



GENERAL MEETING OF 24 APRIL 2020

WRITTEN QUESTIONS

For the General Meeting, written questions may be sent to the Company in the manner defined by law. In accordance with applicable legislation, the answer to a question is deemed given when it is published on the Company's website. Responding to a written question is the responsibility of Executive Management.

On 9 April 2020, Executive Management received a letter by email containing several written questions for the 2020 General Meeting, from the *Forum pour l'Investissement Responsable* ("FIR").

The written questions on governance particularly concern the role and involvement of the "Board of Directors" in certain areas. Therefore, as an introduction, we believe it is important to recall that Hermès International is a partnership limited by shares (French *Société en Commandite par Actions - SCA*), which is a particular legal form of company.

Hermès International is run by the Executive Management. The role of the Executive Chairmen is to manage the Group and act in its general interest, within the limits of the corporate object and in compliance with the powers conferred by law and the by-laws upon the Supervisory Board, the Active Partner and General Meetings of Shareholders.

For its part, 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 as the latter, at the same time. No other power is conferred upon the Supervisory Board by law.

Further information about the organisation of Hermès International, and the role and members of its governing bodies is provided in Chapter 3 of the 2019 Universal Registration Document (page 192 *et seq.*), available on the company's financial website (<https://finance.hermes.com>).

Please find below the answers from the Executive Management to the written questions from FIR.

Environment

1. *"What is the list of your activities that are not compatible with the Paris Agreement (i.e. a climate scenario keeping the global temperature rise well below 2° C and pursuing efforts to further limit the trajectory to 1.5° C)? What actions are you taking to withdraw from these activities in 2020?"*

The Hermès craftsmanship model is energy efficient, and as indicated in section 2.5 of the 2019 Universal Registration Document, it has enabled us to significantly decouple our business growth from our energy footprint for over a decade. Furthermore, the Group uses 78% of renewable electricity. The carbon balance published by the Group, which is consistent with the data detailed in the CDP, is one of the lowest among CAC40 companies in absolute value and particularly in intensity. Naturally, work is underway in all the business lines and subsidiaries to introduce policies to reduce their carbon footprint. Moreover, we will be carbon neutral on Scopes I and II from the end of the 2019 financial year with the help of the actions carried out by the Livelihoods fund. In this context, we have not identified any activities that are not compatible with the main goals of the Paris Agreement.

2. *"How do your CapEx/development plans align with a climate scenario compatible with the Paris agreement?"*

As stated in section 2.5.2 of the 2019 Universal Registration Document, analyses are carried out to better understand the potential effects of climate change on our business model, in order to step up our efforts whenever necessary. Since we introduced our environment strategy in 2002, finding more energy-efficient solutions has been an integral part of our investment plans, both for our industrial facilities and our real-estate development ("sustainable building" benchmark). As an example, the 8% reduction in our power consumption recorded this year in our Leather Goods operations mainly stems from investments made in measuring and monitoring tools, and insulation work. We have increased our CapEx in our new leather workshops to enhance their energy excellence. And we intend to build on this initiative.

3. *"How do you analyse the impact of your operations on global and local ecosystems (biodiversity for example)? What are your five main impacts on ecosystems (positive and negative)?"*

As indicated in section 2.5.4 of the 2019 Universal Registration Document, Hermès works to protect biodiversity in our direct sphere of responsibility (particularly around sites, mostly in France), in our extended sphere of influence (particularly in relation to our suppliers of quality renewable materials), or through positive commitments reaching beyond our direct sphere of economic influence (through the actions of our Corporate Foundation, particularly with WWF or our involvement in the Livelihoods Fund, with more than 130 million trees planted). The Group is currently working with leading NGOs to define appropriate criteria to improve the assessment of our impacts, the most significant of which are disclosed in our 2019 Universal Registration Document.

Social

4. *"The coronavirus crisis will considerably weaken the economic fabric, particularly very small businesses and SMEs. In this context, does the Group plan to alter its supplier payment terms and, if so, how and on which geographical scope?"*

Hermès confirms that we have not changed our conventional payment terms which are often shorter than the legal periods (20 days on average), and we are ensuring that invoices are paid as soon as possible (the Group pays many invoices within 7 days) to avoid any impact on our suppliers' cash flow.

