes took place in the Executive Management or the Executive Committee in 2018.

#### 3.1.3.2 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 responsibilities 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 potential staff moves (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 2018 Talent Review were presented to the CAG-CSR Committee at end-2018.

In addition, a succession plan has been drawn up for Executive Management. In 2016, this plan was submitted orally to the CAG-CSR 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.

This succession plan covers:

- ◆ temporary interim succession (temporary absence of an Executive Chairman, e.g. due to illness or accident);
- ◆ unplanned succession (permanent impairment, death or resignation of an Executive Chairman in the short or medium term), normal succession (medium and long term).

In early 2019, the CAG-CSR Committee was informed of a written memo setting out the details of the succession plan for Executive Management. This plan was given to the Active Partner.

3

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-CSR Committee has requested that the Talent Review be presented to it every two years and that the succession plan for Executive Management and the Chairman of the Supervisory Board is presented to it annually.

For the succession plan of the Chairman of the Supervisory Board, refer to section 3.1.4.2 (page 149).

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

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

Role	Composition at 31/12/2018
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:</p> <p>◆ <b>Mr Henri-Louis Bauer</b> Executive Chairman, Chairman and Member of the Executive Management Board</p> <p>◆ <b>Mr Frédéric Dumas</b> Vice-Chairman and member of the Executive Management Board</p> <p>◆ <b>Ms Pascale Mussard</b> Vice-Chairwoman and member of the Executive Management Board</p> <p>◆ <b>Ms Sandrine Brekke</b> Other members of the Executive Management Board</p> <p>◆ <b>Ms Capucine Brivet</b></p> <p>◆ <b>Ms Alice Charbin</b></p> <p>◆ <b>Mr Édouard Guerrand</b></p> <p>◆ <b>Mr Laurent E. Momméja</b></p> <p>◆ <b>Mr Jean-Baptiste Puech</b></p> <p>◆ <b>Mr Guillaume de Seynes</b></p>

## 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: Mr 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 31/12/2018

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, 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>Mr 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 1,000 Hermès International shares pursuant to Article 22 of the AFEP-MEDEF Code. The two Executive Chairman comply with this requirement.

## 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.

It comprises eight members.

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 31/12/2018

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

### As at 31 December 2018

Average seniority on the Executive Committee	6 years
Average seniority in their positions:	5 years
Average age:	51 years
Percentage of women <sup>1</sup>	14.29%

(1) Excluding Executive Chairman.

### Changes to the Executive Committee after 31 December 2018

A reorganisation took place on 1 April 2019:

1) Ms Catherine Fulconis, Executive Vice-President in charge of the Leather Goods - Saddlery (which also includes the Hermès Horizons and Equestrian métiers) and petit h métiers joined the Executive Committee.

- 2) Mr Wilfried Guerrand was appointed Executive Vice-President of the Métiers (Hermès Woman, Hermès Man, Hermès Jewellery, Hermès Silk and Textiles, and Hermès Home), Information Systems and Data.
- 3) Digital communication is now headed up by Ms Charlotte David, Executive Vice-President Communication, and e-commerce by Mr Florian Craen, Executive Vice-President, Sales.

## Operations Committee

Role	Composition at 31/12/2018	
The Operations Committee, which reports to the Executive Management, is made up of the Executive Committee and the Senior Executives of the main métiers and geographical areas of the Group.	◆ <b>Mr Axel Dumas</b>	Executive Chairman and Chairman of the Committee
<b>Members of the Executive Committee (see page 140)</b>		
<b>Senior Executives of the métiers</b>		
◆ to involve Senior Executives in the Group's major issues and strategic orientations;	◆ <b>Ms Agnès de Villers</b>	Perfumes
◆ to promote communication, sharing and reasonable exchanges amongst its members in their area of responsibility,	◆ <b>Mr Laurent Doridot</b>	Watches
◆ to enable the Executive Committee to take certain decisions.	◆ <b>Ms Catherine Fulconis</b>	Leather Goods & Saddlery
It comprises 22 members (25 members from 1 April 2019). Its duties are:	◆ <b>Mr Wilfried Guerrand</b>	Women's Ready-to-Wear
◆ <b>Ms Antoinette Louis</b>	◆ <b>Ms Véronique Nichanian</b>	Silk and Textiles
◆ <b>Ms Anne-Sarah Panhard</b>	◆ <b>Ms Laurence Reulet</b>	Men's Ready-To-Wear
◆ <b>Ms Sézanne Verdillon</b>		Home
		Jewellery
<b>Senior Executives of the Geographical areas</b>		
◆ <b>Mr Masao Ariga</b>	Japan	
◆ <b>Mr Robert Chavez</b>	United States and Latin America	
◆ <b>Ms Hélène Dubrule</b>	France	
◆ <b>Mr Eric Festy</b>	South Asia	
◆ <b>Mr Luc Hennard</b>	China	
◆ <b>Ms Juliette Streichenberger</b>	Europe	
◆ <b>Ms Sézanne Verdillon</b>	Travel Retail	
Percentage of women <sup>1</sup> :	47.61%	
Percentage of foreigners <sup>1</sup> :	9.52%	

(1) Excluding Executive Chairman.

### Changes to the Operations Committee after 31 December 2018

On 1 April 2019, three new members – Managers of the métiers – were appointed to the Operations Committee:

- ◆ Ms Hinde Pagani: Deputy Managing Director – Digital Sales and Service;
- ◆ Ms Ambre Pulcini: Executive Vice-President - Women's Ready-to-Wear and Shoes Métier;
- ◆ Ms Elodie Potdevin: Executive Vice-President - Fashion Accessories Métier and IoT ("Internet of Things").

### Policy of non-discrimination and diversity, in particular concerning the balanced representation of men and women on the governing bodies and results in terms of gender balance in the 10% of key management positions

Whether appointments to governing bodies, recruitment or the appointment of any employee, the Hermès Group is particularly committed to compliance with the principle of non-discrimination.

Whenever possible, all employees are reminded of the importance of this principle.

The "Hermès - a Responsible Employer" policy insists on compliance with two essential principles: the principle of non-discrimination and the principle of gender equality.

The Group has instituted an "Alteredo" training programme which focuses on integration and diversity management. The Alteredo programme is attended by all Management Committees and the Group's local managers. It goes at great length into identifying and combatting all forms of discrimination (direct, indirect or even accidental) and puts the emphasis on the Group's zero tolerance policy as regards such types of practice.

The Group has also made commitments to professional integration and retaining people with a disability in employment (see pages 80 and 81 and pages 111, 112 and 113).

In accordance with the provisions of Article L. 225-37-4, 6° of the French Commercial Code, as amended by the law "for the freedom to choose one's professional future", adopted on 1 August 2018, we describe how the Company seeks balanced representation of men and women on the committee established, where relevant, by Executive Management in order to regularly assist it in exercising its general duties and the results in terms of gender balance in the 10% of key management positions.

Two committees were set up by Executive Management several years ago to regularly assist it in exercising its general duties:

- ◆ The Executive Committee (role and composition page 140)
- ◆ The Operations Committee (role and composition above)

The table below illustrates gender balance on the governance bodies and in the senior executives category:

<b>Proportion of women</b>	<b>As at 31 December 2018</b>	<b>In 2019<sup>3</sup></b>
Supervisory Board <sup>1</sup>	50.00%	45.45%
Executive Committee <sup>2</sup>	14.29%	25.00%
Operations Committee <sup>2</sup>	47.61%	54.16%
Senior executives	44.90%	-

(1) Excluding the Employee representative member of the Supervisory Board.

(2) Excluding the Executive Chairman.

(3) On the publication date of this Registration Document.

European Women on Boards (EWoB) and Ethics & Boards have published their first European gender diversity index. This comparative classification highlights the best practices of European companies in terms of gender diversity and was created in order to measure the change in gender balance at the highest levels of European corporates. It analyses the situations of the 200 largest Stoxx Europe 600 companies registered in nine European countries (Belgium, Czech Republic, Finland, France, Germany, Italy, Netherlands, Spain, United Kingdom).

It is based on three indicators:

- ◆ Female representation on Boards of Directors/Supervisory Boards;
- ◆ Chairwomen of Boards of Directors/Supervisory Boards;
- ◆ Female CEOs or Chairwomen of Boards of Directors.

In 2018 Hermès International ranked 16<sup>th</sup> in this classification.

Moreover, in accordance with the AFEP-MEDEF Corporate Governance Code, revised in June 2018 (§ 1.7), the duties set out in the Supervisory Board's rules of procedure were supplemented on 11 September 2018. Henceforth the Supervisory Board must ensure that the Executive Chairmen implement a non-discrimination and diversity policy in the governing bodies.

This policy was presented to the Supervisory Board in late 2018.

Profile, experience and expertise of the Executive Chairmen and of sitting members of the Executive Committee

Executive Chairmen

**AXEL DUMAS**

<b>Position held</b>	Direct descendant of Mr Émile-Maurice Hermès
<b>Membership of committees of the Board</b>	Executive Co-Chairman
<b>Date of first appointment</b>	n/a
<b>Date term ends</b>	Mr Axel Dumas was appointed Executive Chairman of Hermès International effective on 5 June 2013.
<b>Age in 2019 (date of birth)</b>	Open-ended
<b>Nationality</b>	49 years (3 July 1970)
<b>Address</b>	French
<b>Shares held on 31 December 2018</b>	c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris
<b>Summary of main areas of expertise and experience</b>	10,418 wholly-owned and registered
	Mr Axel Dumas is a graduate of the Institut d'Études 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.  Mr 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 Executive Vice-President of Operations and member of the Executive Committee on 2 May 2011.

**Main activities outside the Company**

<b>Offices and positions held during 2018</b>	<b>in Hermès Group companies</b>	<b>French companies ▲</b>	<b>Foreign companies ▲</b>
		<ul style="list-style-type: none"> <li>◆ <b>Hermès International</b> ● Executive Co-Chairman</li> <li>◆ <b>Ateliers A.S. *</b> Permanent Representative of Hermès International, Director (term ended on 18/10/18)</li> <li>◆ <b>Compagnie Hermès de Participations</b> Permanent Representative of Hermès International, Chairman (term ended on 12/10/2018)</li> <li>◆ <b>CHP3</b> Chairman (term ended on 12/10/2018)</li> <li>◆ <b>Comptoir Nouveau de la Parfumerie *</b> Permanent Representative of Hermès International, Director</li> <li>◆ <b>Hermès Sellier</b> Chairman</li> <li>Executive Corporate Officer of the following divisions:</li> <li>◆ <b>Hermès Leather Goods &amp; Saddlery</b></li> <li>◆ <b>Hermès Commercial</b></li> <li>◆ <b>Hermès Silk &amp; Textiles</b></li> <li>◆ <b>Hermès Vente aux Voyageurs – Travel Retail</b></li> <li>◆ <b>Hermès Jewellery</b></li> <li>◆ <b>Hermès Men</b></li> <li>◆ <b>Hermès Women</b></li> <li>◆ <b>Hermès Services groupe</b></li> <li>◆ <b>Hermès Distribution France</b> (term ended on 30/06/2018)</li> <li>◆ <b>Hermès Maison</b> (since 01/07/2018)</li> </ul>	<ul style="list-style-type: none"> <li>◆ <b>Boissy Mexico</b> (Mexico) Acting Director (term ended on 14/11/2018)</li> <li>◆ <b>Faubourg Middle East</b> (United Arab Emirates) Director</li> <li>◆ <b>Hermès Asia-Pacific</b> (Hong Kong) Director</li> <li>◆ <b>Hermès Canada</b> (Canada) Chairman and Director (term ended on 12/10/2018)</li> <li>◆ <b>Hermès China</b> (China) Chairman and Director</li> <li>◆ <b>Hermès China Trading</b> (China) Chairman and Director</li> <li>◆ <b>Hermès de Paris</b> (Mexico) (Mexico) Acting Director (term ended on 14/11/2018)</li> <li>◆ <b>Hermès Grèce</b> (Greece) Director (term ended on 30/11/2018)</li> <li>◆ <b>Hermès Ibérica</b> (Spain) Director (term ended on 14/11/2018)</li> <li>◆ <b>Hermès India Retail and Distributors</b> (India) Director (term ended on 07/09/2018)</li> <li>◆ <b>Hermès Japon</b> (Japan) Director</li> <li>◆ <b>Hermès Korea</b> (South Korea) Chairman and Director</li> <li>◆ <b>Hermès Monte-Carlo</b> (Principality of Monaco) Permanent Representative of Hermès International, Vice-Chairman, Permanent Representative of Hermès International, Director (term ended on 12/11/2018)</li> <li>◆ <b>Hermès of Paris</b> (USA) Chairman and Director</li> <li>◆ <b>Hermès Retail</b> (Malaysia) (Malaysia) Chairman and Director (term ended on 12/10/2018)</li> <li>◆ <b>La Montre Hermès</b> (Switzerland) Director</li> </ul>

n/a: not applicable.

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

Offices and positions held during 2018 outside Hermès Group companies	Sociétés françaises	Foreign companies ▲
<b>Other offices and positions held during the previous four financial years and ending before 1 January 2018</b>	<p><b>Sociétés françaises</b></p> <ul style="list-style-type: none"> <li>◆ <b>L'Oréal</b> ●* Director and member of the Audit Committee (since 17/04/2018)</li> <li>◆ <b>Axam 2</b> Executive Chairman</li> <li>◆ <b>H51</b> Director</li> <li>◆ <b>Maia</b> Executive Chairman</li> <li>◆ <b>Mathel</b> Executive Chairman</li> </ul>	<p><b>Foreign companies ▲</b></p> <p>none</p>
	<p><b>French companies ▲</b></p> <ul style="list-style-type: none"> <li>◆ <b>CHP2</b> Permanent Representative of Hermès International, Chairman (term ended on 27/06/2014)</li> <li>◆ <b>Créations Métaphores</b> ▲ Permanent Representative of Hermès International, member of the Management Board (term ended on 23/06/2015)</li> <li>◆ <b>Maroquinerie de Normandie</b> ▲ Permanent Representative of Hermès International, Chairman (term ended on 07/09/2015)</li> <li>◆ <b>Motsch-George V</b> ▲ Permanent Representative of Hermès International, Chairman (term ended on 29/06/2015)</li> <li>◆ <b>SCI Boissy Les Mûriers</b> ▲ Permanent Representative of Hermès International, Executive Chairman (term ended on 31/12/2015)</li> <li>◆ <b>SCI Boissy Nontron</b> ▲ Permanent Representative of Hermès International, Executive Chairman (term ended on 21/12/2015)</li> <li>◆ <b>SCI Édouard VII</b> ▲ Permanent Representative of Hermès International, Executive Chairman (term ended on 21/12/2015)</li> <li>◆ <b>SCI Honossy</b> ▲ Permanent Representative of Hermès International, Executive Chairman (term ended on 21/12/2015)</li> <li>◆ <b>SCI Les Capucines</b> ▲ Permanent Representative of Hermès International, Executive Co-Chairman (term ended on 21/12/2015)</li> <li>◆ <b>SCI Auger-Hoche</b> ▲ Permanent Representative of Hermès International, Executive Chairman (term ended on 21/12/2015)</li> <li>◆ <b>Tannerie de Vivoin</b> ▲ Permanent Representative of Hermès International, Chairman (term ended on 30/06/2015)</li> <li>◆ <b>Castille Investissement</b> ▲ Permanent Representative of Hermès International, Chairman (term ended on 28/06/2016)</li> <li>◆ <b>Isamyol 28</b> ▲ Permanent Representative of Hermès International, Chairman (term ended on 29/06/2016)</li> <li>◆ <b>Isamyol 30</b> ▲ Permanent Representative of Hermès International, Chairman (term ended on 29/06/2016)</li> </ul>	<p><b>Foreign companies ▲</b></p> <ul style="list-style-type: none"> <li>◆ <b>Herlee</b> ▲ (<i>Hong Kong</i>) Chairman and Director (term ended on 30/06/2017)</li> <li>◆ <b>Hermès do Brasil</b> ▲ (<i>Brazil</i>) Member of the Advisory Board (term ended on 25/09/2017)</li> <li>◆ <b>Hermès Immobilier Genève</b> (<i>Switzerland</i>) Director (term ended on 10/05/2016)</li> <li>◆ <b>Hermès Australia</b> ▲ (<i>Australia</i>) Chairman of the Board of Directors and Director (term ended on 05/02/2015)</li> <li>◆ <b>Hermès Benelux Nordics</b> ▲ (<i>Belgium</i>) Director (term ended on 15/04/2015)</li> <li>◆ <b>Hermès GB</b> ▲ (<i>United Kingdom</i>) Chairman and Director (term ended on 15/04/2015)</li> <li>◆ <b>Hermès Italie</b> (<i>Italy</i>) Chairman of the Board of Directors and Director (term ended on 20/03/2015)</li> <li>◆ <b>Hermès Latin América</b> ▲ (<i>USA</i>) Director (term ended on 21/05/2015)</li> <li>◆ <b>Hermès Monte-Carlo</b> ▲ (<i>Principality of Monaco</i>) Permanent Representative of Hermès Sellier, Director (term ended on 28/04/2015)</li> <li>◆ <b>Hermès of Hawaii</b> ▲ (<i>USA</i>) Chairman and Director (term ended on 24/03/2014)</li> </ul>

▲ 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 1 January 2018

French companies ▲

- ◆ **Isamyol 31** ▲  
Permanent Representative of Hermès International, Chairman  
(term ended on 29/06/2016)
- ◆ **Isamyol 32** ▲  
Permanent Representative of Hermès International, Chairman  
(term ended on 29/06/2016)
- ◆ **Isamyol 33**  
Permanent Representative of Hermès International, Chairman  
(term ended on 29/06/2016)
- ◆ **Hermès Horizons** ▲  
Chairman (term ended on 31/05/2016)
- ◆ **Grafton Immobilier** ▲  
Chairman (term ended on 29/06/2015)
- ◆ **Immobilière du 5 rue de Furstenberg**  
Permanent Representative of Hermès International, Chairman  
(term ended on 29/06/2015)
- ◆ **Immobilière de la maroquinerie de Montbéliard**  
Permanent Representative of Hermès International, Chairman  
(term ended on 20/10/2014)

Other offices and positions held during  
the previous four financial years and  
ending before 1 January 2018

3

<b>EMILE HERMÈS SARL</b>	Represented by its Executive Chairman, Mr Henri-Louis Bauer	
<b>Position held</b>	Executive Co-Chairman	
<b>Membership of committees of the Board</b>	n/a	
<b>Date of first appointment</b>	<p>Émile Hermès SARL has been the Active Partner of Hermès International since 27 December 1990.</p> <p>Émile Hermès SARL was appointed as Executive Chairman on that date and held that office until 31 December 1994.</p> <p>On 1 April 2006, it was reappointed as Executive Chairman of Hermès International for an open-ended term.</p>	
<b>Date term ends</b>	Open-ended	
<b>Address</b>	c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris	
<b>Shares held on 31 December 2018</b>	33,236 wholly-owned and registered	
<b>Summary of main areas of expertise and experience</b>	<p>Émile Hermès SARL is a société à responsabilité limitée à capital variable (private limited company with variable capital) under French law, whose partners are the direct descendants of Mr Émile-Maurice Hermès and his wife. Émile Hermès SARL has an Executive Management Board chaired by Mr Henri-Louis Bauer (appointed Executive Chairman on 1 July 2012), himself a direct descendant of Mr Émile-Maurice Hermès. Émile Hermès SARL's main purpose is to be the Active Partner of Hermès International. Its functioning is described on pages 329 et seq.</p> <p>It does not now hold nor has it in the past held any offices in any other company.</p>	
<b>Main activities outside the Company</b>	none	
<b>in Hermès Group companies</b>	<b>Émile Hermès SARL</b>	<b>Mr Henri-Louis Bauer</b>
	<p><b>French companies</b> ▲</p> <ul style="list-style-type: none"> <li>◆ <b>Hermès International</b> ● Active Partner and Executive Co-Chairman</li> </ul> <p><b>Foreign companies</b> ▲</p>	
<b>Offices and positions held during 2018 outside Hermès Group companies</b>	<p><b>French companies</b></p> <p>none</p> <p><b>Foreign companies</b></p> <p>none</p>	
	<p><b>French companies</b></p> <ul style="list-style-type: none"> <li>◆ <b>Émile Hermès SARL</b> Executive Chairman and Chairman of the Executive Management Board</li> <li>◆ <b>Aucleris 2</b> Executive Chairman</li> <li>◆ <b>H2</b> Director</li> <li>◆ <b>H51</b> Director</li> <li>◆ <b>Sabarots</b> Executive Chairman</li> <li>◆ <b>Samain B2</b> Executive Chairman</li> <li>◆ <b>SIFAH</b> Director (since 10/12/2018)</li> </ul> <p><b>French companies</b></p> <p>none</p>	
<b>Other offices and positions held during the previous four financial years and ending before 1 January 2018</b>	<p><b>French companies</b></p> <p>none</p> <p><b>Foreign companies</b></p> <p>none</p>	
	<p><b>French companies</b></p> <ul style="list-style-type: none"> <li>◆ <b>Aucleris</b> Manager (term ended on 27/12/2015)</li> </ul> <p><b>Foreign companies</b></p> <p>none</p>	

n/a: not applicable.

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

## Executive Committee

The role and a brief presentation of the Executive Committee is provided on page 140.

Name <i>Personal details:</i> Age in 2019 Date of birth Nationality	Date appointed to the Executive Committee	Education	Positions held in the Hermès Group (date of appointment)	Other positions
◆ <b>Axel Dumas</b> 49 years 03/07/1970 French	02/05/2011	See page 143		
◆ <b>Florian Craen</b> 49 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 United Kingdom (2006) Director Hermès International Travel Retail (2001)	3
◆ <b>Charlotte David</b> 44 years 28/03/1975 French	12/10/2015	ESSEC (1997)	Executive Vice President Communication (since 12 October 2015)	
◆ <b>Pierre-Alexis Dumas</b> 53 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'entre- prise d'Hermès (from 2008 to 2016) Chairman of Arts Décoratifs (since 1 January 2016)
◆ <b>Oliver Fournier</b> 58 years 10/07/1961 French	01/06/2015	EM Lyon (1983) Graduate degree in accounting and finance	Executive Vice President Governance and Organisational Development, Hermès International (2015) Executive Vice President Hermès Sellier craftsmanship division (2008) Executive Vice President Holding Textile Hermès (2001) Executive Vice President Bucol (1998) Executive Vice President Sport Soie (1994) Director of Internal Audit and Taxation of Hermès International (1991)	Chairman of the Fondation d'entreprise d'Hermès (since 8 February 2016)
◆ <b>Catherine Fulconis</b> 58 years 01/09/1961 French	01/04/2019	HEC School of Management (1983)	Executive Vice President Leather Goods- Saddlery (which also includes the Hermès Horizons and Equestrian métiers) and Petit h métiers (since 1 April 2019) CEO of Hermès Leather Goods & Saddlery and Chairwoman of the Board of Directors of Hermès Parfums (2015) Chairwoman and CEO of Hermès Parfums (2010) CEO and Chairwoman of the Management Board of Hermès Parfums (2006)	Director and Chairwoman of Rallye's Compensation and Appointments Committee (since 13/05/2014)

Name	Personal details:	Date appointed to the Executive Committee	Education	Positions held in the Hermès Group (date of appointment)	Other positions
♦ <b>Wilfried Guerrand</b>	48 years 01/02/1971 French	01/07/2014	Neoma Business School (1993, Rouen)  MBA from London School of Economics, NYU Stern and HEC (2011, TRIUM)	Executive Vice President of the Métiers (Hermès Woman, Hermès Men, Hermès Jewellery, Hermès Silk and Textiles, and Hermès Home), Information Systems and Data (since 1 April 2019)  Executive Vice President of Digital Projects and E-commerce of Hermès International (2014)  Executive Vice President of Hermès Woman (2012)  Executive Vice President Europe Hermès International (2009)  Group Director of Sales Hermès International (2007)  Executive Vice President Hermès France for Hermès Sellier (2004)  Director of Industrial Development Hermès International (2002)  Advisor to the Chairman Hermès Sellier (1999)  Financial Controller for Hermès Sellier (1995)	
♦ <b>Éric du Halgouët</b>	56 years 14/03/1963 French	01/06/2015	Neoma Business School (1986, Rouen)  Graduate degree in accounting and finance	Executive Vice President Finance of Hermès International (2015)  Group Financial Director (2007)  Director of consolidation and financial control (2006)	
♦ <b>Guillaume de Seynes</b>	62 years 14/10/1957 French	01/01/2005	Graduate in law and political science Paris (1978) and an ESSEC graduate (1982)	Executive Vice President Hermès International, Manufacturing & Equity Investments (since 2 May 2011)  Chairman of John Lobb (2007)  Deputy Managing Director Hermès International (2006)  Executive Vice President Métiers d'Hermès Sellier (2004)  Executive Vice President of La Montre Hermès (1999)  Director of Sales and Marketing of La Montre Hermès (1997)	Chairman of Comité Colbert (since 10 June 2016)  Chairman of the European Cultural and Creative Industries Alliance (2016-2017)  Chairman of the Chambre syndicale du prêt-à-porter des couturiers et des créateurs de mode (2008-2012)  Chairman of the Strategic Committee, Mode et Luxe sector (since 2018)

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

#### 3.1.4.1 Changes in the composition of the Supervisory Board over the year

The General Meeting of 5 June 2018:

- ◆ reappointed Ms Olympia Guerrand and Messrs Matthieu Dumas and Blaise Guerrand 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 2020;

- ◆ reappointed Mr Robert Peugeot to the Supervisory Board for a period of one year expiring at the end of the Annual Ordinary General Meeting called to approve the financial statements for the year ended 31 December 2018 (see objectives set in 2019 on page 173).

The Supervisory Board of 5 June 2018 renewed the composition of the Audit and Risk Committee and CAG-CSR Committee, without any change (see page 183).

#### SUMMARY OF CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD OVER THE YEAR

Departures	Appointments	Renewals (date)	Changes in terms of diversification (representation of women, nationality or experience) or change with respect to corporate governance
Supervisory Board		Ms Olympia Guerrand (05/06/2018) Mr Matthieu Dumas (05/06/2018) Mr Blaise Guerrand (05/06/2018) Mr Robert Peugeot (05/06/2018)	

Table of changes in the composition of Specialised committees of the Supervisory Board are set out on page 183.

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

Early in 2018, the CAG-CSR 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.

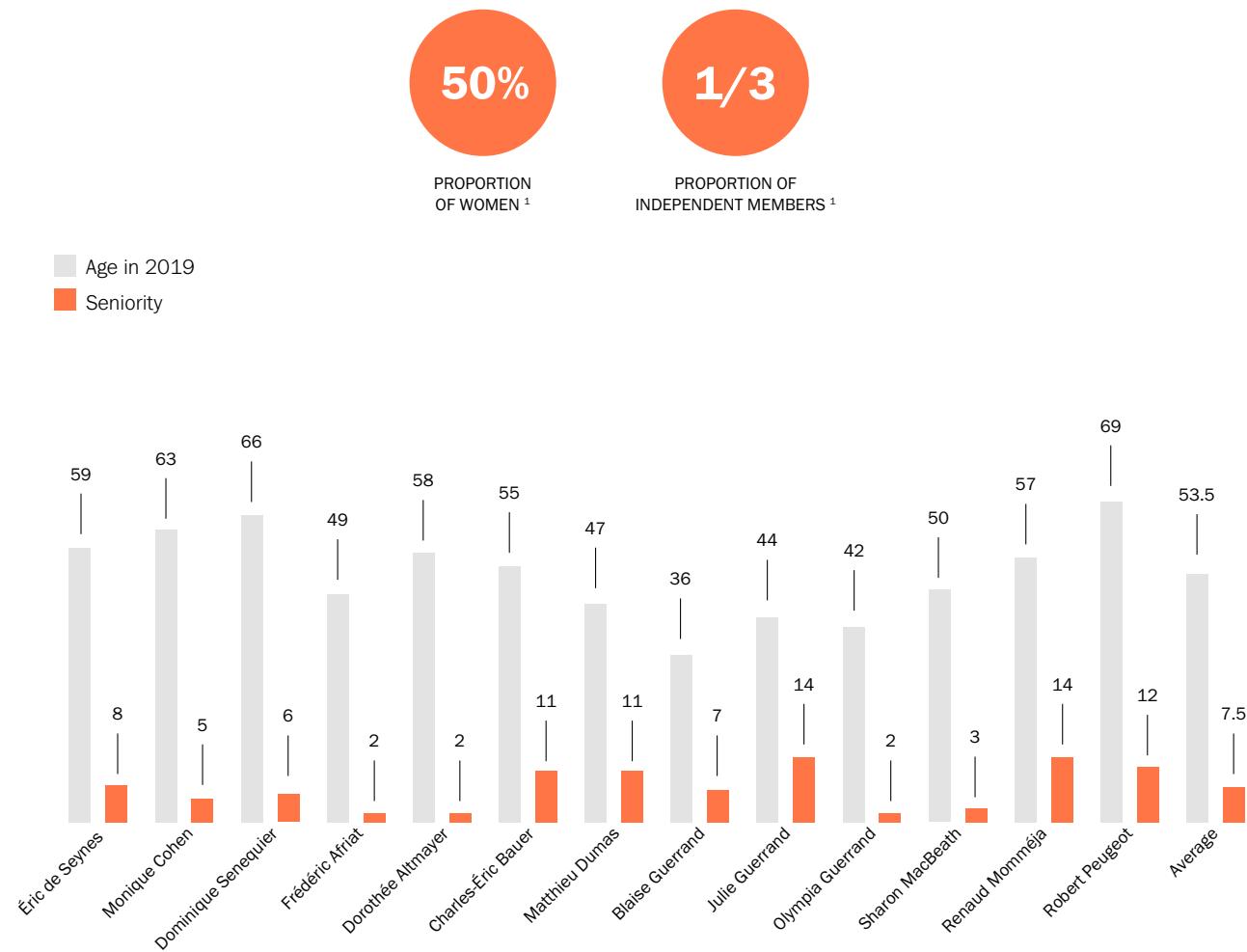
This succession plan covers:

- ◆ temporary interim succession (temporary absence of the Chairman, e.g. due to illness or accident);
- ◆ unplanned succession (permanent impairment, death or resignation of the Chairman in the short or medium term);
- ◆ normal succession (medium and long term).

In early 2019 the CAG-CSR Committee acknowledged the written memo drafted and signed by Mr Eric de Seynes and confirmed that this succession plan, which remains unchanged, for the Chairman of the Supervisory Board is deemed of good quality and suitable for the needs of the Company.

The succession plan for the Chairman of the Supervisory Board was co-signed by Ms Dominique Senequier then placed in two sealed envelopes, one of which was handed to the Chairwoman of the CAG-CSR Committee and the other to the legal department.

### 3.1.4.3 Summary presentation of the members of the Supervisory Board as of 31 December 2018



#### MAIN AREAS OF EXPERTISE AND EXPERIENCE OF BOARD MEMBERS<sup>1</sup>



(1) Excluding the employee representative on the Supervisory Board.

(2) Based on annual declarations by members of the Board.

**SITTING MEMBERS AS AT 31/12/2018**

Name	Personal details			Experience			Position on the board			Length of service	Membership of committees of the board
	Age in 2019 Date of birth	Gender	Nationality	Number of shares (direct holding)	Number of offices in listed companies other than the Company	Independence	Date of first appointment	Date term ends			
Éric de Seynes (Chairman)	59 years 09/06/1960	M	French	203			07/06/2010 03/03/2011 (Chairman)	2020 GM	8 years		
Monique Cohen (Vice-Chairwoman)	63 years 28/01/1956	F	French	250	2 BNP Paribas Safran	✓	03/06/2014	2020 GM	5 years	Audit and Risk Committee (Chairwoman)	
Dominique Senequier (Vice-Chairwoman)	66 years 21/08/1953	F	French	200		✓	04/06/2013	2019 GM	6 years	CAG-CSR Committee (Chairwoman)	
Frédéric Afriat (Employee representative)	49 years 10/09/1970	M	French	90			08/11/2016 08/11/2019		2 years		
Dorothée Altmayer	58 years 01/03/1961	F	French	200			06/06/2017	2020 GM	2 years		
Charles-Éric Bauer	55 years 09/01/1964	M	French	73,648			03/06/2008	2019 GM	11 years	Audit and Risk Committee	
Matthieu Dumas	47 years 06/12/1972	M	French	213			03/06/2008	2021 GM	11 years	CAG-CSR Committee	
Blaise Guerrand	36 years 04/06/1983	M	French	200			29/05/2012	2021 GM	7 years		
Julie Guerrand	44 years 26/02/1975	F	French	5,825			02/06/2005	2019 GM	14 years		
Olympia Guerrand	42 years 07/10/1977	F	French/Portuguese	306,312			06/06/2017	2021 GM	2 years		
Sharon MacBeath	50 years 30/03/1969	F	British	200	1 Coface	✓	31/05/2016	2019 GM	3 years	Audit and Risk Committee CAG-CSR Committee	
Renaud Momméja	57 years 20/03/1962	M	French	175,132			02/06/2005	2020 GM	14 years	Audit and Risk Committee	
Robert Peugeot	69 years 25/04/1950	M	French	200	6 <sup>1</sup> DKSH (Switzerland) Faurecia FFP PSA Peugeot Citroën Safran Sofina	✓	24/01/2007	2019 GM	12 years	Audit and Risk Committee CAG-CSR Committee	

**MEMBERS PROPOSED FOR APPOINTMENT AT THE GENERAL MEETING OF 4 JUNE 2019**

On the publication date of this Registration Document, the Board, in conjunction with the CAG-CSR Committee, is continuing its selection process that will enable it to propose, at the General Meeting to be held on 4 June 2019, the appointment of two new independent members to replace Mr Robert Peugeot and Ms Sharon MacBeath.

(1) Robert Peugeot holds six other offices in listed companies but five 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.

### 3.1.4.4 Composition of the Supervisory Board

#### Applicable principles

The Supervisory Board comprises three to 15 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 set 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 works council (Article 18.6 of the Articles of Association). Pursuant to paragraph 3 of Article L. 225-79-2 II of the French Commercial Code (*Code de commerce*), when two members are appointed, the Group Committee appoints one woman and one man.

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, in accordance with the principle of replacing one-third of the Supervisory Board, as set out in Article 18.2 of the Articles of Association;
- ◆ if there is a renewal, in accordance with the rules relative to the duration of the term of office for independent members or to 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-Chairmen from among its members (Article 19.2 of the Articles of Association).

#### Role and composition of the Supervisory Board at 31 December 2018

At 31 December 2018, the Supervisory Board comprised 13 members: Mr Éric de Seynes, Chairman, Ms Monique Cohen and Ms Dominique Senequier, Vice-Chairwomen, Mr Frédéric Afriat (employee representative), Ms Dorothée Altmayer, Mr Charles-Éric Bauer, Mr Matthieu Dumas, Mr Blaise Guerrand, Ms Julie Guerrand, Ms Olympia Guerrand, Ms Sharon MacBeath, Mr Renaud Momméja and Mr Robert Peugeot. All the Supervisory Board members are French except Ms Sharon MacBeath, who is British. Ms Olympia Guerrand is a dual French and Portuguese national.

#### Changes to the Board after 31 December 2018

Mr Robert Peugeot had served in his post for 12 years on 24 January 2019 and accordingly lost his capacity as an independent member of the Board under the criteria of the AFEP-MEDEF Corporate Governance Code. His appointment was renewed by the General Meeting of 5 June 2018 for a period of one year so as to replace him in the best possible conditions with a new member of the Supervisory Board having independent status at the 2019 General Meeting. The Supervisory Board deemed it better to have a slightly lower proportion of independent members on the Board than that required by the AFEP-MEDEF Code for a few months rather than to waive one of the independence criteria with regard to Mr Robert Peugeot.

Ms Sharon MacBeath resigned from her post as a member of the Supervisory Board as of 20 March 2019 for personal reasons.

On the publication date of this Registration Document, the Board, in conjunction with the CAG-CSR Committee, is continuing its selection process that will enable it to propose, at the General Meeting to be held on 4 June 2019, the appointment of two new independent members to replace Mr Robert Peugeot and Ms Sharon MacBeath.

Ms Nathalie Besombes, Corporate Law and Stock exchange regulations Director and Securities Compliance Officer, is the Supervisory Board Secretary.

Role	Composition at 31/12/2018						
<p>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.</p> <p>The Supervisory Board submits to the Active Partner its reasoned opinion:</p> <ul style="list-style-type: none"> <li>◆ on the nomination and dismissal of any Executive Chairman of the Company; and</li> <li>◆ in case of the Executive Chairman's resignation, on reducing the notice period.</li> </ul> <p>The Supervisory Board:</p> <ul style="list-style-type: none"> <li>◆ determines the allocation of earnings to be put to the General Meeting each year;</li> <li>◆ approves or rejects any proposed new wording of certain clauses of the Articles of Association of Émile Hermès SARL.</li> </ul> <p>The Active Partner must consult the Supervisory Board prior to making any decisions on the following:</p> <ul style="list-style-type: none"> <li>◆ strategic options;</li> <li>◆ consolidated operating and investment budgets; and</li> <li>◆ proposals to the General Meeting pertaining to the appropriation of share premiums, reserves or retained earnings.</li> </ul> <p>Every year the Supervisory Board presents to the Annual Ordinary General Meeting of shareholders a report (see page 393) 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.</p> <p>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.</p>	<p><b>Supervisory Board</b></p> <p>The Company is governed by a Supervisory Board which comprised thirteen members 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 works council has, since 19 November 2014, appointed an employee representative to the Supervisory Board.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%; vertical-align: top;"> <ul style="list-style-type: none"> <li>◆ <b>Éric de Seynes</b></li> <li>◆ <b>Monique Cohen</b></li> <li>◆ <b>Dominique Senequier</b></li> <li>◆ <b>Frédéric Afriat</b> (Employee representative)</li> <li>◆ <b>Dorothée Altmayer</b></li> <li>◆ <b>Charles-Éric Bauer</b></li> <li>◆ <b>Matthieu Dumas</b></li> <li>◆ <b>Blaise Guerrand</b></li> <li>◆ <b>Julie Guerrand</b></li> <li>◆ <b>Olympia Guerrand</b></li> <li>◆ <b>Sharon MacBeath</b></li> <li>◆ <b>Renaud Momméja</b></li> <li>◆ <b>Robert Peugeot</b></li> </ul> </td><td style="width: 60%; vertical-align: top;"> <p>Chairman and member of the Supervisory Board</p> <p>Vice-Chairwoman and member of the Supervisory Board</p> <p>Vice-Chairwoman and member of the Supervisory Board</p> <p>Other members of the Supervisory Board</p> </td></tr> </table> <p><b>Audit and Risk Committee</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%; vertical-align: top;"> <ul style="list-style-type: none"> <li>◆ <b>Monique Cohen</b></li> <li>◆ <b>Charles-Éric Bauer</b></li> <li>◆ <b>Sharon MacBeath</b></li> <li>◆ <b>Renaud Momméja</b></li> <li>◆ <b>Robert Peugeot</b></li> </ul> </td><td style="width: 60%; vertical-align: top;"> <p>Chairwoman of the Audit and Risk Committee</p> <p>Audit and Risk Committee members</p> </td></tr> </table> <p><b>CAG-CSR Committee</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%; vertical-align: top;"> <ul style="list-style-type: none"> <li>◆ <b>Dominique Senequier</b></li> <li>◆ <b>Matthieu Dumas</b></li> <li>◆ <b>Sharon MacBeath</b></li> <li>◆ <b>Robert Peugeot</b></li> </ul> </td><td style="width: 60%; vertical-align: top;"> <p>Chairwoman of the CAG-CSR Committee</p> <p>Members of the CAG-CSR Committee</p> </td></tr> </table>	<ul style="list-style-type: none"> <li>◆ <b>Éric de Seynes</b></li> <li>◆ <b>Monique Cohen</b></li> <li>◆ <b>Dominique Senequier</b></li> <li>◆ <b>Frédéric Afriat</b> (Employee representative)</li> <li>◆ <b>Dorothée Altmayer</b></li> <li>◆ <b>Charles-Éric Bauer</b></li> <li>◆ <b>Matthieu Dumas</b></li> <li>◆ <b>Blaise Guerrand</b></li> <li>◆ <b>Julie Guerrand</b></li> <li>◆ <b>Olympia Guerrand</b></li> <li>◆ <b>Sharon MacBeath</b></li> <li>◆ <b>Renaud Momméja</b></li> <li>◆ <b>Robert Peugeot</b></li> </ul>	<p>Chairman and member of the Supervisory Board</p> <p>Vice-Chairwoman and member of the Supervisory Board</p> <p>Vice-Chairwoman and member of the Supervisory Board</p> <p>Other members of the Supervisory Board</p>	<ul style="list-style-type: none"> <li>◆ <b>Monique Cohen</b></li> <li>◆ <b>Charles-Éric Bauer</b></li> <li>◆ <b>Sharon MacBeath</b></li> <li>◆ <b>Renaud Momméja</b></li> <li>◆ <b>Robert Peugeot</b></li> </ul>	<p>Chairwoman of the Audit and Risk Committee</p> <p>Audit and Risk Committee members</p>	<ul style="list-style-type: none"> <li>◆ <b>Dominique Senequier</b></li> <li>◆ <b>Matthieu Dumas</b></li> <li>◆ <b>Sharon MacBeath</b></li> <li>◆ <b>Robert Peugeot</b></li> </ul>	<p>Chairwoman of the CAG-CSR Committee</p> <p>Members of the CAG-CSR Committee</p>
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Information on sitting members of the Supervisory Board

**ERIC DE SEYNES**

	Direct descendant of Mr Émile-Maurice Hermès																															
<b>Position held</b>	Chairman and member of the Supervisory Board of Hermès International																															
<b>Membership of committees of the Board</b>	n/a																															
<b>Date of first appointment</b>	Mr Éric 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 and Risk 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.																															
<b>Date term ends</b>	2020 GM																															
<b>Age in 2019 (date of birth)</b>	59 years (9 June 1960)																															
<b>Nationality</b>	French																															
<b>Address</b>	c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris																															
<b>Shares held on 31 December 2018</b>	203 wholly-owned and registered																															
<b>Summary of main areas of expertise and experience</b>	Mr Éric de Seynes is a graduate of the 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.																															
<b>Main activities outside the Company</b>	Chairman and Chief Executive Officer of Yamaha Motor Europe																															
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n/a: not applicable.

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

## MONIQUE COHEN

<b>Position held</b>	Vice-Chairwoman and member of the Supervisory Board of Hermès International. Independent Board member						
<b>Membership of committees of the Board</b>	Chairwoman of the Audit and Risk Committee of Hermès International						
<b>Date of first appointment</b>	Ms Monique Cohen is an independent member of the Supervisory Board and Chairwoman of the Audit and Risk Committee since 3 June 2014.						
<b>Date term ends</b>	2020 GM						
<b>Age in 2019 (date of birth)</b>	63 years (28 January 1956)						
<b>Nationality</b>	French						
<b>Address</b>	c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris						
<b>Shares held on 31 December 2018</b>	250 wholly-owned and registered						
<b>Summary of main areas of expertise and experience</b>	<p>Ms Monique Cohen is a graduate of the École Polytechnique (X76), and holds a Master's degree in mathematics and a degree in business law.</p> <p>She began her career in 1979 at Paribas as a senior banker, then as the worldwide manager for equity-related métiers. Since 2000 she has been a partner at Apax Partners, in charge of investments in business services, financial services and healthcare.</p> <p>Ms Monique Cohen is a Lead Independent Director of the Safran group. 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 Financial Markets Authority.</p>						
<b>Main activities outside the Company</b>	Partner at Apax Partners in charge of investments in business services, financial services and healthcare						
<b>Offices and positions held during 2018</b>	<table border="0"> <tr> <td><b>in Hermès Group companies</b></td> <td><b>French companies</b> ▲</td> <td><b>Foreign companies</b> ▲</td> </tr> <tr> <td></td> <td>◆ <b>Hermès International</b> ●</td> <td>none</td> </tr> </table>	<b>in Hermès Group companies</b>	<b>French companies</b> ▲	<b>Foreign companies</b> ▲		◆ <b>Hermès International</b> ●	none
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▲ Hermès Group entity   ● Listed company   \* Office taken into account when calculating multiple offices

## DOMINIQUE SENEQUIER

<b>Position held</b>	Vice-Chairwoman and member of the Supervisory Board of Hermès International. Independent Board member	
<b>Membership of committees of the Board</b>	Chairwoman of the CAG-CSR Committee of Hermès International	
<b>Date of first appointment</b>	Ms Dominique Senequier is an independent member of the Supervisory Board and the Chairwoman of the CAG-CSR Committee since 4 June 2013	
<b>Date term ends</b>	2019 GM	
<b>Age in 2019 (date of birth)</b>	66 years (21 August 1953)	
<b>Nationality</b>	French	
<b>Address</b>	c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris	
<b>Shares held on 31 December 2018</b>	200 wholly-owned and registered	
<b>Summary of main areas of expertise and experience</b>	Ms Dominique Senequier is a graduate of the École Polytechnique (X72) and holds a postgraduate diploma (DEA) in Currency Banking Finance from the Sorbonne University. She began her career at Gan (1980) where she started up and developed the subsidiary Gan Participations, 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.	
<b>Main activities outside the Company</b>	Chairwoman of the Ardian Group	
<b>Offices and positions held during 2018</b>	<b>in Hermès Group companies</b>	<b>French companies</b> ▲ ◆ <b>Hermès International</b> ● Vice-Chairwoman and member of the Supervisory Board, Chairwoman of the CAG-CSR Committee
	<b>outside Hermès Group companies</b>	<b>French companies</b> ◆ <b>Ardian Holding</b> Permanent Representative of Senus SAS, Chairwoman ◆ <b>SCI 30 rue Jacob SCI</b> Executive Chairwoman ◆ <b>Senus SAS</b> Chairwoman ◆ <b>Théâtre des Champs-Élysées SA *</b> Director ◆ <b>Ydra SAS</b> Chairwoman
<b>Other offices and positions held during the previous four financial years and ending before 1 January 2018</b>	<b>French companies</b> ◆ <b>Ardian SA</b> Chairwoman of the Management Board (term ended on 24/06/2014) ◆ <b>Ardian France SA</b> Chairwoman of the Supervisory Board (term ended on 07/07/2015) Chairwoman of the Management Board (term ended on 08/04/2014) ◆ <b>AXA Infrastructure Investissement SAS</b> Chairwoman, member of the Management Board and of the Coordination Committee (term ended on 27/05/2014)	<b>Foreign companies</b> none
		<b>Foreign companies</b> ◆ <b>Ardian Investment Singapore Pte Ltd (Singapore)</b> Member of the Board of Directors ◆ <b>Ardian Investment Switzerland AG (Switzerland)</b> Chairwoman of the Board of Directors ◆ <b>Ardian Investment Switzerland Holding AG (Switzerland)</b> Chairwoman of the Board of Directors ◆ <b>Ardian Investment UK Ltd (United Kingdom)</b> Member of the Board of Directors, member of the ASF V, AESF V and ASF VI Committees ◆ <b>Ardian US LLC (USA)</b> Chairwoman of the Supervisory Board, member of the Investment Committees ASF III-2, AESF III-2, AESF IV and ANAF II ◆ <b>Ardian Beijing Consulting Limited Company LLC (China)</b> Member of the Board of Directors ◆ <b>Escoff Properties Corp. (USA)</b> Chairwoman ◆ <b>Seneq SA (Belgium)</b> Director

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

## FREDERIC AFRIAT

<b>Position held</b>	Employee representative member of the Supervisory Board of Hermès International.	
<b>Membership of committees of the Board</b>	n/a	
<b>Date of first appointment</b>	Mr Frédéric Afriat was appointed by the Group works council to the Supervisory Board as an employee representative on and with effect from 8 November 2016.	
<b>Date term ends</b>	8 November 2019	
<b>Age in 2019 (date of birth)</b>	49 years (10 September 1970)	
<b>Nationality</b>	French	
<b>Address</b>	c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris	
<b>Shares held on 31 December 2018</b>	90 wholly-owned and registered	
<b>Summary of main areas of expertise and experience</b>	<p>Mr Frédéric Afriat holds an accounting certificate (BTS) as well as an accounting degree (DECF) and has 26 years' experience in the accounting profession with various firms such as Roche Bobois, McDonald's France and Bouygues Construction.</p> <p>Chief accountant for ten 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 was employee representative for two terms of office: elected as a member of the works council, staff representative at Comptoir Nouveau de la Parfumerie (Hermès Parfums) and staff representative on the Group works council.</p>	
<b>Main activities outside the Company</b>	none	
<b>Offices and positions held during 2018</b>	<b>in Hermès Group companies</b> <ul style="list-style-type: none"> <li><b>French companies</b> ▲</li> <li>◆ <b>Hermès International</b> ● Employee representative on the Supervisory Board</li> <li>◆ <b>Comptoir Nouveau de la Parfumerie</b> Chief accountant</li> </ul>	<b>Foreign companies</b> ▲
		none
	<b>outside Hermès Group companies</b> <ul style="list-style-type: none"> <li><b>French companies</b></li> <li>none</li> </ul>	<b>Foreign companies</b>
<b>Other offices and positions held during the previous four financial years and ending before 1 January 2018</b>	<b>French companies</b>	<b>Foreign companies</b>
	none	none

n/a: not applicable.

<b>DOROTHEE ALTMAYER</b>	Direct descendant of Mr Émile-Maurice Hermès	
<b>Position held</b>	Member of the Hermès International Supervisory Board	
<b>Membership of committees of the Board</b>	n/a	
<b>Date of first appointment</b>	Ms Dorothee Altmayer has been a member of the Supervisory Board since 6 June 2017.	
<b>Date term ends</b>	2020 GM	
<b>Age in 2019 (date of birth)</b>	58 years (1 March 1961)	
<b>Nationality</b>	French	
<b>Address</b>	c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris	
<b>Shares held on 31 December 2018</b>	200 wholly-owned and registered	
<b>Summary of main areas of expertise and experience</b>	<p>Ms Dorothee Altmayer holds a degree in clinical psychology from the École de psychologues praticiens (EPP/Psychoprat) (1984), a diploma in graphology from the Société française de graphologie (1987) and a diploma in plastic arts mediation psychotherapy (2006).</p> <p>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.</p> <p>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.</p> <p>Since 2007 she has run her own private practice, specialising in parent-child interviews, psychological assessments and individual art therapy sessions for children.</p>	
<b>Main activities outside the Company</b>	Clinical psychology specialising in parent-child interviews, psychological assessments and individual art therapy sessions for children.	
<b>in Hermès Group companies</b>	<b>French companies</b> ▲	<b>Foreign companies</b> ▲
	<ul style="list-style-type: none"> <li>◆ <b>Hermès International</b> ● Member of the Supervisory Board</li> <li>◆ <b>Comptoir Nouveau de la Parfumerie *</b> Director</li> </ul>	none
<b>Offices and positions held during 2018</b>	<b>outside Hermès Group companies</b>	<b>French companies</b>
		<b>Foreign companies</b>
	<ul style="list-style-type: none"> <li>◆ <b>H2</b> Director</li> <li>◆ <b>Alvila</b> Executive Chairwoman</li> <li>◆ <b>Alvila Immobilier</b> Executive Chairwoman</li> </ul>	none
<b>Other offices and positions held during the previous four financial years and ending before 1 January 2018</b>	<b>French companies</b>	<b>Foreign companies</b>
	<ul style="list-style-type: none"> <li>◆ <b>Hermès Sellier</b> Member of the Management Board (term ended on 12/09/2017)</li> </ul>	none

n/a: not applicable.

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

## CHARLES-ERIC BAUER

	Direct descendant of Mr Émile-Maurice Hermès																															
<b>Position held</b>	Member of the Hermès International Supervisory Board																															
<b>Membership of committees of the Board</b>	Member of the Audit and Risk Committee of Hermès International																															
<b>Date of first appointment</b>	Mr Charles-Éric Bauer has been a member of the Supervisory Board since 3 June 2008. He has also been a member of the Audit and Risk Committee since its inception on 26 January 2005.																															
<b>Date term ends</b>	2019 GM																															
<b>Age in 2019 (date of birth)</b>	55 years (9 January 1964)																															
<b>Nationality</b>	French																															
<b>Address</b>	c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris																															
<b>Shares held on 31 December 2018</b>	73,648 wholly-owned and registered																															
<b>Summary of main areas of expertise and experience</b>	Mr 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, with an option in finance. He served as Co-Managing Director 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.																															
<b>Main activities outside the Company</b>	Managing Partner of Hem-Fi Conseil, a private equity firm																															
<b>Offices and positions held during 2018</b>	<table border="0"> <tr> <td><b>in Hermès Group companies</b></td> <td><b>French companies</b> ▲</td> <td><b>Foreign companies</b> ▲</td> </tr> <tr> <td></td> <td>◆ <b>Hermès International</b> ● Member of the Supervisory Board and Audit and Risk Committee</td> <td>none</td> </tr> <tr> <td><b>outside Hermès Group companies</b></td> <td><b>French companies</b></td> <td><b>Foreign companies</b></td> </tr> <tr> <td></td> <td>◆ <b>Almaren 2</b> Executive Chairman</td> <td>none</td> </tr> <tr> <td></td> <td>◆ <b>H51</b> Director</td> <td></td> </tr> <tr> <td></td> <td>◆ <b>Hem-Fi Conseil</b> Associate director</td> <td></td> </tr> <tr> <td></td> <td>◆ <b>Sabarots</b> Executive Chairman</td> <td></td> </tr> <tr> <td></td> <td>◆ <b>Samain B2</b> Executive Chairman</td> <td></td> </tr> <tr> <td></td> <td>◆ <b>Yundal</b> Executive Chairman</td> <td></td> </tr> <tr> <td></td> <td>◆ <b>Zumsee</b> Executive Chairman</td> <td></td> </tr> </table>	<b>in Hermès Group companies</b>	<b>French companies</b> ▲	<b>Foreign companies</b> ▲		◆ <b>Hermès International</b> ● Member of the Supervisory Board and Audit and Risk Committee	none	<b>outside Hermès Group companies</b>	<b>French companies</b>	<b>Foreign companies</b>		◆ <b>Almaren 2</b> Executive Chairman	none		◆ <b>H51</b> Director			◆ <b>Hem-Fi Conseil</b> Associate director			◆ <b>Sabarots</b> Executive Chairman			◆ <b>Samain B2</b> Executive Chairman			◆ <b>Yundal</b> Executive Chairman			◆ <b>Zumsee</b> Executive Chairman		
<b>in Hermès Group companies</b>	<b>French companies</b> ▲	<b>Foreign companies</b> ▲																														
	◆ <b>Hermès International</b> ● Member of the Supervisory Board and Audit and Risk Committee	none																														
<b>outside Hermès Group companies</b>	<b>French companies</b>	<b>Foreign companies</b>																														
	◆ <b>Almaren 2</b> Executive Chairman	none																														
	◆ <b>H51</b> Director																															
	◆ <b>Hem-Fi Conseil</b> Associate director																															
	◆ <b>Sabarots</b> Executive Chairman																															
	◆ <b>Samain B2</b> Executive Chairman																															
	◆ <b>Yundal</b> Executive Chairman																															
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<b>Other offices and positions held during the previous four financial years and ending before 1 January 2018</b>	<table border="0"> <tr> <td><b>French companies</b></td> <td><b>Foreign companies</b></td> </tr> <tr> <td>◆ <b>Almaren</b> Manager (term ended on 27/12/2015)</td> <td>none</td> </tr> </table>	<b>French companies</b>	<b>Foreign companies</b>	◆ <b>Almaren</b> Manager (term ended on 27/12/2015)	none																											
<b>French companies</b>	<b>Foreign companies</b>																															
◆ <b>Almaren</b> Manager (term ended on 27/12/2015)	none																															

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

<b>MATTHIEU DUMAS</b>	Direct descendant of Mr Émile-Maurice Hermès	
<b>Position held</b>	Member of the Hermès International Supervisory Board	
<b>Membership of committees of the Board</b>	Member of the CAG-CSR Committee of Hermès International	
<b>Date of first appointment</b>	Mr Matthieu Dumas has been a member of the Supervisory Board and member of the CAG-CSR Committee since 3 June 2008.	
<b>Date term ends</b>	2021 GM	
<b>Age in 2019 (date of birth)</b>	47 years (6 December 1972)	
<b>Nationality</b>	French	
<b>Address</b>	c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris	
<b>Shares held on 31 December 2018</b>	213 wholly-owned and registered	
<b>Summary of main areas of expertise and experience</b>	<p>Mr Matthieu Dumas holds a Masters in law from the 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 was appointed Brand Manager of 13<sup>e</sup> Rue, NBC Universal Group, then Deputy Managing Director of all PureScreens brands in 2010, before holding the position of Marketing and Communication Manager of the Discovery Channel in France from 2011 to 2013.</p> <p>Mr Matthieu Dumas has been certified as a Company Director (ASC France) by the IFA and Sciences Po since 2015.</p> <p>Since 2013 he has been the manager of EAQUE.</p>	
<b>Main activities outside the Company</b>	Managing Partner of Hem-Fi Conseil, a private equity firm.	
<b>in Hermès Group companies</b>	<b>French companies</b> ▲ <ul style="list-style-type: none"> <li>◆ <b>Hermès International</b> ● Member of the Supervisory Board and of the CAG-CSR Committee</li> <li>◆ <b>Comptoir Nouveau de la Parfumerie *</b> Director</li> </ul>	<b>Foreign companies</b> ▲ <ul style="list-style-type: none"> <li>none</li> </ul>
<b>Offices and positions held during 2018</b>	<b>outside Hermès Group companies</b> <ul style="list-style-type: none"> <li><b>French companies</b> <ul style="list-style-type: none"> <li>◆ <b>Asope</b> Executive Chairman</li> <li>◆ <b>Axam 2</b> Executive Chairman</li> <li>◆ <b>BOVES</b> Executive Chairman</li> <li>◆ <b>DRestauration</b> Executive Chairman</li> <li>◆ <b>Eaque</b> Executive Chairman</li> <li>◆ <b>H2</b> Chairman and Director</li> <li>◆ <b>HECATE</b> Executive Chairman</li> <li>◆ <b>Krefeld</b> Chairman and Director</li> <li>◆ <b>Krefeld Immo</b> Chairman and Director</li> <li>◆ <b>Krefeld AREF</b> Chairman and Director (since 10/12/2018)</li> <li>◆ <b>Krefeld INFRA</b> Chairman and Director (since 10/12/2018)</li> </ul> </li> <li><b>Foreign companies</b> <ul style="list-style-type: none"> <li>none</li> </ul> </li> </ul>	

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

<b>Offices and positions held during 2018</b>	<b>outside Hermès Group companies</b>	<ul style="list-style-type: none"> <li>◆ <b>LDMD</b> Executive Chairman</li> <li>◆ <b>Mathel</b> Executive Chairman</li> <li>◆ <b>Hestia</b> Executive Chairman (since 27/09/2018)</li> <li>◆ <b>SIFAH</b> Director (since 10/12/2018)</li> </ul>
<b>Other offices and positions held during the previous four financial years and ending before 1 January 2018</b>	<b>French companies</b>	<b>Foreign companies</b>
	<i>none</i>	<i>none</i>

3

<b>BLAISE GUERRAND</b>	Direct descendant of Mr Émile-Maurice Hermès																			
<b>Position held</b>	Member of the Hermès International Supervisory Board																			
<b>Membership of committees of the Board</b>	n/a																			
<b>Date of first appointment</b>	Mr Blaise Guerrand has been a member of the Supervisory Board since 29 May 2012.																			
<b>Date term ends</b>	2021 GM																			
<b>Age in 2019 (date of birth)</b>	36 years (4 June 1983)																			
<b>Nationality</b>	French																			
<b>Address</b>	c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris																			
<b>Shares held on 31 December 2018</b>	200 wholly-owned and registered																			
<b>Summary of main areas of expertise and experience</b>	Mr 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.																			
<b>Main activities outside the Company</b>	Managing Partner in corporate takeovers																			
<b>Offices and positions held during 2018</b>	<table border="0"> <tr> <td><b>in Hermès Group companies</b></td> <td><b>French companies</b> ▲</td> <td><b>Foreign companies</b> ▲</td> </tr> <tr> <td></td> <td>◆ <b>Hermès International</b> ● Member of the Supervisory Board</td> <td>none</td> </tr> <tr> <td></td> <td>◆ <b>Hermès Sellier</b> Member of the Management Board</td> <td></td> </tr> </table> <table border="0"> <tr> <td><b>outside Hermès Group companies</b></td> <td><b>French companies</b></td> <td><b>Foreign companies</b></td> </tr> <tr> <td></td> <td>◆ <b>SCI Sèvres SCIAFH</b> Executive Chairman</td> <td>◆ <b>ACCESS Health International (USA)</b> Director</td> </tr> <tr> <td></td> <td></td> <td>◆ <b>Jakyval (Luxembourg)</b> Director</td> </tr> </table>	<b>in Hermès Group companies</b>	<b>French companies</b> ▲	<b>Foreign companies</b> ▲		◆ <b>Hermès International</b> ● Member of the Supervisory Board	none		◆ <b>Hermès Sellier</b> Member of the Management Board		<b>outside Hermès Group companies</b>	<b>French companies</b>	<b>Foreign companies</b>		◆ <b>SCI Sèvres SCIAFH</b> Executive Chairman	◆ <b>ACCESS Health International (USA)</b> Director			◆ <b>Jakyval (Luxembourg)</b> Director	
<b>in Hermès Group companies</b>	<b>French companies</b> ▲	<b>Foreign companies</b> ▲																		
	◆ <b>Hermès International</b> ● Member of the Supervisory Board	none																		
	◆ <b>Hermès Sellier</b> Member of the Management Board																			
<b>outside Hermès Group companies</b>	<b>French companies</b>	<b>Foreign companies</b>																		
	◆ <b>SCI Sèvres SCIAFH</b> Executive Chairman	◆ <b>ACCESS Health International (USA)</b> Director																		
		◆ <b>Jakyval (Luxembourg)</b> Director																		
<b>Other offices and positions held during the previous four financial years and ending before 1 January 2018</b>	<table border="0"> <tr> <td><b>French companies</b></td> <td><b>Foreign companies</b></td> </tr> <tr> <td>none</td> <td>◆ <b>Avest Capital (Mauritius)</b> Director (term ended on 29/12/2015)</td> </tr> </table>	<b>French companies</b>	<b>Foreign companies</b>	none	◆ <b>Avest Capital (Mauritius)</b> Director (term ended on 29/12/2015)															
<b>French companies</b>	<b>Foreign companies</b>																			
none	◆ <b>Avest Capital (Mauritius)</b> Director (term ended on 29/12/2015)																			

n/a: not applicable.

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

<b>JULIE GUERRAND</b>	Direct descendant of Mr Émile-Maurice Hermès		
<b>Position held</b>	Member of the Hermès International Supervisory Board		
<b>Membership of committees of the Board</b>	n/a		
<b>Date of first appointment</b>	Ms Julie Guerrand has been a member of the Supervisory Board since 2 June 2005. She was also a member of the Audit Committee (now the Audit and Risk Committee) from its inception on 26 January 2005 until 2 March 2011.		
<b>Date term ends</b>	2019 GM		
<b>Age in 2019 (date of birth)</b>	44 years (26 February 1975)		
<b>Nationality</b>	French		
<b>Address</b>	c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris		
<b>Shares held on 31 December 2018</b>	5,825 wholly-owned and registered		
<b>Summary of main areas of expertise and experience</b>	<p>Ms Julie Guerrand holds a DEUG advanced degree in applied mathematics and social sciences and a Masters in Economics and Industrial Strategy from the Université Paris IX-Dauphine. Between 1998 and 2006 she worked in the financial affairs department (mergers &amp; acquisitions) of investment bank Rothschild &amp; Cie. From 2007 to 2011 she was Director of Equity Investments in the investment team at Paris Orléans, a holding company listed on Euronext and controlled by the Rothschild family. She held positions in 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.</p> <p>Ms Julie Guerrand has been certified as a Company Director (ASC France) by the IFA and Sciences Po since 2014.</p>		
<b>Main activities outside the Company</b>	Company Director		
	<b>in Hermès Group companies</b>	<b>French companies</b> ▲	<b>Foreign companies</b> ▲
		◆ <b>Hermès International</b> ● Member of the Supervisory Board	none
<b>Offices and positions held during 2018</b>	<b>outside Hermès Group companies</b>	<b>French companies</b>	<b>Foreign companies</b>
		◆ <b>Antonino</b> Executive Chairwoman	◆ <b>Jakyval (Luxembourg)</b> Director
		◆ <b>H51</b> Chairwoman	
		◆ <b>Idi</b> Member of the Supervisory Board	
		◆ <b>Jerocaro</b> Executive Chairwoman	
		◆ <b>La mazarine-SCIFAH</b> Executive Chairwoman	
		◆ <b>Les domaines Barons de Rothschild (Lafite)</b> Member of the Supervisory Board	
		◆ <b>SCI Apremont</b> Executive Chairwoman	
		◆ <b>SCI Briand Villiers I</b> Executive Chairwoman (term ended on 19/04/2018)	
		◆ <b>SCI Briand Villiers II</b> Executive Chairwoman	
		◆ <b>SCI 8 Drouot</b> Executive Chairwoman	
		◆ <b>SIFAH</b> Director	
		◆ <b>Société Immobilière du Dragon</b> Executive Chairwoman	
		◆ <b>Val d'Isère CaroJero</b> Executive Chairwoman	
		◆ <b>Vie et Veranda Groupe *</b> Director	

n/a: not applicable.

▲ 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 1 January 2018**

**French companies**

- ◆ **Compagnie des Cuirs Précieux** ▲  
Deputy Managing Director – Finance and Organisation (term ended on 15/04/2017)
- ◆ **Hermès Cuirs Précieux** ▲  
Member of the Management Board (term ended on 15/04/2017)
- ◆ **28-30-32 Faubourg-Saint-Honoré**  
Director (term ended on 15/07/2015)

**Foreign companies**

*none*

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

## OLYMPIA GUERRAND

	Direct descendant of Mr Émile-Maurice Hermès	
<b>Position held</b>	Member of the Hermès International Supervisory Board	
<b>Membership of committees of the Board</b>	n/a	
<b>Date of first appointment</b>	Ms Olympia Guerrand has been a member of the Supervisory Board since 6 June 2017.	
<b>Date term ends</b>	2021 GM	
<b>Age in 2019 (date of birth)</b>	42 years (7 October 1977)	
<b>Nationality</b>	Franco-Portuguese	
<b>Address</b>	c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris	
<b>Shares held on 31 December 2018</b>	306,312 wholly-owned and registered	
<b>Summary of main areas of expertise and experience</b>	Ms 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, métiers, production units and stores). She has been a real estate administrator since 2008.	
<b>Main activities outside the Company</b>	Real estate administrator	
<b>in Hermès Group companies</b>	<b>French companies</b> ▲ ◇ <b>Hermès International</b> ● Member of the Supervisory Board	<b>Foreign companies</b> ▲ none
<b>Offices and positions held during 2018</b>	<b>outside Hermès Group companies</b> <b>French companies</b> none	<b>French companies</b> <b>Foreign companies</b> none
<b>Other offices and positions held during the previous four financial years and ending before 1 January 2018</b>	<b>French companies</b> none	<b>Foreign companies</b> none

n/a: not applicable.

## SHARON MACBEATH

<b>Position held</b>	Member of the Hermès International Supervisory Board. Independent Board member	
<b>Membership of committees of the Board</b>	Member of the Audit and Risk Committee of Hermès International Member of the CAG-CSR Committee	
<b>Date of first appointment</b>	Ms Sharon MacBeath was a member of the Supervisory Board from 31 May 2016. She was also a member of the Audit and Risk committee from 31 May 2016 and a member of the CAG-CSR Committee from 6 June 2017.	
<b>Date term ends</b>	Ms Sharon MacBeath resigned from her post as a member of the Supervisory Board as of 20 March 2019 for personal reasons.	
<b>Age in 2019 (date of birth)</b>	50 years (30 March 1969)	
<b>Nationality</b>	British	
<b>Address</b>	c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris	
<b>Shares held on 31 December 2018</b>	200 wholly-owned and registered	
<b>Summary of main areas of expertise and experience</b>	Ms Sharon MacBeath is a graduate of Glasgow University, the Panthéon-Sorbonne University and INSEAD. Her background has been enriched by her diversity of experiences, in the manufacturing world as well as retail 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 Director at Rexam, where she was primarily in charge of risk management issues, and Senior Vice-President (SVP) of Human Resources and Communications at Redcats. From 2013 to 2016 she served as Group Senior Human Resources Vice-President (SVP) 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.	
<b>Main activities outside the Company</b>	Director of Human Resources and Communications of the Tarkett Group and a member of its Executive Committee and Management Board	
<b>in Hermès Group companies</b>	<b>French companies</b> ▲ ◆ <b>Hermès International</b> ● Member of the Supervisory Board Member of the Audit and Risk committee Member of the CAG-CSR Committee	<b>Foreign companies</b> ▲ none
<b>Offices and positions held during 2018</b>	<b>French companies</b> ◆ <b>Tarkett</b> Human Resources and Communication Director, member of the Executive Committee and the Management Board ◆ <b>Coface</b> ●* Independent director	<b>Foreign companies</b> none
<b>outside Hermès Group companies</b>		
<b>Other offices and positions held during the previous four financial years and ending before 1 January 2018</b>	<b>French companies</b> ◆ <b>Rexel</b> ● Senior Vice-President, Human Resources, member of the Executive Committee (term ended on 31/10/2016)	<b>Foreign companies</b> none

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

## RENAUD MOMMEJA

	Direct descendant of Mr Émile-Maurice Hermès
<b>Position held</b>	Member of the Hermès International Supervisory Board
<b>Membership of committees of the Board</b>	Member of the Audit and Risk Committee of Hermès International since 3 June 2008
<b>Date of first appointment</b>	Mr Renaud Momméja has been a member of the Supervisory Board since 2 June 2005.
<b>Date term ends</b>	2020 GM
<b>Age in 2019 (date of birth)</b>	57 years (20 March 1962)
<b>Nationality</b>	French
<b>Address</b>	c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris
<b>Shares held on 31 December 2018</b>	175,132 wholly-owned and registered
<b>Summary of main areas of expertise and experience</b>	Mr Renaud Momméja is a graduate of the <i>École Supérieure Libre des Sciences Commerciales Appliquées</i> (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.
<b>Main activities outside the Company</b>	Executive Chairman of SARL Tolazi and Representative of SC Lor on the Executive Management of SC du Château Fourcas Hosten
<b>Offices and positions held during 2018</b>	<b>in Hermès Group companies</b>
	<p><b>French companies</b> ▲</p> <ul style="list-style-type: none"> <li>◆ <b>Hermès International</b> ● Member of the Supervisory Board and Audit and Risk Committee</li> <li>◆ <b>Comptoir Nouveau de la Parfumerie *</b> Director</li> </ul>
	<b>outside Hermès Group companies</b>
	<p><b>French companies</b></p> <ul style="list-style-type: none"> <li>◆ <b>Altizo</b> Executive Chairman</li> <li>◆ <b>Binc</b> Executive Chairman</li> <li>◆ <b>GFA Château Fourcas Hosten</b> Executive Co-Chairman</li> <li>◆ <b>H2</b> Director</li> <li>◆ <b>HUSO *</b> Director</li> <li>◆ <b>Lor</b> Executive Co-Chairman</li> <li>◆ <b>Rose Investissement</b> Executive Chairman</li> <li>◆ <b>SARL Tolazi</b> Executive Chairman</li> <li>◆ <b>SCI AJImmo</b> Executive Co-Chairman</li> <li>◆ <b>SCI Auguste Hollande</b> Executive Co-Chairman</li> <li>◆ <b>SCI Briand Villiers I</b> Executive Chairman</li> <li>◆ <b>SCI Briand Villiers II</b> Executive Chairman</li> <li>◆ <b>SCI de l'Univers</b> Executive Chairman</li> <li>◆ <b>SCI du 74 rue du Faubourg-Saint-Antoine</b> Executive Co-Chairman</li> <li>◆ <b>Société civile du Château Fourcas Hosten</b> Permanent Representative of Lor, Executive Chairman</li> <li>◆ <b>SIFAH</b> Chairman</li> <li>◆ <b>SCI Tibemo</b> Executive Co-Chairman</li> <li>◆ <b>SCI Zotila Vaugirard</b> Chairman</li> </ul> <p><b>Foreign companies</b></p> <p>none</p>

▲ 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 1 January 2018**

**French companies**

- ◆ **28-30-32 Faubourg-Saint-Honoré**  
Chairman (term ended on 02/07/2015)
- ◆ **H2**  
Chairman (term ended on 18/05/2016)
- ◆ **Société immobilière du Faubourg-Saint-Honoré  
“SIFAH”**  
Executive Chairman  
(term ended on 02/07/2015)

**Foreign companies**

*none*

## ROBERT PEUGEOT

<b>Position held</b>	Member of the Hermès International Supervisory Board Independent Board member (until 24 January 2019) <sup>1</sup>									
<b>Membership of committees of the Board</b>	Member of the Audit and Risk Committee and of the CAG-CSR Committee of Hermès International									
<b>Date of first appointment</b>	Mr Robert Peugeot has been a member of the Supervisory Board of Hermès International since 24 January 2007. He is also a member of the Audit and Risk Committee and of the CAG-CSR Committee of Hermès International since 3 June 2008.									
<b>Date term ends</b>	2019 GM									
<b>Age in 2019 (date of birth)</b>	69 years (25 April 1950)									
<b>Nationality</b>	French									
<b>Address</b>	c/o Hermès International, 24, rue du Faubourg-Saint-Honoré 75008 Paris									
<b>Shares held on 31 December 2018</b>	200 wholly-owned and registered									
<b>Summary of main areas of expertise and experience</b>	After his studies at the École Centrale de Paris and INSEAD, Mr 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.									
<b>Main activities outside the Company</b>	Permanent Representative of FFP to the Supervisory Board of Peugeot SA, a member of the Financial and Audit Committee and Chairman of the Strategic Committee Development Director of FFP									
<b>Offices and positions held during 2018</b>	<table border="1"> <thead> <tr> <th>in Hermès Group companies</th> <th>French companies ▲</th> <th>Foreign companies ▲</th> </tr> </thead> <tbody> <tr> <td><b>outside Hermès Group companies<sup>2</sup></b></td> <td> <b>French companies</b> <ul style="list-style-type: none"> <li>◆ <b>Hermès International</b> ● Member of the Supervisory Board</li> <li>Member of the Audit and Risk Committee</li> <li>Member of the CAG-CSR Committee</li> </ul> </td> <td>none</td> </tr> <tr> <td></td> <td> <b>French companies</b> <ul style="list-style-type: none"> <li>◆ <b>CHP Gestion</b> Executive Chairman</li> <li>◆ <b>Établissements Peugeot Frères-EPF *</b> Director, Chairman of the Accounts Committee</li> <li>◆ <b>Faurecia</b> ● Director, member of the Management Committee</li> <li>◆ <b>FFP</b> ●* Chairman and CEO, Chairman of the Equity Investments Committee</li> <li>◆ <b>FFP Invest</b> Permanent Representative of FFP, Chairman</li> <li>◆ <b>Financière Guiraud SAS</b> Permanent representative of FFP Invest, Chairman and member of the Supervisory Board</li> <li>◆ <b>PSA Peugeot Citroën (Peugeot SA)</b> ● Permanent representative of FFP, member of the Supervisory Board, Chairman of the Strategy Committee and member of the Finance and Audit Committee</li> <li>◆ <b>SCAV Armene</b> Permanent representative of Maillot I on the Board of Directors</li> <li>◆ <b>SC Rodom</b> Executive Chairman</li> <li>◆ <b>Tikehau Capital Advisors</b> Member of the Board of Directors and member of the Compensation Committee</li> <li>◆ <b>Safran</b> ●* Permanent Representative of FFP, Director, and member of the Audit and Risk committee (since 25/05/2018)</li> </ul> </td> <td> <b>Foreign companies</b> <ul style="list-style-type: none"> <li>◆ <b>DKSH</b> ● (Switzerland) Director, member of the Compensation and Appointments Committee</li> <li>◆ <b>Sofina</b> ● (Belgium) Director, Chairman of the Compensation Committee and Chairman of the Appointments Committee</li> <li>◆ <b>FFP Investment UK Ltd</b> Director</li> </ul> </td> </tr> </tbody> </table>	in Hermès Group companies	French companies ▲	Foreign companies ▲	<b>outside Hermès Group companies<sup>2</sup></b>	<b>French companies</b> <ul style="list-style-type: none"> <li>◆ <b>Hermès International</b> ● Member of the Supervisory Board</li> <li>Member of the Audit and Risk Committee</li> <li>Member of the CAG-CSR Committee</li> </ul>	none		<b>French companies</b> <ul style="list-style-type: none"> <li>◆ <b>CHP Gestion</b> Executive Chairman</li> <li>◆ <b>Établissements Peugeot Frères-EPF *</b> Director, Chairman of the Accounts Committee</li> <li>◆ <b>Faurecia</b> ● Director, member of the Management Committee</li> <li>◆ <b>FFP</b> ●* Chairman and CEO, Chairman of the Equity Investments Committee</li> <li>◆ <b>FFP Invest</b> Permanent Representative of FFP, Chairman</li> <li>◆ <b>Financière Guiraud SAS</b> Permanent representative of FFP Invest, Chairman and member of the Supervisory Board</li> <li>◆ <b>PSA Peugeot Citroën (Peugeot SA)</b> ● Permanent representative of FFP, member of the Supervisory Board, Chairman of the Strategy Committee and member of the Finance and Audit Committee</li> <li>◆ <b>SCAV Armene</b> Permanent representative of Maillot I on the Board of Directors</li> <li>◆ <b>SC Rodom</b> Executive Chairman</li> <li>◆ <b>Tikehau Capital Advisors</b> Member of the Board of Directors and member of the Compensation Committee</li> <li>◆ <b>Safran</b> ●* Permanent Representative of FFP, Director, and member of the Audit and Risk committee (since 25/05/2018)</li> </ul>	<b>Foreign companies</b> <ul style="list-style-type: none"> <li>◆ <b>DKSH</b> ● (Switzerland) Director, member of the Compensation and Appointments Committee</li> <li>◆ <b>Sofina</b> ● (Belgium) Director, Chairman of the Compensation Committee and Chairman of the Appointments Committee</li> <li>◆ <b>FFP Investment UK Ltd</b> Director</li> </ul>
in Hermès Group companies	French companies ▲	Foreign companies ▲								
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- On 24 January 2019, Robert Peugeot's term of office reached 12 years. He was reappointed at the General Meeting of 5 June 2018 for a period of one year so as to replace him under the best possible conditions with a new independent member of the Supervisory Board at the General Meeting to be held in 2019.
- Robert Peugeot holds six other appointments in listed companies, but five 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.

<b>outside Hermès Group companies</b> <ul style="list-style-type: none"> <li>◆ <b>Soparexo SCA</b> Member of the Supervisory Board (since 29/06/2018)</li> <li>◆ <b>F&amp;P</b> Chairman (since 28/02/2018)</li> </ul>	<b>French companies</b> <ul style="list-style-type: none"> <li>◆ <b>SANEF</b> Permanent representative of FFP Invest on the Board of Directors, Chairman of the Compensation and Appointments Committee (term ended on 28/04/2017) Director, Chairman of the Compensation and Appointments Committee (term ended on 17/06/2014)</li> <li>◆ <b>Imerys</b> ● Director, member of the Strategic Committee, member of the Appointments and Compensation Committee (term ended on 04/05/2016)</li> <li>◆ <b>Holding Reinier</b> Director, member of the Compensation Committee, member of the Strategic Committee (term ended on 03/09/2016)</li> <li>◆ <b>Peugeot SA</b> ● Chairman of the Strategic Committee, member of the Finance and Audit Committee (term ended on 25/04/2014) Member of the Supervisory Board (term ended on 25/04/2014)</li> <li>◆ <b>Zodiac Aerospace</b> Permanent representative of FFP Invest on the Supervisory Board, member of the Accounts Committee (term ended on 16/07/2014)</li> </ul>	<b>Foreign companies</b> <ul style="list-style-type: none"> <li>◆ <b>IDI Emerging Markets (Luxembourg)</b> Permanent representative of FFP Invest on the Supervisory Board (term ended on 15/06/2015) Member of the Supervisory Board (term ended on 13/05/2014)</li> </ul>
<p>▲ Hermès Group entity   ● Listed company   * Office taken into account when calculating multiple offices</p>		

### 3.1.4.5 Diversity policy applied within the Supervisory Board

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

Pursuant to Article L. 225-37-4 (6) of the French Commercial Code, we hereby report to you on the diversity policy applied to members of the Supervisory Board based on criteria such as age, gender or qualifications and professional experience, and provide a description of the objectives of this policy, its means of implementation and the results obtained in the year ended.

Since 2011, the CAG-CSR Committee has been assigned the duty 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-CSR Committee has organised its duties 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 has been presented 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)
in 2018	2017 (page 142)

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, their means of implementation and the results achieved at the end of 2018 are as follows:

<b>Criteria used</b>	<b>Objectives set in 2014</b>	<b>Means of implementation and results at 31 December 2018</b>
<b>Optimal size (number of Board members)</b>  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).	<b>Objective:</b> 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.	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).
<b>Age limit</b>	Article 18.3 of the Articles of Association states that the number of members aged over 75 cannot exceed one-third of the total. <b>Objective:</b> make no changes as the current rule under the Articles of Association is satisfactory.	Unchanged.
<b>Gender parity</b>	End of 2011: 20% women and 80% men. <b>Objective:</b> reach at least 40% of each gender by 2017 in accordance with Article L. 226-4-1 of the French Commercial Code.	Appointments of Ms Dominique Senequier in 2013 and Ms Monique Cohen in 2014. End-2014: 40% women and 60% men. Appointment of Ms Sharon MacBeath in 2016 and Ms Dorothée Altmayer and Ms Olympia Guerrand in 2017. Since end-2017: 50% women and 50% men.
<b>Number of independent members</b>	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). <b>Objectives:</b> <ul style="list-style-type: none"> <li>◆ replace the two independent members (Mr Ernest-Antoine Sellière and Mr Maurice de Kervenoaël) who would be over 75 years old 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 and Risk Committee in 2014.</li> </ul>	Appointment of Ms Dominique Senequier to the Board in 2013. Appointment of Ms Monique Cohen to the Board and the Audit Committee (now the Audit and Risk Committee) in 2014. Appointment of Ms Sharon MacBeath to the Board and the Audit Committee (now the Audit and Risk Committee) in 2016 and to the Compensation, Appointments and Governance Committee in 2017 (now the CAG-CSR Committee). End-2018: 1/3 independent members.
<b>Nationalities, international experience, expertise (highlighting the missing talents/typical profiles needed to improve the running of the Board).</b>	<b>Objectives:</b> <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>	Appointment of Ms Dominique Senequier to the Board in 2013 (financial profile). Appointment of Ms Monique Cohen in 2014 (financial profile, Audit Committee experience). Appointment of Ms Sharon MacBeath in 2016 (experience in human resources and British nationality). Appointment in 2017 of Ms Dorothée Altmayer (experience in human resources and psychology) and Ms Olympia Guerrand (international experience and dual nationality).
<b>Possibility of appointing a non-voting member</b>	<b>Objective:</b> unfavourable because this role can be entrusted to a Board member without the need to appoint a non-voting member.	Unchanged.

<b>Criteria used</b>	<b>Objectives set in 2014</b>	<b>Means of implementation and results at 31 December 2018</b>
<b>Employee representative members</b>	<p>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 the law of 14 June 2013 on employment security. The member(s) representing employees will be appointed by the Group works council, 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>	<p>Amendment of the Articles of Association at the 2014 General Meeting. Appointment of an employee representative to the Board at the end of 2014.</p>

Pursuant to Article L. 225-37-4 of the French Commercial Code, the objectives set in 2019 and the achievements to date are as follows::

<b>Criteria used</b>	<b>Objectives set in 2019</b>	<b>Current achievements</b>
<b>Nationalities, international experience, expertise (highlighting the missing talents/typical profiles needed to improve the running of the Board).</b>	Mr Robert Peugeot had served for 12 years of office on 24 January 2019. He has therefore lost his status as independent Board member of the Supervisory Board according to the criteria set out in the AFEP-MEDEF Corporate Governance Code.	At the publication date of this Registration Document, the selection process is continuing in order to be able to propose, at the General Meeting of 4 June 2019, the appointment of two new independent members to replace Mr Robert Peugeot and Ms Sharon MacBeath.
<b>Number of independent members</b>	<p>He was reappointed at the General Meeting of 5 June 2018 for a period of one year so as to replace him under the best possible conditions with a new independent member of the Supervisory Board at the General Meeting to be held in 2019. In 2018, the Supervisory Board deemed it better to have a slightly lower proportion of independent members on the Board (25%) and Audit and Risk committee (40%) than required by the AFEP-MEDEF Code for a few months rather than to waive one of the independence criteria with regard to Robert Peugeot.</p> <p>Upon the planned replacement of Mr Robert Peugeot in 2019, the Supervisory Board has set itself the objective of taking on a new independent Board member.</p> <p>Ms Sharon MacBeath resigned from her post as a member of the Supervisory Board with effect from 20 March 2019 for personal reasons. The Supervisory Board set itself the goal of replacing her with a new independent member of the Supervisory Board.</p>	<p>The selection process is being conducted as follows:</p> <ul style="list-style-type: none"> <li>◆ a recruitment advisor is tasked with identifying candidates (male and/or female) in addition to those proposed by the Executive Management Board and Supervisory Board;</li> <li>◆ the profiles of around thirty male or female candidates, from a variety of backgrounds, but likely to be interested in joining the Supervisory Board, are then preselected by the recruitment advisor;</li> <li>◆ on the basis of a detailed report and an oral presentation from the Recruitment advisor, the Chairman of the Supervisory Board and a member of the CAG-CSR Committee draw up a shortlist of candidates whom they will meet individually;</li> <li>◆ the selected candidates then meet the other members of the CAG-CSR Committee and the Executive Chairmen;</li> <li>◆ the CAG-CSR Committee discusses the results of these interviews and submits its recommendations to the Émile Hermès SARL Management Board and the Supervisory Board;</li> <li>◆ finally, the Émile Hermès SARL Management Board and Supervisory Board decide on the appointments to propose to the General Meeting.</li> </ul> <p>Proposals will also be made to the General Meeting of 4 June 2019 to reappoint Mr Charles-Éric Bauer, Ms Julie Guerrand and Ms Dominique Senequier for a period of three years as set out in the Articles of Association.</p> <p>Information regarding these persons is provided on pages 159, 163 and 156.</p> <p>Subject to the identification of candidates, male or female, and approval by the Combined General Meeting of 4 June 2019, these appointments and reappointments would restore:</p> <ul style="list-style-type: none"> <li>◆ the proportion of independent members on the Supervisory Board<sup>1</sup> and committees in accordance with the requirements of the AFEP-MEDEF Code;</li> <li>◆ a balanced representation of men and women on the Supervisory Board<sup>1</sup>, i.e. 50% and 50% respectively.</li> </ul>

(1) Only Board Members appointed by the General Meeting are included in the calculation of these percentages, and not Board members representing employees, in application of the AFEP-MEDEF Code.

