



AUDIT AND RISK COMMITTEE RULES OF PROCEDURE

Entered into force on March 24th, 2010 - Version N°5 – modified on March 19th, 2019



PURPOSE

The Audit and Risk Committee of Hermès International is a specialized 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	Audit Committee
19 March 2019	Audit and Risk Committee

These rules of procedure define the composition, duties and terms and conditions of the structure and workings 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 Chair 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. MISSIONS 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 individual and consolidated financial statements before they are approved by Executive Management and presented to the Supervisory Board;
- ascertain that the accounting methods applied are relevant and consistent;
- verify that internal data collection and control procedures guarantee the quality of the information provided;
- review the work programme and results of internal and external audit assignments;
 - monitor the process of preparing financial information and, where appropriate, make recommendations to ensure its integrity;
 - monitor the effectiveness of internal control and risk management systems and internal audits regarding the procedures for preparing and processing accounting, 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 par. 3 of Regulation (EU) no. 537/2014 cited above, and ensure compliance with the conditions mentioned in Article 6 of said Regulation;
- approve on a case-by-case basis the provision of the services mentioned in Article L. 822-11-2 of the French Commercial Code in accordance with the following rules
 - the following services need not be approved beforehand:
 - audit of Group reporting by subsidiaries;
 - audit of local financial statements of subsidiaries;
 - mandatory services (such as equity transactions)
 - individual services worth less than €100,000 up to a combined ceiling of €800,000 a year are delegated to the Group finance department;
 - the approval of the Audit and Risk Committee is required for services 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 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. WORKING 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 account 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 Chair, who sets the agenda of the meeting in writing or verbally, wherever 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 management Director, otherwise by a member of the Audit and Risk Committee appointed as reporter by the Chair.

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

Certain non-members of the Audit and Risk Committee – in particular the Statutory Auditors, the audit and risk management Director, the Financial Director and Executive Management –



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 reasonably 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-conferencing 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 from employees of Hermès International and the Statutory Auditors among other sources. In particular it must receive a regular summary of the work of the audit and risk management department.

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

The Audit 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.