In addition, we also regularly make advance payments, at the start of certain projects.

5. *"How is the company preparing staff for the transitions of the 21st century that are changing your industry?"*

Hermès is preparing for the changes of the 21st century in many ways:

- Digital transformations managed by numerous teams

In **Retail**, the teams at Hermès International are driving a transformation programme together with the Customer Experience teams in the subsidiaries to propose appropriate services, and to ensure that the omnichannel experience is optimal at every point of contact with our customers. The Hermès Sales teams provide extensive support to the stores to help them adopt new approaches through the Smart Ops project, with a view to optimising store operations, administrative management and organisation.

Our Group has launched a major transformation project by rolling out a **HR** information system accessible to all the staff in every country to assist them with their everyday use of this open-ended, transactional digital tool covering all Group HR policies and processes. This will allow everyone to adjust to the digital transition. Employees and managers will use this digital tool at every moment in their life at Hermès, i.e. for recruitment, induction, training, performance appraisals, pay, etc. This project will modernise and bring greater flexibility to day-to-day HR management.

- Sustainable development concerns

Many awareness seminars are held each year to encourage initiatives among the teams in parallel to the measures taken by the sustainable development department and the local role played by the sustainability officers which has gained in importance over the past two years.

We are currently designing training sessions so that everyone can learn the fundamentals of a sustainable development culture.

6. *"Do you have a definition of a "decent wage" beyond the local legal minimum wage? If so, what it is? How does the company guarantee a decent wage for employees, particularly in your main locations?"*

The Group's policy aims to enable our staff to share in our long-term growth project in various ways:

- In general, in every country in which we operate, we ensure that our employees are paid in line with competitive market practices, as regards their total compensation; we therefore take part in salary surveys so that we position our basic salaries and variable pay at a competitive level compared to our competitors in the sector, when the data is available, and if not, to the market in general.

In addition, the company offers staff:

- Employee stock-ownership plans that have been in place for many years (the first one began in 1993) and which reward our employees' contribution to the company's development, whatever their role or country, by granting a unique element of pay. They therefore share in our growth and are more closely involved in our long-term development decisions;
- Incentive Agreements: employees are involved in the development of indicators defined in each company based on the business and environment of each subsidiary in France, particularly quality, safety and productivity;
- A group-wide profit-sharing agreement: all the staff of our companies in France share in the Group's profits;
- Other schemes under which employees of international subsidiaries receive supplementary pay based on local practices and performances.

7. *"Within the framework of the incentive agreements applicable to your employees in France, do you take environmental and social criteria into account? If so, how, and in what proportion?"*

The criteria of the incentive agreements are defined through negotiation held in each of the Group's companies and they reflect the diversity of our operations and their characteristic features. Please see the answer to the previous question.

8. *"Regarding the company savings plan, what portion of the funds carries a responsible investment label (CIES, Finansol, Greenfin, SRI)?"*

In the four funds proposed to employees as part of the employee savings plan, there is a socially responsible *Solidaire* Fund.

Governance

9. *"Is the distribution of taxes country by country discussed by the Board of Directors as a whole and/or in the Audit Committee? Do you intend to make the results public?"*

As stated above, the Supervisory Board of a partnership limited by shares and, *a fortiori*, the Supervisory Board of Hermès International, exercises ongoing control over the management of the Company; it therefore has no authority to interfere in the management of the Company.

This power of control is exercised in particular through its committees (the Audit and Risk Committee and the CAG-CSR Committee), which ensure that the rules applicable to the Hermès Group are properly applied. To this end, the committees have the power to issue recommendations.

The missions, operations and activities of the Supervisory Board and its committees during fiscal year 2019 are detailed in Chapter 3 of the 2019 Universal Registration Document.

As indicated in section 2.7.2 of the 2019 Universal Registration Document, the Hermès Group, with respect to tax matters, follows the recommendations of the CSR GRI 207 reporting standard.