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

31/12	2011	2012	2013	2014	2015	2016	2017	2018	2019 <sup>1</sup>
Number	10	11	11	10	10	10	12	12	11
F	20%	18%	27%	40%	40%	40%	50%	50%	45.45%
M	80%	82%	73%	60%	60%	60%	50%	50%	54.55%
Employee rep.	n/a	n/a	n/a	1	1	1	1	1	1

*n/a: not applicable.*

(1) At the date of publication of this Registration Document.

### 3.1.4.6 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:

- ◆ Comply with the criteria set out in the AFEP-MEDEF Code (Article 8.5 of the version revised in June 2018):

<b>Criterion 1:</b>	<b><i>Employee or Corporate Officer in the previous five years</i></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 Corporate Officer of the Company;</li> <li>◆ an employee, Executive Corporate Officer or a director of a company consolidated by the Company;</li> <li>◆ an employee, Executive Corporate Officer or a director of the Company's parent company or a company consolidated by this parent.</li> </ul>
<b>Criterion 2:</b>	<b><i>Cross-directorships</i></b>
	Not to be an Executive Corporate Officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an Executive Corporate Officer of the Company (currently in office or having held such office during the last five years) is a director.
<b>Criterion 3:</b>	<b><i>Significant business relationships</i></b>
	Not to be a customer, supplier, commercial banker, investment banker or consultant: <ul style="list-style-type: none"> <li>◆ that is material to the Company or its group;</li> <li>◆ or for which the Company or its group represents a significant part of its business.</li> </ul> The assessment of the significant or non-significant relationship with the Company or its group must be debated by the Board and the quantitative and qualitative criteria that lead to the assessment (continuity, economic dependence, exclusivity, etc.) must be explicitly stated in the annual report.
<b>Criterion 4:</b>	<b><i>Family ties</i></b>
	Not to be related by close family ties to a Corporate Officer.
<b>Criterion 5:</b>	<b><i>Statutory Auditor</i></b>
	Not to have been a Statutory Auditor of the Company within the previous five years.
<b>Criterion 6:</b>	<b><i>Term of office exceeding twelve years</i></b>
	Not to have been a Director of the company for more than twelve years. The status of independent director is lost on the anniversary date of the twelve years.
<b>Criterion 7:</b>	<b><i>Status of the non-Executive Corporate Officer</i></b>
	A non-Executive Corporate Officer cannot be considered as independent if he/she receives variable compensation in cash or in shares or any compensation linked to the performance of the Company or the Group.
<b>Criterion 8:</b>	<b><i>Status of main shareholder</i></b>
	Directors representing main shareholders of the Company or its parent company can be considered as independent provided that they do not contribute to the control of the Company. However, beyond the threshold of 10% shareholding or voting rights, the Board, based on the report of the Appointments Committee, systematically reviews the qualification of independence, by taking into account the share ownership in the Company and the existence of a potential conflict of interest.

- ◆ Comply with an additional criterion specific to Hermès International:

<b>Criterion 9:</b>	<b><i>Status of Partner or member of the Executive Management Board of the Active Partner.</i></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, as at 31 December 2018, in respect of the above criteria**

On 31 December 2018, the Board examined the situation of each of its members in respect of the above criteria on a case-by-case basis and deemed four of them to be "independent": Ms Monique Cohen, Ms

Dominique Senequier, Ms Sharon MacBeath, and Mr Robert Peugeot. In particular, the Board identified no significant business relationships between its members and the Company. This review is performed each year on the basis of a questionnaire sent to all Supervisory Board members (see page 177 below).

Criteria	Éric de Seynes (Chairman)	Monique Cohen (Vice-Chairwoman)	Dominique Senequier (Vice-Chairwoman)	Frédéric Afriat (Employee representative)	Dorothée Altmayer	Charles-Eric Bauer	Matthieu Dumas	Blaise Guerrand	Julie Guerrand	Olympia Guerrand	Sharon MacBeath	Renaud Momméja	Robert Peugeot
<b>Criterion 1 : Employee or Corporate Officer in the previous five years</b>	✓	✓									✓		✓
<b>Criterion 2 : Cross-directorships</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Criterion 3 : Significant business relationships</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Criterion 4 : Family ties</b>	✓	✓	✓	✓							✓		✓
<b>Criterion 5 : Statutory Auditor</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Criterion 6 : Term of office exceeding twelve years</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓
<b>Criterion 7 : Status of the non-Executive Corporate Officer</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Criterion 8 : Status of main shareholder</b>	✓	✓	✓	✓							✓		✓
<b>Criterion 9 : Status of Partner or member of the Executive Management Board of the Active Partner</b>	✓	✓	✓								✓		✓
<b>Independent</b>	✓	✓									✓		✓

In accordance with Article 8.3 of the AFEP-MEDEF Code revised in June 2018, 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.

On 24 January 2019, Robert Peugeot's term of office reached 12 years. He was reappointed at the General Meeting of 5 June 2018 for a period of one year so as to replace him under the best possible conditions with a new independent member of the Supervisory Board at the General Meeting to be held in 2019. The Supervisory Board deemed it better to have a slightly lower proportion of independent members on the

Board (25%) and Audit and Risk Committee (40%) than required by the AFEP-MEDEF Code for a few months, rather than to waive one of the independence criteria with regard to Robert Peugeot.

Ms Sharon MacBeath resigned from her position as a member of the Supervisory Board as of 20 March 2019 for personal reasons.

With Mr Robert Peugeot losing his independent member status and Ms Sharon MacBeath resigning, the proportion of independent members on the CAG-CSR Committee falls below the level required by the AFEP-MEDEF Code.

On the publication date of this Registration Document, the Board, in conjunction with the CAG-CSR Committee, is continuing its selection process in order to propose the appointment, at the General Meeting to be held on 4 June 2019, of two new independent members to replace Mr Robert Peugeot and Ms Sharon MacBeath. These new members will be appointed members of the CAG-CSR Committee and Audit and Risk Committee.

### 3.1.4.7 Business ethics of the Supervisory Board

#### Rules of procedure

At its meeting of 18 March 2009 the Supervisory Board adopted its rules of procedure, which set out the terms governing the structure and functioning of Hermès International's Supervisory Board and its committees, in addition to applicable 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.

These rules of procedure are revised on a regular basis to be in line with revisions of the AFEP-MEDEF Code and with the regulatory environment.

The twelfth version of the rules of procedure dated 19 March 2019 is set out in full on page 207 and each update is made available online at <https://finance.hermes.com/en/Corporate-Governance/Management-Bodies/The-Supervisory-Board>.

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 for distributing directors' fees adopted in June 2017 were included (§ 3.1.).

The Supervisory Board's rules of procedure were updated on 11 September 2018 in particular to include certain provisions of the AFEP-MEDEF Code revised in June 2018, as follows:

- ◆ addition of the new duty assigned to the Chairman of the Supervisory Board regarding communication with shareholders (decision of the Supervisory Board of 20 March 2018);
- ◆ update of the date of revision of the Code (§ 1.1.21.);
- ◆ inclusion of the provisions of Articles 1.4 to 1.7, 4.4 and 6.2 of the Code (§ 1.2.4.);
- ◆ addition of the provisions of Article 19 of the Code (§ 1.1.3.6.).

The Supervisory Board's rules of procedure were updated on 25 January 2019 and 19 March 2019 as follows:

- ◆ update of the name of the CAG-CSR Committee;
- ◆ addition of rules whereby the Board is informed of the Company's financial position, the cash position and commitments;
- ◆ update of the name of the Audit and Risk Committee.

#### Stock Market Ethics Code

On 26 January 2011 the Supervisory Board adopted an ethical 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 ethical charter was replaced:

- ◆ by the **Hermès Group Code of Stock Market Ethics** which lays out ethical guidelines on *Preventing Insider Trading, Market Ethics, Closed Period Obligations, and Disclosure Obligations*. This Code, whose implementation is recommended by the AMF, 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 adopted in full the remaining provisions.

A summary of the Hermès Group Code of Stock Market Ethics is provided on page 352 and each update is made available online at <https://finance.hermes.com/en/Corporate-Governance/Management-Bodies/The-Supervisory-Board>.

The Code was updated on 25 July 2017, on 1 January 2018 and on 16 November 2018 as follows:

- ◆ inclusion of precautionary measures concerning broadcast/comments on social networks and media in connection with the Hermès Group;
- ◆ update of the applicable regulations (CNIL Decision 2017-200 dated 6 July 2017, ESMA interpretations, adaptation to GDPR);
- ◆ editorial details.

#### Attendance

The Supervisory Board's rules of procedure (Article 1.1.3.8.) note that 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, which is currently 64.53% for the Supervisory Board and 60% for the Committees. Remote attendance using telecommunications facilities must remain exceptional but is remunerated under the same conditions.

In 2018, the Supervisory Board met nine times (including a visit which was not taken into account for calculating attendance) with an almost 100% rate of attendance as shown in the table below:

2018	Attendance at Supervisory Board meetings	Attendance at CAG-CSR Committee meetings	Attendance at Audit and Risk Committee meetings
Average attendance	<b>94.23%</b>	<b>90.00%</b>	<b>86.67%</b>
Éric de Seynes (Chairman)	100.00%	n/a	n/a
Monique Cohen (Vice-Chairwoman)	87.50%	n/a	100.00%
Dominique Senequier (Vice-Chairwoman)	75.00%	100.00%	n/a
Frédéric Afriat (Employee representative)	100.00%	n/a	n/a
Dorothée Altmayer	100.00%	n/a	n/a
Charles-Éric Bauer	75.00%	n/a	83.33%
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	100.00%	n/a	n/a
Sharon MacBeath	100.00%	100.00%	100.00%
Renaud Momméja	100.00%	n/a	83.33%
Robert Peugeot	87.50%	60.00%	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 signed 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.

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.

Ms Monique Cohen, Ms Sharon MacBeath and Mr Robert Peugeot declared no business relationships with the Company.

Ms Dominique Senequier declared a non-significant business relationship described on page 284 under related-party transactions.

After examining each of these situations in early 2019, the CAG-CSR Committee concluded that none of them were of such a nature as 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 and number 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 situation of each member of the Supervisory Board and of the Executive Chairmen as regards the plurality and number of offices, showed that no member of the Supervisory Board or Executive Chairman was in a situation of concurrent holding of offices, with regard

to both the legal rules and to the principles set out in Article 18.4 of the AFEP-MEDEF Code revised in June 2018.

#### 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, for whom this requirement is waived, to own a relatively significant number (200) of registered shares. The value of these shares based on the Hermès International share price at 31 December 2018 (€484.80) is equal to more than three years of directors' fees.

At its meeting of 25 January 2019 the Supervisory Board noted that all members of the Supervisory Board complied with this obligation.

#### 3.1.4.8 Functioning 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 2018 in a report presented to the General Meeting called to approve the financial statements (page 396). 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.

In accordance with Article L. 226-10-1 of the French Commercial Code (*Code de commerce*), 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 Mr Axel Dumas of a directorship at L'Oréal.

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

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 communication;

- ◆ ensuring that shareholders receive the information they expect from the Company.

The Chairman may seek the assistance of internal experts in these areas (in particular Ms Carole Dupont Pietri, Group Financial Operations and Investor Relations Director or Ms Nathalie Besombes, Corporate Law and Stock exchange regulations Director, Supervisory Board Secretary and Securities Compliance Officer).

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

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

In early 2019, the Chairman reported to the Supervisory Board on the performance of his duties in 2018.

In particular, he stated:

- ◆ having answered questions from individual shareholders during and after the General Meeting;
- ◆ having answered questions from institutional shareholders;
- ◆ having responded to questionnaires from stakeholders.

In 2018 the Board did not give the Chairman of the Supervisory Board any duties other than those conferred by law.

##### Supervisory Board's master file

Since 2011 a "master file" has been provided to the members of the Supervisory Board. It has been available since 2016 on the Board's collaborative platform, "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 and Risk Committee rules of procedure;
- ◆ the CAG-CSR Committee rules of procedure;
- ◆ the Hermès Group Code of Stock 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 obligations of Senior Executives and registration of shares;
- ◆ principles governing the distribution of directors' fees;
- ◆ rules on the reimbursement of expenses;
- ◆ certification and summary of Corporate Officers' civil liability insurance;
- ◆ 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);
- ◆ ethical 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**

The procedures for calling meetings and the rules governing quorum and majority 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 nine times in 2018.

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, and 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 Liaison Committee, may be invited to attend Board meetings at the Chairman's discretion, in order 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.

### **The "Herboard" collaborative platform**

Since 2016 the Supervisory Board has made use of a secure paperless 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 meeting 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 Supervisory 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 ("Institut Français des Administrateurs"), and thereby take advantage of all of its services and training. Ms Julie Guerrand became a certified company Board member (receiving the ASC France Certificate) in 2013 and Mr 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-CSR Committee set up an integration and training programme for new Board members, which entails:

- ◆ receiving a new Supervisory Board member integration kit of legal and governance documents containing:
  - the Supervisory Board's master file (see pages 178 and 179),
  - 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" immersion 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 181) since 2011 (if necessary);
- ◆ taking part in IFA training (if necessary);
- ◆ being briefed on the new Hermès product collections.

### **Expense reimbursements**

Supervisory Board members are reimbursed for travel, accommodation and restaurant expenses incurred to attend the Supervisory Board meetings, upon presentation of substantiating documents or receipts. These reimbursements are capped (see rules of procedure, page 209) 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 on page 202.

### **3.1.4.9 Activities of the Supervisory Board**

#### **Group activity and finance**

In 2018 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 annual and interim consolidated financial statements and parent company financial statements;

- ◆ examined the 2018 budget;
- ◆ reviewed documents on forecasting and planning;
- ◆ determined the allocation of earnings to be put to the General Meeting of 5 June 2018;
- ◆ 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 and Risk Committee described on pages 189 et seq.;
- ◆ formally noted the proposed change to the timetable of financial publications, Board meetings and General Meeting in 2020.

#### Recommendations, authorisations and other items

In 2018, the Supervisory Board:

- ◆ authorised and reclassified related-party agreements and carried out an annual review of those for which the effects were ongoing (see the Supervisory Board's report to the General Meeting on page 396);
- ◆ approved the resolutions put to the Combined General Meeting of 5 June 2018 and acquainted itself with the reports drawn up by the Executive Management;
- ◆ approved the presentation and the amendment to the 6th resolution of the General Meeting of 5 June 2018 proposed by the Executive Management;
- ◆ formally noted the summary statement of services provided by Hermès International to Émile Hermès SARL in 2017 and projections for 2018;
- ◆ discussed the Company's policy with regard to gender equality and equal pay;
- ◆ approved the updated lists of authorised signatories and banks of Hermès International;
- ◆ renewed (overall limit given to the Executive Management in favour of subsidiaries) or authorised (special authorisations) the sureties, endorsements or guarantees granted by Hermès International;
- ◆ conducted the annual review of all sureties, endorsements and guarantees granted and still in force;
- ◆ approved the updated rules of procedure of the Supervisory Board, the CAG-CSR Committee and the Audit and Risk Committee;
- ◆ 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 of the Hermès Group;
- ◆ noted the responsibility inherent in holding inside information;
- ◆ approved the acceptance by Mr Axel Dumas of a directorship at L'Oréal;
- ◆ formally noted the appointment of a Group Data Protection Officer.

#### Governance – Appointments – Compensation

In 2018 the Supervisory Board:

- ◆ reviewed and/or approved the reports and work of the CAG-CSR Committee described on page 185 et seq.;
- ◆ set the allocation and payment of compensation and directors' fees for 2017 to Board and Committee members;
- ◆ 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";
- ◆ approved the proposals of reappointment or replacement of members of the Supervisory Board to be considered at the General Meeting;
- ◆ decided on the composition of the Audit and Risk Committee and the CAG-CSR Committee after the General Meeting;
- ◆ confirmed the diversity targets set for the composition of the Board;
- ◆ assigned to the Chairman of the Supervisory Board the responsibility for communicating with shareholders on behalf of the Board;
- ◆ decided to strengthen the role of the Audit and Risk Committee and the CAG-CSR Committee;
- ◆ attended a presentation on the non-discrimination and diversity policy in the governing bodies.

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

#### Ethics and compliance – Personal data protection

Ethics and compliance issues as well as the related programmes have been shared regularly with the Supervisory Board since 2015.

A presentation to the Supervisory Board on the personal data protection system, in accordance with the GDPR (European regulation No. 2016/679 of April 27, 2016), implemented in the Group, is planned for 2019.

The systems implemented in the Group are described on pages 214 et seq.

The Supervisory Board's rules of procedure were updated on 11 September 2018 in particular to include new duties relating to the system for the prevention and detection of corruption and influence-peddling (§ 1.2.4.2.) in accordance with the new provisions of the AFEP-MEDEF Code revised in June 2018.

On 16 November 2018, the Audit and Risk Committee was assigned a new duty relating to the prevention of corruption: *Ensure the implementation of a system for the prevention and detection of corruption and influence-peddling*.

On 19 March 2019, the Supervisory Board decided to rename the Audit Committee the "Audit and Risk Committee".

In 2018 the Supervisory Board:

- ◆ approved the strengthening of the corruption prevention plan in compliance with law 2016-1691 of 9 December 2016, known as "Sapin II", within the Group;
- ◆ formally noted the appointment of a Group Data Protection Officer;
- ◆ conducted the annual review of anti-corruption procedures within the Group.

In early 2019, the Director of Legal Compliance and Public Affairs presented to the Supervisory Board, the ethics and compliance programmes / compliance action plan:

- ◆ professional alert procedure and Ethics Committee;
- ◆ strengthening of the corruption prevention plan in compliance with law 2016-1691 of 9 December 2016, known as "Sapin II" law, on transparency, the fight against corruption and the modernisation of economic life;
- ◆ monitoring by the French Anti-corruption Agency,
- ◆ corruption risk mapping,
- ◆ 2019 Action plan: anti-corruption code of conduct, alert system, training, tools for assessment of third parties, audits,
- ◆ roll-out of the vigilance plan in accordance with law 2017-399 of 27 March 2017 concerning the duty of care of parent companies and contractors,
- ◆ anti money-laundering, international sanctions and embargoes,
- ◆ presentation of the new code of business conduct.

#### Corporate social responsibility – CSR

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

The Supervisory Board's rules of procedure were updated on 11 September 2018 in particular to include new duties relating to CSR issues (§ 1.2.4.2.) in accordance with the new provisions of the AFEP-MEDEF Code revised in June 2018.

On 16 November 2018, the Supervisory Board decided to rename the "Compensation, Appointments and Governance Committee" as the "CAG-CSR Committee".

The CAG-CSR Committee was assigned new duties relating to social and environmental responsibility:

- ◆ assist the Supervisory Board in monitoring issues relating to CSR so that the Hermès Group can better foresee and tackle opportunities, challenges and the related risks;
- ◆ assist the Supervisory Board in monitoring the Hermès Group's social policy and the non-discrimination and diversity policy.

In 2018 the Supervisory Board:

- ◆ attended a presentation on product recycling;
- ◆ formally noted the Group's challenges in terms of sustainable development and CSR.

#### 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 2018 the Board:

- ◆ attended a presentation on the Group Disability Agreement;
- ◆ attended a presentation on the Group's health and well-being at work initiative;
- ◆ visited the John Lobb bespoke workshops in Mogador;
- ◆ visited the Ateliers de tissages de Bussières et de Challes and the Ateliers d'Ennoblement d'Irigny, where it was given a presentation on the business, the results of these companies and the Silk division and a visit of the workshops.

#### 3.1.4.10 Evaluation of the Supervisory Board and Committees

##### Evaluation 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-evaluation only once every three years, while maintaining a discussion on the functioning of the Board every year.

To avoid making the CAG-CSR Committee's three-year self-evaluation 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.

One question bears on the effective contribution of each member to the work of the Board. In this questionnaire, Board members who wish are invited to meet individually with the Chairman of the CAG-CSR Committee for more in-depth discussions and also to provide further information in relation to the questionnaire.

An anonymous and overall presentation of the analysis of the responses to questionnaires is given by the Chairman of the CAG-CSR 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 evaluation the Supervisory Board deemed its functioning to be very satisfactory overall.

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

- ◆ confidentiality concerns raised by giving information on the Board to a third party;
- ◆ the relative absence of weak signals raised by previous assessments;

- ◆ progress in terms of governance over the last six years;
- ◆ the relatively low value added expected from an outside firm.

In late 2018 and early 2019 the CAG-CSR Committee reviewed the functioning of the Supervisory Board at one of its meetings and examined the areas of improvement identified by the Board in late 2017.

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 – had been implemented (see table below).

#### **Areas of improvement implemented in 2018 and early 2019**

#### **Text justifying improvement**

The areas of improvement implemented before 12 April 2018 (date Registration Document filed with the AMF) are provided in the 2017 Registration Document on page 149.

##### **Corporate governance**

Specific information on the areas of expertise of Board members in the form of table / summary / chart

- ◆ These items are addressed in this Registration Document (see page 150).

*2018 EY Labrador Rating*

Recommendation to explain the decision-making process associated with its development of the succession plan of Executive Corporate Officers, including, for example, the role of the competent committee, the time horizon for which the plan has been developed, the frequency with which it is reviewed, and the procedures for potentially involving the Senior Executive in question.

- ◆ These items are addressed in this Registration Document (see page 139).

*2018 AMF report on corporate governance and Senior Executive compensation of listed companies*

Recommendation that the Board regularly review the components of compensation likely to be owed at the time of or after the departure of a Senior Executive and that it consider whether it is possible and advisable to comply with the new provisions of the code, particularly at the time of a reappointment.

- ◆ The CAG-CSR Committee carried out this review in early 2019 and concluded that no alignment was necessary (see page 136).

*2018 AMF report on corporate governance and Senior Executive compensation of listed companies*

Recommended that companies disclose the various benefits potentially granted depending on the departure scenario (voluntary departure, forced departure and retirement) in the Registration Document and compensation policy.

- ◆ These items are addressed in this Registration Document (see page 192).

*2018 AMF report on corporate governance and Senior Executive compensation of listed companies*

Recommendation that the corporate governance report and the Registration Document include a comprehensive multi-year view of implementation of the compensation policy, in addition to the policy itself and the prior-year compensation.

- ◆ These items are addressed in this Registration Document (see page 191).

*2018 AMF report on corporate governance and Senior Executive compensation of listed companies*

Recommendations that the review period for fixed compensation is stated.

- ◆ This item has been addressed in this Registration Document (see page 191).

*2018 AMF report on corporate governance and Senior Executive compensation of listed companies*

Recommended to follow the tables presented in Appendix 3 of the AFEP-MEDEF Code, in particular with a view to reporting on changes in the composition of the Board: departure, appointment, reappointment, stating in particular the changes that reflect diversification (in terms of representation of women, nationality and international experience).

- ◆ These items are addressed in this Registration Document (see page 149).

*Recommendation AMF DOC 2012-02 amended on 30 November 2018  
AFEP-MEDEF Code revised in June 2018*

##### **Ethics and compliance**

Enhance communication on ethics/compliance

- ◆ These items are addressed in this Registration Document (see page 214 et seq.).

*2018 EY Labrador Rating*

##### **Internal control / Internal audit / Fraud prevention**

Transparency of information on internal control

Internal audit system

Fraud prevention system

- ◆ These items are addressed in this Registration Document (see page 42 et seq. and page 217).

*2018 EY Labrador Rating*

#### **Assessment of the CAG-CSR Committee**

The CAG-CSR Committee carried out its self-assessment and concluded, as in previous years, that its functioning was satisfactory.

This assessment takes into account the work carried out by the CAG-CSR Committee and the answers provided on the functioning of the CAG-CSR Committee as part of the last formal evaluation of the Board.

#### Evaluation of the Audit and Risk Committee

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

#### 3.1.4.11 Specialised committees

Two specialised committees were created in 2005:

- ◆ the Audit Committee on 26 January 2005, whose duties the Board then decided to expand and which was renamed the "Audit and Risk Committee" (19 March 2019);
- ◆ the Compensation Committee (26 January 2005), subsequently assigned new duties and responsibilities by the Board and renamed the Compensation, Appointments (18 March 2009), Governance (20 January 2010) and CSR (16 November 2018) Committee or the "CAG-CSR Committee".

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.

The Company's CAG-CSR Committee is not tasked with setting the compensation of the Executive Chairmen, a task governed by the provisions of the Articles of Association and which falls within the remit of the Active Partner and not the Supervisory Board. It was therefore not relevant to create a Compensation Committee separate from the Appointments Committee.

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

At its meeting of 5 June 2018 the Supervisory Board:

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

	<b>Departures</b>	<b>Appointments</b>	<b>Renewals</b>
Audit and Risk Committee			Ms Monique Cohen (05/06/2018) Mr Charles-Éric Bauer (05/06/2018) Ms Sharon MacBeath (05/06/2018) Mr Renaud Momméja (05/06/2018) Mr Robert Peugeot (05/06/2018)
CAG-CSR Committee			Ms Dominique Senequier (05/06/2018) Mr Matthieu Dumas (05/06/2018) Ms Sharon MacBeath (05/06/2018) Mr Robert Peugeot (05/06/2018)

#### CAG-CSR COMMITTEE

##### Composition and functioning of the CAG-CSR Committee at 31 December 2018

The CAG-CSR Committee comprised the following members:

- ◆ Ms Dominique Senequier, Chairwoman (independent);
- ◆ Mr Matthieu Dumas, member;
- ◆ Ms Sharon MacBeath, member (independent);
- ◆ Mr Robert Peugeot, member (independent).

Ms Sharon MacBeath resigned from her position as a member of the Supervisory Board with effect from 20 March 2019, and consequently also resigned from her position as a member of the CAG-CSR Committee on the same date.

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

These rules of procedure are revised on a regular basis to be in line with revisions of the AFEP-MEDEF Code and the regulatory environment.

The CAG-CSR 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 CAG-CSR Committee's rules of procedure were updated on 16 November 2018 to:

- ◆ rename it "Compensation, Appointments, Governance and CSR Committee" or "CAG-CSR Committee";
- ◆ assign new duties to it relating to social and environmental responsibility:
  - assist the Supervisory Board in monitoring issues relating to CSR so that the Hermès Group can better foresee and tackle opportunities, challenges and the related risks,
  - assist the Supervisory Board in monitoring the Hermès Group's social policy and the non-discrimination and diversity policy.

The third version of the rules of procedure dated 16 November 2018 is set out in full on page 210 and each update is made available online at <https://finance.hermes.com/en/Corporate-Governance/Management-Bodies/The-Specialized-Committees-of-the-Supervisory-Board>.

These rules of procedure provide that at least half of the members of the CAG-CSR Committee must, at the time of their appointment and for the duration of their mandate, be qualified as independent under the Supervisory Board's rules of procedure.

The Chairman of the Supervisory Board can be invited to certain CAG-CSR Committee meetings in order to hear its opinion in matters of appointments or governance, which was not the case in 2018.

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

#### Summary presentation of the members of the CAG-CSR Committee at 31 December 2018

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	6 years
Matthieu Dumas		03/06/2008	2021 GM	11 years
Sharon MacBeath	✓	06/06/2017	2019 GM	2 years
Robert Peugeot	✓	03/06/2008	2019 GM	11 years

#### Changes to the CAG-CSR Committee after 31 December 2018

Mr Robert Peugeot had served in his post for 12 years on 24 January 2019 and accordingly lost his independent member status of the Board under the criteria of the AFEP-MEDEF Corporate Governance Code.

Ms Sharon MacBeath resigned from her office as a member of the Supervisory Board as of 20 March 2019, meaning that she also resigned from her office as a member of the CAG-CSR Committee on the same date.

On the publication date of this Registration Document, the Board, in conjunction with the CAG-CSR Committee, is continuing its selection process in order to propose the appointment, at the General Meeting to

be held on 4 June 2019, of two new independent members to replace Mr Robert Peugeot and Ms Sharon MacBeath. These new members will be appointed members of the CAG-CSR Committee.

#### Duties and activities of the CAG-CSR Committee in 2018

In 2018 the CAG-CSR Committee met five times (as opposed to six times in 2017).

Individual and average rates of attendance are indicated in the table on page 177.

#### Duties of the CAG-CSR Committee

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

##### With respect to compensation

- ◆ be consulted and draw up recommendations from the Supervisory Board to the Executive Management on the terms governing the compensation paid to Executive Committee members;
- ◆ be consulted and draw up recommendations from the Supervisory 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, in particular on the basis of attendance of Supervisory Board members at meetings, 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 Board in determining the conditions and performance criteria to be applied to awarding stock options, performance-based shares and/or additional pensions to the Executive Chairmen;
- ◆ ensure that the compensation of and other commitments made to 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 the award of 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 opportunity for 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 March 2018*).

#### Activities of the CAG-CSR Committee in 2018

In 2018, as in the previous year, the CAG-CSR Committee used a dashboard to plan and prepare its work in a balanced way over the year. In 2018 the CAG-CSR Committee was required to examine and/or make recommendations on many subjects and in particular to:

##### With respect to compensation

- ◆ review chapter 3 "Corporate Governance" of the 2017 Registration Document, the sections on compensation of Senior Executives (executive management report) and the description of the proposed resolutions relative to the advisory opinion ("Say on Pay") regarding Senior Executive compensation;
- ◆ propose the distribution of directors' fees and compensation payable to Board and Committee members for 2017;
- ◆ present company policy regarding gender equality and equal pay;
- ◆ present the two-yearly Talent review process and summary of results;
- ◆ compensation for 2018 of the Hermès International Executive Chairmen and the press release to be put up on the financial website;
- ◆ review compensation in respect of 2018, bonuses paid in respect of 2017 and target bonuses in respect of 2018 for Executive Committee members;
- ◆ confirm compensation in respect of 2018, bonuses paid in respect of 2017 and target bonuses in respect of 2018 for the Corporate Officers of French subsidiaries who receive compensation for their term of office;
- ◆ review the performance in 2017 and the impact on the number of free share rights awarded to beneficiaries subject to performance conditions under the 2016 selective free share plan.

The CAG-CSR Committee reviewed current events in matters of compensation:

- ◆ 2018 AFEP-MEDEF study on Hermès International's application of the Code with regard to compensation;
- ◆ AFEP Study on the performance criteria of compensation for Senior Executives (June 2018);
- ◆ IFA – Document on taxation of directors' fees and the 2018 finance act.

##### With respect to appointments

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

The CAG-CSR Committee reviewed the latest reports on appointments:  
n/a in 2018

<b>With respect to corporate governance</b>	<b>With respect to corporate governance</b>
<ul style="list-style-type: none"> <li>◆ recommend revisions to corporate governance rules as needed;</li> <li>◆ periodically verify that independent Supervisory Board members meet the independence and objectivity criteria set out in the Supervisory Board's rules of procedure;</li> <li>◆ review the composition of the specialised committees;</li> <li>◆ oversee the annual evaluation of Supervisory Board practices;</li> <li>◆ ensure 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.</li> </ul>	<ul style="list-style-type: none"> <li>◆ examine the individual situation of Supervisory Board members and Executive Chairmen (independence, conflicts of interest, plurality of offices, number of shares) and Committee members (specific skills with regard to finance or accounting);</li> <li>◆ update and circulate Supervisory Board documents (master file, rules of procedure, 2018 calendar of blackout periods);</li> <li>◆ review the Corporate Governance chapter of the 2017 Registration Document;</li> <li>◆ governance in the United States;</li> <li>◆ update of the rules of procedure of the Supervisory Board;</li> <li>◆ conduct an annual review of the Executive Management succession plan (in the presence of CAG-CSR Committee members only);</li> <li>◆ succession plan for the Chairman of the Supervisory Board;</li> <li>◆ proposal on strengthening the role of the Audit and Risk Committee and the CAG-CSR Committee to assist the Supervisory Board in its new duties;</li> <li>◆ proposal on amendments to the rules of procedure of the Audit and Risk Committee and the CAG-CSR Committee to add the new duties assigned;</li> <li>◆ information on the <i>Grand Prix de la Transparence</i> "Best improvement" awarded to Hermès International;</li> <li>◆ 2018 transparency criteria: review of Hermès International's practices and follow up actions;</li> <li>◆ conduct an informal annual evaluation of the work of the Board (areas of improvement identified at the end of 2017, state of play at the end of 2018, changes in governing texts to be monitored);</li> <li>◆ update the rules of procedure of the Board to include the new conditions for the distribution of directors' fees decided in June 2017;</li> <li>◆ self-assessment of the work of the CAG-CSR Committee (areas for improvement).</li> </ul> <p>The CAG-CSR Committee reviewed the latest reports on governance:</p> <ul style="list-style-type: none"> <li>◆ Palmarès 2017 de la Féminisation des Grandes Entreprises – SBF 120;</li> <li>◆ 2017 AMF report on corporate governance and Senior Executive compensation of listed companies (November 2017);</li> <li>◆ AMF – AMF recommendation "Corporate governance and Senior Executive compensation in companies referring to the AFEP-MEDEF Code – Consolidated presentation of the recommendations contained in the AMF – DOC -2012-02 annual reports " (November 2017);</li> <li>◆ CLUB DES JURISTES – Report of the commission on communication between directors and shareholders (December 2017);</li> <li>◆ MEDEF – Methodological guide CSR Reporting Non-financial performance reporting (September 2017) ;</li> <li>◆ MEDEF – Integrated reporting: feedback (November 2017);</li> <li>◆ AFEP – Table of voting policies AFG / PROXINVEST / ISS / GLASS LEWIS (February 2018);</li> <li>◆ IFA – Role of the Chairman of the Board (January 2018);</li> <li>◆ NOTAT SENARD Report – «L'entreprise, objet d'intérêt collectif» (9 March 2018);</li> </ul>

- ◆ IFA / ETHICS & BOARD – First barometer on the composition of the Boards of CAC 40 listed companies after general meetings (June 2018);
- ◆ IFA – Document on the Sapin II law, the sections relating to combating corruption, whistle blowers and voting on Senior Executive compensation (April 2018);
- ◆ CLUB DES JURISTES – «Le rôle sociétal de l'entreprise» (April 2018);
- ◆ IFA – Document on GDPR (April 2018);
- ◆ AFEP – Assessment of GMs (July 2018);
- ◆ FINANCIAL ANALYSIS – «Gouvernance le 2ème âge de la transparence» (July 2018);
- ◆ IFA – Revision of the UK corporate governance code (July 2018);
- ◆ BASIC – «L'impact sociétal des grandes entreprises françaises» (June 2018);
- ◆ AFEP-MEDEF – Corporate Governance Code revised in June 2018;
- ◆ AFG Recommendations on Corporate Governance (January 2018);
- ◆ AFEP-MEDEF 2018 study on Hermès International's application of the code (governance);
- ◆ AMF – Report of the working group on the rights of shareholders and voting at general meetings (July 2018);
- ◆ AMF – General meetings of listed companies – DOC-2012-05 amended on 5 October 2018: review of Hermès International's practices and follow up actions;
- ◆ IFA – Practical guide for directors regarding their legal liability;
- ◆ 2018 AFEP-MEDEF HCGE annual report on Hermès International's practices (analysis and recommendations);
- ◆ France Board Index 2018 – SpencerStuart;
- ◆ 2018 EY LABRADOR governance overview: Hermès International's rating.

#### With respect to CSR

- ◆ assist the Supervisory Board in monitoring issues relating to CSR so that the Hermès Group can better foresee and tackle opportunities, challenges and the related risks;
- ◆ assist the Supervisory Board in monitoring the Hermès Group's social policy and the non-discrimination and diversity policy.

#### With respect to CSR

- ◆ n/a in 2018 (the new missions of the CAG-CSR Committee in CSR matters were granted to it on 16 November 2018 and no meeting of this committee was held prior to 31 December 2018).
- ◆ In early 2018 the CAG-CSR Committee conducted a self-assessment of its work and functioning and deemed them very satisfactory overall.

#### AUDIT AND RISK COMMITTEE

##### Composition and functioning of the Audit and Risk Committee at 31 December 2018

The Audit and Risk Committee comprises the following members:

- ◆ Ms Dominique Senequier, Chairwoman (independent);
- ◆ Mr Charles-Éric Bauer, member;
- ◆ Ms Sharon MacBeath, member (independent);
- ◆ Mr Renaud Momméja, member;
- ◆ Mr Robert Peugeot, member (independent).

Ms Sharon MacBeath resigned from her position as a member of the Supervisory Board as of 20 March 2019, and consequently also resigned from her position as a member of the Audit and Risk Committee on the same date.

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

These rules of procedure are revised on a regular basis to be in line with revisions of the AFEP-MEDEF Code and the regulatory environment.

The Audit and Risk Committee's rules of procedure were updated on 16 November 2018 and 19 March 2019 in order to:

- ◆ assign to it two new duties relating to risk exposure and the prevention of corruption:
  - regularly review opportunities and exposure to risks such as financial, legal, operational, social and environmental risks, as well as the measures taken in the light of these,
  - ensure the implementation of a system for the prevention and detection of corruption and influence-peddling;
- ◆ include the new provisions of Articles 1 and 15.2 of the AFEP-MEDEF Code revised in June 2018 (§ 2.1, 2.2 and 2.3.);
- ◆ rename it the "Audit and Risk Committee".

The fifth version of the rules of procedure dated 19 March 2019 is set out in full on page 212 and each update is made available online at <https://finance.hermes.com/en/Corporate-Governance/Management-Bodies/The-Specialized-Committees-of-the-Supervisory-Board>.

These rules of procedure provide that at least half of the members of the Audit and Risk Committee must, at the time of their appointment and for the term this office, be qualified as independent under the Supervisory Board's rules of procedure. This proportion was complied with until 24 January 2019.

Before each Audit and Risk Committee meeting, Audit and Risk 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 2018 the Audit and Risk committee met six times (as in 2017).

Individual and average rates of attendance are indicated in the table on page 177.

#### Summary presentation of members of the Audit and Risk Committee at 31 December 2018

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)	✓	✓	3/06/2014	2020 GM	5 years
Charles-Éric Bauer		✓	26/01/2005	2019 GM	14 years <sup>1</sup>
Sharon MacBeath	✓	✓	31/05/2016	2019 GM	3 years
Renaud Momméja		✓	3/06/2008	2020 GM	11 years
Robert Peugeot	✓	✓	3/06/2008	2019 GM	11 years

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

#### Changes to the Audit and Risk Committee after 31 December 2018

Mr Robert Peugeot had served in his office for 12 years on 24 January 2019 and accordingly lost his independent member status of the Board under the criteria of the AFEP-MEDEF Corporate Governance Code. His appointment was renewed by the General Meeting of 5 June 2018 for a period of one year so as to replace him in the best possible conditions with a new member of the Supervisory Board having independent status at the 2019 General Meeting.

Ms Sharon MacBeath resigned from her office as a member of the Supervisory Board as of 20 March 2019, meaning that she also resigned from her office as a member of the Audit and Risk Committee on the same date.

On the publication date of this Registration Document, the Board, in conjunction with the CAG-CSR Committee, is continuing its selection process in order to propose the appointment, at the General Meeting to be held on 4 June 2019, of two new independent members to replace Mr Robert Peugeot and Ms Sharon MacBeath.

## Duties and activities of the Audit and Risk Committee in 2018

### Duties of the Audit and Risk Committee

The Audit and Risk 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 and Risk Management Committee are to:

- 1.** With regard to preparing accounting and financial information:
  - ◆ review and comment on the parent company and consolidated financial statements before they are approved by Executive Management and presented to the Supervisory Board;
  - ◆ ensure 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 and in particular:
    - ensure that the accounting methods applied are relevant and consistent, in particular to recognise material transactions,
    - the examination of the financial statements must focus on significant transactions which could have given rise to conflicts of interest;
  - ◆ monitor the effectiveness of internal control and risk management systems and internal audits regarding the procedures for preparing and processing accounting and financial and non-financial information, without jeopardising its independence, and in particular:
    - hear internal audit and risk control managers and give its opinion on the organisation of their departments,
    - be informed of the internal audit programme and receive internal audit reports and a summary of these reports on a regular basis;
  - ◆ review risks and significant off-balance sheet commitments, assess the importance of failures or weaknesses reported to it and inform the Supervisory Board, where appropriate;
    - during the examination of the financial statements, get a presentation by management describing risk exposure, including that of a social and environmental nature and significant off-balance sheet commitments as well as the accounting options chosen;
  - ◆ review the scope of consolidated companies and, where necessary, the reasons why some companies are not included.

### Activities of the Audit and Risk Committee in 2018

In 2018 the Audit and Risk Committee reviewed the following matters:

- ◆ presentation of the 2018 budget;
- ◆ prior approval by the Audit and Risk Committee of services other than the certification of financial statements provided by the Statutory Auditors;
- ◆ security system and feedback on 2017 incidents;
- ◆ review of activities related to risk management, audit and internal control in 2017;
  - risk management,
  - internal audit,
  - internal control;
- ◆ 2018 Audit plan;
- ◆ parent company and consolidated financial statements for the year ended 31 December 2017;
- ◆ 2018 interim consolidated financial statements;
- ◆ presentation of the consensus of financial analysts on the 2017 annual results and the 2018 interim results;
- ◆ review of the press releases on 2017 revenue, 2017 annual results and 2018 interim results;
- ◆ work of the Statutory Auditors: audit approach, audit findings, presentation of the panel's fees (including for services other than certification of the financial statements) and statement of independence;
- ◆ in camera meeting with the Statutory Auditors;
- ◆ new Group risk mapping;
- ◆ change in the timetable of publications;
- ◆ financial processes: monitoring of capital expenditure;
- ◆ update of IT risk mapping;
- ◆ result of the PwC audit on the security of payments.

As part of its missions, the Audit and Risk Committee heard from the Group Chief Financial Officer, both with regard to the accounting data and treasury data, the Consolidation Director, the Audit and Risk Director, the Group Security Director, the Group IT Director, the Group Treasury Director, the Group Financial Operations and Investor Relations Director and the Statutory Auditors.

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

**Duties of the Audit and Risk Committee**

**Activities of the Audit and Risk Committee in 2018**

- 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 paragraph 3 of the aforementioned Regulation (EU) No. 537/2014, 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 and Risk Committee is required for amounts beyond the above thresholds,
    - the Statutory Auditors must disclose all fees for the financial year to the Audit and Risk 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 the financial reporting and the role it has played in this process.
- 3.** Duties relating to risk exposure and the prevention of corruption:
- ◆ regularly review opportunities and exposure to risks such as financial, legal, operational, social and environmental risks, as well as the measures taken in the light of these;
  - ◆ ensure the implementation of a system for the prevention and detection of corruption and influence-peddling.
- 4.** 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 and Risk Committee may conduct site visits to appraise the overall consistency of the internal control and risk management system.

### 3.1.5 COMPENSATION AND BENEFITS PAID TO CORPORATE OFFICERS

#### 3.1.5.1 Compensation policy guidelines for Executive Chairmen (Executive Corporate Officers)

The principles and criteria for determining, distributing and allocating the fixed, variable and exceptional components of overall compensation and benefits of any kind payable to Executive Chairmen – Executive Corporate Officers, for performing their duties, in accordance with the AFEP-MEDEF Code, are presented below.

##### When the office is taken up

No such commitment exists.

##### During their term of office

###### Annual fixed and variable compensation

In accordance with Article 17 of the Articles of Association, Executive Chairmen are entitled to fixed compensation (referred to as "additional" in the Articles of Association) whose maximum amount is determined by the Ordinary General Meeting with the unanimous approval of the Active Partners and, potentially, variable compensation (referred to as "statutory" in the Articles of Association):

1. fixed compensation (referred to as "additional compensation" in the Articles of Association) was introduced by the Ordinary General Meeting of 31 May 2001, which set a ceiling of €457,347.05, and provided for it to be indexed upwards only in accordance with any increase in consolidated revenue for the previous financial year over the year prior to that, at constant scope and exchange rates. Fixed compensation is, therefore, set on an annual basis. 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 compensation" by analogy with market practices;
2. the calculation of the variable compensation (referred to as "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 consolidated net income before tax generated in the previous financial year. This mode of determination naturally leads to a strict variability in the statutory compensation of Executive Chairmen, transparently and without any guarantee of a minimum amount. With the aim of clarity, the statutory compensation of the Executive Chairmen is referred to as "variable compensation", by analogy with market practices.

Changes to the two components of the compensation of Executive Chairmen depend upon objective and comprehensible quantifiable criteria unaltered for many years, that are public and predefined by nature, as described in paragraphs 1 and 2 above.

Within the maximum amounts set forth herein, the Executive Management Board of the Active Partner, Émile Hermès SARL, shall determine the effective amount of the annual statutory compensation of each Executive Chairman. Thus, no minimum statutory compensation is guaranteed for the Executive Chairmen. It uses the recommendations of the CAG-CSR 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:

Mr 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 is 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.

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 196. Each year, the CAG-CSR Committee of the Supervisory Board of Hermès International is responsible for ensuring that compensation paid to the Executive Chairmen complies with the provisions of the Articles of Association and the decisions made by the Active Partner.

#### HISTORY OF FIXED AND VARIABLE COMPENSATION PAID TO EXECUTIVE CHAIMEN OVER THE LAST THREE FINANCIAL YEARS <sup>1</sup>

##### Mr Axel Dumas

	2018	2017	2016
Fixed compensation (referred to as "additional" in the Articles of Association)	1,470,773 €	€1,354,303	€1,260,991
Variable compensation (referred to as "statutory" in the Articles of Association)	1,622,043 €	€1,420,353	€1,294,762
TOTAL	3,092,816 €	€2,774,656	€2,555,753

##### Émile Hermès SARL

	2018	2017	2016
Fixed compensation (referred to as "additional" in the Articles of Association)	€500,000	€500,000	€500,000
Variable compensation (referred to as "statutory" in the Articles of Association)	€756,409	€756,409	€756,409
TOTAL	€1,256,409	€1,256,409	€1,256,409

(1) For further explanation of changes please refer to the paragraph above entitled «Compensation policy for Executive Chairmen».

#### **Deferred or multi-year variable compensation**

The principle of the allocation to Executive Chairmen of deferred or multi-year variable compensation is not provided for.

#### **Exceptional compensation**

The principle of the allocation to Executive Chairmen of exceptional compensation is not provided for.

#### **Stock options, performance-based shares or any other element of long-term compensation**

Mr Axel Dumas, the only eligible Executive Chairman, has not received any stock options or performance-based shares since he was appointed Executive Chairman.

Émile Hermès SARL, a legal entity, is not eligible for the stock option or performance-based share plans.

#### **Employment contract**

In order to comply with the AFEP-MEDEF Code, Mr 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 secretariat 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 related-party agreements, as indicated in the special report from the Statutory Auditors on pages 396 to 398.

#### **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.

#### **Death and disability plan**

Mr Axel Dumas is eligible for the mandatory collective death and disability plan established by the Group for the benefit of all staff (AGIRC affiliated) of French entities that have joined this plan (decision taken by the Supervisory Board on 19 March 2014).

It provides, as is the case for all employees, the following gross lifetime benefits:

- (i) a disability pension at 51% of reference compensation in case of Category 1 disability and 85% of reference compensation in case of Category 2 or 3 disability. The reference compensation (gross annual compensation) is capped at 8x the annual social security ceiling (PASS). The payment of the disability pension is discontinued when the recipient in question is no longer categorised as having the disability or permanent impairment and, at the latest, on the day of the normal or early liquidation of an old age insurance pension from the mandatory retirement plan, for any reason whatsoever;
- (ii) a death benefit equal to a maximum of 380% of the reference compensation, capped at 8x PASS, depending on the family situation;
- (iii) contributions paid to the insurer are split between the Company (1.54% for tranche A, and 1.64% for tranches B and C) and the beneficiary (1.06% for tranche A and 1.16% for tranches B and C);
- (iv) these contributions are deductible from the corporation tax base, subject to corporate social contributions at the rate of 8%, and excluded from the base for social security contributions, within the limit of an amount equal to the sum of 6% of PASS and 1.5% of compensation retained within the limit of 12x PASS.

#### **Benefits of any kind**

Mr Axel Dumas is eligible for a representation policy constituting his only benefit in kind.

Mr Axel Dumas benefits from the mandatory collective healthcare plan implemented by the Group for the benefit of all staff of French entities that have joined this plan (decision made by the Supervisory Board on 19 March 2014).

Émile Hermès SARL does not receive benefits of any kind.

#### **At the end of the term of office**

#### **Severance payment**

The Company has pledged to pay Mr Axel Dumas compensation in an amount equal to 24 months of total compensation (statutory compensation and additional compensation) in case of termination of his appointment as Executive Chairman (decision taken by the Supervisory Board on 4 June 2013 and approved by the General Meeting of 3 June 2014 – tenth resolution “Approval of the commitments due to Mr Axel Dumas on termination of his appointment as Executive Chairman” – pursuant to Article L. 225-42-1 of the French Commercial Code (*Code de commerce*)).

The payment of a severance payment is subject to the termination of duties as Executive Chairman resulting:

- ◆ either from a decision taken by Mr Axel Dumas by reason of a change of control over the Company, a change in the Executive Chairman of Émile Hermès SARL, which is an Executive Chairman of the Company, or a change in the Company's strategy; or
- ◆ from a decision taken by the Company.

Moreover, the payment of such compensation is also subject to the following performance conditions, such that the conditions of his departure are in harmony with the situation of the Company: achieving budget targets in at least four out of the five previous years (with revenue and operating income growth measured at constant rates), without deterioration in the Hermès brand image.

Given the importance of the Active Partner's role in an SCA – including the power to appoint and dismiss any Executive Chairman – and, in the case of a legal entity, its legal representative, it was decided that any termination of Mr 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 undertaking made for the benefit of Mr Axel Dumas complied with the requirements of the AFEP-MEDEF Corporate Governance Code

No such agreement has been entered into with Émile Hermès SARL.

#### **Non-competition payment**

Mr Axel Dumas is not subject to any non-competition agreement, therefore no compensation is made in this category.

No such agreement has been entered into with Émile Hermès SARL.

#### **Supplementary pension plan**

##### *Defined-contribution pension plan (Article 83 of the French General Tax Code)*

Mr Axel Dumas is eligible for the supplementary defined-contribution pension plan established for all employees of the Group's French companies that have joined it (4 June 2013 decision by the Supervisory Board approved by the General Meeting of 3 June 2014 – fifth resolution “Approval of related-party agreements and commitments” – in accordance with Article L. 225-40 of the French Commercial Code (*Code de commerce*)).

As with all employees of the Group:

- ◆ the defined-contribution pension plan is financed as follows: 1.1% for the reference compensation for an amount of 1x the annual social security ceiling, 3.3% for the reference compensation between 1x and 2x PASS, and 5.5% on the reference compensation between 2x and 6x PASS. Reference compensation means the gross annual compensation in accordance with Article L. 242-1 of the French Social Security Code;
- ◆ these premiums are shared between the company (90.91%) and the beneficiary (9.09%);
- ◆ the employer contributions are deductible from the corporation tax base, subject to corporate social contributions at the rate of 20% and excluded from the base for social security contributions within the limit of the higher of the following two values: 5% of the PASS or 5% of the compensation retained within the limit of 5x PASS.

For information, if Mr Axel Dumas had been able to liquidate his retirement entitlements on 31 December 2018, the estimated maximum gross amount of annual pension under the defined-contribution pension plan would be €5,159.

##### *Defined-benefit pension plan (Article 39 of the French General Tax Code – Article L. 137-11 of the French Social Security Code)*

Mr Axel Dumas is also eligible for the supplementary pension plan established in 1991 for Company Senior Executives (4 June 2013 decision by the Supervisory Board, approved by the General Meeting of 3 June 2014 – fifth resolution “Approval of related-party agreements and commitments” – in accordance with Article L. 225-40 of the French Commercial Code (*Code de commerce*)).

This pension plan is not closed and is not limited only to the Executive Chairmen. It is financed by the Company through a contract with an outside insurance company, and premiums paid to this company are deductible from the corporation tax base. They are also subject to the employer's contribution on premiums at the rate of 24%. In addition, if applicable, provisions are recognised in the financial statements.

As a fundamental condition of the pension regulations, in order to be eligible for the scheme, beneficiaries must have reached the end of their professional career with the Company, have at least ten years of seniority, and be eligible to draw pension benefits under the basic French social security regime.

If all eligibility requirements are met, the annual pension under this plan shall in no case exceed the amount of 8x the annual social security ceiling (€317,856 in 2018). In accordance with the rules of the plan, the rights under this plan shall be a function of:

- ◆ the average yearly compensation for the last three years.
- ◆ a percentage of the reference compensation, from 0.9% to 1.5% per year of seniority, i.e., in any event, below the legal limit of 3%. For information, the maximum amount of the future pension, limited by the plan's regulations to eight times the annual Social Security limit, compared with the compensation for FY 2018 of the natural person Executive Chairmen would represent a replacement rate (excluding mandatory plans) of 10.27%; if Mr Axel Dumas had been able to liquidate his entitlements at 31 December 2018, the estimated maximum gross amount of the annual pension under the defined-benefit pension plan would be €54,857.

Émile Hermès SARL, a legal entity, is not eligible for a supplementary pension plan.

**SUMMARY OF COMPENSATION AND BENEFITS POTENTIALLY OWING TO THE EXECUTIVE CHAIRMAN, MR AXEL DUMAS, (A NATURAL PERSON) IN THE EVENT OF HIS DEPARTURE**

	Method of determination at 31/12/2018		
	Voluntary departure (excluding retirement)	Forced departure	Retirement
Severance payment	n/a	Subject to applicable performance conditions: 24 months of compensation (fixed and variable)	n/a
Non-competition payment	n/a	n/a	n/a
Supplementary defined-benefit retirement (Article 39 of the French General Tax Code (CGI), Article. L. 137-11 of the French Social Security Code (CSS))	n/a	n/a	Annual pension amount: Number of years of seniority * (0.9% to 1.5%) * average yearly compensation for the last three years The pension will be limited to 8PASS
Supplementary defined-contribution pension plan (Article 83 of the French General Tax Code)		The annual amount of the pension will be determined by conversion to savings pension established on the date of liquidation of retirement entitlements.	

n/a: not applicable.

**Press releases on the compensation of the Executive Chairmen**

All compensation elements that are potential or acquired by the 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 <https://finance.hermes.com>.

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

Date of publication	Releases
2018	
23 March 2018	Potential or actual elements of compensation for Executive Chairmen
2017	
24 March 2017	Potential or actual elements of compensation for Executive Chairmen

**3.1.5.2 Compensation policy guidelines for the Chairman of the Supervisory Board (non-Executive Corporate Officer)**

The principles and criteria for determining, distributing and allocating the fixed, variable and exceptional components of overall compensation and benefits of any kind payable to the Chairman of the Supervisory Board – a non-Executive Corporate Officer, for performing his duties, under the AFEP-MEDEF Code, are presented below.

The Chairman of the Supervisory Board is entitled to fixed annual compensation of €140,000. This is deducted from the total amount of directors' fees and compensation awarded to the Supervisory Board by the General Meeting. He is not entitled to any variable compensation as he attends all Supervisory Board meetings.

**3.1.5.3 2018 compensation (not subject to the General Meetings's ex-ante vote since inapplicable)**

The provisions of law No. 2016-1691 on transparency, anti-corruption and modernisation of the economy, of 9 December 2016 (the "Sapin 2 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, distri-

buting and allocating the fixed, variable and exceptional components 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.

In 2018, as in 2017 and 2016, the Company complied with the recommendations of the AFEP-MEDEF Corporate Governance Code by asking the General Meeting to vote on the compensation of its Executive Chairmen (ex-post) (see 2017 Registration document – statement of reasons page 329).

**3.1.5.4 Compensation paid in 2018 (subject to the General Meetings's ex-post vote)**

All the elements of compensation paid in 2018 to Executive Chairmen, on which shareholders have an advisory vote, are shown in the description of the resolutions referred to the General Meeting of 4 June 2019 (pages 372 to 377).

The compensation paid to the Chairman of the Supervisory Board is shown in table 3 on page 196.

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

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

### 3.1.5.5 Tables required by the AFEP-MEDEF Code for the presentation of certain elements of compensation

Please find below the standardised presentation of all elements of compensation provided for by annex 4 of the AFEP-MEDEF Code.

**TABLE 1**

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

	<b>2018</b>	<b>2017</b>
<b>Mr Axel Dumas</b>		
Compensation due for the financial year (detailed in Table 2)	3,092,816 €	€2,774,656
Valuation of options granted during the financial year (detailed in Table 4)	n/a	n/a
Valuation of performance shares granted during the financial year (detailed in Table 6)	n/a	n/a
Valuation of other long-term compensation plans	n/a	n/a
<b>TOTAL</b>	<b>3,092,816 €</b>	<b>€2,774,656</b>
<b>Total natural person as Executive Chairmen</b>	<b>3,092,816 €</b>	<b>€2,774,656</b>
<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
Value of performance-based shares granted during the financial year (detailed in table 6)	n/a	n/a
Valuation of other long-term compensation plans	n/a	n/a
<b>TOTAL</b>	<b>€1,256,409</b>	<b>€1,256,409</b>
<b>Total legal entity as Executive Chairmen</b>	<b>€1,256,409</b>	<b>€1,256,409</b>

n/a: not applicable.

**TABLE 2**  
Table summarising the compensation of each Executive Chairman

<b>Gross annual compensation of Executive Chairmen</b>	<b>2018</b>			<b>2017</b>		
	<b>Limits granted by the Articles of Association or the General Meeting</b>	<b>Amounts due (or allocated) by the Executive Management Board<sup>1</sup></b>	<b>Amounts paid</b>	<b>Limits granted by the Articles of Association or the General Meeting</b>	<b>Amounts due (or allocated) by the Executive Management Board</b>	<b>Amounts paid</b>
<b>Mr Axel Dumas</b>	<i>Decision of the Executive Management Board dated 19 March 2018</i>			<i>Decision of the Executive Management Board dated 20 March 2017</i>		
Fixed compensation (referred to as "additional" in the Articles of Association) <sup>2</sup>	2,365,549 €	1,470,773 €	1,470,773 €	€2,178,417	€1,354,303	€1,354,303
Variable compensation (referred to as "statutory" in the Articles of Association) <sup>2</sup>	3,790,135 €	1,622,043 €	1,622,043 €	€3,319,259	€1,420,353	€1,420,353
Exceptional compensation	-	-	-	-	-	-
<b>Total compensation</b>	<b>6,155,684 €</b>	<b>3,092,816 €</b>	<b>3,092,816 €</b>	<b>€5,497,676</b>	<b>€2,774,656</b>	<b>€2,774,656</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>	<i>Decision of the Executive Management Board dated 19 March 2018</i>			<i>Decision of the Executive Management Board dated 20 March 2017</i>		
Fixed compensation (referred to as "additional" in the Articles of Association) <sup>2</sup>	2,365,549 €	€500,000	€500,000	€2,178,417	€500,000	€500,000
Variable compensation (referred to as "statutory" in the Articles of Association) <sup>2</sup>	3,790,135 €	€756,409	€756,409	€3,319,259	€756,409	€756,409
Exceptional compensation	-	-	-	-	-	-
<b>Total compensation</b>	<b>6,155,684 €</b>	<b>€1,256,409</b>	<b>€1,256,409</b>	<b>€5,497,676</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 372 to 377.

(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**  
Table of directors' fees and other compensation received by members of the Supervisory Board

	<b>Amounts paid in 2019 for 2018</b>	<b>Amounts paid in 2018 for 2017</b>
Total amount of directors' fees and compensation allocated by the General Meeting of Hermès International	€600,000	€600,000
Total amount of directors' fees and compensation actually assigned by Hermès International	€575,230	€557,300
<b>Mr Éric de Seynes</b>		
Compensation of the Chairman of the Supervisory Board	€140,000	€140,000
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>Ms Monique Cohen</b>		
Compensation of the Chairwoman of the Audit and Risk Committee	€28,000	€28,000
Directors' fees for Hermès International	25,925 €	€28,200
◆ fixed component	€10,000	€10,000
◆ variable component based on attendance	15,925 €	€18,200

	Amounts paid in 2019 for 2018	Amounts paid in 2018 for 2017
<b>Ms Dominique Senequier</b>		
Compensation of the Chairwoman of the CAG-CSR Committee	€28,000	€28,000
Directors' fees for Hermès International	€23,650	€28,200
♦ fixed component	€10,000	€10,000
♦ variable component based on attendance	€13,650	€18,200
<b>Mr Frédéric Afriat</b> (employee representative)		
Directors' fees for Hermès International	n/a	n/a
<b>Ms Dorothée Altmayer</b>		
Directors' fees for Hermès International	€28,200	€18,000
♦ fixed component	€10,000	€5,000
♦ variable component based on attendance	€18,200	€13,000
Directors' fees for Hermès Sellier	n/a	€3,000
Directors' fees for Comptoir Nouveau de la Parfumerie	€3,000	€3,000
<b>Mr Charles-Éric Bauer</b>		
Compensation of the Audit and Risk Committee members	€11,700	€13,000
♦ fixed component	€5,200	€5,200
♦ variable component based on attendance	€6,500	€7,800
Directors' fees for Hermès International	€23,650	€28,200
♦ fixed component	€10,000	€10,000
♦ variable component based on attendance	€13,650	€18,200
<b>Mr Matthieu Dumas</b>		
Compensation of members of the CAG-CSR Committee	€13,000	€13,000
♦ fixed component	€5,200	€5,200
♦ variable component based on attendance	€7,800	€7,800
Directors' fees for Hermès International	€28,200	€28,200
♦ fixed component	€10,000	€10,000
♦ variable component based on attendance	€18,200	€18,200
Directors' fees for Comptoir Nouveau de la Parfumerie	€3,000	€3,000
<b>Mr Blaise Guerrand</b>		
Directors' fees for Hermès International	€28,200	€28,200
♦ fixed component	€10,000	€10,000
♦ variable component based on attendance	€18,200	€18,200
Directors' fees for Hermès Sellier	€3,000	€3,000
<b>Ms Julie Guerrand</b>		
Directors' fees for Hermès International	€28,200	€28,200
♦ fixed component	€10,000	€10,000
♦ variable component based on attendance	€18,200	€18,000
<b>Ms Olympia Guerrand</b>		
Directors' fees for Hermès International	€28,200	€18,000
♦ fixed component	€10,000	€5,000
♦ variable component based on attendance	€18,200	€13,000
Directors' fees for Hermès Sellier	€3,000	€3,000

		Amounts paid in 2019 for 2018	Amounts paid in 2018 for 2017
<b>Ms Sharon MacBeath</b>			
Compensation of the Audit and Risk Committee members		€13,000	€11,700
◆ <i>fixed component</i>		€5,200	€5,200
◆ <i>variable component based on attendance</i>		€7,800	€6,500
Compensation of members of the CAG-CSR Committee		€13,000	€6,500
◆ <i>fixed component</i>		€5,200	€2,600
◆ <i>variable component based on attendance</i>		€7,800	€3,900
Directors' fees for Hermès International		€28,200	€28,200
◆ <i>fixed component</i>		€10,000	€10,000
◆ <i>variable component based on attendance</i>		€18,200	€18,200
<b>Mr Renaud Momméja</b>			
Compensation of the Audit and Risk Committee members		€11,700	€11,700
◆ <i>fixed component</i>		€5,200	€5,200
◆ <i>variable component based on attendance</i>		€6,500	€6,500
Directors' fees for Hermès International		€28,200	€25,600
◆ <i>fixed component</i>		€10,000	€10,000
◆ <i>variable component based on attendance</i>		€18,200	€15,600
Directors' fees for Comptoir Nouveau de la Parfumerie		€3,000	€3,000
<b>Mr Robert Peugeot</b>			
Compensation of the Audit and Risk Committee members		€10,400	€10,400
◆ <i>fixed component</i>		€5,200	€5,200
◆ <i>variable component based on attendance</i>		€5,200	€5,200
Compensation of members of the CAG-CSR Committee		€9,880	€13,000
◆ <i>fixed component</i>		€5,200	€5,200
◆ <i>variable component based on attendance</i>		€4,680	€7,800
Directors' fees for Hermès International		€25,925	€23,000
◆ <i>fixed component</i>		€10,000	€10,000
◆ <i>variable component based on attendance</i>		€15,925	€13,000

n/a: not applicable.

**TABLE 4**  
Stock options granted 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 granted during the financial year	Exercise price	Exercise period
Mr 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
Mr 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 awarded during the financial year to each Executive Chairman

Performance-based share distributions awarded 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 awarded during the financial year	Valuation of shares according to the method used for the consolidated financial statements	Vesting date	Availability date	Performance conditions
Mr 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 shares made available during the financial year to each Executive Chairman

Name of the Executive Corporate Officer	Number and date of plan	Number of shares acquired during the financial year	Vesting conditions
Mr 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 8.1 (CORRESPONDING TO TABLE 8 OF THE AFEP-MEDEF CODE)**

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) – Subscription or purchase options	Plans nos. 1 to 4 expired
General Meeting of 03/06/2003 (15 <sup>th</sup> resolution) – Purchase options	Plans nos. 5 and 6 expired
General Meeting of 06/06/2006 (9 <sup>th</sup> resolution) – Purchase options	Plan No. 7 expired
General Meeting of 02/06/2009 (14 <sup>th</sup> resolution) – Purchase options	No plan implemented in 2009, 2010 or 2011
General Meeting of 30/05/2011 (21 <sup>st</sup> resolution) – Purchase options	No plan implemented in 2011 or 2012
General Meeting of 29/05/2012 (13 <sup>th</sup> resolution) – Purchase options	No plan implemented in 2012 or 2013
General Meeting of 04/06/2013 (18 <sup>th</sup> resolution) – Purchase options	No plan implemented in 2013 or 2014
General Meeting of 03/06/2014 (16 <sup>th</sup> resolution) – Purchase options	No plan implemented in 2014 or 2015
General Meeting of 02/06/2015 (14 <sup>th</sup> resolution) – Purchase options	No plan implemented in 2015 or 2016
General Meeting of 31/05/2016 (14 <sup>th</sup> resolution) – Purchase options	No plan implemented in 2016, 2017 or 2018

**TABLE 8.2 (COMPILED IN ACCORDANCE WITH ARTICLE L. 225—184 OF THE FRENCH COMMERCIAL CODE AND AMF POSITION-RECOMMENDATION NO. 2014-14)**

Stock options granted to the first 10 employees (not Corporate Officers) receiving options and options exercised by them	Total number of shares granted/shares subscribed or purchased	Weighted average price	Plans nos. 1 to 7
Options granted during the financial year by the issuer and any entity within the option allocation scope to the 10 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 aforementioned entities exercised during the financial year by the 10 employees of the issuer and these entities, for whom the number of options thus purchased or subscribed is the highest (overall information)	n/a	n/a	

n/a: not applicable.

**TABLE 9.1 (CORRESPONDING TO TABLE 9 OF THE AFEP-MEDEF CODE)**

	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 authorisation by the Extraordinary General Meeting					
Date of the decision by the Executive Management	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 <sup>1</sup>	515,280	302,000	452,960	353,100	1,400
Shares allocated to Senior Executives <sup>2</sup>	420	70,000	320	29,000	0
Number of Senior Executives concerned <sup>2</sup>	7	7	8	8	0
Share related to capital of allocations of shares to Senior Executives	n.s.	0.06%	n.s.	0.028%	0.00%
French tax residents on the grant date:	3 tranches of 20 shares		2 tranches of 20 shares		
◆ vesting period	4/5/6 years	4 years	4/5 years	4 years	3 years and 3 months
◆ date of transfer of ownership of shares	16/05/2016 16/05/2017 16/05/2018		01/06/2020		
◆ end of the holding period	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	6/7/8 years	6 years	4/5 years	4 years	3 years and 3 months
◆ date of transfer of ownership of shares	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	n/a	n/a	n/a	n/a
Performance conditions	no	yes	no	yes	yes
Number of shares acquired <sup>3</sup> as at 31/12/2018	325,940	290,000	440	800	0
Number of shares lost as at 31/12/2018	111,120	12,000	55,400	8,500	0

n.s.: not significant; n/a: not applicable.

(1) Maximum.

(2) Table 9.1 considers Senior Executives to be: Executive Chairmen, members of the Supervisory Board and members of the Executive Committee of the issuer on the grant date.

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

**TABLE 9.2 (COMPILED IN ACCORDANCE WITH ARTICLE L. 225—197-4 OF THE FRENCH COMMERCIAL CODE AND AMF POSITION-RECOMMENDATION NO. 2014-14)**

Free shares awarded to the first 10 employees (not Corporate Officers)	Total number of shares awarded	Date of plans
Shares awarded during the year to the 10 employees of the issuer and any entity included in this scope for whom the number of shares thus granted is the highest (overall information)	n/a	n/a

n/a: not applicable.

**TABLE 10**

Table summarising the multi-year variable compensation of each Executive Chairman (Executive Corporate Officers)

**Name of the Executive Corporate Officer**

Mr Axel Dumas	n/a
Émile Hermès SARL	n/a

n/a: not applicable.

**TABLE 11**

Senior Executives (natural persons)	Employment contract	Supplementary pension plan	Compensation or benefits due or liable to be due because of termination or change of duties <sup>1</sup>	Compensation relative to a non-competition clause
Mr 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 373 and 374.

(2) Since 05/06/2013.

**3.1.5.6 2019 Compensation policy (not subject to the General Meeting's ex-ante vote since inapplicable)**

The provisions of law No. 2016-1691 of 9 December 2016 on transparency, anti-corruption and the modernisation of the economy (known as the "Sapin II law"), in particular Articles L. 225-37-2 and L. 225-82-2 of the French Commercial Code, concerning the approval at the Shareholders' General Meeting of the principles and criteria for determi-

nation, distribution and allocation of fixed, variable and exceptional portions of compensation for Executive Corporate Officers (ex-ante vote), and subsequent approval of the components 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 waives them.

**2019 compensation in respect of 2018**

At its meeting on 18 March 2019, the Émile Hermès SARL Executive Management Board decided to set the Executive Chairmen's 2019 compensation as follows:

	Fixed compensation (additional compensation) Gross annual amount	Variable compensation (Statutory compensation) Gross annual amount	Total Gross annual amount
Émile Hermès SARL	€551,850	€830,083	€1,381,933
Mr Axel DUMAS	€1,623,378	€1,780,045	€3,403,423

The Executive Management Board wished the principle of variability contained in the aforementioned provisions of the Articles of Association to be applied strictly to the compensation of the Executive Chairmen. As such, in accordance with these principles, it was decided to modify the compensation of the Executive Chairmen in 2019 by strictly applying the variation observed between 2017 and 2018 on the two objective

quantifiable criteria used as a reference for Executive Chairman compensation for many years (Article 17 of the Articles of Association), namely the Company's consolidated net income before tax (variable compensation) and consolidated revenue (fixed compensation or + 10.37% on the previous year).

### Incorporation of a qualitative CSR criterion in the variable component of 2020 compensation in respect of 2019

The Executive Management Board meeting of 18 March 2019 decided to apply a new CSR criterion, representing the Group's firm and ongoing commitments to sustainable development, to a portion of the variable compensation of the two Executive Chairman.

This criterion will be applied to 10% of the target variable compensation.

The indicators relating to the CSR criterion relate to the following:

- ◆ decoupling between business growth at constant scope and exchange rates and the evolution of industrial energy consumption (quantifiable environmental criterion);
- ◆ actions implemented in favor of the territorial anchoring of the group in France and throughout the world, excluding major cities (qualitative societal criterion);

- ◆ Group initiatives in favor of gender balance (qualitative social criterion).

The assessment of the amount of compensation subject to the "CSR" criterion would be limited to a target of 100%, with no possibility of exceeding that limit.

Each of the three indices mentioned above:

- ◆ shall count as one-third of the CSR criterion;
- ◆ shall have an annual reference period;
- ◆ will be assessed on an annual basis, in terms of achievement, by the CAG-CSR Committee and a report will be sent to the Executive Management Board which has the power to decide on the actual compensation of the Executive Chairmen.

This new way of structuring the variable component of compensation will be applied for the first time when assessing variable compensation owing for 2019, which is measured and paid in 2020

#### 3.1.5.7 Compensation for 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:

	2018	2017
Émile Hermès SARL	€8,297,743.18	€5,214,348.05

#### 3.1.5.8 Compensation of the Supervisory Board, Audit and Risk Committee and CAG-CSR Committee

##### Directors' fees and compensation of members of the Supervisory Board

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

Compensation paid to members of the Audit and Risk Committee and of the CAG-CSR 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 €600,000 to take into account the appointment of new members of the Board.

The principles governing the distribution of and amount of directors' fees 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, with no variable component, for the Chairmen of the Audit and Risk Committee and the CAG-CSR Committee;
- ◆ a fixed component of €5,200 and a variable component of €7,800, based on attendance, for the 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 directors' fees;
- ◆ employee representatives on the Supervisory Board do not receive directors' fees.

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 specialised Committees) proportional to attendance at meetings.

In keeping with these principles, at its meeting of 25 January 2019, the Supervisory Board distributed €575,230 out of the €600,000 allocated to directors' fees and compensation by the General Meeting.

The table 3 on pages 196 to 198 details 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.

Mr Frédéric Afriat, the Employee representative on the Supervisory Board, has an employment 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 options

No stock options were granted to Supervisory Board members in 2018, nor were any such options exercised by them.

#### Allocation of free shares

No free shares were awarded to members of the Supervisory Board in 2018.

### 3.1.6 RELATED-PARTY AGREEMENTS AND COMMITMENTS

Information on related-party agreements and commitments is presented in the report of the Supervisory Board to the General Meeting page 396.

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

In accordance with Article L. 225-100 paragraph 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, distinguishing between delegations that were valid, and delegations used, in the 2018 financial year, as applicable.

Resolution number	Duration of the authorisation (Expiry)	Characteristics	Use in 2018
<b>GENERAL MEETING OF 31 MAY 2016</b>			
Granting stock options	14 <sup>th</sup>	<p>38 months (31 July 2019)</p> <p>The number of purchase options granted under the 14<sup>th</sup> resolution and the number of free shares awarded 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.</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 paragraph 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 20 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:</p> <ul style="list-style-type: none"> <li>◆ the Company must meet one or more of the conditions specified in Article L. 225-186-1 of the French Commercial Code; and</li> <li>◆ the stock options may not be exercised before the Executive Chairman or 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;</li> <li>◆ the exercise price of the options includes no discount;</li> <li>◆ the options 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 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.</li> </ul>

Resolution number	Duration of the authorisation (Expiry)	Characteristics	Use in 2018		
Free allocations of the Company's existing ordinary shares	15 <sup>th</sup>	38 months (31 July 2019)	<p>The number of purchase options granted under the 14<sup>th</sup> resolution and the number of free shares awarded 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.</p>	<p>In the event one or more Executive Chairmen are granted stock options:</p> <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>	None

#### 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 maintenance of preferential subscription rights), 20<sup>th</sup> (issue with elimination of preferential subscription 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>1</sup>	<p>Limit of 10% of the capital Maximum purchase price €600. Maximum funds committed €1,500 million</p>	See pages 344 to 346	
Cancellation of treasury shares (general cancellation programme)	17 <sup>th</sup>	24 months (6 June 2019) <sup>1</sup>	Limit of 10% of the capital	None	
Capital increase by capitalisation of reserves, earnings and/or premiums and free allocation of shares and/or increase in the par value of existing shares	18 <sup>th</sup>	26 months (6 August 2019) <sup>2</sup>	<p>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.</p>	None	
Issues of shares and/or any securities giving access to capital with maintenance of preferential subscription rights	19 <sup>th</sup>	26 months (6 August 2019) <sup>2</sup>	<p>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 (individual ceiling), 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.</p>	<p>The nominal amount of debt securities that may be issued immediately and/or in future under this delegation may not be greater than €1 billion, 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.</p>	None

(1) This authorisation was cancelled, for the remaining duration and for the unused fraction, by delegations of the same nature authorised by the General Meeting of 5 June 2018.

(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 4 June 2019.

<b>Resolution number</b>	<b>Duration of the authorisation (Expiry)</b>	<b>Characteristics</b>	<b>Use in 2018</b>		
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	20 <sup>th</sup>	26 months (6 August 2019) <sup>2</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 (individual ceiling), 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 €1 billion, 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, with elimination of preferential subscription rights.	21 <sup>st</sup>	26 months (6 August 2019) <sup>2</sup>	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 20 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 or securities giving access to the Company's share capital, of reducing or not granting a discount, within the legal or regulatory limits.		None
Issue of shares and/or any other securities giving access to capital, with elimination of preferential subscription rights, by private placement covered by Article L. 411-2, II of the French Monetary and Financial Code.	22 <sup>nd</sup>	26 months (6 August 2019) <sup>2</sup>	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 €1 billion, 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 with elimination of preferential subscription rights in order to compensate 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) <sup>2</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 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 €1 billion, 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 4 June 2019.

Resolution number	Duration of the authorisation (Expiry)	Characteristics	Use in 2018
<b>GENERAL MEETING OF 5 JUNE 2018</b>			
Purchase of shares	6 <sup>th</sup>	18 months (6 December 2018) <sup>2</sup>	Limit of 10% of the capital Maximum purchase price €650 Maximum funds committed €1,500 million
Cancellation of treasury shares (general cancellation programme)	13 <sup>th</sup>	24 months (5 June 2020) <sup>2</sup>	Limit of 10% of the capital

(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 4 June 2019.*

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

Information on equity and shareholding is presented on page 340.

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 333);
- ◆ Hermès International may only be converted into a *société anonyme* (public limited company) 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 said 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 for all decisions taken at all General Meetings except for decisions regarding the allocation of earnings, for which the usufructuary shall exercise the voting rights,

- double voting rights are allocated to each registered share after being held 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 the crossing of ownership thresholds (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 353.

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

### 3.1.9 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 337).

Double voting rights are allocated under the conditions set out in Article 12 of the Articles of Association (see page 332).

In the event that a legal (Article L. 233-7 of the French Commercial Code and Article L. 433-3 et seq. of the French Monetary and Financial Code) or internal threshold is crossed (Article 11 of the Articles of Association, see page 332) with regard to equity and/or voting rights, a declaration in accordance with the conditions set out in the aforementioned texts must be made, failing which the shares will be deprived of voting rights at General Meetings.

## 3.1.10 APPENDICES

### 3.1.10.1 Supervisory Board Rules of Procedure

**Entered into force on March 18th, 2009 Version N°12 – modified on March 19<sup>th</sup>, 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 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

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 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 interests

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 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 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 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 *métiers*, 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 communication;
- ◆ 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, whose duties the Board then decided to expand and which was renamed the "Audit and Risk Committee" (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 Compensation of Board members and directors' fees**

The principles for allotting directors' fees and other compensation 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 directors' fees;
- ◆ employee representatives on the Board do not receive 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 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.

**APPENDIX: Articles 18, 19, 20 of the Articles of Association  
(cf. pages 335 and 336)**

### 3.1.10.2 **CAG-CSR Committee rules of procedure**

Entered into force on March 24th, 2010 – Version N° 7 – modified on November 16th, 2018

#### **PURPOSE**

The Compensation, Appointments, Governance and CSR Committee or “CAG-CSR Committee” of Hermès International is a specialised committee of the Supervisory Board.

It was created on 26 January 2005 and the Supervisory Board has progressively decided to assign it new duties and responsibilities and to rename it subsequently as follows:

26 January 2005	Compensation Committee
18 March 2009	Compensation and Appointments Committee
20 January 2010	Compensation, Appointments and Governance Committee
16 November 2018	Compensation, Appointments, Governance and CSR Committee

These rules of procedure define the composition, duties, structure and functioning of the CAG-CSR 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 CAG-CSR 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 CAG-CSR Committee**

##### *1.1 Chairmanship – Number of members*

The Chairman of the CAG-CSR 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 CAG-CSR 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 CAG-CSR Committee*

The members of the CAG-CSR 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. Duties of the CAG-CSR Committee**

The CAG-CSR Committee studies and prepares certain proceedings of the Supervisory Board and submits its opinions, proposals or recommendations to the Board.

Without prejudice to the powers of the Supervisory Board, which it does not replace, the duties of the CAG-CSR Committee are to:

*With respect to compensation:*

- ◆ be consulted and draw up recommendations from the Supervisory Board to the Executive Management on the terms governing the compensation paid to Executive Committee members;
- ◆ be consulted and draw up recommendations from the Supervisory Board to the 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, in particular on the basis of attendance of Supervisory Board members at meetings, 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 the Executive Chairmen;
- ◆ ensure that the compensation of and the other commitments made to the Executive Chairmen comply 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 opportunity for 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 verify 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;
- ◆ ensure 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 corporate social responsibility:

- ◆ assist the Supervisory Board in monitoring matters relating to CRS in order that the Hermès group better anticipate opportunities, issues and risks associated;
- ◆ assist the Supervisory Board in monitoring social policy of the Hermès Group and the policy of non-discrimination and diversity.

### **3. Functioning of the CAG-CSR Committee**

The CAG-CSR 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 CAG-CSR 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 CAG-CSR 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 CAG-CSR Committee meetings is performed, if they are present, by the Group's Human Resources Director, or by a member of the CAG-CSR Committee designated as rapporteur 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 CAG-CSR Committee and the secretary of the meeting.

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

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

Decisions of the CAG-CSR Committee are made by majority vote of those present members.

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

The CAG-CSR 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 CAG-CSR Committee reports must fully inform the Supervisory Board as to the CAG-CSR Committee's performance of its assignments.

### **5. Information handled by the CAG-CSR Committee**

The CAG-CSR Committee is entitled to all the documents it needs to carry out its duties notably from employees of Hermès International and must in particular be informed about the compensation policy for the principle Non-Executive Corporate Officers (notably members of the Executive Committee).

The CAG-CSR 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 CAG-CSR Committee**

The remuneration of the members of the CAG-CSR Committee is defined by the Supervisory Board and deducted from the total amount of directors' fees.

### **7. Self-assessment of the CAG-CSR Committee**

The CAG-CSR Committee regularly assesses its performance, covering the points of its assignments and its commitment by means of an assessment matrix.

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

### 3.1.10.3 Audit Committee and Risk rules of procedure

**Entered into force on March 24th, 2010 – Version N° 4 – modified on November 16<sup>th</sup>, 2018**

#### Purpose

The Audit and Risk Committee is a specialised committee of the Supervisory Board.

It was first set up on 26 January 2005 and the Board decided to progressively assign it new duties and responsibilities, renaming it as follows:

26 January 2005	Audit Committee
19 March 2019	Audit and Risk Committee

These rules of procedure define the composition, duties structure and functioning of the Audit and Risk 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 and Risk 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 and Risk Committee

##### 1.1 Chairmanship – Number of members

The Chairman of the Audit and Risk Committee is appointed by the Supervisory Board.

The Audit and Risk 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 and Risk 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 and Risk 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 and Risk Committee

The members of the Audit and Risk 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. Duties of the Audit and Risk Committee

The Audit and Risk 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 Supervisory Board, which it does not replace, the duties of the Audit and Risk Committee are to:

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

- ◆ review and comment on the parent company and consolidated financial statements before they are approved by Executive Management and presented to the Supervisory Board;
- ◆ ensure 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, financial and extra 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 paragraph. 3 of the aforementioned Regulation (EU) No. 537/2014, 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 and Risk Committee is required for amounts beyond the above thresholds,
  - the Statutory Auditors must disclose all fees for the financial year to the Audit and Risk 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 the financial reporting and the role it has played in this process.

#### **2.3      *Missions concerning risk exposure and prevention of corruption:***

- ◆ regularly review opportunities and exposures to risks such as financial, legal, operational, social and environmental risks and the actions taken as a result;
- ◆ ensure the establishment of a system for preventing and detecting corruption and trading in influence.

#### **2.4      *Other duties***

- ◆ report regularly to the Supervisory Board on the performance of its duties;
- ◆ promptly inform the Supervisory Board of any difficulty encountered;
- ◆ carry out special tasks assigned to it by the Supervisory Board.

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

### **3.       Functioning of the Audit and Risk Committee**

#### **3.1      *Meetings of the Audit and Risk Committee***

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

The Audit and Risk Committee meets when convened by its Chairman, who sets the agenda of the meeting in writing or verbally, in any location indicated in the notice of meeting.

Before each Audit and Risk Committee meeting, Audit and Risk 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 and Risk Committee meetings is performed, if they are present, by the Audit and Risk Director, otherwise by a member of the Audit and Risk Committee appointed as rapporteur by the Chairman.

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

Certain non-members of the Audit and Risk Committee – in particular the Statutory Auditors, the Audit and Risk Director and the Financial Director are regularly invited to Audit and Risk Committee meetings. The Audit and Risk 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 and Risk Committee are validly held when at least half of its members participate, it being specified that members who participate in an Audit and Risk Committee meeting by way of video conference or telecommunication, under the conditions stipulated for Supervisory Board meetings are deemed to be present.

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

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

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

#### **3.3      *Information handled by the Audit and Risk Committee***

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

The Audit and Risk Committee's examination of the financial statements must be prepared in accordance with (and accompanied by) a presentation by the Statutory Auditors highlighting 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 and Risk 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 and Risk Committee**

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

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

The Audit and Risk Committee regularly assesses its performance in conjunction with the self-assessment of the Board. The members of the Audit and Risk 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 and Risk Committee and its members are reviewed and assessed and any applicable recommendations for improving performance are made.

## 3.2 ETHICS – COMPLIANCE

### 3.2.1 COMMITMENTS

*"Hermès is a mosaic of women and men who work hard daily for its development throughout the world. Beyond their uniqueness, the people who bring the group to life have a common desire to share certain unifying and founding values of the spirit that has characterised Hermès since 1837.*

*Even though these values are experienced and transmitted above all through personal adherence, the code of ethics reaffirms our common desire to respect certain fundamental principles that facilitate relations both internally and with customers, suppliers and, more generally, with the environment in which Hermès operates."*

*Mr Henri-Louis Bauer – Chairman of the Executive Management Board of Emile Hermès SARL Mr Axel Dumas – Executive Chairman*

*This code does not replace the laws and regulations applicable in the countries where the group operates, but rather aims to promote compliance with them and ensure their proper application. It is of course in line with fundamental principles such as the Universal Declaration of Human Rights, and the rules of the ILO, the OECD and the Global Compact governing sustainable development.*

*It is an instrument of progress and dialogue: any employee of the group who encounters difficulties in understanding or applying it must inform his or her manager.*

*We are counting on your contribution to continue to embody the values it conveys and to nourish them with your own mark."*

*Mr Henri-Louis Bauer – Chairman of the Executive Management Board of Emile Hermès SARL Mr Axel Dumas – Executive Chairman*

#### 3.2.1.1 Promotion of and compliance with conventions on human rights and fundamental rights

The Hermès Group's ethics policy aligns with the universal framework set down by the major principles, standards and international agreements, and it notably adheres to:

- ◆ the Universal Declaration of Human Rights;
- ◆ the Charter of Fundamental Rights of the European Union;
- ◆ the Charter of Fundamental Rights of the International Labour Organization, the principles of which are grouped under the following themes: freedom of association, forced work, child labour, discrimination;
- ◆ the OECD guidelines;
- ◆ the OECD convention on combating the corruption of public officials;
- ◆ the Global Compact under the aegis of the UN.

The Hermès Group and its employees endeavour to comply with the laws and regulations applicable in all countries where they operate.

These principles are clearly set out in the Group's Ethical Charter and its code of business conduct, available on the Group intranet and given to all employees since 2009 and 2012 respectively, as well as in the "Les Essentiels" section of the Group's public website.

#### 3.2.1.2 Ethics Charter

*"The Ethical Charter serves to enrich the corporate project around the genuineness of the Group's purpose and ethics. It guarantees respect for the debt of gratitude that we owe to our employees and partners.*

The House's ethics have been enshrined, since 2009, in a 40-page Ethical Charter, available in 10 languages and updated in 2016, distributed to all employees worldwide. It is also available on our intranet, HermèsSphère, in the section "Our ethics". It serves to inform the corporate purpose and to reaffirm the Group's determination to uphold certain fundamental principles in relations with its stakeholders and society. Signed by the Executive Management, it is sent to all new employees as soon as they enter the House. The document "Les Essentiels" of the Group's Ethics Charter is available on the website <https://finance.hermes.com/>

The Ethical Charter aims to promote compliance and to ensure the proper application of applicable laws, regulations and key principles. It is intended as an instrument of progress and dialogue, and encourages employees to seek guidance from their line managers in cases where the principles are difficult to apply or are open to misunderstanding. It is structured around the following points:

- ◆ relations between Hermès and its employees.
- These relations are based on humanistic and responsible management inspired notably by a desire to preserve the physical and emotional health of employees. This chapter sets out a number of the House's unifying values: trust, exemplarity, excellence, uncompromising standards, recognition, respect, enthusiasm, solidarity, discretion and the search for harmony;
- ◆ relations between Hermès and its suppliers.

These relations entail adherence to the Company's enduring standards of excellence based on suppliers' ability to follow the House's fundamental principles. This chapter outlines the main principles of our relationships: trust and consideration, selectivity on quality criteria but also in terms of social and environmental issues, long-term and balanced relationships, fair treatment and impartiality, absolute respect of ethical and integrity criteria, transparency in the relationship.

◆ relations between Hermès and its customers.

Hermès seeks to astonish its customers and take them into another world with exceptional creations, products, services and stores. This chapter stresses the need to give everyone the warmest possible welcome, with respect for diversity and culture, to be discreet and to respect the confidentiality of information about our customers, as well as ethics with our business partners.

◆ relations between Hermès and its shareholders.

These relations are based on transparent disclosure and rigorous management. Hermès wishes to share with its shareholders, without distinction and in the respect of shareholder equality, its long-term strategy and its values as well as the results of the business. Hermès strives to harmoniously develop its business and results, protect the Company's assets, ensure governance in line with market best practices, and transparently report on its activities.

◆ uncompromising principles of Hermès objects.

This is identifiable by the style, the savoir-faire and the quality of its objects: a highly demanding approach to materials, savoir-faire and attention to detail, among others, applied internally and externally. The authenticity of materials (including their provenance), as well as their crafting, guarantee the enduring nature of Hermès objects;

◆ relations between Hermès and society.

Hermès is an attentive and concerned member of society committed to its ecological, social, economic and cultural environment. This chapter notably sets out our values on the following issues:

- the House takes care to respect the environment and fit into it as seamlessly as possible. It complies with regulatory requirements and aims to anticipate their development whenever possible. It seeks to enhance its production processes by choosing the cleanest possible technologies and the most environmentally friendly products, respecting natural resources and minimising the use of energy resources. It keeps waste to a minimum, recycling it whenever possible. Hermès equips its manufacturing sites so as to blend them into the landscape, to prevent accidental pollution and to limit noise and other nuisances,
- as regards its stakeholders, Hermès also aims to ensure dialogue and consultation with all stakeholders in order to contribute to the economic and social development of the regions and employment areas where its manufacturing and commercial sites are located. Hermès invests in each of the company's manufacturing or commercial sites, using local resources as much as possible, so as to contribute to local economic life and play a role of corporate citizen in the local economy, in a spirit of responsibility towards the community.

### 3.2.1.3 Code of business conduct

*"To help make sure that everyone is on the same page, we have formalised this "code of business conduct". Its role is to raise awareness of certain risks and to instil Group employees with behavioural reflexes in response to frequently raised issues.*

*The sheets below, each of which must act as a safeguard for the proper application of the code, are instruments of progress and dialogue. We are counting on your personal involvement in following these guidelines."*

*Mr Axel Dumas – Executive Chairman*

A 20-page Code of Business Conduct, available in 10 languages and updated in 2018, is distributed to all employees worldwide. It sets out the House's guiding principles on a number of operational topics. The Code is signed by the Management, and is given to all employees as soon as they join the House. The Code of Business Conduct is available on the website <https://finance.hermes.com>

The purpose of the Code of Business Conduct is to raise employees' awareness about certain risks and to instil behavioural and alert reflexes. It consists of factsheets, dealing with key issues:

- ◆ the code sets out alert mechanisms as part of a Group system called "H-Alert!". Employees confronted with situations that raise ethical issues, or who believe, in good faith and in a disinterested way, that a serious and obvious violation of a code, charter, procedure, law or regulation, of which they are personally aware, has been committed, are encouraged to report the irregularities or breaches, as soon as possible, using the following reporting channels:
  - ◆ via the line management/managerial route or via Human Resources or the Ethics Committee; or
  - ◆ via a technical system specially designed for this purpose and which protects the person reporting, operated by an external provider chosen by the Hermès Group, whose details can be accessed on the Group's intranet site (Our House/Our Ethics) and which are also posted.

These reports are treated confidentially and in line with the applicable legal framework.

The Code addresses the following topics:

◆ **extra-professional activities:**

These must be exercised outside the framework of the Company, not lay claim to belonging to the Hermès Group and not compete with our activities;

The Group's policy is to not support any political party and to prohibit any political activism in the name of Hermès.

◆ **acceptable benefits and gifts:**

This sheet outlines the principles regarding the offering and receiving of gifts, in accordance with local regulations, ethical rules and transparency;

◆ **money laundering:**

This sheet aims to make employees aware of this illegal practice and its risks. It gives examples of concrete cases to monitor and refers readers to the Group's mandatory procedures on the subject;

◆ **confidentiality:**

This sheet aims to encourage employees to take the necessary measures to protect the confidentiality of the information that they hold as a result of their professional activity, or that of their colleagues.

It defines the notion of confidential information, gives examples concerning data security, the control of communication and specific prohibitions in view of our activity. Among other things, it deals with the subject of social networks, financial information and customer data;

◆ **conflicts of interest:**

This sheet explains the notion of conflict of interest, and specifies the types of behaviour to avoid. It emphasises the duty of transparency and loyalty;

◆ **corruption:**

The Group's policy is clear: zero tolerance for corruption of any form and whatever the status of the beneficiary.

This sheet summarises, and offers examples of, the key principles of business relationships, the main regulations on the subject, and potential impact for the Company and for employees.

Each employee must refer back to the rules set out on the matter in the Anti-corruption code of conduct;

◆ **stock market ethics – prevention of market abuse:**

This sheet summarises the issues, risks and behaviour to avoid on this subject, in application of the law and French rules in this area. Any employees with access to inside information as a result of their professional duties, must not buy or sell Hermès International shares, until such information is made public;

◆ **discrimination:**

This sheet reminds employees that the Group does not tolerate any form of discrimination;

◆ **personal data:**

This sheet reminds employees that the Group is particularly sensitive to personal data protection and respect for privacy. All employees, whatever their role, must ensure that they process the personal data to which they have access in accordance with rules set out by the Group and pursuant to applicable laws and regulations;

◆ **human rights and fundamental freedoms:**

This sheet describes the Group's ethics policy within the context of the universal framework set down by the major principles, standards and international agreements to which its adheres;

◆ **environment:**

Respect for nature, the source of its exceptional materials and the living environment surrounding its sites, is one of the Group's strong and unwavering values.

This sheet urges all employees to do their utmost to prevent, or minimise, the consequences of their activity on the environment. All Group employees pay great attention when it comes to protecting nature, preserving biodiversity and ecosystems and managing waste;

◆ **harassment (moral or sexual):**

Reaffirming the Group's commitment to fight against harassment, this sheet sets out elements serving to identify such issues;

◆ **international sanctions:**

The Group, including its employees, is committed to complying with the international sanctions programmes imposed by the United Nations, the European Union, the United States and by any national legislation to which it is subject;

◆ **health and safety:**

Employee health and safety is a priority for the Group. The Group endeavours to constantly improve its employees' working conditions and pursues the same objectives with its external partners;

◆ **terrorism:**

This sheet aims to raise employees' awareness and to increase their vigilance, particularly with regard to money laundering and funding terrorism;

◆ **influence peddling:**

The Group prohibits any act of influence peddling;

◆ **use of Group resources:**

This sheet highlights the objective of protecting the Group's resources and their use for professional purposes. It lists certain prohibitions (notably from the Group's IT charter).

Echoing the Ethical Charter, the code of business conduct states in its preamble that Hermès men and women must also act in strict compliance with the laws and regulations applicable in the countries where the Group operates, as well as within the framework of fundamental principles such as the Universal Declaration of Human Rights, the ILO conventions and the OECD guidelines.

### 3.2.1.4 Personal data protection and respect for privacy

Personal data protection and respect for the privacy of individuals are major issues for the Hermès Group and are key to maintaining relationships of trust, particularly with its customers and employees.

The Hermès Group's objective is to ensure an appropriate level of data protection across all its subsidiaries, in accordance with applicable laws and regulations. The Hermès Group has set up the organisational structure and the protection and control measures detailed in sections 3.2.2 to 3.2.4 below.

## 3.2.2 ORGANISATION

### 3.2.2.1 Ethics Committee

An Ethics Committee was created in 2018 to (i) advise on the Group's ethics culture and make recommendations, (ii) receive alerts (alongside other reporting channels) and (iii) direct and monitor the way in which alerts are handled.

It comprises the Executive Vice-President, Governance and Organisational Development, who is a member of the Executive Committee and chairs the meetings, the Group Legal Director, the Human Resources Director and the Director of Legal Compliance and Public Affairs.

The Ethics Committee meets in plenary session with anyone who is duly authorised to deal with alerts, as often as is necessary and at least once every six months.

### 3.2.2.2 General Counsel Compliance and Public Affairs

The General Counsel Compliance and Public Affairs' main task is to design, develop and implement compliance programmes worldwide, to identify, evaluate and control the risks to which the Hermès Group is exposed, to verify compliance with the various laws and regulations, and ensure the coordination, implementation and updating of compliance programmes, in close cooperation with the Group's various departments. This position reports to the Group's Chief Legal Officer, who reports to the Executive Vice-President, Governance and Development of Organisations, member of the Executive Committee, who in turn reports to the Group's Executive Chairman.

The General Counsel Compliance and Public Affairs' independence is ensured by direct reporting, on a regular basis, to the Executive Vice-President, Governance and Organisational Development. Meetings are accordingly held on a regular basis.

The General Counsel Compliance and Public Affairs chairs and oversees the "Compliance and Vigilance Committee". He or she reports on the actions and decisions of the Compliance and Vigilance Committee to the Executive Vice-President, Governance and Organisational Development. He or she is also a member of the Ethics Committee, chaired by the Executive Vice-President, Governance and Organisational Development.

The General Counsel Compliance Department and Public Affairs relies on the lawyers in the Hermès International Legal Department, based in Paris, on subsidiaries' legal departments (in Lyon, New York, Mumbai, Shanghai, Singapore and Tokyo) and on the Group's network of internal controllers, to deploy compliance programmes within the Group.

These employees are involved in implementing and leading compliance programmes, including the corruption prevention plan, across all Group métiers and entities. They check in particular that operational and métiers staff apply the policies and procedures put in place.

### 3.3.2.2 Compliance and Vigilance Committee

The Compliance and Vigilance Committee is composed of the following functions:

- ◆ General Counsel Compliance and Public Affairs;
- ◆ Group General Counsel;
- ◆ Audit and Risk Director;
- ◆ Sustainable Development Director;
- ◆ Consolidation and Management Control Director;
- ◆ Group Labour Relations Director;
- ◆ Group Direct Purchasing Coordination Manager;
- ◆ Group Indirect Purchasing Manager;
- ◆ Group Retail Activities Director.

The Compliance and Vigilance Committee meets regularly.

3

Its duties include in particular to:

- ◆ define compliance guidelines;
- ◆ design and implement prevention and monitoring actions in terms of supplier vigilance, fraud and the fight against corruption for all Group entities;
- ◆ manage the deployment of awareness-raising and training campaigns for employees most at risk.

Generally speaking, the Compliance and Vigilance Committee:

- ◆ provides expertise by analysing regulatory and legislative requirements;
- ◆ fosters a culture of compliance;
- ◆ ensures programme coordination and consistency;
- ◆ develops the Group's policies in this area.

### 3.2.2.4 Group Data Protection Officer

A Group Data Protection Officer was appointed on 1 March 2018, with the task of informing and advising the Company on its legal and regulatory obligations with regard to personal data, and steering and monitoring data processing and ensuring its compliance with these obligations. The Group Data Protection Officer is the point of contact for the people concerned and for authorities in charge with the protection of personal data.

The position is part of the Group Legal Department, reporting to the Executive Vice-President, Governance and Development of Organisations, member of the Executive Committee, who in turn reports to the Group's Executive Chairman.

### 3.2.2.5 Personal data protection governance

The Data Protection Officer's work is reliant upon a Group-wide network of people, primarily members of the Legal Department and internal controllers. This network enables the officer to be informed of personal data processing-related issues, to ensure that these are handled consistently by subsidiaries and to be alert to local legal and regulatory changes, as applicable.

### 3.2.3 IMPLEMENTATION

#### 3.2.3.1 Corruption

*"Combatting corruption is an evident commitment for the Hermès Group.*

*Combatting corruption is part of an ethical approach to which the Hermès Group is fundamentally attached. It involves a determined commitment to comply strictly with laws and regulations applicable in all of the countries in which the Group operates. This commitment applies to all of the Group's internal ethics and compliance policies and procedures.*

*Combatting corruption further means forbidding any conduct contrary to these rules and principles and promoting within the firm an ethical culture that leaves no place for dishonest conduct.*

*Combatting corruption thus also means including this ethical culture in all of the Group's policies, actions and decisions. As ethics is a matter that concerns everyone, these principles must govern Hermès Group's daily operations including managerial, commercial and operational activities."*

Mr Axel Dumas, Executive Chairman

Corruption is in contradiction with the values of the Hermès Group. The Group has a dual requirement: zero tolerance for breaches of probity on the one hand, and a determined commitment to an ethical culture on the other.

The Group's policies on ethical conduct and the fight against corruption are clearly set out in the code of business conduct, available on the Group intranet as well as in the "Les Essentiels" section of the Group's public website.

The Hermès Group continues to improve its corruption prevention plan, in accordance with the requirements of French Law no. 2016-1691 of 9 December 2016 on transparency, the fight against corruption and the modernisation of economic life.

Furthermore, the Group conducts global legal monitoring of legislative changes on the fight against corruption and complies with current legislative and regulatory requirements both in France and abroad, such as the Foreign Corrupt Practices Act in the United States, the United Kingdom Bribery Act. This monitoring is carried out in-house and by external firms.

##### 3.2.3.1.1 Commitment of the governing body

The governing body's commitment can be seen at the Group's highest level. Alongside other members of the Executive Committee, Mr Axel Dumas, Executive Chairman, drives compliance with ethical rules, applying a firm policy of zero tolerance of any act of corruption.

Corruption risk mapping, initiated by the governing body and presented by the General Counsel Compliance and Public Affairs in the first half of 2018, was signed by all the members of the Executive Committee, thus clearly demonstrating the importance placed on analysing and identifying Group-specific risks.

The fight against corruption in all these forms irrigates all the Group's policies and procedures.

##### 3.2.3.1.2 Risk mapping

*"We are committed to promoting a culture of compliance, integrity and transparency that is vital for risk assessment. This anti-corruption risk map, as well as a whole range of recommendations made within the context of mechanisms to control these risks, are part of this approach. They will feed into action plans to improve the prevention of, and the fight against, all forms of corruption within our Group."*

Mr Axel Dumas – Executive Chairman

A Group corruption risk map was produced jointly by the Compliance Department and the Audit and Risk Management Department and was approved by the Group's Executive Committee.

Risk mapping covers all of the Group's activities in all the geographical areas where it operates. Each main risk identified corresponds to a potentially risky behaviour or situation in terms of corruption or influence peddling and specifies the geographical areas and *métiers* that are most affected so as to determine the priority measures to be taken as part of the corruption prevention plan.

The participation of a number of key contacts has ensured that a good cross-section of the Group's main activities are represented at various levels of responsibility (management and operational staff).

The methodology used for the Group's risk mapping is as follows:

- ◆ identification of Group risks arising from an audit of existing mechanisms and interviews with Senior Executives and operating functions;
- ◆ prioritisation of these risks: the importance of each risk was measured according to the impact that its occurrence would have as well as the likelihood of its occurrence (its probability of occurrence), weighted by the control mechanism in place, resulting in a distinction between gross and net risks.

This approach identifies individual risks to be dealt with as a priority and assesses the efficiency of mechanisms to control these same risks with the aim of making constant improvements.

*Métiers, entities and countries have the necessary tools to identify and hierarchise their own risk of corruption and influence peddling.*

### 3.2.3.1.3 Anti-corruption code of conduct

A Anti-corruption code of conduct was drafted in 2018 from the results of the Group's corruption risk mapping. This code of conduct was approved by the Group's governing bodies.

This Anti-corruption code of conduct has a global reach and applies to all Group employees.

*"This Anti-corruption code of conduct (the "Code of Conduct") is in continuity with the commitments taken by the Hermès Group in the area of ethics and integrity. It sets forth the personal commitment of the Hermès Group's managers and forms an integral part of the values and principles that unite all Hermès Group employees."*

Mr Axel Dumas, Executive Chairman

This code:

- ◆ defines corruption, its challenges and forms;
- ◆ describes and illustrates, with clear examples and case studies that are relevant to the corruption risk mapping, the types of behaviour that are prohibited;
- ◆ sets out the commitment of the Group and its governing bodies in terms of the fight against corruption and influence peddling;
- ◆ enables all Group employees to identify risky situations and adopt appropriate behaviours;
- ◆ defines offences;
- ◆ introduces the whistleblowing system which is covered by a separate procedure.

In particular, this code describes rules on gifts and invitations, the ban on facilitation payments, management of conflicts of interest, patronage and sponsorship, representation of interests, etc.

### 3.2.3.1.4 An internal whistleblowing system

The Group's internal alert system is described in section 3.2.4.1 below.

### 3.2.3.1.5 Procedures for monitoring clients, key suppliers and intermediaries

The Group's business model primarily consists of purchasing raw materials from suppliers and manufacturing most of its products in-house, which are then sold via stores, the majority of which are owned by the Company (branches), to customers who visit said stores. Upstream, i.e. relationships with goods suppliers and service providers, accounts for most of the Group's relationships with third parties. To a lesser extent, the Group also has downstream relationships, with concessionaires, distributors and commercial intermediaries in some métiers.

The Group develops long-term relationships with its partners, thereby protecting its sources of supply and business relationships.

The commitments given by the Group and its partners focus on the following points:

1. good labour practices: prohibition of child labour, prohibition of forced labour, compliance with health and safety rules, respect for freedom of association, non-discrimination, working time, appropriate compensation, prohibition of illegal work;
2. best environmental practices: compliance with environmental regulations, management of natural resources and consumption, effluent and waste, respect for biodiversity;
3. good ethical conduct: the fight against corruption and money laundering and recommendations on best practices in relation to subcontracting.

On an operational level, each métier or entity is responsible for managing its relations with third parties, monitoring the challenges identified and the implementation of corrective actions with third parties. Experience has shown that adopting a métier or entity approach guarantees customer proximity, awareness of the challenges ahead and realistic systems that comply with the Group's rules. Nevertheless, to ensure that the Group's anti-corruption system is available well implemented in métiers, entities and subsidiaries, the Group coordinates procedures, tools, training and controls.

To ensure their partners' integrity and compliance with anti-corruption regulations, the métiers and entities have the following tools at their disposal:

- ◆ risk mapping;
- ◆ procedures for entering into business relationships with third parties;
- ◆ analysis grids and questionnaires to assess third party risk levels;
- ◆ a Suppliers' Charter, a Business Ethical Charter for the selling of products and compliance clauses to ensure third parties' commitment to complying with social, environmental and ethics policies and, in particular, with anti-corruption regulations;
- ◆ rights of access and right to request documentation;
- ◆ the right to conduct internal and external on-site audits and, if necessary, to implement corrective measures.

The métiers and entities are required to monitor their relationships with third parties and to update their assessments and engagement policies on a regular basis. The Group ensures that métiers and entities comply with these third party assessment policies via internal control and internal audits conducted by the Audit and Risk Management Department, as well as through controls carried out by the Compliance Department.

### 3.2.3.1.6 Audit procedures

Internal control and risk management procedures relating to the preparation and processing of accounting and financial information, as described in section 1.10, form an integral part of the Group's anti-corruption system and, in particular, are aimed at preventing and detecting any act of corruption. Furthermore, annual self-assessment campaigns (see section 1.9.6.6.) are an important tool when it comes to the process of applying audit procedures across all the Group's entities.

The Audit and Risk Management Department monitors the proper application of these procedures during its internal audits.

### 3.2.3.1.7 Training system intended for executives and employees most at risk

The training system is described in section 3.2.4.4 below.

### 3.2.3.1.8 Disciplinary measures to sanction violations of the anti-corruption code of conduct

The sanctions system is described in section 3.2.4.2 below.

### 3.2.3.1.9 Internal monitoring and assessment system

Internal and external audits of the Group's companies and *métiers* as well as of its main suppliers and partners are conducted regularly relating to the application of the Group's procedures. Among other areas, these audits cover the fight against corruption, combatting money laundering, the protection of personal data, respect for the environment, respect for human rights and fundamental freedoms, and employee hygiene, health and safety. The methodology of these controls and audits is described in section 1.9 "Risk factors" (see pages 36 et seq.).

### 3.2.3.2 Vigilance

In accordance with French Law 2017-399 of 27 March 2017, the Hermès Group has drawn up its own reasonable vigilance plan designed to identify risks and prevent serious harm in respect of human rights and fundamental freedoms, health and safety of persons and the environment, resulting from its activities and the activities of subcontractors and suppliers.

The risk mapping to identify, analyse and prioritise risks, procedures for the regular monitoring of subsidiaries, subcontractors and suppliers, appropriate measures to mitigate the risks identified or prevent serious violations; and the

system for monitoring the measures implemented and assessing their effectiveness, are described in the section 2.6 "Suppliers and partners" (see pages 111 et seq.).

The whistleblowing mechanism for reporting violations is described in section 3.2.4.1 Professional whistleblowing system below.

### 3.2.3.3 Personal data protection and respect for privacy

Hermès is particularly sensitive to personal data protection and respect for privacy. All employees must ensure that they process the personal data to which they have access in accordance with rules set out by the Group and pursuant to applicable laws and regulations. The Group procedures specifically state that it is compulsory:

- ◆ to collect and process personal data solely for a specific, lawful and legitimate occupational purpose determined by Hermès Group and to restrict data collected to what is strictly relevant, fair and not excessive with regard to this purpose;

- ◆ to be transparent about how these data are processed. As regards customers for example, the Confidentiality Policy is publicly available and can be found on the Group's digital platforms (websites, mobile applications) and must also be provided to any person who so requests at a point of sale;
- ◆ to ensure that personal data are protected and secured by an appropriate means, in compliance with the standards established by the Group and by the applicable laws and regulations. The objective in particular is to consider any relationship with customers as strictly confidential and to only use and disclose their personal data with their express consent and/or in compliance with the Group's rules and the applicable laws and regulations. The objective is also to report, as soon as possible, any security incident relating to data in accordance with the rules established by the Group;
- ◆ to respect the rights of the persons whose data are processed by responding to their requests as soon as possible with the help of the contact points identified by the Group and the Data Protection Officer, if necessary;
- ◆ to keep the data of the concerned persons for an adequate period with regard to the purposes for which they are collected, in compliance with the applicable laws and regulations.

The Hermès Group has adopted Binding Corporate Rules (BCR) for managing the personal data of its customers. These stringent BCRs have been validated since 2012 by the European authorities in charge of the protection of personal data, and have since been integrated by all Group companies dealing with customer data. They ensure an adequate level of protection for customers' personal data when transferred within the Group.

In addition, to meet the requirements of the European Union's General Data Protection Regulation (GDPR) no. 2016/679 of 27 April 2016, actions were taken, in particular, to identify personal data processing within the Group, to increase transparency in terms of the way in which the Hermès Group processes its customers' personal data and to educate and train personal data processing teams in data protection principles and practices.

The personal data protection systems are under the responsibility of the Executive Vice-President of Governance and Organisational Development, member of the Group's Executive Committee.

Audits are conducted by the Audit and Risk Management Department to ensure the proper application of data protection policies and procedures.

## 3.2.4 CONTROL

### 3.2.4.1 Professional whistleblowing system

To ensure compliance with laws and regulations, as well as to step up the fight against breaches of ethics and integrity, the Group has strengthened its global alert system "H-Alert !" designed to enable its employees worldwide, as well as its external and occasional workforce, to report any issues of which they have been personally made aware.

The information notice regarding the whistleblowing system reminds employees that they are protected from any type of retaliation if the reporting is done in accordance with the "H-Alert !" system. Employees are encouraged to report the aforementioned irregularities or breaches, as soon as possible, using the following reporting channels:

- ◆ to their direct or indirect line manager or above, to Human Resources, or to the Ethics Committee;
- ◆ to the whistleblowing service provider appointed by Hermès to collect alerts via an independent technical system, available 7 days a week and round the clock.

This technical system is available in French (64% of the Group's workforce is in France) and in English. It will eventually be deployed out in ten languages.

The Group has introduced effective measures guaranteeing the confidentiality of information and processing of reports at all times. The whistleblowing system also allows Group employees to report an incident anonymously. Local whistleblowing systems are also in place in major subsidiaries such as the United States, the United Kingdom and China.

### 3.2.4.2 Sanctions system

The sanctions system in place for compliance programmes corresponds to the system of sanctions described in the rules of procedure, any breach of ethics and integrity being contrary to the Group's intrinsic values and internal rules laid down in this area.

In accordance with existing law, all of the Group's French entities with more than 20 employees have rules of procedure that devote a chapter to disciplinary law and the right of defence.

On an international level, depending on the local applicable law, either the rule of procedure sets out rules on disciplinary matters, or an employee handbook contains rules on disciplinary law; both include anti-corruption measures.

### 3.2.4.3 Audit of the application of ethical values

- ◆ To check that our compliance system and our ethics and integrity policies are being properly implemented, the Hermès Group has a three-level audit plan:
- ◆ the first level of control is implemented directly by operational staff. It involves applying, on a daily basis, the principles and steps described in Group and entities' ethics and integrity procedures and, in

particular, those relating to the fight against corruption and influence peddling;

- ◆ the second level of control involves internal controllers and lawyers in each entity/*métier*, working in close collaboration with the Compliance Department, in particular, on the proper application of procedures;
- ◆ the third level of control is operated by the Audit and Risk Management Department when it audits the *métiers* and entities. This control assesses the implementation of the anti-corruption and influence peddling policy of the *métier* or entity in question.

### 3.2.4.4 Training on ethical issues

Several Group internal departments offer staff training, particularly, the Compliance Department, the Legal Department, the Human Resources Department, the Purchasing Department the Industrial Department and the Audit and Risk Management Department.

All these departments invest heavily in this training initiative.

#### 1) Training provided by the Compliance Department

Specific classroom training modules on the Group's anti-corruption policy, the contents of which are adapted to the teams, subsidiaries, *métiers* in question, are delivered and operated by the Compliance Department to those employees who are most exposed to the risks of corruption, as identified and prioritised in the Group risk mapping. They aim to provide employees with the know-how and tools needed to prevent and detect at-risk situations and to determine the behaviour to adopt in such cases.

In 2018, a number of classroom training sessions were delivered in the Group's entities, *métiers* and subsidiaries, both in France (*métiers*, subsidiaries, central services, management committees, purchasing and sales departments) and abroad (e.g.: China, the United States, India, Thailand, Malaysia, and the United Kingdom).

#### 2) Other anti-corruption training

An "Ethics, integrity and anti-corruption" module, introduced by the Human Resources Department, is designed for all in-store sales staff in Group entities. In 2018, 870 people followed this training. The aim of this module is to present the risks of corruption to sales staff. They learn about different forms of corruption and how to effectively combat risks of corruption in their daily tasks. Lastly, they learn about the tools and procedures that sales staff can use in case of doubt. Attendance at these training sessions is monitored by the signing of an attendance sheet. This module continues to be deployed in all subsidiaries worldwide including China, America, India, Korea and Thailand, etc.

The objective is to train all distribution subsidiary employees: whether their contract is fixed-term, permanent, temporary or as an intern, etc. and whatever their role (Group management, Management Committee, support, sales associates, stockists, cashiers, managers, etc.).

Furthermore, two anti-corruption e-learning modules for sales teams have been introduced by subsidiaries in the United States and China. Sales associates can access an IT tool that clearly sets out what constitutes an act of corruption, what the risks of corruption are in their duties and how to deal with them. These e-learning sessions are followed by a comprehension and simulation exercise to ensure that sales staff have fully understood the risks of corruption and how to manage them.

The Purchasing Department provides training for buyers and, in particular, makes them aware of the risks of corruption in their daily tasks.

The Audit and Risk Management Department trains its internal controllers and participates in the Group training sessions in order to promote an awareness of risk management and internal control best practices amongst the management.

### **3.2.4.5 Network of compliance liaison officers within the Group**

Legal teams located internationally, in particular in the United States, China, Japan, Singapore and India constitute the network of Compliance Liaison Officers and some of the Data Protection Liaison Officers. They act with the Group Compliance Department and with the Group Data Protection Officer in order to develop, facilitate, coordinate and monitor compliance programmes within the Group.

Internal controllers and auditors also play a role in the implementation and monitoring of procedures on these subjects (see Risk Factors on page 36).

## 3.3 OTHER INFORMATION FROM THE EXECUTIVE MANAGEMENT'S REPORT

### 3.3.1 INTERESTS OF CORPORATE OFFICERS AND EXECUTIVE COMMITTEE MEMBERS IN THE SHARE CAPITAL

In accordance with Article 18.1 of Appendix 1 to Regulation (EU) 809-2004, at 31 December 2018 the direct interests of Senior Executives in the Company's share capital, as reported to the Company, were as follows.

	Wholly-owned shares or with usufruct <sup>1</sup> (Ordinary General Meeting votes on the allocation of net income)				Wholly-owned shares or bare ownership <sup>1</sup> (other General Meeting votes)			
	Number of shares	%	Number of votes	%	Number of shares	%	Number of votes	%
<b>SHARE CAPITAL AT 31/12/2018</b>	<b>105,569,412</b>	<b>100.00%</b>	<b>176,036,795</b>	<b>100.00%</b>	<b>105,569,412</b>	<b>100.00%</b>	<b>176,036,795</b>	<b>100.00%</b>
<b>Executive Chairmen</b>								
Émile Hermès SARL	33,236	0.03%	33,238	0.02%	33,236	0.03%	33,238	0.02%
Mr Axel Dumas	10,418	0.01%	16,776	0.01%	10,418	0.01%	16,776	0.01%
<b>Supervisory Board members</b>								
Mr Éric de Seynes	203	0.00%	406	0.00%	203	0.00%	406	0.00%
Mr Frédéric Afriat	90	0.00%	120	0.00%	90	0.00%	120	0.00%
Ms Dorothée Altmayer	200	0.00%	230	0.00%	200	0.00%	230	0.00%
Mr Charles-Éric Bauer	73,648	0.07%	147,296	0.08%	73,648	0.07%	147,296	0.08%
Ms Monique Cohen	250	0.00%	500	0.00%	250	0.00%	500	0.00%
Mr Matthieu Dumas	213	0.00%	426	0.00%	213	0.00%	426	0.00%
Mr Blaise Guerrand	200	0.00%	400	0.00%	200	0.00%	400	0.00%
Ms Julie Guerrand	5,825	0.01%	10,630	0.01%	5,825	0.01%	10,630	0.01%
Ms Olympia Guerrand	306,312	0.29%	341,012	0.19%	306,312	0.29%	341,012	0.19%
Ms Sharon MacBeath	200	0.00%	200	0.00%	200	0.00%	200	0.00%
Mr Renaud Momméja	175,132	0.17%	278,306	0.16%	175,132	0.17%	278,306	0.16%
Mr Robert Peugeot	200	0.00 %	400	0.00%	200	0.00%	400	0.00%
Ms Dominique Senequier	200	0.00 %	400	0.00%	200	0.00%	400	0.00%
<b>Executive Committee (excluding Executive Chairmen and members of the Supervisory Board)</b>								
Mr Florian Craen	3,060	0.00%	6,080	0.00%	3,060	0.00%	6,080	0.00%
Ms Charlotte David	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Mr Pierre-Alexis Dumas	93,147	0.09%	182,234	0.10%	89,024	0.08%	173,988	0.10%
Mr Olivier Fournier	2,675	0.00%	4,290	0.00%	2,675	0.00%	4,290	0.00%
Mr Wilfried Guerrand	6,145	0.01%	9,230	0.01%	6,145	0.01%	9,230	0.01%
Mr Éric du Halgouët	2,061	0.00%	4,122	0.00%	2,061	0.00%	4,122	0.00%
Mr Guillaume de Seynes	9,201	0.01%	16,756	0.01%	9,201	0.01%	16,756	0.01%

(1) Voting rights that can be exercised in the General Meeting. In accordance with Article 12 of the Articles of Association of the Company, the voting right is exercised by the bare owner for all decisions made for all General Meetings, except for decisions concerning the allocation of net income, for which the voting right is exercised by the usufructuary. The procedures for publication and distribution of voting rights are detailed on page 340.

### 3.3.2 STATEMENTS BY CORPORATE OFFICERS

According to the statements made to the Company by the Corporate Officers:

- ◆ no Corporate Officer was convicted of fraud in the last five years;
- ◆ no Corporate Officer was involved in any bankruptcy, sequestration or liquidation in the last five years in their capacity as a member of an administrative, management or supervisory body or as an Executive Vice-President;
- ◆ no Corporate Officer was barred by a court from acting as a member of an administrative, management or supervisory body of a listed company or from participating in the management or conducting the business of a listed company in the last five years;
- ◆ no Corporate Officer was accused or penalised in a court of law by a statutory or regulatory authority (including designated professional bodies).

### 3.3.3 ALLOCATION OF FREE SHARES AND STOCK OPTIONS

#### 3.3.3.1 General free share and stock option allocation policies

Allocations of stock options and free allocations of shares form part of the Hermès Group's long-term compensation and loyalty policy. Such allocations have historically been made on a multiyear basis (see comments below on the plans in force); they are exceptional and their benefits have always extended beyond the Corporate Officers and Senior Executives of the Group.

Additional information on free share awards carried out by the Hermès Group and on the general long-term compensation policy and other initiatives involving employees in the Group's performance are described in the section on "Corporate social responsibility information" on pages 76 and 77.

#### 3.3.3.2 Free share allocation plans in effect

In accordance with Article L. 225-197-4 of the French Commercial Code, we hereby report to you on free shares granted in 2018.

Executive Management was authorised by the Extraordinary General Meeting of 31 May 2016 to award free shares, on one or more occasions, to some or all employees and/or Senior Executives of the Company or of affiliated companies, by granting existing shares in the Company for no consideration. The conditions of delegations of authority still in force are shown on pages 203 to 206.

The total number of free shares awarded under each of these delegations and the total number of stock options granted and not yet exercised are limited to 2% of the number of shares in the Company on the day of allocation, without taking into account those already granted under previous delegations.

These delegations were not used in 2018. In table 9.1 on page 200, you will find details of free share allocation plan conditions (and, in particular, vesting periods, holding periods and the application of performance conditions, where applicable) and, in table 9.2 on page 201, details of the free shares granted to the top 10 employee beneficiaries who are not Corporate Officers.

In accordance with Articles L. 225-197-1 et seq. of the French Commercial Code, these allocations are always contingent on presence conditions and, for certain plans, also on performance conditions. With the aim of building long-term loyalty, the 2007, 2010 and 2012 plans were associated with a vesting period of four years for participants residing in France and six years for participants abroad, and a mandatory lock-up period of the shares thus acquired of two years for participants resident in France. To harmonise the vesting conditions, the free shares allocated by Executive Management in 2016 were accompanied by identical vesting periods for Group employees in France and internationally. In line with its long-term strategy, the Executive Management has set the vesting periods for these awards at four and five years respectively. However, as permitted by applicable law (Article L. 225-197-1 et seq. of the French Commercial Code) and in accordance with the 15th resolution of the Combined General Meeting of 31 May 2016 (see p.140 of the 2016 registration document), no lock-up period was established, leaving each beneficiary employee free to decide how long to hold the shares acquired.

Bonus share allocations do not dilute the share capital because they consist exclusively of existing shares in the Company. Their value at the allocation date, calculated according to the method used for the consolidated financial statements, is shown in the notes to the consolidated financial statements (Note 31, page 285).

#### 3.3.3.3 Stock purchase options

The Executive Management was authorised by the Extraordinary General Meeting to grant stock options to certain employees and Corporate Officers of the Company and of affiliated companies. These delegations of authority were not used in 2018. As shown in the table on page 199, no stock option plans existed at 31 December 2018.

#### 3.3.3.4 Stock subscription options

All subscription option plans lapsed in 2009. No authorisation from the General Meeting allows the Executive Management to grant subscription options.





# 4

## COMMENTS ON THE FINANCIAL YEAR AND OUTLOOK

<b>4.1</b>	<b>COMMENTS ON THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS</b>	<b>228</b>
<b>4.2</b>	<b>COMMENTS ON THE SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>229</b>
4.2.1	Financial position	229
4.2.2	Investments	230
<b>4.3</b>	<b>CREATION OF VALUE</b>	<b>231</b>
<b>4.4</b>	<b>EXCEPTIONAL EVENTS</b>	<b>231</b>
<b>4.5</b>	<b>INFORMATION ON THE PARENT COMPANY FINANCIAL STATEMENTS, ON ACCOUNTS PAYABLE DUE DATES, SUBSIDIARIES AND ASSOCIATES</b>	<b>232</b>
4.5.1	Information on parent company financial statements	232
4.5.2	Information on accounts payable due dates	232
4.5.3	Information on subsidiaries and associates	232
4.5.4	Information on branches	233
4.5.5	Information on the amount of inter-company loans	233
<b>4.6</b>	<b>OUTLOOK</b>	<b>234</b>

## 4.1 COMMENTS ON THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

<i>In millions of euros</i>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>	<b>5,966.1</b>	<b>5,549.2</b>
Cost of sales	(1,791.0)	(1,659.3)
<b>Gross margin</b>	<b>4,175.1</b>	<b>3,889.9</b>
Selling, marketing and administrative expenses	(1,771.2)	(1,656.3)
Other income and expenses	(358.9)	(311.6)
<b>Recurring operating income</b>	<b>2,045.0</b>	<b>1,922.0</b>
Other non-recurring income and expenses	52.7	-
<b>Operating income</b>	<b>2,097.7</b>	<b>1,922.0</b>
Net financial income	(34.6)	(32.2)
<b>Net income before tax</b>	<b>2,063.1</b>	<b>1,889.8</b>
Income tax	(670.0)	(669.3)
Net income from associates	16.6	5.3
<b>CONSOLIDATED NET INCOME</b>	<b>1,409.6</b>	<b>1,225.8</b>
Net income attributable to non-controlling interests	(5.0)	(4.3)
<b>NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>1,404.6</b>	<b>1,221.5</b>

In 2018, the Hermès Group reported revenue of €5,966 million, up 7.5% at current exchange rates (10.4% at constant exchange rates). The gross margin was 70.0%, compared with 70.1% last year.

Sales, marketing and administrative expenses, which represented €1,771 million versus €1,656 million in 2017, include €298 million of communication expenditure. Other income and expenses came to €359 million. This figure includes €182 million of depreciation and amortisation charges, which reflects the rapid pace of investment in the development and renovation of the distribution network, as well as the cost of free share allocation plans.

Recurring operating income increased by 6.4% to €2,045 million versus €1,922 million in 2017. Thanks to particularly strong growth and tight cost control. Recurring operational profitability amounted to 34.3% of sales, close to the exceptional level reached in 2017 (34.6%).

After taking into account non-recurring income of €53 million resulting from the sale of the former Galleria store premises in Hong Kong, operating income grew by 9.1% and reached €2,098 million, i.e. 35.2% of sales.

Net financial income was an expense of €35 million versus €32 million in 2017. The effective tax rate is down almost 3 percentage points due to the reduction on the tax rate in the US in 2018 and the exceptional contribution paid by the group in France in 2017. Net income attributable to non-controlling interests totalled €5 million. The tax expense stood at €670 million. After taking into account the results of associates (income of €17 million), the Group's consolidated net result grew by 15.0% to €1,405 million.

## 4.2 COMMENTS ON THE SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

<i>in millions of euros</i>	<b>2018</b>	<b>2017</b>
Operating cash flows	1,682.7	1,580.1
Change in working capital requirements	76.7	25.4
<b>Cash flows related to the activity</b>	<b>1,759.4</b>	<b>1,605.6</b>
<b>Cash flows related to investing activities</b>	<b>(239.3)</b>	<b>(346.7)</b>
of which operating investments	(312.3)	(265.2)
of which financial investments	(80.0)	(142.7)
of which proceeds from sale of operating assets	69.1	3.6
<b>Cash flows related to financing activities</b>	<b>(1,019.6)</b>	<b>(590.9)</b>
of which dividends paid	(958.3)	(401.9)
of which treasury share buybacks net of disposals	(59.7)	(187.9)
<b>Foreign currency translation adjustment and change in scope</b>	<b>52.8</b>	<b>(76.3)</b>
<b>CHANGE IN NET CASH POSITION</b>	<b>553.4</b>	<b>591.8</b>
Net cash at the end of the period	3,465.1	2,911.7
Restated net cash position <sup>1</sup>	3,615.1	3,049.9

(1) Restated net cash includes cash investments that do not meet IFRS cash equivalent criteria as a result of their original maturity of more than three months.

### 4.2.1 FINANCIAL POSITION

Operating cash flows totalled €1,682.7 million, compared with €1,580.1 million in 2017.

After taking operating investments into account (€312 million), free cash flow comes to €1,447 million, an increase of 8%. It enabled the Group to finance all capital expenditure (€312 million), the distribution of an ordinary dividend (€428 million) and an exceptional dividend (€521 million), and the buyback of shares (€60 million). Net cash amounted to

€3,465 million at 31 December 2018 compared with €2,912 million at 31 December 2017.

After taking into account non-liquid financial investments exceeding three months, adjusted net cash stood at €3,615 million versus €3,050 million as at 31 December 2017, up by €565 million. Strong earnings growth drove up shareholders' equity attributable to owners of the parent to €5,503 million as at 31 December 2018 versus €5,039 million as at 31 December 2017.

The reconciliation of free cash flow <sup>2</sup> with the Group's statement of cash flows is as follows:

<i>In millions of euros</i>	<b>2018</b>	<b>2017</b>
Cash flows related to operating activities		
♦ Operating cash flows	1,682.7	1,580.1
♦ Change in working capital requirements	76.7	25.4
<b>Sub total I</b>	<b>1,759.4</b>	<b>1,605.6</b>
Cash flows related to investing activities		
♦ Operating investments	(312.3)	(265.2)
<b>Sub total II</b>	<b>(312.3)</b>	<b>(265.2)</b>
<b>FREE CASH FLOW (I-II)</b>	<b>1,447.3</b>	<b>1,340.4</b>

(2) free cash flow = operating cash flows + change in working capital requirement - operating investments

## 4.2.2 INVESTMENTS

In 2018, Hermès pursued the qualitative development of its distribution network and the strengthening of its production capacity, with €312 million in operating investments. The Group opened, refurbished or extended approximately 20 branches.

### BREAKDOWN OF INVESTMENTS

In millions of euros	2018	2017
Operating investments	312.3	265.2
Investments in financial assets	8.4	4.9
Subtotal – Investments (excluding financial investments)	320.7	270.1
Financial investments <sup>1</sup>	80.0	142.7
Total investments	400.7	412.8

(1) Financial investments correspond to the investments for which the sensitivity and maturity requires that they be classified as financial assets in accordance with IFRS.

In addition, the Leather Goods and Saddlery métier continued to invest in new capacities, including with the opening of the Allan production unit in Franche-Comté.

## 4.3 CREATION OF VALUE

The economic value added (€1,189 million in 2018, versus €1,070 million in 2017) increased by 11%, driven primarily by the improved results. The return on capital employed reached its highest historical level in 2018 at 67%, versus 57% the previous year.

<i>In millions of euros</i>	<b>2018</b>	<b>2017</b>
Recurring operating income	2,045.0	1,922.0
Current Group tax rate <sup>1</sup>	33.3%	35.4%
<b>Recurring operating income, after tax (I)</b>	<b>1,364.5</b>	<b>1,241.3</b>
Capital employed at the end of the period <sup>2</sup>	1,966.7	2,091.8
<b>Average capital employed over the period (II)<sup>3</sup></b>	<b>2,029.2</b>	<b>2,171.8</b>
Weighted average cost of capital (III)	8.67%	7.88%
<b>ECONOMIC VALUE ADDED (EVA) = (I) – (II) X (III)</b>	<b>1,188.5</b>	<b>1,070.2</b>
<b>RETURN ON CAPITAL EMPLOYED (ROCE) = (I) ÷ (II)</b>	<b>67%</b>	<b>57%</b>

(1) In 2018, the capital gain of €52.7 million realised on the sale of the premises of its Galleria store is non-taxable, and reduces the tax rate by 0.8 points.

(2) Corresponds to the sum of non-financial assets and working capital requirements as at 31 December. The reconciliation of this indicator with the Group's statement of financial position is as follows:

<i>In millions of euros</i>	<b>2018</b>	<b>2017</b>
Statement of financial position-assets	7,468.1	6,768.2
♦ Financial assets	(313.9)	(270.9)
♦ Cash and cash equivalents	(3,479.1)	(2,931.9)
<b>Subtotal I</b>	<b>3,675.1</b>	<b>3,565.4</b>
Statement of financial position-liabilities	7,468.1	6,768.2
♦ Equity	(5,507.8)	(5,045.5)
♦ Borrowings and financial liabilities	(50.0)	(53.7)
♦ Provisions and non-current post-employment and other employee benefit obligations	(201.8)	(195.4)
<b>Subtotal II</b>	<b>1,708.4</b>	<b>1,473.7</b>
<b>CAPITAL EMPLOYED AT THE END OF THE PERIOD (I-II)</b>	<b>1,966.7</b>	<b>2,091.8</b>

(3) Corresponds to the average capital employed at the end of periods n and n-1.

4

## 4.4 EXCEPTIONAL EVENTS

No exceptional events occurred in 2018.

## 4.5 INFORMATION ON THE PARENT COMPANY FINANCIAL STATEMENTS, ON ACCOUNTS PAYABLE DUE DATES, SUBSIDIARIES AND ASSOCIATES

### 4.5.1 INFORMATION ON PARENT COMPANY FINANCIAL STATEMENTS

The parent company financial statements as presented were approved by the Executive Management on 7 February 2019 and will be submitted to the shareholders for approval at the General Meeting of 4 June 2019. The parent company financial statements were also reviewed by the Audit and Risk Committee at its meeting of 14 March 2019.

#### 4.5.1.1 Revenue

Revenue amounted to €247.6 million in 2018, as compared with €216.6 million in 2017.

The Company's revenue consists of sales of services that are charged back to Group subsidiaries for advertising and public relations, rent, staff provided on secondment, insurance and professional fees and of royalties on the revenue of the production subsidiaries.

#### 4.5.1.2 Statement of financial position and statement of profit or loss

Hermès International's statement of financial position and statement of profit or loss appear on pages 296 to 297.

The parent company financial statements are drawn up in accordance with the provisions of French laws and regulations and with generally accepted accounting principles.

As at 31 December 2018, total assets amounted to €4,463.4 million compared with €4,021.9 million as at 31 December 2017. The statement of profit or loss shows net income of €1,238.5 million, compared with €778.3 million in 2017.

As at 31 December 2018, share capital amounted to €53,840,400.12, divided into 105,569,412 shares with a par value of €0.51 each.

### 4.5.2 INFORMATION ON ACCOUNTS PAYABLE DUE DATES

In application of Articles L. 441-6-1, D. 441-4 and D. 823-7-1 of the French Commercial Code (Code de commerce), the breakdown of the balance of liabilities with respect to accounts payable by maturity is indicated on page 320.

### 4.5.3 INFORMATION ON SUBSIDIARIES AND ASSOCIATES

A list of companies whose registered office is located in French territory and in which the Company owns a material interest, whether directly or indirectly, is provided in the notes to the parent company financial statements (pages 316 and 317).

#### 4.5.3.1 Activity of subsidiaries

The activities of the main subsidiaries of the Group are shown on page 32.

#### 4.5.3.2 Equity investments in companies with registered offices in France (Article. L. 233-6 of the French Commercial)

In 2018, Hermès International did not make any equity investments in companies with registered offices in France.

#### 4.5.4 INFORMATION ON BRANCHES

In application of Article L. 232-1 of the French Commercial Code (*Code de commerce*), below, we communicate to you the list of branches (secondary establishments) of the Company as at 31 December 2018:

Address	SIRET
<b>Paris</b>	
13-15, rue de la Ville-l'Évêque 75008 Paris	572 076 396 00173
10-12, rue d'Anjou 75008 Paris	572 076 396 00215
51, rue François-I <sup>er</sup> 75008 Paris	572 076 396 00132
20 rue de la Ville l'Évêque 75008 Paris	572 076 396 00090
27 rue de la Ville l'Évêque 75008 Paris	572 076 396 00181
<b>Pantin</b>	
48 rue Auger, 93500 Pantin	572 076 396 00223
110 B, avenue du Général-Leclerc 93500 Pantin	572 076 396 00207

#### 4.5.5 INFORMATION ON THE AMOUNT OF INTER-COMPANY LOANS

Hermès International did not grant any inter-company loans (loans of less than two years granted to micro-companies or small and medium-sized companies with which Hermès International has economic links) in 2018.

## 4.6 OUTLOOK

In an uncertain global context, Hermès shows its robustness and the strength of its business model year after year, with revenue reaching €6 billion in 2018. This performance demonstrates the attractiveness of the collections, based on unfettered creativity and outstanding technical expertise, and a model of sustainable and responsible growth engraved in the values of craftsmanship and entrepreneurial spirit.

Hermès entered the CAC 40 index 25 years after its initial listing on the Paris stock exchange, demonstrating the solidity of its business model.

Sales growth is very healthy, since it is mainly based on an increase in volumes, with little price or perimeter effect. Hermès is proud of its long tradition, drawing on the excellence of its craftsmanship, a high creativity and an exclusive distribution network.

Hermès continues to flourish, thanks to its attractive range of rich and diverse métiers.

The qualitative development of our network will continue, with the opening of six new stores in 2019, notably in the Meatpacking district in New York, Xiamen in China and Warsaw in Poland. Priority will be given to expansions and renovations, in approximately twenty stores around the world.

The new digital platform, after being launched in Canada, the United States, Australia and 18 countries in Europe, continued its growth with success in China with the *hermes.cn* website at the end of October 2018, launching on-line sales throughout China. The first months have been very promising, both in terms of increase in traffic as well as conversion rates. In 2019, the Group will continue implementing in Asia the new platform, which offers a single point of entry of editorial content and products reflecting the diversity and originality of our creations, the mastery of our know-how, and Hermès significant events.

In order to meet the high demand in Leather Goods and Saddlery, both for re-invented classics as well as new models, such as the *Roulis* and 24/24 bags, the expansion of production capacities will continue. Following the new Manufacture de l'Allan, and the launch of the Guyenne and Montereau workshops, which are expected to be completed by 2020, a new project was announced. A new site will be built in Louviers in the Eure department by 2021, ultimately creating 250 jobs. Hermès is once

again strengthening its territorial roots in Normandy, the development of employment and the creation of social value.

Meanwhile, Hermès other métiers will continue to draw on their know-how to design and produce exceptional objects, with a harmonious contribution.

True to its willingness and commitment to share the results of its growth with those who contribute to it daily, in 2019 Hermès will pay an exceptional €1,000 bonus to more than 7,000 employees in France, who earned in 2018 less than three times the annual minimum wage. This bonus will be paid on top of the €100 increase in monthly salaries for all staff in France and to an additional bonus for employees working in other countries.

Thanks to the unique tradition of singular communication that is part of our many projects, Hermès will continue to offer rich and surprising experiences, whose impact will be enhanced by a series of multi-media campaigns. The events strategy will remain very active with the *Saut Hermès* at the Grand Palais, the "Universe" events (Women, Men and Home), the Press Fashion shows, as well as the Hermès Hors les Murs Festival, Hermès Carré Club and Silk Mix focused on Silk, the petit h sales events and celebrations of openings and re-openings of sites and stores. The enrichment of digital contents and deployment of the ESR communications program will continue.

In the medium term, despite growing economic, geopolitical and monetary uncertainties around the world, the Group confirms an ambitious goal for revenue growth at constant exchange rates.

Thanks to its unique business model, Hermès is pursuing its long-term development strategy based on creativity, maintaining control over know-how and original communication.

"In the pursuit of dreams" will be the theme of the year 2019. Celebrating the dream of Hermès means to affirm the need to dare to see further, to open the field of the imagination that stimulates creation.

The Hermès business model is thus particularly solid in the current environment, and is rolled out around our values: independence, spirit of conquest, know-how, creativity, authenticity, commitment and quality, all of them being key of our profitability and our robustness.





# 5

## CONSOLIDATED FINANCIAL STATEMENTS

5.1	CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR 2018	238
5.2	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2018	239
5.3	CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018	240
5.4	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2018	242
5.5	CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2018	244
5.6	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	246
5.7	STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS	289

## 5.1 CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR 2018

<i>In millions of euros</i>	Notes	2018	2017
<b>Revenue</b>	3	<b>5,966.1</b>	<b>5,549.2</b>
Cost of sales	4	(1,791.0)	(1,659.3)
<b>Gross margin</b>		<b>4,175.1</b>	<b>3,889.9</b>
Selling, marketing and administrative expenses	5	(1,771.2)	(1,656.3)
Other income and expenses	6	(358.9)	(311.6)
<b>Recurring operating income</b>	3	<b>2,045.0</b>	<b>1,922.0</b>
Other non-recurring income and expenses	7	52.7	-
<b>Operating income</b>		<b>2,097.7</b>	<b>1,922.0</b>
Net financial income	8	(34.6)	(32.2)
<b>Net income before tax</b>		<b>2,063.1</b>	<b>1,889.8</b>
Income tax	9	(670.0)	(669.3)
Net income from associates	16	16.6	5.3
<b>CONSOLIDATED NET INCOME</b>		<b>1,409.6</b>	<b>1,225.8</b>
Net income attributable to non-controlling interests	22	(5.0)	(4.3)
<b>NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<b>1,404.6</b>	<b>1,221.5</b>
Earnings per share in euros	10	13.48	11.70
Diluted earnings per share in euros	10	13.39	11.62

N.B. The values shown in the tables are generally expressed in millions of euros. In certain cases, the effects of rounding up/down can lead to a slight discrepancy in the totals or changes.

## 5.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2018

<i>In millions of euros</i>	Notes	<b>2018</b>	<b>2017</b>
<b>Consolidated net income</b>		<b>1,409.6</b>	<b>1,225.8</b>
Changes in foreign currency adjustments <sup>1</sup>	21.4	74.4	(149.6)
Future cash flow hedge in foreign currencies <sup>1 2</sup>	21.4	(76.8)	55.8
◆ change in fair value		(37.6)	58.7
◆ recycling through profit or loss		(39.3)	(2.8)
Assets at fair value <sup>2</sup>		27.6	72.7
Employee benefit obligations: change in value linked to actuarial gains and losses <sup>2</sup>	21.4	5.5	(8.6)
<b>Net comprehensive income</b>		<b>1,440.4</b>	<b>1,196.1</b>
◆ attributable to owners of the parent		1,435.0	1,192.0
◆ attributable to non-controlling interests		5.4	4.2

(1) Transferable through profit or loss.

(2) Net of tax.

N.B. The values shown in the tables are generally expressed in millions of euros. In certain cases, the effects of rounding up/down can lead to a slight discrepancy in the totals or changes.

## 5.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

### ASSETS

<i>In millions of euros</i>	Notes	31/12/2018	31/12/2017
Goodwill	11	15.7	32.9
Intangible assets	12	142.0	131.9
Property, plant and equipment	13	1,345.4	1,283.3
Investment property	14	76.9	79.8
Financial assets	15	313.9	270.9
Investments in associates	16	75.1	72.5
Loans and deposits	17	46.7	47.6
Deferred tax assets	9.3	447.7	349.8
Other non-current assets	19	22.0	29.0
<b>Non-current assets</b>		<b>2,485.5</b>	<b>2,297.6</b>
Inventories and work-in-progress	18	963.6	896.2
Trade and other receivables	19	280.7	255.9
Current tax receivables	19	17.9	32.6
Other assets	19	206.5	253.0
Financial derivatives	23.4	34.9	101.1
Cash and cash equivalents	20	3,479.1	2,931.9
<b>Current assets</b>		<b>4,982.6</b>	<b>4,470.6</b>
<b>TOTAL ASSETS</b>		<b>7,468.1</b>	<b>6,768.2</b>

N.B. The values shown in the tables are generally expressed in millions of euros. In certain cases, the effects of rounding up/down can lead to a slight discrepancy in the totals or changes.

### EQUITY AND LIABILITIES

<i>In millions of euros</i>	Note	<b>31/12/2018</b>	<b>31/12/2017</b>
Share capital	21	53.8	53.8
Share premium		49.6	49.6
Treasury shares	21	(465.2)	(453.6)
Reserves		4,324.3	4,022.3
Foreign currency adjustments	21.2	87.9	13.8
Revaluation adjustments	21.3	48.0	131.4
Net income attributable to owners of the parent		1,404.6	1,221.5
<b>Equity attributable to owners of the parent</b>		<b>5,503.0</b>	<b>5,038.9</b>
Non-controlling interests	22	4.8	6.6
<b>Equity</b>		<b>5,507.8</b>	<b>5,045.5</b>
Borrowings and financial liabilities	23.3	27.5	23.5
Provisions	24	5.7	7.1
Post-employment and other employee benefit obligations	26	196.0	188.2
Deferred tax liabilities	9.3	35.9	46.8
Other non-current liabilities	27	113.6	99.5
<b>Non-current liabilities</b>		<b>378.8</b>	<b>365.2</b>
Borrowings and financial liabilities	23.3	22.5	30.1
Provisions	24	137.2	151.7
Post-employment and other employee benefit obligations	26	6.9	6.0
Trade and other payables	27	468.0	481.0
Financial derivatives	23.4	57.8	18.8
Current tax liabilities	27	314.6	141.1
Other current liabilities	27	574.4	528.8
<b>Current liabilities</b>		<b>1,581.4</b>	<b>1,357.5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,468.1</b>	<b>6,768.2</b>

N.B. The values shown in the tables are generally expressed in millions of euros. In certain cases, the effects of rounding up/down can lead to a slight discrepancy in the totals or changes.

## 5.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2018

<i>In millions of euros</i>	Share capital	Share premium	Treasury shares	Consolidated reserves and net income attributable to owners of the parent
Notes	21			21
<b>As at 1 January 2018</b>	<b>53.8</b>	<b>49.6</b>	<b>(287.8)</b>	<b>4,494.6</b>
Net income attributable to owners of the parent	-	-	-	1,221.5
Other comprehensive income	-	-	-	-
<b>Comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,221.5</b>
Change in share capital and share premium	-	-	-	-
Purchase or sale of treasury shares	-	-	(165.8)	(21.7)
Share-based payments	-	-	-	62.0
Dividends paid	-	-	-	(399.3)
First-time application of IFRS 9	-	-	-	-
Other	-	-	-	(10.7)
<b>As at 31 December 2017</b>	<b>53.8</b>	<b>49.6</b>	<b>(453.6)</b>	<b>5,346.4</b>
Net income attributable to owners of the parent	-	-	-	1,404.6
Other comprehensive income	-	-	-	-
<b>Comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,404.6</b>
Change in share capital and share premium	-	-	-	-
Purchase or sale of treasury shares	-	-	(11.7)	(47.8)
Share-based payments	-	-	-	51.4
Dividends paid	-	-	-	(954.0)
First-time application of IFRS 9	-	-	-	34.2
Other	-	-	-	(8.7)
<b>AS AT 31 DECEMBER 2018</b>	<b>53.8</b>	<b>49.6</b>	<b>(465.2)</b>	<b>5,826.0</b>

N.B. The values shown in the tables are generally expressed in millions of euros. In certain cases, the effects of rounding up/down can lead to a slight discrepancy in the totals or changes.

Actuarial gains and losses	Foreign currency adjustments	Revaluation adjustments			Equity attributable to owners of the parent	Non-controlling interests	Equity	Number of shares
		Financial investments	Future cash flow hedge in foreign currencies					
21.4	21.2	21.3	21.3		22	21	21	
(93.8)	<b>163.3</b>	-	<b>2.8</b>	<b>4,382.6</b>	<b>2.2</b>	<b>4,384.8</b>	<b>105,569,412</b>	
-	-	-	-	1,221.5	4.3	1,225.8		-
(8.6)	(149.4)	72.7	55.8	(29.5)	(0.1)	(29.6)		-
<b>(8.6)</b>	<b>(149.4)</b>	<b>72.7</b>	<b>55.8</b>	<b>1,192.0</b>	<b>4.2</b>	<b>1,196.1</b>		-
-	-	-	-	0.0	-	-		-
-	-	-	-	(187.6)	-	(187.6)		-
-	-	-	-	62.0	-	62.0		-
-	-	-	-	(399.3)	(2.6)	(401.9)		-
-	-	-	-	-	-	-		-
-	(0.1)	-	-	(10.8)	2.8	(8.0)		-
<b>(102.5)</b>	<b>13.8</b>	<b>72.7</b>	<b>58.7</b>	<b>5,039.0</b>	<b>6.6</b>	<b>5,045.5</b>	<b>105,569,412</b>	
-	-	-	-	1,404.6	5.0	1,409.6		-
5.5	74.1	27.6	(76.8)	30.4	0.4	30.7		-
<b>5.5</b>	<b>74.1</b>	<b>27.6</b>	<b>(76.8)</b>	<b>1,435.0</b>	<b>5.4</b>	<b>1,440.4</b>		-
-	-	-	-	0.0	-	-		-
-	-	-	-	(59.5)	-	(59.5)		-
-	-	-	-	51.4	-	51.4		-
-	-	-	-	(954.0)	(4.3)	(958.3)		-
-	-	-	(34.2)	0.0	-	0.0		-
-	-	-	-	(8.7)	(2.9)	(11.6)		-
<b>(97.0)</b>	<b>87.9</b>	<b>100.3</b>	<b>(52.3)</b>	<b>5,503.0</b>	<b>4.8</b>	<b>5,507.8</b>	<b>105,569,412</b>	

## 5.5 CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2018

In millions of euros	Notes	2018	2017
<b>CASH FLOWS RELATED TO THE ACTIVITY</b>			
Net income attributable to owners of the parent		1,404.6	1,221.5
Depreciation and amortisation	12, 13 and 14	217.0	201.1
Impairment losses	11, 12 and 13	43.0	41.9
Mark-to-Market financial instruments		(0.2)	(1.4)
Foreign exchange gains/(losses) on fair value adjustments		(3.6)	19.7
Change in provisions		68.8	78.6
Net income from associates		(16.6)	(5.3)
Net income attributable to non-controlling interests	22	5.0	4.3
Capital gains/(losses) on disposals		(49.5)	1.3
Deferred tax expense		(26.8)	(25.3)
Accrued expenses and income related to share-based payments		51.4	62.0
Dividend income		(10.0)	(17.9)
Other		(0.3)	(0.3)
<b>Operating cash flows</b>		<b>1,682.7</b>	<b>1,580.1</b>
Change in working capital requirements	20.2	76.7	25.4
<b>Change in net cash related to the activity ( A )</b>		<b>1,759.4</b>	<b>1,605.6</b>
<b>CASH FLOWS RELATED TO INVESTING ACTIVITIES</b>			
Acquisitions of intangible assets	12	(62.2)	(49.3)
Acquisitions of property, plant and equipment	13 and 14	(250.1)	(216.0)
Acquisitions of investment securities	15	(8.4)	(4.9)
Acquisitions of other financial assets	15	(80.0)	(142.7)
Change in amounts payable to fixed asset suppliers		(4.4)	15.8
Proceeds from sale of operating assets		69.1	3.6
Proceeds from sale of other financial assets	15	69.1	10.7
Dividends received		27.6	36.0
<b>Change in net cash related to investing transactions ( B )</b>		<b>(239.3)</b>	<b>(346.7)</b>
<b>CASH FLOWS RELATED TO FINANCING ACTIVITIES</b>			
Dividends paid		(958.3)	(401.9)
Treasury share buybacks net of disposals		(59.7)	(187.9)
Proceeds from borrowings		0.2	0.7
Repayment of borrowings		(1.8)	(1.8)
<b>Change in net cash related to financing activities ( C )</b>		<b>(1,019.6)</b>	<b>(590.9)</b>
<b>Change in scope ( D )</b>		<b>0.0</b>	<b>0.0</b>
<b>Foreign currency translation adjustment ( E )</b>		<b>52.8</b>	<b>(76.3)</b>
<b>CHANGE IN NET CASH ( A ) + ( B ) + ( C ) + ( D ) + ( E )</b>		<b>553.4</b>	<b>591.8</b>
Net cash at the beginning of the period	20	2,911.7	2,319.8
Net cash at the end of the period	20	3,465.1	2,911.7
<b>CHANGE IN NET CASH POSITION</b>	<b>20</b>	<b>553.4</b>	<b>591.8</b>

N.B. The values shown in the tables are generally expressed in millions of euros. In certain cases, the effects of rounding up/down can lead to a slight discrepancy in the totals or changes.

Hermès International is a *société en commandite par actions* (partnership limited by shares) established under French law. It is listed on Euronext (Compartment A) and governed by all laws applicable to commercial companies in France. Its registered office is located at 24 rue du Faubourg-Saint-Honoré, 75008 Paris (France).

The consolidated financial statements present the financial position of Hermès International and its subsidiaries (the “Group”), together with interests in associates (see Note 1.2). They are prepared on the basis

of annual financial statements for the period ended 31 December, expressed in euros.

The consolidated financial statements as presented were approved by the Executive Management on 19 March 2019 and will be submitted to the shareholders for approval at the General Meeting on 4 June 2019. The annual consolidated financial statements were also reviewed by the Audit and Risk Committee at its meeting on 14 March 2019.

## 5.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### DETAILED CONTENTS

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NOTE 1	ACCOUNTING PRINCIPLES AND POLICIES	247
NOTE 2	ANALYSIS OF THE MAIN CHANGES IN THE SCOPE OF CONSOLIDATION	255
NOTE 3	SEGMENT INFORMATION	256
NOTE 4	COST OF SALES	257
NOTE 5	SELLING, MARKETING AND ADMINISTRATIVE EXPENSES	257
NOTE 6	OTHER INCOME AND EXPENSES	257
NOTE 7	OTHER NON-RECURRING INCOME AND EXPENSES	258
NOTE 8	NET FINANCIAL INCOME	258
NOTE 9	INCOME TAX	258
NOTE 10	NET EARNINGS PER SHARE	260
NOTE 11	GOODWILL	260
NOTE 12	INTANGIBLE ASSETS	261
NOTE 13	PROPERTY, PLANT AND EQUIPMENT	261
NOTE 14	INVESTMENT PROPERTY	262
NOTE 15	FINANCIAL ASSETS	263
NOTE 16	INVESTMENTS IN ASSOCIATES	263
NOTE 17	LOANS AND DEPOSITS	263
NOTE 18	INVENTORIES AND WORK-IN-PROGRESS	264
NOTE 19	TRADE AND OTHER RECEIVABLES	264
NOTE 20	CASH AND CASH EQUIVALENTS	265
NOTE 21	EQUITY	266
NOTE 22	NON-CONTROLLING INTERESTS	267
NOTE 23	EXPOSURE TO MARKET RISKS	268
NOTE 24	PROVISIONS	277
NOTE 25	EMPLOYEES	278
NOTE 26	POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFIT OBLIGATIONS	278
NOTE 27	TRADE PAYABLES AND OTHER LIABILITIES	283
NOTE 28	OFF-BALANCE SHEET COMMITMENTS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES	283
NOTE 29	RELATED-PARTY TRANSACTIONS	284
NOTE 30	COMPENSATION OF SENIOR EXECUTIVES	285
NOTE 31	SHARE-BASED PAYMENTS	285
NOTE 32	INFORMATION ON FEES	286
NOTE 33	SCOPE OF CONSOLIDATION	287

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## NOTE 1 ACCOUNTING PRINCIPLES AND POLICIES

### 1.1 Accounting Standards

The Hermès Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as of 31 December 2018.

#### 1.1.1 Mandatory standards, amendments and interpretations applicable as at 1 January 2018

The standards applicable to Hermès from 2018 onwards are as follows:

- ◆ IFRS 9 *Financial Instruments* lays down the principles governing recognition and disclosures in matters of financial assets and liabilities. These principles replace those previously set out in IAS 39 *Financial instruments*.

The Group is mainly concerned by the change in the treatment of hedge accounting (see Note 1.9).

The impact of this new standard concerning the time value of options and the swap point of forward currency contracts led to the reclassification, at 1 January 2018, of €34 million net of deferred tax from the item "Consolidated reserves" to "Revaluation adjustments". On the other hand, the impact on income of the comparative period was not material (approximately €9 million). Consequently, this has not been restated.

The Group is also concerned by the change in the accounting treatment of investment securities and their revaluation through profit or loss or optionally through non-recyclable equity. The option for revaluation through equity was irrevocably used for the securities held in the portfolio at 31 December 2017.

Lastly, changes brought by IFRS 9 concerning impairment of trade receivables ("expected loss" model) do not have a material impact, as the client risk is low due to the nature of the "Retail sales" activity and the Group's insurance policy coverage for the "Wholesale" activity when local conditions allow.

Details on the accounting principles and policies related to this new standard are provided in Note 1.9 here below.

- ◆ IFRS 15 *Revenue from contracts with customers*, will replace IAS 18 *Revenue*.

This standard was applied early by the Group at 1 January 2018, and has not had a material impact on the consolidated financial statements, given the nature of the Group's «Retail» activity (see Note 1.12).

- ◆ amendments to IAS 28 and IFRS 1 included in the 2014-2016 cycle of annual improvements to IFRS, and IAS 40 and IFRS 2. These amendments will not have any impact on the Group;

- ◆ IFRIC 22 *Foreign currency transactions and advance consideration*, with no impact for the Group.

These texts had no impact on the Group's consolidated financial statements.

#### 1.1.2 Standards, amendments and interpretations applicable by early adoption at 1 January 2018

IFRIC 23 *Uncertainty over income tax treatments*, applicable at 1 January 2019, specifies the accounting of uncertain tax positions relating to income tax. The Group decided to early adopt this interpretation of IAS 12 *Income taxes*, with effect from 1 January 2018. This adoption has not had any impact on the valuation of tax liabilities. Uncertain tax liabilities previously included in provisions were reclassified in current tax liabilities. Taking account of the non-material impact on the statement of financial position, the 2017 comparatives were not restated.

#### 1.1.3 Mandatory standards, amendments and interpretations applicable as at 1 January 2019

IFRS 16 *Leases*, applicable at 1 January 2019. In application of this standard, lease agreements with fixed rents will be recognised in assets by recording a right-of-use and in liabilities by a debt corresponding to the present value of future payments.

Most of the lease agreements are real estate leases. The Group has finalised the phase of contract collection and is working on simulations of the impact on the financial statements and the detailed procedures of application of the standard at the transition date, i.e. 1 January 2019.

IFRS 16 will be applied retrospectively to each prior period for which the financial information is presented, in compliance with IAS 8 *Accounting policies*, changes in accounting estimates and errors.

The amount of liabilities is noticeably dependent on the assumptions used (discount rate and contract term). The discount rate used corresponds to the theoretical rate of external indebtedness for the currency of the contract, at the time of its initial negotiation, on a per country basis. The lease term is determined on a contract by contract basis, without taking into account options for early termination or lease extension, except in specific cases.

The two capitalisation exemptions proposed by the standard (contracts with a term of less than 12 months and lease of low value assets) will be used. The rents of these lease contracts will be recognised directly in expenses.

The impact on the statement of financial position linked to the first-time application of IFRS 16 will be approximately €1 billion. The impact on results of the application of IFRS 16 will be insignificant.

## 1.2 Scope and methods of consolidation

The consolidated financial statements include the financial statements of Hermès International and material subsidiaries and associates over which Hermès International directly or indirectly exerts control, joint control or significant influence.

### 1.2.1 Control

Control is presumed to exist when the Group holds more than 50% of the voting rights. Nevertheless, it can be considered that a company is under exclusive control when less than 50% is held, provided that the Group holds the power to govern a company's financial and operational policies in order to derive benefits from its business activities.

The financial statements of companies under control are fully consolidated. Under the full consolidation method, assets, liabilities, income and expenses are combined in full on a line by-line basis. Equity and net profit attributable to non-controlling interests are identified separately under "Non-controlling interests" in the consolidated statement of financial position and the consolidated statement of profit or loss.

### 1.2.2 Joint control

Entities owned by the Group in which the power to govern financial and operating policies is contractually shared with one or more other parties, none of which exercises effective control, are recognised using the equity method. At this time, the Group does not jointly control any company.

### 1.2.3 Significant influence

The financial statements of associates, or other companies over which the Group has significant influence (which is presumed to exist when the Group's percentage of control exceeds 20%, or proven if the control percentage is below 20%), are recognised using the equity method.

### 1.2.4 Newly consolidated and deconsolidated companies

Subsidiaries are included in the consolidation scope from the date on which control is effectively transferred to the Group. Divested subsidiaries are excluded from the scope of consolidation from the date on which the Group ceases to have control.

## 1.3 Translation methods of foreign currency items

### 1.3.1 Conversion of foreign-currency transactions

Foreign-currency transactions are recorded on initial recognition in euros, by using the applicable exchange rate at the date of the transaction (historical rate). Monetary assets and liabilities denominated in foreign currencies are converted using the closing exchange rate. Foreign currency adjustments are recognised in income or expenses. Non-monetary assets and liabilities denominated in foreign currencies are converted using the exchange rate at the transaction date.

### 1.3.2 Foreign companies' financial statements

Financial statements expressed in foreign currencies are converted in accordance with the following principles:

- ◆ items in the statement of financial position are converted at the year-end exchange rate for each currency;
- ◆ items in the statement of profit or loss are converted at the average annual exchange rate for each currency;
- ◆ items in the statement of cash flows are converted at the average annual exchange rate for each currency;
- ◆ the foreign currency adjustment attributable to owners of the parent arising from the impact on equity of the difference between historical exchange rates and year-end exchange rates, and from the use of different exchange rates for the statement of profit or loss and statement of financial position, is shown separately in consolidated equity. The same principle is applied to non-controlling interests.

Any goodwill and any fair value adjustments arising on the acquisition of a foreign entity are considered to be assets and liabilities of that foreign entity. Therefore, they are expressed in the entity's functional currency and converted at closing rates.

## 1.4 Eliminations of intra-group transactions

The effect on the statement of profit or loss of intra-group transactions such as margins on inventories, gains or losses on disposals, impairment of shares in consolidated companies, and impairment of loans to consolidated companies, has been eliminated.

These transactions are also subject to income tax.

Dividends and interim dividends received by the Group from consolidated companies are eliminated on consolidation. A matching amount is recorded in consolidated reserves.

In the case of companies accounted for using the full consolidation method, reciprocal payables and receivables as well as reciprocal income and expenses are fully eliminated.

## 1.5 Structure of the consolidated statement of financial position

In accordance with IAS 1 *Presentation of Financial Statements*, the Group classifies its assets and liabilities on its statement of financial position as current and non-current. An asset or liability is classified as current:

- ◆ when the Group plans to realise its assets or pay its liabilities within twelve months or within the Group's normal operating cycle;
- ◆ when the relevant assets or liabilities are held for the purpose of being traded.

In particular, IAS 12 *Income Taxes* specifies that deferred tax balances shall be classified as non-current.

## 1.6 Business combinations

### 1.6.1 Subsidiaries

Business combinations, in the event that the Group gains control over one or several other activities, are accounted for using the purchase method.

Business combinations completed on or after 1 January 2010 are measured and recognised in accordance with revised IFRS 3: the consideration transferred (acquisition cost) is measured at the fair value of the assets delivered, the equity issued and the liabilities incurred on the date of the transfer. The identifiable assets and liabilities of the Company that are acquired are measured at fair value on the acquisition date. The costs that can be directly attributed to the acquisition are recorded as an expense.

The resulting valuation adjustments are recognised under the related assets and liabilities, including the share attributable to non-controlling interests, and not just the share of net assets acquired. The residual difference, which is the difference between the transferred counterparty and the share of net assets and liabilities measured at fair value, is recognised under goodwill.

This valuation is carried out within no more than a year following the date of acquisition and in the currency of the acquired entity. This period is applicable to the valuation of identifiable assets and liabilities, to the transferred counterparty and to the non-controlling interests.

Purchases or sales of non-controlling interests that do not lead to a change in control are recorded as equity transactions among shareholders. Consequently, any difference between the fair value of the counterparty paid or received and the corresponding book value of the equity interest acquired or sold (without resulting in a loss of control), but that does not provide control, is directly recorded in equity.

The valuation of identifiable intangible assets recognised at the time of a business combination is based mainly on the work of independent experts, taking into account sector-specific criteria that enable such valuations to be subsequently monitored.

In accordance with IFRS 3 revised, goodwill is not amortised. Goodwill is reviewed annually, when the budget is drawn up, to ensure that the residual net value does not exceed the recoverable amount in respect of the expected return on the investment in the related subsidiary (determined on the basis of discounted future cash flows). If internal or external events or circumstances bring to light indications of lost value, the frequency of the impairment tests may be revised (see Note 1.8).

Impairment of the goodwill of subsidiaries is not reversible. Any impairment charge is included in "Other income and expenses" of the operating income.

### 1.6.2 Associates

Upon the acquisition of securities of equity-accounted companies, goodwill of associates is included in the carrying amount of securities recognised in "Investments in associates".

The Group reviews the value of its equity-accounted securities when events and circumstances indicate that loss in value may have occurred. An impairment is recognised when the recoverable amount of the investment becomes less than the net carrying amount in "Net income from associates".

Impairment of associates' goodwill is reversible.

## 1.7 Intangible assets and property, plant and equipment

In accordance with IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*, only those items whose cost can be reliably determined and from which it is probable that future economic benefits will flow to the Group are recognised as fixed assets.

### 1.7.1 Intangible assets

Intangible assets, valued at amortised historical cost, consist primarily of:

- ◆ leasehold rights;
- ◆ patents, models and brands other than internally generated brands;
- ◆ computer software.

Leasehold rights are deemed to be fixed assets with a finite life, amortised over the term of the lease.

It is specified that internally generated brands and items that are similar in substance are not recognised under intangible assets, in accordance with IAS 38. All costs incurred in this respect are recognised as expenses.

Other software, either acquired or developed internally, is amortised on a straight-line basis over periods ranging from three to eight years maximum and deemed to be fixed assets with a finite life.

### 1.7.2 Property, plant and equipment

Property, plant and equipment is recorded at historical acquisition cost, less accumulated depreciation and recognised impairment losses. They are depreciated, generally using the straight-line method, over the following average estimated useful lives:

- ◆ buildings: 20 to 50 years;
- ◆ fixtures and furnishings: 10 and 20 years depending on the expected useful life of the asset considered and the term of the lease (in particular in the case of store fixtures);
- ◆ machinery, plant and equipment: 10 to 20 years;
- ◆ other: 3 to 10 years maximum.

Total depreciation and amortisation of property, plant and equipment are presented in “Other income and expenses”, except for allocations relative to fixed assets used for production, that are included in “Cost of sales”.

The different components of property, plant and equipment are recorded as separate items when their estimated lives, and therefore the periods over which they are depreciated, differ significantly. Where property, plant and equipment is made up of components with different useful lives, these components are recorded as separate items under “Property, plant & equipment”.

Gains or losses on disposals of property, plant and equipment represent the difference between the sale proceeds and the net carrying amount of the divested asset, and are included in “Other operating income and expenses”.

#### **1.7.3 Finance lease agreements**

Property acquired under finance lease agreements is capitalised when the lease effectively transfers to the lessee virtually all risks and rewards incident to ownership of such property. The criteria for evaluating these agreements as provided by IAS 17 *Leases* are based primarily on:

- ◆ the lease term as a proportion of the life of the leased assets;
- ◆ the total future minimum payments in proportion to the fair value of the asset financed;
- ◆ the transfer of ownership at the end of the lease;
- ◆ the existence of an attractive purchase option;
- ◆ the specific nature of the leased asset.

Finance leases identified in this way, if they are material, are restated in order to show:

- ◆ on the asset side of the statement of financial position, the original value of the relevant property and the theoretical depreciation thereon (wherein the original value is the lower of the present value of the minimum lease payment amounts or the fair value of the leased asset at the inception of the lease);
- ◆ on the liabilities side of the statement of financial position, the corresponding financial liability;
- ◆ under financial expenses and depreciation, the minimum lease payments under the agreement, such that the financial expense is allocated to periods during the lease term so as to produce a constant periodic interest rate on the remaining balance of the liability for each financial year.

Leases that do not meet the criteria of finance leases are treated as operating leases, in which case the rents are recorded in the statement of profit or loss on a straight-line basis over the lease term.

#### **1.7.4 Investment property**

In accordance with IAS 40 *Investment Property*, property held by the Group to earn rental income is recognised under “Investment property”. This revenue and the associated expenses are recognised in “Other Income and Expenses”. For property that is held for use both for the supply of goods and services and as investment property, the two com-

ponents are identified separately and recognised in accordance with IAS 16 *Property, Plant and Equipment*, and IAS 40, respectively.

As for property, plant and equipment, investment property is recognised at its historical acquisition cost less accumulated depreciation and impairment losses recorded. The depreciation and amortisation periods are identical to those of other property, plant and equipment.

#### **1.8 Impairment of fixed assets - Impairment losses**

In accordance with IAS 36 *Impairment of Assets*, when events or changes in the market environment indicate that there is the risk of an impairment loss on:

- ◆ intangible assets;
- ◆ property, plant and equipment;
- ◆ investment property;
- ◆ goodwill.

These assets are required to undergo a detailed review in order to determine whether their net carrying amount is lower than their recoverable amount, which is defined as the higher of fair value (less disposal cost) or value in use. Value in use is the present value of the future cash flows expected to be derived from an asset and from its disposal.

If the recoverable amount is lower than the net carrying amount, an impairment loss equal to the difference between these two amounts is recognised. Impairment losses on tangible and intangible assets with a finite life may subsequently be reversed if the recoverable amount rises above the net carrying amount (up to the amount of the impairment loss initially recognised).

The Group tests for impairment of assets with an indefinite life every year during the budget preparation period in order to take the most recent data into account. If internal or external events or circumstances indicate impairment losses, the frequency of impairment testing is revised.

In determining the value in use of assets, assets to which independent cash flows cannot be directly allocated are grouped within a cash-generating unit (CGU) to which they are attached. The recoverable amount of the CGU is measured using the Discounted Cash Flow (DCF) method, applying the following principles:

- ◆ cash flows (after tax) figures are derived from a medium-term (five-year) business plan developed by the relevant entity;
- ◆ the discount rate is determined based on the Group WACC (8.67% in 2018 vs. 7.88% in 2017) adjusted for local inflation and any country risks;
- ◆ the recoverable amount is calculated as the sum of cash flows generated each year and the terminal value, which is determined based on normative cash flows by applying a zero growth rate to infinity.

The Hermès Group has defined the following CGUs or groups of CGUs:

- ◆ sales units (branches), distribution, which are treated independently from one another;
- ◆ separate production activities (Leather production, Silk production);
- ◆ activities focused on production/distribution of a single type of product (including: Perfume, Watches, Hermès Precious leathers, etc.);
- ◆ investment property;
- ◆ associates.