The tax strategy of Hermès is based on the following principles:

- all the Hermès Group's companies comply with the applicable regulations in the countries in which these companies are established;
- Compliance with the deadlines specified by applicable regulations in each country for filing the required tax statements and the payment of taxes owed;
- Income is taxable in the place where the income is generated;
- Absence of creation of legal structure or transactions to meet a primarily tax-related objective;
- The fight against tax evasion with the absence of use of tax evasion schemes or structures without substance.

This tax strategy is implemented by Group Financial Management, based on internal (the tax department) and external expertise in France and abroad. This strategy is reviewed and approved by the Executive Committee at least once per year.

The location of the Hermès Group's activities is based exclusively on operational choices and tax considerations do not modify that approach.

Each year the Group files, as part of its tax obligations, a statement of transfer prices and a country-by-country statement, the Cross-Border Currency Reporting (CBCR) with the French tax administration. In the countries in which the exchange of information is not operational, the Group has a CBCR program with the local tax administration. These documents and declarations are intended only for the tax authorities.

10. "Are the problems of social cohesion due to pay differentials examined by the Board of Directors and are they the subject of a policy?"

The 2019 Universal Registration Document presents (see page 266 *et seq.*):

1. The changes over the last five years in the ratios between the level of compensation of each Executive Chairman and the Chairman of the Supervisory Board and:

- the average pay on a full-time equivalent basis of the Company's employees other than Corporate Officers on the one hand,
- the median pay of the Company's employees other than Corporate Officers on a full-time equivalent basis on the other hand;

2. The annual change in the compensation of the Executive Chairmen and Chairman of the Supervisory Board, the performance of the Company, the average compensation on a full-time equivalent basis of Company employees other than Senior Executives, and ratios, over the past five years.

These ratios were examined by the Supervisory Board and its CAG-CSR Committee when establishing compensation policies and determining the actual compensations of the Executive Chairmen and members of the Supervisory Board.

The conditions of compensation and employment of employees are taken into account in the above-mentioned decision-making process and you will find further information on this point in section 3.5.1.1 of the 2019 Universal Registration Document.

The overall policy, and all of the components of the compensation awarded to employees of the listed company, and those of other Group entities in France and abroad, are presented and set out on page 81 *et seq.* of the 2019 Universal Registration Document.

11. "Is the policy to ensure equality between women and men in terms of pay, career and access to positions of responsibility and are the targets to be achieved discussed within the Board of Directors? »

Constant attention is paid to the working conditions, pay and career development of all the Group's employees. The aim is to apply a Group policy in favour of gender equality that promotes gender balance and inclusion in employment, training, management and pay through practical and ambitious measures.

The company's policy on professional equality and equal pay is presented to the Supervisory Board - notably through its CAG-CSR Committee. On this occasion, the following issues are discussed:

- the assessment of the action plan for professional gender equality; and
- the comparative report on male-female status.

Hermès International's 2020 Gender Equality Index was also presented to the CAG-CSR Committee following its publication on 5 March 2020 (score of 99/100).

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.

In this respect, we inform you that the executive management has set itself the objective of securing gender balance in governing bodies (which include the Executive Committee and the Operations Committee) in the long term, so that each gender represents at least 40% of the members. As of December 31, 2019, the proportion of women in the governing bodies was 54.2% (13 members out of a total of 24).

This topic is one of the indices of the CSR criterion of the Executive Chairmen variable compensation.

Further information on Hermès' corporate model, including its "Responsible Employer" policy, is presented in section 2.2 of the 2019 Universal Registration Document.

12. "Do you intend to publish the opinion of the social partners on your Group's non-financial performance statement?"

The Hermès Group's statement of non-financial performance (SNFP) is presented in Chapter 2 of the 2019 Universal Registration Document. This statement is based on the qualitative and quantitative contributions of the *métiers*, subsidiaries, and central departments consolidated by the following Group corporate departments: human resources, industrial affairs, construction, legal, finance and sustainable development.

As indicated in section 2.2.1. of the 2019 Universal Registration Document, it is Hermès' policy to constantly ensure that it implements and guarantees both qualitative social dialogue and freedom of expression for its employees. This involves both collective bargaining and daily participation by

employee representatives in various projects and is essential to the functioning of the Hermès Group's various companies. Thus, all the actions carried out and described in our SNFP are shared with all the social partners concerned, as they are implemented.

The Executive Management
Hermès International