## 1.9 Financial assets and liabilities

Financial assets include non-consolidated and other investment securities, loans and financial receivables, and the positive fair value of financial derivatives.

Financial liabilities include borrowings and debt, bank lines of credit and the negative fair value of financial derivatives.

Financial assets and liabilities are presented in the statement of financial position under current or non-current assets or liabilities, depending on whether they come due within one year or more, with the exception of trading derivatives, which are recorded under current assets or liabilities.

Operating payables and receivables and cash and cash equivalents fall within the scope of IFRS 9 *Financial Instruments* and are presented separately in the statement of financial position.

### 1.9.1 Classification of financial assets and liabilities and valuation methods

In accordance with IFRS 9, financial assets and liabilities are classified and valued upon their recognition in the statement of financial position according to three categories determined on the basis of the management model and the characteristics of the contractual cash flows:

- ◆ financial assets at fair value through profit or loss;
- ◆ financial assets recorded at amortised cost;
- ◆ financial assets at fair value through other comprehensive income, among which:
  - financial assets at fair value through recyclable equity,
  - financial assets at fair value through non-recyclable equity.

#### A. Financial assets and liabilities at fair value through profit or loss

These assets are initially recognised at acquisition cost excluding incidental acquisition expenses. At each closing date, they are measured at fair value. Changes in fair value are recorded in the statement of profit or loss under "Other financial income and expenses".

Dividends and interest received on these assets are also recognised in the statement of profit or loss under "Other financial income and expenses".

#### B. Financial assets recorded at amortised cost

Financial assets representing interest or capital repayments at determined dates, which are managed with the intention of collecting cash flows, are classified in this category.

These are fixed-term financial assets that the Group acquired with the intention and the capacity to hold until their maturity (classified as held-to-maturity financial assets under IAS 39) as well as loans and financial receivables.

These instruments are recognised at amortised cost less any impairment. Interest is calculated at the effective interest rate and recorded in the statement of profit or loss under "Other financial income and expenses".

#### C. Financial assets at fair value through equity

##### Through recyclable equity

Financial assets representing interest or capital repayments at determined dates, which are managed with the intention of collecting cash flows and then reselling these assets before their maturity, are classified in this category.

Financial assets at fair value through recyclable equity (classified as available-for-sale assets under IAS 39) include investment securities.

At each closing period, they are stated at fair value.

Unrealised gains or losses on these financial assets are recorded in other comprehensive income in "Revaluation adjustments". The profits and losses linked to the cumulative change in fair value in this item are reclassified in gains or losses on disposal. Only any value impairment losses linked to credit risk are recorded directly in profit or loss and may be reversed in the case of an improvement in this risk component.

Interest is calculated at the effective interest rate and recorded in the statement of profit or loss under "Other financial income and expenses".

##### Through non-recyclable equity

Financial assets at fair value through non-recyclable equity (classified as available-for-sale assets under IAS 39) include investments in non-consolidated companies that are not held for trading. This classification is determined irreversibly at origin for each security in question.

They are recognised at the date of closing at their fair value and unrealised gains or losses on these financial assets are recorded in other comprehensive income in "Revaluation adjustments". Only any dividends received are recognised in the statement of profit or loss.

#### D. Financial debts

Financial liabilities are initially accounted for at fair value (excluding any transaction cost), then according to the amortised cost method with separation of any embedded derivatives.

Interest is calculated at the effective interest rate and recorded in the statement of profit or loss under "Gross cost of debt" over the duration of the financial debt.

## E. Financial derivatives

### Scope

The Group defines the scope of financial derivatives in accordance with the provisions and principles introduced by IFRS 9 *Financial Instruments*.

In this respect, the Group analyses all its contracts, focusing on both financial and non-financial liabilities, to identify the existence of any “embedded” derivatives. Any component of a contract that affects the cash flows of a given contract in the same way as a stand-alone derivative corresponds to the definition of an embedded derivative.

If they meet the conditions set out by IFRS 9, embedded derivatives are accounted for separately from the “host” contract at the inception date.

According to Group rules, consolidated subsidiaries may not take any speculative financial positions.

### Recognition and Measurement

Financial derivatives are initially recorded at fair value.

Changes in the fair value of these derivatives are recorded in the statement of profit or loss, unless they are classified as cash flow hedges, as described below. In this latter case, the effective portion of the changes in fair value of derivative instruments is recognised directly in other comprehensive income in the item “Revaluation adjustments”. These changes in fair value include the portion linked to forward points of forward currency agreements as well as the time value (premium) of currency options qualified as cash flow hedges. The ineffective portion of the changes in the fair value corresponds to the excess of changes in fair value of the hedging instrument compared with the changes in fair value of the hedged item.

When the hedged cash flow materialise, the amounts previously recorded in equity flows in the statement of profit and loss symmetrically with the flows of the hedged element, in the statement of operating profit and loss for the effective portion and in the statement of financial profit and loss for the forward points and the time value in the item “Other financial income and expenses”.

### Financial derivatives classified as hedges

The Group uses derivatives to hedge its foreign exchange risks.

Hedge accounting is applicable when the following conditions are met:

- 1) the hedge transaction must be supported by appropriate documentation of the hedging relationship from the time of its implementation;
- 2) an economic relationship exists between the hedged element and the hedging instrument;
- 3) the constraints of effectiveness of the hedging relationship are met: the hedging ratio does not show any imbalance between the hedged element and the hedging instrument generating an ineffective hedge.

## F. Cash and cash equivalents

Cash and cash equivalents consist of immediately available cash and short-term investments that can be divested within a maximum of three months at the investment date, with minimal risk of any change in value. Thus, investments in listed shares, investments for a term of over three months that are not redeemable before the maturity date and bank accounts covered by restrictions (frozen accounts) other than restrictions due to country- or sector-specific regulations (e.g. currency controls) are excluded from cash in the statement of cash flows. Bank overdrafts that are deemed to be financing arrangements are also excluded from the cash position.

Shares in funds held for the short term and classified as “Cash equivalents” are recorded at fair value, with changes in fair value recorded in the statement of profit or loss.

### 1.9.2 Impairment of financial assets

Non-recyclable financial assets at fair value through equity are not subject to impairment, in accordance with IFRS 9.

Financial assets valued at amortised cost or at fair value through recyclable equity, as well as trade receivables, are impaired using an impairment model based on expected losses. The Group applies the provisions of IFRS 9 relating to the simplified model of the original provision over the maturity of the instrument.

Credit risk is assessed upon recognition in the statement of financial position at each closing date taking into account reasonable and justifiable information available as well as the insurance policy coverage put in place by the Group for the “Wholesale” activity.

Due to the nature of the financial assets concerned, the Group determines that the rate of impairment on the receivables is a reasonable approximation of the rate of expected loss. Changes in impairments losses are recognised according to the category of the asset.

### A. Financial assets recorded at amortised cost

Any impairment loss is included in the statement of profit or loss under “Other financial income and expenses”. If the impairment loss decreases in a subsequent period, it is reversed and recorded as income.

### B. Financial assets at fair value through non-recyclable equity

For these instruments, the gains or losses recorded for expected losses are recognised in the statement of profit or loss.

## 1.10 Inventories

Inventories and work-in-progress held by Group companies are valued at the lower of cost (including indirect production costs) or net realisable value. Cost is generally calculated at weighted average cost or standard cost adjusted for variances, according to each category of inventory.

The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, as specified by IAS 2 *Inventories*. In particular, discounts and collection costs are included in the measurement of inventories.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Impairment is booked to reduce inventories to net realisable value if this is lower than the carrying amount. Impairment is established for each category of inventory (raw materials, work in progress, intermediate products, finished products and merchandise), if the products concerned are damaged or obsolete (season or collection terminated, for example) or based on expected turnover. These impairments are included in the cost of sales.

### 1.11 Treasury shares

Treasury shares are recorded at acquisition cost and deducted from equity. Gains or losses on the disposal of these shares are recognised directly in equity, with no impact on profit or loss.

### 1.12 Revenue and trade receivables

Revenue consists essentially of sales of goods and services produced by the Group's main business operations. Revenue includes mainly retail sales in the Group's stores and sales to wholesalers (mainly the concessionaires of stores and distributors in the Perfumes business).

Retail sales are recorded at the time of purchase by customers. Wholesale sales are recorded when control of the goods is transferred.

Credit risk arises from the potential inability of clients to meet their payment obligations. Expected losses linked to credit risk on trade receivables are assessed as soon as they arise and reviewed at each closing. An impairment loss is recognised in the statement of profit or loss when the carrying amount of the asset is higher than its expected recoverable amount.

### 1.13 Net income from associates

The item "Net income from associates" shown in the statement of profit and loss includes the following:

- ◆ share of the Group's income in these companies;
- ◆ income on disposal of shares in these companies;
- ◆ impairment of shares in these companies.

### 1.14 Other non-recurring income and expenses

The item "Other non-recurring operating income and expenses" in the statement of profit or loss enables the separate presentation of major non-recurring events that occurred during the year, whose financial impact was material and whose presentation under recurring operating income could affect the understanding of the Group's economic performance.

### 1.15 Operating segments

In accordance with IFRS 8 *Operating Segments*, the presented segment information is based on internal reporting used by management to assess the performance of the different business segments.

The activity of the Hermès Group is monitored by the main operational decision-maker ("Executive Committee") by geographical area and by métier.

Given the Group's current structure, organised into geographical areas placed under the responsibility of operational Senior Executives in charge of applying the strategy defined by the Executive Committee, the Group has determined that the geographical areas constitute the operating segments with reference to the fundamental principle of IFRS 8.

### 1.16 Put options granted to non-controlling interest holders

In compliance with IAS 32 *Financial instruments: presentation* when holders of minority interests have put options to sell their interests to the Group, a financial liability is recognised corresponding to the exercise price of the option. This debt is posted through equity:

- ◆ as a deduction from the "Non-controlling interests", equal to the book value of the securities subject to the put option;
- ◆ for the balance, as a deduction against the "Equity attributable to owners of the parent".

This entry is adjusted at the end of each period in accordance with change in the exercise price of the options and the carrying amount of the non-controlling interests.

In the absence of specific IFRS rules, the Group has applied the AMF recommendations issued in November 2009, which involve recording changes in fair value directly in equity.

### 1.17 Provisions

A provision is a liability of uncertain timing or amount. It is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation. In addition, a reliable estimate of the amount of the obligation is made based on the information available to the Group when the consolidated financial statements are prepared.

## 1.18 Pension plans and other long-term benefits

In accordance with the laws and practices in each country where it operates, the Group participates in post-employment and other retirement benefit plans for employees and in top-up plans for executives and senior managers.

### 1.18.1 Defined-contribution pension plan

For basic post-employment and other defined-contribution plans, the Group recognises contributions to be paid as expenses when they are due and when no provision was booked in this respect, as the Group has no obligations other than the contributions paid.

### 1.18.2 Defined-benefit pension plans

For defined-benefit (or post-employment) pension plans, the Group's obligations are calculated annually by an independent actuary using the projected credit unit method. This method is based on actuarial assumptions and takes into account the employee's probable future length of service, future salary and life expectancy as well as staff turnover. Actuarial assumptions are reviewed annually.

The present value of the obligation is calculated by applying an appropriate discount rate for each country where the obligations are located. It is recognised on a basis pro-rated to the employee's years of service.

When benefits are partly funded in advance by external funds (insurance companies, foundations or other entities), the assets held are measured at fair value, and taken into account in the assessment of the liabilities.

The expense recognised in the consolidated statement of profit or loss is the sum of:

- ◆ the current service cost in the period, which constitutes the increase in obligations arising from the vesting of one additional year of rights;
- ◆ the past service cost, namely the change in the updated fair value of the obligation that originates from the modification of a plan or the reduction of a plan;
- ◆ the profit or the loss resulting from liquidation, if applicable;
- ◆ the interest expense, which reflects the increase in the present value of the obligations during the period;
- ◆ financial income on the hedge assets.

Changes in actuarial assumptions and experience effects give rise to actuarial gains or losses, the total of which is recorded under "Other comprehensive income" over the period during which they were recognised.

### 1.18.3 Other long-term benefits

Certain other post-employment benefits, such as life insurance and health insurance benefits (primarily in Japan), or long-term benefits such

as long-service awards (bonuses paid to employees, mainly in France, based on length of service), are also covered by provisions, which are determined using an actuarial calculation that is comparable to that used to calculate provisions for post-employment benefit obligations.

The actuarial gains and losses that result from experience adjustments and changes in actuarial assumptions adopted for calculation of these obligations are entered in the consolidated statement of profit or loss for the financial year during which they were recognised.

## 1.19 Income tax

Income tax expense includes:

- ◆ the current tax for the financial year of the consolidated companies;
- ◆ the deferred tax resulting from timing differences:
  - between the taxable earnings and accounting income of each consolidated company,
  - arising from adjustments made to the financial statements of the consolidated companies to bring them in line with Group accounting principles,
  - arising from consolidation adjustments.

### 1.19.1 Deferred tax

Deferred tax is calculated on all timing differences existing at financial year-end (full reserve) at the tax rate in force on that date, or at the enacted tax rate (or nearly enacted rate) for the subsequent financial year. Previous deferred tax is revalued using the same method (liability method).

The main categories of deferred tax apply to restatements of internal margins on inventories, impairment on inventories and timing differences.

Deferred tax assets are recorded to the extent that their future use is probable given the expected taxable profits. If a recovery risk arises on some or all of a deferred tax asset, an impairment is recorded.

Foreign currency differences arising from the conversion of deferred tax income or expenses are recognised in the statement of profit or loss in deferred tax income or expenses.

Discounting is not applied to deferred tax.

### 1.19.2 Tax consolidation

Since 1 January 1988, Hermès International has opted for a group tax consolidation under French tax law. Under the terms of an agreement between the parent company and the subsidiaries included in the Group tax consolidation, projected and actual tax savings or liabilities generated by the Group are recognised in the statement of profit or loss in the year in which they arise.

## 1.20 Earnings per share

In accordance with IAS 33 *Earnings per share*, basic earnings per share is calculated by dividing the net income attributable to owners of the parent by the average number of ordinary shares outstanding during the period.

The net earnings per share are calculated on the basis of the weighted average number of shares outstanding during the financial year.

The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, less the treasury shares, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor.

The weighted average number of shares outstanding during the financial year as well as those from previous financial years are adjusted in order to account, if relevant, for operations involving the free distribution of shares and the reduction of the share's par value occurring during the financial year, as well as of treasury shares.

Diluted earnings per share is adjusted for the effects of all potentially dilutive shares. The calculation is based on assumptions regarding the conversion of convertible instruments, exercise of options or equity warrants and issues of new shares.

The diluted earnings per share are restated for the shares that are to be created as part of the share subscription plans decided upon by the Executive Management.

## 1.21 Option plans and similar

Stock subscription or purchase option plans or bonus share allocation plans are recognised as expenses at fair value in the "Other income and expenses" section, with a corresponding increase in equity. This fair value is spread over the vesting period.

For the bonus share allocation plans, the estimate of the fair value is calculated on the basis of the share price on the date that the corresponding management decision is made and subject to the deduction of the amount of the advance dividends over the vesting period, as well as a non-assignability discount, where relevant.

## 1.22 Use of estimates

The preparation of the consolidated financial statements under IFRS sometimes requires the Group to make estimates in valuing assets and liabilities and income and expenses recognised during the year. The Group bases these estimates on historical experience and on a variety of assumptions, which it deems to be the most reasonable and probable in the current economic environment.

The main items that require the use of assessments and estimates are as follows:

- ◆ depreciation and amortisation periods for property, plant and equipment and intangible assets (see Notes 1.7, 12 and 13);
- ◆ impairment of inventories (see Notes 1.10 and 18);
- ◆ provisions (see Notes 1.17 and 24);
- ◆ post-employment and other employee benefit obligations (see Notes 1.18 and 26);
- ◆ income taxes (see Notes 1.19 and 9);
- ◆ share-based payments (see Notes 1.21 and 31).

## 1.23 Subsequent events

No significant events have occurred since the closing date at 31 December 2018.

## NOTE 2 ANALYSIS OF THE MAIN CHANGES IN THE SCOPE OF CONSOLIDATION

No significant change in the scope of consolidation occurred during financial year 2018.

### NOTE 3 SEGMENT INFORMATION

The information below is shown after consolidation adjustments and eliminations (see Note 1.15).

#### 3.1 Statement of profit or loss by geographical area

In millions of euros	2018							<b>TOTAL</b>
	France	Europe (excluding France)	Japan	Asia-Pacific (excluding Japan)	Americas	Other	Holding	
Revenue	802.2	1,106.5	748.3	2,142.4	1,058.6	108.1	-	5,966.1
Recurring operating income	276.9	306.8	275.3	950.1	379.6	13.2	(156.8)	2,045.0
<i>Recurring operating profitability by segment</i>	<i>34.5%</i>	<i>27.7%</i>	<i>36.8%</i>	<i>44.3%</i>	<i>35.9%</i>	<i>12.2%</i>		<i>34.3%</i>
Other non-recurring income and expenses	-	-	-	52.7	-	-	-	-
Operating income	276.9	306.8	275.3	1,002.8	379.6	13.2	(156.8)	2,097.7
Operating investments	153.1	28.8	17.5	43.2	52.3	-	17.5	312.3
Non-current assets <sup>1</sup>	839.1	165.9	173.5	250.0	227.6	32.2	45.5	1,733.8

(1) Non-current assets other than financial instruments and deferred tax assets.

In millions of euros	2017							<b>TOTAL</b>
	France	Europe (excluding France)	Japan	Asia-Pacific (excluding Japan)	Americas	Other	Holding	
Revenue	754.9	1,044.1	716.6	1,946.0	995.8	91.8	-	5,549.2
Recurring operating income	270.6	294.5	255.0	865.2	350.9	12.7	(126.9)	1,922.0
<i>Recurring operating profitability by segment</i>	<i>35.8%</i>	<i>28.2%</i>	<i>35.6%</i>	<i>44.5%</i>	<i>35.2%</i>	<i>13.8%</i>	-	<i>34.6%</i>
Other non-recurring income and expenses	-	-	-	-	-	-	-	-
Operating income	270.6	294.5	255.0	865.2	350.9	12.7	(126.9)	1,922.0
Operating investments	121.8	28.8	9.4	53.2	41.0	-	10.9	265.2
Non-current assets <sup>1</sup>	801.5	163.2	156.6	272.7	200.6	31.3	51.9	1,678.0

(1) Non-current assets other than financial instruments and deferred tax assets.

#### 3.2 Revenue by métier

The breakdown of revenue by métier is as follows:

In millions of euros	2018	2017
Leather Goods and Saddlery	2,975.8	2,800.3
Ready-to-wear and Accessories	1,310.4	1,181.1
Silk and Textiles	536.9	534.3
Other Hermès métier	424.7	365.0
Perfumes	311.7	287.5
Watches	168.6	157.5
Other products	238.0	223.4
<b>REVENUE</b>	<b>5,966.1</b>	<b>5,549.2</b>

## NOTE 4 COST OF SALES

Cost of sales mainly comprises purchases, the cost of labour for production, the portion of depreciation that is allocated to the production cost, impairment of inventories, losses on inventories and variable selling expenses.

## NOTE 5 SELLING, MARKETING AND ADMINISTRATIVE EXPENSES

<i>In millions of euros</i>	<b>2018</b>	<b>2017</b>
Communication	(298.1)	(275.5)
Other selling, marketing and administrative expenses	(1,473.1)	(1,380.9)
<b>TOTAL</b>	<b>(1,771.2)</b>	<b>(1,656.3)</b>

## NOTE 6 OTHER INCOME AND EXPENSES

<i>In millions of euros</i>	Note	<b>2018</b>	<b>2017</b>
<b>Amortisation</b>		<b>(181.5)</b>	<b>(167.1)</b>
Net change in provisions		(54.5)	(32.2)
Cost of defined-benefit plans	26	(16.0)	(16.6)
<b>Sub-total</b>		<b>(70.5)</b>	<b>(48.8)</b>
Impairment losses		(43.0)	(41.9)
Expenses linked to bonus share allocation plans and similar expenses	31	(72.0)	(74.8)
Other expenses		(15.6)	(25.9)
Other products		23.8	47.0
<b>Sub-total</b>		<b>(106.8)</b>	<b>(95.7)</b>
<b>TOTAL</b>		<b>(358.9)</b>	<b>(311.6)</b>

Total depreciation and amortisation of property, plant and equipment and intangible assets included in operating expenses ("Other income and expenses" and "Cost of sales") amounted to €217.0 million in 2018, compared with €201.1 million in 2017.

## NOTE 7 OTHER NON-RECURRING INCOME AND EXPENSES

In millions of euros	Note	2018	2017
<b>Non-recurring operating expenses</b>		-	-
Other expenses		-	-
<b>Non-recurring operating income</b>		<b>52.7</b>	-
Gains on asset disposals		52.7	-
Other products		-	-
<b>TOTAL</b>		<b>52.7</b>	-

In 2018, other non-recurring income correspond to the net gains resulting from the disposal of the premises of the former Galleria store in Hong Kong for €52.7 million.

## NOTE 8 NET FINANCIAL INCOME

In millions of euros	Note	2018	2017
Income from cash and cash equivalents		13.6	7.0
Cost of gross financial debt		5.6	1.6
♦ of which net income/(loss) on hedging instruments		6.5	3.4
<b>Cost of net financial debt</b>		<b>19.1</b>	<b>8.6</b>
Other financial income and expenses		(53.8)	(40.8)
♦ of which ineffective portion of cash flow hedges		(55.6)	(57.8)
<b>TOTAL</b>		<b>(34.6)</b>	<b>(32.2)</b>

The ineffective portion of cash flow hedges includes +€0.7 million in over-hedging in 2018, compared with +€1.7 million in over-hedging in 2017.

The impact of the effective portion of the hedges recorded in equity is shown in Note 21.3.

## NOTE 9 INCOME TAX

### 9.1 Breakdown of income tax

In millions of euros	2018	2017
Current tax	(729.5)	(689.6)
Deferred tax	59.5	20.4
<b>TOTAL</b>	<b>(670.0)</b>	<b>(669.3)</b>

## 9.2 Rationalisation of income tax expense

The effective tax rate was 32.5% as at 31 December 2018, compared with 35.4% as at 31 December 2017.

The difference between the theoretical tax expense and the actual tax expense is explained as follows:

<i>In millions of euros</i>	<b>2018</b>	<b>2017</b>
Net income attributable to owners of the parent	1,404.6	1,221.5
Net income from associates	16.6	5.3
Net income attributable to non-controlling interests	(5.0)	(4.3)
<b>Tax expense</b>	<b>(670.0)</b>	<b>(669.3)</b>
Net income before tax	2,063.1	1,889.8
Effective tax rate	32.5%	35.4%
Current tax rate in France <sup>1</sup>	34.4%	34.4%
Theoretical tax expense	(710.3)	(650.6)
<i>Reconciliation items:</i>		
• differences relating to foreign taxation (primarily the tax rate)	136.5	79.3
• permanent differences and other <sup>2</sup>	(96.2)	(98.0)
<b>TOTAL</b>	<b>(670.0)</b>	<b>(669.3)</b>

(1) The tax rate applicable in France is the basic rate of 33.33% increased by the social contribution of 3.3%, i.e. a total of 34.43%.

(2) This line includes permanent differences, the effect on the tax expense of income taxed at reduced and increased tax rates, tax loss carry forwards used/non-activated, the tax on dividends and prior year adjustments. In 2018, the €52.7 million gain realised on the disposal of the Galleria premises (see Note 7) is not taxable, leading to a reduction of 0.8 pt on the tax rate.

The Group's companies are regularly audited by the tax authorities of the countries in which they operate.

In particular, on 31 December 2018, two French companies of the Group received reassessment proposals mainly relating to corporate income tax.

After consulting its legal advisors, Hermès is continuing to challenge these reassessments and intends to seek redress using the means available to it for its defence.

Hermès considers that risks, and uncertain legal positions are subject to appropriate debts, which amounts are reviewed, in coordination with its legal advisors, in accordance with the criteria of IAS 12 and IFRIC 23.

5

## 9.3 Deferred tax

The net change in deferred tax assets and liabilities is broken down as follows:

<i>In millions of euros</i>	<b>2018</b>	<b>2017</b>
Deferred tax assets at 1 January	349.8	430.4
Deferred tax liabilities at 1 January	46.8	49.0
<b>Net deferred tax assets at 1 January</b>	<b>303.0</b>	<b>381.4</b>
Impact on statement of profit or loss	59.5	20.4
Impact of exchange rate movements	5.6	(18.5)
Equity impact <sup>1</sup>	43.7	(80.3)
<b>Net deferred tax assets at the end of the period</b>	<b>411.8</b>	<b>303.0</b>
Balance of deferred tax assets at the end of the period	447.7	349.8
Balance of deferred tax liabilities at the end of the period	35.9	46.8

(1) The equity impact primarily involves the deferred tax change resulting from revaluations recorded in equity (investments and financial investments and hedging of future cash flows) and in actuarial gains and losses on employee benefit obligations. These changes had no impact on net income for the year (see Note 21.4).

Deferred taxes mainly related to the following adjustments:

<i>In millions of euros</i>	2018	2017
Internal margins on inventories and provisions for inventories	286.5	247.8
Employee benefits	57.8	55.9
Derivatives	(31.9)	(51.9)
Impairment losses	24.1	20.4
Regulated provisions	(43.1)	(42.9)
Other	118.4	73.7
<b>TOTAL</b>	<b>411.8</b>	<b>303.0</b>

As at 31 December 2018, tax loss carry-forwards and other temporary differences that did not lead to the recognition of deferred tax assets represented potential tax savings of €57.1 million (compared with €50.7 million in 2017).

## NOTE 10 NET EARNINGS PER SHARE

In accordance with the definitions set out in Note 1.20, the calculation and reconciliation of basic earnings per share and diluted earnings per share is as follows:

	2018	2017
<b>Numerator in millions of euros</b>		
Basic net income	1,404.6	1,221.5
Adjustments	-	-
Diluted net income	1,404.6	1,221.5
<b>Denominator in number of shares</b>		
<b>Weighted average number of ordinary shares</b>	<b>104,227,077</b>	<b>104,435,755</b>
<b>Basic earnings per share</b>	<b>13.48</b>	<b>11.70</b>
Dilutive effect of stock option plans		
Dilutive effect of free share plans	652,740	725,045
<b>Weighted average number of diluted ordinary shares</b>	<b>104,879,817</b>	<b>105,160,800</b>
<b>Diluted earnings per share</b>	<b>13.39</b>	<b>11.62</b>
Average share price	509.85 €	433.02 €

## NOTE 11 GOODWILL

<i>In millions of euros</i>	31/12/2017	Increases	Decreases	Exchange rate impact	Other	31/12/2018
Goodwill	139.0	-	-	0.8	-	139.8
<b>TOTAL GROSS VALUES</b>	<b>139.0</b>	<b>-</b>	<b>-</b>	<b>0.8</b>	<b>-</b>	<b>139.8</b>
Amortisation recognised before 1 January 2004	29.9		-	1.6	-	31.6
Impairment losses	76.1	18.0	-	(1.6)	-	92.5
<b>TOTAL AMORTISATION AND IMPAIRMENT</b>	<b>106.0</b>	<b>18.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>124.1</b>
<b>TOTAL NET VALUES</b>	<b>32.9</b>	<b>(18.0)</b>	<b>-</b>	<b>0.8</b>	<b>-</b>	<b>15.7</b>

On 31 December 2018, the Group reviewed the allocation of certain goodwill items to the various CGUs, which led to impairment of historical goodwill by €18 million.

At 31 December 2018, the net value of goodwill stood at €15.7 million and concerned the Hermès Japan CGU.

## NOTE 12 INTANGIBLE ASSETS

<i>In millions of euros</i>	<b>31/12/2017</b>	<b>Increases<sup>1</sup></b>	<b>Decreases</b>	<b>Exchange rate impact</b>	<b>Other</b>	<b>31/12/2018</b>
Leasehold rights	65.5	-	-	0.1	0.8	66.5
Concessions, patents, licences and software	215.9	42.1	(0.4)	0.9	20.9	279.4
Other intangible assets	84.7	2.0	(0.3)	(1.6)	(10.1)	74.7
Assets under construction	15.8	18.1	-	(0.0)	(11.9)	22.0
<b>TOTAL GROSS VALUES</b>	<b>381.9</b>	<b>62.2</b>	<b>(0.7)</b>	<b>(0.6)</b>	<b>(0.3)</b>	<b>442.6</b>
Amortisation of leasehold rights	39.5	9.8	-	(0.1)	-	49.2
Amortisation of concessions, patents, licences and software	134.0	31.6	(0.4)	0.8	9.7	175.6
Amortisation of other intangible assets	69.9	3.4	(0.3)	(1.5)	(9.9)	61.7
Impairment losses	6.5	7.9	(1.3)	0.0	0.9	14.0
<b>TOTAL AMORTISATION AND IMPAIRMENT</b>	<b>250.0</b>	<b>52.6</b>	<b>(2.1)</b>	<b>(0.8)</b>	<b>0.7</b>	<b>300.5</b>
<b>TOTAL NET VALUES</b>	<b>131.9</b>	<b>9.7</b>	<b>1.3</b>	<b>0.2</b>	<b>(1.1)</b>	<b>142.0</b>

(1) Investments mainly concern the acquisition and/or implementation of integrated management software packages.

## NOTE 13 PROPERTY, PLANT AND EQUIPMENT

<i>In millions of euros</i>	<b>31/12/2017</b>	<b>Increases<sup>1</sup></b>	<b>Decreases</b>	<b>Exchange rate impact</b>	<b>Other</b>	<b>31/12/2018</b>
Land	158.4	1.4	(11.8)	6.6	0.7	155.3
Buildings	820.3	14.6	(12.7)	13.1	18.8	854.1
Industrial machinery, plant and equipment	301.9	25.7	(3.1)	0.6	10.6	335.7
Store fixtures and furnishings	769.4	91.0	(26.1)	11.6	41.9	887.7
Other property, plant and equipment assets	341.5	29.8	(7.8)	1.3	9.6	374.5
Assets under construction	91.3	87.7	(0.2)	0.8	(84.8)	94.7
<b>TOTAL GROSS VALUES</b>	<b>2,482.8</b>	<b>250.1</b>	<b>(61.8)</b>	<b>34.0</b>	<b>(3.2)</b>	<b>2,701.9</b>
Depreciation of buildings	302.6	33.6	(7.1)	6.9	(1.0)	334.8
Depreciation of plant, machinery and equipment	174.8	22.1	(2.9)	0.4	3.1	197.5
Depreciation of store fixtures and furnishings	427.6	82.0	(25.7)	6.5	(0.1)	490.3
Depreciation of other property, plant and equipment	213.1	32.6	(7.2)	1.0	(3.5)	235.9
Impairment losses <sup>2</sup>	81.3	19.3	(0.9)	6	(2.4)	98.0
<b>TOTAL AMORTISATION AND IMPAIRMENT</b>	<b>1,199.5</b>	<b>189.5</b>	<b>(43.8)</b>	<b>15.3</b>	<b>(4.0)</b>	<b>1,356.5</b>
<b>TOTAL NET VALUES</b>	<b>1,283.3</b>	<b>60.6</b>	<b>(18.0)</b>	<b>18.7</b>	<b>0.8</b>	<b>1,345.4</b>

(1) Investments made in 2018 concern mainly the opening and renovation of stores and capital expenditure to expand production capacity.

(2) Impairment losses relate to production lines and stores deemed not to be sufficiently profitable. It is noted that the cash generating units on which impairment losses have been recognised are not individually material when compared with the Group's overall business.

No item of property, plant or equipment has been pledged as debt collateral. Furthermore, the amount of such assets in temporary use is not material when compared with the total value of property, plant and equipment.

In 2017, changes in property, plant and equipment were as follows:

<i>In millions of euros</i>	<b>31/12/2016</b>	<b>Increases<sup>1</sup></b>	<b>Decreases</b>	<b>Exchange rate impact</b>	<b>Other</b>	<b>31/12/2017</b>
Land	170.0	-	-	(11.6)	-	158.4
Buildings	819.3	29.4	(24.6)	(32.3)	28.6	820.3
Industrial machinery, plant and equipment	299.5	21.3	(14.3)	(3.6)	(1.0)	301.9
Store fixtures and furnishings	752.3	46.9	(24.4)	(52.5)	47.1	769.4
Other property, plant and equipment assets	344.4	30.1	(10.9)	(5.2)	(16.9)	341.5
Assets under construction	68.7	88.3	(0.7)	(3.6)	(61.5)	91.3
<b>TOTAL GROSS VALUES</b>	<b>2,454.2</b>	<b>216.0</b>	<b>(74.9)</b>	<b>(108.8)</b>	<b>(3.8)</b>	<b>2,482.8</b>
Depreciation of buildings	298.2	31.7	(6.8)	(12.1)	(8.5)	302.6
Depreciation of plant, machinery and equipment	167.9	22.2	(14.2)	(1.6)	0.6	174.8
Depreciation of store fixtures and furnishings	385.1	78.1	(39.7)	(26.7)	30.8	427.6
Depreciation of other property, plant and equipment	211.6	34.0	(10.6)	(3.6)	(18.2)	213.1
Impairment losses <sup>2</sup>	56.9	38.6	(0.2)	(2.9)	(11.0)	81.3
<b>TOTAL AMORTISATION AND IMPAIRMENT</b>	<b>1,119.6</b>	<b>204.7</b>	<b>(71.6)</b>	<b>(46.9)</b>	<b>(6.3)</b>	<b>1,199.5</b>
<b>TOTAL NET VALUES</b>	<b>1,334.6</b>	<b>11.3</b>	<b>(3.3)</b>	<b>(61.9)</b>	<b>2.5</b>	<b>1,283.3</b>

(1) Investments made in 2017 concern mainly the opening and renovation of stores and capital expenditure to expand production capacity.

(2) Impairment losses relate to production lines and stores deemed not to be sufficiently profitable. It is noted that the cash generating units on which impairment losses have been recognised are not individually material when compared with the Group's overall business.

## NOTE 14 INVESTMENT PROPERTY

<i>In millions of euros</i>	<b>31/12/2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Exchange rate impact</b>	<b>Other</b>	<b>31/12/2018</b>
Land	29.7	-	-	(0.2)	(0.1)	29.4
Buildings	70.1	-	-	(0.5)	0.1	69.6
<b>TOTAL GROSS VALUES</b>	<b>99.8</b>	<b>-</b>	<b>-</b>	<b>(0.7)</b>	<b>-</b>	<b>99.1</b>
Amortisation	20.0	2.2	-	(0.1)	-	22.2
<b>TOTAL NET VALUES</b>	<b>79.8</b>	<b>(2.2)</b>	<b>-</b>	<b>(0.6)</b>	<b>-</b>	<b>76.9</b>

It is stipulated that the Group and its subsidiaries are not bound by any contractual obligation to buy, build or develop investment properties, existing or not. Moreover, the costs incurred for the upkeep, maintenance and improvement of the investment assets are neither significant nor likely, as far as we know, to change materially in the coming financial years.

The net rental proceeds from investment properties total €8.4 million in the year.

As at 31 December 2018, the fair value of the investment properties was greater than €100 million. This estimate is based on evaluation works performed by independent experts with sufficient frequency. The evaluations are notably based on real estate operations involving comparable assets and on indicators established by professionals or recognised institutions.

## NOTE 15 FINANCIAL ASSETS

In millions of euros	31/12/2017	Increases <sup>1</sup>	Decreases	Exchange rate impact	Other <sup>2</sup>	31/12/2018
Financial investments and accrued interest	267.3	80.0	(69.1)	0.8	22.8	301.8
Liquidity contract	10.6		(0.3)	-	-	10.3
Other non-consolidated investments	1.1	0.1	-	(0.0)	1.2	
Other financial assets	0.0	8.3	(0.0)	-	5.9	14.2
<b>TOTAL GROSS VALUES</b>	<b>278.9</b>	<b>88.4</b>	<b>(69.4)</b>	<b>0.8</b>	<b>28.6</b>	<b>327.3</b>
Impairments	8.0	-	-	-	5.4	13.5
<b>TOTAL NET VALUES</b>	<b>270.9</b>	<b>88.4</b>	<b>(69.4)</b>	<b>0.8</b>	<b>23.3</b>	<b>313.9</b>

(1) The increase in financial investments corresponds to investments that do not meet the criteria for cash equivalents, notably on account of their original maturity of more than three months.

(2) Changes in the value of financial assets at fair value by equity in are recorded in «Revaluation adjustments» in equity (see Note 20.3), in compliance with the method described in Note 1.9.

Classification and measurement of fair value from these financial assets is presented in Note 23.4.

## NOTE 16 INVESTMENTS IN ASSOCIATES

In millions of euros	2018	2017
<b>Balance as at 1 January</b>	<b>72.5</b>	<b>87.3</b>
Impact of changes in scope of consolidation	-	(0.1)
Net income from associates	19.6	5.3
Dividends paid	(17.6)	(18.1)
Exchange rate impact	0.7	(2.0)
Other	-	-
<b>Balance at end of period</b>	<b>75.1</b>	<b>72.5</b>

5

## NOTE 17 LOANS AND DEPOSITS

In millions of euros	31/12/2017	Increases	Decreases	Exchange rate impact	Other	31/12/2018
Loans and deposits <sup>1</sup>	61.8	8.3	(5.3)	0.7	0.1	65.6
Impairments	14.2	5.8	(0.9)	(0.2)	(0.0)	18.9
<b>TOTAL</b>	<b>47.6</b>	<b>2.4</b>	<b>(4.4)</b>	<b>0.9</b>	<b>(0.1)</b>	<b>46.7</b>

(1) Security deposits amounted to €43.9 million as at 31 December 2018, compared with €39.1 million as at 31 December 2017.

**NOTE 18 INVENTORIES AND WORK-IN-PROGRESS**

<i>In millions of euros</i>	<b>31/12/2018</b>			<b>31/12/2017</b>		
	<b>Gross</b>	<b>Impairment</b>	<b>Net</b>	<b>Gross</b>	<b>Impairment</b>	<b>Net</b>
Retail, intermediate and finished goods	1,030.8	422.1	608.7	947.3	412.8	534.4
Raw materials and work-in-progress	600.2	245.3	354.9	571.0	209.2	361.8
<b>TOTAL</b>	<b>1,631.0</b>	<b>667.4</b>	<b>963.6</b>	<b>1,518.3</b>	<b>622.1</b>	<b>896.2</b>
Net income/(expense) from impairment of retail, intermediate and finished goods	-	(5.0)	-	-	14.8	-
Net income/(expense) from impairment of raw materials and work in progress	-	(34.5)	-	-	1.2	-

No inventories were offered as collateral to secure financial debt.

**NOTE 19 TRADE AND OTHER RECEIVABLES**

<i>In millions of euros</i>	<b>31/12/2018</b>			<b>31/12/2017</b>	
	<b>Gross</b>	<b>Impairment</b>	<b>Net</b>	<b>Net</b>	
Trade and other receivables	286.2	5.5	280.7	280.7	255.9
of which:					
• not yet due	250.6	0.4	250.2	250.2	227.4
• due <sup>1</sup>	35.6	5.1	30.5	30.5	28.5
Tax receivables	17.9	-	17.9	17.9	32.6
Other assets	206.7	0.1	206.5	206.5	253.0
Other non-current assets	22.3	0.3	22.0	22.0	29.0
<b>TOTAL</b>	<b>533.0</b>	<b>6.0</b>	<b>527.1</b>	<b>527.1</b>	<b>570.4</b>

(1) The amount of trade and other receivables payable is broken down as follows:

	<b>31/12/2018</b>			<b>31/12/2017</b>	
	<b>Gross</b>	<b>Impairment</b>	<b>Net</b>	<b>Net</b>	
Under 3 months	29.4	1.4	28.1	28.1	25.2
Between 3 and 6 months	2.8	0.4	2.4	2.4	3.2
Over 6 months	3.3	3.3	-	(0.0)	
<b>TOTAL</b>	<b>35.6</b>	<b>5.1</b>	<b>30.5</b>	<b>30.5</b>	<b>28.5</b>

With the exception of other non-current receivables, all receivables are due within one year. There were no significant payment deferrals that would justify the discounting of receivables.

The Group's policy is to recommend that insurance be taken out covering accounts receivable inasmuch as local conditions permit. Consequently, the expected risk of non-recovery is low, as evidenced by accounts receivable impairment, which amounted to 2% of the gross value at the end of 2018 (2% at end of 2017). There is no significant concentration of credit risk.

## NOTE 20 CASH AND CASH EQUIVALENTS

### 20.1 Change in net cash position

<i>In millions of euros</i>	<b>31/12/2017</b>	<b>Cash flows</b>	<b>Exchange rate impact</b>	<b>Impact on scope of consolidation</b>	<b>Others<sup>1</sup></b>	<b>31/12/2018</b>
Cash and cash equivalents	1,005.9	25.9	19.1	0.0	(0.2)	1,050.7
Marketable securities <sup>2</sup>	1,926.5	491.5	10.7	-	-	2428.7
<b>Sub-total</b>	<b>2,932.4</b>	<b>517.4</b>	<b>29.8</b>	<b>0.0</b>	<b>(0.2)</b>	<b>3479.4</b>
Bank overdrafts and current accounts in debit	(20.7)	6.4	(0.0)	-	-	(14.3)
<b>NET CASH POSITION</b>	<b>2,911.7</b>	<b>523.9</b>	<b>29.8</b>	<b>0.0</b>	<b>(0.2)</b>	<b>3,465.1</b>

(1) Corresponds with the mark-to-market on cash and cash equivalents.

(2) Primarily invested in money market UCITS, term accounts, term deposits and other, and cash equivalents maturing in less than three months.

All cash and cash equivalents have a maturity of less than three months and a sensitivity of less than 0.5%.

Cash and cash equivalents are available for the Group's needs without any particular restrictions.

The gains and losses generated through disposal of marketable securities during the financial year and recorded through profit or loss were equal to -€0.3million in 2018 (versus - €0.2 million in 2017). No unrealised gain or loss existed as at 31 December 2018.

### 20.2 Change in working capital requirements

Working capital requirements changed as follows:

<i>In millions of euros</i>	<b>31/12/2018</b>	<b>31/12/2017</b>
Inventories and work-in-progress	(66.3)	(26.7)
Trade and other receivables	(12.3)	16.2
Trade and other payables	(0.6)	19.5
Other receivables and payables	156.0	16.5
<b>TOTAL</b>	<b>76.7</b>	<b>25.4</b>

## NOTE 21      EQUITY

As at 31 December 2018, Hermès International's share capital consisted of 105,569,412 fully paid-up shares with a par value of €0.51 each, of which 1,317,379 treasury shares.

In financial year 2018, the following treasury share movements occurred:

- ◆ buyback of 103,237 shares for €59.4 million, excluding movements under the liquidity contract;
- ◆ purchase and sale of shares as part of the liquidity agreement, for €0.3 million;
- ◆ delivery of 201,560 free shares allotted to Hermès Group employees.

It is specified that no shares are reserved for issuance under put options or agreements to sell shares.

For management purposes, the Hermès Group uses the notion of "equity attributable to owners of the parent" as shown in the consolidated statement of changes in equity. More specifically, equity includes the revaluation of financial instruments as well as actuarial gains and losses, as defined in Notes 1.9 and 1.18.

The Group's objectives, policies and procedures in the area of capital management are in keeping with sound management principles designed to ensure that operations are well-balanced financially and to minimise the use of debt. As its surplus cash position gives it some flexi-

bility, the Group does not use prudential ratios such as "return on equity" in its capital management. During the current year, the Group made no change in its capital management policy and objectives.

Lastly, the parent company, Hermès International, is governed by French laws on capital requirements. Equity must be greater than or equal to at least half of the share capital. If it drops below this level, an Extraordinary General Meeting must be called to approve the measures required to remedy this situation. Hermès International has never been in this position and has always met this requirement.

### 21.1 Dividends

The General Meeting of 5 June 2018, called to approve the financial statements for the year ended 31 December 2017, approved the payment of an ordinary dividend of €4.10 and an extraordinary dividend of €5.00 per share for the year.

Taking into account the interim cash dividend of €1.50 per share paid on 22 February 2018, a cash balance of €7.60 was paid on 12 June 2018.

The total amount of ordinary and exceptional dividends thus paid amounted to €948.7 million.

### 21.2 Foreign currency adjustments

The change in foreign currency adjustments in the financial year is analysed below:

<i>In millions of euros</i>	<b>31/12/2018</b>	<b>31/12/2017</b>
<b>Balance as at 1 January</b>	<b>13.8</b>	<b>163.3</b>
Yen	16.7	(15.8)
US dollar	30.1	(64.0)
Yuan	4.5	(6.2)
Rouble	(1.6)	(1.0)
Pound sterling	(0.4)	(8.0)
Macao pataca	2.5	(7.7)
Swiss franc	3.9	(10.2)
Singapore dollar	14.1	(10.9)
Hong Kong dollar	13.4	(30.1)
Other currencies	(9.0)	4.4
<b>Balance at end of period</b>	<b>87.9</b>	<b>13.8</b>

### 21.3 Revaluation adjustments

2018 movements in derivatives (future cash flow hedges in foreign currencies) and financial investments break down as follows (after tax):

<i>In millions of euros</i>	<b>2018</b>	<b>2017</b>
<b>Balance as at 1 January</b>	<b>131.4</b>	<b>2.8</b>
Amount transferred to equity in the year in respect of derivatives	(34.9)	6.3
Revaluation of derivatives	(33.3)	59.4
Revaluation of financial investments	27.6	72.7
Other deferred foreign exchange gains/(losses) recognised in comprehensive income	(8.6)	(9.9)
First-time application of IFRS 9	(34.2)	0.0
<b>Balance at end of period</b>	<b>48.0</b>	<b>131.4</b>

### 21.4 Income and expenses recognised directly in equity

In 2018, income and expenses recognised directly in equity breaks down as follows:

<i>In millions of euros</i>	Note	<b>Gross impact</b>	<b>Tax effect</b>	<b>Net impact</b>
Actuarial gains and losses	26.3.4	7.2	(1.7)	5.5
Foreign currency adjustments	21.2	74.4	-	74.4
Revaluation adjustments	21.3	(94.6)	45.4	(49.2)
<b>Balance as at 31 December 2018</b>				<b>30.7</b>

For financial year 2017:

<i>In millions of euros</i>	Note	<b>Gross impact</b>	<b>Tax effect</b>	<b>Net impact</b>
Actuarial gains and losses	26.3.4	3.4	(12.0)	(8.6)
Foreign currency adjustments	21.2	(149.6)	-	(149.6)
Revaluation adjustments	21.3	196.2	(67.6)	128.6
<b>Balance as at 31 December 2018</b>				<b>(29.6)</b>

### NOTE 22 NON-CONTROLLING INTERESTS

<i>In millions of euros</i>	<b>31/12/2018</b>	<b>31/12/2017</b>
<b>Balance as at 1 January</b>	<b>6.6</b>	<b>2.2</b>
Net income attributable to non-controlling interests	5.0	4.3
Dividends paid to non-controlling interests	(4.3)	(2.6)
Foreign currency translation adjustments on foreign entities	0.4	(0.1)
Other changes	(2.9)	2.8
<b>Balance at end of period</b>	<b>4.8</b>	<b>6.6</b>

## NOTE 23 EXPOSURE TO MARKET RISKS

### 23.1 Counterparty risk

Pursuant to the applicable internal control procedures, the Group only deals with leading banks and financial institutions that have signed FBF and ISDA agreements on trading in forward financial instruments, and it is not exposed to any material counterparty risk. In addition, counterparty risks on financial transactions are monitored on an ongoing basis by Hermès International's Treasury Management department. Finally, the Group breaks down investment transactions, currency risk hedge transactions and transactions involving deposits in selected banks within the defined limits of amount and maturity. Moreover, the impact of the credit risk as recommended by IFRS 13 in the fair value of derivatives is close to 0 for the Group, given that all of the derivatives have a maturity of less than 12 months.

### 23.2 Foreign exchange risk

The Group is naturally exposed to foreign exchange risk because the bulk of its production is located in the eurozone, while the majority of its sales revenue is received in currencies other than the euro (American dollar, Japanese yen and other Asian currencies, etc.). It hedges this exposure in order to minimise and anticipate the impact of currency fluctuations on the Group's profits.

The Group's foreign exchange risk exposure management policy is based on the following principles:

- ◆ the manufacturing subsidiaries invoice the distribution subsidiaries in their local currency, applying an annual exchange rate on the scales established in euros. This means that the distribution subsidiaries mainly concentrate most of the foreign exchange risk;
- ◆ the Group's foreign exchange risk is systematically hedged by Hermès International on an annual basis, based on future internal operating cash flows between the companies in the Group;

- ◆ no speculative transactions in the economic meaning of the term are authorised;
- ◆ these hedges are provided through firm foreign exchange transactions and/or optional transactions eligible for hedge accounting;
- ◆ other non-operating transactions are hedged against foreign exchange risk as soon as the commitment is firm and final. It corresponds to financial risks arising from intra-group loans and dividends in foreign currencies.

These management rules have been validated by the Executive Committee and have also been endorsed by the Supervisory Board.

Administrative management and operational control are ensured by the middle & back office department, notably via the use of integrated cash flow software. In addition, the Audit and Risk Management Department ensures compliance with the risk control and management procedures.

Within this set of rules, management's decisions are validated by the Executive Committee, via a Treasury Security Committee that meets on a regular basis.

The Group's foreign exchange risk is hedged annually by Hermès International, based on highly probable future cash flows derived from budget projections. In practical terms, at 31 December, the hedging of internal transactions in currencies for the following year is close to 100%.

As such, the Group uses purchases and sales of put and call options as well as currency swaps and forward currency agreements.

### 23.2.1 Net currency position

In millions of euros	As at 31 December 2018				
	Monetary assets/ (liabilities) <sup>1</sup>	Future cash flows	Net position before hedging	Derivatives <sup>2</sup>	Net position after hedging
Yuan	145.1	371.8	516.9	(510.0)	6.9
Yen	19.3	356.3	375.6	(374.5)	1.1
Singapore dollar	52.7	284.9	337.6	(341.9)	(4.3)
Hong Kong dollar	27.6	262.7	290.3	(295.8)	(5.5)
US dollar	(214.8)	500.0	285.2	(293.2)	(8.0)
Pound sterling	(3.5)	106.4	102.9	(107.5)	(4.7)
Euro <sup>3</sup>	14.4	80.0	94.4	(91.7)	2.7
Swiss franc	10.1	52.0	62.1	(66.4)	(4.4)
Canadian dollar	5.3	42.1	47.4	(47.1)	0.4
Australian dollar	4.8	37.8	42.6	(42.6)	(0.1)
Thai baht	4.4	32.9	37.2	(36.3)	0.9
Rouble	2.0	14.3	16.3	(16.6)	(0.3)
Danish krone	6.9	6.9	13.7	(13.6)	0.1
Malaysian ringgit	0.8	12.0	12.9	(12.0)	0.8
South Korean won	(0.1)	(12.7)	(12.8)	12.5	(0.3)
Mexican peso	1.8	10.8	12.6	(12.3)	0.3
Brazilian real	5.4	6.3	11.7	(10.0)	1.8
Turkish lira	0.6	8.3	8.9	(8.7)	0.2
Indian rupee	1.5	6.3	7.8	(6.3)	1.5
Czech crown	1.0	5.3	6.3	(6.2)	0.1
Emirati dirham	(1.1)	(4.4)	(5.5)	5.6	0.1
New Polish zloty	-	1.9	1.9	(1.9)	(0.0)
Swedish krona	0.1	1.2	1.3	(1.6)	(0.3)
Norwegian krone	0.0	0.5	0.5	(0.6)	(0.1)
Argentine peso	0.2	-	0.2	-	0.2
<b>SUMMARY</b>	<b>84.4</b>	<b>2,183.4</b>	<b>2,267.9</b>	<b>(2,278.7)</b>	<b>(10.9)</b>
					<b>100%</b>

(1) Monetary assets are comprised of receivables and loans as well as bank balances, investments and cash equivalents whose date of maturity is less than three months from the date of acquisition. Monetary liabilities are comprised of financial liabilities as well as operating liabilities and various liabilities.

(2) Purchase/(Sale).

(3) Euro foreign exchange risk for subsidiaries having a different functional currency.

<i>In millions of euros</i>	<b>As at 31 December 2017</b>				
	<b>Monetary assets/ (liabilities)<sup>1</sup></b>	<b>Future cash flows</b>	<b>Net position before hedging</b>	<b>Derivatives<sup>2</sup></b>	<b>Net position after hedging</b>
Yuan	120.7	248.6	369.3	(336.9)	32.4
Singapore dollar	52.1	228.1	280.2	(273.4)	6.8
Yen	22.3	241.1	263.4	(266.2)	(2.8)
US dollar	(118.1)	376.9	258.9	(269.0)	(10.1)
Hong Kong dollar	19.0	189.8	208.8	(222.6)	(13.8)
Euro <sup>3</sup>	4.9	63.5	68.4	(76.4)	(8.0)
Canadian dollar	7.5	36.8	44.4	(42.1)	2.3
Swiss franc	4.7	37.6	42.3	(46.5)	(4.2)
Australian dollar	6.4	27.4	33.8	(28.5)	5.3
Pound sterling	(71.3)	102.4	31.1	(37.2)	(6.2)
Thai baht	3.0	23.9	26.9	(26.9)	(0.0)
Rouble	6.3	13.7	20.0	(16.9)	3.1
Danish krone	7.2	7.7	14.8	(14.9)	(0.1)
Brazilian real	5.9	6.5	12.5	(10.0)	2.5
Malaysian ringgit	-	11.4	11.4	(11.4)	-
Mexican peso	1.7	9.2	10.9	(10.5)	0.4
South Korean won	(0.1)	(10.5)	(10.6)	10.5	(0.1)
Turkish lira	0.1	7.0	7.1	(7.6)	(0.5)
Indian rupee	1.8	5.0	6.7	(4.6)	2.1
Czech crown	0.7	4.5	5.2	(5.2)	(0.0)
Emirati dirham	(0.8)	(4.1)	(4.9)	4.7	(0.3)
Swedish krona	0.0	1.3	1.3	(1.3)	0.0
Argentine peso	0.8	-	0.8	-	0.8
Norwegian krone	0.1	0.4	0.5	(0.4)	0.1
New Polish zloty	(0.1)	-	(0.1)	-	(0.1)
<b>SUMMARY</b>	<b>74.8</b>	<b>1,628.2</b>	<b>1,703.1</b>	<b>(1,693.4)</b>	<b>9.6</b>
					<b>100%</b>

(1) Monetary assets are comprised of receivables and loans as well as bank balances, investments and cash equivalents whose date of maturity is less than three months from the date of acquisition. Monetary liabilities are comprised of financial liabilities as well as operating liabilities and various liabilities.

(2) Purchase/(Sale).

(3) Euro foreign exchange risk for subsidiaries having a different functional currency.

### 23.2.2 Sensitivity to exchange rate fluctuations

The sensitivity of equity to foreign exchange risk is analysed for the cash flow hedge reserve. The impact on equity corresponds to the change in the market value of cash flow hedging derivatives relative to the current variance in exchange rates, *ceteris paribus*.

A 10% appreciation in the currencies to which the Group is exposed at the closing date would have resulted in a -€182.1 million decrease in equity (before tax) in the fair value reserve. An impairment of 10% would have an impact of +€159.8 million (before tax).

Moreover, a 10% appreciation in the currencies to which the Group is exposed would have led to an impact of -€1.2 million on net income at the closing date. A 10% depreciation would have led to an impact of €1.0 million.

### 23.2.3 Analysis of currency agreements

In millions of euros	Nominal amounts of derivatives	Nominal amounts of derivatives used to hedge foreign exchange risk	Market value of the contracts as at 31 December 2018 <sup>1</sup>			TOTAL
			Future cash flow hedge	Fair value hedge	Unallocated	
<b>Options purchased</b>						
US dollar put	128.8	35.5	0.8	0.3	1.1	
Calls US dollar	(62.6)			1.0	1.0	
US dollar collar	123.2	123.2	1.7		1.7	
Chinese yuan put	15.2	15.2	0.8		0.8	
Chinese yuan collar	167.6	167.6	4.0		4.0	
Japanese yen put	28.9	28.9	0.4		0.4	
Japanese yen collar	201.1	201.1	(0.5)		(0.5)	
Singapore dollar put	20.0	20.0	0.3		0.3	
Singapore dollar collar	140.3	140.3	1.0		1.0	
Hong Kong dollar put	83.7	23.5	0.4	0.1	0.5	
Calls Hong Kong dollar	(40.3)			0.6	0.6	
Hong Kong dollar collar	82.0	82.0	0.9		0.9	
	<b>887.9</b>	<b>837.3</b>	<b>10.0</b>	-	<b>2.0</b>	<b>12.0</b>
<b>Forward currency agreements<sup>2</sup></b>						
US dollar	353.5	353.5	(12.9)	(0.3)	(0.0)	(13.2)
Yuan	199.4	199.4	(3.4)	-	-	(3.4)
Yen	126.2	126.2	(4.4)	-	-	(4.4)
Singapore dollar	117.7	119.5	(9.0)	-	(0.1)	(9.1)
Hong Kong dollar	158.6	159.9	(7.3)	-	(0.0)	(7.3)
Euro <sup>3</sup>	80.0	80.0	3.4	-	(0.1)	3.3
Pound sterling	106.4	106.4	0.6	-	(0.0)	0.6
Canadian dollar	42.1	42.1	(0.0)	-	-	(0.0)
Thai baht	32.9	32.9	(0.3)	-	-	(0.3)
Rouble	14.3	14.3	0.8	-	-	0.8
Swiss franc	51.9	52.0	(1.6)	-	0.0	(1.6)
Australian dollar	37.9	37.9	2.4	-	-	2.4
South Korean won	(12.7)	(12.7)	(0.1)	-	-	(0.1)
Brazilian real	10.0	10.0	(0.1)	-	-	(0.1)
Mexican peso	11.1	11.1	(0.6)	-	(0.0)	(0.6)
Malaysian ringgit	12.0	12.0	(0.1)	-	-	(0.1)
Danishkrone	6.9	6.9	0.0	-	0.0	0.0
Turkish lira	8.5	8.5	0.3	-	-	0.3
Other	10.8	10.8	(0.0)	-	(0.0)	(0.0)
	<b>1,367.3</b>	<b>1,370.6</b>	<b>(32.4)</b>	<b>(0.3)</b>	<b>(0.2)</b>	<b>(32.9)</b>
<b>Currency swaps<sup>2</sup></b>						
US dollar	(218.9)	(232.1)	(1.3)	-	0.1	(1.1)
Yuan	127.7	127.7	0.8	-	0.0	0.8
Yen	18.2	17.8	(0.4)	-	(0.0)	(0.4)
Singapore dollar	63.9	57.6	0.0	-	0.0	0.0
Hong Kong dollar	31.7	31.0	0.3	-	0.0	0.3
Euro <sup>3</sup>	11.7	13.8	0.0	-	(0.0)	0.0
Pound sterling	1.2	(3.9)	0.0	-	(0.0)	0.0
Canadian dollar	4.9	4.9	0.1	-	0.0	0.1

<i>In millions of euros</i>	<b>Nominal amounts of derivatives</b>	<b>Nominal amounts of derivatives used to hedge foreign exchange risk</b>	<b>Market value of the contracts as at 31 December 2018<sup>1</sup></b>			
			<b>Future cash flow hedge</b>	<b>Fair value hedge</b>	<b>Unallocated</b>	<b>TOTAL</b>
Thai baht	3.5	3.5	(0.0)	-	-	(0.0)
Rouble	2.3	2.0	0.1	-	0.0	0.2
Swiss franc	14.6	10.3	(0.0)	-	(0.0)	(0.0)
Danishkrone	6.8	6.8	0.0	-	-	0.0
Other	6.6	5.5	0.0	-	0.0	0.1
	<b>74.1</b>	<b>44.8</b>	<b>(0.2)</b>	-	<b>0.2</b>	<b>(0.0)</b>
<b>Options sold</b>						
US dollar put	(93.3)	-	-	-	(0.3)	(0.3)
Calls US dollar	62.6	-	-	-	(1.0)	(1.0)
Hong Kong dollar put	(60.2)	-	-	-	(0.1)	(0.1)
Calls Hong Kong dollar	40.3	-	-	-	(0.6)	(0.6)
	<b>(50.7)</b>	-	-	-	<b>(2.0)</b>	<b>(2.0)</b>
<b>TOTAL</b>	<b>2,278.7</b>	<b>2,252.6</b>	<b>(22.6)</b>	<b>(0.3)</b>	<b>(0.1)</b>	<b>(23.0)</b>

(1) Gain/(Loss).

(2) Sales/(Purchases).

(3) Euro foreign exchange risk for subsidiaries having a different functional currency.

<i>In millions of euros</i>	<b>Nominal amounts of derivatives</b>	<b>Nominal amounts of derivatives used to hedge foreign exchange risk</b>	<b>Market value of the contracts as at 31 December 2017<sup>1</sup></b>			
			<b>Future cash flow hedge</b>	<b>Fair value hedge</b>	<b>Unallocated</b>	<b>TOTAL</b>
<b>Options purchased</b>						
US dollar put	34.0	34.0	3.3	-	-	3.3
US dollar collar	135.9	135.9	12.8	-	-	12.8
Chinese yuan put	12.2	12.2	0.9	-	-	0.9
Chinese yuan collar	85.5	85.5	4.8	-	-	4.8
Japanese yen put	23.1	23.1	2.1	-	-	2.1
Japanese yen collar	115.6	115.6	10.2	-	-	10.2
Singapore dollar put	16.2	16.2	0.9	-	-	0.9
Singapore dollar collar	113.1	113.1	5.4	-	-	5.4
Hong Kong dollar put	22.5	22.5	2.2	-	-	2.2
Hong Kong dollar collar	90.1	90.1	8.6	-	-	8.6
	<b>648.2</b>	<b>648.2</b>	<b>51.4</b>	-	-	<b>51.4</b>
<b>Forward currency agreements<sup>2</sup></b>						
US dollar	210.7	210.7	11.5	-	(0.0)	11.4
Yuan	150.9	149.0	(0.3)	-	(0.0)	(0.4)
Yen	102.4	102.4	7.8	-	-	7.8
Singapore dollar	98.7	99.0	1.1	-	(0.0)	1.1
Hong Kong dollar	77.1	77.1	6.1	-	(0.0)	6.1
Euro <sup>3</sup>	63.5	63.5	(1.5)	-	-	(1.5)
Pound sterling	102.3	102.3	1.0	-	(0.0)	1.0
Canadian dollar	36.8	36.8	0.9	-	-	0.9
Thai baht	23.7	23.7	(0.4)	-	-	(0.4)
Rouble	13.7	13.7	0.4	-	-	0.4
Swiss franc	37.6	37.6	2.7	-	0.0	2.7
Australian dollar	27.4	27.4	0.3	-	-	0.3

In millions of euros	Nominal amounts of derivatives	Nominal amounts of derivatives used to hedge foreign exchange risk	Market value of the contracts as at 31 December 2017 <sup>1</sup>			
			Future cash flow hedge	Fair value hedge	Unallocated	TOTAL
South Korean won	(10.5)	(10.5)	0.3	-	-	0.3
Brazilian real	10.0	10.0	0.7	-	-	0.7
Mexican peso	9.2	9.2	0.7	-	-	0.7
Malaysian ringgit	11.4	11.4	(0.4)	-	-	(0.4)
Danish krone	7.7	7.7	0.0	-	-	0.0
Turkish lira	7.0	7.0	0.5	-	-	0.5
Other	6.8	6.8	(0.3)	-	(0.0)	(0.3)
	<b>986.3</b>	<b>984.6</b>	<b>30.9</b>	-	<b>(0.0)</b>	<b>30.9</b>
<b>Currency swaps<sup>2</sup></b>						
US dollar	(111.5)	(119.5)	(0.6)	-	0.2	(0.5)
Yuan	88.2	85.9	0.2	-	(0.0)	0.2
Yen	25.0	22.3	0.3	-	0.0	0.3
Singapore dollar	45.5	45.9	0.3	-	(0.0)	0.3
Hong Kong dollar	32.8	32.8	0.7	-	0.0	0.7
Euro <sup>3</sup>	12.9	12.9	(0.0)	-	-	(0.0)
Pound sterling	(65.1)	(71.2)	0.4	-	0.0	0.4
Canadian dollar	5.2	5.2	(0.0)	-	-	(0.0)
Thai baht	3.2	2.9	0.0	-	0.0	0.0
Rouble	3.2	3.2	(0.0)	-	-	(0.0)
Swiss franc	8.9	4.8	0.0	-	0.0	0.0
Danish krone	7.3	7.0	0.0	-	0.0	0.0
Other	3.2	2.8	0.0	-	0.0	0.0
	<b>59.0</b>	<b>35.0</b>	<b>1.2</b>	-	<b>0.2</b>	<b>1.4</b>
<b>TOTAL</b>	<b>1,693.4</b>	<b>1,667.8</b>	<b>83.5</b>	-	<b>0.2</b>	<b>83.7</b>

(1) Gain/(Loss).

(2) Sales/(Purchases).

(3) Euro foreign exchange risk for subsidiaries having a different functional currency.

### 23.3 Interest rate and liquidity risk

The Hermès Group's policy is to maintain a positive treasury position and to have cash available in order to be able to finance its growth strategy independently.

The Group's treasury surpluses and needs are directly managed or overseen by Hermès International's Treasury Management department in accordance with a conservative policy designed to avoid the risk of capital loss and to maintain a satisfactory liquidity position.

Cash surpluses are invested mainly in money-market mutual funds and cash equivalents with a sensitivity of less than 0.5% and a recommended investment period of less than three months.

The items recognised by the Group as "Cash and cash equivalents" strictly correspond with the criteria used in the AMF position, as updated in 2018. The investments are regularly reviewed in accordance with Group

procedures and in strict compliance with the qualification criteria as defined by IAS 7 Cash flow statement, and the AMF recommendations applicable at year-end close. As at 31 December 2018, these analyses had not led to changes in the previously adopted accounting classification.

From time to time, the Group uses financial instruments such as swaps and interest rate derivatives to hedge part of its payables and receivables against interest rate fluctuations.

The risk control and management procedures are identical to those applied to foreign exchange transactions.

The following interest rate risks involve only items in the net cash position. Moreover, the interest rate risks are not material as concerns the financial assets and liabilities not included in the net cash position.

In millions of euros	As at 31/12/2018					
	< 1 year	1 to 5 years	> 5 years	TOTAL	Floating rate	Fixed rate
<b>Financial assets</b>	<b>3,479.1</b>	-	-	<b>3,479.1</b>	<b>1,190.2</b>	<b>2,288.9</b>
Euro	2,499.6	-	-	2,499.6	758.6	1,741.0
Yuan	124.8	-	-	124.8	19.7	105.1
US dollar	227.1	-	-	227.1	227.1	-
Yen	43.8	-	-	43.8	43.8	-
Other	583.8	-	-	583.8	141.0	442.8
<b>Financial liabilities<sup>1</sup></b>	<b>22.5</b>	<b>1.0</b>	-	<b>23.6</b>	<b>23.1</b>	<b>0.4</b>
Euro	14.5	1.0	-	15.5	15.1	0.4
Yen	-	-	-	-	-	-
Other <sup>2</sup>	8.0	-	-	8.0	8.0	-
<b>Net cash position before hedging</b>	<b>3,456.5</b>	<b>(1.0)</b>	-	<b>3,455.5</b>	<b>1,167.1</b>	<b>2,288.5</b>
<b>Net cash position after hedging</b>	<b>3,456.5</b>	<b>(1.0)</b>	-	<b>3,455.5</b>	<b>1,167.1</b>	<b>2,288.5</b>

(1) Excluding commitments to acquire non-controlling interests (€26.5 million as at 31 December 2018).

(2) Mainly consists of long-term amortisable floating-rate loans taken out by Hermès Brazil and foreign subsidiaries' bank overdrafts.

In millions of euros	As at 31/12/2018					
	< 1 year	1 to 5 years	> 5 years	TOTAL	Floating rate	Fixed rate
<b>Financial assets</b>	<b>3,479.1</b>	-	-	<b>3,479.1</b>	<b>1,190.2</b>	<b>2,288.9</b>
Cash and cash equivalents	3,479.1	-	-	3,479.1	1,190.2	2,288.9
<b>Financial liabilities<sup>1</sup></b>	<b>22.5</b>	<b>1.0</b>	-	<b>23.6</b>	<b>23.1</b>	<b>0.4</b>
Medium- and long-term financial debt	8.2	1.0	-	9.3	9.3	-
Bank overdrafts and short-term debt	14.3	-	-	14.3	13.9	0.4
Current accounts in debit	-	-	-	-	-	-
<b>Net cash position before hedging</b>	<b>3,456.5</b>	<b>(1.0)</b>	-	<b>3,455.5</b>	<b>1,167.1</b>	<b>2,288.5</b>
<b>Net cash position after hedging</b>	<b>3,456.5</b>	<b>(1.0)</b>	-	<b>3,455.5</b>	<b>1,167.1</b>	<b>2,288.5</b>

(1) Excluding commitments to acquire non-controlling interests (€26.5 million as at 31 December 2018).

In millions of euros	As at 31/12/2017					
	< 1 year	1 to 5 years	> 5 years	TOTAL	Floating rate	Fixed rate
<b>Financial assets</b>	<b>2,931.9</b>	-	-	<b>2,931.9</b>	<b>1,082.3</b>	<b>1,849.6</b>
Euro	2,230.1	-	-	2,230.1	667.5	1,562.6
Yuan	108.8	-	-	108.8	19.8	89.0
US dollar	166.7	-	-	166.7	161.7	5.0
Yen	52.4	-	-	52.4	52.4	-
Other	374.0	-	-	374.0	181.0	193.0
<b>Financial liabilities<sup>1</sup></b>	<b>30.1</b>	<b>2.6</b>	-	<b>32.8</b>	<b>31.6</b>	<b>1.1</b>
Euro	21.0	1.0	-	22.0	20.9	1.1
Yen	-	-	-	-	-	-
Other <sup>2</sup>	9.1	1.6	-	10.7	10.7	-
<b>Net cash position before hedging</b>	<b>2,901.7</b>	<b>(2.6)</b>	-	<b>2,899.1</b>	<b>1,050.6</b>	<b>1,848.5</b>
<b>Net cash position after hedging</b>	<b>2,901.7</b>	<b>(2.6)</b>	-	<b>2,899.1</b>	<b>1,050.6</b>	<b>1,848.5</b>

(1) Excluding commitments to acquire non-controlling interests (€20.9 million as at 31 December 2017).

(2) Mainly consists of long-term amortisable floating-rate loans taken out by Hermès India Retail and Distributors, floating-rate loans taken out by Hermès Brazil and foreign subsidiaries' bank overdrafts.

In millions of euros	As at 31/12/2017					
	< 1 year	1 to 5 years	> 5 years	TOTAL	Floating rate	Fixed rate
<b>Financial assets</b>	<b>2,931.9</b>	-	-	<b>2,931.9</b>	<b>1,082.3</b>	<b>1,849.6</b>
Cash and cash equivalents	2,931.9	-	-	2,931.9	1,082.3	1,849.6
<b>Financial liabilities<sup>1</sup></b>	<b>30.1</b>	<b>2.6</b>	-	<b>32.8</b>	<b>31.6</b>	<b>1.1</b>
Medium- and long-term financial debt	9.4	2.6	-	12.1	11.3	0.7
Bank overdrafts and short-term debt	20.7	-	-	20.7	20.3	0.4
Current accounts in debit	-	-	-	-	-	-
<b>Net cash position before hedging</b>	<b>2,901.7</b>	<b>(2.6)</b>	-	<b>2,899.1</b>	<b>1,050.6</b>	<b>1,848.5</b>
<b>Net cash position after hedging</b>	<b>2,901.7</b>	<b>(2.6)</b>	-	<b>2,899.1</b>	<b>1,050.6</b>	<b>1,848.5</b>

(1) Excluding commitments to acquire non-controlling interests (€20.9 million as at 31 December 2017).

### 23.3.1 Equity risk

Investments in equities are not material at Group level. As such, the Group has no exposure to equity risk.

The market value of investments is equivalent to their carrying amount.

Financial liabilities do not include the liability associated with employee profit-sharing, which is included in "Other liabilities".

### 23.3.2 Sensitivity to interest rate fluctuations

A uniform 1 percentage point increase in interest rates would have had a positive impact of €11.7 million on the consolidated net income before tax (€10.5 million in 2017).

### 23.4 Fair value and hierarchy by level of fair value of financial assets and liabilities

The assets and liabilities recorded at fair value are classified according to the following three fair value levels:

- ◆ **level 1:** prices listed on an active market. If listed prices in an active market are available, they are used as a priority in order to determine market value;

- ◆ **level 2:** internal model with parameters observable using internal valuation techniques. These techniques require the use of the usual mathematical calculation methods that include data that can be observed within the markets (future prices, yield curve, etc.). The calculation of most financial derivatives traded within markets is performed on the basis of models that are commonly used by participants in order to assess these financial instruments;
- ◆ **level 3:** internal model with non-observable parameters.

For 2018 and 2017, there were no transfers between levels 1 and 2 for financial assets and liabilities recognised at fair value.

<b>2018</b>											
<i>In millions of euros</i>	Note	Assets at fair value through profit or loss <sup>1 2</sup>	Financial assets at amortised cost	Non-recyclable financial assets at fair value through equity	Liabilities at fair value <sup>2</sup>	Liabilities at amortised cost	Net carrying amount	Fair value	Evaluation level	Interest rate	Effective interest rate
Financial investments	-	150.0	143.7	-	-	-	293.7	293.7	-	-	-
Liquidity contract	10.3	-	-	-	-	-	10.3	10.3	1	-	-
Other financial assets	8.8	-	-	-	-	-	8.8	8.8	2	-	-
Other non-consolidated investments	-	-	1.2	-	-	-	1.2	1.2	-	-	-
Held-to-maturity securities	-	-	-	-	-	-	-	-	-	-	-
<b>Financial assets</b>	15	<b>19.1</b>	<b>150.0</b>	<b>144.9</b>	-	-	<b>313.9</b>	<b>313.9</b>	-	-	-
<b>Loans and deposits</b>	17	-	<b>46.7</b>	-	-	-	<b>46.7</b>	<b>46.7</b>	-	-	-
<b>Trade and other receivables</b>	19	-	<b>527.1</b>	-	-	-	<b>527.1</b>	<b>527.1</b>	-	-	-
<b>Foreign currency derivative assets</b>	23.2.3	<b>34.9</b>	-	-	-	-	<b>34.9</b>	<b>34.9</b>	<b>2</b>	-	-
<b>Cash and cash equivalents</b>	20	<b>1,181.2</b>	<b>2,297.9</b>	-	-	-	<b>3,479.1</b>	<b>3,479.1</b>	<b>1</b>	-	-
Bank overdrafts	-	-	-	-	(14.3)	(14.3)	(14.3)	(14.3)	-	3	-
Loan Brazil	-	-	-	-	(8.0)	(8.0)	(8.0)	(8.0)	-	8.0%	8.0%
Other borrowings	-	-	-	-	(1.3)	(1.3)	(1.3)	(1.3)	-	2.0%	2.0%
Current accounts in debit	-	-	-	-	-	-	-	-	-	3	-
<b>Financial debts</b>	23	-	-	-	(23.6)	(23.6)	(23.6)	(23.6)	-	-	-
<b>Trade payables and other liabilities</b>	27	-	-	-	-	(1,470.6)	(1,470.6)	(1,470.6)	-	-	-
<b>Foreign currency derivative liabilities</b>	23.2.3	-	-	(57.8)	-	(57.8)	(57.8)	(57.8)	<b>2</b>	-	-
<b>Other derivatives - liabilities</b>	-	-	-	-	-	-	-	-	-	-	-

(1) Classification in the category Assets at fair value through profit or loss is imposed in accordance to IFRS 9 depending on the business model for these assets.

(2) Before hedge accounting.

(3) Interest rates correspond to floating rates.

In millions of euros	Note	2017									
		Assets at fair value <sup>1</sup>	Loans and receivables	Held-to-maturity assets	Available-for-sale assets	Liabilities at fair value <sup>1</sup>	Liabilities at amortised cost	Net carrying amount	Fair value	Evaluation level	Interest rate
Financial investments	-	138.3	-	120.8	-	-	-	259.1	259.1	-	-
Liquidity contract	10.6	-	-	-	-	-	-	10.6	10.6	1	-
Other financial assets	-	-	0.0	-	-	-	-	0.0	0.0	-	-
Other non-consolidated investments	-	-	-	-	1.0	-	-	1.0	1.0	-	-
Held-to-maturity securities	-	-	-	-	-	-	-	-	-	-	-
<b>Financial assets</b>	<b>15</b>	<b>10.6</b>	<b>138.3</b>	<b>0.0</b>	<b>121.9</b>	<b>-</b>	<b>-</b>	<b>270.8</b>	<b>270.8</b>	<b>-</b>	<b>-</b>
<b>Loans and deposits</b>	<b>17</b>	<b>-</b>	<b>47.6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47.6</b>	<b>47.6</b>	<b>-</b>	<b>-</b>
<b>Trade and other receivables</b>	<b>19</b>	<b>-</b>	<b>570.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>570.4</b>	<b>570.4</b>	<b>-</b>	<b>-</b>
<b>Foreign currency derivative assets</b>	<b>23.2.3</b>	<b>101.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>101.1</b>	<b>101.1</b>	<b>2</b>	<b>-</b>
<b>Cash and cash equivalents</b>	<b>20</b>	<b>974.9</b>	<b>1,957.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,931.9</b>	<b>2,931.9</b>	<b>1</b>	<b>-</b>
Bank overdrafts	-	-	-	-	-	(20.7)	(20.7)	(20.7)	(20.7)	-	<sup>1</sup>
Loan Brazil	-	-	-	-	-	(9.0)	(9.0)	(9.0)	(9.0)	-	11.2%
Loan India	-	-	-	-	-	(1.6)	(1.6)	(1.6)	(1.6)	-	8.6%
Other borrowings	-	-	-	-	-	(1.1)	(1.1)	(1.1)	(1.1)	-	2.4%
Current accounts in debit	-	-	-	-	-	-	-	-	-	-	<sup>1</sup>
<b>Financial debts</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32.5)</b>	<b>(32.5)</b>	<b>(32.5)</b>	<b>(32.5)</b>	<b>-</b>	<b>-</b>
<b>Trade payables and other liabilities</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,250.5)</b>	<b>(1,250.5)</b>	<b>(1,250.5)</b>	<b>-</b>	<b>-</b>
<b>Foreign currency derivative liabilities</b>	<b>23.2.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17.4)</b>	<b>-</b>	<b>(17.4)</b>	<b>(17.4)</b>	<b>2</b>	<b>-</b>
<b>Other derivatives - liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1.4)</b>	<b>-</b>	<b>(1.4)</b>	<b>(1.4)</b>	<b>2</b>	<b>-</b>

(1) Interest rates correspond to floating rates.

5

## NOTE 24 PROVISIONS

In millions of euros	31/12/2017	Depreciations	Reversals <sup>1</sup>	Exchange rate impact	Other and reclassifications <sup>2</sup>	31/12/2018
Current provisions	151.7	89.7	(37.0)	2.7	(70.0)	137.2
Non-current provisions	7.1	0.1	(1.4)	(0.0)	(0.0)	5.7
<b>TOTAL</b>	<b>158.8</b>	<b>89.8</b>	<b>(38.4)</b>	<b>2.7</b>	<b>(70.0)</b>	<b>142.9</b>

(1) Of which €12.4 million reversed and used.

(2) Corresponds to uncertain tax liabilities reclassified under "Current tax liabilities" pursuant to IFRIC 23.

Current provisions concern risks, disputes and litigation as well as provisions for returns of goods in the normal course of operations.

## NOTE 25 EMPLOYEES

A geographical breakdown of the workforce is as follows:

	<b>31/12/2018</b>	<b>31/12/2017</b>
France	8,846	8,319
Europe (excl. France)	1,510	1,421
Other geographical areas	3,928	3,743
<b>TOTAL</b>	<b>14, 284</b>	<b>13,483</b>

The breakdown by category is as follows:

	<b>31/12/2018</b>	<b>31/12/2017</b>
Production	6,572	6,249
Sales	5,440	5,130
Other (design, communication and administration)	2,272	2,104
<b>TOTAL</b>	<b>14, 284</b>	<b>13,483</b>

Employee expenses in 2018 totalled €1,126.3 million, compared with €1,050.1 million in 2017.

## NOTE 26 POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

### 26.1 Description of plans

Hermès Group employees are eligible for short-term benefits (paid leave, sick leave, profit-sharing), long-term benefits (long-service awards) and post-employment benefits under defined contribution/defined benefit plans (mainly retirement benefits, and supplemental pension plans).

Post-employment benefits are awarded either through defined contribution plans or through defined-benefit plans.

#### 26.1.1 Defined contribution plans

Under these plans, regular payments are made to outside organisations, which are responsible for their administrative and financial management. These plans release the employer from any subsequent obligation, as the outside organisation takes responsibility for paying amounts due to employees (basic social security old-age plan, ARRCO/AGIRC supplemental pension plans, defined contribution pension funds).

#### 26.1.2 Defined benefit plans

Under these plans, the employer assumes an obligation vis-à-vis its employees. If these plans are not entirely funded in advance, a provision is recorded.

Post-employment and similar benefit obligations (Defined Benefit Obligations or DBOs) are measured using the projected credit unit method, based on actuarial assumptions that take into consideration specific conditions, primarily macroeconomic conditions, in the different countries in which the Group operates.

For post-employment plans, changes to actuarial assumptions and experience effects give rise to actuarial gains and losses which are all recorded in equity for the period in which they are recognised.

For the Group, the main defined-benefit plans apply mainly to:

- ◆ departure or retirement benefits in France, Italy, Turkey, Greece, India, Thailand, Taiwan and Japan: these are calculated based on employee length of service and annual salary at the time of retirement. These obligations are partially or entirely externalised depending on the country;
- ◆ long-service awards in France: these are awards for long-standing service in France: these awards provide compensation for long-standing services. The awards are issued along with payment of a bonus, under the terms of a collective agreement, company-wide agreement or decision by the relevant company or works council;

- ◆ long-service awards in Japan, the Asia-Pacific region, Australia, Switzerland and England: long-service in certain foreign subsidiaries is compensated by the allocation of bonuses on specific anniversary dates;
- ◆ a supplementary plan in France or abroad (Switzerland, Canada).

In millions of euros	< 1 year	> 1 year	2018	< 1 year	> 1 year	2017
Post-employment and similar benefit obligations	6.9	196.0	202.9	6.0	188.2	194.2
<b>TOTAL</b>	<b>6.9</b>	<b>196.0</b>	<b>202.9</b>	<b>6.0</b>	<b>188.2</b>	<b>194.2</b>

## 26.2 Actuarial assumptions

For 2018, the following actuarial assumptions were used for the countries to which the Hermès Group's main commitments apply:

	France	Italy	Switzerland	Japan	Taiwan	Rest of Asia **
Retirement age	62 to 65 years	62 to 69.6 years	63 to 64 years	60 to 63 years	60 to 66 years	50 to 65 years
Increase in salaries	3.0%	1.2%	2.0%	2.5%	3.5% -5%	3.50% -8.25%
Increase in social security ceiling	2.50%	n/a	n/a	n/a	n/a	n/a
Discounting rate	1.62% -1.20% *	1.6%	0.9%	0.6%	0.9%	0.5% -8.05%

n/a: not applicable.

\* Rates according to the duration of the plans.

\*\* India, Malaysia, Thailand.

2017 Assumptions:

	France	Italy	Switzerland	Japan	Taiwan	Rest of Asia **
Retirement age	62 to 65 years	62 to 69.6 years	63 to 64 years	60 to 63 years	60 to 66 years	50 to 65 years
Increase in salaries	3.0%	1.2%	2.0%	2.5%	3.5% -5%	3.50% -8.25%
Increase in social security ceiling	2.50%	n/a	n/a	n/a	n/a	n/a
Discounting rate	1.33% -0.86% *	1.3%	0.7%	0.5%	0.9%	0.2% -7.25%

n/a: not applicable.

\* Rates according to the duration of the plans.

\*\* India, Malaysia, Thailand.

The discount rates applied are obtained by reference to the yield on investment grade (AA) corporate bonds with the same maturity as that of the obligation. In accordance with IAS 19 revised, rates of return on assets are determined by reference to discount rates on the obligations.

A 0.50 point increase or decrease in the discount rate would lead to a €16.4million decrease or a €14.7million increase in Hermès Group's pension provision respectively, with the balancing entry recognised in equity.

More specifically, for pension plans in Switzerland, a 0.50 point increase or decrease in the applied interest rate would lead to a €1.1million increase or a €1.0 million decrease in the pension provision, with the balancing entry recognised in equity.

As at 31 December 2018, contributions paid for the coming year (including contributions paid to a fund and benefits paid directly by the employer) totalled €6.9 million, compared with €5.8 million in 2017.

### 26.3 Change in provisions recognised in the statement of financial position

In millions of euros	Post-employment plans	Other long-term benefits	2018	Post-employment plans	Other long-term benefits	2017
<b>Provisions as at 1 January</b>	<b>180.7</b>	<b>13.5</b>	<b>194.2</b>	<b>176.0</b>	<b>13.0</b>	<b>189.0</b>
Foreign currency adjustments	3.4	0.1	3.5	(5.0)	(0.4)	(5.4)
Cost according to statement of profit or loss	17.6	1.4	19.0	17.7	2.1	19.8
Benefits/contributions paid	(5.5)	(1.1)	(6.6)	(4.7)	(1.1)	(5.8)
Actuarial gains and losses	(7.2)	-	(7.2)	(3.4)	-	(3.4)
Change in scope	-	-	-	-	-	-
Other	-	-	-	-	(0.1)	(0.1)
<b>Provisions at end of period</b>	<b>189.0</b>	<b>13.9</b>	<b>202.9</b>	<b>180.7</b>	<b>13.5</b>	<b>194.2</b>

#### 26.3.1 Reconciliation of the value of post-employment and other employee benefit commitments

In millions of euros	Post-employment plans	Other long-term benefits	2018	Post-employment plans	Other long-term benefits	2017
<b>Present value of obligations at 1 January</b>	<b>242.4</b>	<b>13.6</b>	<b>256.0</b>	<b>250.3</b>	<b>13.0</b>	<b>263.3</b>
Foreign currency adjustments	5.0	0.1	5.1	(8.5)	(0.4)	(8.9)
Service cost	15.1	1.4	16.5	15.3	1.3	16.6
Interest cost	2.2	0.2	2.4	2.0	0.2	2.2
Benefits paid	(14.9)	(1.0)	(15.9)	(15.2)	(0.8)	(16.0)
Employee contributions	1.6	-	1.6	1.6	-	1.6
Experience gains and losses	(2.0)	(0.1)	(2.1)	2.8	0.3	3.1
Actuarial gains and losses from demographic assumptions	2.2	0.1	2.3	(1.8)	(0.0)	(1.8)
Actuarial gains and losses from financial assumptions	(7.5)	(0.3)	(7.8)	(4.5)	(0.3)	(4.8)
Plan changes	0.5	(0.2)	0.3	0.2	0.6	0.8
Change in scope	-	-	-	-	0.0	0.0
Other	-	-	-	0.2	(0.3)	(0.1)
<b>Present value of obligations as at 31 December</b>	<b>244.6</b>	<b>13.9</b>	<b>258.4</b>	<b>242.4</b>	<b>13.6</b>	<b>256.0</b>

#### 26.3.2 Evaluation of fair value of pension plans

In millions of euros	2018	2017
<b>Fair value of assets at 1 January</b>	<b>61.7</b>	<b>74.3</b>
Employer contributions	5.4	4.4
Employee contributions	1.6	1.6
Benefits paid	(14.9)	(15.2)
Financial income	0.5	0.5
Administrative expenses	(0.2)	(0.3)
Foreign currency adjustments	1.5	(3.4)
Actuarial gains and losses	(0.1)	(0.2)
Change in scope	-	-
<b>Fair value of assets as at 31 December</b>	<b>55.5</b>	<b>61.7</b>

### 26.3.3 Analysis of the provision for post-employment and similar benefit obligations

<i>In millions of euros</i>	<b>Post-employment plans</b>	<b>Other long-term benefits</b>	<b>31/12/2018</b>	<b>Post-employment plans</b>	<b>Other long-term benefits</b>	<b>31/12/2017</b>
Present value of funded obligations	181.3	-	181.3	186.6		186.6
Fair value of plan assets	(55.5)	-	(55.5)	(61.7)		(61.7)
<b>Excess obligations/(assets) in funded plans</b>	<b>125.8</b>	-	<b>125.8</b>	<b>124.8</b>	-	<b>124.6</b>
Present value of unfunded obligations	63.2	13.6	76.9	55.8	13.6	69.6
Unrecognised net assets		-	-	-	-	
<b>Net defined-benefit plan obligations</b>	<b>189.0</b>	<b>13.6</b>	<b>202.7</b>	<b>180.7</b>	<b>13.6</b>	<b>194.2</b>
Breakdown of obligations - assets	-	-	-	-	-	-
Breakdown of obligations - liabilities	189.0	13.9	202.9	180.7	13.6	194.2
<b>Net obligations</b>	<b>189.0</b>	<b>13.9</b>	<b>202.9</b>	<b>180.7</b>	<b>13.6</b>	<b>194.2</b>

### 26.3.4 Change in actuarial gains and losses

*In millions of euros*

<b>Actuarial gains and losses recognised in equity as at 31 December 2017</b>	<b>141.0</b>
Experience gains and losses	2.8
Actuarial gains and losses from changes in demographic assumptions	(1.8)
Actuarial gains and losses from changes in financial assumptions	(4.5)
Impact of limits on plan assets	-
Other actuarial gains and losses	(1.3)
<b>Actuarial gains and losses recognised in equity as at 31 December 2018</b>	<b>136.2</b>
Experience gains and losses	(2.0)
Actuarial gains and losses from changes in demographic assumptions	2.2
Actuarial gains and losses from changes in financial assumptions	(7.5)
Impact of limits on plan assets	-
Other actuarial gains and losses	(0.9)
<b>Actuarial gains and losses recognised in equity as at 31 December 2018</b>	<b>129.8</b>

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### 26.3.5 Analysis of expenses recognised in the statement of profit or loss

<i>In millions of euros</i>	<b>Post-employment plans</b>	<b>Other long-term benefits</b>	<b>2018</b>	<b>Post-employment plans</b>	<b>Other long-term benefits</b>	<b>2017</b>
Service costs	15.2	1.2	16.4	15.6	1.5	17.1
Interest costs	2.2	0.2	2.4	2.0	0.2	2.2
Financial income on assets	(0.5)	-	(0.5)	(0.5)	-	(0.5)
(Gains)/losses resulting from a plan change	0.5	-	0.5	0.2	0.6	0.8
Change in scope	-	-	-	-	-	-
Net actuarial (gains)/losses recognised in the year	-	-	-	-	(0.0)	(0.0)
Administrative expenses	0.2	-	0.2	0.3	(0.1)	0.2
<b>Cost of defined-benefit plans</b>	<b>17.6</b>	<b>1.4</b>	<b>19.0</b>	<b>17.7</b>	<b>2.1</b>	<b>19.8</b>

## 26.4 Plan assets

The weighted average breakdown of plan assets by investment type is as follows:

<i>In millions of euros</i>	<b>31/12/2018</b>		<b>31/12/2017</b>	
	<b>Value</b>	<b>Breakdown</b>	<b>Value</b>	<b>Breakdown</b>
Shares	5.6	10%	5.4	9%
Obligations	38.9	70%	43.2	70%
Other	11.1	20%	13.1	21%
<b>TOTAL</b>	<b>55.5</b>	<b>100%</b>	<b>61.7</b>	<b>100%</b>

## 26.5 Information by geographical area

<i>In millions of euros</i>	<b>31/12/2018</b>		<b>31/12/2017</b>	
	<b>Value</b>	<b>Breakdown</b>	<b>Value</b>	<b>Breakdown</b>
France	148.8	58%	156.9	61%
Europe (excl. France)	58.0	22%	54.9	21%
Japan	44.7	17%	37.8	15%
Asia-Pacific (excl. Japan)	6.4	2%	5.9	2%
Americas	0.5	0%	0.5	0%
<b>Present value of obligations</b>	<b>258.4</b>	<b>100%</b>	<b>256.0</b>	<b>100%</b>
France	14.5	26%	23.7	38%
Europe (excl. France)	40.6	73%	37.7	61%
Asia-Pacific (excluding Japan)	0.5	1%	0.3	1%
<b>Fair value of hedge assets</b>	<b>55.5</b>	<b>100%</b>	<b>61.7</b>	<b>100%</b>
France	-	-	-	-
Asia-Pacific (excluding Japan)	-	-	-	-
<b>Unrecognised net assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
France	134.3	66%	133.2	69%
Europe (excl. France)	17.4	9%	17.2	9%
Japan	44.7	22%	37.8	19%
Asia-Pacific (excl. Japan)	5.9	3%	5.6	3%
Americas	0.5	0%	0.5	0%
<b>Provisions for post-employment and similar benefit obligations</b>	<b>202.9</b>	<b>100%</b>	<b>194.2</b>	<b>100%</b>

## NOTE 27 TRADE PAYABLES AND OTHER LIABILITIES

Other current and non-current liabilities mainly consist of tax and social security liabilities. The breakdown is as follows:

<i>In millions of euros</i>	<b>31/12/2018</b>	<b>31/12/2017</b>
Accounts payable	417.1	425.8
Amounts payable to fixed asset suppliers	50.9	55.2
<b>Trade and other payables</b>	<b>468.0</b>	<b>481.0</b>
Current tax liabilities	314.6	141.1
Other current liabilities	574.4	528.8
Other non-current liabilities	113.6	99.5
<b>TRADE PAYABLES AND OTHER LIABILITIES</b>	<b>1,470.6</b>	<b>1,250.5</b>

## NOTE 28 OFF-BALANCE SHEET COMMITMENTS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

### 28.1 Financial commitments

Financial commitments were discounted at the rate of 8.67% in 2018 (7.88% in 2017).

<i>In millions of euros</i>	<b>&lt; 1 year</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
Bank guarantees given	2.0	4.0	2.0	8.0	11.6
Bank guarantees received	-	0.2	4.0	4.2	0.2
Commitments to purchase financial assets	-	14.3	10.2	24.5	25.4
Other commitments	52.0	69.3	-	121.3	109.7

The future non-cancellable commitments of discounted minimum payments resulting from operating leases can be analysed as follows:

<i>In millions of euros</i>	<b>&lt; 1 year</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
Minimum future payments - Stores	109.5	336.8	262.2	708.5	801.0
Minimum future payments - Admin and logistics buildings	24.4	90.7	71.5	186.7	196.3
<b>TOTAL</b>	<b>133.9</b>	<b>427.5</b>	<b>333.8</b>	<b>895.2</b>	<b>997.3</b>

### 28.2 Other off-balance sheet commitments

The Group has no knowledge of any commitments other than those mentioned elsewhere herein and that are not reflected in the financial statements for the year ended 31 December 2018. To date, there is no exceptional event or dispute that would be liable to have a likely and material impact on the Group's financial position.

Furthermore, in the normal course of its business operations, the Group is involved in legal actions and is subject to controls. A provision is recorded when a risk is identified and when its cost can be estimated.

## NOTE 29 RELATED-PARTY TRANSACTIONS

### 29.1 Transactions with equity-accounted associates

Transactions with equity-accounted associates were not material relative to the Group's overall business activities.

### 29.2 Other related-party transactions

Relationships with other related parties, within the meaning of IAS 24 *Related Party Disclosures* can be summarised as follows:

- ◆ RDAI firm: RDAI architects were appointed to carry out design work on the internal layout of all Hermès Group stores. The fees paid by the Group amount to €10.7 million excluding tax in 2018. RDAI, as well as the property companies mentioned below, are considered to be related parties given that certain members of Group Management or members of the Executive Management of Émile Hermès SARL have personal interests therein and exercise significant influence;
- ◆ Émile Hermès SARL, Active Partner, is a société à responsabilité limitée à capital variable (private limited company with variable capital) whose partners are the direct descendants of Mr Émile Hermès and his wife. The Executive Chairman of the Company is Mr Henri-Louis Bauer and the Company has an Executive Management Board. Each year, Hermès International pays 0.67% of the distributable profits to the Active Partner. In addition, Hermès International charges Émile

Hermès SARL for certain services provided and expenses incurred. Hermès International charged back €0.4 million in this respect in 2018;

- ◆ the company Studio des Fleurs: Studio des Fleurs offers photography and retouching services for packshots of e-commerce products. The amounts paid in 2018 came to €2.5 million. Studio des Fleurs is considered a related party to the extent that a member of the Executive Management Board of Émile Hermès SARL has personal interests therein and exercises significant influence upon it;
- ◆ the company MOCE: MOCE ("EatMe" brand) provides fast food services on the Hermès International site located at 12 rue d'Anjou. The amounts paid in 2018 came to €0.1 million. MOCE is considered a related-party to the extent that a member of the Supervisory Board has personal interests therein and exercises significant influence upon it;
- ◆ ARDIAN Holding: as part of the diversification of its investments, Hermès International has an 11.54% equity interest in the company ARDIAN Holding, in which a member of the Supervisory Board has responsibilities. This commitment had been assumed in 2013, prior to this person's appointment.

Certain of the above transactions constitute related-party agreements according to the definition contained in the French Commercial Code (*Code de commerce*). For further details, see the description of the proposed resolutions on pages 366 to 392.

### 29.3 Lease agreements with related parties

Address	Lessor	Lessee	Lease type	Term	Start	End	Security deposit
28/30/32 rue du Faubourg St Honoré	SAS SIFAH	Hermès International	Commercial lease	9 years	01/01/17	31/12/25	3 months
28/30/32 rue du Faubourg St Honoré	SAS SIFAH	Hermès Sellier	Commercial lease	9 years	01/01/17	31/12/25	3 months
26 rue du Faubourg St Honoré	SAS SIFAH	Hermès International	Commercial lease	9 years	01/01/14	31/12/22	3 months
26 rue du Faubourg St Honoré	SAS SIFAH	Hermès International	Commercial lease	9 years	01/01/17	31/12/25	3 months
23 rue Boissyd'Anglas	SAS SIFAH	Hermès Sellier	Commercial lease	9 years	01/01/18	31/12/26	3 months
74 rue du Faubourg St Antoine	S.C. Auguste Hollande	Hermès Sellier	Commercial lease	9 years	01/07/17	30/06/26	3 months
4 rue du Pont Vert 27400 Le Vaudreuil	Briand Villiers I	Comptoir Nouveau de la Parfumerie	Commercial lease	9 years firm	01/07/14	30/06/23	3 months

Total rental expenses for the abovementioned leases amounted to €9.5 million in 2018 (versus €9 million in 2017). All of the transactions

described were carried out on an arm's length basis, i.e. on terms that would apply if the transactions had occurred between unrelated parties.

## NOTE 30 COMPENSATION OF SENIOR EXECUTIVES

A breakdown of total compensation paid to members of the Executive Committee and the Supervisory Board, in respect of their functions within the Group, is as follows:

<i>In millions of euros</i>	<b>2018</b>	<b>2017</b>
Short-term benefits	14.8	13.0
Post-employment benefits	3.4	3.3
Other long-term benefits	0.2	0.2
Share-based payments	2.2	2.2
<b>TOTAL</b>	<b>20.5</b>	<b>18.7</b>

Short-term benefits include compensation and bonuses paid to Executive Committee members during the year, as well as directors' fees paid to

members of the Supervisory Board. Share-based payments correspond to the amounts expensed in the year.

## NOTE 31 SHARE-BASED PAYMENTS

The expense recognised in 2018 in respect of free share allocation plans totalled €72.0 million, compared with €74.8 million at end-2017. The shares outstanding changed as follows during the financial year:

<i>In shares</i>	<b>2018</b>	<b>2017</b>
<b>Outstanding as at 1 January</b>	<b>1,056,420</b>	<b>1,188,160</b>
♦ of which exercisable		
Issued		
Exercised	(201,560)	(112,700)
Cancelled		
Forfeited	(34,320)	(19,040)
<b>Outstanding as at 31 December</b>	<b>820,540</b>	<b>1,056,420</b>
♦ of which exercisable		

Information on the free share allocation plans is provided on page 200 (Table 9.1).

## NOTE 32 INFORMATION ON FEES

During the 2018 financial year, the fees paid to the Statutory Auditors and to members of their networks were as follows:

In millions of euros	PricewaterhouseCoopers				Didier Kling & Associés, member of the Grant Thornton International network			
	2018 <sup>1</sup>	Breakdown	2017	Breakdown	2018	Breakdown	2017	Breakdown
<b>Certification of financial statements</b>								
♦ o/w Hermès International (parent company)	0.3	11%	0.3	10%	0.2	31%	0.2	35%
♦ o/w Fully consolidated subsidiaries	1.7	67%	1.7	65%	0.3	69%	0.3	65%
<b>Sub-total</b>	<b>1.9</b>	<b>77%</b>	<b>1.9</b>	<b>75%</b>	<b>0.5</b>	<b>99%</b>	<b>0.5</b>	<b>100%</b>
<b>Services other than certification of financial statements<sup>1</sup></b>								
♦ o/w Hermès International (parent company)	0.1	3%	0.2	8%	0.0	0%	-	-
♦ o/w Fully consolidated subsidiaries	0.5	19%	0.4	17%	0.0	1%	-	-
<b>Sub-total</b>	<b>0.6</b>	<b>23%</b>	<b>0.6</b>	<b>25%</b>	<b>0.0</b>	<b>1%</b>	<b>-</b>	<b>-</b>
<b>TOTAL<sup>2</sup></b>	<b>2.5</b>	<b>100%</b>	<b>2.5</b>	<b>100%</b>	<b>0.5</b>	<b>100%</b>	<b>0.5</b>	<b>100%</b>

- (1) Of which €0.7 million for certification services and €0.1 million for services other than certification of financial statements by PricewaterhouseCoopers Audit, Statutory Auditors of the company and its French subsidiaries. Services other than certification of financial statements provided by PricewaterhouseCoopers Audit mainly relate to procedures of the independent third-party organisation on the social, societal and environmental information and their review of the impacts of new standards.
- (2) Services other than certification of the financial statements mainly include technical consultations for our foreign subsidiaries relating to compliance with local and international tax regulations, as well as various compliance certification and assessments.

## NOTE 33 SCOPE OF CONSOLIDATION

List of the main consolidated companies as at 31 December 2018 (distribution subsidiaries and holding companies of the divisions, for the major part)

Company		Office	Percentage 2018			Registered no. (French SIREN)
			Control	Interest	Method *	
Hermès International	24, rue du Faubourg-Saint-Honoré, 75008 Paris		Parent	Parent	Parent	572,076,396
Boissy Les Mériers	23, rue Boissy-d'Anglas, 75008 Paris		100	100	Full	351,649,504
Boissy Mexico	Avenida Presidente Mazaryk 422, Local «A» Col Polanco, 11560 Mexico D.F. (Mexico) (Mexico)		54.2	54.2	Full	-
Boissy Retail	501 Orchard Road; #04-07/08 Wheelock Place 238880 Singapore (Singapore)		100	100	Full	-
Castille Investissements	24, rue du Faubourg-Saint-Honoré, 75008 Paris		100	100	Full	352,565,451
Compagnie des Cristalleries de Saint-Louis	Saint-Louis-lès-Bitche, 57620 Lemberg	99.98	99.98	Full	353,438,708	
Compagnie Hermès de Participations	23, rue Boissy-d'Anglas, 75008 Paris	100	100	Full	413,818,147	
CHP2	23, rue Boissy-d'Anglas, 75008 Paris	100	100	Full	789,925,534	
CHP3	23, rue Boissy-d'Anglas, 75008 Paris	100	100	Full	480,011,535	
Comptoir Nouveau de la Parfumerie	23, rue Boissy-d'Anglas, 75008 Paris	99.67	99.67	Full	542,053,285	
Faubourg Italia	1/A Piazza della Repubblica, 20121 Milan (Italy)	60	60	Full	-	
Faubourg Guam	331 Tumon Sands Plaza 1082 Pale San Vitores Rd Tumon Guam 96913 (UNITED STATES)	100	100	Full	-	
Faubourg Middle East	LB13002, Jebel Ali Free Zone, Dubai (United Arab Emirates)	40	40	EA		
Financière Saint-Honoré	4 rue de la Tour de l'Ile, 1211 Geneva (Switzerland)	100	100	Full	-	
Full More Group	25/F, Chinachem Leighton Plaza, 29 Leighton Road, Causeway Bay (Hong Kong)	90	90	Full	-	
Grafton Immobilier	23 rue Boissy-d'Anglas, 75008 Paris	100	100	Full	440,256,444	
Hermès Argentina	Avenida Alvear 1981, 1129 Buenos Aires (Argentina)	100	100	Full	-	
Hermès Asia Pacific	25/F Chinachem Leighton Plaza, 29 Leighton Road, Causeway Bay (Hong Kong)	100	100	Full	-	
Hermès Australia	Level 11, 70 Castlereagh Street Sydney NSW 2000 (Australia)	100	100	Full	-	
Hermès Benelux Nordics	50, boulevard de Waterloo, 1000 Brussels (Belgium)	100	100	Full	-	
Hermès Do Brasil Industria E Comercio Ltda	Avenida Magalhaes de Castro, n° 12.000, Loja 32, Piso Terreo, Jardim Panorama, Sao Paolo (Brazil)	100	100	Full	-	
Hermès Canada	131 Bloor Street West Toronto, Ontario M5S 1R1 (Canada)	100	100	Full	-	
Hermès China	Room 130, Plaza 66, No. 1266 West Nanjing Road, Jingan District, Shanghai (China)	100	100	Full	-	
Hermès China Trading	Building no.12, no.211, 213, 215 and 227, Middle Huaihai Road, 200021 Shanghai (China)	100	100	Full	-	
Hermès Cuirs Précieux	3, avenue Hoche, 75008 Paris	100	100	Full	398,142,695	
Hermès Denmark	HøjbroPlads 4, 1112 Copenhagen K (Denmark)	100	100	Full		
Hermès de Paris Mexico	Avenida PresidenteMazaryk 422, Local «A» Col Polanco, 11560 Mexico D.F. (Mexico)	54.21	54.21	Full	-	
Hermès GB	8 Hinde Street, London, W1U 3BQ (United Kingdom)	100	100	Full	-	
Hermès GmbH	Marstallstrasse 8, 80539 Munich (Germany)	100	100	Full	-	
Hermès Grèce	Stadiou 4 and Voukourestiou 1, City Link, 10564 Syntagma, Athens (Greece)	100	100	Full	-	
Hermès Iberica	Paseo de la Castellana no. 28, 28046 Madrid (Spain)	100	100	Full	-	
Hermès Holding GB	8 Hinde Street, London, W1U 3BQ (United Kingdom)	100	100	Full	-	
Hermès Immobilier Genève	1, rue Robert Céard, 1204 Geneva (Switzerland)	100	100	Full	-	
Hermès India Retail and Distributors	3rd Floor, A31, Feroz Gandhi Marg, Lajpat Nagar 2, 110024 New Delhi (India)	51.01	51.01	Full	-	
Hermès Internacional Portugal	Largo do Chiado 9, 1200-108 Lisbon (Portugal)	100	100	Full	-	
Hermès Istanbul	Abdi İpekçi Cad. No:79 Nisantasi, Sisli, Istanbul (Turkey)	100	100	Full	-	
Hermès Italie	Via G. Via G. Serbelloni 1Gastone Pisoni 2, 20121 Milan (Italy)	100	100	Full	-	

<b>Company</b>		<b>Office</b>	<b>Percentage 2018</b>			<b>Registered no. (French SIREN)</b>
			<b>Control</b>	<b>Interest</b>	<b>Method *</b>	
Hermès Japon	4-1, Ginza 5-Chome, Chuo-Ku, Tokyo 104-0061 (Japan)		100	100	Full	-
Hermès Korea	630-26 Shinsa-Dong Gangnam-gu, Seoul 135-895 (South Korea)		100	100	Full	-
Hermès Middle East South Asia	One Marina Boulevard, #28-00, Singapore 018989 (Singapore)		100	100	Full	-
Hermès Monte-Carlo	11-13-15, avenue de Monte-Carlo, 98000 Monaco (Principality of Monaco)		100	100	Full	-
Hermès of Paris	55 East, 59th Street, 10022 New York (USA)		100	100	Full	-
Hermès Prague	Parizska 12/120, 11000 Prague (Czech Republic)		100	100	Full	-
Hermès Retail Malaysia	Level 16, Menara Asia Life, 189 Jalan Tun Razak, 50400 Kuala Lumpur (Malaysia)		100	100	Full	-
Hermès Rus AO	4, Nizhny Kiselevy Pereulok 107031 Moscow (Russia)		100	100	Full	-
Hermès Sellier	24, rue du Faubourg-Saint-Honoré, 75008 Paris	99.77	99.77	Full	696,520,410	
Hermès Singapore Retail	1 Marina Boulevard, #28-00, Singapore 018989 (Singapore)	100	100	Full	-	
Hermès Suisse	1, rue Robert Céard, 1204 Geneva (Switzerland)	100	100	Full	-	
Hermès Travel Retail Asia	1 Marina Boulevard, #28-00, Singapore 018989 (Singapore)	100	100	Full	-	
Holding Textile Hermès	16, chemin des Mûriers, 69310 Pierre-Benite	96.71	96.71	Full	592,028,542	
Honossy	23, rue Boissy-d'Anglas, 75008 Paris	100	100	Full	393,178,025	
Immauger	23, rue Boissy-d'Anglas, 75008 Paris	100	100	Full	377,672,159	
Immobilière du 5 rue de Furstemberg	23, rue Boissy-d'Anglas, 75008 Paris	100	100	Full	440,252,849	
Immobilière Hermès France	23, rue Boissy-d'Anglas, 75008 Paris	100	100	Full	834,021,586	
Immobilière Maroquinerie de Guyenne	23, rue Boissy-d'Anglas, 75008 Paris	100	100	Full	789,928,611	
Immobilière de Montereau	23, rue Boissy-d'Anglas, 75008 Paris	100	100	Full	812,935,005	
J.L. & Company Limited	Westminster Works, 1 Oliver Street, Northampton NN2 7JL (United Kingdom)	100	100	Full	-	
John Lobb	23, rue Boissy-d'Anglas, 75008 Paris	99.99	99.99	Full	582,094,371	
La Maroquinerie du Sud Ouest	5 Route de Saint Martin Le Pin, administrative building 24300 Nontron	100	100	Full	403,230,436	
La Montre Hermès	Erlenstrasse 31 A, 2555 Brügg (Switzerland)	100	100	Full	-	
Les Manufactures de Franche Comté	18, rue de la Côte, administrative building 25230 Seloncourt	100	100	Full	407,836,329	
Manufacture de Haute Maroquinerie	ZAE Les Combaruches, Boulevard du Docteur Jean-Jules-Hebert, 73100 Aix-les-Bains	100	100	Full	409,548,096	
Maroquinerie de Belley	460 route des Ecassaz, 01300 Belley	100	100	Full	428,128,425	
Maroquinerie de Montereau	23, rue Boissy-d'Anglas, 75008 Paris	100	100	Full	812,935,021	
Maroquinerie de Normandie	2 rue Sainte Marguerite 27100 Val-de-Reuil	100	100	Full	789,926,334	
Maroquinerie de Saint-Antoine	74, rue du Faubourg St Antoine, 75012 Paris	100	100	Full	409,209,202	
Maroquinerie de Sayat	Route de Volvic, 63530 Sayat	100	100	Full	411,795,859	
Maroquinerie des Ardennes	Avenue des Marguerites, 08120 Bogny-sur-Meuse	100	100	Full	428,113,518	
Maroquinerie Iséroise	Lieu-dit Netrin Ouest rue Victor Hugo, 38490 Les Abrêts	100	100	Full	480,011,451	
Maroquinerie Thierry	ZI Les Bracots, rue des Fougères, 74890 Bons-en-Chablais	49.97	49.97	EA	312,108,368	
Motsch-George V	23, rue Boissy-d'Anglas, 75008 Paris	100	100	Full	440,252,476	
Perrin &Fils	ZA les Chaumes, 38690 Le Grand-Lemps	39.52	38.22	EA	573,620,143	
Saint-Honoré (Bangkok)	Unit 1207 12th Floor Park Venture Ecoplex 57 Wireless Road, Lumpini Pathumwan, Bangkok 10330 (Thailand)	80	80	Full	-	
SCI Auger-Hoche	12-22, rue Auger, 93500 Pantin	100	100	Full	335,161,071	
SCI Edouard VII	23, rue Boissy-d'Anglas, 75008 Paris	100	100	Full	393,882,170	
SCI Les Capucines	23, rue Boissy-d'Anglas, 75008 Paris	100	99.99	Full	408,602,050	

\* Consolidation method Full: Full consolidation; EM: Equity method.

## 5.7 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

### For the year ended 31 December 2018

To the shareholders of Hermès International,

#### 1. OPINION

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying consolidated financial statements of Hermès International for the year ended 31 December 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit and Risk Committee.

#### 2. BASIS FOR OPINION

##### Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the «Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements» section of our report.

##### Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 January 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (code déontologique) for Statutory Auditors.

#### 3. JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

##### Valuation of inventories and work-in-progress – Notes 1.10 and 18 to the consolidated financial statements

###### Description of risk

The Group's Inventories and work-in-progress are shown in the statement of financial position, amounting to €1,631 million in gross value and €964 million in net value at 31 December 2018, representing 13% of the total assets.

Hermès International determines the amount of the impairment required to reduce the inventory value to its probable sale value if this value is lower. This impairment is calculated in accordance with:

- ◆ the condition of the inventories and their obsolescence (notably finished seasons or collections); and
- ◆ an estimation of the prospects for distributing the inventories on the different markets.

We considered this to be a key audit matter due to the nature of the inventories and the fact that the above prospects and the potential impairment resulting from them are by nature dependent on the assumptions, estimates and assessments made by the management.

Furthermore, inventories are present in a large number of subsidiaries, elimination of the internal margins in the consolidated financial statements is of particular importance because of their impact on the gross value of the inventories and the level of impairment to be recorded.

#### **How our audit addressed this risk**

During our work we:

- ◆ examined the procedures for the valuation and impairment of inventories;
- ◆ carried out a critical review of the methodology used by the management to impair inventories given the distribution history of the said inventories and our knowledge of the Group's business sectors;
- ◆ compared the durations and life-cycles adopted by the management with historical performances; and
- ◆ assessed the level of impairment compared to the prospects for sale and the age of the inventories.

Our work also involved taking samples to check the consistency of the levels of cancelled internal margins in the consolidated financial statements by examining the margin made with the distribution subsidiaries.

### **Recognition of foreign exchange hedges – Notes 1.1.1 , 1.9.1 and 23 to the consolidated financial statements**

#### **Description of risk**

Hermès International is naturally exposed to foreign exchange risk because the bulk of its production is located in the eurozone, but receives the majority of its sales revenue in foreign currencies (American dollar, Japanese yen and other Asian currencies, etc.). The manufacturing subsidiaries invoice the distribution subsidiaries in their local currency, which apply an annual exchange rate on the scales established in euros;

To hedge this risk and minimise the impact of currency fluctuations on its earnings, Hermès International uses firm or optional foreign exchange hedges, with the objective of hedging its net internal exposure on an annual basis. At 31 December 2018, the hedging of internal transactions in currencies for the next following year is close to 100%.

We considered this to be a key audit matter due to:

- ◆ the impacts of exchange rate fluctuations on the Group's operating margin, which is the benchmark the Group uses in its financial communication;
- ◆ of the first-time application of IFRS 9 *Financial instruments*.

#### **How our audit addressed this risk**

As part of our work, assisted by our financial instrument experts, we:

- ◆ checked the existence, completeness and accuracy of the Group's financial instrument portfolio by making confirmation requests to banks;
- ◆ recalculated the fair value of a representative sample of instruments in order to assess the accuracy of their value;
- ◆ verified the relationship between the hedges and commercial transactions for a selection of hedging operations, obtained and carried out a critical review of the documentation of associated effectiveness tests in order to assess their eligibility for hedge accounting within the meaning of IFRS 9;
- ◆ verified that the provisions of the new standard IFRS 9 were properly applied, including the impact of the first-time application of this standard on the net worth at the beginning of the period;

### **Income tax – Notes 1.1.2, 1.19 and 9 to the consolidated financial statements**

#### **Description of risk**

The Hermès International Group's entities operate in many countries where tax legislation is different, may change and is sometimes complex. This situation, which generates large cross-border flows, can create risks and uncertain tax positions.

As at 1 January 2018, Hermès International brought forward the application of IFRIC 23 *Uncertainty over Income Tax Treatments*, which resulted in tax payables being presented under tax liabilities and no longer provisions.

At each closing period, the management of Hermès International estimates the liabilities to be recognised in the light of ongoing reassessments and its defence arguments supported by its tax advisors.

We considered this to be a key audit matter given the high degree of judgement required by the management to assess risks and the amounts of tax payables to be recognised in sometimes complex situations, in accordance with the provisions of IFRIC 23 *Uncertainty over Income Tax Treatments*.

#### How our audit addressed this risk

Our work involved:

- ◆ discussions with Hermès International's Group management and tax department in order to understand all the existing disputes and uncertain tax positions identified;
- ◆ considering the management of the Company's analysis of the risks, the corresponding documentation and any written opinions from external advisers;
- ◆ collecting the relevant evidence to assess, with the help of our tax experts, the validity of management's judgements to evaluate the probability of the main risks occurring and assessing the reasonableness of assumptions used to determine the amount of the liabilities;
- ◆ validating the proper application of IFRIC 23.

#### 4. SPECIFIC VERIFICATIONS

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by legislation and regulations of information pertaining to the Group presented in the Executive Management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated statement of non-financial performance provided for in Article L. 225-102-1 of the French Commercial Code (*Code de commerce*) is included in the management report. However, in accordance with Article L. 823-10 of the French Commercial Code (*Code de commerce*), we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in that statement, which will be the subject of a report by an independent third party.

#### 5. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

##### Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Hermès International by your General Meeting held on 30 May 2011, for PricewaterhouseCoopers Audit, and on 31 May 1999, for Cabinet Didier Kling & Associés.

As at 31 December 2018, PricewaterhouseCoopers and Cabinet Didier Kling & Associés were in the 8th year and 20th year of total uninterrupted engagement respectively.

5

#### 6. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for preparing consolidated financial statements presenting a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit and Risk Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Executive Management.

## 7. STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

### **Objectives and audit approach**

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgement throughout the audit.

And furthermore:

- ◆ identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ◆ obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- ◆ evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- ◆ assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- ◆ evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ◆ obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditor is responsible for directing, supervising and performing the audit of the consolidated financial statements as well as the opinion expressed thereon.

### **Report to the Audit and Risk Committee**

We submit a report to the Audit and Risk Committee which includes in particular a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Risk Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Risk Committee with the declaration provided for in Article 6 of Regulation (EU) N°537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine, 9 April 2019

The Statutory Auditors

*PricewaterhouseCoopers Audit*

Olivier Auberty

*Cabinet Didier Kling & Associés*  
*Member of Grant Thornton*

Vincent Frambourt

Guillaume Giné



# 6

## PARENT COMPANY FINANCIAL STATEMENTS

6.1	STATEMENT OF PROFIT OR LOSS FOR 2018	296
6.2	STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018	297
6.3	CHANGES IN EQUITY IN 2018	298
6.4	STATEMENT OF CASH FLOWS FOR 2018	299
6.5	NOTES TO THE FINANCIAL STATEMENTS	300
6.6	LIST OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES AS AT 31 DECEMBER 2018	314
6.7	TABLE OF RESULTS OVER THE LAST FIVE FINANCIAL YEARS	315
6.8	TABLE OF SUBSIDIARIES AND ASSOCIATES	316
6.9	INFORMATION ON DUE DATES	320
6.10	STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS	321

## 6.1 STATEMENT OF PROFIT OR LOSS FOR 2018

<i>In millions of euros</i>	Notes	2018	2017
<b>Income from subsidiaries and associates</b>	2	<b>312.1</b>	<b>284.7</b>
Revenue		247.6	216.6
Other products		0.8	0.7
Dotation		63.8	67.4
<b>Operating expenses</b>		<b>300.1</b>	<b>286.8</b>
Other purchases and external expenses		127.6	116.7
Tax and duties		11.2	10.2
Compensation and external expenses	3	84.8	78.5
Amortisation, depreciation, provisions and impairment	4	74.7	79.6
Other expenses		1.9	1.7
<b>OPERATING INCOME</b>		<b>12.0</b>	<b>(2.0)</b>
Income from subsidiaries and associates		1,319.3	896.0
Additions/Net reversals of provisions		(90.6)	(72.0)
Other elements	5	(12.7)	(5.0)
<b>FINANCIAL INCOME</b>		<b>1,215.9</b>	<b>819.0</b>
<b>CURRENT INCOME</b>		<b>1,228.0</b>	<b>816.9</b>
<b>EXTRAORDINARY INCOME</b>	6	<b>8.1</b>	<b>(58.6)</b>
<b>NET INCOME BEFORE TAX AND EMPLOYEE PROFIT-SHARING</b>		<b>1,236.1</b>	<b>758.4</b>
Employee profit-sharing		(4.6)	(4.5)
Income tax	7	7.0	24.4
<b>INCOME TAX</b>		<b>1,238.5</b>	<b>778.3</b>

N.B: the values shown in the tables are generally expressed in millions of euros. In certain cases, the effects of rounding up/down can lead to a slight discrepancy in the totals.

## 6.2 STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

### Assets

<i>In millions of euros</i>	Notes	31/12/2018	31/12/2017
<b>Fixed assets</b>		<b>892.2</b>	<b>805.3</b>
Intangible assets	8	19.2	12.0
Property, plant and equipment	8	19.3	17.2
Financial assets	9	853.8	776.1
<b>Current assets</b>		<b>3,564.4</b>	<b>3,210.3</b>
Operating receivables	10	185.2	235.1
Miscellaneous receivables	10	508.6	391.6
Marketable securities	11	2,358.1	2,067.4
Derivatives		43.1	36.2
Cash at bank and in hand		469.5	479.9
<b>Prepayments and accruals</b>	10	<b>6.9</b>	<b>6.3</b>
<b>TOTAL ASSETS</b>		<b>4,463.4</b>	<b>4,021.9</b>

### Liabilities

<i>In millions of euros</i>		3,520.8	3,236.2
<b>Equity</b>		<b>3,520.8</b>	<b>3,236.2</b>
Share capital	12	53.8	53.8
Share, merger or contribution premiums		49.6	49.6
Other reserves		1,002.0	801.8
Legal reserve		5.7	5.7
Retained earnings		1,170.8	1,546.7
Net income for the financial year		1,238.5	778.3
Regulated provisions		0.4	0.3
<b>Provisions for risks and expenses</b>	14	<b>303.5</b>	<b>256.4</b>
<b>Liabilities</b>		<b>637.1</b>	<b>529.3</b>
Financial debts	15	23.2	24.5
Derivatives		7.8	7.8
Operating liabilities	15	79.0	61.5
Miscellaneous liabilities	15	527.2	435.5
<b>Prepayments and accruals</b>		<b>2.0</b>	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,463.4</b>	<b>4,021.9</b>

N.B: the values shown in the tables are generally expressed in millions of euros. In certain cases, the effects of rounding up/down can lead to a slight discrepancy in the level of the totals

## 6.3 CHANGES IN EQUITY IN 2018

<i>In millions of euros</i>	<b>Share capital</b>	<b>Share, merger or contribution premiums</b>	<b>Legal reserve, other reserves, and retained earnings</b>	<b>Net income for the financial year</b>	<b>Regulated provisions</b>	<b>Equity</b>	<b>Number of shares outstanding</b>
Notes	12						12
<b>Balance as at 31 December 2016 before allocation of net income</b>	<b>53.8</b>	<b>49.6</b>	<b>1,662.2</b>	<b>1,091.2</b>	<b>0.4</b>	<b>2,857.3</b>	<b>105,569,412</b>
Allocation of net income 2016	-	-	1,091.2	(1,091.2)	-	-	-
Dividends paid in respect of the financial year	-	-	(399.3)	-	-	(399.3)	-
Net income for the financial year 2017	-	-	-	778.3	-	778.3	-
Other changes	-	-	-	-	-	-	-
<b>Balance as at 31 December 2017 before allocation of net income</b>	<b>53.8</b>	<b>49.6</b>	<b>2,354.1</b>	<b>778.3</b>	<b>0.4</b>	<b>3,236.2</b>	<b>105,569,412</b>
Allocation of net income 2017	-	-	778.3	(778.3)	-	-	-
Dividends paid in respect of the financial year	-	-	(954.0)	-	-	(954.0)	-
Net income for financial year 2018	-	-	-	1,238.5	-	1,238.5	-
<b>Balance as at 31 December 2018 before allocation of net income</b>	<b>53.8</b>	<b>49.6</b>	<b>2,178.5</b>	<b>1,238.5</b>	<b>0.4</b>	<b>3,520.8</b>	<b>105,569,412</b>

N.B: the values shown in the tables are generally expressed in millions of euros. In certain cases, the effects of rounding up/down can lead to a slight discrepancy in the level of the totals

## 6.4 STATEMENT OF CASH FLOWS FOR 2018

<i>In millions of euros</i>	Notes	2018	2017
Net income/(loss)		1,238.5	778.3
Depreciation and amortisation		7.7	0.5
Change in provisions and impairment		103.9	124.2
Capital gains/(losses) on disposals		48.5	59.5
<b>Operating cash flows</b>		<b>1,398.5</b>	<b>962.5</b>
Change in intra-group current accounts		87.8	238.2
Change in other receivables		43.1	(92.5)
Change in trade and other payables		6.6	23.9
<b>Change in working capital requirements</b>		<b>137.5</b>	<b>169.6</b>
<b>NET FLOWS COMING FROM OPERATIONS</b>		<b>1,536.1</b>	<b>1,132.1</b>
Acquisitions of intangible assets	8	(12.2)	(8.6)
Acquisitions of property, plant and equipment	8	(5.3)	(2.3)
Acquisitions of investment securities	9	(156.0)	(70.5)
Acquisitions of other financial assets	9	(80.1)	(71.2)
Disposals		0.8	2.7
Change in receivables and payables related to fixed assets		(0.0)	(0.1)
<b>NET FLOWS ASSIGNED TO INVESTMENT</b>		<b>(252.8)</b>	<b>(150.)</b>
Dividends paid		(954.0)	(399.3)
Treasury share buybacks net of disposals		(59.3)	(188.5)
<b>NET CASH FLOWS FROM FINANCING</b>		<b>(1,013.3)</b>	<b>(587.8)</b>
<b>CHANGE IN NET CASH POSITION</b>		<b>269.9</b>	<b>394.3</b>
Net cash at the beginning of the period	16	2,118.7	1,724.4
Net cash at the end of the period	16	2,388.6	2,118.7
<b>CHANGE IN NET CASH POSITION</b>		<b>269.9</b>	<b>394.3</b>

N.B: the values shown in the tables are generally expressed in millions. In certain cases, the effects of rounding up/down can lead to a slight discrepancy in the totals.

## 6.5 NOTES TO THE FINANCIAL STATEMENTS

The 12-month financial year covers the period from 1 January through 31 December 2018. The following notes are an integral part of the annual financial statements.

### DETAILED CONTENTS

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NOTE 1	ACCOUNTING RULES AND METHODS	301
NOTE 2	OPERATING INCOME	302
NOTE 3	COMPENSATION AND OTHER PERSONNEL COSTS	302
NOTE 4	AMORTISATION, DEPRECIATION AND PROVISIONS	303
NOTE 5	OTHER ELEMENTS OF FINANCIAL INCOME	303
NOTE 6	EXTRAORDINARY INCOME	303
NOTE 7	INCOME TAX	304
NOTE 8	INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	304
NOTE 9	FINANCIAL ASSETS	305
NOTE 10	ANALYSIS OF ASSETS BY MATURITY	305
NOTE 11	MARKETABLE SECURITIES	306
NOTE 12	EQUITY	306
NOTE 13	FREE SHARES PLANS	306
NOTE 14	PROVISIONS AND IMPAIRMENT	306
NOTE 15	ANALYSIS OF LIABILITIES BY MATURITY	307
NOTE 16	NET CASH POSITION	307
NOTE 17	RELATED-PARTY TRANSACTIONS	308
NOTE 18	EXPOSURE TO MARKET RISKS	309
NOTE 19	FINANCIAL COMMITMENTS	312
NOTE 20	AVERAGE WORKFORCE	312
NOTE 21	POST-EMPLOYMENT BENEFIT OBLIGATIONS	313
NOTE 22	COMPENSATION OF CORPORATE OFFICERS	313
NOTE 23	SUBSEQUENT EVENTS	313

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## NOTE 1 ACCOUNTING RULES AND METHODS

The parent company annual financial statements are drawn up in accordance with the provisions of French laws and regulations (Plan Comptable Général) and with generally accepted accounting principles in France.

### 1.1 Intangible assets

Intangible assets include software and the cost of websites, which are amortised on a straight-line basis over one to six years.

### 1.2 Property, plant and equipment

Property, plant and equipment are valued at their acquisition cost.

Depreciation is calculated using the straight-line or declining-balance method, on the basis of the following expected useful lives:

- ◆ buildings: straight-line over 20 to 40 years;
- ◆ building fixtures and fittings: straight-line method over 10 to 40 years;
- ◆ office furniture and equipment: straight-line or declining-balance method over 4 to 10 years;
- ◆ computer equipment: declining-balance method over 3 years;
- ◆ vehicles: straight-line method over 4 years.

### 1.3 Financial assets

Investments in subsidiaries and associates are shown in the statement of financial position at acquisition cost, excluding incidental expenses. Where the balance sheet value at closing is lower than the carrying amount, a provision for impairment is recorded for the difference.

The balance sheet value is determined based on criteria such as the value of the share of net assets or the earnings prospects of the relevant subsidiary.

### 1.4 Trade receivables

Receivables are recorded at nominal value. A provision for impairment is recognised where there is a risk of non-recovery.

### 1.5 Marketable securities

The gross value of marketable securities is their acquisition cost less incidental expenses. Marketable securities are valued at the lower of acquisition cost or market value, calculated separately for each category of securities.

In the event that part of a line of securities is sold, proceeds on disposals are calculated using the First-In, First-Out method (FIFO).

Treasury shares that are specifically allocated to covering employee share plans or stock options are recorded under marketable securities.

A provision is accrued in an amount representing the difference between the purchase price of the shares and the option exercise price, if the purchase price is more than the exercise price.

In the event of a decrease in the stock market price, a provision for impairment is recognised for treasury shares that are not specifically allocated. It is calculated as the difference between the net carrying amount of the shares and the average stock market price for the month immediately preceding the closing date, weighted by the exchanged volumes.

### 1.6 Treasury management and foreign exchange

Income and expense items expressed in foreign currencies are converted into euros at the hedged exchange rate. Payables, receivables, and cash expressed in currencies outside of the euro zone are shown on the statement of financial position at the hedged exchange rate or at the closing rate if they are not hedged. In this case, differences arising from the reconversion of payables and receivables at the closing exchange rate are recorded in the statement of financial position. A provision for contingencies is established for unrealised foreign exchange losses. Premiums on foreign currency options are recorded through profit or loss on the maturity date.

In addition, financial instruments are used in connection with the management of the Company's treasury investments. Gains and losses on interest rate differentials and any corresponding premiums are recognised on an accrual basis.

### 1.7 Income tax

Since 1 January 1988, the Company has opted for a group tax consolidation under French tax law. Under the terms of an agreement between the parent company and the subsidiaries included in the tax consolidation group, the French subsidiaries included in the tax consolidation scope recognise, in their financial statements, a tax expense on the basis of their own tax results. Hermès International, the head of the tax consolidation group, recognises the difference between the sum of the taxes of subsidiaries and the tax due on the overall income as a tax credit due to tax consolidation. The tax consolidation scope includes 55 companies.

## 1.8 Post-employment and other employee benefit obligations

For basic pension and other defined-contribution plans, Hermès International recognises contributions to be paid as expenses when they come due and no provision is accrued in this respect, as the Company has no obligation other than the contributions paid.

For defined-benefit plans, Hermès International's obligations are calculated annually by an independent actuary using the projected credit unit method. This method is based on actuarial assumptions and takes into account the employee's probable future length of service, future salary and life expectancy as well as staff turnover. The present value of the obligation is calculated by applying an appropriate discount rate. It is recognised on a basis pro-rated to the employee's years of service.

Benefits are partly funded in advance by external funds (insurance companies). Assets held in this way are measured at fair value.

The expense recognised in the statement of profit or loss is the sum of:

- ◆ the service cost, which reflects the increase in obligations arising from the vesting of one additional year of benefits; and
- ◆ the interest cost, which reflects the increase in the present value of the obligations during the period.

Accrued actuarial gains and losses are amortised when they exceed 10% of the obligation amount, gross of dedicated investments, or of the market value of these investments at year-end ("corridor" method). Amortisation of these gains and losses starts from the year following the year in which they were initially recognised and continuing over the average residual duration of employment of the employee.

## NOTE 2 OPERATING INCOME

<i>In millions of euros</i>	2018	2017
Revenue	247.6	216.6
Other products	0.8	0.7
Reversals of provisions and expenses reclassified	63.8	67.4
<b>Operating income</b>	<b>312.1</b>	<b>284.7</b>

The Company's revenue consists of services and royalties from brands.

Royalties are calculated based on the production subsidiaries' revenue. Services are primarily amounts charged back to subsidiaries for advertising and public relations services, rent, staff provided on secondment, insurance and professional fees.

Provision reversals and expense transfers amounting to €63.8 million comprised reversals of provisions for €7.8 million and transfers of expenses for €56.0 million, mainly linked to free shares plans granted to employees of subsidiaries.

In 2017, the €67.4 million in provision reversals and expense transfers included an expense transfer for €65.1 million linked to the cost of free share plans.

## NOTE 3 COMPENSATION AND OTHER PERSONNEL COSTS

<i>In millions of euros</i>	2018	2017
Compensation	53.5	49.4
Social security expenses	21.6	19.8
Cost of shares issued to employees of Hermès International (2012 plan)	1.5	1.0
2012 free share plans	0.1	0.2
2016 free share plans	8.1	8.1
<b>COMPENSATION AND OTHER PERSONNEL COSTS</b>	<b>84.8</b>	<b>78.5</b>

Expenses recognised in respect of free share plans only concern employees of the Company. The costs relating to other beneficiaries are presented in extraordinary income.

## NOTE 4 AMORTISATION, DEPRECIATION AND PROVISIONS

Amortisation, depreciation, and operating provisions break down as follows:

<i>In millions of euros</i>	<b>2018</b>	<b>2017</b>
Depreciation of assets	8.0	6.6
Depreciation of current assets	(0.4)	(0.6)
Provisions for risks and expenses	67.0	73.6
<b>AMORTISATION, DEPRECIATION AND PROVISIONS</b>	<b>74.7</b>	<b>79.6</b>

Provisions for risks and expenses include the cost of free share plans and pensions.

## NOTE 5 OTHER ELEMENTS OF FINANCIAL INCOME

Foreign exchange differences and other items include the following:

<i>In millions of euros</i>	<b>2018</b>	<b>2017</b>
Interest and similar income	2.1	0.6
Foreign exchange gains and losses	(8.5)	(3.7)
Interest and similar expenses	(6.0)	(1.6)
Net income from disposals of marketable securities	(0.3)	(0.2)
<b>OTHER ELEMENTS OF NET FINANCIAL INCOME</b>	<b>(12.7)</b>	<b>(5.0)</b>

## NOTE 6 EXTRAORDINARY INCOME

<i>In millions of euros</i>	<b>2018</b>	<b>2017</b>
<b>Extraordinary income</b>	<b>104.9</b>	<b>63.2</b>
Free share plan	54.9	32.2
Reversals of provisions for accelerated depreciation	0.1	0.2
Other extraordinary income		
Disposals of property, plant and equipment and non-current financial assets	49.9	30.7
<b>Extraordinary expenses</b>	<b>(96.8)</b>	<b>(121.7)</b>
Free share plan	(46.9)	(56.8)
Provisions for accelerated depreciation	(0.2)	(0.2)
Other extraordinary expenses		
Net value of fixed assets sold	(49.7)	(62.7)
<b>EXTRAORDINARY INCOME</b>	<b>8.1</b>	<b>(58.6)</b>

Extraordinary income primarily includes the re-invoicing to subsidiaries of free share plans granted in 2012 and that matured in 2018.

Extraordinary expenses include costs relating to the free share plans for beneficiaries other than Company employees in the amount of €46.9 million in respect of plans granted in 2012 and 2016.

## NOTE 7 INCOME TAX

### 7.1 Breakdown of income tax

In millions of euros	2018	2017
<b>Net income before tax</b>	<b>1,231.5</b>	<b>753.9</b>
Net income before tax and employee profit-sharing	1,236.1	758.4
Employee profit-sharing	(4.6)	(4.5)
<b>Income tax</b>	<b>7.0</b>	<b>24.4</b>
Tax (parent company only)	(15.0)	(18.0)
♦ o/w tax on extraordinary income	(0.2)	2.3
♦ o/w tax on other items	(14.8)	(20.3)
Tax arising from tax consolidation	21.6	24.0
Exceptional income tax contribution	-	(34.0)
Reimbursement of tax on dividends	0.4	52.4
<b>NET INCOME</b>	<b>1,238.5</b>	<b>778.3</b>

Hermès International recognised a tax credit of €7.0 million in 2018, compared with €24.4 million in 2017. In addition, Hermès International is liable for payment of the tax of the fiscally consolidated group, which amounted to €263.5 million in 2018 compared with €247.1 million in 2017.

In 2017, the tax credit factored in the exceptional income tax contribution for large companies (€34 million) and projected repayments following the elimination of the contribution for income distributed (€52.4 million). Hermès International's income tax expense only includes applicable exemptions under the terms of the parent-subsidiary regime for income from investments in subsidiaries. The income tax credit takes into

account the effect of the Group tax consolidation arising from tax losses for certain subsidiaries and from the capital gains on disposals of property, plant and equipment and non-current financial assets, where relevant.

### 7.2 Increases or decreases in future tax liability

As at 31 December 2018, the future tax receivable was equal to €17.0 million, versus €15.2 million as at 31 December 2017. This mainly consists of temporarily non-deductible expenses, in particular retirement provisions.

## NOTE 8 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

In millions of euros	Gross value as at 31/12/2017	Increases	Decreases	Other	Gross value as at 31/12/2018	Amortisation	Net value as at 31/12/2018
<b>Intangible assets</b>	<b>35.3</b>	<b>12.2</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>47.2</b>	<b>(28.0)</b>	<b>19.2</b>
Concessions, patents and brands	-	-	-	-	-	-	-
Other	35.3	12.2	(0.1)	(0.2)	47.2	(28.0)	19.2
<b>Property, plant and equipment</b>	<b>45.3</b>	<b>5.3</b>	<b>(1.9)</b>	<b>0.2</b>	<b>48.9</b>	<b>(29.6)</b>	<b>19.3</b>
Land	0.2				0.2		0.2
Buildings	0.4				0.4	(0.4)	-
Other assets	44.8	5.3	(1.9)	0.2	48.4	(29.3)	19.1
<b>INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT</b>	<b>80.6</b>	<b>17.5</b>	<b>(2.1)</b>	<b>0.0</b>	<b>96.1</b>	<b>(57.6)</b>	<b>38.5</b>

**NOTE 9 FINANCIAL ASSETS**

In millions of euros	Gross value as at 31/12/2017	Acquisitions/ Subscriptions	Disposals/ Reductions	Gross value as at 31/12/2018	Impairments	Net value as at 31/12/2018
<b>Note</b>					14	
<b>Investments<sup>1</sup></b>	<b>1,125.9</b>	<b>156.0</b>	<b>(1.0)</b>	<b>1,280.9</b>	<b>(621.0)</b>	<b>659.9</b>
<b>Other financial assets</b>	<b>119.9</b>	<b>80.5</b>	<b>(1.1)</b>	<b>199.2</b>	<b>(8.0)</b>	<b>191.2</b>
Financial investments <sup>2</sup>	88.8	80.0	(0.3)	168.4	(8.0)	160.4
Treasury shares (including liquidity contract) <sup>3</sup>	26.2	0.3	-	26.6	-	26.6
Deposits and guarantees	4.9	0.1	(0.8)	4.2	-	4.2
<b>Other long-term investments</b>	<b>2.7</b>	<b>0.0</b>	<b>(0.0)</b>	<b>2.7</b>	<b>(0.1)</b>	<b>2.6</b>
<b>FINANCIAL ASSETS</b>	<b>1,248.4</b>	<b>236.5</b>	<b>(2.1)</b>	<b>1,482.9</b>	<b>(629.1)</b>	<b>853.8</b>

Details of the portfolio of investment securities are presented in Note 6.6.

The main changes in the year are shown in the notes below:

- 1) the increase concerns the capital increases of the Group's subsidiaries (mainly Hermès Cuir Précieux, Maroquinerie de Franche-Comté and John Lobb). The decrease concerns the dissolution of Boissy Nontron (-€1.0 million);
- 2) subscription to two financial investments for €80 million with a maturity of five years;
- 3) as at 31 December 2018, Hermès International held 87,539 treasury shares (liquidity contract and unallocated shares intended for external growth operations). These shares were valued on the basis of their stock market price when they were purchased, i.e. €303.43 per share.

**NOTE 10 ANALYSIS OF ASSETS BY MATURITY**

In millions of euros	Note	31/12/2018			31/12/2017		
		< 1 year	> 1 year and < 5 years	Gross amount	Impairment	Net amount	Net amount
<b>Other financial assets</b>	9	-	<b>199.2</b>	<b>199.2</b>	<b>(8.0)</b>	<b>191.2</b>	<b>111.9</b>
<b>Current assets<sup>1</sup></b>		<b>668.3</b>	<b>72.2</b>	<b>740.5</b>	<b>(46.8)</b>	<b>693.7</b>	<b>626.8</b>
Trade and other receivables		81.6	0.7	82.4	-	82.4	83.9
Other operating receivables		31.3	71.5	102.8	-	102.8	151.2
Miscellaneous receivables <sup>2</sup>		555.4	-	555.4	(46.8)	508.6	391.6
<b>Prepayments and accruals</b>		<b>6.9</b>	-	<b>6.9</b>	-	<b>6.9</b>	<b>6.3</b>
Communication fees		1.9	-	1.9	-	1.9	1.7
Leases		3.0	-	3.0	-	3.0	2.7
Other		1.9	-	1.9	-	1.9	2.0
<b>TOTAL</b>		<b>675.1</b>	<b>271.5</b>	<b>946.6</b>	<b>(54.8)</b>	<b>891.8</b>	<b>744.9</b>

(1) Current assets include a net amount of €688.8 million in receivables due from related companies.

(2) Miscellaneous receivables consist of financial current accounts of subsidiaries.

## NOTE 11 MARKETABLE SECURITIES

<i>In millions of euros</i>	<b>Gross value as at 31/12/2018</b>	<b>Impairments</b>	<b>Net value as at 31/12/2018</b>	<b>Net value as at 31/12/2017</b>
Open-ended investment companies (SICAVs) and mutual funds	240.5	-	240.5	203.1
Negotiable debt securities	1,678.9	-	1,678.9	1,437.0
Treasury shares <sup>1</sup>	438.7	-	438.7	427.4
<b>MARKETABLE SECURITIES</b>	<b>2,358.1</b>	<b>-</b>	<b>2,358.1</b>	<b>2,067.4</b>

(1) Treasury shares correspond to 1,229,840 Hermès International shares held under free share allocation plans for employees (compared with 1,328,163 shares at 31 December 2017). These shares are valued at their acquisition price. The average price of treasury shares at 31 December 2018 was €356.7. In the course of 2018, Hermès International acquired 103,237 shares for an amount of €59.3 million and granted 201,560 free shares to employees for an amount of €48.1 million.

## NOTE 12 EQUITY

As at 31 December 2018, Hermès International's share capital amounted to €53,840,400.12, made up of 105,569,412 shares with a par value of €0.51 each, or the same as at 31 December 2017.

## NOTE 13 FREE SHARES PLANS

The information relating to the free share plans is provided on page 200 (Table 9.1).

In 2018, operating income included a net expense of €12.5 million (compared with €11.3 million in 2017).

After taking income and expenses relating to the French and foreign subsidiaries into account, the net impact of the free share plans on net income before tax is an expense of €3.9 million in 2018, compared with an expense of €35.9 million in 2017.

## NOTE 14 PROVISIONS AND IMPAIRMENT

<i>(In millions of euros)</i>	<b>Note</b>	<b>31/12/2017</b>	<b>Reversals</b>			
			<b>Depreciations</b>	<b>Provisions used</b>	<b>Provisions not used</b>	<b>31/12/2018</b>
<b>Provisions for impairment</b>		<b>620.4</b>	<b>167.6</b>	<b>(112.1)</b>	-	<b>675.9</b>
Financial assets	9	472.3	159.8	(3.0)		629.1
Trade and other receivables		148.1	7.8	(109.1)		46.8
<b>Provisions for risks and expenses</b>		<b>256.4</b>	<b>105.0</b>	<b>(51.3)</b>	<b>(6.6)</b>	<b>303.5</b>
Free share plans		143.9	55.1	(47.2)	(1.5)	150.3
Net negative position of subsidiaries		79.0	37.6	(2.2)		114.5
Other provisions for risks and expenses <sup>1</sup>		33.5	12.2	(1.9)	(5.1)	38.8
<b>TOTAL</b>		<b>876.8</b>	<b>272.5</b>	<b>(163.4)</b>	<b>(6.6)</b>	<b>979.4</b>

(1) Other provisions for risks and expenses mainly includes retirement benefits and expenses associated with the supplementary pension plans for Senior Executives and managers.

**NOTE 15 ANALYSIS OF LIABILITIES BY MATURITY**

In millions of euros	31/12/2018		31/12/2017	
	< 1 year	> 1 year and < 5 years	Net amount	Net amount
<b>Financial debts</b>	<b>4.5</b>	<b>18.7</b>	<b>23.2</b>	<b>24.5</b>
Bank borrowings <sup>1</sup>	0.3	-	0.3	1.2
Miscellaneous borrowings and financial liabilities <sup>2</sup>	4.3	18.7	22.9	23.2
<b>Operating liabilities</b>	<b>70.3</b>	<b>8.7</b>	<b>79.0</b>	<b>61.5</b>
Trade and other payables <sup>3</sup>	25.1	-	25.1	22.1
Tax and social-security liabilities <sup>4</sup>	45.2	8.7	53.9	39.4
<b>Miscellaneous liabilities</b>	<b>518.4</b>	<b>8.8</b>	<b>527.2</b>	<b>435.5</b>
Amounts payable to fixed asset suppliers	2.3	-	2.3	2.2
Other <sup>5</sup>	516.1	8.8	524.9	433.4
<b>TOTAL</b>	<b>593.2</b>	<b>36.1</b>	<b>629.4</b>	<b>521.5</b>

- (1) Bank overdrafts.  
(2) Funds held in trust for employees under the statutory employee profit-sharing plan.  
(3) Including €11 million in invoices not yet received and €3.0 million with related companies.  
(4) Including €23 million in tax and employee-related provisions payable.  
(5) Mainly financial current accounts of the subsidiaries amounting to €506.0 million.

**NOTE 16 NET CASH POSITION**

	2018	2017
Marketable securities	1,919.4	1,640.0
Cash at bank and in hand	469.5	479.9
Bank overdrafts	(0.3)	(1.2)
<b>NET CASH POSITION</b>	<b>2,388.6</b>	<b>2,118.7</b>

Treasury shares are excluded from the marketable securities presented in net cash.

## NOTE 17 RELATED-PARTY TRANSACTIONS

Transactions with companies accounted for by the equity method were not material by comparison with the overall business activities of Hermès International in 2018.

The companies mentioned below are considered related parties insofar as certain members of management of the Company or certain members of the Supervisory Board or certain members of the Executive Management Board of Émile Hermès SARL have personal interests therein and exercise significant influence. Relationships with related parties are summarised as follows:

◆ Émile Hermès SARL, Active Partner: a société à responsabilité limitée à capital variable (private limited company with variable capital) whose partners are the direct descendants of Mr Émile-Maurice Hermès and his wife. The Executive Chairman of the Company is Mr Henri-Louis Bauer and the Company has an Executive Management Board. Each year, Hermès International pays 0.67% of the net income of the financial year to the Active Partner.

In addition, Hermès International charges Émile Hermès SARL for certain expenses incurred. Hermès International charged back €0.4 million in this respect in 2018 (including €0.2 million in respect of services provided, as in 2017);

- ◆ trademark license agreements: Hermès International receives brand royalties from Hermès Sellier (€122.6 million) and Comptoir Nouveau de la Parfumerie (€14.6 million); La Montre Hermès (€4.0 million) and Faubourg Italia (€0.2 million);
- ◆ SIFAH: the company SIFAH invoiced leases for the premises located at 26/28/30/32, rue du Faubourg Saint-Honoré for €5.0 million;
- ◆ the company Studio des Fleurs: Studio des Fleurs offers photography and retouching services for packshots of e-commerce products. The amounts paid in 2018 came to €2.5 million;
- ◆ the company MOCE: MOCE ("EatMe" brand) provides fast food services on the Hermès International site located at 12 rue d'Anjou. The amounts paid in 2018 came to €0.1 million.
- ◆ RDAI: the architectural firm RDAI is involved in the design and interior layout work of the head office, as well as the assignment consisting of design work to apply the architectural concept to all Hermès stores. The amounts paid in 2018 came to €0.1 million.

## NOTE 18 EXPOSURE TO MARKET RISKS

Most of the Company's foreign exchange risk exposure comes from the sales of its production subsidiaries denominated in foreign currencies. These risks are generally fully hedged, based on highly probable future cash flows, using forward currency sales or options that are eligible for hedge accounting.

### 18.1 Net currency position

In millions of euros	Monetary assets/ (liabilities)	Future cash flows	Net position before hedging	Derivatives <sup>1</sup>	Net position after hedging	Hedging ratio	Sensitivity of 10%
<b>As at 31/12/2018</b>							
US dollar	(281.5)	15.2	(266.3)	262.9	(3.3)	99%	(0.4)
Yuan	7.0	66.3	73.3	(73.9)	(0.7)	101%	(0.1)
Yen	1.1	65.6	66.7	(69.6)	(2.9)	104%	(0.3)
Pound sterling	(17.0)	2.3	(14.7)	13.9	(0.8)	94%	(0.1)
Swiss franc	2.2	7.6	9.7	(12.2)	(2.4)	125%	(0.3)
Singapore dollar	2.5	6.6	9.2	(12.2)	(3.0)	133%	(0.3)
Czech crown	5.9	0.0	6.0	(6.0)	(0.0)	100%	(0.0)
Australian dollar	3.7	1.1	4.8	(4.7)	0.1	98%	0.0
Hong Kong dollar	0.7	3.7	4.4	(5.3)	(0.9)	120%	(0.1)
Brazilian real	3.4	-	3.4	(3.6)	(0.3)	108%	(0.0)
Canadian dollar	0.5	1.2	1.7	(1.8)	(0.1)	106%	(0.0)
Rouble	0.2	0.3	0.5	(0.9)	(0.4)	182%	(0.0)
Mexican peso	0.1	0.2	0.3	(0.4)	(0.1)	128%	(0.0)
Thai baht	0.1	0.2	0.3	-	0.3	-	0.0
Turkish lira	0.2	0.1	0.2	(0.1)	0.1	51%	0.0
Argentine peso	0.2	-	0.2	-	0.2	-	0.0
Czech crown	0.1	0.1	0.1	(0.1)	0.0	65%	0.0
Indian rupee	-	0.0	0.0	(0.0)	(0.0)	100%	(0.0)
Swedish krona	(0.0)	-	(0.0)	-	(0.0)	-	(0.0)
Emirati dirham	0.0	-	0.0	-	0.0	-	0.0
<b>Summary</b>	<b>(270.7)</b>	<b>170.5</b>	<b>(100.2)</b>	<b>86.0</b>	<b>(14.2)</b>	<b>86%</b>	<b>(1.6)</b>
<b>As at 31/12/2017</b>							
US dollar	(163.3)	15.8	(147.5)	141.6	(5.9)	96%	(0.7)
Pound sterling	(81.8)	3.8	(78.0)	76.9	(1.1)	99%	(0.1)
Yuan	4.9	7.9	12.8	(13.7)	(0.9)	107%	(0.1)
Yen	1.4	9.6	11.0	(13.4)	(2.4)	122%	(0.3)
Singapore dollar	1.3	8.9	10.2	(12.5)	(2.3)	122%	(0.3)
Swiss franc	1.6	8.5	10.1	(12.4)	(2.2)	122%	(0.2)
Hong Kong dollar	1.2	4.8	6.0	(6.2)	(0.3)	104%	(0.0)
Danish krone	4.1	0.0	4.1	(4.0)	0.1	99%	0.0
Brazilian real	2.6	-	2.6	(2.7)	(0.1)	105%	(0.0)
Canadian dollar	0.5	1.7	2.1	(2.1)	(0.0)	100%	(0.0)
Australian dollar	0.4	1.6	2.0	(1.9)	0.2	92%	0.0
Rouble	0.1	0.8	0.9	(0.8)	0.0	98%	0.0
Mexican peso	0.1	0.3	0.3	(0.4)	(0.1)	121%	(0.0)
Thai baht	0.1	0.2	0.3	(0.0)	0.3	0%	0.0
Czech crown	0.0	0.1	0.1	(0.1)	0.0	74%	0.0
Indian rupee	-	0.1	0.1	0.4	0.5	(729)%	0.1
Turkish lira	(0.0)	0.1	0.0	(0.1)	(0.1)	253%	(0.0)
Emirati dirham	(0.0)	-	(0.0)	-	(0.0)	-	(0.0)
<b>Summary</b>	<b>(226.8)</b>	<b>64.1</b>	<b>(162.8)</b>	<b>148.4</b>	<b>(14.4)</b>	<b>91%</b>	<b>(1.6)</b>

(1) Purchase/(Sale).

## 18.2 Analysis of currency agreements

Hedging operations are performed over-the-counter, exclusively with leading banks. The Company therefore does not incur any significant counterparty risk.

<i>In millions of euros</i>	<b>Nominal amounts of derivatives</b>	<b>Nominal amounts of derivatives used to hedge foreign exchange risk</b>	<b>Market value of the contracts as at 31/12/2018<sup>1</sup></b>
<b>Options purchased</b>			
Japanese yen put	28.9	28.9	0.4
Japanese yen collar	201.1	201.1	(0.5)
US dollar put	128.8	35.5	1.1
Calls US dollar	(62.6)		1.0
US dollar collar	123.2	123.2	1.7
Chinese yuan put	15.2	15.2	0.8
Chinese yuan collar	167.6	167.6	4.0
Singapore dollar put	20.0	20.0	0.3
Singapore dollar collar	140.3	140.3	1.0
Hong Kong dollar put	83.7	23.5	0.6
Calls Hong Kong dollar	(40.3)		0.6
Hong Kong dollar collar	82.0	82.0	0.9
	<b>887.9</b>	<b>837.3</b>	<b>12.0</b>
<b>Forward currency agreements<sup>2</sup></b>			
Yen	(164.5)	(164.5)	6.0
Singapore dollar	(153.6)	(153.6)	5.8
US dollar	(152.8)	(152.8)	4.6
Hong Kong dollar	(101.8)	(101.8)	3.3
Yuan	(116.5)	(116.5)	2.0
Swiss franc	7.4	7.6	(0.2)
Brazilian real	3.6	3.6	(0.2)
Pound sterling	2.3	2.3	0.0
Australian dollar	1.2	1.2	0.0
Canadian dollar	1.2	1.2	(0.0)
Rouble	0.3	0.3	0.0
Other	0.5	0.5	(0.1)
	<b>(672.8)</b>	<b>(672.6)</b>	<b>21.1</b>
<b>Currency swaps<sup>2</sup></b>			
US dollar	(268.8)	(273.2)	(1.5)
Pound sterling Yen	(16.2)	(21.2)	0.1
Yuan	7.6	7.6	0.0
Danish krone	5.9	5.9	0.0
Singapore dollar	5.5	(0.7)	0.0
Swiss franc	4.7	0.5	0.0
Yen	4.0	3.6	(0.1)
Australian dollar	3.6	2.7	0.1
Hong Kong dollar	1.6	0.9	0.0
Rouble	0.6	0.3	0.0
Canadian dollar	0.6	0.6	0.0
Other	0.2	2.1	(0.0)
	<b>(250.5)</b>	<b>(271.1)</b>	<b>(1.3)</b>

	Nominal amounts of derivatives	Nominal amounts of derivatives used to hedge foreign exchange risk	Market value of the contracts as at 31/12/2018 <sup>1</sup>
<i>In millions of euros</i>			
<b>Options sold</b>			
US dollar put	(93.3)		(0.3)
Calls US dollar	62.6		(1.0)
Hong Kong dollar put	(60.2)		(0.1)
Calls Hong Kong dollar	40.3		(0.6)
	<b>(50.7)</b>	-	<b>(2.0)</b>
<b>TOTAL</b>	<b>(86.0)</b>	<b>(106.5)</b>	<b>29.8</b>

(1) Gain/(Loss).  
(2) (Purchase)/Sale.

	Nominal amounts of derivatives	Nominal amounts of derivatives used to hedge foreign exchange risk	Market value of the contracts as at 31/12/2017 <sup>1</sup>
<b>Options purchased</b>			
US dollar put	34.0	34.0	3.3
US dollar collar	135.9	135.9	12.8
Japanese yen put	23.1	23.1	2.1
Japanese yen collar	115.6	115.6	10.2
Hong Kong dollar put	22.5	22.5	2.2
Hong Kong dollar collar	90.1	90.1	8.6
Singapore dollar put	16.2	16.2	0.9
Singapore dollar collar	113.1	113.1	5.4
Chinese yuan put	12.2	12.2	0.9
Chinese yuan collar	85.5	85.5	4.8
	<b>648.2</b>	<b>648.2</b>	<b>51.4</b>
<b>Forward currency agreements<sup>2</sup></b>			
US dollar	(154.6)	(154.6)	(11.1)
Yen	(129.1)	(129.1)	(11.1)
Hong Kong dollar	(107.8)	(107.8)	(8.6)
Singapore dollar	(120.3)	(120.3)	(3.8)
Yuan	(89.9)	(91.8)	(0.0)
Swiss franc	8.5	8.5	0.6
Pound sterling	3.7	3.7	0.0
Australian dollar	1.6	1.6	0.1
Brazilian real	2.7	2.7	0.1
Canadian dollar	1.7	1.7	0.0
Other	0.8	0.8	0.0
	<b>(582.7)</b>	<b>(584.7)</b>	<b>(33.7)</b>

	Nominal amounts of derivatives	Nominal amounts of derivatives used to hedge foreign exchange risk	Market value of the contracts as at 31/12/2017 <sup>1</sup>
<b>Currency swaps<sup>2</sup></b>			
US dollar	(156.8)	(164.8)	(1.3)
Yen	3.8	1.1	0.0
Hong Kong dollar	1.4	1.4	0.0
Singapore dollar	3.5	3.4	0.0
Yuan	5.8	3.5	0.0
Swiss franc	3.9	(0.2)	0.0
Pound sterling	(80.6)	(86.8)	0.3
Australian dollar	0.3	0.4	(0.0)
Danish krone	4.0	3.7	0.0
Canadian dollar	0.5	0.5	(0.0)
Other	0.3	(0.4)	0.0
	<b>(213.8)</b>	<b>(238.1)</b>	<b>(0.8)</b>
<b>TOTAL</b>	<b>(148.4)</b>	<b>(174.6)</b>	<b>16.8</b>

(1) Gain/(Loss).

(2) (Purchase)/Sale.

## NOTE 19 FINANCIAL COMMITMENTS

In millions of euros	31/12/2018	31/12/2017
Bank guarantees given <sup>1</sup>	0.7	0.6
Irrevocable commitments to purchase financial assets	25.0	23.5
Other commitments <sup>2</sup>	108.4	119.2
<b>TOTAL</b>	<b>134.1</b>	<b>143.3</b>

(1) The guarantees assumed on behalf of subsidiaries are re-invoiced to the beneficiary subsidiaries.

(2) The other commitments primarily relate to lease payments by Hermès International or by subsidiaries, for which Hermès International is the guarantor.

Moreover, two “umbrella” sureties have been granted to the HSBC and BNP Paribas banks for a maximum amount of €75 million and €100 million to give subsidiaries designated by Hermès International access to an aggregate group banking facility. The amounts drawn by the subsidiaries are re-invoiced on the basis of market conditions.

As at 31 December 2018, the amounts drawn on these credit facilities amounted to €4 million and €27 million, respectively.

Furthermore, the amount of the subsidiaries’ tax losses that Hermès International is liable for refunding to its subsidiaries under the Group tax consolidation agreement amounted to €181.7 million as at 31 December 2018, versus €149.1 million as at 31 December 2017.

## NOTE 20 AVERAGE WORKFORCE

The Company’s average number of employees is broken down as follows:

	31/12/2018	31/12/2017
Executives and managers	380	367
Non-management staff	34	32
<b>TOTAL</b>	<b>414</b>	<b>399</b>

## NOTE 21 POST-EMPLOYMENT BENEFIT OBLIGATIONS

As at 31 December 2018, the value of post-employment benefit obligations amounted to €80.3 million versus €90.1 million as at 31 December 2017. Amounts due in respect of statutory retirement benefits and supplemental pension plans have been paid over to an insurance company; the value of the funds is €4.6 million.

After applying the “corridor” method, actuarial gains and losses amounted to €51.9 million as at 31 December 2018 compared with €62.5 million as at 31 December 2017.

In accordance with the changes made to the rules of the plan in 2012, the provision recorded at end-December 2018 amounted to €26.5 mil-

lion and corresponds to the total value of the commitment (€80.3 million), less the fair value of pension assets (€4.6 million), and actuarial gains and losses (€51.9 million) plus past service costs (€2.7 million).

For FY 2018, the following actuarial assumptions were used:

◆ retirement age:	62 to 65 years
◆ increase in salaries:	3% to 4%
◆ discounting rate:	1.2% to 1.6%
◆ expected rate of return on plan assets:	2.8% to 3.0%

## NOTE 22 COMPENSATION OF CORPORATE OFFICERS

Gross aggregate compensation paid to Corporate Officers in respect of 2018 amounted to €4.9 million, including €0.6 million in directors' fees.

## NOTE 23 SUBSEQUENT EVENTS

None.

## 6.6 LIST OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES AS AT 31 DECEMBER 2018

### INVESTMENT SECURITIES AND OTHER LONG-TERM SECURITIES

<i>In millions of euros</i>	<b>Number of shares</b>	<b>Net values</b>
<b>Carrying amounts of more than €100,000</b>		
ARDIAN Holding	9,910,780	9,911
Compagnie Hermès de Participations	4,200,000	33,084
CHP2	100,000	1,010
CHP3	50,050,000	49,989
Comptoir Nouveau de la Parfumerie	753,501	27,146
ERM Warenhandels Gmbh	1	2,498
Faubourg Italia	60	1,791
Financière Saint-Honoré	3,000	1,694
Grafton Immobilier	5,174,500	82,792
Herlee	50,000,000	19,511
Hermès Asia-Pacific	315,000,000	43,483
Hermès Australia	6,500,000	4,409
Hermès Benelux Nordics	57,974	3,164
Hermès Canada	1,000	1,501
Hermès de Paris (Mexico)	6,218,525	1,440
Hermès GmbH	1	7,218
Hermès Grèce	566,666	1,700
Hermès Holding GB	7,359,655	10,535
Hermès Iberica	69,311	4,952
Hermès Immobilier Genève	70,000	44,457
Hermès India Retail and Distributors	4,813,074	822
Hermès Internacional Portugal	799,200	999
Hermès Istanbul	259,999	2,996
Hermès Italie	458,000	25,202
Hermès Japon	4,400	13,727
Hermès Middle East South Asia	2,100	103
Hermès Monte Carlo	13,198	201
Hermès of Paris	114,180	10,903
Hermès Prague	38,000	1,090
Hermès Rus AO	1	317
Hermès Sellier	310,279	4,788
Hermès Travel Retail Asia	1,000,000	2,201
Holding Textile Hermès	45,151,350	90,685
John Lobb	3,773,566	892
Les Manufactures de Franche Comté	500,000	4,754
Maroquinerie de Belley	1,566,064	224
Maroquinerie de Saint Antoine	1,679,503	232
Maroquinerie de Sayat	500,000	190
Maroquinerie des Ardennes	284,063	10,527
Maroquinerie Iséroise	4,617,000	117
Maroquinerie Thierry	1,899	161
SC Honossy	210,099	3,203
SCI Auger-Hoche	126,945,488	131,242
SCI Boissy Les Mûriers	8,699	1,326
SCI Capucines	39,999	995
SCI Immauger	1,375	2,096
<b>Carrying amounts of less than €100,000</b>		<b>273</b>
<b>TOTAL</b>		<b>662,551</b>

## 6.7 TABLE OF RESULTS OVER THE LAST FIVE FINANCIAL YEARS

	2018	2017	2016	2015	2014
<b>Share capital at the end of the year</b>					
Share capital <i>in millions of euros</i>	53.8	53.8	53.8	53.8	53.8
Number of shares outstanding	105,569,412	105,569,412	105,569,412	105,569,412	105,569,412
Comprehensive income from operations in millions of euros					
<b>Revenue excluding taxes</b>	247.6	216.6	177.6	207.2	161.9
Net income before tax, employee profit-sharing, amortisation, depreciation, provisions and impairment	1,337.6	842.5	1,165.2	961.9	605.8
Income tax (income)	(7.0)	(24.4)	5.8	28.3	(4.0)
Employee profit-sharing (expense)	4.6	4.5	3.9	3.9	4.4
Net income after tax, employee profit-sharing, amortisation, depreciation, provisions and impairment	1,238.5	778.3	1,091.2	842.8	587.7
Profits distributed as dividends (including on treasury shares)	488.6	965.9	403.2	359.3	843.2
<b>Earnings per share <i>in euros</i></b>					
Net income after tax and employee profit-sharing but before amortisation, depreciation, provisions and impairment	12.69	8.17	10.95	8.81	5.73
Net income after tax, employee profit-sharing, amortisation, depreciation, provisions and impairment	11.73	7.37	10.34	7.98	5.57
Net dividend paid per share	4.55 <sup>1</sup>	9.10 <sup>2</sup>	3.75	3.35	7.95 <sup>2</sup>
<b>Employees</b>					
Number of employees (average workforce)	414	399	384	369	347
Total payroll in millions of euros	53.5	49.4	47.0	45.6	37.5
Employee benefits paid in the year in millions of euros	31.3 <sup>3</sup>	29.1 <sup>3</sup>	105.0	55.3	71.8

(1) Subject to approval by the Ordinary General Meeting of 4 June 2019. A dividend of €4.55 will be proposed, of which an interim payment of €1.50 was paid on 22 February 2019.

(2) Including an extraordinary dividend of €5.00.

(3) Since 2017, the expenses included in this figure relating to free share allocation plans are limited to Company employees (see Note 3 to this chapter).

## 6.8 TABLE OF SUBSIDIARIES AND ASSOCIATES

	Registered office	Currency	Share capital
<b>A - Detailed information on investments in subsidiaries and associates with a net carrying value exceeding 1% of the share capital of Hermès International</b>			
<b>1. Subsidiaries (at least 50% owned by the Company)</b>			
Compagnie Hermès de Participations	Paris	EUR	42,000
CHP2	Paris	EUR	100
CHP3	Paris	EUR	50,050
Comptoir Nouveau de la Parfumerie	Paris	EUR	9,072
ERM Warenhandels GmbH	Vienne (Autriche)	EUR	35
Faubourg Italia	Milan (Italie)	EUR	100
Financière Saint-Honoré	Genève (Suisse)	CHF	3,000
Grafton Immobilier	Paris	EUR	82,792
Herlee	Causeway Bay (Hong Kong)	HKD	65,000
Hermes Asia-Pacific	Causeway Bay (Hong Kong)	HKD	315,000
Hermès Australia	Sydney (Australie)	AUD	6,500
Hermès Benelux Nordics	Bruxelles (Belgique)	EUR	2,665
Hermès Canada	Toronto (Canada)	CAD	2,000
Hermès de Paris (Mexico)	Mexico (Mexique)	MXN	52,427
Hermès GmbH	Munich (Allemagne)	EUR	7,200
Hermès Grèce	Athènes (Grèce)	EUR	1,700
Hermès Holding GB	Londres (Royaume-Uni)	GBP	3,265
Hermès Iberica	Madrid (Espagne)	EUR	4,228
Hermès Immobilier Genève	Genève (Suisse)	CHF	70,000
Hermès India	New Delhi (Inde)	INR	94,355
Hermès Internacional Portugal	Lisbonne (Portugal)	EUR	800
Hermès Istanbul	Istanbul (Turquie)	TRY	6,500
Hermès Italie	Milan (Italie)	EUR	7,786
Hermès Japon	Tokyo (Japon)	JPY	220,000
Hermès of Paris	New York (États-Unis)	USD	11,418
Hermès Prague	Prague (République Tchèque)	CZK	8,018
Hermès Sellier	Paris	EUR	4,976
Hermès Travel Retail Asia	Singapour (Singapour)	SGD	1,000
Holding Textile Hermès	Lyon	EUR	46,686
John Lobb	Paris	EUR	3,774
Manufactures de Franche Comté	Séloncourt	EUR	500
Maroquinerie des Ardennes	Paris	EUR	4,545
SC Honossy	Paris	EUR	3,151
SCI Auger-Hoche	Pantin	EUR	126,946
SCI Boissy Les Mûriers	Paris	EUR	1,322
SCI Capucines	Bons-en-Chablais	EUR	609
SCI Immauger	Paris	EUR	2,269

<b>Equity</b> <i>in thousands of local currency</i>	<b>Proportionate share of capital held</b> <i>in %</i>	<b>Gross value of shares owned</b> <i>in thousands of euros</i>	<b>Net value of shares owned</b> <i>in thousands of euros</i>	<b>Outstanding loans and advances</b> <i>in thousands of euros</i>	<b>Guarantees given</b> <i>in thousands of euros</i>	<b>Revenue</b> <i>in thousands of euros</i>	<b>Profit or loss in the period</b> <i>in thousands of euros</i>	<b>Dividends received in the year</b> <i>in thousands of euros</i>
33,084	100.00%	42,013	33,084				2,488	
663	100.00%	1,010	1,010				(622)	
49,989	100.00%	50,360	49,989				(16)	
33,811	99.67%	27,146	27,146			293,972	18,900	21,098
134	100.00%	2,498	2,498			415	61	50
2,961	60.00%	2,000	1,791			4,074	509	236
50,848	100.00%	1,694	1,694				21,571	25,885
85,707	100.00%	82,792	82,792			41	2,343	3,077
1,537,491	76.92%	19,511	19,511			40,384	158,214	79,645
1,871,000	100.00%	43,483	43,483			389,172	287,290	298,486
39,885	100.00%	4,409	4,409			85,706	18,494	13,318
9,463	100.00%	3,164	3,164			69,696	5,905	7,015
34,853	100.00%	1,501	1,501			78,687	19,066	14,782
298,454	54.21%	1,440	1,440			23,305	3,112	
29,866	100.00%	7,218	7,218		3,010	160,771	22,204	23,000
3,816	100.00%	1,700	1,700			9,470	2,072	850
49,263	100.00%	10,535	10,535		229	183,782	39,575	69,024
15,960	100.00%	4,952	4,952			63,616	10,662	10,674
69,831	100.00%	44,457	44,457			3,473	892	
332,030	51.01%	822	822			13,114	2,651	730
2,472	99.90%	999	999			8,731	1,508	1,327
41,042	100.00%	2,996	2,996			14,839	3,904	795
40,444	100.00%	25,202	25,202			189,931	29,533	26,106
33,871,163	100.00%	13,727	13,727			713,858	142,009	136,522
839,094	100.00%	10,903	10,903			863,294	164,958	
54,978	100.00%	1,090	1,090			8,701	1,741	1,907
532,695	99.77%	4,788	4,788		203	2,911,781	463,565	387,538
269,278	100.00%	2,201	2,201			134,267	164,825	167,455
102,899	96.71%	90,685	90,685			185,314	5,159	
2,230	100.00%	28,709	892			5,784	(2,310)	
4,754	100.00%	32,143	4,754			34,935	(2,508)	
14,499	100.00%	10,527	10,527			20,180	487	712
9,733	100.00%	3,203	3,203			762	185	
141,574	100.00%	131,242	131,242			16,134	1,701	
12,323	99.99%	1,326	1,326			813	(175)	
1,129	100.00%	995	995			156	102	
4,038	92.34%	2,096	2,096			628	196	

	Registered office	Currency	Share capital
<b>B – Aggregate information on other subsidiaries and associates</b>			
<b>1. Subsidiaries (not included in A)</b>			
◆ French (aggregate)			
◆ Foreign (aggregate)			
<b>2. Associates (not included in A)</b>			
◆ in French companies (aggregate)			
◆ in foreign companies (aggregate)			
<b>TOTAL</b>			

<b>Equity</b> <i>in thousands of focal currency</i>	<b>Proportionate share of capital held</b> <i>in %</i>	<b>Gross value of shares owned</b> <i>in thousands of euros</i>	<b>Net value of shares owned</b> <i>in thousands of euros</i>	<b>Outstanding loans and advances</b> <i>in thousands of euros</i>	<b>Guarantees given</b> <i>in thousands of euros</i>	<b>Revenue</b> <i>in thousands of euros</i>	<b>Profit or loss in the period</b> <i>in thousands of euros</i>	<b>Dividends received in the year</b> <i>in thousands of euros</i>
538,172		1,086		-	-	149,681	(75,418)	-
19,676		500		-	1,241	332,967	22,566	18,202
10,257		10,143		-	-	-	-	9,986
-		-		-	-	-	-	-
<b>1,283,642</b>		<b>662,551</b>		<b>-</b>	<b>4,683</b>			<b>1,318,420</b>

## 6.9 INFORMATION ON DUE DATES

**Invoices received, due but not paid at year-end close (table provided for under I of Article D. 441-4)**

<b>Article D. 441-1, I 1: Invoices received, due but not paid at year-end close</b>				
	<b>0 days (approximate)</b>	<b>1 to 30 days</b>	<b>31 to 90 days</b>	<b>91 days and over</b>
				<b>Total (1 day and over)</b>
<b>(A) Late payment tranches</b>				
Number of invoices involved				153
Total amount of the invoices involved Excluding tax in millions of euros		0.3	0.0	0.0
Percentage of the total amount of purchases excluding tax for the financial year	0.2%	0.0%	0.0%	0.2%
Percentage of revenue excluding tax for the financial year				
<b>(B) Invoices excluded from (A) in connection with doubtful payables and receivables that are disputed or not recognised</b>				
Number of invoices excluded				
Total amount of excluded invoices				
<b>(C) Reference payment deadlines used (contractual or statutory deadline – Article L. 441-6 or Article L. 443-1 of the French Commercial Code (Code de commerce))</b>				
Reference payment deadlines used for calculating late payments		legal deadline		

**Invoices issued but not paid at year-end close, including overdue  
(table provided for under I of Article D. 441-4)**

<b>Article D. 441-1, I 2: Invoices issued, due but not paid at year-end close</b>				
	<b>0 days (approximate)</b>	<b>1 to 30 days</b>	<b>31 to 90 days</b>	<b>91 days and over</b>
				<b>Total (1 day and over)</b>
<b>(A) Late payment tranches</b>				
Number of invoices involved				301
Total amount of the invoices involved Excluding tax in millions of euros		0.6	4.1	3.0
Percentage of the total amount of purchases excluding tax for the financial year		0.3%	1.7%	1.3%
Percentage of revenue excluding tax for the financial year	0.3%	1.7%	1.3%	3.3%
<b>(B) Invoices excluded from (A) in connection with doubtful payables and receivables that are disputed or not recognised</b>				
Number of invoices excluded				
Total amount of excluded invoices				
<b>(C) Reference payment deadlines used (contractual or statutory deadline – Article L. 441-6 or Article L. 443-1 of the French Commercial Code (Code de commerce))</b>				
Reference payment deadlines used for calculating late payments		legal deadline		

## 6.10 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended 31 December 2018

General Meeting

### 1. OPINION

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying annual financial statements of Hermès International for the year ended 31 December 2018.

In our opinion, the annual financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at the close of the financial year and of the results of its operations for the year then ended, in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

### 2. BASIS FOR OPINION

#### Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Annual Financial Statements section of our report.

#### Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 January 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for Statutory Auditors.

### 3. JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgement, were of most significance in our audit of the annual financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the annual financial statements.

#### Valuation of equity investments – Notes 1.3 and 9 to the annual financial statements

#### Description of risk

As of 31 December 2018, the net amount of equity investments recognised as assets amounted to €659.9 million. They are stated at acquisition cost excluding incidental expenses at the acquisition date.

As described in Note 1.3 "Financial assets" to the annual financial statements, the actual value is based on criteria such as the share value in the adjusted net assets or the earnings prospects of the relevant subsidiary.

Due to their significance in the audit financial statements, to the requirement of management's judgement in estimates, and regarding the sensitivity of hypotheses used, we considered the valuation of equity investment to be a key audit matter.

### How our audit addressed this risk

Based on the information we were provided, our work largely consisted in:

- ◆ assessing the processes implemented by the Company used to determine the valuation of equity investments;
- ◆ checking that the criteria used by the management to determine the valuation were appropriate and any impairment arising was calculated correctly; and
- ◆ checking recorded equity matched with annual financial statements of entities concerned, especially for valuations based on historical information.

In addition to assessing valuation of equity investment, we also verified, when appropriate, that a contingency provision is recognised if the company was committed to support the losses of a subsidiary with negative equity.

## 4. SPECIFIC VERIFICATIONS

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by legislation and regulations.

### Information given in the management report and in the other documents provided to shareholders with respect to the financial position and the annual financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Executive Management and in the other documents provided to the shareholders with respect to the financial position and the annual financial statements.

We attest to the fair presentation and the consistency with the annual financial statements of the information relating to payment deadlines mentioned in Article D. 441-4 of the French Commercial Code (*Code de commerce*).

We attest that the statement of non-financial performance provided for in Article L. 225-102-1 of the French Commercial Code (*Code de commerce*) is included in the management report. However, in accordance with Article L. 823-10 of the French Commercial Code (*Code de commerce*), we have not verified the fair presentation and consistency with the annual financial statements of the information given in that statement, which will be the subject of a report by an independent third party.

### Information relating to corporate governance

We attest that the Supervisory Board's report on corporate governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a public purchase or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code (*Code de commerce*), we have verified their compliance with the source documents communicated to us. Based on our work, we have no observations to make on this information.

### Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders or holders of the voting rights has been properly disclosed in the management report.

## 5. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Hermès International by your General Meeting held on 30 May 2011, for PricewaterhouseCoopers Audit, and on 31 May 1999, for Cabinet Didier Kling & Associés.

As at 31 December 2018, PricewaterhouseCoopers and Cabinet Didier Kling & Associés were in the 8th year and 20th year of total uninterrupted engagement respectively.

### Responsibilities of Management and Those Charged with Governance for the Annual Financial Statements

Management is responsible for the preparation and fair presentation of the annual financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The annual financial statements were approved by the Executive Management.

### Statutory Auditors' Responsibilities for the Audit of the Annual Financial Statements

#### Objectives and audit approach

Our role is to issue a report on the annual financial statements. Our objective is to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgement throughout the audit.

Furthermore:

- ◆ identifies and assesses the risks of material misstatement of the annual financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ◆ obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- ◆ evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the annual financial statements;

- ◆ assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the annual financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- ◆ evaluates the overall presentation of the annual financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

#### Report to the Audit and Risk Committee

We submit a report to the Audit and Risk Committee which includes in particular a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Risk Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the annual financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Risk Committee with the declaration provided for in Article 6 of Regulation (EU) N°537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Audit and Risk Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine, 9 April 2019

The Statutory Auditors

PricewaterhouseCoopers Audit

Olivier Auberty

Cabinet Didier Kling & Associés  
member of Grant Thornton

Vincent Frambourt

Guillaume Giné





# 7

## INFORMATION ON THE COMPANY AND ITS SHARE CAPITAL

<b>7.1</b>	<b>PRESENTATION OF HERMÈS INTERNATIONAL AND ÉMILE HERMÈS SARL</b>	<b>329</b>
7.1.1	Presentation of Hermès International	329
7.1.1.1	<i>Role</i>	329
7.1.1.2	<i>Legal form</i>	329
7.1.1.3	<i>Limited partners (shareholders)</i>	329
7.1.1.4	<i>The Active Partner</i>	329
7.1.1.5	<i>Management bodies</i>	330
7.1.1.6	<i>The Joint Council</i>	330
7.1.1.7	<i>Registered office – principal administrative establishment</i>	330
7.1.1.8	<i>Date of incorporation – Trade and Company Register, APE – LEI Code</i>	330
7.1.1.9	<i>Date of initial public offering</i>	330
7.1.1.10	<i>Commented Articles of Association of Hermès International</i>	330
7.1.2	Presentation of Émile Hermès SARL – Active Partner	338
7.1.2.1	<i>Legal form</i>	338
7.1.2.2	<i>Corporate purpose</i>	338
7.1.2.3	<i>Partners</i>	338
7.1.2.4	<i>Executive Chairman</i>	339
7.1.2.5	<i>Executive Management Board</i>	339
7.1.2.6	<i>Date of incorporation – Trade and Company Register – Registered office</i>	339
7.1.2.7	<i>Share capital – statement of financial position – net income</i>	339
<b>7.2</b>	<b>INFORMATION ON SHARE CAPITAL AND SHAREHOLDERS</b>	<b>340</b>
7.2.1	Information on share capital	340
7.2.1.1	<i>Share capital</i>	340
7.2.1.2	<i>Voting rights</i>	340
7.2.1.3	<i>Changes in share capital over the past three financial years</i>	340
7.2.2	Information on shareholders	340
7.2.2.1	<i>Number of shareholders</i>	340
7.2.2.2	<i>Percentage of individual shareholders</i>	340
7.2.2.3	<i>Main shareholders as at 31 December 2018 – control of the Company</i>	341
7.2.2.4	<i>Treasury shares</i>	341
7.2.2.5	<i>Allocation of share capital and voting rights as at 31 December 2018</i>	341
7.2.2.6	<i>Change in ownership and voting rights</i>	343
7.2.2.7	<i>Employee ownership of share capital</i>	343
7.2.2.8	<i>Crossing of thresholds</i>	344
7.2.2.9	<i>Pledging of shares</i>	344
7.2.2.10	<i>Share buyback programmes</i>	344
7.2.3	Transactions performed by Corporate Officers and those close to them on the shares of the Company	347
7.2.4	Stock Market Ethics Code	352
7.2.5	Shareholders' pacts and agreements	353
7.2.5.1	<i>Priority acquisition right</i>	353
7.2.5.2	<i>Dutreil agreements</i>	354
<b>7.3</b>	<b>DIVIDEND POLICY</b>	<b>355</b>

<b>7.4</b>	<b>STOCK MARKET INFORMATION</b>	<b>356</b>
7.4.1	Summary of stock market information	356
7.4.2	History of monthly transactions	356
7.4.3	Hermès share price history	357
<b>7.5</b>	<b>SHAREHOLDERS INFORMATION</b>	<b>360</b>
7.5.1	Relations with shareholders	360
7.5.2	Securities service	360
7.5.3	Publicly available documents	360
7.5.4	How to become a Hermès International shareholder	360
7.5.5	2019 Financial calendar	360
7.5.6	Crossing of thresholds and nominative registration requirements	361

## 7.1 PRESENTATION OF HERMÈS INTERNATIONAL AND ÉMILE HERMÈS SARL

### 7.1.1 PRESENTATION OF HERMÈS INTERNATIONAL

#### 7.1.1.1 Role

Hermès International is the Group's parent company. Its purpose is:

- ◆ to define the Group's strategy and its focuses for development and diversification;
- ◆ to oversee the operations of its subsidiaries and to provide corporate, financial, legal and commercial assistance;
- ◆ to manage the Group's real estate assets;
- ◆ to protect and defend its trademarks, designs, models, and patents;
- ◆ to maintain a documentation centre and make it available to the subsidiaries;
- ◆ to ascertain that the style and image of each brand name is consistent throughout the world and, for this purpose, to design and orchestrate advertising campaigns, actions and publications to support the various business activities;
- ◆ to provide guidance in design activities and to ensure that the Hermès spirit is consistently applied in each business line. Hermès International derives its funds from:
  - dividends received from subsidiaries,
  - royalties from trademarks, licensed exclusively to Group subsidiaries, namely, Hermès Sellier, Comptoir Nouveau de la Parfumerie, La Montre Hermès and Faubourg Italia (amounts concerning the 2018 financial year are presented on page 397).

Hermès brands, which belong to Hermès International, are protected by trademarks in many countries, for all categories of products in each of the Group's business sectors.

Hermès International's scope of consolidation encompasses 132 subsidiaries and sub-subsidiaries. A simplified presentation of the Group appears on page 32.

#### 7.1.1.2 Legal form

Hermès International was converted into a *société en commandite par actions* (partnership limited by shares) by a decision of the Extraordinary General Meeting held on 27 December 1990, in order to preserve its identity and culture and thus ensure its sustainability over the long term, in the interests of the Group and all shareholders. In this legal form, the share capital is divided into shares and there are two classes of partners: one or more Active Partners, who actively engage in operating the business and are jointly and severally liable for all the Company's debts for an indefinite period of time, and Limited Partners, who are not actively engaged in the business and are liable only up to the amount of their contribution.

The rules governing the operation of a *société en commandite par actions* (partnership limited by shares) are the following:

- ◆ the Active Partner or partners, who carry on the business, are jointly and severally liable for all the Company's debts, for an indefinite period of time;
- ◆ the Limited Partners (or shareholders), who contribute capital, are liable in this capacity, as shareholders, only up to the amount of their contribution;
- ◆ the same party may be both an Active Partner and a Limited Partner;
- ◆ a Supervisory Board is appointed by the Ordinary General Meeting as a supervisory body (Active Partners, even if they are also Limited Partners, cannot vote on the appointment of Supervisory Board members);
- ◆ one or more Executive Chairmen, designated from among the Active Partners or from outside the Company, are chosen to manage the Company.

#### 7.1.1.3 Limited partners (shareholders)

Limited Partners:

- ◆ appoint the Supervisory Board members, who must be selected from among the Limited Partners, and the Statutory Auditors, at the Shareholders' General Meetings;
- ◆ vote on the accounts approved by the Executive Management; and
- ◆ appropriate earnings (including the distribution of dividends).

The main Limited Partners (shareholders) are listed on page 342.

#### 7.1.1.4 The Active Partner

Since 1 April 2006, Émile Hermès SARL, represented by its Executive Management Board, has been the sole Active Partner of Hermès International.

The Active Partner:

- ◆ has the authority to appoint or revoke the powers of any Executive Chairman, on the reasoned opinion of the Supervisory Board;
- ◆ takes the following decisions for the Group, on the Supervisory Board's recommendation:
  - 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;
- ◆ may formulate recommendations to the Executive Management on any matter of general interest to the Group;
- ◆ authorises any loans of Hermès International whenever the amount of such loans exceeds 10% of the amount of the consolidated net worth of the Hermès Group, as determined based on the consolidated financial statements drawn up from the latest approved accounts (the "Net Worth");

- ◆ authorises any sureties, endorsements or guarantees and any pledges of collateral and encumbrances on the Company's property, whenever the claims guaranteed amount to more than 10% of the Net Worth;
- ◆ authorises the creation of any company or the acquisition of an interest in any commercial, industrial or financial operation, movable or immovable property, or any other operation, in any form whatsoever, whenever the amount of the investment in question amounts to more than 10% of the Net Worth.

In order to maintain its status of Active Partner, and failing which it will automatically lose such status ipso jure, Émile Hermès SARL must maintain in its Articles of Association clauses, in their original wording or in any new wording as may be approved by the Supervisory Board of Hermès International by a three-quarters majority of the votes of members present or represented, stipulating the following:

- ◆ the legal form of Émile Hermès SARL is that of a *société à responsabilité limitée à capital variable* (limited company with variable capital);
- ◆ the exclusive purpose of Émile Hermès SARL is:
  - to serve as Active Partner and, if applicable, as Executive Chairman of Hermès International,
  - potentially to own an equity interest in Hermès International, and
  - to carry out all transactions in view of pursuing and accomplishing these activities and to ascertain that any liquid assets it may hold are appropriately managed;
- ◆ only the following may be partners in Émile Hermès SARL:
  - descendants of Mr Émile-Maurice Hermès and his wife, born Julie Hollande, and
  - their spouses, but only as usufructuaries of the shares; and
- ◆ each partner of Émile Hermès SARL must have deposited, or arrange to have deposited, shares in the present Company in the corporate accounts of Émile Hermès SARL in order to be a partner of this Company;
- ◆ any transaction that would result in a change of owner, even for the benefit of a spouse, ascendant or descendant of a partner, of wholly-owned shares, shares in bare ownership or usufruct, immediately, in the future or on option, is subject to the approval of the group of partners as set out in Article L. 223-14 of the French Commercial Code (*Code de commerce*). Nevertheless, transfers between partners may be freely made. The subscription of shares, other than by persons who are already partners, is also subject to this approval.

The Active Partner, Émile Hermès SARL, has transferred its business know-how to the Company, in consideration for its share of the profits in the Company, which amounts to 0.67% of distributable profits and is payable to the Active Partner on a priority basis (before dividends are paid to the Limited Partners).

### 7.1.1.5 Management bodies

The presentation of the Executive Management and the Supervisory Board is set out in Chapter 3 "Corporate Governance", on pages 140 and 149.

#### 7.1.1.6 The Joint Council

The Executive Management of Hermès International or the Chairman of the Supervisory Board of Hermès International shall convene a Joint Council meeting of the Executive Management Board of Émile Hermès SARL and the Supervisory Board of Hermès International whenever they deem it appropriate.

The Joint Council is an institution designed to enable extensive consultation between the Executive Management Board of the Active Partner, an internal body needing to have knowledge of the main aspects of Hermès International's Executive Management, and the Supervisory Board, an emanation of the shareholders.

The Joint Council has knowledge of all matters that it addresses or that are submitted thereto by the party who convened the conference, but does not, in the decision-making process, have the right to act as a substitute for those bodies to which such powers are ascribed by law or by the Articles of Association of Hermès International or of Émile Hermès SARL. The Joint Council of the Executive Management and the Supervisory Board does not, itself, have any decision-making powers. It acts solely as a consultation body. At their discretion, the Executive Management Board and Supervisory Board may make all decisions or issue all recommendations within their jurisdiction in a Joint Council meeting.

#### 7.1.1.7 Registered office – principal administrative establishment

The registered office of Hermès International is located at 24, rue du Faubourg-Saint-Honoré, 75008 Paris, France.

The Company's principal administrative establishment and its Legal Department are located at 13-15, rue de la Ville-l'Évêque, 75008 Paris, France.

#### 7.1.1.8 Date of incorporation – Trade and Company Register, APE – LEI Code

Hermès International was created on 1 June 1938. It is registered with the Paris Trade and Company Register under number 572076396, APE code 7010Z.

The LEI number of the Company is 969500Y4JGHJE2MTJ13.

#### 7.1.1.9 Date of initial public offering

Hermès International was taken public on the Second Marché of the Paris Stock Market on 3 June 1993. It has been listed on the Euronext by Euronext (Compartment A) since 2005.

It has been listed in the CAC 40 Index since 18 June 2018.

#### 7.1.1.10 Commented Articles of Association of Hermès International

*Additional information is provided in insets in italics.*

##### 1 - Legal form

The Company is a *société en commandite par actions* (partnership limited by shares) between:

- ◆ its Limited Partners; and its

- ◆ Active Partner, Émile Hermès SARL, with registered office located at 23 rue Boissy-d'Anglas in Paris (75008). The Company is governed by the laws and regulations applicable to *sociétés en commandite par actions* (partnership limited by shares) and by these Articles of Association.

*The Company was converted into a société en commandite par actions (partnership limited by shares) by a decision of the Extraordinary General Meeting held on 27 December 1990, in order to preserve its identity and culture and thus ensure its sustainability over the long term, in the interests of the Group and all shareholders. The rules governing the operation of a société en commandite par actions are the following:*

- ◆ the Active Partner or partners are jointly and severally liable for all the Company's debts, for an indefinite period of time;
- ◆ the Limited Partners (or shareholders), who contribute capital, are liable in this capacity as shareholders only up to the amount of their contribution;
- ◆ the same party may be both an Active Partner and a Limited Partner; one or more Executive Chairmen, selected from among the Active Partners or from outside the Company, are chosen to manage the Company;
- ◆ the Supervisory Board is appointed by the Ordinary General Meeting (Active Partners, even if they are also Limited Partners, cannot vote on their appointment). It exercises ongoing control over the Company's management, and as such has the same powers as the Statutory Auditors.

## 2 - Purpose

The Company's purpose, in France and in other countries, is:

- ◆ to acquire, hold, manage, and potentially sell direct or indirect equity interests in any legal entity engaged in the creation, production and/or sale of quality products and/or services, and, in particular, in companies belonging to the Hermès Group;
- ◆ to provide guidance to the Group it controls, in particular by providing technical assistance services in the legal, financial, corporate, and administrative areas;
- ◆ to develop, manage and defend all rights it holds to trademarks, patents; designs, models, and other intellectual or industrial property, and in this respect, to acquire, sell or license such rights;
- ◆ to participate in promoting the products and/or services distributed by the Hermès Group;
- ◆ to purchase, sell and manage all property and rights needed for the Hermès Group's business operations and/or for asset and cash management purposes; and
- ◆ more generally, to engage in any business transaction of any kind whatsoever in furtherance of the corporate purpose.

## 3 - Company name

The Company's name is "Hermès International".

## 4 - Registered office

The Company's registered office is located at 24, rue du Faubourg-Saint-Honoré, 75008 Paris, France.

It may be transferred:

- ◆ to any other location in the same department, by a decision of the Executive Management, subject to ratification of such decision at the next Ordinary General Meeting; and
- ◆ to any other location, by a decision of the Extraordinary General Meeting.

## 5 - Term

The Company will be dissolved automatically on 31 December 2090, unless it is dissolved previously or unless its duration is extended.

## 6 - Share capital - Contributions

### 6.1 - The share capital is €53,840,400.12.

It is made up of **105,569,412** shares, all of them fully paid up, which are apportioned among the shareholders in proportion to their rights in the Company.

**6.2** - The Active Partner, Émile Hermès SARL, has transferred its business know-how to the Company, in consideration for its share of the profits.

*The par value of one share is €0.51, after two three-for-one splits since the initial public offering, on 6 June 1997 and 10 June 2006.*

## 7 - Increase and reduction of capital

**7.1** - The share capital may be increased either by the issuance of ordinary shares or preference shares, or by increasing the par value of existing equity securities.

**7.2** - The General Meeting, voting in accordance with the quorum and majority requirements stipulated by law, has the authority to decide to increase the share capital. It may delegate this authority to the Executive Management. The General Meeting that decides to effect a capital increase may also delegate the power to determine the terms and conditions of the issue to the Executive Management.

**7.3** - In the event of a capital increase effected by capitalisation of sums in the share premiums, reserves or retained earnings accounts, the shares created to evidence the relevant capital increase shall be distributed only among the existing shareholders, in proportion to their rights to the share capital.

**7.4** - In the event of a capital increase for cash, the existing share capital must first be fully paid up. The shareholders have preferential subscription rights, which may be waived under the conditions stipulated by law.

**7.5** - Any contributions in kind or stipulation of special advantages made at the time of a capital increase are subject to the approval and verification procedures applicable to such contributions and instituted by law.

**7.6** - The Extraordinary General Meeting, or the Executive Management when granted special authority for this purpose, and subject to protecting the rights of creditors, may also decide to reduce the share capital. In no event shall such a capital reduction infringe upon the principle of equal treatment of shareholders.

**7.7** - The Executive Management has all powers to amend the Articles of Association as a result of a capital increase or reduction and to undertake all formalities in connection therewith.

## 8- Payment for shares

**8.1** - Payment in consideration for newly created shares may be made in cash, including by set-off against liquid claims due by the Company; by contributions in kind; by capitalisation of reserves, earnings or share premiums; or as the result of a merger or demerger.

**8.2** - Within the framework of resolutions adopted by the General Meeting, the Executive Chairman calls the funds required to pay for the shares.

Any late payment of amounts due for the shares shall automatically bear interest payable to the Company at the legal interest rate plus three percentage points, and no legal action or formal notice shall be required to collect such interest.

## 9 - Form of the shares

**9.1** - All shares issued by the Company are in registered form until they have been fully paid up. Fully-paid up shares maybe in registered or bearer form, at the shareholder's discretion. They are registered on a securities account under the terms and conditions provided by law.

*The General Meeting of 29 May 2012 established the requirement for holding shareholdings in registered form when they exceed the 0.5% threshold; non-compliance with this obligation to be sanctioned by the loss of voting rights.*

**9.2** - The Company may, at any time, in accordance with the applicable laws and regulations, request communication from the central custodian or any securities clearing organisation or authorised intermediary to enable it to identify the owners of securities giving immediate or future rights to vote at General Meetings, as well as the number of securities held by each such owner and any restrictions that may apply to the securities.

*Clearing and settlement of the shares in France are carried out by Euroclear.*

*Hermès International ordinarily exercises this option once a year, as of 31 December.*

## 10 - Transfer of shares

Shares are freely transferable. Transfers are effected under the terms and conditions provided by law.

## 11 - Crossing of threshold disclosures

Any natural person or legal entity, acting alone and/or jointly, coming into possession, in any manner whatsoever, within the meaning of Articles L. 233-7 et seq. of the French Commercial Code (*Code de commerce*), of a number of shares representing 0.5% of the share capital and/or of the voting rights in General Meetings (or any multiple of this percentage), at any time, even after attaining one of the thresholds provided for by Articles L. 233-7 et seq. of the French Commercial Code (*Code de commerce*), must, within 5 stock market trading days from the date this threshold is exceeded, request the registration of their shares

in nominative form. This nominative registration requirement applies to all shares already owned, as well as any that come into ownership beyond this threshold. A copy of the nominative registration application, sent by registered post with acknowledgement of receipt to the registered office within ten stock market trading days from the date on which the threshold is attained, shall constitute a declaration of attaining the ownership threshold in question. The registration requirement for securities also applies to any natural person or legal entity, acting alone and/or jointly, coming into possession, in any manner whatsoever according to the meaning of Articles L. 233-7 et seq. of the French Commercial Code (*Code de commerce*), of a number of shares representing 0.5% of the share capital and/or of the voting rights in General Meetings. These persons are given a period of twenty stock market trading days after the General Meeting on 29 May 2012 to comply with this obligation.

In the event of failure to comply with the above requirements, the shares that exceed the threshold subject to disclosure or having been subject to disclosure shall be disqualified from voting rights.

In the event of an adjustment, the corresponding voting rights can only be exercised once the period stipulated by law and current regulations has expired. Unless one of the thresholds covered by the aforementioned Article L. 233-7 is exceeded, this sanction shall be applied only at the request of one or several shareholders individually or collectively holding at least 0.5% of the Company's share capital and/or voting rights and duly recorded in the minutes of the General Meeting.

## 12 - Rights and obligations attached to the shares

**12.1** - The shares are indivisible with regard to the Company. Co-owners of undivided shares must be represented with regard to the Company and at General Meetings by one of them only or by a single representative. In the event of a disagreement, their representative shall be appointed by the Court at the request of the co-owner who takes the initiative to refer this matter to the Court.

**12.2** - Each share shall give the holder the right to cast one vote at General Meetings of shareholders.

However, double voting rights are allocated to:

- ◆ any fully-paid up registered share which has been duly recorded on the books in the name of the same shareholder for a period of at least four years from the date of the first General Meeting following the fourth anniversary of the date when the share was registered on the books; and
- ◆ any registered share allotted for no consideration to a shareholder, in the event of a capital increase effected by capitalisation of sums in the share premiums, reserves or retained earnings accounts, in proportion to any existing shares which carry double voting rights.

The double voting right automatically ceases to exist in the conditions stipulated by law.

*Double voting rights were instituted by the Extraordinary General Meeting of 27 December 1990.*

Voting rights attached to the shares are exercised by the bare owners at all General Meetings (ordinary, extraordinary or special meetings), save for decisions regarding the allocation of net income, in which case the usufructuary shall exercise the voting rights.

*This allocation was approved by the Extraordinary General Meeting of 6 June 2006.*

**12.3** - Each share gives the holder a right of ownership in the Company's assets, its profits, and any winding-up surplus, in proportion to the percentage of ownership it represents.

All shares are of equal par value and are identical in all respects, except with respect to the date on which they are eligible for the dividend.

**12.4** - Ownership of a share automatically entails compliance with the Company's Articles of Association and with resolutions duly adopted by the Shareholders' General Meeting.

**12.5** - Whenever ownership of a certain number of shares is required in order to exercise any right whatsoever, owners of single shares, or with an insufficient number of shares, may only exercise such rights if they personally arrange to consolidate their shares, or arrange for the purchase or sale of a sufficient number of shares.

### 13 - Death. Legal prohibition. Personal bankruptcy. Insolvency. Receivership or compulsory liquidation of a partner

*The Company has two classes of partners:*

- ◆ shareholders, who are "Limited Partners";
- ◆ active Partners.

*Since 1 April 2006, there has been only one Active Partner: Émile Hermès SARL.*

#### 13.1 - Shareholders

The Company shall not be dissolved in case of the death, legal prohibition or personal bankruptcy of a shareholder, or due to the initiation of insolvency, receivership or compulsory liquidation proceedings against that shareholder.

#### 13.2 - The Active Partner

**13.2.1** - In the event that an Active Partner should be prohibited by law from engaging in a business profession, or in the case of personal bankruptcy, or insolvency, receivership or compulsory liquidation proceedings should be initiated against them, such Active Partner shall automatically lose their status as Active Partner ipso jure; the Company shall not be dissolved. Neither shall the Company be dissolved if an Active Partner who is a natural person and who was appointed Executive Chairman ceases to hold this office.

If, as a result of this loss of status, the Company no longer has any Active Partners, a Shareholders' Extraordinary General Meeting must be called forthwith, either to appoint one or more new Active Partners, or to change the corporate form of the Company. Such change does not entail the creation of a new legal entity.

If an Active Partner loses their status as such, they shall have the right to receive their share of the Company's profits, pro-rated until the day such status is lost, in full settlement of all amounts due.

**13.2.2** - The Company shall not be dissolved in the event of the death of an Active Partner. If, as a result of this death, the Company no longer has any Active Partners, a Shareholders' Extraordinary General Meeting must be called forthwith, either to appoint one or more new Active Partners, or to change the corporate form of the Company. Such change does not entail the creation of a new legal entity.

This also applies if the Company has only one Active Partner and if that Active Partner loses their status as such for any reason whatsoever.

The beneficiaries, heirs, or the surviving spouse, if any, of the deceased Active Partner shall have the right to receive the deceased Active Partner's share of the Company's profits, pro-rated until the day such status is lost, in full settlement of all amounts due.

### 14 - Responsibility and powers of the Active Partner

**14.1** - Active Partners are jointly and severally liable for all the Company's debts, for an indefinite period of time.

**14.2** - Each Active Partner has the power to appoint and revoke the appointment of any Executive Chairman, acting on the Supervisory Board's reasoned opinion under the conditions provided in the Article entitled "Executive Management".

Acting by unanimous consent, the Active Partners:

- ◆ take the following decisions for the Group, on the Supervisory Board's recommendation:
  - strategic options,
  - consolidated operating and investment budgets, and
  - decide on any proposal submitted to the General Meeting pertaining to the appropriation of share premiums, reserves or retained earnings;
- ◆ may formulate recommendations to the Executive Management on all issues of general interest to the Group;
- ◆ authorise any loans of Hermès International whenever the amount of such loans exceeds 10% of the amount of the consolidated net worth of the Hermès Group, as determined based on the consolidated financial statements drawn up from the latest approved accounts (the "Net Worth");
- ◆ authorise any sureties, endorsements or guarantees and any pledges of collateral and encumbrances on the Company's property, whenever the claims guaranteed amount to more than 10% of the Net Worth;
- ◆ authorise the creation of any company or the acquisition of an interest in any commercial, industrial or financial operation, movable or immovable property, or any other operation, in any form whatsoever, whenever the amount of the investment in question amounts to more than 10% of the Net Worth.

**14.3** - In order to maintain its status of Active Partner, and failing which it will automatically lose such status ipso jure, Émile Hermès SARL must maintain in its Articles of Association clauses, in their original wording or in any new wording as may be approved by the Supervisory Board of the present Company by a three-quarters majority of the votes of members present or represented, stipulating the following:

- ◆ the legal form of Émile Hermès SARL is that of a *société à responsabilité limitée à capital variable* (limited company with variable capital);
- ◆ the exclusive purpose of Émile Hermès SARL is:

- to serve as Active Partner and, if applicable, as Executive Chairman of Hermès International,
- potentially to own an equity interest in Hermès International, and
- to carry out all transactions in view of pursuing and accomplishing these activities and to ascertain that any liquid assets it may hold are appropriately managed;
- ◆ only the following may be partners in Émile Hermès SARL:
  - descendants of Mr Émile-Maurice Hermès and his wife, born Julie Hollande, and
  - their spouses, but only as usufructuaries of the shares; and
- ◆ each partner of Émile Hermès SARL must have deposited, or arrange to have deposited, shares in the present Company in the corporate accounts of Émile Hermès SARL in order to be a partner of this Company.

**14.4** - Any Active Partner who is a natural person and who has been appointed to the office of Executive Chairman shall automatically lose their status as Active Partner immediately upon termination of their office of Executive Chairman for any reason whatsoever.

**14.5** - All decisions of the Active Partners are recorded in minutes, which are entered in a special register.

### 15 - Executive Management

**15.1** - The Company is administered by one or two Executive Chairmen, who may be, but are not required to be, Active Partners in the Company. If there are two Executive Chairmen, any provision of these Articles of Association mentioning "the Executive Chairman" shall apply to each Executive Chairman. The Executive Chairmen may act jointly or separately.

The Executive Chairman may be a natural person or a legal entity, which may be but is not required to be an Active Partner.

*At this time, the Company is administered by two Executive Chairmen:*

- ◆ *Mr Axel Dumas, appointed by a resolution approved by the Active Partners, with the reasoned opinion of the Supervisory Board, dated 4 June 2013 (appointment effective as of 5 June 2013);*
- ◆ *Émile Hermès SARL, which was appointed by a resolution, approved by the Active Partners, with the reasoned opinion of the Supervisory Board, dated 14 February 2006 (appointment effective as of 1 April 2006).*

**15.2** - The Executive Chairman's term of office is open-ended. During the Company's lifetime, the power to appoint an Executive Chairman is exclusively reserved for the Active Partners, acting on the Supervisory Board's recommendation. Each Active Partner may act separately in this respect.

**15.3** - The appointment of an Executive Chairman is terminated in case of death, disability, legal prohibition, or due to the initiation of insolvency, receivership or compulsory liquidation proceedings against that Executive Chairman; if the appointment is revoked; if the Executive Chairman resigns; or when the Executive Chairman reaches the age of 75.

The Company shall not be dissolved if an Executive Chairman's appointment is terminated for any reason whatsoever. An Executive Chairman who wishes to resign must notify the Active Partners and the Supervisory Board thereof at least six months in advance, by registered post, unless each of the Active Partners, after soliciting the opinion of the Supervisory Board, has agreed to reduce this notice period.

An Executive Chairman's appointment can be revoked only by an Active Partner, acting on the Supervisory Board's reasoned opinion. In the event that the Supervisory Board recommends against revocation, the Active Partner in question must suspend its decision for a period of at least six months. At the end of this period, if it persists in its wish to revoke the appointment of the Executive Chairman in question, that Active Partner must again solicit the opinion of the Supervisory Board, and once it has obtained a favourable recommendation from the Board, it may revoke the appointment of that Executive Chairman.

### 16 - Authority of the Executive Management

#### 16.1 - Relationships with third parties

Each Executive Chairman is invested with the broadest of powers to act on the Company's behalf, in all circumstances. They shall exercise these powers within the scope of the corporate purpose and subject to those powers expressly granted by law to the Supervisory Board and to Shareholders' General Meetings.

#### 16.2 - Relationships among the partners

In relationships among partners, the Executive Management holds the broadest of powers to undertake all management acts, but only if such acts are in the Company's interests and subject to those powers granted to the Active Partners and to the Supervisory Board by these Articles of Association.

#### 16.3 - Delegations

The Executive Chairman may, under their responsibility, delegate all powers as they see fit and as required for the proper operation of the Company and its Group.

They may issue a limited or unlimited blanket delegation of powers to one or more Executives of the Company, who then take on the title of Executive Vice-President.

### 17 - Compensation of the Executive Management

The Executive Chairman (or, where there is more than one, each Executive Chairman) shall have the right to receive compensation set by the Articles of Association and, potentially, additional compensation, the maximum amount of which shall be determined by the Ordinary General Meeting, with the approval of the Active Partner or, if there are several Active Partners, with their unanimous approval.

The gross annual compensation of the Executive Chairman (or, where there is more than one, of each Executive Chairman) for the financial year shall not be more than 0.20% of the Company's consolidated income before tax for the previous financial year.

However, if there are more than two Executive Chairmen, the combined total gross annual compensation of all Executive Chairmen shall not be more than 0.40% of the Company's consolidated income before tax for the previous financial year.

Within the maximum amounts set forth herein, the Executive Management Board of the Active Partner, Émile Hermès SARL, shall determine the effective amount of the annual compensation of the Executive Chairman (or, where there is more than one, of each Executive Chairman).

*Details on the compensation of the Executive Chairmen are presented in the Supervisory Board's corporate governance report (see Chapter 3 "Corporate Governance", pages 191 and 194) and in the presentation of the resolutions, pages 372 to 377.*

## 18 - Supervisory Board

The composition of the Supervisory Board is described in the Supervisory Board's corporate governance report, on page 153. The provisions of Article L. 226-4-1 of the French Commercial Code (Code de commerce), that require that the proportion of the members of the Supervisory Board of each gender must not be below 40%, apply to and are followed by the Company.

**18.1** - The Company is governed by a Supervisory Board consisting of three to fifteen members (not including employee representative members appointed pursuant to the conditions of Article 18.6 below), selected from amongst shareholders who are neither Active Partners, nor legal representatives of an Active Partner, nor Executive Chairman. 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.

*In a decision dated 22 March 2012, the Active Partner had set the number of Supervisory Board members at 11.*

*In a decision dated 21 March 2017, the Active Partner increased the number of Supervisory Board members to 13 (including employee representatives, as of 6 June 2017) in anticipation of the appointment by the Combined General Meeting of 6 June 2017 of two new members to the Supervisory Board.*

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 they were a Supervisory Board member in their own name, without prejudice to the joint and several liability of the legal entity they represent. The permanent representative serves for the same term of office as the legal entity they represent.

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 their terms are renewed by the Shareholders' Ordinary General Meeting. The Active Partners may, at any time, propose that one or more new Supervisory Board member(s) be nominated. Supervisory Board members are appointed for a term of 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.

*The General Meeting of 2 June 2009 approved a provision calling for one-third of Supervisory Board members to stand for re-election each year.*

**18.3** - No person over the age of 75 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 their absence, the Executive Chairman, or in their absence, the Statutory Auditor or Auditors, shall immediately call a Shareholders' Ordinary General Meeting 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 French Commercial Code (Code de commerce) are applicable to the Company, a Group employee representative member, who is a natural person, must be nominated. When the Supervisory Board consists of 13 or more members (not including the employee representatives), a second natural person must be appointed as an employee representative. The number of Supervisory Board members taken into account, when determining the number of employee representatives to be appointed to the Supervisory Board, is assessed on the date of appointment of the employee representatives. Neither the Supervisory Board members elected by the employees under Article L. 225-27 of the French Commercial Code (Code de commerce), nor the employee shareholder Supervisory Board members appointed in accordance with Article L. 225-23 of the French Commercial Code are therefore taken into account.

The term of office for employee representative Supervisory Board members is indicated in Article 18.2 of the present Articles of Association.

A reduction to 12 or fewer Supervisory Board members has no effect on the term of office for employee representative Supervisory Board members, which will come to an end upon its normal expiry.

Employee representative Supervisory Board members are appointed by the Company's Group Committee. Employee representative Supervisory Board members must be in possession of an employment contract, for at least the past two years, 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, employee representative Supervisory Board members are not required to be shareholders.

**18.7** - All Supervisory Board members must comply with the Supervisory Board rules of procedure.

*The Combined General Meeting of 3 June 2014 amended Article 18 of the Articles of Association with the purpose of incorporating the terms of appointment for employee representative Supervisory Board members.*

#### 19 - Deliberations of the Supervisory Board

*The conditions for preparation and organisation of the Supervisory Board's work are described in the Supervisory Board's Report on corporate governance, page 178.*

**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-Chairmen 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 seven business days before the meeting. This period of time may be shortened by unanimous approval 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 their colleagues to represent them 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 video-conferencing 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 video-conferencing 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 initialled register and signed by the Chairman and the secretary.

#### 20 - Authority of the Supervisory Board

**20.1** - 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.

**20.2** - The Supervisory Board submits to the Active Partners 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.

**20.3** - Each year, the Supervisory Board determines the proposed allocation of profits 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
- ◆ proposals to the General Meeting pertaining to the appropriation of share premiums, reserves or retained earnings.

**20.6** - Each year, the Supervisory Board presents to the Shareholders' Annual Ordinary General Meeting a report 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 Supervisory Board's report for the financial year ended 31 December 2018 is presented on pages 393 and 394.*

This report, together with the Company's statement of financial position 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 Shareholders' General Meeting whenever it deems this appropriate.

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.

## 21 - Joint Council of the Supervisory Board and Executive Management Board of the Active Partner

**21.1** - The Executive Management of the Company or the Chairman of the Company's Supervisory Board shall convene a Joint Council meeting of the Supervisory Board and of the Active Partners whenever it is deemed necessary; for purposes of this Council, Émile Hermès SARL is represented by its Executive Management Board. Notices are served by any means providing legally valid proof in business matters, at least seven business days before the meeting. This period of time may be shortened by unanimous approval of the Chairman or a Vice-Chairman of the Supervisory Board and the Executive Chairman.

**21.2** - The Joint Council meets at the place indicated in the notice of meeting. It is chaired by the Chairman of the Company's Supervisory Board, or, in their absence, by one of the Vice-Chairmen of the Company's Supervisory Board, or, in their absence, by the oldest Supervisory Board member present. The Executive Chairman or, if the Executive Chairman is a legal entity, its legal representative or representatives, are convened to meetings of the Joint Council.

**21.3** - The Joint Council has knowledge of all matters that it addresses or that are submitted thereto by the party who convened the Joint Council meeting, but does not, in the decision-making process, have the right to act as a substitute for those bodies to which such powers are ascribed by law or by the Articles of Association of the Company and of the Active Partner that is a legal entity.

At their discretion, the Supervisory Board and Active Partners may make all decisions or issue all recommendations within their jurisdiction in a Joint Council meeting.

## 22 - Compensation of the Supervisory Board

Supervisory Board members may receive, as directors' fees, annual compensation, the amount of which is determined by the Ordinary General Meeting of shareholders and shall remain unchanged until such time as a new resolution is adopted by that General Meeting.

The Board apportions directors' fees among its members as it sees fit.

## 23 - Statutory Auditors

The Company's financial statements are audited by one or more Statutory Auditors, under the terms and conditions provided by law.

## 24 - General Meetings of Shareholders

**24.1** - General Meetings are convened under the conditions set by law.

They are held at the registered office or at any other place specified in the notice of meeting.

**24.2** - The right to participate in General Meetings is subordinated to registered shares being entered in the Company's register or bearer shares being registered in a securities account opened with an authorized financial intermediary, no later than two business days before the date of the meeting before midnight, Paris time. Shareholders owning bearer shares must obtain a shareholding certificate from the authorized financial intermediary evidencing the registration of their shares, which is attached to the postal vote or proxy form. All shareholders may cast

their votes remotely or by proxy, under the conditions set forth in the applicable regulations.

On the Executive Management's decision, shareholders may vote by any telecommunication or remote transmission means, in accordance with the regulations applicable at the time of the decision. This option shall be indicated in the notice of meeting published in the *Bulletin des Annonces Légales Obligatoires (BALO)*. Votes cast by shareholders using the electronic ballot form provided on the website created by the meeting coordinator for this purpose are counted in the same way as votes cast by shareholders present or represented. The electronic ballot may be completed and signed directly on this site by any procedure approved by Executive Management and that complies with the conditions defined by Article L. 1316-4 of the French Civil Code (*Code civil*), since repealed pursuant to the Order of 10 February 2016, becoming Article 1367 of the French Civil Code, in the first sentence of sub-paragraph 2 (that is, by using a reliable identification procedure that guarantees that the signature is linked to the form), which may consist, *inter alia* of a login name and a password. Any proxies given or votes cast via this electronic means before the General Meeting, and the acknowledgements of receipt sent in response, will be deemed to be irrevocable instructions that are enforceable in every way, it being specified that in the event that shares are sold before the second business day preceding the General Meeting, at 12:00 midnight, Paris time, the Company will void or amend any proxy or voting instructions sent before that date accordingly. Persons invited by the Executive Chairman or by the Chairman of the Supervisory Board may also attend General Meetings. The Active Partners may attend General Meetings of Shareholders. Active Partners that are legal entities are represented by a legal representative or by any person, shareholder or otherwise, designated thereby.

*The General Meeting of 7 June 2010 amended Article 24.2 of the Articles of Association to allow the Executive Management to set up an electronic balloting system applicable to all future General Meetings.*

*The General Meeting of 2 June 2015 amended Article 24.2 of the Articles of Association to bring it into compliance with Article R. 225-85 of the French Commercial Code (*Code de commerce*) resulting from decree No. 2014-1466 of 8 December 2014, changing the method for determining the "record date" for participation in General Meetings.*

**24.3** - Meetings are chaired by the Chairman of the Supervisory Board or, in their absence, by one of the Vice-Chairmen of the Board, or in their absence, by the Executive Chairman.

**24.4** - The Ordinary and Extraordinary General Meetings, duly convened in accordance with the conditions specified by law, carry out their responsibilities in accordance with the law.

**24.5** - Except for resolutions pertaining to the nomination and revocation of Supervisory Board members, the nomination and revocation of the Statutory Auditors, the distribution of profits for the year and the approval of related-party agreements that are subject to shareholders' approval, no resolution adopted by the General Meeting shall be valid unless it is approved by the Active Partners no later than at the end of the General Meeting that voted on the relevant resolution. The Company's Executive Management has all powers to record such approval.

## 25 - Financial statements

Each financial year consists of 12 months, commencing on 1 January and ending on 31 December.

## 26 - Allocation and distribution of profits

The General Meeting approves the financial statements for the past year and duly notes the amount of distributable profits.

The Company pays 0.67% of the distributable profits to the Active Partners, at the time and place designated by the Executive Management, within nine months at most after the end of the financial year.

The Active Partners distribute this amount amongst themselves as they see fit.

The remaining distributable profits revert to the shareholders. Their appropriation is decided by the Ordinary General Meeting, on the Supervisory Board's recommendation. On the Supervisory Board's recommendation, the General Meeting may grant to each shareholder an option to receive payment for all or part of the dividend or interim dividend in cash or in shares, under the conditions set by law.

On the Supervisory Board's recommendation, the General Meeting may decide to draw from the balance of profits reverting to the shareholders the sums it deems appropriate to be allocated to shareholders' retained earnings or to be appropriated to one or more extraordinary, general or special reserve funds, which do not bear interest, and to which the Active Partners as such have no rights.

On the unanimous recommendation of the Active Partners, the reserve fund or funds may, subject to approval by the Ordinary General Meeting, be distributed to the shareholders or allocated to the partial or total amortisation of the shares. Fully amortised shares shall be replaced by entitlement shares with the same rights as the former shares, with the exception of the right to reimbursement of capital.

The reserve fund or funds may also be incorporated into the share capital.

Dividends are payable at the times and places determined by the Executive Management within a maximum of nine months from the end of the financial year, unless this time period is extended by a court of law.

## 27 - Dissolution of the Company

At the end of the Company's lifetime or in the event of early dissolution, the General Meeting decides on the winding-up procedure and appoints one or several liquidators, whose powers are defined by the meeting and which carry out their responsibilities in accordance with the applicable laws.

Any liquidation proceeds (*boni de liquidation*) shall be distributed amongst the shareholders.

## 7.1.2 PRESENTATION OF ÉMILE HERMÈS SARL – ACTIVE PARTNER

Page 338 describes the control exercised by the company Émile Hermès SARL over Hermès International. The operation of Émile Hermès SARL, Active Partner, was not affected by the set-up of the company H51 in 2011.

### 7.1.2.1 Legal form

Émile Hermès SARL is a *société à responsabilité limitée à capital variable* (limited company with variable capital), constituted on 2 November 1989. Its partners are the direct descendants of Mr Émile-Maurice Hermès and his wife.

In companies with variable capital, the share capital can increase or decrease constantly, as existing partners or new "incoming" partners contribute additional funds, or as "outgoing" partners withdraw their funds.

### 7.1.2.2 Corporate purpose

The sole purpose of Émile Hermès SARL is:

- ◆ to serve as Active Partner and, if applicable, as Executive Chairman of Hermès International;
- ◆ potentially to own a direct or indirect equity interest in Hermès International; and
- ◆ to carry out all transactions in view of pursuing and accomplishing these activities and to ascertain that any liquid assets it may hold are appropriately managed.

### 7.1.2.3 Partners

Only the following may be partners in Émile Hermès SARL:

- ◆ descendants of Mr Émile-Maurice Hermès and his wife, born Julie Hollande; and
- ◆ their spouses, but only as usufructuaries.

In the light of the Company's purpose, shall not be a partner if, for each share owned in Émile Hermès SARL, that owner does not have on deposit in the corporate accounts (draft resulting from the split that occurred on 1 March 2013):

- ◆ a number of non-dismembered Hermès International shares undivided and free from any encumbrance or commitment to third parties equal to 2,250 (two thousand two hundred and fifty); or
- ◆ the beneficial or legal ownership of a number of Hermès International shares undivided and free from any encumbrance or commitment to third parties equal to 4,500 (four thousand five hundred).

The subscription or transfer, of any kind whatsoever, of shares, is subject to the approval of the partners as a whole. Exceptionally, the subscription of shares for a partner and the transfer of shares between partners is not subject to this the approval procedure (wording resulting from the modification of the Articles of Association taking effect on 3 October 2018).

#### **7.1.2.4 Executive Chairman**

Émile Hermès SARL's Executive Chairman is Mr Henri-Louis Bauer, a great-grandson of Émile-Maurice Hermès. He was appointed on 1 July 2012.

#### **7.1.2.5 Executive Management Board**

The Company is governed by an Executive Management Board comprising three to twelve members, including the Executive Chairman, who serves as Board Chairman.

The composition of the Executive Management Board is contained in Chapter 3 "Corporate Governance" page 139.

Executive Management Board members must be natural persons. The Executive Chairman is an ex-officio member thereof. The other members of the Executive Management Board are chosen from amongst the Company partners (wording resulting from the modification of the Articles of Association taking effect on 1 January 2014).

The Executive Chairman of Émile Hermès SARL shall act in accordance with the Executive Management Board's recommendations in exercising its powers as Active Partner of Hermès International.

#### **7.1.2.6 Date of incorporation – Trade and Company Register – Registered office**

Émile Hermès SARL was created on 2 November 1989. It is registered with the Paris Trade and Company Register under number 352 258 115. Its registered office is located at 23, rue Boissy-d'Anglas, 75008 Paris, France.

#### **7.1.2.7 Share capital – statement of financial position – net income**

The authorised share capital is €343,840 and the share capital under the Articles of Association was €109,480 as at 31 December 2018.

It is divided into 27,370 shares with a par value of €4 each. As at 31 December 2018, Émile Hermès SARL had total assets of €51,568,180, including net income for the year of €3,393,141.

## 7.2 INFORMATION ON SHARE CAPITAL AND SHAREHOLDERS

### 7.2.1 INFORMATION ON SHARE CAPITAL

#### 7.2.1.1 Share capital

	<b>Amount</b>	<b>Number</b>	<b>Par value</b>
As at 01/01/2018	€53,840,400.12	105,569,412	€0.51
As at 31/12/2018	€53,840,400.12	105,569,412	€0.51
On the day of the meeting	€53,840,400.12	105,569,412	€0.51

The shares are fully paid-up.

#### 7.2.1.2 Voting rights

By the 15th of each month at the latest, the Company issues a report on the total number of voting rights and shares that makes up the share capital on the last day of the previous month and publishes it on its website: <https://finance.hermes.com>, Regulated Information tab.

As at 28 February 2019, the total number of voting rights (including shares deprived of voting rights) was 178 236 297. Each share gives the holder the right to at least one vote in the Shareholders' General Meetings, except for treasury shares held by the Company, which have no voting rights.

Ownership of certain shares is split between a usufructuary and a bare owner. In accordance with the Articles of Association, voting rights attached to the shares are exercised by the bare owners at all General Meetings (ordinary, extraordinary or special meetings), save for decisions regarding the allocation of net income, in which case the usufructuary exercises the voting rights. Furthermore, double voting rights are allocated to:

- ◆ any fully-paid registered share which has been duly recorded on the books in the name of the same shareholder for a period of at least four years from the date of the first General Meeting following the fourth anniversary of the date when the share was registered on the books; and
- ◆ any registered share allotted for no consideration to a shareholder, in the event of a capital increase effected by capitalisation of sums in the share premiums, reserves or retained earnings accounts, in proportion to any existing shares which carry double voting rights.

Double voting rights cease automatically under the conditions specified by the law and notably for any share that was the subject of a conversion to bearer or a transfer, excluding any "registered to registered" transfer following succession, liquidation of community of property between spouses or family donation.

Failure to disclose attainment of certain ownership thresholds as provided by law or by the Articles of Association may disqualify the shares for voting purposes (see Article 11 of the Articles of Association on page 332).

#### 7.2.1.3 Changes in share capital over the past three financial years

No change of capital occurred over the last three financial years

### 7.2.2 INFORMATION ON SHAREHOLDERS

#### 7.2.2.1 Number of shareholders

Several times a year, the Company uses the Euroclear France "identifiable bearer shares" procedure (TPI, *titres au porteur identifiables*) to identify its shareholders. During the study of 31 December 2018, there were approximately 105,000 shareholders; there were approximately 101,000 as at 31 December 2017 and some 87,000 as at 31 December 2016.

#### 7.2.2.2 Percentage of individual shareholders

The percentage of individual shareholders was 6.1% in December 2018, compared with 5.6% in the same period in 2017. (Grouping the registered shares held as at 31 December 2018 by the individual shareholders and the bearer shares identified by the TPI on 31 December 2018, excluding holdings by family groups).

### **7.2.2.3 Main shareholders as at 31 December 2018 – control of the Company**

Hermès International is controlled through the intermediary of Émile Hermès SARL, its Active Partner by the Hermès family group, which also holds, notably via the intermediary of the company H51, a majority shareholding (in capital and voting rights) within the Company as a Limited Partner. This control is exclusive control according to the meaning of Article L. 233-16 of the French Commercial Code (Code de commerce).

The companies H51 and H2 are held exclusively by members of the Hermès family group. To the Company's knowledge, there are no shareholders other than those shown in the tables on page 342, directly or indirectly holding, alone or together, more than 5% of the share capital or voting rights.

The ownership interests of Corporate Officers and Senior Executives are listed on page 223.

Material changes in ownership of the share capital over the past three years are described below, under "Crossing of thresholds". To the Company's knowledge, the organisation of the Hermès family group has not been significantly modified since the incorporation of the company H51 SAS.

#### **Significant movements occurring during the last three years in the distribution of its share capital and voting rights, and the reasons for these movements - Retention commitment**

According to the terms of a transaction signed on 3 September 2014, LVMH Moët Hennessy - Louis Vuitton undertook to distribute to its shareholders all of the shares that it held in Hermès International, followed by the distribution by Financière Jean Goujon and Christian Dior to their own shareholders of shares thus received from LVMH Moët Hennessy - Louis Vuitton. The share distributions were implemented at the end of 2014 and the start of 2015, with LVMH Moët Hennessy Louis Vuitton and Christian Dior holding only a residual balance of the Hermès International shares, which they disposed of no later than 2 September 2015. LVMH Moët Hennessy Louis Vuitton (in its own name and on behalf of its subsidiaries), Christian Dior (in its own name and on behalf of its subsidiaries) and Financière Jean Goujon (in its own name and on behalf of its subsidiaries) undertook to no longer hold any Hermès International shares for a period of five years. The family-owned group Arnault also committed, for the same period, not to hold a number of Hermès International shares exceeding the number it received as part of the allocations provided for under the transaction carried out on 3 September 2014. This undertaking will end on 3 September 2019.

On 25 April 2017, the Arnault family group, Christian Dior and LVMH launched a simplified public offering from the Arnault family group on Christian Dior shares that they did not hold on that date, open from 8 to 28 June 2017.

On 4 July 2017, the results of this simplified public offering were the delivery, by Semyhamis, of nearly 7 million shares in Hermès International to the ex-minority interests of Christian Dior, representing about 6.6% of the capital.

Following the transaction, the Arnault family group held 1.87% of the capital and 1.13% of the voting rights of Hermès International (see AMF Notice No. 217C1527 of 11 July 2017 and page 344).

On 21 July 2017, the Hermès family group declared that it held nearly 66.67% of the capital of Hermès International of which 0.95% of the capital by assimilation (see AMF Notice No. 217C1755 of 28 July 2017 and page 344).

#### **Changes occurring after closure of the financial year**

To the Company's knowledge, there has been no significant change with regards to Hermès International shareholders between 31 December 2018 and the date on which this registration document was filed with the AMF.

#### **Measures taken to prevent abusive control**

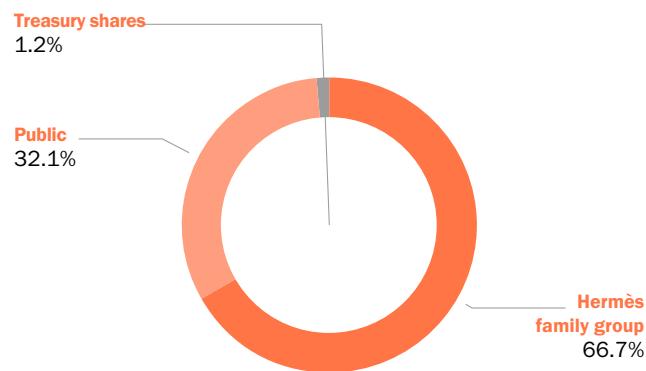
Refer to Chapter 3 "Corporate Governance", page 133, and to the paragraph "Management of conflicts of interest", page 177.

### **7.2.2.4 Treasury shares**

On 31 December 2018, Hermès International held 1,317,379 treasury shares, representing 1.2% of its share capital, acquired as part of the share buyback programme presented on pages 344 to 346.

### **7.2.2.5 Ownership of share capital and voting rights as at 31 December 2018**

#### **BREAKDOWN OF THE SHAREHOLDERS AT 31 DECEMBER 2018**



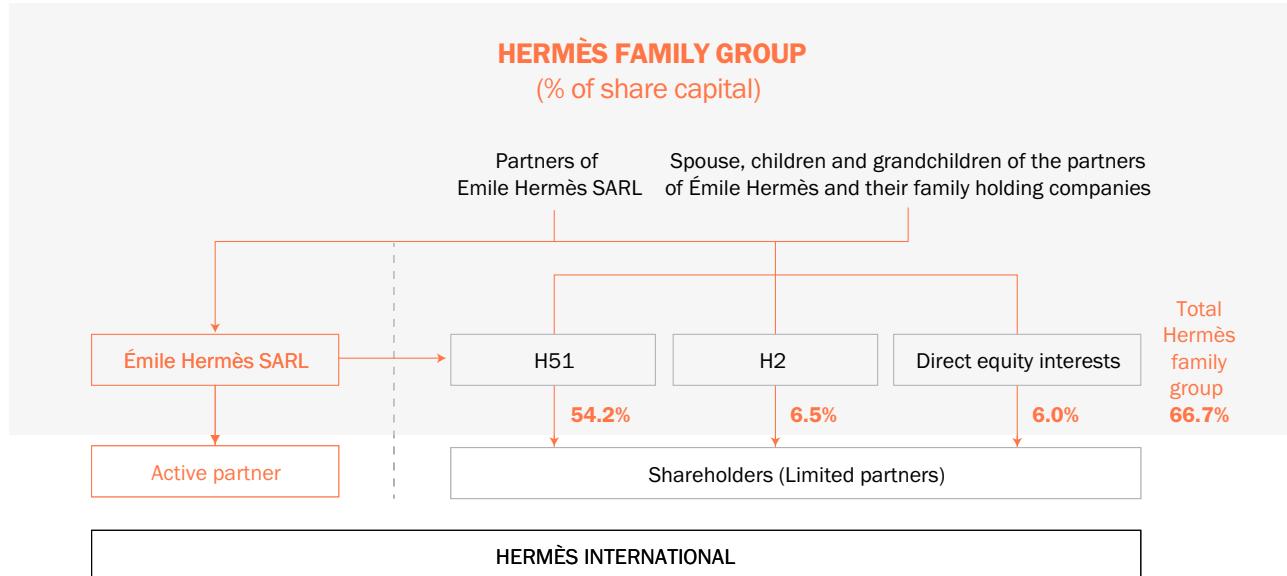
As at 31 December 2018 and to the Company's knowledge, the distribution of the share capital and voting rights of the Company was as follows:

	<b>Share capital</b>		<b>Allocation of net income</b>		<b>Voting rights<sup>1</sup></b>	
	<b>Number</b>	<b>%</b>	<b>Number</b>	<b>%</b>	<b>Number</b>	<b>%</b>
H51	57,229,054	54.2	111,766,607	63.5	111,766,607	63.5
H2	6,876,102	6.5	13,752,204	7.8	13,752,204	7.8
Other members of the Hermès family group	6,300,190	6.0	7,962,403	4.5	12,042,403	6.8
<b>Subtotal Hermès family group<sup>2</sup></b>	<b>70,405,346</b>	<b>66.7</b>	<b>133,481,214</b>	<b>75.8</b>	<b>137,561,214</b>	<b>78.1</b>
Public <sup>3 4 5</sup>	33,846,687	32.1	42,555,581	24.2	38,475,581	21.9
Treasury shares	1,317,379	1.2	-	0.0	-	0.0
<b>TOTAL</b>	<b>105,569,412</b>	<b>100.0</b>	<b>176,036,795</b>	<b>100.0</b>	<b>176,036,795</b>	<b>100.0</b>

- (1) Voting rights that can be exercised in the General Meeting. In accordance with Article 12 of the Articles of Association of the Company, the voting right is exercised by the bare owner for all decisions taken by all General Meetings, except for decisions concerning the allocation of net income, for which the voting right is exercised by the usufructuary. The procedures for publication and allocation of voting rights are detailed on page 340.
- (2) The Hermès family group is composed of the partners of Émile Hermès SARL, their spouses, children and grandchildren, their asset holdings, and direct and indirect shareholders in Hermès International and in Émile Hermès SARL.
- (3) These amounts correspond to all of the shares and voting rights in circulation, reduced by the number of shares and voting rights declared by the identified shareholders as mentioned in this table.
- (4) Including the Arnault family group, refer to the threshold-crossing declaration of 11 July 2017 on page 344.
- (5) Mr Nicolas Puech did not indicate the number of shares he held in Hermès International as of 31 December 2018.

These figures result for the registered shares on the register kept by the BP2S Securities service and for the bearer shares, from the declarations, where applicable, of those in question.

Changes occurring after closure of the financial year are detailed on page 341.



### 7.2.2.6 Change in ownership and voting rights

During the last three financial years and to the Company's knowledge, the distribution of capital and voting rights in the Company (by percentage) was as follows:

Shareholders holding more than 5% of the capital or voting rights	31/12/2018			31/12/2017			31/12/2016		
	Share capital	Voting rights <sup>1</sup>		Share capital	Voting rights <sup>1</sup>		Share capital	Voting rights <sup>1</sup>	
		Allocation of net income	Other		Allocation of net income	Other		Allocation of net income	Other
H51	54.2%	63.5%	63.5%	53.5%	63.3%	63.3%	52.6%	62.7%	62.7%
H2	6.5%	7.8%	7.8%	6.5%	7.9%	7.9%	6.5%	7.6%	7.6%
Other members of the Hermès family group	6.0%	4.5%	6.8%	6.0%	4.6%	6.9%	6.0%	4.5%	6.9%
<b>Subtotal Hermès family group<sup>2</sup></b>	<b>66.7%</b>	<b>75.8%</b>	<b>78.1%</b>	<b>66.0%</b>	<b>75.8%</b>	<b>78.2%</b>	<b>65.1%</b>	<b>74.8%</b>	<b>77.2%</b>
Semyrhamis	-	-	-	-	-	-	8.3%	5.1%	5.1%
Famille Arnault	-	-	-	-	-	-	0.2%	0.1%	0.1%
<b>Subtotal Arnault family group<sup>3</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8.5%</b>	<b>5.2%</b>	<b>5.2%</b>
Public <sup>4 5 6</sup>	32.1%	24.2%	21.9%	32.7%	24.2%	21.8%	25.4%	20.0%	17.6%
Treasury shares	1.2%	0.0%	0.0%	1.3%	0.0%	0.0%	1.0%	0.0%	0.0%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

- (1) Voting rights that can be exercised in the General Meeting. In accordance with Article 12 of the Articles of Association of the Company, the voting right is exercised by the bare owner for all decisions taken by all General Meetings, except for decisions concerning the allocation of net income, for which the voting right is exercised by the usufructuary. The procedures for publication and allocation of voting rights are detailed on page 340.
- (2) The Hermès family group is composed of the partners of Émile Hermès SARL, their spouses, children and grandchildren, their asset holdings, and direct and indirect shareholders in Hermès International and in Émile Hermès SARL.
- (3) The lines composing this subtotal for 2016 were established in accordance with the declaration of 12 January 2017. For 2017 and 2018, the equity holdings of the family group Arnault are aggregated in the line «Public».
- (4) These percentages correspond to the total shares and voting rights in circulation, reduced by the number of shares and voting rights declared by the identified shareholders as mentioned in this table.
- (5) Including the Arnault family group except for 2016, threshold-crossing declaration of 11 July 2017 on page 344.
- (6) Mr Nicolas Puech did not indicate the number of Hermès International's shares he held at 31 December 2018.

### 7.2.2.7 Employee ownership of share capital

No shares are owned by employees of the Company or any affiliated entities via the Company savings plan or dedicated employee investment.

Maison Hermès, faithful to its family tradition, involves all of its employees throughout the world with in the Group's growth, through employee shareholding mechanisms, which form part of the Group's long-term compensation policy and which help to motivate and retain its employees for the future. Thus, the Hermès Group has offered its employees, in France and internationally, free share plans, granted in 2007, 2010 and 2012.

Resolution 12, voted at the General Meeting of 31 May 2016, approved the establishment of a free share plan for all Group employees, subject to the mechanisms applicable to free share plans, notably concerning the reference and holding periods. On 31 December 2018, employee shareholding, based on plans already allocated or vested, involved more than half of the Group's workforce, which held 887,305 Hermès shares, representing 0.84% of the Group's share capital. Taking into account rights under the last 2016 plan, employee shareholding could exceed 1.5% when the shares vest in 2020.

### 7.2.2.8 Crossing of thresholds

**Crossings of thresholds occurring after the closure of the 2018 financial year**

No crossing of a legal threshold was declared between the closure of the 2018 financial year, and 28 February 2019.

#### Crossing of thresholds in FY 2018

No crossing of a legal threshold was declared in 2018.

#### Crossing of thresholds during the past two financial years

#### Crossing of thresholds in FY 2017

In 2017, the following crossings of a legal threshold were declared:

- ◆ AMF notice No. 217C1525 dated 11 July 2017 (the full text of which is available on the AMF website – [www.amf-france.org](http://www.amf-france.org)):
- on 4 July 2017, Semyrhamis (30 avenue Montaigne, 75008 Paris) declared that it had individually crossed below the thresholds of 5% of the capital and voting rights of Hermès International and individually held 1,790,981 shares in Hermès International, representing the same number of voting rights, namely 1.70% of the capital and 1.03% of the voting rights of this company;
- on 4 July 2017, the Arnault family group declared that it had crossed below the thresholds of 5% of the capital and voting rights of Hermès International and held, directly and indirectly, through the intermediary of the companies that it controls, 1,974,538 shares in Hermès International, representing the same number of voting rights, namely 1.87% of the capital and 1.13% of the voting rights of this company, divided as follows:

	Shares	% share capital	Voting rights	% voting rights
Semyrhamis	1,790,981	1.70	1,790,981	1.03
LVMH	0	-	0	-
Christian Dior	0	-	0	-
Famille Arnault	183,557	0.17	183,557	0.11
<b>TOTAL ARNAULT FAMILY GROUP</b>	<b>1,974,538</b>	<b>1.87</b>	<b>1,974,538</b>	<b>1.13</b>

The crossing of these thresholds results from the delivery of shares in Hermès International held by Semyrhamis as part of the simplified public offering that it initiated targeting the shares of Christian Dior:

- ◆ AMF notice No. 217C1755 dated 28 July 2017 (the full text of which is available on the AMF website – [www.amf-france.org](http://www.amf-france.org)). On 21 July 2017, the Hermès family group declared that it crossed above the threshold of 2/3 of the capital of Hermès International and held 70,385,066 shares representing 130,403,428 voting rights in General Meetings concerning decisions on the allocation of net income and 134,256,835 voting rights concerning other decisions, representing 66.67% of the capital and, respectively 74.92% and 77.13% of the voting rights of this company, divided as follows:

	Shares	% share capital	Decisions concerning allocation of net income		Other decisions	
			Voting rights	% voting rights	Voting rights	% voting rights
H51	56,209,021	53.24	109,244,318	62.76	109,244,318	62.76
H2	6,876,102	6.51	13,072,204	7.51	13,072,204	7.51
Other members	6,292,154	5.96	8,086,906	4.65	11,940,313	6.86
Treasury shares	1,007,789	0.95	-	-	-	-
<b>TOTAL HERMÈS FAMILY GROUP</b>	<b>70,385,066</b>	<b>66.67</b>	<b>130,403,428</b>	<b>74.92</b>	<b>134,256,835</b>	<b>77.13</b>

This crossing is the result of an acquisition of Hermès International shares on the market by the company H51.

#### Crossing of thresholds in FY 2016

No crossing of a legal threshold was declared in 2016.

### 7.2.2.9 Pledging of shares

Duly registered shares are not encumbered by any material pledges.

### 7.2.2.10 Share buyback programmes

#### Use in 2018 of authorisations to buy back shares granted by the General Meeting

The Combined General Meetings of 6 June 2017 and 5 June 2018 approved share buyback programmes authorising the Executive Management, on the basis of Articles L. 225-209 et seq. of the French Commercial Code, to purchase, on or off the market, a number of shares representing up to 10% of the Company's share capital as of the date of purchase in order to allot them to the objectives permitted by European regulations (cancellation of shares within the limit of 10% of the share capital per 24-month period, covering the commitment to deliver shares, i.e. in connection with issuances of securities granting access to capital or grants of existing stock or stock options, allocation to employees) or to one or more market practices currently or later accepted by the Financial

Markets Authority ("AMF") (acquisition practices and the implementation of a liquidity contract with an investment service provider acting independently), and more generally to allot them to carrying out any operation in accordance with the regulations in force.

The Combined General Meetings of 6 June 2017 and 5 June 2018 authorised the Executive Management to reduce the share capital by cancellation of repurchased shares, within the limit of 10% of the share capital per period of 24 months.

The characteristics of the delegations granted to the Executive Management are detailed on pages 203 et seq.

During the financial year ended 31 December 2018, the Executive Management assigned the transactions shown in the table below, in the context of share buyback programmes authorising the Executive Management to buy and sell its own shares under Article L. 225-209 of the French Commercial Code (*Code de commerce*).

	From 01/01/2018 to 05/06/2018	From 06/06/2018 to 31/12/2018	TOTAL
<b>Excluding the liquidity contract</b>			
Number of shares booked in the name of the Company as at 31 December 2017	1,406,536	1,406,536	
Number of shares purchased	80,711	22,526	103,237
Reason for acquisitions	Employee shareholding	Employee shareholding	
Average price of purchases	€585.90	€536.84	€575.19
Number of shares sold	201,340	220	201,560
Average price of sales	€238.43	€212.11	€238.40
Amount of net expenses excluding taxes			
Number of shares cancelled			
Average price of cancelled shares			
Number of shares booked in the name of the Company as at 31 December 2018	1,285,907	22,306	1,308,213
Appropriation			
♦ Employee shareholding	1,207,534	22,306	1,229,840
♦ External growth	78,373		78,373
Net value evaluated during the purchase	€448,808,736	€12,046,112	€460,854,848
Net value evaluated during closure	€623,407,714	€10,813,949	€634,221,662
Par value	€655,813	€11,376	€667,189
Fraction of the share capital that they represent	1.22%	0.02%	1.24%
<b>In the context of the liquidity contract</b>			
Number of shares booked in the name of the Company as at 31 December 2017	9,166	9,166	
Resources implemented (liquidity account)	€5,000,000	€5,000,000	€5,000,000
Number of shares purchased	79,357	130,449	209,806
Average price of purchases	€474.47	€517.69	€501.34
Number of shares sold	82,023	127,783	209,806
Average price of sales	€475.17	€518.43	€501.52
Number of shares booked in the name of the Company as at 31 December 2018	6,500	2,666	9,166
Net value evaluated during the purchase	€3,726,117	€663,385	€4,389,502
Net value evaluated during closure	€3,151,200	€1,292,477	€4,443,677
Par value	€3,315	€1,360	€4,675
Fraction of the share capital that they represent	0.01%	0.00%	0.01%

**Description of the new share buyback programme submitted for the approval of the Combined General Meeting of 4 June 2019**

Pursuant to Articles 241-2 and 241-3 of the General Regulation of the AMF, the Company here in after presents the share buyback programme

to be submitted for the approval of the Ordinary and Extraordinary General Meeting of 4 June 2019. This programme will supersede that authorised by the Combined General Meeting of 5 June 2018.

**Number of shares and percentage of share capital held by Hermès International**

Between 1 January and 28 February 2019, the Company purchased 26,594 shares and sold 27,894 shares within the framework of the liquidity contract.

As of 28 February 2019, the share capital of the Company consisted of 105,569,412 shares, of which 1,321,079 treasury shares (number of shares as of the date of the operation) held by Hermès International, representing 1,3% of the share capital.

**Objectives of the new share buyback programme**

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

- ◆ objectives provided for in Article 5 of MAR: capital decrease, hedging of debt securities exchangeable for shares and coverage of employee shareholding plans;
- ◆ objectives provided for in Article 13 of MAR and under the market practice accepted by the AMF: the implementation of a liquidity contract by an investment service provider acting independently and in accordance with the provisions of AMF Decision No. 2018-01 of 2 July 2018;
- ◆ other objectives: acquisitions, hedging of equity securities exchangeable for shares and, more generally, to allocate them for the completion of any transactions in accordance with the regulations in force.

**Ceilings and conditions of the authorisation**

- ◆ Purchases and sales of shares representing up to 10% of the share capital would be authorised, i.e. for indicative purposes as of 31 December 2018: 10,556,941;

- ◆ the maximum purchase price (excluding costs) would be set at €700 per share;
- ◆ the maximum amount of funds to be committed would be set at €1,800 million. Treasury shares held on the day of the General Meeting are not taken into account in this maximum amount;
- ◆ pursuant to the law, the total number of shares held at a given date may not exceed 10% of the share capital as of that date;
- ◆ the shares may be purchased by any means, including all or part of interventions on regulated markets, multilateral trading systems, with systematic internalisers or OTC, including block purchases of securities (without limiting the portion of the buyback programme carried out by this means), by public offering to purchase or exchange or the use of options or derivatives (in compliance with legal and regulatory requirements applicable at the time), excluding the sale of put options, and at the time that the Executive Management deems appropriate, including during a public offering for the shares of the Company, in accordance with stock market regulations, either directly or indirectly via an investment services provider. The shares acquired pursuant to this authorisation may be retained, sold, or transferred by any means, including by block sales, and at any time, including during times of public offerings.

**Duration of the authorisation**

This authorisation would be valid for eighteen months from the date of the Combined General Meeting of 4 June 2019, i.e. until 4 December 2020.

### 7.2.3 TRANSACTIONS PERFORMED BY CORPORATE OFFICERS AND THOSE CLOSE TO THEM ON THE SHARES OF THE COMPANY

In accordance with Article L. 621-18-2 of the French Monetary and Financial Code (Code monétaire et financier) we hereby report to you transactions in the Company's shares carried out by the Company's Senior Executives (Executive Chairmen, members of the Supervisory Board and members of the Executive Committee) and their immediate family members during the past financial year.

<b>Declaration no.</b>	<b>Date of the transaction</b>	<b>Name and function</b>	<b>Nature of the transaction</b>	<b>Securities concerned</b>	<b>Unit price</b>	<b>Amount of the transaction</b>
2018DD532082	2 January 2018	Laurent Momméja, member of the Executive Management Board of Émile Hermès SARL Active Partner and Executive Chairman of Hermès International	Disposal	Shares	€442.00	€1,768,000.00
2018DD532124	2 January 2018	Clovis, SAS, legal entity related to Laurent Momméja, member of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€440.94	€1,769,059.30
2018DD532148	2 January 2018	Renaud Momméja, member of the Supervisory Board	Disposal	Shares	€446.25	€1,338,750.00
2018DD532162	2 January 2018	Altizo, legal entity related to Renaud Momméja, member of the Supervisory Board	Purchase	Shares	€444.23	€1,340,253.98
2018DD532432	2 January 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€440.57	€22,110,446.00
2018DD532781	3 January 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€443.06	€4,428,384.70
2018DD532784	4 January 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€443.85	€7,836,668.57
2018DD532785	5 January 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€445.99	€8,642,336.09
2018DD533473	8 January 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€447.94	€6,327,628.69
2018DD533477	9 January 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€449.71	€8,277,904.00
2018DD533479	10 January 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€449.22	€9,445,769.97
2018DD533952	11 January 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€447.47	€7,487,912.78

<b>Declaration no.</b>	<b>Date of the transaction</b>	<b>Name and function</b>	<b>Nature of the transaction</b>	<b>Securities concerned</b>	<b>Unit price</b>	<b>Amount of the transaction</b>
2018DD533963	12 January 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	445.70	€7,285,363.16
2018DD533966	15 January 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€446.95	€6,154,556.58
2018DD534378	16 January 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€446.46	€3,785,542.82
2018DD534379	17 January 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€448.08	€21,934,909.20
2018DD534382	18 January 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€443.42	€27,177,655.20
2018DD534725	19 January 2018	Laurent Momméja, member of the Executive Management Board of Émile Hermès SARL Active Partner and Executive Chairman of Hermès International	Succession, transfer to individual account	Shares	€399.61	€3,436,646.00
2018DD534726	19 January 2018	Renaud Momméja, member of the Supervisory Board	Succession, transfer to individual account	Shares	€399.61	€3,436,646.00
2018DD534789	19 January 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€442.18	€7,971,250.97
2018DD534791	22 January 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€444.38	€3,500,825.64
2018DD534792	23 January 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€446.26	€2,467,360.48
2018DD535293	24 January 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€445.10	€4,326,401.16
2018DD535294	25 January 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€441.28	€7,487,112.92
2018DD535295	26 January 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€445.02	€3,067,536.65

<b>Declaration no.</b>	<b>Date of the transaction</b>	<b>Name and function</b>	<b>Nature of the transaction</b>	<b>Securities concerned</b>	<b>Unit price</b>	<b>Amount of the transaction</b>
2018DD535860	29 January 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€444.41	€7,046,945.94
2018DD535862	30 January 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€444.79	€4,287,746.68
2018DD535864	31 January 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€445.53	€5,353,536.54
2018DD536405	1 February 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€445.30	€6,011,523.00
2018DD536422	2 February 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€444.14	€5,931,045.56
2018DD536424	5 February 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€438.07	€7,607,454.16
2018DD537025	6 February 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€426.72	€7,832,835.61
2018DD537026	7 February 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€431.13	€7,634,898.88
2018DD537029	8 February 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€426.26	€12,702,428.80
2018DD537621	9 February 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€422.61	€4,726,470.24
2018DD537622	12 February 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€433.69	€3,174,581.52
2018DD537624	13 February 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€433.85	€4,195,281.15

<b>Declaration no.</b>	<b>Date of the transaction</b>	<b>Name and function</b>	<b>Nature of the transaction</b>	<b>Securities concerned</b>	<b>Unit price</b>	<b>Amount of the transaction</b>
2018DD538172	14 February 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€435.03	€3,891,334.40
2018DD538177	15 February 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€441.54	€2,766,714.70
2018DD538180	16 February 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€444.97	€2,198,591.83
2018DD543256	23 March 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€464.02	€4,841,574.25
2018DD543405	26 March 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€467.51	€6,877,480.77
2018DD543406	27 March 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€472.89	€11,339,926.20
2018DD543410	28 March 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€473.88	€5,249,113.38
2018DD544321	29 March 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€479.45	€6,229,545.82
2018DD544339	3 April 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€479.93	€142,059.87
2018DD560035	10 May 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€578.78	€6,059,837.07
2018DD561213	16 May 2018	Axel Dumas, Executive Chairman	Definitive acquisition of free shares	Shares	€0	€0
2018DD561214	16 May 2018	Olivier Fournier, member of the Executive Committee	Definitive acquisition of free shares	Shares	€0	€0
2018DD561215	16 May 2018	Florian Craen, member of the Executive Committee	Definitive acquisition of free shares	Shares	€0	€0

<b>Declaration no.</b>	<b>Date of the transaction</b>	<b>Name and function</b>	<b>Nature of the transaction</b>	<b>Securities concerned</b>	<b>Unit price</b>	<b>Amount of the transaction</b>
2018DD561216	16 May 2018	Eric du Halgouët, member of the Executive Committee	Definitive acquisition of free shares	Shares	€0	€0
2018DD561217	16 May 2018	Guillaume de Seynes, member of the Executive Committee	Definitive acquisition of free shares	Shares	€0	€0
2018DD561218	16 May 2018	Pierre-Alexis Dumas, member of the Executive Committee	Definitive acquisition of free shares	Shares	€0	€0
2018DD561219	16 May 2018	Wilfried Guerrand, member of the Executive Committee	Definitive acquisition of free shares	Shares	€0	€0
2018DD561298	17 May 2018	Pascale Mussard, member of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Allocation of free shares	Shares	€585.40	€889,808.00
2018DD561299	17 May 2018	Pascale Mussard, member of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Disposal	Shares	€585.38	€557,282.71
2018DD565142	18 June 2018	Guillaume de Seynes, member of the Executive Committee	Disposal	Shares	€579.55	€1,399,033.70
2018DD565144	18 June 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€579.55	€1,399,033.70
2018DD565358	19 June 2018	Eric du Halgouët, member of the Executive Committee	Disposal	Shares	€540.02	€460,097.04
2018DD565719	22 June 2018	Eric du Halgouët, member of the Executive Committee	Disposal	Shares	€528.00	€78,144.00
2018DD578221	28 September 2018	Sagaie, legal entity related to Mr Frédéric Dumas, member of the Executive Management Board of Émile Hermès SARL, the Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€560.00	€840,000.00
2018DD585431	23 November 2018	H51 legal entity related to various Senior Executives, the Executive Chairman, members of the Executive Committee, members of the Supervisory Board, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€495.62	€8,425,540.00
2018DD585434	23 November 2018	AFEA, legal entity related to Mr Pierre-Alexis and Ms Sandrine Dumas, member of the Executive Committee and member of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Disposal	Shares	€495.62	€8,425,540.00
2018DD586018	29 November 2018	Clovis, SAS, legal entity related to Laurent Momméja, members of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Purchase	Shares	€495.95	€991,900.00
2018DD586020	29 November 2018	Clémence Momméja, a person related to Mr Laurent Momméja, member of the Executive Management Board of Émile Hermès SARL, Active Partner and Executive Chairman of Hermès International	Disposal	Shares	€495.95	€991,900.00

No other Corporate Officer (Executive Chairman or Supervisory Board member) of Hermès International reported any trades in Company shares in 2018.

No other Senior Executive (Executive Committee member) of Hermès International reported any trades in Company shares in 2018.

Neither did the Company receive any other reports of such trades from any of their immediate family members.

## 7.2.4 STOCK MARKET ETHICS CODE

European regulation (EU) No. 596/2014 of 16 April 2014 on market abuse (commonly known as MAR) entered into force on 3 July 2016. It was completed by the AMF's Position-Recommendation No. 2016-08 of 26 October 2016 (guide to permanent information and management of inside information) and two AMF's instructions, namely No. 2016-06 on transactions by Senior Executives and similar and No. 2016-07 on notification procedures within the framework of deferred publication of inside information.

The new regulations have ushered in new rules and measures applying to insiders, to publicly-traded companies and to their Senior Executives. They have forced a review of internal procedures, practices and prevention training in respect of insiders within the Hermès Group.

On 1 February 2017, the Hermès Group adopted a new Stock Market Ethics Code (the "Code") formalising the steps taken and the obligations incumbent on people, whether or not they are Senior Executives, who have access to inside information. The new Code consolidates and replaces documents released earlier, including the stock market ethical charter cited in previous registration documents. A summary of the new Code is made available each time it is updated on the website <http://finance.hermes.com/> on the "Corporate Governance" page, under "Management Bodies/The Supervisory Board".

The Code was updated on 25 July 2017, 1 January 2018, 16 November 2018 and 25 January 2019 as follows:

- ◆ inclusion of precautionary measures concerning broadcast/comments on social networks and media in connection with the Hermès group;
- ◆ update of the applicable regulations (CNIL Decision 2017-200 dated 6 July 2017, ESMA's interpretations, adaptation to GDPR);
- ◆ editorial details.

It is structured as follows:

### **Review of definitions (inside information, insiders and similar, insider lists, trading days, AMF).**

### **Internal procedures within the Group**

#### *Creation of "blackout" periods*

The Code notes that Executive Chairmen, members of the Executive Committee, members of the Supervisory Board and members of the Executive Management Board of Émile Hermès SARL are qualified as "permanent insiders" (as defined in MAR, the "Permanent Insiders").

Internally, Hermès International qualifies as "sensitive" persons any non-insiders among employees who are liable to hold sensitive or confidential information that is not classified as inside information (the "Sensitive People"). As a preventive measure and to facilitate accountability, these people are subject to specific blackout periods. A list of "sensitive" persons is established, and the relevant persons concerned are informed of their status.

Permanent Insiders and Sensitive People are required to refrain from trading in the securities of the Company during blackout periods set out in the schedules drawn up and published each year.

The requirement to respect blackout periods covers all transactions on Hermès International shares. It applies to:

- ◆ for Permanent Insiders, as a precaution and even though the information in question is not considered Inside information by the Inside Information Committee, from the reporting dates for quarterly sales, and those for annual and interim results (reporting of financial information that could provide an indication of the figures, prior to the "financial" blackout periods below) up to and including the date on which revenue and annual or interim results are reported, where appropriate;
- ◆ for Permanent Insiders and Sensitive People during "financial" blackout periods:
  - a period of 30 calendar days before the annual or interim financial statements are made public,
  - a period of 15 calendar days before the quarterly information is made public;
- ◆ for recipients of free shares (only for the sale of free shares), at the end of the retention period during "free share" blackout periods:
  - a period of ten trading days before and three trading days after the annual or interim financial statements are made public,
  - a period of ten trading days before and three trading days after the quarterly information is made public,
  - exceptionally, a period beginning when the Group issues a specific alert about a transaction prohibiting trading until a date ten trading days after the transaction is made public.

#### *Qualification process and deferral of publication of inside information*

Hermès International has established an Inside Information Committee (IIC), whose role is to identify and qualify inside information, to decide whether or not to defer its publication, and to identify insiders for each item of inside information (other than Permanent Insiders). The IIC consists of an Executive Chairman (Mr Axel Dumas), the Executive Vice-President Finance (Mr Eric du Halgouët) and the Group Financial Operations and Investor Relations Director (Ms Carole Dupont-Pietri).

#### *Appointment of a Compliance Officer*

Hermès International has appointed Ms Nathalie Besombes (Corporate Law and Stock Exchange Regulations Director, Supervisory Board Secretary) as Compliance Officer. The Compliance Officer is tasked with: establishing management procedures and tools for the Insider lists, creating and updating the lists of Permanent Insiders, occasional Insiders and Sensitive People based on information received from the IIC, drafting, distributing and updating of the Code of Market Ethics, organising training of insiders, drawing up and publicising calendars of blackout periods applicable to Permanent Insiders, occasional Insiders and Sensitive People, informing insiders and obtaining their explicit recognition of their obligations, and issuing oral advisory notice prior to completion of a transaction by permanent or occasional insiders.

## 7.2.5 SHAREHOLDERS' PACTS AND AGREEMENTS

### 7.2.5.1 Priority acquisition right

A priority right to acquire Hermès International shares (AMF notice 211C2288) came into force on 13 December 2011. This priority acquisition right is stipulated for the benefit of H51, a simplified joint stock company with variable capital, and was initially granted by 102 natural persons and 33 legal entities (all members, held by members or for whom one of the parents is a member of the Hermès family group), representing a total of about 12.3% of the share capital of Hermès International.

By amendment (AMF notice 213C0716) which came into force on 17 June 2013, the price at which H51 could acquire the Hermès International shares from the members of the Hermès family group pursuant to this priority acquisition right would be equal to the average of

the prices weighted by volumes (on the entire trading platform) of the Hermès International share during the 30 stock market trading days preceding the day of notification of the transfer, unless the said share is insufficiently liquid (as defined in the amendment), in which case an expert appraisal procedure will be implemented.

To the Company's knowledge:

- ◆ the organisation of the Hermès family group has not been significantly modified since the incorporation of the company H51;
- ◆ the priority acquisition right that H51 benefits from covers most of the Hermès International shares also held by the members of the Hermès family group (i.e. at 31 December 2018, 12.5% of the capital held by H2 and other members of the Hermès family group, see page 342);
- ◆ the priority acquisition right was granted by members of the Hermès family group and descendants of these members who do not yet directly or indirectly hold shares in the Company.

### 7.2.5.2 Dutreil agreements

The following shareholder agreements, coming under the Dutreil law and still in force in 2018, were brought to the Company's attention:

#### Dutreil Transmission agreement 2018

Regime	Article 787 B of the French General Tax Code ( <i>Code général des impôts, CGI</i> )
Date of signature	27 November 2018
Duration of the collective commitment	
Contractual duration of the agreement	Two years from the date of registration (in this case, 27 November 2018)
Procedures for renewal	Non-renewable
Percentage of the share capital covered by the agreement on the date of its signature	54.29%
Percentage of voting rights covered by the agreement on the date of its signature	63.53%
Names of the signatories having the capacity of Senior Executives (within the meaning of Article L. 621-18-2-a) of the French Monetary and Financial Code ( <i>Code monétaire et financier</i> )	On the date of signature of the agreement: <ul style="list-style-type: none"> <li>◆ Émile Hermès SARL, Executive Chairman and Active Partner</li> <li>◆ Axel Dumas, Executive Chairman</li> </ul>
Names of the signatories having close personal links with the Senior Executives (according to the meaning of Articles L. 621-18-2-c and R. 621-43-1 of the French Monetary and Financial Code ( <i>Code monétaire et financier</i> ))	All signatories
Names of signatories holding at least 5% of the capital and/or voting rights in the Company as at 31 December 2018	H51

#### Dutreil Transmission agreement 2016.1

Regime	Article 787 B of the French General Tax Code ( <i>Code général des impôts, CGI</i> )
Date of signature	2 November 2016
Duration of the collective commitment	
Contractual duration of the agreement	Two years from 21 November 2016
Procedures for renewal	Non-renewable
Percentage of the share capital covered by the agreement on the date of its signature	52.91%
Percentage of voting rights covered by the agreement on the date of its signature	62.56%
Names of the signatories having the capacity of Directors (within the meaning of Article L. 621-18-2-a) of the French Monetary and Financial Code ( <i>Code monétaire et financier</i> )	On the date of signature of the agreement: <ul style="list-style-type: none"> <li>◆ Émile Hermès SARL, Executive Chairman and Active Partner</li> <li>◆ Axel Dumas, Executive Chairman</li> </ul>
Names of the signatories having close personal links with the Senior Executives (within the meaning of Articles L. 621-18-2-c and R. 621-43-1 of the French Monetary and Financial Code ( <i>Code monétaire et financier</i> ))	All signatories
Names of signatories holding at least 5% of the capital and/or voting rights in the Company as at 31 December 2017	H51

## 7.3 DIVIDEND POLICY

Subject to the investments needed for the Company's development and the corresponding financing requirements, the Company's current intention is to continue the "ordinary" dividend policy it has conducted over the past several years. The amounts of dividends paid in each of the financial years included in the historical financial information are shown on page 315.

You are reminded that, in order to distribute part of the large amount of cash available (more than €1 billion), an "exceptional" dividend of €5.00 was paid in 2012, 2015 and 2018, in addition to the "ordinary" dividend.

In view of the level of cash reached at the end of 2018, the Executive Management decided, for the seventh time, to pay an interim dividend of €1.50 per share. In future, the Executive Management will decide case by case, given the situation of the Group and its prospects, whether it is appropriate to pay interim dividends before the General Meeting. In accordance with the law, the time limit after which entitlement to dividends of Hermès International shares ceases is five years from the dividend payment date. After the five-year time limit expires, the Company pays over any unclaimed dividends to the tax centre to which it reports.

## 7.4 STOCK MARKET INFORMATION

### 7.4.1 SUMMARY OF STOCK MARKET INFORMATION

(Source bloomberg)	2018	2017	2016
Number of shares as at 31 December	105,569,412	105,569,412	105,569,412
Average number of shares (excluding treasury shares)	104,227,077	104,435,755	104,518,900
Market capitalisation as at 31 December	€51.18 billion	€47.11 billion	€41.17 billion
Earnings per share (excluding treasury shares)	€13.48	€11.70	€10.53
Dividend per share	€4.55 <sup>1</sup>	€9.10 <sup>2</sup>	€3.75
Average daily volume (Euronext)	72,725	58,095	54,302
12-month high share price	€614.60	€468.30	€399.00
12-month low share price	€417.90	€386.30	€281.20
12-month average share price	€509.85	€433.02	€345.52
Share price as at 31 December	€484.80	€446.25	€390.00

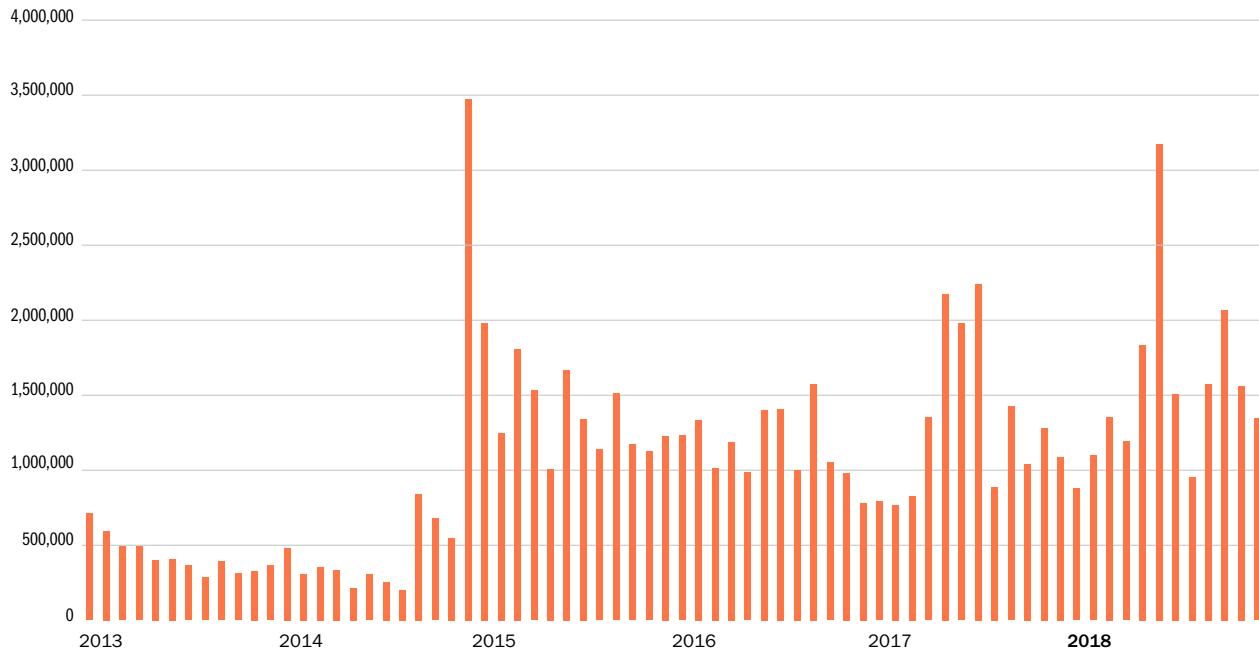
(1) Subject to approval by the Ordinary General Meeting of 4 June 2019. An interim dividend of €1.50 was paid on 22 February 2019.

(2) Corresponds to an ordinary dividend of €4.10 and an exceptional dividend of €5.00.

### 7.4.2 HISTORY OF MONTHLY TRANSACTIONS

In number of shares <sup>1</sup>

(Source bloomberg)



(1) Euronext.

### 7.4.3 HERMÈS SHARE PRICE HISTORY

The entry of Hermès International in the CAC 40, decided by the *Conseil Scientifique des Indices* (Scientific Index Council) and announced by Euronext on 7 June 2018, bears witness to the strength of its business model.



Month	2014			Monthly average of daily transactions on Euronext
	Highest	Lowest	Average closing price	
January	265.35	261.50	245.66	21,872
February	243.00	240.65	238.18	15,387
March	243.50	241.50	235.57	16,869
April	257.90	254.50	249.25	16,737
May	260.45	258.25	256.34	10,276
June	269.50	263.95	259.11	14,543
July	272.00	269.50	265.65	11,130
August	264.85	263.05	260.04	9,683
September	263.00	260.55	245.26	38,269
October	247.30	244.95	236.27	29,487
November	269.50	265.55	257.41	27,387
December	317.40	298.45	288.88	165,440

**2015**

<b>Month</b>	<b>Price in euros</b>			<b>Monthly average of daily transactions on Euronext</b>
	<b>Highest</b>	<b>Lowest</b>	<b>Average closing price</b>	
January	302.95	277.55	289.55	94,411
February	301.25	280.10	289.97	62,438
March	330.15	283.50	304.94	82,246
April	349.95	324.15	338.80	76,567
May	357.85	323.70	342.97	50,349
June	365.55	334.60	353.05	75,808
July	354.45	320.50	338.88	58,291
August	355.80	298.05	330.63	54,162
September	331.45	306.00	316.09	68,726
October	352.80	313.55	336.96	53,223
November	358.50	320.10	338.67	53,527
December	342.70	306.35	319.43	55,896

**2016**

<b>Month</b>	<b>Price in euros</b>			<b>Monthly average of daily transactions on Euronext</b>
	<b>Highest</b>	<b>Lowest</b>	<b>Average closing price</b>	
January	313.75	289.00	302.21	61,630
February	327.65	281.20	312.33	63,532
March	335.00	305.90	319.25	48,338
April	316.75	289.20	306.72	56,607
May	327.80	310.40	319.29	44,750
June	343.60	314.00	329.35	63,689
July	385.80	333.70	356.52	67,016
August	399.00	377.85	389.66	43,484
September	394.40	349.00	372.03	71,571
October	378.70	358.00	367.93	50,120
November	393.40	363.65	374.33	44,626
December	397.90	383.75	389.70	37,282

**2017**

<b>Month</b>	<b>Price in euros</b>			<b>Monthly average of daily transactions on Euronext</b>
	<b>Highest</b>	<b>Lowest</b>	<b>Average closing price</b>	
January	414.00	386.30	401.50	35,958
February	417.40	392.45	405.64	38,331
March	444.40	414.25	429.86	36,030
April	468.30	431.40	449.63	75,106
May	456.20	430.25	441.84	98,916
June	452.00	431.25	440.97	89,970
July	456.75	425.55	438.92	106,816
August	449.00	427.50	439.58	38,568
September	450.10	415.70	431.30	67,862
October	447.50	422.85	432.84	47,319
November	450.30	436.00	443.16	58,268
December	450.30	432.95	442.93	57,268

**2018**

<b>Month</b>	<b>Price in euros</b>			<b>Monthly average of daily transactions on Euronext</b>
	<b>Highest</b>	<b>Lowest</b>	<b>Average closing price</b>	
January	451.70	439.00	445.35	39,874
February	449.90	417.90	438.24	54,890
March	482.70	437.30	454.28	64,429
April	535.80	479.60	513.27	59,598
May	614.60	534.60	586.93	83,352
June	613.80	515.20	551.00	151,521
July	558.60	516.00	535.85	68,505
August	572.80	539.40	551.72	41,497
September	576.80	526.00	548.48	81,654
October	574.20	482.20	511.59	89,945
November	515.80	475.40	492.25	71,050
December	498.60	463.50	479.86	70,814

## 7.5 SHAREHOLDERS INFORMATION

### 7.5.1 RELATIONS WITH SHAREHOLDERS

Shareholders and investors may obtain information on the Hermès Group by contacting:

Mrs Carole Dupont-Pietri

Group Financial Operations and Investor Relations Director

Hermès International

13-15, rue de la Ville-l'Évêque – 75008 Paris Tel.: +33 (0)1 40 17 49 26

E-mail: contact.finance@hermes.com

### 7.5.2 SECURITIES SERVICE

These shares are registered in a securities account held by:

BNP PARIBAS SECURITIES SERVICES

Issuer Services

Les Grands Moulins de Pantin

9, rue du Débarcadère 93761 Pantin Cedex

Tel. +33 (0)8 26 10 91 19

### 7.5.3 PUBLICLY AVAILABLE DOCUMENTS

Legal documents relating to the Company, and more broadly regulated information within the meaning of Article 221-1 of the AMF General Regulation, are available on the Company's financial information site (<https://finance.hermes.fr>). They may also be consulted in print version during business hours at the Company's registered office. On this website, shareholders and investors can access information on the Group's management and governing bodies and the Registration Document and financial press releases available in French and English for the last five financial years.

### 7.5.5 2019 FINANCIAL CALENDAR

Publication of the consolidated revenue for the fourth quarter of 2018	08/02/2019
Publication of the 2018 annual consolidated results	20/03/2019
Publication of the consolidated revenue for the first quarter of 2019	25/04/2019
Combined General Meeting of Shareholders	04/06/2019
Publication of the consolidated revenue for the second quarter of 2019	23/07/2019
Publication of the consolidated results for the first half of 2019	11/09/2019
Publication of the consolidated revenue for the third quarter of 2019	November 2019 <sup>1</sup>

(1) The dates of the publication of financial information (revenue, annual and interim results) and of the General Meeting are available on the website at <https://finance.hermes.com>, under "Shareholders' Guide", "Financial calendar".

### 7.5.4 HOW TO BECOME A HERMÈS INTERNATIONAL SHAREHOLDER

#### Registered shares

Shareholders who opt for this method of administration automatically receive notices of General Meetings and a form to complete if they wish to receive a hard copy of the annual report. They may, under certain conditions, place orders to buy or sell shares with BNP Paribas Securities Services after signing a service agreement.

Pure registered shares are handled directly by BNP Paribas Securities Services. Shareholders must sign a service agreement to open a fully registered share account, setting out the terms and conditions for buying and selling shares via BNP Paribas Securities Services. The Company covers the custody fees.

Administered registered shares are handled by another financial institution, of the shareholder's choice, that may charge custody fees.

#### Bearer shares

Bearer shares are handled by a financial institution that may apply custody fees. Shareholders who opt for this form of administration are not known to the Company and must identify themselves if they wish to obtain documents and attend General Meetings.

#### **7.5.6 CROSSING OF THRESHOLDS AND NOMINATIVE REGISTRATION REQUIREMENTS**

Crossing of threshold disclosures			Nominative registration requirement (Article 11 of the Articles of Association)
	Legal thresholds (Articles L. 233-7 et seq. of the French Commercial Code ( <i>Code de commerce</i> ) and Articles L. 433-3 et seq. of the French Monetary and Financial Code ( <i>Code monétaire et financier</i> ))	Ownership thresholds under the Articles of Association (Article 11 of the Articles of Association)	
Recipients	The issuer  The AMF, which makes this information public	The issuer	
Capital and voting rights thresholds upwards and downward <sup>1</sup>	5%, 10%, 15%, 20%, 25%, 30%, 1/3, 50%, 2/3, 90% and 95%  Owing to the existence of double voting rights, in practice, twenty-two thresholds must be monitored.	0.5% (or any multiple of this percentage)	From 0.5%
		The thresholds may be attained after shares are acquired or sold, regardless of the means (purchase, transfer, merger, demerger, scrip dividends or by any other means) or following a change in the apportionment of voting rights (gain or loss of double voting rights, etc.).  The shares to be taken into account include not just newly acquired shares, but the shares that the shareholder has the right to acquire at their sole initiative pursuant to an agreement (contract of sale, option, etc.) and those that the shareholder can acquire at their sole initiative, immediately or in the future, as a result of holding a financial instrument ( <i>bond redeemable for shares, equity swap, warrant, etc.</i> ), whether it gives rise to a physical settlement (delivery of shares) or a settlement in cash, subject to the exemptions provided for in Article L. 233-7 IV of the French Commercial Code ( <i>Code de commerce</i> ).  By the 15th of each month, the Company publishes a report on its website ( <a href="http://www.finance.hermes.com">www.finance.hermes.com</a> ) disclosing the total number of shares, the total number of theoretical voting rights (including shares disqualified from voting) and the total number of exercisable voting rights (excluding shares disqualified from voting) that make up the share capital on the last day of the previous month.	
Declaration time limit	Before the close of trading four trading days after a legal threshold was crossed	Before the close of trading five trading days after a threshold under the Articles of Association was crossed (even after crossing any of the legal thresholds)	Before the close of trading five trading days after a threshold under the Articles of Association was crossed.  A copy of the nominative registration application, sent by registered post with acknowledgement of receipt to the registered office within ten trading days from the date on which the threshold is crossed, shall constitute a declaration of crossing the threshold in question under the Articles of Association.
Penalty for non-compliance with ownership threshold disclosure and nominative registration requirements	Shares exceeding the fraction that should have been declared are deprived of voting rights for any General Meeting held until the expiry of a period of two years following the date of regularisation of the notification.	The shares that exceed the threshold subject to disclosure or having been subject to disclosure shall be disqualified from voting rights.  In the event of regularisation, the corresponding voting rights can only be exercised once the period stipulated by law and current regulations has expired.	The shares that exceed the threshold subject to disclosure or having been subject to disclosure shall be disqualified from voting rights.

(1) Based on the total number of theoretical voting rights.



# 8

## COMBINED GENERAL MEETING OF 4 JUNE 2019

<b>8.1</b>	<b>AGENDA</b>	<b>364</b>
8.1.1	Ordinary business	364
8.1.1.1	<i>Presentation of reports to be submitted to the Ordinary General Meeting</i>	364
8.1.1.2	<i>Vote on the resolutions relating to ordinary business</i>	364
8.1.2	Extraordinary business	365
8.1.2.1	<i>Presentation of reports to be submitted to the Extraordinary General Meeting</i>	365
8.1.2.2	<i>Vote on the resolutions relating to extraordinary business</i>	365
<b>8.2</b>	<b>PURPOSE AND DRAFT RESOLUTIONS</b>	<b>366</b>
8.2.1	Ordinary business	366
8.2.2	Extraordinary business	381
<b>8.3</b>	<b>SUPERVISORY BOARD'S REPORT TO THE COMBINED GENERAL MEETING OF 4 JUNE 2019</b>	<b>393</b>
<b>8.4</b>	<b>STATUTORY AUDITORS' REPORTS</b>	<b>395</b>
8.4.1	Statutory Auditors' report on the annual financial statements	395
8.4.2	Statutory Auditors' report on the consolidated financial statements	395
8.4.3	Statutory Auditors' special report on related-party agreements and commitments	396
8.4.4	Report from one of the Statutory Auditors, designated as the independent third party organisation, on the consolidated social, environmental and societal information contained in the management report	399
8.4.5	Statutory Auditors' report on the capital reduction by the cancellation of shares purchased (fourteenth resolution)	399
8.4.6	Statutory Auditors' report on the issue of shares and/or any other marketable securities giving access to capital while maintaining or cancelling preferential subscription rights (16th and 17th resolutions)	400
8.4.7	Statutory Auditors' report on the issue of shares and/or marketable securities giving access to the capital reserved for members of a company or group savings plan while cancelling preferential subscription rights (18th resolution)	402
8.4.8	Statutory Auditors' report on the issue of shares and/or various marketable securities giving access to capital while cancelling preferential subscription rights (19th resolution)	403
8.4.9	Statutory Auditors' report on the issue of shares and/or marketable securities giving access to the capital in order to remunerate contributions in kind (20th resolution)	404

## 8.1 AGENDA

### 8.1.1 ORDINARY BUSINESS

#### 8.1.1.1 Presentation of reports to be submitted to the Ordinary General Meeting

##### Executive management reports

- ◆ on the financial statements for the year ended 31 December 2018 and on the Company's activity for said financial year;
- ◆ on the management of the Group and the consolidated financial statements for the year ended 31 December 2018;
- ◆ on the resolutions relating to ordinary business.

##### Supervisory Board's report on the corporate governance

##### Supervisory Board's report to the Combined General Meeting of 4 June 2019

##### Statutory Auditors' reports

- ◆ on the annual financial statements;
- ◆ on the consolidated financial statements;
- ◆ on the related-party agreements and commitments.

##### Report from one of the Statutory Auditors, designated as the independent third party organisation, on the consolidated social, environmental and societal information contained in the management report

#### 8.1.1.2 Vote on the resolutions relating to ordinary business

##### First resolution

Approval of the parent company financial statements.

##### Second resolution

Approval of the consolidated financial statements.

##### Third resolution

Executive Management discharge.

##### Fourth resolution

Allocation of net income – Distribution of an ordinary dividend.

##### Fifth resolution

Approval of related-party agreements and commitments.

##### Sixth resolution

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

##### Seventh resolution

Opinion on the components of compensation due or awarded to Mr Axel Dumas, Executive Chairman, for the financial year ended 31 December 2018

##### Eighth resolution

Opinion on the components of compensation due or awarded to the company Émile Hermès SARL, Executive Chairman, for the financial year ended 31 December 2018.

##### Ninth resolution

Re-election of Mr Charles-Éric Bauer as Supervisory Board member for a term of three years.

##### Tenth resolution

Re-election of Ms Julie Guerrand as Supervisory Board member for a term of three years.

##### Eleventh resolution

Re-election of Ms Dominique Senequier as Supervisory Board member for a term of three years.

##### Twelfth resolution

Appointment of [Mr /Ms @] as new member of the Supervisory Board for a term of two years to replace Mr Robert Peugeot.

##### Thirteenth resolution

Appointment of [Mr/Ms @] as new member of the Supervisory Board for a term of three years to replace Ms Sharon MacBeath.

## 8.1.2 EXTRAORDINARY BUSINESS

### 8.1.2.1 Presentation of reports to be submitted to the Extraordinary General Meeting

#### Executive Management's report

- ♦ on the resolutions relating to extraordinary business.

#### Supervisory Board's report

#### Statutory Auditors' reports

- ♦ on the capital decrease by cancellation of treasury shares (14<sup>th</sup> resolution);
- ♦ on the issue of shares and/or any securities while maintaining and/or cancelling preferential subscription rights (16<sup>th</sup> and 17<sup>th</sup> resolutions);
- ♦ on the issue of shares or any securities giving access to the capital of the Company reserved for members of a company or group savings plan while cancelling preferential subscription rights (18<sup>th</sup> resolution);
- ♦ on the issue of shares and/or any securities while cancelling preferential subscription rights by private placement (19<sup>th</sup> resolution);
- ♦ on the issue of shares and/or any securities giving access to capital in order to compensate contributions in kind (20<sup>th</sup> resolution).

### 8.1.2.2 Vote on the resolutions relating to extraordinary business

#### Fourteenth resolution

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

#### Fifteenth resolution

Delegation of authority to the Executive Management to increase the capital by incorporation of reserves, profits and/or premiums and free allocations of shares and/or increase the par value of existing shares.

#### Sixteenth resolution

Delegation of authority to the Executive Management to decide on the issuance of shares and/or any securities giving access to capital with maintenance of preferential subscription rights.

#### Seventeenth resolution

Delegation of authority to the Executive Management to decide on the issuance of shares and/or any securities giving access to capital with cancellation of preferential subscription rights but with the option to introduce a priority period through a public offering.

#### Eighteenth resolution

Delegation of authority to the Executive Management to decide on a share 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, with cancellation of preferential subscription rights.

#### Nineteenth resolution

Delegation of authority to the Executive Management to decide on the issue of shares and/or any securities giving access to capital, with cancellation of preferential subscription rights, by private placement pursuant to Article L. 411-2, II of the French Monetary and Financial Code (*Code monétaire et financier*).

#### Twentieth resolution

Delegation of authority to the Executive Management to decide on the issue of shares and/or any securities giving access to capital, with cancellation of preferential subscription rights, to compensate the contributions in kind granted to the Company in relation to equity securities or marketable securities giving access to capital.

#### Twenty-first resolution

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

## 8.2 PURPOSE AND DRAFT RESOLUTIONS

Resolutions submitted for approval to the Combined General Meeting of 4 June 2019.

### 8.2.1 ORDINARY BUSINESS

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

##### Purpose

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

- ◆ the parent company financial statements for financial year 2018, which show a net profit of €1,238,469,131.89, and the expenses and charges mentioned in Article 39-4 of the French General Tax Code;
- ◆ the consolidated financial statements for financial year 2018; and
- ◆ to grant discharge to the Executive Management for its management in respect of said financial year.

You will find:

- ◆ the consolidated financial statements on pages 237 et seq.;
- ◆ the parent company financial statements on pages 295 et seq.;
- ◆ the Statutory Auditors' reports on the parent company and consolidated financial statements on pages 321 and 289.

##### First resolution:

##### Approval of the parent company financial statements

The General Meeting, acting under the quorum and majority requirements for Ordinary General Meetings, having reviewed the Executive Management report on the activity and situation of the Company, the report by the Supervisory Board and the Statutory Auditors' report for the financial year ended 31 December 2018, approves as they were presented the parent company financial statements for said financial year, including the statement of financial position, statement of profit or loss, and notes, which show a net profit of € 1,238,469,131.89, as well as the transactions reflected in these accounts or described in these reports.

Pursuant to Article 223 *quater* of the French General Tax Code (*Code général des impôts*), the General Meeting approves the expenses and charges mentioned in Article 39-4 of the French General Tax Code (*Code général des impôts*), which amounted in the financial year 2018 to €256,603, which generated an estimated tax expense of €85,449.

##### Second resolution:

##### Approval of the consolidated financial statements

The General Meeting, acting under the quorum and majority requirements for Ordinary General Meetings, having reviewed the Executive Management report on the activity and situation of the Group, the Supervisory Board's report and the Statutory Auditors' report for the financial year ended 31 December 2018, approves as they were presented the consolidated financial statements for said financial year, including the statement of financial position, statement of profit or loss, and notes, which show a consolidated net profit of €1,409.6 million, as well as the transactions reflected in these financial statements or described in these reports.

##### Third resolution:

##### Executive Management discharge

The General Meeting, acting under the quorum and majority requirements for Ordinary General Meetings, grants discharge to the Executive Management for its management in respect of the financial year beginning 1 January 2018 and ended 31 December 2018.

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

### Purpose

In the fourth resolution, we submit for your approval the allocation of net income for the period, in the amount of €1,238,469,131.89. On this amount, the sum of €222,627.00 is to be allocated to the reserve for purchasing original works of art and, pursuant to the Articles of Association, €8,297,743.18 is to be distributed to the Active Partner.

We invite you to allocate €500,000,000.00 to other reserves. The Supervisory Board proposes that you set the ordinary dividend at €4.55 per share. This represents an increase of 11% in the ordinary dividend compared with the previous year.

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

The latter will consist in the application of tax on the income paid as an interim payment (so-called flat-rate withholding tax) withheld at source at a single flat rate of 12.8% of gross revenue, to which will be added social security withholdings of 17.2%.

This flat-rate taxation at the single rate of 12.8% will be automatically applicable unless the progressive tax scale is opted for overall, allowing the taxpayer to benefit from the 40% tax allowance.

Pursuant to Article 119 bis of the French General Tax Code (*Code général des impôts*), the dividend distributed to a shareholder who is not fiscally domiciled in France is subject to withholding tax at source at one of the rates specified in Article 187 of the General Tax Code (*Code général des impôts*), which may be reduced in application of any tax agreement concluded between France and the State in which the beneficiary is fiscally resident.

As an interim dividend of €1.50 per share was paid on 22 February 2019, the balance of the ordinary dividend, i.e. €3.05 per share, will be detached from the share on 7 June 2019 and payable in cash on 11 June 2019 on the positions approved in the evening of 10 June 2019. As Hermès International is not entitled to receive dividends for shares held in treasury, the corresponding sums will be transferred to “Retained earnings” on the date the dividend becomes payable.

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

In euros	Financial year		
	2017	2016	2015
“Ordinary” dividend	4.10	3.75	3.35
“Exceptional” dividend	5.00	-	-
Amount eligible for the allowance provided by Article 158-3 of the French General Tax Code ( <i>Code général des impôts</i> )	3.64	1.50	1.34

We note that the five-year summary of the Company's financial data required under Article R. 225-102 of the French Commercial Code (*Code de commerce*) is presented on page 315.

### Fourth resolution:

#### Allocation of net income – Distribution of an ordinary dividend.

The General Meeting, acting under the quorum and majority requirements applicable to Ordinary General Meetings, noting that the profit for the year amounts to €1,238,469,131.89 and that the previous retained earnings amount to €1,170,792,580.32, and after noting that the legal reserve is fully funded, approves the allocation of these amounts, representing a distributable profit in the amount of €2,409,261,712.21, as proposed by the Supervisory Board, namely:

- ◆ allocation to the reserve for purchasing original works of art, in the amount of €222,627.00;
- ◆ allocation to the Active Partner, pursuant to Article 26 of the Articles of Association, in the amount of €8,297,743.18;

1. The total amount of the distribution referred to above is calculated on the basis of the number of shares comprising the capital as of 31 December 2018, i.e. 105,569,412 shares, and may vary if the number of shares granting rights to a dividend changes between 1 January 2019 and the ex-dividend date, depending in particular on the changes in the number of treasury shares, which are not entitled to the dividend in accordance with the provisions of Article L. 225-210 paragraph 4 of the French Commercial Code (*Code de commerce*).

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

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

The latter will consist in the application of tax on the income paid as an interim payment (so-called flat-rate withholding tax) withheld at source at a single flat rate of 12.8% of gross revenue, to which will be added social security withholdings of 17.2%.

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

<i>In euros</i>	<b>Financial year</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
“Ordinary” dividend	4.10	3.75	3.35
“Exceptional” dividend	5.00	-	-
Amount eligible for the allowance provided by Article 158-3 of the French General Tax Code	3.64	1.50	1.34

This flat-rate taxation at the single rate of 12.8% will be automatically applicable unless the progressive tax scale is opted for overall, allowing the taxpayer to benefit from the 40% tax allowance.

Pursuant to Article 119 bis of the French General Tax Code (*Code général des impôts*), the dividend distributed to a shareholder who is not fiscally domiciled in France is subject to withholding tax at source at one of the rates specified in Article 187 of the General Tax Code (*Code général des impôts*), which may be reduced in application of any tax agreement concluded between France and the State in which the beneficiary is fiscally resident.

## FIFTH RESOLUTION: APPROVAL OF RELATED-PARTY AGREEMENTS AND COMMITMENTS

### Purpose

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

### Agreements and commitments authorised and signed during the year ended – purpose

#### Agreement between HERMÈS INTERNATIONAL and STUDIO DES FLEURS for photography and retouching services for the e-commerce product packshots:

*Studio des Fleurs accepted the points that were fundamental for Hermès:*

- ◆ obligations of Studio des Fleurs: compliance with very precise specifications, obligation to advise, monitor services, control quality, criteria for monitoring performance indicators;
- ◆ no minimum guaranteed order ;
- ◆ limited three-year duration, then unlimited duration;
- ◆ long advance notice (18 months);
- ◆ no exclusivity;
- ◆ commitment of Studio des Fleurs to take all necessary measures to keep its economic independence (in particular by enlarging and diversifying its customer base) with respect to the Hermès Group;
- ◆ confidentiality and prohibition on the use of Hermès as a reference;
- ◆ no revision of rates before the expiry of three years, and then revision possible but capped.

### Agreements and commitments authorised in prior years

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

This report is shown on pages 396 to 398.

### Fifth resolution:

#### Approval of related-party agreements and commitments

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

L. 225-38 to L. 225-43 of the French Commercial Code (*Code de commerce*), approves said report in all its provisions, as well as the agreements, commitments and transactions set out, entered into and performed during financial year 2018.

## SIXTH RESOLUTION: AUTHORISATION OF COMPANY BUYBACK OF TREASURY SHARES

### Purpose

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

### Objectives

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

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

### Limits of the authorisation:

- ◆ purchases and sales of securities representing holdings of up to 10% of the share capital would be authorised, i.e. for indicative purposes as of 31 December 2018: 10,556,941;
- ◆ the maximum purchase price (excluding costs) would be set at €700 per share;
- ◆ the maximum amount of funds to be committed would be set at €1,800 million. It is specified that treasury shares held on the day of the General Meeting are not taken into account in this maximum amount;
- ◆ pursuant to the law, the total number of shares held at any given date may not exceed 10% of the share capital as of that date.

### Duration of the authorisation:

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

### Sixth resolution:

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

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

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

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

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

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

- ◆ objectives provided for in Article 13 of the MAR and under the sole market practice now accepted by the Financial Markets Authority (AMF):
  - ensuring the promotion of a secondary market or the liquidity of the share through an investment service provider acting independently under a liquidity contract in accordance with an ethical charter recognised by the Financial Markets Authority (AMF), and in compliance with the provisions of the AMF Decision No. 2018-01 of 2 July 2018;
- ◆ other objectives:
  - retaining the shares, in order subsequently to transfer the shares in payment, exchange or as other consideration for acquisitions initiated by the Company, it being specified that the number of shares purchased by the Company in view of retaining them and subsequently delivering them in payment or exchange under the terms of a merger, demerger or contribution shall not exceed 5% of the share capital,
  - reallocating them upon the exercise of rights attached to equity securities giving entitlement by conversion, exercise, redemption, exchange, presentation of a warrant or in any other way, to the allocation of Company shares; and more generally,
  - allocating them to the completion of any transactions in accordance with the applicable regulations.

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

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

- 3) resolves that, except for shares acquired for allocation under share purchase plans for the Company's employees or Corporate Officers, the maximum purchase price per share shall be no higher than seven hundred euros (€700), excluding fees;
- 4) resolves, that the Executive Management may nevertheless adjust the aforementioned purchase price in the event of a change in the par value of the share, a capital increase by capitalisation of reserves, a free share distribution, a stock split or reverse split, a write-off or reduction in the share capital, a distribution of reserves or other assets, or any other equity transactions, to take into account the effect of such transactions on the value of the share;

- 5) resolves that the maximum amount of funds that may be committed to this share purchase programme cannot exceed one billion eight hundred million euros (€1,800 million);
- 6) resolves that the shares may be purchased by any means, including in full or in part by transactions on regulated markets, multilateral trading systems, using systematic internalisers or OTC, including block purchases of securities (without limiting the portion of the buyback programme carried out by this means), by public offering or the use of options or derivatives (in accordance with legal and regulatory requirements applicable at the time), excluding the sale of put options, and at the times that the Executive Management deems appropriate, including during a public offering on the Company's securities, in accordance with stock market regulations, either directly or indirectly via an investment service provider. The shares acquired pursuant to this authorisation may be retained, sold, or transferred by any means, including by block sales, and at any time, including during public offerings;
- 7) grants all powers to the Executive Management to implement this delegation, and in particular:
  - ◆ to decide and carry out the transactions provided for by this authorisation; to determine the terms, conditions and procedures applicable thereto;
  - ◆ to place all orders, either on or off market;
  - ◆ to adjust the purchase price of the shares to take into account the effect of the aforementioned transactions on the value of the share;
  - ◆ to allocate or re-allocate the acquired shares to the various objectives pursued under the applicable legal and regulatory conditions;
  - ◆ to enter into all agreements, in particular for purposes of maintaining the stock transfer ledgers;
  - ◆ to file all necessary reports with the Financial Markets Authority (AMF) and any other relevant body;
  - ◆ to undertake all formalities; and
  - ◆ to generally carry out all necessary measures.
- 8) resolves that this authorisation is granted for a period of eighteen months from this meeting.

This authorisation cancels and replaces, for the remaining term and the unused portion, the authorisation granted by the Combined General Meeting of 5 June 2018 in its sixth resolution (authorisation of Company buyback of treasury shares).

**SEVENTH AND EIGHTH RESOLUTIONS: OPINION ON COMPENSATION ELEMENTS DUE OR AWARDED TO THE EXECUTIVE CHAIRMEN FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

**Purpose**

The provisions of law No. 2016-1691 of 9 December 2016 on transparency, anti-corruption and the modernisation of the economy (known as the "Sapin II law"), in particular Articles L. 225-37-2 and L. 225-82-2 of the French Commercial Code (*Code de commerce*), concerning the approval at the Shareholders' General Meeting of the principles and criteria for determination, distribution and allocation of fixed, variable and exceptional portions of compensation for Executive Corporate Officers (*ex-ante* vote), and subsequent approval of the components 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 waives them.

We will, however, continue to comply with the recommendations of the AFEP-MEDEF Corporate Governance Code (revised in June 2018) by submitting the compensation of the Executive Chairmen to an *ex-post* vote.

The principles and criteria for determining, distributing and allocating the fixed, variable and exceptional components of overall compensation and benefits of any kind payable to each Executive Chairman for performing their duties and constituting the compensation policy concerning them are presented in the corporate governance report, in chapter 3.1.5 of the Registration Document.

In the seventh and eighth resolutions, we propose that you issue a favourable opinion on the elements of compensation due or awarded to the Executive Chairmen for the 2018 financial year as presented in the two tables below. These resolutions, which constitute an *ex-post* vote, are proposed in application of Article 26.2 of the AFEP-MEDEF Corporate Governance Code (revised in June 2018).

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

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

You have previously been made aware of this information.

<b>Elements of compensation</b>	<b>Amount or accounting valuation</b> <i>In euros</i>	<b>Presentation</b>
<b>Seventh resolution: Mr Axel Dumas</b>		
Gross annual fixed compensation (or "additional" compensation in accordance with the Articles of Association)	From 1 January to 31 December 2018: €1,470,773	<p>In accordance with Article 17 of the Articles of Association, each Executive Chairman is entitled to statutory compensation and, potentially, additional compensation, of which the maximum amount is set by the Ordinary General Meeting, with the unanimous approval of the Active Partners.</p> <p>Changes to the two components of the compensation of Executive Chairmen depend upon objective and comprehensible quantitative criteria that remained unchanged for several years and that are public and predefined by nature.</p>
Annual gross variable compensation (or «statutory» compensation in accordance with the Articles of Association)	From 1 January to 31 December 2018: €1,622,043	<p>The General Meeting of 31 May 2001 decided to allocate to each Executive Chairman gross annual compensation, in addition to their statutory compensation, subject to a limit at the time of €457,347.05. This ceiling is indexed each year, in an upward direction only. Since 1 January 2002, this indexation is calculated according to the increase in the Company's consolidated revenue for the previous financial year, at constant exchange rates and scope of consolidation, by comparison with revenue for the next to last financial year (€2,365,549 for 2018). Within the limits defined above, the Executive Management Board of Émile Hermès SARL, Active Partner, sets the effective amount of the annual additional compensation payable to each Executive Chairman.</p> <p>The additional compensation of Mr Axel Dumas paid in 2018 was set by the Executive Management Board on 19 March 2018.</p>
Deferred variable compensation	n/a	The principle of the allocation of deferred variable compensation is not provided for.
Multi-year variable compensation	n/a	No multi-year compensation arrangement was implemented in 2018.
Exceptional compensation	n/a	The principle of such compensation is not provided for.
Stock options, options on performance shares or any other type of long-term compensation (IFRS valuation at the allocation date)	Stock options: n/a Performance shares: n/a Other elements: n/a	No stock option or performance-based share plans benefiting the Executive Chairmen were implemented during the 2018 financial year.
Compensation for assumption of duties	n/a	No such commitment exists.

*n/a: not applicable.*

Elements of compensation	Amount or accounting valuation In euros	Presentation
Severance payment	€0	<p>The Company has pledged to pay Mr Axel Dumas compensation in an amount equal to 24 months of total compensation (statutory compensation and additional compensation) in case of termination of his appointment as Executive Chairman (decision taken by the Supervisory Board on 4 June 2013 and approved by the General Meeting of 3 June 2014 – tenth resolution “Approval of the commitments due to Mr Axel Dumas on termination of his appointment as Executive Chairman” – pursuant to Article L. 225-42-1 of the French Commercial Code (<i>Code de commerce</i>)).</p> <p>The payment of a severance payment is subject to the termination of duties as Executive Chairman resulting:</p> <ul style="list-style-type: none"> <li>◆ either from a decision taken by Mr Axel Dumas by reason of a change of control over the Company, a change in the Executive Chairman of Émile Hermès SARL, which is an Executive Chairman of the Company, or a change in the Company's strategy; or</li> <li>◆ from a decision taken by the Company.</li> </ul> <p>Moreover, the payment of such compensation is also subject to the following performance conditions, such that the conditions of his departure are in equilibrium with the situation of the Company: achieving budget targets in at least four out of the five previous years (with revenue and operating income growth measured at constant rates), without deterioration in the Hermès brand image.</p> <p>Given the importance of the Active Partner's role in an SCA – including the power to appoint and dismiss any Executive Chairman – and, in the case of a legal entity, its legal representative, it was decided that any termination of Mr Axel Dumas' duties as Executive Chairman resulting from the replacement of the Executive Chairman of Émile Hermès SARL should be deemed a forced departure.</p> <p>The Supervisory Board accordingly considered that the deferred compensation undertaking made for the benefit of Mr Axel Dumas complied with the requirements of the AFEP-MEDEF Corporate Governance Code.</p>
Non-competition payment	Not applicable	Mr Axel Dumas is not subject to any non-competition agreement, therefore no compensation is made in this category.
Supplementary pension plan	<p>With respect to Article 83: No payment</p> <p>With respect to Article 39: No payment</p>	<p><i>Defined-contribution pension plan (Article 83 of the French General Tax Code)</i> Mr Axel Dumas is eligible for the supplementary defined-contribution pension plan established for all employees of the Group's French companies that have joined it (4 June 2013 decision by the Supervisory Board approved by the General Meeting of 3 June 2014 – fifth resolution “Approval of related-party agreements and commitments” – in accordance with Article L. 225-40 of the French Commercial Code (<i>Code de commerce</i>)).</p> <p>As with all employees of the Group:</p> <ul style="list-style-type: none"> <li>◆ the defined-contribution pension plan is financed as follows: 1.1% for the reference compensation for an amount of 1x the annual social security ceiling (PASS), 3.3% for the reference compensation between 1x and 2x PASS, and 5.5% on the reference compensation between 2x and 6x PASS. Reference compensation means the gross annual compensation in accordance with Article L. 242-1 of the French Social Security Code;</li> <li>◆ these premiums are shared between the company (90.91%) and the beneficiary (9.09%);</li> <li>◆ the employer premiums are deductible from the corporation tax base, subject to societal respcial contributions at the rate of 20% and excluded from the base for social security contributions within the limit of the higher of the following two values: 5% of the PASS or 5% of the compensation retained within the limit of 5x PASS.</li> </ul> <p>For information, if Mr Axel Dumas had been able to liquidate his retirement entitlements on 31 December 2018, the estimated maximum gross amount of annual pension under the defined-contribution pension plan would be €5,159.</p> <p><i>Defined-benefit pension plan (Article 39 of the French General Tax Code – Article L. 137-11 of the French Social Security Code)</i> Mr Axel Dumas is also eligible for the supplementary pension plan established in 1991 for Company Senior Executives (4 June 2013 decision by the Supervisory Board, approved by the General Meeting of 3 June 2014 – fifth resolution “Approval of related-party agreements and commitments” – in accordance with Article L. 225-40 of the French Commercial Code (<i>Code de commerce</i>)).</p> <p>This pension plan is not closed and is not limited only to the Executive Chairmen. It is financed by the Company through a contract with an outside insurance company, and premiums paid to this company are deductible from the corporation tax base. They are also subject to the employer's contribution on premiums at the rate of 24%. In addition, if applicable, provisions are recognised in the financial statements.</p> <p>As a fundamental condition of the pension regulations, in order to be eligible for the scheme, beneficiaries must have reached the end of their professional career with the Company, have at least ten years of seniority, and be eligible to draw pension benefits under the basic French social security regime.</p>

<b>Elements of compensation</b>	<b>Amount or accounting valuation</b> <i>In euros</i>	<b>Presentation</b>
		If all eligibility requirements are met, the annual pension under this plan shall in no case exceed the amount of 8x the annual social security ceiling (€317,856 in 2018). In accordance with the rules of the plan, the rights under this plan shall be a function of: <ul style="list-style-type: none"> <li>♦ the average yearly compensation for the last three years.</li> <li>♦ Lastly, a percentage of the reference compensation, from 0.9% to 1.5% per year of seniority, i.e., in any event, below the legal limit of 3%.</li> </ul> For information, the maximum amount of the future pension, limited by the plan's regulations to eight times the annual Social Security limit, compared with the compensation for FY 2018 of the natural person Executive Chairmen would represent a replacement rate (excluding mandatory plans) of 10.27%; if Mr Axel Dumas had been able to liquidate his entitlements at 31 December 2018, the estimated maximum gross amount of the annual pension under the defined-benefit pension plan would be €54,857.
Directors' fees	n/a	Executive Chairmen do not receive directors' fees, either from the Company or from its subsidiaries.
Valuation of benefits of any kind	€443	Mr Axel Dumas is eligible for a representation policy constituting his only benefit in kind. Mr Axel Dumas benefits from the mandatory collective healthcare plan implemented by the Group for the benefit of all staff of French entities that have joined this plan (decision made by the Supervisory Board on 19 March 2014).
Death and disability plan		Mr Axel Dumas is eligible for the mandatory collective death and disability plan established by the Group for the benefit of all staff (AGIRC affiliated) of French entities that have joined this plan (decision taken by the Supervisory Board on 19 March 2014). It provides, as is the case for all employees, the following gross lifetime benefits: (i) a disability pension at 51% of reference compensation in case of Category 1 disability and 85% of reference compensation in case of Category 2 or 3 disability. The reference compensation (gross annual compensation) is limited to 8x the annual social security ceiling. The payment of the disability pension is discontinued when the recipient in question is no longer categorised as having the disability or permanent impairment and, at the latest, on the day of the normal or early liquidation of an old age insurance pension from a mandatory retirement plan, for any reason whatsoever; (ii) a death benefit equal to a maximum of 380% of the reference compensation, capped at 8x PASS, depending on the family situation; (iii) contributions paid to the insurer are split between the Company (1.54% for tranche A, and 1.64% for tranches B and C) and the beneficiary (1.06% for tranche A and 1.16% for tranches B and C); (iv) these contributions are deductible from the corporation tax base, subject to corporate social contributions at the rate of 8%, and excluded from the base for social security contributions, within the limit of an amount equal to the sum of 6% of PASS and 1.5% of compensation retained within the limit of 12x PASS.

*n/a: not applicable.*

Elements of compensation	Amount or accounting valuation <i>In euros</i>	Presentation
<b>Eighth resolution: Émile Hermès SARL</b>		In accordance with Article 17 of the Articles of Association, each Executive Chairman is entitled to statutory compensation and, potentially, additional compensation, of which the maximum amount is set by the Ordinary General Meeting, with the unanimous approval of the Active Partners. Changes to the two components of the compensation of Executive Chairmen depend upon objective and comprehensible quantitative criteria that have remained unchanged for several years and that are public and predefined by nature.
Gross annual fixed compensation (or "additional" compensation in accordance with the Articles of Association)	From 1 January to 31 December 2018: <b>€500,000</b>	The General Meeting of 31 May 2001 decided to allocate to each Executive Chairman gross annual compensation, in addition to their statutory compensation, subject to a limit at the time of €457,347.05. This ceiling is indexed each year, in an upward direction only. Since 1 January 2002, this indexation is calculated according to the increase in the Company's consolidated revenue for the previous financial year, at constant exchange rates and scope of consolidation, by comparison with revenue for the next to last financial year (€2,365,549 for 2018). Within the limits defined above, the Executive Management Board of Émile Hermès SARL, Active Partner, sets the effective amount of the annual additional compensation payable to each Executive Chairman. The additional compensation paid in 2018 to the company Émile Hermès SARL was set by the Executive Management Board on 19 March 2018.
Annual gross variable compensation ("statutory" compensation in accordance with the Articles of Association)	From 1 January to 31 December 2018: <b>€756,409</b>	The gross annual statutory compensation of each Executive Chairman for a given year, shall not be more than 0.20% of the Company's consolidated income before tax (€3,790,135 for 2018) for the previous financial year. Within the maximum amounts set forth herein, the Executive Management Board of the Active Partner, Émile Hermès SARL, shall determine the effective amount of the annual statutory compensation of each Executive Chairman. Thus, no minimum statutory compensation is guaranteed for the Executive Chairmen. Statutory compensation paid to the company Émile Hermès SARL was set by the Executive Management Board on 19 March 2018.
Deferred variable compensation	n/a	The principle of the allocation of deferred variable compensation is not provided for.
Multi-year variable compensation	n/a	No multi-year compensation arrangement was implemented in 2018.
Exceptional compensation	n/a	The principle of such compensation is not provided for.
Share options, performance-based shares or any other element of long-term compensation (IFRS valuation at the allocation date)	Stock options: n/a Performance-based shares: n/a Other elements: n/a	No stock option or performance-based share plans benefiting the Executive Chairmen were implemented during the 2018 financial year. Émile Hermès SARL, a legal entity, is not eligible for the stock option or performance-based share plans.
Compensation for assumption of duties	n/a	No such commitment exists.
Severance payment	n/a	No such commitment exists.
Non-competition payment	n/a	No such commitment exists.
Supplementary pension plan	n/a	Émile Hermès SARL, a legal entity, is not eligible for a supplementary pension plan.
Directors' fees	n/a	Executive Chairmen do not receive directors' fees, either from the Company or from its subsidiaries.
Valuation of benefits of any kind	n/a	Émile Hermès SARL does not receive benefits of any kind.

*n/a: not applicable.*

**Seventh resolution:**

**Opinion on the components of compensation due or awarded to Mr Axel Dumas, Executive Chairman, for the financial year ended 31 December 2018**

The General Meeting, consulted in application of recommendation § 26.2 of the AFEP-MEDEF Corporate Governance Code of June 2018, which constitutes the reference code used by the Company pursuant to Article L. 225-37 of the French Commercial Code (*Code de commerce*), acting under the quorum and majority requirements for Ordinary General Meetings, gives a favourable opinion on the components of compensation due or awarded to Mr Axel Dumas in respect of his office as Executive Chairman for the financial year ended 31 December 2018, as presented in the statement of proposed resolutions.

**Eighth resolution:**

**Opinion on the components of compensation due or awarded to the company Émile Hermès SARL, Executive Chairman, for the financial year ended 31 December 2018**

The General Meeting, consulted in application of recommendation § 26.2 of the AFEP-MEDEF Corporate Governance Code of June 2018, which constitutes the reference code used by the Company pursuant to Article L. 225-37 of the French Commercial Code (*Code de commerce*), acting under the quorum and majority requirements for Ordinary General Meetings, gives a favourable opinion on the components of compensation due or awarded to the company Émile Hermès SARL in respect of its office as Executive Chairman for the financial year ended 31 December 2018, as presented in the statement of proposed resolutions.

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

### Purpose

The mandates of four members of the Supervisory Board (Mr Charles-Éric Bauer, Ms Julie Guerrand, Ms Dominique Senequier and Mr Robert Peugeot) expire at the end of this meeting.

In the ninth, tenth and eleventh resolutions, the Active Partner proposes that you renew, for the statutory period of three years, the expiring mandates of the following members of the Supervisory Board:

- ◆ Mr Charles-Éric Bauer;
- ◆ Ms Julie Guerrand;
- ◆ Ms Dominique Senequier.

These three mandates will thus expire at the end of the General Meeting called in 2022 to approve the financial statements for the financial year ending 31 December 2021.

Mr Charles-Éric Bauer has been a member of the Supervisory Board since 3 June 2008 and a member of the Audit and Risk Committee since its creation on 26 January 2005.

He brings to the Board his in-depth knowledge of the history and culture of Hermès. He actively contributes to the quality of the discussions of the Board in all his areas of intervention. His expertise in banking and finance enables him to make an effective contribution to the work of the Audit and Risk Committee.

Ms Julie Guerrand has been a member of the Supervisory Board since 2 June 2005.

She brings to the Board her in-depth knowledge of the history and culture of Hermès. She actively contributes to the quality of the discussions of the Board in all her areas of intervention. Her expertise in finance and mergers and acquisitions enables her to make an effective contribution to the work of the Audit and Risk Committee.

Ms Dominique Senequier has been a member of the Supervisory Board and Chairwoman of the CAG-CSR Committee since 6 June 2013.

She brings to the Board and the Committees her expertise in finance, investments and its international dimension.

She actively contributes to the quality of the discussions of the Board in all her areas of intervention.

### CUMULATIVE ATTENDANCE OVER THE THREE YEARS OF THEIR LAST TERM OF OFFICE

	Board	Audit and Risk Committee	CAG-CSR Committee
Mr Charles-Éric Bauer	90.48%	94.44%	n/a
Ms Julie Guerrand	95.24%	n/a	n/a
Ms Dominique Senequier	90.48%	n/a	100%

*n/a: not applicable.*

Information on the persons whose renewal is submitted for your approval is provided on pages 159, 163 and 156.

**Ninth resolution:**

**Re-election of Mr Charles-Éric Bauer as Supervisory Board member for a term of three years**

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

Mr Charles-Éric Bauer

Pursuant to Article 18.2 of the Articles of Association, his mandate for a period of three years will expire at the end of the Annual Ordinary General Meeting called in 2022 to approve the financial statements for the financial year ending 31 December 2021.

Mr Charles-Éric Bauer has indicated that he is prepared to accept the renewal of his mandate, and that he does not hold any positions and is not subject to any restrictions that could prevent him from carrying out his duties.

**Tenth resolution:**

**Re-election of Ms Julie Guerrand as Supervisory Board member for a term of three years**

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

Ms Julie Guerrand

Pursuant to Article 18.2 of the Articles of Association, her mandate for a period of three years will expire at the end of the Annual Ordinary General Meeting called in 2022 to approve the financial statements for the financial year ending 31 December 2021.

Ms Julie Guerrand has indicated that she is prepared to accept the renewal of her mandate, and that she does not hold any positions and is not subject to any restrictions that could prevent her from carrying out her duties.

**Eleventh resolution:**

**Re-election of Ms Dominique Senequier as Supervisory Board member for a term of three years**

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

Ms Dominique Senequier

Pursuant to Article 18.2 of the Articles of Association, her mandate for a period of three years will expire at the end of the Annual Ordinary General Meeting called in 2022 to approve the financial statements for the financial year ending 31 December 2021.

Ms Dominique Senequier has indicated that she is prepared to accept the renewal of her mandate, and that she does not hold any positions and is not subject to any restrictions that could prevent her from carrying out her duties.

## TWELFTH AND THIRTEENTH RESOLUTIONS: APPOINTMENT OF TWO NEW MEMBERS TO THE SUPERVISORY BOARD

### Purpose

The mandate of Mr Robert Peugeot, an independent member of the Supervisory Board of Hermès International since 2007 and member of the Audit and Risk Committee and the CAG-CSR Committee, expires at the end of the General Meeting of 4 June 2019.

Mr Robert Peugeot had served for 12 years of office on 24 January 2019. He has therefore lost his status as independent Board member of the Supervisory Board according to the criteria set out in the AFEP-MEDEF Corporate Governance Code.

The mandate of Mr Robert Peugeot had been renewed for one year by the General Meeting of 5 June 2018: in order to replace him under the best possible conditions by a new member of the Supervisory Board with independent status at the General Meeting of 2019, the Supervisory Board had deemed that it was preferable that the proportions of independent members on the Board (25%) and the Audit and Risk Committee (40%) should be slightly below the requirements of the AFEP-MEDEF Code for a short period of several months rather than waive one of the independence criteria concerning Mr Robert Peugeot.

Ms Sharon MacBeath resigned from her mandate as a member of the Supervisory Board as of 20 March 2019 for personal reasons.

On the publication date of this Registration Document, the Board, in conjunction with the CAG-CSR Committee, is continuing its selection process that will enable it to propose, at the General Meeting to be held on 4 June 2019, the appointment of two new independent members.

The first new member, appointed in replacement of Mr Robert Peugeot, will have a 2-year term, in accordance with the principle of replacing one-third of the Supervisory Board, as set out in Article 18.2 of the Articles of Association.

The second new member, appointed in replacement of Ms Sharon MacBeath, will have a 3-year term pursuant to Article 18.2 of the Articles of Association.

Details of those persons whose appointment will be submitted for your approval will be communicated on the Company's financial website <https://finance.hermes.com> prior to the General Meeting.

### Twelfth resolution:

#### **Appointment of [Mr/Ms @] as new member of the Supervisory Board for a term of two years to replace Mr Robert Peugeot**

On proposal of the Active Partner, the General Meeting, acting under the quorum and majority requirements applicable to Ordinary General Meetings, appoints the following to be member of the Supervisory Board to replace Mr Robert Peugeot whose mandate expires:

[Mr/Ms @]

In application of Article 18.2 of the Articles of Association, in order to guarantee the replacement of one-third of the Supervisory Board members each year, his/her mandate, lasting two years, will expire at the end of the Annual General Meeting called in 2021 to approve the financial statements for the financial year ended on 31 December 2020.

[Mr/Ms @] announced that he/she would accept the appointment and that he/she does not hold any position and is not subject to any restriction that could prevent him/her from exercising any such duty.

### Thirteenth resolution:

#### **Appointment of [Mr/Ms @] as new member of the Supervisory Board for a term of three years to replace Ms Sharon MacBeath**

On proposal of the Active Partner, the General Meeting, acting under the quorum and majority requirements applicable to Ordinary General Meetings, appoints the following as a member of the Supervisory Board, to replace Ms Sharon MacBeath

[Mr/Ms @]

Pursuant to Article 18.2 of the Articles of Association, his/her mandate for a period of three years will expire at the end of the Annual Ordinary General Meeting called in 2022 to approve the financial statements for the financial year ending 31 December 2021.

[Mr/Ms @] announced that he/she would accept the appointment and that he/she does not hold any position and is not subject to any restriction that could prevent him/her from exercising any such duty.

## 8.2.2 EXTRAORDINARY BUSINESS

### FOURTEENTH RESOLUTION: AUTHORISATION TO REDUCE THE SHARE CAPITAL BY CANCELLATION OF SHARES

#### Purpose

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

#### Limit

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

#### Duration of the authorisation

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

The Statutory Auditors' report on the fourteenth resolution is presented on page 399.

#### Fourteenth resolution:

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

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

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

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

This delegation is granted to the Executive Management for a period of twenty-four months.

It cancels and replaces, for the remaining term and the unused portion, the authorisation granted by the Combined General Meeting of 5 June 2018 in its thirteenth resolution (authorisation to reduce share capital by cancellation of shares).

## FIFTEENTH TO TWENTIETH RESOLUTIONS: DELEGATIONS OF AUTHORITY TO THE EXECUTIVE MANAGEMENT

### Purpose

#### Limits

The individual and common limits of the financial authorisations and delegations that you are asked to grant to Executive Management are as follows:

<b>Resolutions</b>	<b>Individual limit of each authorisation</b>	<b>Limit common to several authorisations</b>
	<b>Maximum nominal amount to be issued immediately and/or in future</b>	<b>% of the share capital at the date of the Meeting</b>
<b>Equity securities</b>		
15 <sup>th</sup> resolution (capital increase by incorporation of reserves)	40%	
16 <sup>th</sup> resolution (issue with maintenance of preferential subscription rights)	40%	
17 <sup>th</sup> resolution (issue with elimination of preferential subscription rights)	40%	40%
18 <sup>th</sup> resolution (capital increase reserved for members of a company or group savings plan)	1%	
19 <sup>st</sup> resolution (issue by private placement)	20% per year	
20 <sup>nd</sup> resolution (issue to compensate contributions in kind)	10%	
<b>Debt securities</b>		
16 <sup>th</sup> resolution (issue with maintenance of preferential subscription rights)	€1,000 million	
17 <sup>th</sup> resolution (issue with elimination of preferential subscription rights)	€1,000 million	€1,000 million
19 <sup>th</sup> resolution (issue by private placement)	€1,000 million	
20 <sup>st</sup> resolution (issue to compensate contributions in kind)	€1,000 million	

#### Issues of securities (general case)

In the fifteenth, sixteenth and seventeenth resolutions, we ask you to renew a certain number of resolutions designed to delegate authority to the Executive Management to decide on various issues of securities of the Company with or without preferential subscription rights.

These resolutions are designed, as allowed by law, to give the Executive Management the flexibility necessary to act in the best interest of the Company, under the control of the Supervisory Board of the Company as well as the Executive Management Board of Émile Hermès SARL, Active Partner. The diversity of financial products and rapid changes in the markets make it necessary to have the greatest flexibility in order to choose the most favourable issue procedures for the Company and its shareholders and to rapidly conduct transactions in accordance with the opportunities that arise.

The Executive Management will therefore be able, at all times, in France and abroad, to proceed with the issue of ordinary shares of the Company as well as:

- ◆ securities governed by Articles L. 228-91 et seq. of the French Commercial Code (*Code de commerce*) that are equity securities of the Company giving access, immediately or in the future, to other equity securities of the Company and/or giving the right to the allocation of debt securities of the Company; and/or
- ◆ securities representing an entitlement, governed or not by Articles L. 228-91 et seq. of the French Commercial Code (*Code de commerce*), giving access or liable to give access to equity securities to be issued by the Company, with such securities also being liable, where applicable, to give access to existing equity securities and/or debt securities of the Company, subject to the limits defined hereinafter. The issue of securities that are debt securities giving the right to the allocation of other existing debt securities or existing equity securities may be decided by the Executive Management under the conditions stipulated in Article L. 228-40 of the French Commercial Code (*Code de commerce*) in the case of the issue of bonds or investment securities that do not require authorisation by the General Meeting. These issues could include the maintenance of preferential subscription rights of shareholders (sixteenth resolution), or the cancellation of preferential subscription rights of shareholders (seventeenth resolution). The cancellation of preferential subscription rights is asked of you in order to allow, by accelerating the process of placing the issues, to increase their chances of success. We specify however that in all cases of issues with cancellation of preferential rights:
  - Executive Management may grant shareholders a priority option to subscribe for the shares,

- the sum receivable or that should be receivable by the Company for each of the shares to be issued after taking into account, in the case of the issue of detachable share subscription warrants, the issue price of such warrants, must be at least equal to the weighted average of the prices over the three trading days on the Euronext Paris regulated market preceding the setting of the subscription price of the capital increase, possibly decreased by a maximum discount of 5% in compliance with applicable regulations.
- You are also asked to renew the usual delegation allowing the Company to increase the capital by incorporation of reserves (fifteenth resolution) subject to the limits defined above.

In accordance with Article L. 233-32 of the French Commercial Code (*Code de commerce*), these delegations of authority may be implemented during a public offering on the shares of the Company.

The Statutory Auditors' report on the sixteenth and seventeenth resolutions is presented on page 400.

*Capital increase with elimination of preferential subscription rights for members of a company savings plan*

In the eighteenth resolution, we ask you to delegate to the Executive Management full powers to carry out, under the control of the Supervisory Board of the Company and of the Executive Management Board of Émile Hermès SARL, Active Partner, a capital increase reserved for the employees and corporate officers under the conditions stipulated in Article L. 225-129-6 of the French Commercial Code (*Code de commerce*), where such employees are members of a company or group savings plan, subject to the limits defined above.

The discount is set at 20% of the average of the prices quoted for the Company's shares during the 20 trading days preceding the date of the decision setting the opening date for subscriptions. In accordance with Article L. 233-32 of the French Commercial Code (*Code de commerce*), this delegation of authority may be implemented during a public offering on the shares of the Company.

The Statutory Auditors' report on the eighteenth resolution is presented on page 402.

*Issues of securities (by private placement or to compensate contributions in kind)*

In the nineteenth resolution, we ask you to delegate to the Executive Management, in the conditions specified in the provisions of Article L. 225-136-3 of the French Commercial Code (*Code de commerce*), and of Article 411-2 II of the French Monetary and Financial Code (*Code monétaire et financier*) and under the control of the Supervisory Board of the Company and of the Executive Management Board of Émile Hermès SARL, Active Partner, the authority to issue shares and/or other securities giving access to capital, with cancellation of preferential subscription rights, by means of private placement reserved for qualified investors or a limited circle of investors, as defined in Article D. 411-1 of the French Monetary and Financial Code (*Code monétaire et financier*), subject to the limits defined above.

This resolution would allow the Company to benefit from any and all opportunities to allow an investor, an economic, commercial or financial partner, who is considered a qualified investor, to have access to the capital of the Company. The issue price would be at least equal to the weighted average of the listed prices on the last three trading days preceding the issue, less a maximum discount of 5%, where decided.

The Statutory Auditors' report on the nineteenth resolution is presented on page 403.

In the twentieth resolution, we ask you to delegate to the Executive Management, under the conditions specified in the provisions of Article L. 225-129 et seq., in particular Article L. 225-147 of the French Commercial Code (*Code de commerce*), and under the control of the Supervisory Board of the Company and of the Executive Management Board of Émile Hermès SARL, Active Partner, the authority to issue shares and/or securities giving access to the capital, with cancellation of preferential subscription rights, in order to compensate contributions in kind granted to the Company, subject to the limits defined above.

This resolution would allow the Company to benefit from any and all opportunities to conduct external growth transactions in France or in other countries or to acquire minority investments within the Group without impacting on the cash of the Company and limited to 10% of the share capital.

The Statutory Auditors' report on the twentieth resolution is presented on page 404.

Given that the volumes of shares allocated are significantly below the overall ceiling authorised by the shareholders during the Extraordinary General Meeting of 31 May 2016, you are not asked to renew the financial delegations of authority covering the allocation of share purchase options and free shares, which are valid until 31 July 2019 (subject to the overall limit granted).

*Term of delegations*

These delegations would be valid for 26 months from the date of the General Meeting.

**Fifteenth resolution:**

**Delegation of authority to the Executive Management to increase the capital by incorporation of reserves, profits and/or premiums and free allocations of shares and/or increase the par value of existing shares**

The General Meeting, acting under the quorum and majority requirements applicable to Ordinary General Meetings, having reviewed the Executive Management's report and the Supervisory Board's report, in accordance with Articles L. 225-129-2 and L. 225-130 of the French Commercial Code (*Code de commerce*):

- 1) delegates to the Executive Management, under the control of the Company's Supervisory Board and of the Executive Management Board of Émile Hermès SARL, Active Partner, the authority to increase the share capital, on one or more occasions, according to the procedures and at the times it decides, by successive or simultaneous incorporation into the share capital of all or part of the reserves, profits or share, merger or contribution premiums, to be carried out through the creation and allocation of free shares or through an increase in the par value of the existing shares, or through the combined use of these two procedures;
- 2) resolves that in case of a capital increase that gives rise to the allocation of new free shares, the free shares that are awarded in proportion to existing shares eligible for double voting rights will be eligible for this right upon their issue;
- 3) delegates to the Executive Management the authority to resolve, in case of a capital increase that gives rise to the allocation of new free shares, that fractional amounts will not be tradable and that the corresponding shares will be sold; the sums generated by the sale are allocated to the holders of the rights under the terms and conditions stipulated by legal and regulatory provisions;
- 4) in case of use by the Executive Management of this delegation of authority, delegates to the Executive Management the authority to carry out all adjustments aiming to take into account the impact of transactions on the Company's share capital, particularly in the event of a change in the par value per share, a capital increase by capitalisation of reserves, an allocation of free shares, a stock split or reverse split, distribution of reserves or other assets, amortisation of share capital, or any other transaction applying to equity, and to set the procedures according to which, if necessary, the rights of the holders of securities carrying rights to the share capital will be preserved;
- 5) resolves that the nominal amount of the capital increases likely to be performed immediately and/or in the future under this delegation of authority may not exceed 40% of the share capital on the date of this meeting, as the capital increases performed in accordance with this delegation are not offset against the limit addressed in paragraph 4 of the sixteenth resolution (issue of securities with maintenance of preferential subscription rights) submitted to this meeting;
- 6) grants the Executive Management the broadest of powers to implement this delegation, and particularly to set the terms and conditions of the transactions and determine the dates and methods of the capital increases that will be carried out under this delegation; to determine the terms and conditions of the issues and/or the amount by which the par value of the existing shares will be increased; to set the opening and closing dates of the subscriptions, the dates from which dividends will be applicable, the procedures for share payment; to record the completion of the capital increases in the amount of the shares that are actually subscribed; and more broadly, to take all measures to ensure a successful outcome, perform all actions and formalities for the purpose of making the corresponding capital increase or increases final and make any consequent amendments to the Articles of Association; perform, either directly or through an agent, all transactions and formalities related to the share capital increases at its sole discretion and, if it deems appropriate, allocate the capital increase expenses to the amount of the share premiums pertaining to these increases and withdraw from this amount the sums required to increase the legal reserve to one-tenth of the new amount of the share capital after each increase;
- 7) grants all powers to the Executive Management for the purpose of applying for the shares created as part of this resolution to be traded on a regulated market, wherever it decides;
- 8) confirms that, pursuant to Article L. 233-32 of the French Commercial Code (*Code de commerce*), this delegation may be implemented during public offerings on the shares of the Company;
- 9) resolves that this delegation granted to the Executive Management is valid for twenty-six months as of the date of this meeting.

This authorisation cancels and replaces, for the remaining term and the unused portion, the delegation granted by the Combined General Meeting of 6 June 2017 in its eighteenth resolution (capital increase by incorporation of reserves).

**Sixteenth resolution:**

**Delegation of authority to the Executive Management to decide on the issuance of shares and/or any securities giving access to capital with maintenance of preferential subscription rights.**

The General Meeting, acting under the quorum and majority requirements applicable to Extraordinary General Meetings, having reviewed the Executive Management's report, the Supervisory Board's report and the Statutory Auditors' report, prepared in accordance with the law and the provisions of Articles L. 225-129 to L. 225-129-6, L. 225-132 to L. 225-134 and L. 228-91 to L. 228-93 of the French Commercial Code (*Code de commerce*):

- 1) delegates to the Executive Management, under the control of the Company's Supervisory Board and the Executive Management Board of Émile Hermès SARL, Active Partner, the authority to decide on a capital increase, on one or more occasions, in the amounts and at the times it decides, both in France and abroad and/or on the international market, either in euros or in any other currency or currency unit set with reference to several currencies, with maintenance of preferential subscription rights, through the issue, either free of payment or against payment:
  - a) of new ordinary shares of the Company,
  - b) of securities governed by Articles L. 228-91 et seq. of the French Commercial Code (*Code de commerce*) that are equity securities of the Company giving access, immediately or in the future, to other equity securities of the Company and/or giving the right to the allocation of debt securities of the Company, and/or

- c) securities representing an entitlement, governed or not by Articles L. 228-91 et seq. of the French Commercial Code (*Code de commerce*), giving access or liable to give access to equity securities to be issued by the Company, with such securities also being liable, where applicable, to give access to existing equity securities and/or debt securities of the Company;
- 2) resolves that the subscription of the shares and other securities referred to in paragraph 1 of this resolution may be carried out in cash, by offsetting against liquid and payable claims on the Company, or in part by capitalisation of reserves, profits or share premiums;
- 3) resolves that the par value of the capital increases likely to be performed immediately and/or in the future under this delegation may not exceed 40% of the share capital on the date of this meeting (individual limit);
- 4) resolves that the amount of the share capital increases likely to be performed immediately and/or in the future under the sixteenth resolution (issue of securities with maintenance of preferential subscription rights), seventeenth resolution (issue of securities with cancellation of preferential subscription rights), eighteenth resolution (capital increase reserved for members of a company or group savings plan), nineteenth resolution (issue of securities by private placement) and twentieth resolution (issue of securities in order to compensate contributions in kind) submitted to this meeting may not exceed 40% of the share capital on the date of the meeting (common limit) or the equivalent value of this amount in case of an issue in foreign currency or in units of account set with reference to several currencies, to which is added, where appropriate, the nominal value of the additional shares to be issued in order to preserve the rights of holders of securities giving entitlement to shares, in accordance with legal and regulatory provisions or, where appropriate, with contractual stipulations providing for other cases of adjustment;
- 5) resolves that the maximum nominal amount of debt securities liable to be issued immediately and/or in the future under this delegation may not be higher than one billion euros (€1,000 million) (individual limit) or higher than the equivalent value of this amount in case of an issue in foreign currency or in units of account set with reference to several currencies, this amount being increased, where required, by any redemption premium above par;
- 6) resolves that the maximum par value of the debt securities that are liable to be issued under the sixteenth resolution (issue of securities with maintenance of preferential subscription rights), seventeenth resolution (issue of securities with cancellation of preferential subscription rights), eighteenth resolution (capital increase reserved for members of a company or group savings plan), nineteenth resolution (issue of securities by private placement) and twentieth resolution (issue of securities in order to compensate contributions in kind) submitted to this meeting may not exceed one billion euros (€1,000 million) (common limit), with the debt securities being issued in euros, a foreign currency or units of account set with reference to several currencies;
- 7) resolves that in case of a subscription offer, shareholders may exercise, under the terms and conditions stipulated by law, their preferential subscription rights on an irreducible basis, knowing that the Executive Management will have the ability to grant shareholders the right to subscribe on a reducible basis a number of securities higher than that for which they may apply on an irreducible basis, proportionally to the subscription rights they hold and, in any case, within the limit of their application;
- 8) resolves that if the irreducible subscriptions and, where applicable, the reducible subscriptions have not absorbed the totality of an issue of securities, the Executive Management may use, in the order that it deems fit, one and/or another of the options provided for in the regulatory and legal provisions in force at the time, including offering to the public all or a portion of the unsubscribed shares;
- 9) resolves that issues of Company equity warrants in accordance with Article L. 228-91 of the French Commercial Code (*Code de commerce*) may be carried out either by an offer of subscription under the terms and conditions stipulated above or by a free allocation to owners of existing shares. In case of a free allocation of warrants, the Executive Management will be able to decide that the allocation rights forming fractional amounts will not be tradable and that the corresponding warrants will be sold; the sums generated by the sale being allocated to the holders of the rights under the terms and conditions stipulated by the legal and regulatory provisions in force at the time;
- 10) notes and resolves, as necessary, that, where appropriate, the aforementioned delegation automatically constitutes, in favour of the holders of securities carrying rights in the future to Company shares that are liable to be issued, the waiver by the shareholders of their preferential subscription rights to shares that will be issued upon presentation of these securities;
- 11) resolves that the sum receivable or that should be receivable by the Company for each of the shares to be issued under this delegation, after taking into account, in the case of the issue of detachable share subscription warrants, the issue price of such warrants, will in all cases be at least equal to the par value of the share or the proportion of the share capital that it represents;
- 12) resolves, with respect to securities carrying rights to the share capital, having reviewed the Executive Management's report, that the subscription price of such securities will be determined by the Executive Management on the basis of the value of the Company's share as defined in paragraph 11 above;
- 13) grants the Executive Management the broadest of powers to implement this delegation, specifically, with the purpose of:
- deciding and determining the dates and procedures of the issues and the form and characteristics of the securities to be created, determining the terms and conditions and prices of the issues, setting the amounts to be issued,

- determining the date of first entitlement to dividends, with or without retroactive effect, of the securities to be issued and, where applicable, the terms and conditions of their buyback; suspending, where applicable, the exercise of the share allocation rights attached to the securities to be issued for a period not to exceed three months;
- setting the terms under which, where applicable, the rights of the holders of securities carrying rights in the future to the share capital will be preserved, in accordance with the legal and regulatory provisions;
- more generally, taking all necessary steps, carrying out all required formalities and concluding all agreements in order to successfully accomplish the planned issues and record the capital increase or increases resulting from any issue performed under this delegation, and consequently amending the Articles of Association;

**14)** resolves that, in case of an issue of debt securities, the Executive Management will have all powers to determine their characteristics and in particular to decide whether or not they are subordinated, to set their interest rate, their term, the fixed or variable redemption price with or without premium, the amortisation procedures based on market conditions, the conditions under which these securities will give entitlement to Company shares and to amend, during the lifetime of the relevant securities, the procedures referred to above, in compliance with applicable formalities;

**15)** resolves that the Executive Management may also allocate the issue costs of the shares and securities to the amount of the premiums pertaining to the capital increases, and withdraw from these premiums the sums required to increase the legal reserve to one-tenth of the amount of the share capital resulting from these increases;

**16)** grants all powers to the Executive Management for the purpose of applying for the shares created as part of this resolution to be traded on a regulated market, wherever it decides;

**17)** confirms that, pursuant to Article L. 233-32 of the French Commercial Code (*Code de commerce*), this delegation may be implemented during public offerings on the shares of the Company;

**18)** resolves that this delegation granted to the Executive Management is valid for twenty-six months as of the date of this meeting. This authorisation cancels and replaces, for the remaining term and the unused portion, the authorisation granted by the Combined General Meeting of 6 June 2017 in its nineteenth resolution (issue of securities with maintenance of preferential subscription rights).

#### **Seventeenth resolution:**

#### **Delegation of authority to the Executive Management to decide on the issuance of shares and/or any securities giving access to capital with cancellation of preferential subscription rights but with the option to introduce a priority period, through a public offering**

The General Meeting, acting under the quorum and majority requirements applicable to Extraordinary General Meetings, having reviewed the Executive Management's report, the Supervisory Board's report and the Statutory Auditors' report, prepared in accordance with the law and the provisions of Articles L. 225-129 to L. 225-129-6, L. 225-

135, L. 225-136, L. 225-148 and L. 228-91 to L. 228-93 of the French Commercial Code (*Code de commerce*):

**1)** delegates to the Executive Management, under the control of the Company's Supervisory Board and the Executive Management Board of Émile Hermès SARL, Active Partner, the authority to decide on a capital increase with cancellation of preferential subscription rights and by public offering, on one or more occasions, in the amounts and at the times it decides, both in France and abroad and/or on the international market, either in euros or in any other currency or currency unit set with reference to several currencies, through the issue, either free of payment or against payment:

- a) of new ordinary shares of the Company,
- b) of securities governed by Articles L. 228-91 et seq. of the French Commercial Code (*Code de commerce*) that are equity securities of the Company giving access, immediately or in the future, to other equity securities of the Company and/or giving the right to the allocation of debt securities of the Company, and/or

c) of securities representing an entitlement, governed or not by Articles L. 228-91 et seq. of the French Commercial Code (*Code de commerce*), giving access or liable to give access to equity securities to be issued by the Company, with such securities also being liable, where applicable, to give access to existing equity securities and/or debt securities of the Company, issued in accordance with Article L. 228-92 (1) of the French Commercial Code (*Code de commerce*) free of consideration or against payment and to be paid for in cash, by offsetting against liquid and payable claims on the Company:

- made up of equity securities carrying rights, either immediately and/or in the future, to other equity securities, or giving entitlement to the allocation of debt securities,
- or if they carry rights to equity securities to be issued;

**2)** resolves that the subscription of the shares and other securities mentioned in paragraph 1 of this resolution may be carried out in cash, or by offsetting against liquid and payable claims on the Company;

**3)** resolves that these issues may also be performed:

- for the purpose of compensating shares that are contributed to the Company as part of a public offering including an exchange component in accordance with the provisions of Article L. 225-148 of the French Commercial Code (*Code de commerce*),
- following the issue, by a company in which the Company holds directly or indirectly at the time of the issue, more than half the share capital or securities carrying rights to Company shares or the securities mentioned in sub-paragaphs b and c of paragraph 1 above, under the terms and conditions stipulated in Article L. 228-93 of the French Commercial Code (*Code de commerce*). The issue by said companies of the aforementioned securities will automatically constitute, in favour of the holders of these securities, the waiver by the Companies' shareholders of their preferential subscription rights to the ordinary shares or securities mentioned in sub-paragaphs b and c of paragraph 1 above to which the securities thus issued by these companies give entitlement, as well as to Company shares to be issued to which the securities mentioned in sub-paragaphs b and c of paragraph 1 above would give entitlement;

- 4) as part of this delegation, resolves to eliminate the preferential subscription rights of shareholders to securities to be issued, it being understood that the Executive Management may grant shareholders an option of priority subscription on all or part of the issue, within the time frame and under the terms and conditions it sets in accordance with the legal and regulatory provisions. This priority subscription will not give rise to the creation of tradable options, but may, if the Executive Management deems it appropriate, be exercised on an irreducible or reducible basis. Unsubscribed shares under this right will be subject to public placement;
- 5) resolves that the nominal amount of capital increases liable to be performed immediately and/or in the future under this delegation may not exceed 40% of the share capital at the date of this meeting, with capital increases performed in accordance with this delegation being offset against the limit mentioned in paragraph 4 of the sixteenth resolution (issue of securities with maintenance of preferential subscription rights) submitted to this meeting, or the equivalent value of this amount in case of an issue in foreign currency or in units of account set with reference to several currencies, an amount to which is added, where necessary, the nominal amount of additional shares to be issued in order to preserve the rights of the holders of securities giving entitlement to shares in accordance with the legal and regulatory provisions or, where necessary, with contractual stipulations providing for other cases of adjustment;
- 6) resolves in addition that the maximum nominal amount of the debt securities liable to be issued under this delegation may not be higher than one billion euros (€1,000 million) (individual limit), or higher than the equivalent value of this amount in case of an issue in foreign currency or in units of account set with reference to several currencies; this amount is increased, where necessary, by any redemption premium above par, and the amount of the issues carried out in accordance with this delegation is offset against the common limit mentioned in paragraph 6 of the sixteenth resolution (issue of securities with maintenance of preferential subscription rights) submitted to this meeting; the debt securities may be issued in euros, foreign currency or units of account set with reference to several currencies;
- 7) notes and resolves, as necessary, that, where appropriate, the aforementioned delegation automatically constitutes, in favour of the holders of securities carrying rights in the future to Company shares that are liable to be issued, the waiver by the shareholders of their preferential subscription rights to shares that will be issued upon presentation of these securities;
- 8) resolves that, in case of an immediate or future issue of shares, (i) the issue price for each share issued under this delegation will be at least equal to the minimum amount stipulated by the laws and regulations in force at the time of the use of the delegation (currently, the weighted average of the share prices of the last three stock market trading days on the Euronext Paris regulated market preceding the setting of the subscription price of the capital increase, potentially reduced by a maximum discount of 5%), and that (ii) the issue price of securities carrying rights to the share capital will be such that the sums collected immediately by the Company, plus, where appropriate, the sums liable to be collected by it at a future date, will, for each share issued as a result of the issue of these other securities, be at least equal to the minimum issue price defined in paragraph (i) above;
- 9) resolves that, if the shareholders' and public's subscriptions have not absorbed the entirety of an issue of securities, the Executive Management may use one or more of the options below, in the order that it chooses:
- limit the issue to the amount of subscriptions under the terms and conditions stipulated by the laws in force at the time of use of this delegation,
  - freely distribute all or part of the unsubscribed shares among the persons of its choice;
- 10) grants the Executive Management the broadest of powers to implement this delegation, specifically, with the purpose of:
- deciding and determining the dates and procedures of the issues and the form and characteristics of the securities to be created, determining the terms and conditions and prices of the issues, setting the amounts to be issued,
  - determining the date of first entitlement to dividends, with or without retroactive effect, of the securities to be issued and, where applicable, the terms and conditions of their buyback; suspending, where applicable, the exercise of the share allocation rights attached to the securities to be issued for a period not to exceed three months,
  - in case of an issue of securities for the purpose of compensating shares contributed as part of a public offering including an exchange component (public exchange offering), drawing up the list of securities liable to be contributed to the exchange; set the terms and conditions of the issue, the exchange parity and, where applicable, the amount of the cash balance to be paid without enforcing the procedures for determining the price detailed in paragraph 8 of this resolution; and determining the issue procedures as part of either a public exchange offering, an alternative purchase bid or exchange offering, or a single offering proposing the purchase or exchange of securities referred to against a payment in securities and in cash, or a public takeover bid or public exchange offering as the main procedure, combined with a public exchange offering or public takeover bid as a secondary procedure, or any other form of public offering in accordance with the laws and regulations applicable to the aforementioned public offering,
  - setting the terms under which, where applicable, the rights of the holders of securities carrying rights in the future to the share capital will be preserved, in accordance with the legal and regulatory provisions,
  - more broadly, taking all the necessary steps, carrying out all the required formalities and concluding all agreements in order to successfully accomplish the planned issues and record the capital increase or increases resulting from any issue performed under this delegation, and consequently amending the Articles of Association;

- 11)** resolves that in case of an issue of debt securities, the Executive Management will have all powers to determine their characteristics and in particular to decide whether or not they are subordinated, to set their interest rate, their term, the fixed or variable redemption price with or without premium, the amortisation procedures based on market conditions, the conditions under which these securities will give entitlement to Company shares and to amend, during the lifetime of the relevant securities, the procedures referred to above, in compliance with applicable formalities;
- 12)** resolves that the Executive Management may also allocate the issue costs of the shares and securities to the amount of the premiums pertaining to the capital increases, and withdraw from these premiums the sums required to increase the legal reserve to one-tenth of the amount of the share capital resulting from these increases;
- 13)** grants all powers to the Executive Management for the purpose of applying for the shares created as part of this resolution to be traded on a regulated market, wherever it decides;
- 14)** confirms that, pursuant to Article L. 233-32 of the French Commercial Code (*Code de commerce*), this delegation may be implemented during public offerings on the shares of the Company;
- 15)** resolves that this delegation granted to the Executive Management is valid for twenty-six months as of the date of this meeting.

This delegation cancels and replaces, for the remaining term and the unused portion, the delegation granted by the Combined General Meeting of 6 June 2017 in its twentieth resolution (issue of securities with cancellation of preferential subscription rights).

**Eighteenth resolution:**

**Delegation of authority to the Executive Management to decide on a share 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, with cancellation of preferential subscription rights**

The General Meeting, acting under the quorum and majority requirements applicable to Extraordinary General Meetings, having reviewed the Executive Management's report and the Statutory Auditors' special report, in accordance with the legal provisions, and in particular Articles L. 225-129 to L. 225-129-6 and L. 225-138-1 of the French Commercial Code (*Code de commerce*) and L. 3332-1 et seq. of the French Labour Code (*Code du travail*):

- 1)** delegates to the Executive Management the authority to decide to increase the share capital, on one or more occasions and at its sole discretion, where appropriate by separate tranches, within the limit of one percent (1%) of the share capital on the date of this meeting (not taking into account the consequences on the amount of share capital of the adjustments made to protect the holders of the rights attached to the securities carrying rights to the share capital), by the issue of shares and/or securities carrying rights to the Company's share capital, reserved for members of one or more company or group savings plans that may be implemented within the Group comprised of the Company and French or foreign companies that are affiliated with it under the terms and conditions of Article L. 225-180 of the French Commercial Code (*Code de commerce*) and Article L. 3344-1 of the French Labour Code (*Code du travail*);

- 2)** resolves that the amount of capital increases resulting from this delegation will be offset against the common limit mentioned in paragraph 4 of the sixteenth resolution (issue of securities with maintenance of preferential subscription rights) submitted to this meeting;
- 3)** resolves that this delegation cancels shareholders' preferential subscription rights, in favour of the aforementioned members of a company or group savings plan, to the equity securities and marketable securities to be issued under this resolution, and involves the waiver of their preferential subscription rights to the shares to which the securities issued on the basis of this delegation may give entitlement;
- 4)** resolves, in accordance with Article L. 3332-19 of the French Labour Code (*Code du travail*), to set the discount at 20% of the average prices quoted for the Company's shares on the Euronext Paris regulated market during the 20 trading days preceding the date of the decision setting the opening date of subscriptions. Nonetheless, the Meeting authorises the Executive Management to substitute all or part of the discount by granting free shares or securities giving access to the Company's share capital, to reduce or to not grant a discount, within the legal and regulatory limits;
- 5)** resolves that the Executive Management may, in line with the authorisation granted by the Combined General Meeting of 31 May 2016 in its fifteenth resolution (free share allocation) and/or any authorisation granted by a subsequent General Meeting, within the limits set by Article L. 3332-21 of the French Labour Code (*Code du travail*), grant free shares or securities giving access to the Company's share capital as part of the employer's matching contribution;
- 6)** confirms that, pursuant to Article L. 233-32 of the French Commercial Code (*Code de commerce*), this delegation may be implemented during public offerings on the shares of the Company;
- 7)** grants the Executive Management the broadest of powers, with the ability to subdelegate, to implement this delegation and in particular to:
- determine all the terms and conditions of the transaction or transactions to occur,
  - set the terms and conditions of the issues that will be performed under this authorisation, particularly to decide on the amounts proposed for subscription; determine pursuant to legal requirements the list of companies for which members of a company savings plan may subscribe shares or securities carrying rights to the share capital thus issued and, where necessary, may be eligible for free shares or securities carrying rights to the share capital; resolve that the subscriptions may be carried out directly or through company mutual funds or other structures or entities permitted by the applicable legal or regulatory provisions; determine the conditions, in particular, length of service, that beneficiaries of capital increases must fulfil; set the issue prices, dates, time frames, terms and conditions of subscription, payment, release and date from which dividends may be payable for the shares or securities carrying rights to the Company's share capital,

- in case of a free share allocation or free allocation of securities carrying rights to the share capital, set the number of shares or securities carrying rights to the capital to be issued and the number to be allocated to each beneficiary, and determine the dates, time frames, terms and conditions of the allocation of these shares or securities carrying rights to the share capital within the legal and regulatory limits in force, and in particular, opt to substitute either fully or partially the allocation of these shares or securities carrying rights to the share capital for the discounts stipulated herein above, or to offset the equivalent value of these shares against the total amount of the employer's matching contribution, or to combine these two options,
  - at its sole discretion, after each capital increase, allocate the costs of the capital increases to the amount of premiums that pertain to them and withdraw from this amount the sums required to increase the statutory reserve to one-tenth of the new amount of share capital,
  - perform all actions and formalities for the purpose of accomplishing and recording the capital increase or increases performed under this authorisation, in particular amending the Articles of Association in consequence, and, more broadly, doing all that is required;
- 8) resolves that this delegation granted to the Executive Management is valid for twenty-six months as of the date of this meeting.

This delegation cancels and replaces, for the remaining term and the unused portion, the delegation granted by the Combined General Meeting of 6 June 2017 in its twenty-first resolution (capital increase reserved for members of a company or group savings plan), with cancellation of preferential subscription rights.

**Nineteenth resolution:**

**Delegation of authority to the Executive Management to decide on the issue of shares and/or any securities giving access to capital, with cancellation of preferential subscription rights, by private placement pursuant to Article L. 411-2, II of the French Monetary and Financial Code (*Code monétaire et financier*).**

The General Meeting, acting under the quorum and majority requirements applicable to Extraordinary General Meetings, having reviewed the Executive Management's report, the Supervisory Board's report and the Statutory Auditors' report, prepared in accordance with the law and the provisions of Articles L. 228-129 to L. 225-129-6, L. 225-135, L. 225-136 and L. 228-91 to L. 228-93 of the French Commercial Code (*Code de commerce*):

- 1) delegates to the Executive Management, under the control of the Company's Supervisory Board and the Executive Management Board of Émile Hermès SARL, Active Partner, the authority to decide on a capital increase with cancellation of preferential subscription rights and an offering referred to in Article L. 411-2, II of the French Monetary and Financial Code, on one or more occasions, in the amounts and at the times it decides, both in France and abroad and/or on the international market, either in euros or in any other currency or currency unit set with reference to several currencies, through the issue, either free of payment or against payment:

- a) of new ordinary shares of the Company,
- b) of securities governed by Articles L. 228-91 et seq. of the French Commercial Code (*Code de commerce*) that are equity securities of the Company giving access, immediately or in the future, to other equity securities of the Company and/or giving the right to the allocation of debt securities of the Company, and/or
- c) securities representing an entitlement, governed or not by Articles L. 228-91 et seq. of the French Commercial Code (*Code de commerce*), giving access or liable to give access to equity securities to be issued by the Company, with such securities also being liable, where applicable, to give access to existing equity securities and/or debt securities of the Company;

- 2) resolves that the subscription of the shares and other securities referred to in paragraph 1 of this resolution may be carried out in cash, by offsetting against liquid and payable claims on the Company, or in part by capitalisation of reserves, profits or share premiums;
- 3) resolves that these issues may also be carried out: following the issue, by a company in which the Company holds directly or indirectly at the time of the issue, more than half the share capital or securities carrying rights to Company shares or the securities mentioned in sub-paragrapbs b and c of paragraph 1 above, under the terms and conditions stipulated in Article L. 228-93 of the French Commercial Code (*Code de commerce*). The issue by said companies of the aforementioned securities will automatically constitute, in favour of the holders of these securities, the waiver by the Companies' shareholders of their preferential subscription rights to the ordinary shares or securities mentioned in sub-paragrapbs b and c of paragraph 1 above to which the securities thus issued by these companies give entitlement, as well as to Company shares to be issued to which the securities mentioned in sub-paragrapbs b and c of paragraph 1 above would give entitlement;
- 4) decides to cancel, under this delegation of authority, the preferential subscription rights of shareholders to the securities to be issued;
- 5) resolves that the nominal amount of capital increases liable to be performed immediately and/or in the future under this delegation may not exceed the limit stipulated by the regulations applicable on the date of issue (currently, 20% of the share capital per year) (individual limit), with the capital increases performed in accordance with this delegation being offset against the common limit mentioned in paragraph 4 of the sixteenth resolution (issue of securities with maintenance of preferential subscription rights) submitted to this meeting, or exceed the equivalent value of this amount in case of an issue in foreign currency or in units of account set with reference to several currencies; the nominal amount of additional shares to be issued to preserve the rights of the holders of securities giving entitlement to shares will be added to this amount, in accordance with the legal and regulatory provisions, or, where necessary, with contractual stipulations providing for other cases of adjustment;

- 6) resolves that the nominal amount of the debt securities liable to be issued under this delegation may not be higher than one billion euros (€1,000 million) (individual limit), or higher than the equivalent value of this amount in case of an issue in foreign currency or in units of account set with reference to several currencies; this amount is increased, where necessary, by any redemption premium above par, and the amount of the issues carried out in accordance with this delegation is offset against the common limit mentioned in paragraph 6 of the sixteenth resolution (issue of securities with maintenance of preferential subscription rights) submitted to this meeting; the debt securities may be issued in euros, foreign currency or units of account set with reference to several currencies;
  - 7) as appropriate, notes and resolves that, where needed the aforementioned delegation automatically constitutes in favour of the holders of securities carrying rights in the future to Company shares that are likely to be issued, the shareholders' waiver of their preferential subscription rights to shares that will be issued upon presentation of these securities;
  - 8) resolves that, in case of an immediate or future issue of shares:
    - i. the issue price for each share issued under this delegation will be at least equal to the minimum amount stipulated by the laws and regulations in force at the time of the use of the delegation (currently, the weighted average of the prices of the last three stock market trading days on the Euronext Paris regulated market preceding the setting of the subscription price of the capital increase, potentially reduced by a maximum discount of 5%), and that
    - ii. the issue price of the securities carrying rights to the share capital will be such that the sums collected immediately by the Company, plus, where appropriate, the sums liable to be collected by it at a future date, will, for each share issued as a result of the issue of these other securities, be at least equal to the minimum issue price defined in paragraph (i) above;
  - 9) resolves that if the subscriptions have not absorbed the entirety of an issue of securities, the Executive Management may use any of the options below, in the order it chooses:
    - limit the issue to the amount of subscriptions under the terms and conditions stipulated by the laws in force at the time of use of this delegation,
    - freely distribute all or part of the unsubscribed shares among the persons of its choice;
  - 10) grants the Executive Management the broadest of powers to implement this delegation, specifically, with the purpose of:
    - deciding and determining the dates and procedures of the issues and the form and characteristics of the securities to be created, determining the terms and conditions and prices of the issues, setting the amounts to be issued,
    - determining the date of first entitlement to dividends, with or without retroactive effect, of the securities to be issued and, where applicable, the terms and conditions of their buyback; suspending, where applicable, the exercise of the share allocation rights attached to the securities to be issued for a period not to exceed three months,
    - setting the terms under which, where applicable, the rights of the holders of securities carrying rights in the future to the share capital will be preserved, in accordance with the legal and regulatory provisions,
    - more broadly, taking all the necessary steps, carrying out all the required formalities and concluding all agreements in order to successfully accomplish the planned issues and record the capital increase or increases resulting from any issue performed under this delegation, and consequently amending the Articles of Association;
  - 11) resolves that in case of an issue of debt securities, the Executive Management will have all powers to determine their characteristics and in particular to decide whether or not they are subordinated, to set their interest rate, their term, the fixed or variable redemption price with or without premium, the amortisation procedures based on market conditions, the conditions under which these securities will give entitlement to Company shares and to amend, during the lifetime of the relevant securities, the procedures referred to above, in compliance with applicable formalities;
  - 12) resolves that the Executive Management may also allocate the issue costs of the shares and securities to the amount of the premiums pertaining to the capital increases, and withdraw from these premiums the sums required to increase the legal reserve to one-tenth of the amount of the share capital resulting from these increases;
  - 13) grants all powers to the Executive Management for the purpose of applying for the shares created as part of this resolution to be traded on a regulated market, wherever it decides;
  - 14) confirms that, pursuant to Article L. 233-32 of the French Commercial Code (*Code de commerce*), this delegation may be implemented during public offerings on the shares of the Company;
  - 15) resolves that this delegation granted to the Executive Management is valid for twenty-six months as of the date of this meeting.
- This delegation cancels and replaces, for the remaining term and the unused portion, the delegation granted by the Combined General Meeting of 6 June 2017 in its twenty-second resolution (issue of securities by private placement with cancellation of preferential subscription rights).

**Twentieth resolution:**

**Delegation of authority to the Executive Management to decide on the issue of shares and/or any securities giving access to capital, with cancellation of preferential subscription rights, to compensate the contributions in kind granted to the Company in relation to equity securities or marketable securities giving access to capital.**

The General Meeting, acting under the quorum and majority requirements applicable to Extraordinary General Meetings, having reviewed the Executive Management's report, the Supervisory Board's report and the Statutory Auditors' report, prepared in accordance with the law and the provisions of Articles L. 225-129 et seq., in particular L. 225-147 of the French Commercial Code (*Code de commerce*):

- 1)** delegates to the Executive Management, under the control of the Company's Supervisory Board and the Executive Management Board of Émile Hermès SARL, Active Partner, the authority to carry out, on the report of an independent appraiser, on one or more occasions, in the amounts at the times it decides, both in France and abroad and/or on the international market, either in euros or in any other currency or unit of account set with reference to several currencies, in order to compensate contributions in kind granted to the Company and comprising equity securities or marketable securities carrying rights to the share capital, when the provisions of Article L. 225-148 of the French Commercial Code (*Code de commerce*) do not apply, the issue of:
  - a) new ordinary shares of the Company,
  - b) securities governed by Articles L. 228-91 et seq. of the French Commercial Code (*Code de commerce*) that are equity securities of the Company giving access, immediately or in the future, to other equity securities of the Company and/or giving the right to the allocation of debt securities of the Company, and/or
  - c) securities representing an entitlement, governed or not by Articles L. 228-91 et seq. of the French Commercial Code (*Code de commerce*), giving access or liable to give access to equity securities to be issued by the Company, with such securities also being liable, where applicable, to give access to existing equity securities and/or debt securities of the Company;
- 2)** decides to cancel, under this delegation of authority, the preferential subscription rights of shareholders to the securities to be issued;
- 3)** resolves that the nominal amount of the capital increases that are liable to be performed immediately and/or in the future under this delegation may not exceed 10% of the share capital on the date of this meeting (individual limit), with capital increases performed in accordance with this delegation being offset against the common limit mentioned in paragraph 4 of the sixteenth resolution (issue of securities with maintenance of preferential subscription rights) submitted to this meeting, or the equivalent value of this amount in case of an issue in foreign currency or in units of account set with reference to several currencies;
- 4)** resolves in addition that the maximum nominal amount of the debt securities liable to be issued under this delegation may not be higher than one billion euros (€1,000 million) (individual limit), or higher than the equivalent value of this amount in case of an issue in foreign currency or in units of account set with reference to several currencies; this amount is increased, where necessary, by any redemption premium above par, and the amount of the issues carried out in accordance with this delegation is offset against the common limit mentioned in paragraph 6 of the sixteenth resolution (issue of securities with maintenance of preferential subscription right) submitted to this meeting; the debt securities may be issued in euros, foreign currency or units of account set with reference to several currencies;
- 5)** as appropriate, notes and resolves that, where needed the aforementioned delegation automatically constitutes in favour of the holders of securities carrying rights in the future to Company shares that are likely to be issued, the shareholders' waiver of their preferential subscription rights to shares that will be issued upon presentation of these securities;
- 6)** grants the Executive Management the broadest of powers to implement this delegation, specifically, with the purpose of:
  - deciding on and determining the dates and procedures of the issues as well as the form and characteristics of the securities to be created in compensation of the contributions, approving the report of the Statutory Auditor(s), approving the assessment of the contributions and, regarding said contributions, recording the completion, determining the terms and conditions and prices of the issues, setting the amounts to be issued,
  - determining the date of first entitlement to dividends, with or without retroactive effect, of the securities to be issued and, where applicable, the terms and conditions of their buyback; suspending, where applicable, the exercise of the share allocation rights attached to the securities to be issued for a period not to exceed three months,
  - setting the terms under which, where applicable, the rights of the holders of securities carrying rights in the future to the share capital will be preserved, in accordance with the legal and regulatory provisions,
  - more broadly, taking all the necessary steps, carrying out all the required formalities and concluding all agreements in order to successfully accomplish the planned issues and record the capital increase or increases resulting from any issue performed under this delegation, and consequently amending the Articles of Association;
- 7)** resolves that the Executive Management may also allocate the issue costs of the shares and securities to the amount of the premiums pertaining to the capital increases, and withdraw from these premiums the sums required to increase the legal reserve to one-tenth of the amount of the share capital resulting from these increases;
- 8)** grants all powers to the Executive Management for the purpose of applying for the shares created as part of this resolution to be traded on a regulated market, wherever it decides;

- 9)** confirms that, pursuant to Article L. 233-32 of the French Commercial Code (*Code de commerce*), this delegation may be implemented during public offerings on the shares of the Company;
- 10)** resolves that this delegation granted to the Executive Management is valid for twenty-six months as of the date of this meeting.

This delegation cancels and replaces, for the remaining term and the unused portion, the delegation granted by the Combined General Meeting of 6 June 2017 in its twenty-third resolution (issue of securities in order to compensate contributions in kind, with cancellation of preferential subscription rights).

## TWENTY-FIRST RESOLUTION: POWERS

### Purpose

The twenty-first resolution is a standard resolution making it possible to undertake all legal filing and disclosure formalities required by law, following the General Meeting.

#### Twenty-first resolution:

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

Acting under the quorum and majority requirements applicable to

Extraordinary General Meetings, the General Meeting confers full powers on any bearer of an extract or copy of these minutes recording its resolutions, in order to carry out all legal publication or other formalities.

## 8.3 SUPERVISORY BOARD'S REPORT TO THE COMBINED GENERAL MEETING OF 4 JUNE 2019

In accordance with legal and regulatory requirements, we hereby present our report on the accomplishment of our duties for the financial year ended 31 December 2018.

We first wish to inform you that:

- ◆ the Executive Management has kept us regularly informed of the Company's business operations and results;
- ◆ the statement of financial position and its notes, as well as the statement of profit or loss, have been provided to us as required by law;
- ◆ transactions subject to prior authorisation by the Supervisory Board under the terms of specific provisions contained in the Company's Articles of Association have been duly approved by us, as is duly demonstrated hereafter;
- ◆ lastly, the Supervisory Board ruled on various matters within its exclusive competence with respect to the Articles of Association.

### 1. OBSERVATIONS ON THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

In the light of the comprehensive review already provided, we have no specific comments on the business performance or on the financial statements for the financial year ended 31 December 2018. We issue a favourable opinion on the approval of the financial statements.

### 2. ALLOCATION OF NET INCOME

On 7 February 2019, the Executive Management decided to pay an interim dividend of €1.50 per share. This interim dividend was paid on 22 February 2019.

We recommend that you approve the proposed allocation of net income as set out in the draft resolutions submitted to you for approval, calling for a net ordinary dividend of €4.55 per share.

After deduction of the interim dividend, the balance of €3.05 per share will be detached on 7 June 2019 and paid on 11 June 2019, based on the positions approved on 10 June 2019.

### 3. RELATED-PARTY AGREEMENTS AND COMMITMENTS

The Executive Management has informed us of draft agreements in the financial year ended 31 December 2018 and falling under the combined provisions of Articles L. 226-10 and L. 225-38 to L. 225-43 of the French Commercial Code (*Code de commerce*), and submitted them to us for prior approval. You will find, in the explanatory statement on

page 369, a summary of the agreements and commitments authorised in the 2018 financial year. The agreements and commitments approved previously by the General Meeting are presented in the Statutory Auditors' special report on the agreements and commitments mentioned in Articles L. 226-10 and L. 225-38 to L. 225-43 of the French Commercial Code (*Code de commerce*), which appears on pages 396 to 398. None of these agreements changed significantly with respect to amounts or financial terms in 2018.

In 2018, no agreements were declassified for no longer meeting the criteria to be considered related-party agreements due to a change in circumstances.

Pursuant to Article L. 225-38 of the French Commercial Code (*Code de commerce*) amended by order 2014-863 of 31 July 2014, the authorisation decisions of the Supervisory Board since 1 August 2014 are all supported by justification. A review of related-party agreements and commitments has been carried out by the Supervisory Board every year since 2013, in accordance with proposal No. 27 of AMF recommendation No. 2012-05 regarding Shareholders' General Meetings of listed companies, which was incorporated in the French Commercial Code (*Code de commerce*) (Article L. 225-40-1) by the abovementioned order.

Following the review of 2018, the Board had no comments to make.

### 4. ACTIVITY OF THE SUPERVISORY BOARD

The Supervisory Board's 2018 activity is presented on pages 179 and 181 of the Supervisory Board's corporate governance report.

### 5. COMPOSITION OF THE SUPERVISORY BOARD

We fully support the proposal that is made to you in the explanation on page 378 to renew for the statutory three-year term, the expiring mandates of:

- ◆ Mr Charles-Eric Bauer;
- ◆ Ms Julie Guerrand; and
- ◆ Ms Dominique Senequier.

On the publication date of this Registration Document, we are continuing, in conjunction with the CAG-CSR Committee, the selection process in order to propose to you the appointment of two new independent members.

The first new member, appointed in replacement of Mr Robert Peugeot, will have a 2-year term, in accordance with the principle of replacing one-third of the Supervisory Board, as set out in Article 18.2 of the Articles of Association.

The second new member, appointed in replacement of Ms Sharon MacBeath, will have a 3-year term pursuant to Article 18.2 of the Articles of Association

A progress report on the mission to change the composition of the Supervisory Board, entrusted since 2011 to the CAG-CSR Committee, can be found on page 170 et seq. of the Supervisory Board's corporate governance report.

**6. RECOMMENDATIONS ON DRAFT RESOLUTIONS SUBMITTED TO THE COMBINED GENERAL MEETING OF 4 JUNE 2019**

We are in favour of all the draft resolutions submitted.

This concludes our report on the information and opinions we considered necessary to bring to your attention in connection with this meeting, and we recommend that you vote to adopt all the resolutions submitted to you.

The Supervisory Board

## **8.4 STATUTORY AUDITORS' REPORTS**

### **8.4.1 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS**

The report is on page 321.

### **8.4.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

The report is on page 289.

#### 8.4.3 STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS AND COMMITMENTS

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

##### **General Meeting for the approval of the financial statements for the year ended 31 December 2018**

To the General Meeting of Hermès International,

In our capacity as Statutory Auditors of your company, we hereby report to you on related-party agreements and commitments.

It is our duty to inform you, based on the information made available to us, of the features and the essential terms of the agreements and commitments of which we have been advised or that we have discovered during our assignment and the reasons justifying their interest to the company, though we are not obliged to comment on their usefulness or their value or to seek out other agreements or commitments. It is your responsibility, under the terms of Article R. 226-2 of the French Commercial Code (*Code de commerce*), to consider the value of the conclusion of these agreements and commitments with a view to their approval.

It is also our duty, where appropriate, to inform you of the information provided for by Article R. 226-2 of the French Commercial Code (*Code de commerce*) regarding the performance, over the financial year ended, of the agreements and commitments previously approved by the General Meeting.

We have carried out the procedures we considered necessary for this task in accordance with the professional standards of the French National Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) regarding this assignment. These procedures consisted in verifying that the information provided to us was consistent with the data in the documents from which it was drawn.

##### **Agreements and commitments submitted for the approval of the General Meeting**

###### **Agreements and commitments authorised during the financial year ended**

In accordance with Article L. 226-10 of the French Commercial Code (*Code de commerce*), we were informed of the following agreements and commitments previously authorised by the Supervisory Board.

###### **a) Agreement for provision of services with Studio des Fleurs**

###### *Person concerned*

Mr Frédéric Dumas, member of the Executive Management Board of Emile Hermès Sarl, Executive Chairman of Hermès International.

###### *Nature, purpose and conditions*

On 20 March 2018 your Supervisory Board authorised a contract between Hermès International and Studio des Fleurs relating to the provision of services for shots and retouches for e-commerce product pack shots.

###### *Reason justifying the benefits for the Company*

Studio des Fleurs has accepted the following points, which were fundamental for Hermès International:

- ◆ obligations of Studio des Fleurs: compliance with very precise specifications, duty of advice, monitoring of performance, quality control, criteria for monitoring performance indicators;
- ◆ no guaranteed minimum order;
- ◆ fixed three-year term followed by indefinite duration;
- ◆ long (18-month) prior notice for termination;
- ◆ no exclusivity;
- ◆ undertaking of Studio des Fleurs to take the necessary steps to preserve its economic independence (notably by broadening and diversifying its customer base) vis-à-vis the Hermès Group;
- ◆ confidentiality and prohibition on using Hermès as a reference;
- ◆ no revision of rates before the expiry of three years, and then revision possible but capped.

For 2018, invoicing for these services amounted to €2,519,880.

##### **Agreements and commitments already approved by the General Meeting**

###### **Agreements and commitments approved in previous years,**

###### **a) performance of which continued during the financial year ended**

In accordance with Article R. 226-2 of the French Commercial Code (*Code de commerce*), we have been informed that performance of the following agreements and commitments, approved by the General Meeting in previous years, continued during the financial year ended.

###### **1. Service provision agreement with Emile Hermès SARL**

###### *Person concerned*

Emile Hermès SARL, Executive Chairman of Hermès International.

###### *Nature, purpose and conditions*

By resolutions of your Supervisory Board on 23 March 2005 and 14 September 2005, a service provision agreement was entered into between your company and Emile Hermès SARL covering day-to-day matters of a legal and financial nature. On 1 September 2007, your Supervisory Board authorised the signing of a rider to this agreement, adding the duties of secretariat. In its meetings of 25 January 2012 and 30 August 2012, your Supervisory Board authorised the signing of two riders to this agreement, changing the price of the secretarial services and adding an exceptional assignment of monitoring shareholding.

For 2018, invoicing for these services amounted to €227,778.

###### **2. Contract for the provision of catering services with MOCE**

###### *Person concerned*

Mr Charles-Eric Bauer, majority shareholder of MOCE and member of the Supervisory Board of Hermès International.

#### *Nature, purpose and conditions*

On 6 June 2017, your Supervisory Board authorised the signing of a contract between Hermès International and MOCE ("EatMe" brand) for fast food services at Hermès International's site at 12, Rue d'Anjou (75008).

#### *Reason justifying the benefits for the Company*

Hermès International invited bids from a number of providers of fast food catering services in the context of a consultation. MOCE was selected on account of its commercial offering. This company did not propose any fixed charges and planned to develop the space in harmony with the building.

For 2018, invoicing for these services amounted to €114,829.

### **3. Brand licensing contracts**

#### *Persons concerned*

- ◆ Hermès International, direct or indirect holder of more than 10% of the shares of the licensed companies referred to hereunder;
- ◆ for Comptoir Nouveau de la Parfumerie: Matthieu Dumas and Dorothée Altmayer, members of the Supervisory Board of Hermès International and directors of Comptoir Nouveau de la Parfumerie;
- ◆ for Hermès Sellier: Olympia Guerrand, Eric de Seynes and Blaise Guerrand, members of the Supervisory Board of Hermès International and of the Management Board of Hermès Sellier;
- ◆ for La Montre Hermès: Axel Dumas, Executive Chairman of Hermès International and director of La Montre Hermès.

#### *Nature, purpose and conditions*

On 27 January 2017, your Supervisory Board authorised the renewal, by rider, of the brand licensing agreements and their riders which had expired on 31 December 2016.

The change in these contracted licences to indefinite duration had no financial impact.

#### *Reason justifying the benefits for the Company*

The purpose of the renewal of these contracts was:

- ◆ to transform these agreements into agreements with unlimited duration, with the possibility for each party to terminate them at any time subject to written advance notice of at least one year; and
- ◆ to update the list of brands covered by the licence, in particular so as to include the new brands registered since the last rider.

The brand licensing agreements and their riders gave rise to the following licence fees in 2018:

<b>Company</b>	<b>Amount of licence fees in respect of 2018</b>
Hermès Sellier	€122,623,854
Comptoir Nouveau de la Parfumerie	€14,647,891
La Montre Hermès	€3,950,761

Your company also invoiced Faubourg Italia for licence fees amounting to €180,649 in 2018.

### **4. Deferred compensation commitments in favour of a Corporate Officer**

#### *Person concerned*

Mr Axel Dumas, Executive Chairman of Hermès International.

#### *Nature, purpose and conditions*

In its meeting of 4 June 2013 your Supervisory Board made the following commitments with regard to Mr Axel Dumas' compensation:

- ◆ the benefit of the defined contribution supplementary pension plan put in place for all the personnel of the group's French companies;
- ◆ the benefit of the supplementary pension plan put in place in 1991 for the company's Senior Executives. The pension plan notably provides as a necessary condition for benefiting from the scheme, the definitive ending of the professional career in the enterprise after at least ten years of service, and the drawing of the basic Social Security pension. The annuity resulting from this scheme, if all the eligibility conditions are met, would be calculated on the basis of the average of the last three years' compensation and may not exceed an amount equal to eight times the annual Social Security ceiling;
- ◆ in the event of the cessation of the Executive Chairman's functions, your company has undertaken to pay Mr Axel Dumas an indemnity equal to twenty-four months of compensation (statutory plus additional). The payment of such compensation is also subject to the following performance conditions, such that the conditions of his departure are in equilibrium with the situation of the Company: achieving budget targets in at least four out of the five previous years (with growth in both revenue and operating income measured at constant rates), without deterioration in the Hermès brand image.

Payment of this indemnity will also be subject to the termination of duties resulting:

- ◆ either from a decision of the Executive Chairman made by reason of a change of control of the company, the replacement of the Executive Chairman of Emile Hermès SARL, Executive Chairman of the company, or a change in the company's strategy;
- ◆ from a decision taken by the Company.

### **5. Maintaining in favour of a Corporate Officer of the group collective cover for healthcare and death and disability insurance expenses in force in the company for employees and Corporate Officers**

#### *Person concerned*

Mr Axel Dumas, Executive Chairman of Hermès International.

#### *Nature, purpose and conditions*

On 19 March 2014 your Supervisory Board authorised the maintaining, in favour of Mr Axel Dumas, of collective cover for healthcare and death and disability insurance expenses in force in Hermès Group companies.

## 6. Compensation of members of specialised committees

### Persons concerned

- ◆ Ms Monique Cohen;
- ◆ Mr Charles-Éric Bauer;
- ◆ Mr Matthieu Dumas;
- ◆ Ms Sharon MacBeath;
- ◆ Mr Renaud Mommeja;
- ◆ Mr Robert Peugeot;
- ◆ Ms Dominique Senequier.

### Nature, purpose and conditions

The compensation of the members of the Audit and Risk Committee and the CAG-CSR Committee was fixed as follows from 2017:

	Annual fixed amount	Maximum annual variable amount <sup>1</sup>	Maximum total
Chairman of the Audit and Risk Committee	€28,000		€28,000
Members of the Audit and Risk Committee	€5,200	€7,800	€13,000
Chairman of CAG-CSR Committee	€28,000		€28,000
Members of CAG-CSR Committee	€5,200	€7,800	€13,000

1. Variable amount calculated in accordance with members' attendance.

In respect of financial year 2018, the total amount due from Hermès International to all the members of these Committees amounts to €138,680.

### b) not executed during the past financial year

We have also been informed of the continuation of the following agreements and commitments, already approved by the General Meeting in previous financial years, which were not executed during the past financial year.

### 1. Framework agreement with RDAI architecture studio

#### Person concerned

Ms Sandrine Brekke, holder of more than 10% of the equity of RDAI and member of the Executive Management Board of Emile Hermès SARL, Executive Chairman of Hermès International.

#### Nature, purpose and conditions

In its meetings of 17 July and 13 September 2017, your Supervisory Board authorised the signing of a new framework agreement between your company and all the companies that it controls either directly or indirectly, and RDAI, defining the contours of RDAI's assignment for the exclusive application of the architectural Concept in Hermès projects.

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

This agreement was not in effect in 2018 at Hermès International; since the services provided by RDAI in 2018 were for the sole benefit of store operating companies, which bore the related expenses.

### 2. Design mission agreement with the RDAI architecture consultancy

#### Person concerned

Ms Sandrine Brekke, partner with a more than 10% holding in RDAI and a member of the Board of Management of Emile Hermès SARL, Executive Chairman of Hermès International.

#### Nature, purpose and conditions

On 3 July 2015 and 20 November 2015, your Supervisory Boards approved:

- ◆ an agreement between your company and the RDAI Consultancy for a design mission for the interior appointments of the offices at 10-12 rue d'Anjou in Paris, which involves several floors and includes the supply of furniture;
- ◆ a rider to this agreement in order to award RDAI two additional design packages with: (i) the fitting out of one additional floor and (ii) a change to the programming and layout of certain spaces on the other floors.

The fees have been set at a firm and fixed price and account for 8% of the total value of the works, which is in line with market prices.

No use was made of this agreement in 2018.

Neuilly-sur-Seine, 9 April 2019

The Statutory Auditors

PricewaterhouseCoopers Audit

Olivier Auberty

Didier Kling & Associés  
A member of Grant Thornton

Vincent Frambourt

Guillaume Giné

#### 8.4.4 REPORT FROM ONE OF THE STATUTORY AUDITORS, DESIGNATED AS THE INDEPENDENT THIRD PARTY ORGANISATION, ON THE CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION CONTAINED IN THE MANAGEMENT REPORT

The report is on page 127.

#### 8.4.5 STATUTORY AUDITORS' REPORT ON THE CAPITAL REDUCTION BY THE CANCELLATION OF SHARES PURCHASED (14TH RESOLUTION)

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

##### Combined General Meeting of 4 June 2019

To the Shareholders

In our capacity as Statutory Auditors of your Company and pursuant to the mission provided for in Article L. 225-209 of the French Commercial Code (*Code de commerce*) in the event of capital reduction by the cancellation of shares purchased, we have prepared this report intended to inform you of our assessment of the reasons for and terms and conditions of the proposed capital reduction.

The Executive Management of your company proposes that you delegate to it all necessary powers, for a period of twenty-four months with effect from the date of this General Meeting, to cancel, on one or more occasions, up to a maximum of 10% of the share capital per twenty-four-month period, all or part of the shares held or purchased pursuant to an authorisation of purchases by your company of its own shares in the context of the aforementioned Article.

We have carried out the procedures we considered necessary for this task in accordance with the professional standards of the French National Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) regarding this assignment. Those procedures involved examining whether the reasons for and the terms and conditions of the proposed capital reduction, which is unlikely to undermine the equality of shareholders, are lawful and appropriate.

We have no comments on the reasons for or the terms and conditions of the proposed capital reduction.

Neuilly-sur-Seine, 9 April 2019

The Statutory Auditors

PricewaterhouseCoopers Audit

Didier Kling & Associés  
A member of Grant Thornton

Olivier Auberty

Vincent Frambourt

Guillaume Giné

#### 8.4.6 STATUTORY AUDITORS' REPORT ON THE ISSUE OF SHARES AND/OR ANY OTHER MARKETABLE SECURITIES GIVING ACCESS TO CAPITAL WHILE MAINTAINING OR CANCELLING PREFERENTIAL SUBSCRIPTION RIGHTS (16TH AND 17TH RESOLUTIONS)

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##### To the Shareholders of Hermès International,

In our capacity as Statutory Auditors of your company, and pursuant to the mission provided for by Articles L. 228-92 and L. 225-135 et seq. of the French Commercial Code (*Code de commerce*), we present our report on the proposal to delegate authority to the Executive Management to decide various issues of shares and/or marketable securities, being transactions on which you are asked to make a decision.

On the basis of its report and that of the Supervisory Board, your Executive Management proposes that you delegate to it, under the control of the Supervisory Board and the Executive Management Board of Emile Hermès SARL, Active Partner, for a period of twenty-six months with effect from the date of this Meeting, the authority to decide on the following transactions and to determine the final conditions of these issues, and proposes, where applicable, the cancellation of your preferential subscription rights:

- ◆ the issue, maintaining shareholders' preferential right of subscription (16th resolution), on one or more occasions, in such proportions and at such times as it may determine, both in France and abroad and/or on the international market, either in euros or in any other currency or monetary unit established by reference to several currencies, free or for valuable consideration, of ordinary shares of the company and/or marketable securities that are equity instruments of the company giving access to other equity instruments and/or to the allocation of debt securities of the company and/or marketable securities representing a debt claim or giving access or liable to give access to equity instruments to be issued;
- ◆ the issue, cancelling shareholders' preferential right of subscription (17th resolution), on one or more occasions, in such proportions and at such times as it may determine, both in France and abroad and/or on the international market, either in euros or in any other currency or monetary unit established by reference to several currencies, free or for valuable consideration, of ordinary shares of the company and/or marketable securities giving access to other equity instruments of the company and/or giving access to the allocation of debt securities of the company giving access to other equity instruments and/or marketable securities giving access to equity instruments to be issued representative of a debt claim giving access to or likely to give access to equity securities to be issued by the company and/or existing equity securities and/or debt securities of the company;
- it being specified that, in accordance with Article L. 228-93 paragraph 1 of the French Commercial Code, marketable securities to be issued which could give access to equity securities to be issued by any company in which the company owns directly or indirectly more than half of the capital ;

- it being further specified that these securities may be issued in order to remunerate securities that might be contributed to the company in the context of a public offer including an exchange component meeting the conditions laid down by Article L. 225-148 of the French Commercial Code (*Code de commerce*).

The total nominal value of any capital increases liable to be made immediately or in the future may not, under the sixteenth and seventeenth resolutions, exceed 40% of the authorized share capital on the date of this General Meeting, it being specified that capital increases made in accordance with these delegations of authority will be recorded under the common ceiling provided for in the sixteenth resolution and corresponding to 40% of the share capital on the date of this General Meeting for the sixteenth, seventeenth, eighteenth, nineteenth and twentieth resolutions.

The total nominal value of any debt securities likely to be issued may not, under the sixteenth and seventeenth resolutions, exceed one billion euros, it being specified that issues made in accordance with these delegations of authority will be recorded under the in the sixteenth resolution of one billion euros for the sixteenth, seventeenth, eighteenth, nineteenth and twentieth resolutions. It is the responsibility of the Executive Management to prepare a report in accordance with Articles R.225-113 et seq. of the French Commercial Code (*code de commerce*). It is our responsibility to give an opinion on the true and fair nature of the figures taken from the accounts, the proposal to cancel the preferential subscription right and certain other information given in this report concerning the issue.

We have carried out the procedures we considered necessary for this task in accordance with the professional standards of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) regarding this assignment. These procedures consisted in verifying the content of the Executive Management report as it relates to these transactions and the methods used to determine the issue price of the equity instruments to be issued.

Subject to our subsequent review of the terms and conditions of the issues decided upon, we have no comments to make on the determination of the issue price of the equity securities to be issued presented in the report of the Executive Management in respect of the seventeenth resolution.

In addition, since this report does not specify the conditions for determining the price of the equity securities to be issued for implementation of the sixteenth resolution, we cannot give our opinion on the choice of elements used to calculate this issue price.

Since the definitive conditions on which the issues will be carried out have not been set, we do not express an opinion on them, nor, consequently, on the proposal to cancel the preferential subscription right put to you in the seventeenth resolution.

In accordance with Article L. 225-116 of the French Commercial Code (*code de commerce*), we will prepare a supplementary report, if necessary, upon the use of one of these delegated powers by your Executive Management in the event of the issue of marketable securities that are equity instruments giving access to other equity instruments or the right

to the allocation of debt securities, in the event of the issue of marketable securities giving access to equity instruments to be issued and in the event of the issue of shares with cancellation of the preferential subscription right.

Neuilly-sur-Seine, 9 April 2019

The Statutory Auditors

PricewaterhouseCoopers Audit

Olivier Auberty

Didier Kling & Associés  
A member of Grant Thornton

Vincent Frambourt

Guillaume Giné

#### 8.4.7 STATUTORY AUDITORS' REPORT ON THE ISSUE OF SHARES AND/OR MARKETABLE SECURITIES GIVING ACCESS TO THE CAPITAL RESERVED FOR MEMBERS OF A COMPANY OR GROUP SAVINGS PLAN WHILE CANCELLING PREFERENTIAL SUBSCRIPTION RIGHTS (18TH RESOLUTION)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

**To the Shareholders of Hermès International,**

In our capacity as Statutory Auditors of your Company and pursuant to the mission provided for in Articles L. 228-92, L. 225-135 et seq. of the French Commercial Code (*Code de commerce*), we present our report on the proposal to delegate to the Executive Management the authority to decide on one or more occasions, on the issue of shares and/or marketable securities giving access to the capital, cancelling preferential subscription rights, reserved for members of one or more company or group savings schemes to be put in place within the group formed by the company and the French or foreign companies related to it under the terms of Article L. 225-180 of the French Commercial Code (*Code de commerce*) and Article L. 3344-1 of the French Labour Code, up to a limit of 1% of the share capital at the date of this Meeting and to be counted towards the overall ceiling referred to in the 16th resolution (40% of the share capital) at the date of this Meeting, on which transaction you are asked to decide.

This issue is submitted for your approval pursuant to the provisions of Articles L. 225-129-6 of the French Commercial Code (*Code de commerce*) and L. 3332-18 et seq. of the French Labour Code.

Your Executive Management proposes, based on its report, that you delegate to it for a period of twenty-six months, the authority to decide on one or more issues and to cancel your preferential subscription rights to the securities to be issued. It will be for the Executive Management to set the definitive issue conditions for any such transaction.

It is the responsibility of the Executive Management to prepare a report in accordance with Articles R. 225-113 et seq. of the French Commercial Code (*Code de commerce*). It is our responsibility to give an opinion on the true and fair nature of the figures taken from the accounts, the proposal to cancel the preferential subscription right and certain other information given in this report concerning the issue.

We have carried out the procedures we considered necessary for this task in accordance with the professional standards of the French National Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) regarding this assignment. These procedures consisted in verifying the content of the Executive Management report as it relates to this transaction and the methods used to determine the issue price of the securities to be issued.

Subject to our subsequent review of the terms and conditions of the capital increase decided upon, we have no comments to make on the methods used to determine the issue price of the equity securities to be issued presented in the Executive Management report.

Since the definitive conditions on which the capital increase will be carried out have not been set, we do not express an opinion on them, nor, consequently, on the proposal put to you to cancel the preferential subscription right.

In accordance with Article L. 225-116 of the French Commercial Code (*Code de commerce*), we will prepare a supplementary report, if necessary, upon the use of these delegated powers by your Executive Management in the event of an issue of shares and marketable securities that are equity securities giving access to other equity securities and in the event of an issue of marketable securities giving access to equity securities to be issued.

Neuilly-sur-Seine, 9 April 2019

The Statutory Auditors

PricewaterhouseCoopers Audit

Olivier Auberty

Didier Kling & Associés  
A member of Grant Thornton

Vincent Frambourt

Guillaume Giné

## 8.4.8 STATUTORY AUDITORS' REPORT ON THE ISSUE OF SHARES AND/OR VARIOUS MARKETABLE SECURITIES GIVING ACCESS TO CAPITAL WHILE CANCELLING PREFERENTIAL SUBSCRIPTION RIGHTS (19TH RESOLUTION)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

### To the Shareholders of Hermès International,

In our capacity as Statutory Auditors of your company, and pursuant to the mission provided for by Articles L. 228-92 and L. 225-135 et seq. of the French Commercial Code (*Code de commerce*), we present our report on the proposal to delegate authority to the Executive Management to make various issues of shares and/or marketable securities while cancelling preferential subscription rights, being transactions on which you are asked to make a decision.

On the basis of its report, your Executive Management proposes that you delegate to it, under the control of the Supervisory Board and the Executive Management Board of Emile Hermès SARL, Active Partner, for a period of twenty-six months with effect from the date of this Meeting, the authority to decide on the following transaction and to determine the final conditions of this issue, and proposes the cancellation of your preferential subscription rights:

- ◆ issue, cancelling shareholders' preferential right of subscription, through an offering qualifying as a "private placement" as described in Article L. 411-2 II of the French Monetary and Financial Code, and subject to a limit of 20% of the capital per annum, on one or more occasions, in such proportions and at such times as it may determine, both in France and abroad and/or on the international market, either in euros or in any other currency or monetary unit established by reference to several currencies, free or for valuable consideration, of ordinary shares of the company and/or marketable securities that are equity instruments of the company giving access to other equity instruments and/or giving the right to the allocation of debt securities of the company and/or of marketable securities giving access to equity instruments to be issued; it being specified that the marketable securities giving access to the capital of the company may be issued as a result of the issue, by any company directly or indirectly holding more than half its capital or of which it directly or indirectly holds more than half the capital, giving the right to the allocation of debt securities or marketable securities giving access to equity instruments of the Company to be issued representative of a debt claim giving access to or liable to give access to equity securities to be issued by the company:
  - it being specified that, in accordance with Article L. 228-93 paragraph 1 of the French Commercial Code, marketable securities to be issued which could give access to equity securities to be issued by any company in which the company owns directly or indirectly more than half of the capital.

The overall nominal amount of such capital increases as may be carried out immediately or in due course may not, as per the 19<sup>th</sup> resolution, exceed 20% of the share capital at the date of this Meeting, it being specified that capital increases made in accordance with this delegation of authority will be offset against the common ceiling provided for in the 16<sup>th</sup> resolution and corresponding to 40% of the authorized share capital on the date of this General Meeting for the 16<sup>th</sup>, 17<sup>th</sup>, 18<sup>th</sup>, 19<sup>th</sup> and 20<sup>th</sup> resolutions. The overall nominal amount of such debt securities as may be issued may not, as per the 19<sup>th</sup> resolution, exceed €1 billion, it being specified that issues made in accordance with this delegation of authority will be offset against the common ceiling provided for in the 16<sup>th</sup> resolution of one billion euros for the 16<sup>th</sup>, 17<sup>th</sup>, 18<sup>th</sup>, 19<sup>th</sup> and 20<sup>th</sup> resolutions.

It is the responsibility of the Executive Management to prepare a report in accordance with Articles R. 225-113 et seq. of the French Commercial Code (*Code de commerce*). Our role is to express an opinion on the sincerity of the figures derived from the accounts, on the proposed cancellation of preferential subscription rights and on certain other information relating to the operations presented in this report.

We have carried out the procedures we considered necessary for this task pursuant to the professional standards of the French National Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) regarding this assignment. These procedures consisted in verifying the content of the Executive Management report as it relates to these transactions and the methods used to determine the issue price of the equity instruments to be issued.

Subject to our subsequent review of the terms and conditions of the issues decided upon, we have no comments to make on the determination of the issue price of the equity securities to be issued presented in the report of the Executive Management in respect of the 19<sup>th</sup> resolution.

Since the definitive conditions on which the issues will be carried out have not been set, we do not express an opinion on them, nor, consequently, on the proposal to cancel the preferential subscription rights put to you in this resolution.

In accordance with Article L. 225-116 of the French Commercial Code (*Code de commerce*), we will prepare a supplementary report, if necessary, upon the use of these delegated powers by your Executive Management in the event of an issue of marketable securities that are equity securities giving access to other equity securities or giving an entitlement to an allocation of debt securities, in the event of an issue of marketable securities giving access to equity securities to be issued and in the event of a share issue with waiver of the preferential subscription rights.

Neuilly-sur-Seine, 9 April 2019

The Statutory Auditors

PricewaterhouseCoopers Audit

Olivier Auberty

Didier Kling & Associés  
A member of Grant Thornton

Vincent Frambourt

Guillaume Giné

#### 8.4.9 STATUTORY AUDITORS' REPORT ON THE ISSUE OF SHARES AND/OR MARKETABLE SECURITIES GIVING ACCESS TO THE CAPITAL IN ORDER TO REMUNERATE CONTRIBUTIONS IN KIND (20TH RESOLUTION)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

**To the Shareholders of Hermès International,**

In our capacity as Statutory Auditors of your company, and pursuant to the mission provided for by Article L. 228-92 of the French Commercial Code (*Code de commerce*), we present our report on the proposal to delegate authority to the Executive Management to make various issues of shares and/or marketable securities being transactions on which you are asked to make a decision.

On the basis of its report and that of the Supervisory Board, your Executive Management proposes that you delegate to it, under the control of the Supervisory Board and the Executive Management Board of Emile Hermès SARL, Active Partner, for a period of twenty-six months with effect from the date of this Meeting, the necessary authority to proceed with the issue on one or more occasions, in such proportions and at such times as it may determine, both in France and abroad and/or on the international market, either in euros or in any other currency or monetary unit established by reference to several currencies, with a view to remunerating contributions in kind made to the company, ordinary shares of the company and/or marketable securities that are equity instruments of the company giving access to other equity instruments and/or to the allocation of debt securities of the company and/or marketable securities representative of a debt claim giving access or liable to give access to equity instruments to be issued.

The overall nominal amount of such capital increases as may be carried out immediately or in due course may not, as per the 20<sup>th</sup> resolution, exceed 10% of the share capital at the date of this Meeting (individual ceiling), it being specified that the capital increases carried out under this delegation will count towards the common ceiling provided for in the 16<sup>th</sup> resolution and corresponding to 40% of the share capital at the date of this Meeting for the 16<sup>th</sup>, 17<sup>th</sup>, 18<sup>th</sup>, 19<sup>th</sup> and 20<sup>th</sup> resolutions.

The overall nominal amount of such debt securities as may be issued may not, as per the 20<sup>th</sup> resolution, exceed €1 billion, it being specified that issues made in accordance with this delegation of authority will be recorded under the common ceiling of one billion euros provided for in the 19<sup>th</sup> resolution for the 16<sup>th</sup>, 17<sup>th</sup>, 18<sup>th</sup>, 19<sup>th</sup> and 20<sup>th</sup> resolutions.

It is the responsibility of the Executive Management to prepare a report in accordance with Articles R. 225-113 et seq. of the French Commercial Code (*Code de commerce*). It is our responsibility to give an opinion on the true and fair nature of the figures taken from the accounts, the proposal to cancel the preferential subscription right and certain other information given in this report concerning the issue.

We have carried out the procedures we considered necessary for this task in accordance with the professional standards of the French National Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) regarding this assignment. These procedures consisted in verifying the content of the Executive Management report as it relates to this transaction and the methods used to determine the issue price of the equity instruments to be issued.

Since this report does not specify the methods used to determine the issue price of the equity securities to be issued in the context of the execution of this resolution, we cannot express an opinion on the choice of elements for calculating the issue price.

In accordance with Article L. 225-116 of the French Commercial Code (*Code de commerce*), we will prepare a supplementary report, if necessary, upon the use of these delegated powers by your Executive Management in the event of the issue of marketable securities that are equity instruments giving access to other equity instruments or the right to the allocation of debt securities, in the event of the issue of marketable securities giving access to equity instruments to be issued and in the event of the issue of shares with cancellation of the preferential subscription right.

Neuilly-sur-Seine, 9 April 2019

The Statutory Auditors

PricewaterhouseCoopers Audit

Didier Kling & Associés  
A member of Grant Thornton

Olivier Auberty

Vincent Frambourt

Guillaume Giné





# 9

## ADDITIONAL INFORMATION

<b>9.1</b>	<b>PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT</b>	<b>408</b>
9.1.1	Names and positions of persons responsible for information contained in the Registration Document	408
9.1.2	Certification of persons responsible for the Registration Document	408
<b>9.2</b>	<b>STATUTORY AUDITORS</b>	<b>409</b>
<b>9.3</b>	<b>REGULATORY INFORMATION CONSULTATION</b>	<b>409</b>
<b>9.4</b>	<b>INFORMATION INCORPORATED BY REFERENCE</b>	<b>409</b>
<b>9.5</b>	<b>CROSS-REFERENCE TABLES</b>	<b>410</b>
9.5.1	Cross-reference table for the annual financial report	410
9.5.2	Cross-reference table for the management's report	411
9.5.3	Cross-reference table for the Supervisory Board's report on corporate governance	412
9.5.4	Cross-reference table for the Registration Document	413
9.5.5	Cross-reference table declaration of non-financial performance	415
<b>9.6</b>	<b>GLOSSARY</b>	<b>417</b>

## 9.1 PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT

### 9.1.1 NAMES AND POSITIONS OF PERSONS RESPONSIBLE FOR INFORMATION CONTAINED IN THE REGISTRATION DOCUMENT

Mr Axel Dumas, Executive Chairman.

Émile Hermès SARL, 23, rue Boissy-d'Anglas 75008 Paris,  
Executive Chairman.

### 9.1.2 CERTIFICATION OF PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT

To the best of our knowledge, having taken all reasonable measures to ensure that such is the case, we hereby certify that the information contained in this Registration Document is in accordance with the facts and contains no omission likely to affect its import.

To the best of our knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a fair view of the assets, liabilities and financial position and results of the Company and all the undertakings included in the consolidation, and that the management report items of which are listed on page 411 (Reconciliation with management report) presents a fair view of the development and performance of the business operations, results and financial position of the Company and all the undertakings included in the consolidation, and that it describes the main risks and uncertainties to which they are exposed.

We have received a letter from the Statutory Auditors certifying that they have audited the financial position and accounting information provided in this document and that they have read the document in its entirety.

Paris, 10 April 2019

Executive Chairmen

Mr Axel Dumas

Mr Henri-Louis Bauer  
*Representative of Émile Hermès SARL*

## 9.2 STATUTORY AUDITORS

The Principal Statutory Auditors serve for a term of six years.

If a Statutory Auditor is appointed to fill a vacancy left by the resignation of a Statutory Auditor or other reason, they are appointed for the remainder of their predecessor's term.

The terms of the Principal Statutory Auditors will end in 2023.

The Principal Statutory Auditors are:

### PricewaterhouseCoopers Audit

Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles.

63, rue de Villiers

92200 Neuilly-sur-Seine

Represented by Mr Olivier Auberty

First appointed: General Meeting of 30 May 2011.

Term of current office: Ordinary General Meeting called to approve the financial statements for 2022.

### Didier Kling & Associés

Member of the Grant Thornton network and Compagnie Régionale des Commissaires aux Comptes de Versailles.

29, rue du Pont

92200 Neuilly-sur-Seine

Member of the Grant Thornton network represented by: Messrs Vincent Frambourt and Guillaume Giné.

First appointed: General Meeting of 31 May 1999.

Term of current office: Ordinary General Meeting called to approve the financial statements for 2022.

## 9.3 REGULATORY INFORMATION CONSULTATION

The Hermès financial website is available at <http://finance.hermes.com/en/>. On this website, shareholders and investors can access the information, available in French and English, for the last five financial years.

## 9.4 INFORMATION INCORPORATED BY REFERENCE

Pursuant to Article 28 of Regulation (EC) No. 809/2004 of 29 April 2004, this registration document incorporates by reference the following information, to which the reader is invited to refer:

- ◆ in respect of the year ended 31 December 2016: consolidated financial statements, parent company financial statements and Statutory Auditors' reports thereon, presented in the registration document filed with the Financial Markets Authority (AMF) on 19 April 2017 under reference number D17-0401, on pages 159 to 211 and 213 to 239;

- ◆ in respect of the year ended 31 December 2017: consolidated financial statements, parent company financial statements and Statutory Auditors' reports thereon, presented in the Registration Document filed with the Financial Markets Authority (AMF) on 12 April 2018 under reference number D18-0323, on pages 191 to 245 and 247 to 279.

All other information incorporated into this registration document in addition to the information described above has been replaced or updated by the information contained herein. Copies of this registration document are available as described on pages 360 and 409.

## 9.5 CROSS-REFERENCE TABLES

### 9.5.1 CROSS-REFERENCE TABLE FOR THE ANNUAL FINANCIAL REPORT

(Article 222-3 of the AMF General Regulation)

Page	Heading
295 - 320	Hermès International annual financial statements
237 - 288	Hermès Group consolidated financial statements
	Executive management report (refer to cross-reference table of the management report)
408	Responsibility statement for the annual financial report
321 - 324	Statutory Auditors' report on the annual financial statements
289 - 293	Statutory Auditors' report on the consolidated financial statements
135 - 213	Report of the Supervisory Board on the corporate governance

## 9.5.2 CROSS-REFERENCE TABLE FOR THE MANAGEMENT'S REPORT

(Articles L. 225-100 et seq., L. 232-i, ii and R. 225-102)

Page	Heading
<b>Group situation and activity in 2018 / Comments on the financial year</b>	
6 - 7, 16 - 31	Company situation and activity during the past financial year
234	Foreseeable developments of the Company and its outlook
255	Important events since the closing date of the financial year and the date the report is established
39	Company research and development activities
233	Existing branches
6 - 7, 228 - 230	Analysis of the progression in business activity, earnings and financial position of the company, in particular its debt situation with regard to the volume and complexity of its business
16, 69 - 110, 356 - 357	Financial and, where applicable, non-financial key performance indicators relating to the Company's specific activity, in particular information on environmental and staff issues with reference made to amounts featured in the annual financial statements and the relevant additional explanations.
32, 228 - 230, 232	Activity of the Company's subsidiaries and companies under its control
232	Significant equity investments in companies based in France or the takeover of such companies
n/a	Notice given to another joint-stock company that the Company holds more than 10% of its capital
n/a	Disposals of shares arising from the effect of regulating cross-shareholdings
<b>Risk factors / Internal control and risk management procedures</b>	
36 - 47	Description of main risks and uncertainties the Company faces
40 - 41, 266, 268	Information regarding the Company's objectives and its policy as to the hedging of each main category of scheduled transactions for which hedge accounting is used, along with its exposure to price, credit, liquidity and cash risk; these indications include the Company's use of financial instruments
41	Guidance on financial risks linked to the effects of climate change and steps taken by the Company to reduce them by implementing a low-carbon strategy in all areas of its activity
40 - 41, 268 - 275	Information regarding interest rate risk, foreign exchange risk and risk on equities and other financial instruments
45 - 49	Principal characteristics of the internal control and risk management procedures put in place by the Company relating to the preparation and processing of accounting and financial information
<b>Monitoring plan</b>	
37 - 39, 111 - 119, 218 - 222	The monitoring plan helps to identify risks and prevent serious breaches of human rights and fundamental rights, health, safety and the environment arising from the activity of the Company and companies it controls, as well as the activities of subcontractors and suppliers
114 - 119	Reporting of the effective implementation of the monitoring plan
<b>Information regarding social, environmental and societal commitments</b>	
	Statement of non-financial performance (refer to the cross-reference table of the Statement of non-financial performance)
<b>Information regarding the share capital</b>	
341 - 343	Breakdown of and changes in the share capital
341 - 342, 344 - 346	Information regarding treasury shares
347 - 351	Summary of transactions carried out on their securities by senior executives, senior managers or persons with whom they are closely linked
n/a	Restrictions imposed by the Board regarding the exercise of options granted or the sale of free shares awarded to senior executives
n/a	Calculation elements and results of adjustment to the conversion basis, and terms of subscription or exercise of securities giving access to capital or stock subscription or purchase options
343	Statement of employee and senior executive holdings in the share capital on the last day of the financial year, and proportion of the capital represented by the shares held by employees managed collectively (in an employee savings plan or an employee mutual fund), and the registered shares held directly by them following the allocation of free shares or from other schemes
344 - 346	Information regarding the Company's acquisition of its own shares with a view to allocating them to employees or senior executives (share buyback programme)

Page	Heading
<b>Other information</b>	
367	Amount of dividends distributed over the last three years, and amount of distributed income eligible and ineligible for deductions, broken down by share class
233	Amount of loans of less than two years granted by the Company, on an ancillary basis to its main activity, to micro-companies or small or medium-sized companies with which it has economic links
n/a	Injunctions or fines for anti-competitive practices imposed by the Competition Council, which the Council prescribed to include in the annual report
320	Information regarding supplier and customer payment dates of the Company whose annual financial statements are certified by a Statutory Auditor
<b>Documents attached to the management's report</b>	
315	Table of the Company's results during each of the last five financial years
203- 206	Executive management's report on the use of a delegation of authority or a delegation of powers of the General Meeting
<b>Other documents</b>	
135 - 213	Report of the Supervisory Board to the Combined General Meeting of 4 June 2019
n/a	Executive management report on transactions carried out by the Company or affiliated companies in connection with stock subscription or purchase options reserved for employees and Senior Executives.

### 9.5.3 CROSS-REFERENCE TABLE FOR THE SUPERVISORY BOARD'S REPORT ON CORPORATE GOVERNANCE

139 - 148	Company's general management mode
139 - 145	Offices and positions held in any Company by each Corporate Officer during the past financial year
192, 284, 308, 369 393, 396 - 398	Agreements, other than those relating to current transactions concluded under normal terms and conditions, directly or through an intermediary, between i) one of the corporate officers or shareholders holding more than 10% of the voting rights of a company and ii) another company in which the first company directly or indirectly holds more than half of the capital
203 - 206	Summary table of delegations of authority and powers granted by the General Meeting to Executive Management with respect to capital increases
191 - 202, 285	Total compensation and benefits of all kinds paid to each Corporate Officer during the past financial year
373 - 377	Commitments of any kind made by the Company benefiting its Corporate Officers
206	Information on factors liable to affect the outcome of a public offering
149 - 190	Composition and conditions governing the preparation and organisation of Supervisory Board's work
170 - 175	Application of the principle of balanced gender representation on the Board and description of the diversity policy applied within the Board
141 - 142	Non-discrimination and diversity policy with respect to the balanced representation of women and men in the governing bodies and diversity in the 10% of key management positions
135 - 137	Provisions of the AFEP-MEDEF Corporate Governance Code revised in June 2018 waived due to the legal form of the Company and for other reasons
n/a	Specific terms and conditions relating to shareholder participation in the General Meeting

## 9.5.4 CROSS-REFERENCE TABLE FOR THE REGISTRATION DOCUMENT

The following table cross-references this document with the main headings required under EC Regulation No. 809/2004 enacting the terms of the European Parliament's "Prospectus" directive (2003/71/EC).

Items that are not applicable to Hermès International are marked "n/a".

Page	Headings in Appendix 1 of EC Regulation No. 809/2004
	<b>1. Persons responsible</b>
408	1.1 Persons responsible for the information contained in the Registration Document
408	1.2 Declaration of persons responsible for the Registration Document
	<b>2. Statutory Auditors</b>
409	2.1 Name and address of the Company's Statutory Auditors
n/a	2.2 Statutory Auditors who have resigned, who have been removed or have not been reappointed during the period covered
16 - 17, 228 - 231	<b>3. Selected financial information</b>
36 - 47	<b>4. Risk factors</b>
	<b>5. Information concerning the issuer</b>
11 - 14	5.1 History and development of the Company
329	5.1.1 Name and Company trade name
330	5.1.2 Company registration location and number
330	5.1.3 Date of incorporation and duration of the Company
329 - 330	5.1.4 Company headquarters and legal organisational structure of the Company, legislation governing its activities, country of origin, address and telephone number of its registered office
6 - 7	5.1.5 Important events in the development of the Company's activities
17, 230	5.2 Investments
	<b>6. Overview of activities</b>
32 - 34, 329	6.1 Main activities
18 - 25	6.1.1 Nature of operations conducted by the Company and its main activities
14	6.1.2 New products or services launched on the market
26 - 31	6.2 Principal markets
231	6.3 Exceptional events
37	6.4 Dependence
11	6.5 The basis for any statement from the Company regarding its competitive position
	<b>7. Organisation</b>
32	7.1 Overview description of the Group
287 - 288, 316 - 317	7.2 Company subsidiaries
	<b>8. Property, plant and equipment</b>
35	8.1 Major existing or proposed property, plant and equipment
91 - 110	8.2 Environmental issues that may affect the utilisation of property, plant and equipment
	<b>9. Analysis of financial position and results</b>
229	9.1 Financial position
228	9.2 Operating income
	<b>10. Cash and capital</b>
231	10.1 Information regarding the short-term and long-term capital of the Company
244	10.2 Source and amount of Company cash flows
274 - 275	10.3 Information about the borrowing conditions and the financial structure of the Company
n/a	10.4 Information regarding any restriction to the use of capital, reasonably influencing or capable of influencing, directly or indirectly, the operations of the Company
266 - 267	10.5 Information regarding expected sources of financing

Page	Headings in Appendix 1 of EC Regulation No. 809/2004
39	<b>11. Research and development, patents and licences</b>
	<b>12. Information regarding trends</b>
7, 234, 255	12.1 Main trends at the end of the last financial year until the date of the registration document
234	12.2 Known trend or uncertainty likely to reasonably influence the perspectives of the Company
n/a	<b>13. Profit forecasts or estimates</b>
	<b>14. Administrative, management, or supervisory bodies and Group management</b>
15, 138 - 182	14.1 Administrative, management, or supervisory bodies
177	14.2 Conflicts of interest at the level of administrative, management, or supervisory bodies
	<b>15. Compensation and benefits</b>
191 - 202	15.1 Compensation of Corporate Officers
285	15.2 Total amounts set aside or accrued to provide pension, retirement or other benefits
	<b>16. Operation of administrative and management bodies</b>
139 - 170	16.1 Expiry date of current mandates
177, 192	16.2 Service contracts with members of the administrative, management, or supervisory bodies
183 - 190	16.3 Information on the Company's Compensation Committee and Audit and Risk Committee
135	16.4 Statement of compliance with the corporate governance regime in force in country of origin
	<b>17. Employees</b>
7, 11, 16, 54, 77, 78	17.1 Number of employees
343	17.2 Shares and stock options
343	17.3 Arrangements for involving employees in the capital of the Company
	<b>18. Main shareholders</b>
343 - 344	18.1 Shareholders holding more than 5% of the share capital or voting rights
340	18.2 Existence of different voting rights
341	18.3 Control of the Company
353 - 354	18.4 All arrangements known to the Company whose implementation could result in a change of control at a later date
284, 308, 347 - 351	<b>19. Related-party transactions</b>
	<b>20. Financial information concerning the assets, financial position and results of the Company</b>
238 - 319	20.1 Historical financial information
n/a	20.2 <i>Pro-forma</i> financial information
296 - 299	20.3 Financial Statements
321 - 324	20.4 Verification of annual historical financial information
31/12/2018	20.5 Date of latest financial information
n/a	20.6 Intermediaries and other financial information
355	20.7 Dividend policy
315, 356	20.7.1 Dividend per share
39, 41	20.8 Litigation and arbitration
n/a	20.9 Significant changes in financial or trading position
	<b>21. Additional information</b>
232, 241, 297, 306, 331	21.1 Share capital
266	21.1.1 Subscribed capital, changes in capital and shares
n/a	21.1.2 Shares not representing capital
266, 341	21.1.3 Shares held by the Company
199 - 201, 224	21.1.4 Convertible securities, exchangeable or assorted with warrants, stock subscription options, stock options and performance-based share rights
331, 332	21.1.5 Terms and conditions regulating any acquisition rights and/or obligations attached to capital subscribed but not paid, or an undertaking to increase the capital
224	21.1.6 Capital of any Group member under option or agreement
340	21.1.7 History of the share capital

Page	Headings in Appendix 1 of EC Regulation No. 809/2004
399 - 404	21.1.8 Financial authorisations proposed to the Extraordinary General Meeting
330 - 338	21.2 Incorporation and Articles of Association
331	21.2.1 Corporate purpose
333 - 337	21.2.2 Terms regarding members of the administrative, management, or supervisory bodies
332 - 333	21.2.3 Rights, privileges and restrictions concerning different share classes
333	21.2.4 Modification of shareholder rights
337	21.2.5 General Meetings
n/a	21.2.6 Provisions regarding a change of control of the Company
332	21.2.7 Provisions regarding shareholding thresholds
331	21.2.8 Conditions governing changes in share capital
332	<b>22. Major contracts</b>
n/a	<b>23. Information from third parties, expert certifications and declarations of interest</b>
360, 409	<b>24. Publicly available documents</b>
232	<b>25. Information on holdings</b>

### 9.5.5 CROSS-REFERENCE TABLE DECLARATION OF NON-FINANCIAL PERFORMANCE

Page	Themes		Chapter
53	<b>Business model</b>		2.1
<i>Identification des principaux enjeux, politiques, actions mises en œuvres et résultats</i>			
61	People: savoir-faire	preservation and development of savoir-faire	2.2.1
65		transmission of a culture	2.2.2
65		recruitment of talent	2.2.3
67		integration of sustainable development into our savoir-faire	2.2.4
69	People: teams	well-being and development of employees	2.3.1
78		maintain diversity	2.3.2
81		ethics and value sharing	2.3.3
85	The planet: materials	protect high-quality supplies	2.4.1
88		manage raw materials sparingly	2.4.2
92	The planet: environment	comply with regulations	2.5.1
93		control consumption of natural resources (water, energy)	2.5.2
101		control our greenhouse gas emissions	2.5.3
103		manage waste	2.5.4
106		respect and protect biodiversity	2.5.5
111	Communities: suppliers & partners	long-term partnerships and use of socially supported organisations	2.6.1
113		assist suppliers	2.6.2
120	Communities: stakeholders and local integration	regional responsibility in France	2.7.1
122		a responsible company	2.7.2

Page	Themes	Chapter
<b>Information expected in non-financial performance reporting</b>		
<b>Social consequences of the activity</b>		
75	Collective agreements and their impacts	social dialogue 2.3.1.2.2
78	Fight against discrimination and promotion of diversity	Maintain diversity 2.3.2
81		Ethics and value sharing 2.3.3
116		Risk management and mitigation or prevention of serious violations 2.6.2.3
78	Promote diversity	Maintain diversity 2.3.2
81		Ethics and value sharing 2.3.3
120	societal commitments	Regional responsibility in France 2.7.1
122		A responsible company 2.7.2
78	Disability	Maintain diversity 2.3.2
111		Use of socially supported organisations 2.6.1
<b>Environmental consequences of the activity</b>		
101	Climate change	Control our greenhouse gas emissions 2.5.3
124		Livelihoods 2.7.2.2
99		Use of renewable energies 2.5.2.2.2
88	Circular economy	Manage materials sparingly throughout their life cycle, reduce waste 2.4.2
85	Respect animal welfare	Protect high-quality supplies 2.4.1
	Food waste	The Group monitors the use of all natural resources, including food destined for its employees, even though this issue is not material in view of the Group's activity. For sites in Paris, the collective catering provider has set up a system of selective food waste sorting and recycling
	Fight against food insecurity	In view of the Group's activities, the fight against food insecurity has not been identified as a CSR risk.
	Respect for responsible, fair and sustainable food	In view of the Group's activities, this subject has not been identified as a CSR risk.
<b>Respect for human rights</b>		
60		Membership of the Global Compact 2.1.8
81		Respect for human rights and the fight against corruption 2.3.3.2
218		3.2.3.1
117		Human rights in the supply chain 2.6.5
214		Promotion of and compliance with fundamental conventions on human rights 3.2.1.1
<b>Fight against corruption and tax evasion</b>		
114	Fight against corruption	Duty of care 2.6.2.2
116		Risk management and mitigation or prevention of serious violations 2.6.2.3
218		Corruption 3.2.3.1
41	Tax evasion	Financial risks related to changes in tax regulations, their complexity and their interpretation 1.9.4.4

## 9.6 GLOSSARY

### Active Partners

See “Société en commandite par actions” (Partnership Limited by Shares).

### A&RMD

Audit and Risk Management Department.

### AFEP-MEDEF Code

Corporate governance code of listed corporations developed by the Association française des entreprises privées (AFEP) and the Mouvement des entreprises de France (MEDEF), after consultation with the various parties of the financial marketplace. This code provides a set of demanding and precise recommendations on corporate governance. It can be designated by listed corporations as their reference code pursuant to Articles L. 225-37 et L. 225- 68 of the French commercial code (*Code de commerce*). The AFEP-MEDEF Code is revised on a regular basis.

### Articles of Association

The Articles of Association are a deed of incorporation of a company which define its characteristics and the rules governing its operation. An amendment of the by-laws requires the agreement of all the active partners and a vote by an extraordinary general meeting.

### Audit and Risk Committee

A committee of the Supervisory Board in charge of the financial statements, audit, risks, and corruption prevention.

### Bearer Share

When shares are in bearer form (the most common), the custodian is a financial intermediary (bank or stock market firm). This intermediary is the only entity to know the individual shareholder's identity, so the issuing company does not know the name of the holders of these shares.

### CAG-CSR Committee

A committee of the Supervisory Board in charge of compensations, appointments, governance, and corporate social responsibility.

### Capital increase

Operation conducted to increase the company's equity capital. A capital increase is either done by increasing the par value of existing shares, or by creating new shares proceeding from subscriptions in cash, contributions in kind or profits, reserves or issue of share premiums incorporated into the capital. Capital increases may be carried out with or without subscription rights. They may enable new shareholders to hold a part of the company's capital. They must be previously approved by an extraordinary general meeting.

### Capital gain

The profit made on the sale or disposal of a security. It is equal to the positive difference between the sale price and the purchase or subscription price.

### Consensus

This is the mean value of forecasts made by analysts.

### Growth in revenue at constant exchange rates

Growth at constant exchange rates is calculated by applying, for each currency, the average exchange rates of the previous period to the revenue for the period.

### Consolidated financial statements

The consolidated financial statements consolidate all of the financial statements of the companies forming the Hermès Group, for the purpose of presenting the financial position as if they formed a single entity.

### Corporate governance

Corporate governance:

- ◆ covers certain principles of efficient operation and transparency to improve a company's management and meet demands from investors and the public;
- ◆ concerns all the responsibilities, processes and practices designed to define Group management and the Company's strategic actions, to ensure that risks are correctly managed and that goals are achieved;
- ◆ covers all the different bodies (Supervisory Council and its specialized committees, Executive Committee, etc.) put in place to oversee the management of a publicly-traded company.

### Declaration by Senior Executives (upon disposal of securities)

Declaration that the Corporate officers, the persons acting on their behalf, and the persons related to them are required to make to the issuer and the AMF, in respect of the transactions they carry out on the shares and debt securities of the company in which they perform their duties and the related financial instruments. This declaration must be made within three working days starting from the date of the transaction (for more information, see the “guide de l'information permanente et de la gestion de l'information privilégiée” DOC- 2016-08 of the AMF).

### Dividends

Portion of the company's profits, retained earnings or reserves that the General Meeting, on a recommendation by the Supervisory Board, decides to distribute to the shareholders. The dividend represents the share earnings, and its amount varies each year depending on the company's results and the policy it adopts.

## Double voting right

The double voting right departs from the legal principle that the number of votes attaching to shares must be proportional to the share of capital they represent (principle of “one share one vote”).

A double voting right is granted:

- ◆ to any Hermès International registered share fully paid up for which evidence can be furnished of a book entry held in the name of a given shareholder for at least four years. It is effective as of the first meeting held after the fourth anniversary of the date of the said book entry; and
- ◆ to any Hermès International registered share allocated as a bonus share to a shareholder, in the event of a capital increase by incorporation of amounts entered in issue premium, reserve or retained earnings accounts, based on old shares carrying a double voting right.

The double voting right automatically ceases to exist in the conditions stipulated by law.

## Earnings per share

This is a calculation done for stock market analysis obtained by dividing the company's net profit by the number of shares comprising the capital.

## Economic value added (EVA)

Difference between recurring operating income after tax on operating income and the weighted average cost of capital.

## Executive Chairman

The role of the Executive Chairman consists in running the group and acting in the general interests of the company, within the limits of its corporate object and in compliance with the powers granted by law to the Supervisory Board and General Meetings of shareholders.

## Extraordinary dividend

This is a dividend of an exceptionally high amount compared to the dividend ordinarily paid and which is not therefore recurrent. It may complete or replace the ordinary dividend.

## Financial Markets Authority (AMF)

Financial markets authority regulating French financial market players and products. The authority regulates, authorises, monitors and, when necessary, audits, investigates and imposes sanctions. It also ensures that investors are correctly informed and offers investor assistance, where necessary, via its mediation procedure.

Financial Markets Authority (AMF) is an independent public authority responsible for:

- ◆ protection of savings invested in financial products;
- ◆ investor information;
- ◆ proper financial market operation.

“EpargneInfoService” is available to answer your questions about savings products, the stock market or the AMF’s role on +33 (0)1 53 45 62 00 (price of a local call) or <http://www.amf-france.org/> Epargne-Info-Service.

## Free Cash Flow

Free cash flow = operating cash flows + change in working capital requirement – operating investments.

## General Meeting

The General Meeting is a decision-making body comprising all the shareholders (limited partners).

Except for the appointment and dismissal of members of the Supervisory Board, the appointment and dismissal of Statutory Auditors, the allocation of profits for the financial year and the approval of agreements subject to authorisation, no decision may be validly made by the general meetings unless it is approved by the active partners at the latest by the end of the meeting that voted on the decision in question.

## HCGE

Corporate Governance High Committee (*Haut Comité de gouvernement d’entreprise*), whose role is to conduct oversight of the application of the AFEP-MEDEF Code and to propose the changes therein, subject to public consultation.

## Hermès family group

The Hermès family group consists of the partners of Émile Hermès SARL, their spouses, children and grandchildren, and their direct and indirect holding companies of Hermès International and Émile Hermès SARL. The right to be a partner in Émile Hermès SARL is reserved for the descendants of Mr. Émile-Maurice Hermès and his wife, and their spouses, but solely as beneficial holders of shares.

## IFRS

International Financial Reporting Standards.

## Institutional investors

Financial institutions (pension funds, insurance companies, banks, sovereign funds, etc.) investing money in securities.

## Interim dividend

Advance payment of a portion of the forthcoming dividend.

## Joint Council

Whenever it considers it necessary, the Executive Management of Hermès International or the Chairman of the Supervisory Board of Hermès International calls a Joint Council between the Executive Management of Émile Hermès SARL and the Supervisory Board of Hermès International.

The Joint Council is an institution designed to enable extensive consultation between the Executive Management Board of the Active Partner, an internal body needing to have knowledge of the main aspects of Hermès International’s Executive Management, and the Supervisory Board, an emanation of the shareholders.

The Joint Council hears all questions that are submitted to it by the person calling it or which it decides to examine, without however being able to make decisions in place of the bodies to which such powers are granted by law or the by-laws of the Company and those of Émile Hermès SARL.

The Joint Council of the Executive Management and the Supervisory Board does not, itself, have any decision-making powers. It acts solely as a consultation body. If they so wish, at a Congress meeting, the Executive Management and the Supervisory Board may make any decision or give any opinion within their sphere of competence.

## LEI

LEI is a unique, global identifier that takes the form of a 20-digit alphanumeric code. It is linked to key reference information. Developed by the International Organisation for Standardisation (ISO), the LEI is compulsory for all transactions in financial instruments listed on the stock exchange: it clearly and uniquely identifies the legal entities involved in such transactions.

## Limited Partners

See “Société en commandite par actions” (Partnership Limited by Shares).

## Liquidity

For a given security, this corresponds to the ratio between the volume of shares traded on the market and the number of shares comprising the floating stock. A security or a market is said to be “liquid” when buy or sell transactions can be completed without causing any excessive variations compared to the last trading price.

## Management report

Information document required by the French Commercial Code (*Code de commerce*) whereby the Corporate Officers and management bodies of a company report to the governing body on their management over the past year, and provide all significant information about the issuer and its future prospects. It is prepared by the same bodies as the ones that approve the annual financial statements. Companies preparing consolidated financial statements must also provide information about the management of the group. This document is included in the registration document.

## Market capitalisation

This is the market value of a company at a given time. It is calculated by multiplying the stock market price by the number of shares comprising the capital.

## Net income/(loss)

A company's net income is the balance between all of its income and all of its expenses over a given period. It reflects what the company has earned or lost through its business activities over that period.

## Net profit

Positive income statement (P+L) balance.

## Operating cash flows

Operating cash flows are all the financial resources generated by the company in connection with its activity that it could use to cover its financial needs. It measures the company's ability to finance its requirements in order to exist, using its own resources, such as investments or debt repayments.

## Organic growth

Organic growth is the change in an indicator compared to the previous year, excluding effects due to a change of scope, foreign exchange or changes to accounting methods.

## Parent company financial statements

The parent company financial statements are the annual financial statements of Hermès International taken individually.

## Quorum

Minimum percentage of shares present or represented and carrying voting rights, required for a general meeting to validly proceed.

## Recurring operating income

Recurring operating income is one of the principal performance indicators monitored by Group management. It excludes non-recurring items whose impact is significant and could be such as to affect the understanding of the Group's financial performance.

## Registration Document

An information document about an issuer containing all the legal, economic and accounting information presenting a company for a given year. While this document is optional, most large listed companies do draft a registration document.

## Registered Share

When shares are registered shares, the custodian is the company itself or an agent appointed by the issuing company to keep its registered share accounts. For Hermès International, this agent is BNP Paribas Securities Services (BP2S). Holders of registered shares are known by name by the issuing company. They may either manage their shares themselves, in which case they are described as “pure” registered shareholders, or appoint an agent of their choosing to manage their account held with the issuing company, in which case they are described as “administered” registered shareholders.

## Remote voting

A shareholder may vote by post using a form provided for this purpose or online (please refer to the corresponding notice of meeting).

## Restated net cash

Restated net cash includes cash investments that do not meet IFRS cash equivalent criteria as a result of their original maturity of more than three months.

## **Revenue**

The revenue is the total amount of sales of goods and services made by the company, over a given period, in the normal course of business.

## **Revenue at constant exchange rate**

Revenue at constant exchange rate is calculated by applying the average exchange rates of the previous period, for each currency.

## **ROCE**

Recurring operating income, after tax on operating income, based on average capital employed

## **Share**

A marketable security issued by a listed (publicly-traded) or unlisted incorporated company, representing the unit value of the company's capital and granting the holder shareholder status. This share carries rights to disclosure of information and the right to vote at general meetings, as well as financial rights (right to dividends, subscription right). A share may be a bearer share or a registered share.

## **Share buyback**

After consulting its shareholders at a general meeting and obtaining their consent, a company may purchase its own shares, on the stock market, within the limit of 10% of its capital. Shares thus purchased may then be held, sold, transferred or cancelled (in accordance with the objectives defined in the share buyback programme).

## **Share capital**

Portion of equity capital contributed by shareholders when the company is established or upon a subsequent capital increase.

## **Shareholders' equity**

Capital belonging to the shareholders comprising equity subscriptions, profits left in reserves and income for the period.

## **Shareholding certificate**

Document provided by the financial intermediary proving that a holder of bearer shares is a shareholder. This document enables the shareholder to take part in general meetings.

## **Société en commandite par actions (SCA) (Partnership limited by shares)**

A company whose capital is divided into shares comprising one or more active partners having status as merchant and who have unlimited joint and several liability for the company's debts, and limited partners (or shareholders) who are not merchants and are only liable for the company's debts in proportion to their investment.

## **Supervisory Board**

The company has a Supervisory Board (*Conseil de surveillance*), comprising between three and fifteen members (in addition to members representing the staff) who are appointed for term of three years (unless otherwise specified pursuant to Article 18.2 of the Articles of Association) from among shareholders that do not have status as active partner, legal representative of the active partner or manager.

The powers and competence of the Supervisory Board are defined in Article 18 of the Articles of Association.

## **TPI (titre au porteur identifié) (identified bearer security)**

In order to know all or part of its holders of bearer shares at a given time, a publicly-traded company may ask the company Euroclear France to carry out a survey among the financial intermediaries.

## **Treasury shares**

A share that a company holds in its own capital. Treasury shares do not carry any voting rights and do not grant entitlement to dividends.

## **Voting right**

A voting right attached to a share is exercised at the company's general meetings and enables shareholders to take part in the company's principal decisions. A share may carry a single or multiple voting right, or no voting right at all, but only shareholders may hold voting rights.

## **Yield**

Ratio of the dividend to the share price.

*This glossary contains the most frequently used terms. The definitions are provided for information only and do not purport to be exhaustive. On no account shall this glossary be interpreted as replacing rules in force (legislation, regulations, by-laws, etc.), or documents and communications issued by the company (notice of meeting, Registration Document, financial disclosure, etc.).*

**Hermès International**

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